

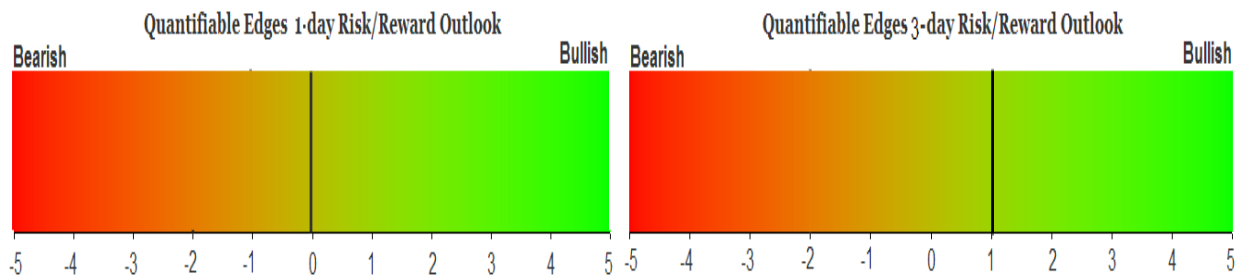
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 25, 2024

Volume 17 Issue 58

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The last week in March is seasonally bullish.
- The QE Seasonality Calendars suggest positive seasonality from now until the end of April.
- While the Fed is still a potentially bearish force, measures of breadth, momentum, and seasonality are positive.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. This could easily change to bullish on Monday if SPX closes flat or down.

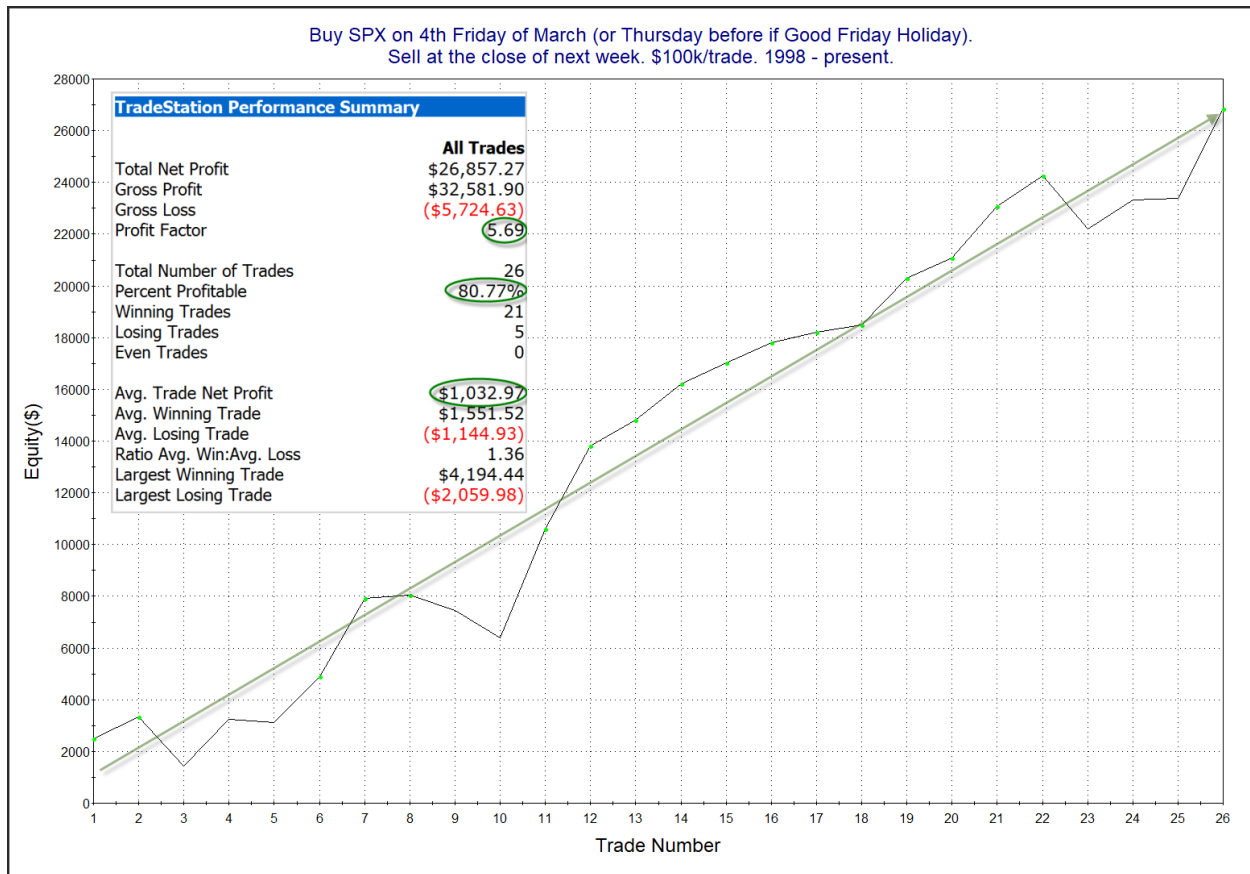
**Summary of Current Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
March 25, 2024	Week After 4th Friday in March Bullish	1-5 days	Bullish	2.20%	-1.05%	-2.20%
March 22, 2024	SPY unfl gap 20-intra high. Close < open	1-3 days	Bullish			
March 22, 2024	SPX 20-day intraday high and btm 10% cls	1-2 days	Bullish			
March 21, 2024	SPX 100-day high on a Fed Day	1-8 days	Bullish	1.70%	-1.00%	-1.70%
<b>Active - Long Term</b>						
March 22, 2024	SPX 20-day intraday high and btm 10% cls	1-10 days	Bullish	2.00%	-1.50%	-2.80%
March 13, 2024	Russell 2000 down 3 days. SPX 3-day high	1-10 days	Bullish	3.30%	-1.20%	-2.60%
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 12, 2024	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.40%	-9.00%
February 2, 2024	SPX up > 15% last 3 months	1-6 months	Bullish			
December 27, 2023	%SPX > 50 moves frm 15% > 90% in 50 dys	1-6 months	Bullish			
November 7, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

**The Evidence**

Friday saw mixed results for the indices. SPX closed down 0.1%, the NASDAQ rose 0.2%, and the Russell 2000 tumbled 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 34% and the Up Volume % at 23%. NYSE total volume declined some from Thursday's level.

We are moving into a strong seasonal period right now. The week after the 4th Friday in March has been a strong one over the last 26 years. (Not as much before that.) We can see this in the study below, updated from the 3/27/23 letter.

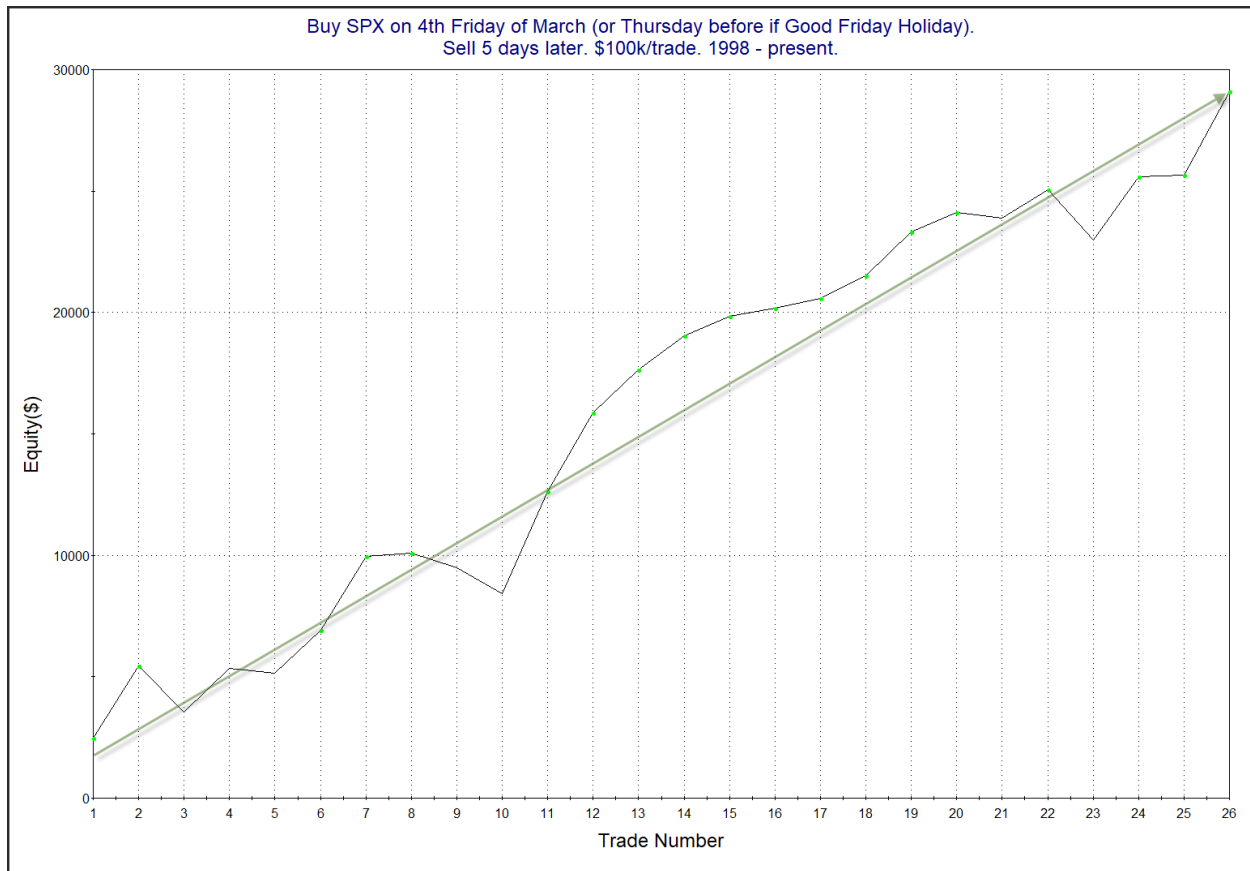


That is an encouraging looking curve and bullish stats. Let's see how it has broken down on a daily basis.

Buy SPX on 4th Friday of March (or Thursday before if Good Friday Holiday).  
Sell X days later. \$100k/trade. 1998 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	29,102.80	26	20	6	76.92	4,194.44	-2,059.98	1,757.19	-1,006.84	1.75	5.82	1,119.34
4	22,799.82	26	20	6	76.92	4,111.60	-2,575.30	1,373.89	-779.67	1.76	5.87	876.92
3	14,412.40	26	18	8	69.23	3,977.08	-2,767.83	1,154.57	-796.23	1.45	3.26	554.32
2	15,484.50	26	18	8	69.23	4,175.44	-2,204.54	1,256.27	-891.04	1.41	3.17	595.56
1	8,229.28	26	15	11	57.69	3,322.02	-3,466.02	1,087.40	-734.70	1.48	2.02	316.51

Numbers here are very good. Though they are slightly different than those above. That is because (like this year) Easter will occasionally fall during this period, so sometimes the following week is 4 days and sometimes it is 5 days. Below is a look at the 5-day profit curve.



Again, no red flags based on the curve. There appears to be a good chance the market will have a seasonal wind at its back this upcoming week. A couple of other notes regarding upcoming seasonality. 1) [Holy Thursday has historically been a strongly bullish day](#), and 2) the 1<sup>st</sup> week in April has also been strong over the years. I'll update the Holy Thursday study linked above in the next few days. And I will talk about early April next weekend.

And speaking of seasonality, below is the SPX QE Seasonality Calendar for March, as well as the preliminary Calendar for April.

<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<b>Date</b>	<b>Win%</b>	<b>Profit Factor</b>	<b>Avg % Chg</b>
3/1/2024	56.78	1.616	0.149
3/4/2024	53.06	1.204	0.004
<b>3/5/2024</b>	<b>47.35</b>	<b>0.880</b>	<b>-0.096</b>
3/6/2024	53.51	1.111	-0.029
3/7/2024	51.12	0.905	-0.085
3/8/2024	51.88	1.087	-0.034
3/11/2024	53.21	0.984	-0.017
3/12/2024	51.02	1.054	0.013
3/13/2024	53.72	0.989	-0.007
3/14/2024	54.04	0.933	-0.032
<b>3/15/2024</b>	<b>49.59</b>	<b>0.905</b>	<b>-0.037</b>
3/18/2024	54.36	1.170	0.061
3/19/2024	49.91	1.365	0.104
3/20/2024	47.69	1.028	0.018
3/21/2024	49.88	1.004	0.009
3/22/2024	49.91	1.021	0.015
3/25/2024	55.74	1.219	0.068
3/26/2024	57.64	1.345	0.093
3/27/2024	57.95	1.455	0.126
3/28/2024	59.76	1.586	0.143
<b>Baseline</b>	<b>53.85</b>	<b>1.137</b>	<b>0.047</b>

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
4/1/2024	61.37	1.865	0.208
4/2/2024	50.19	1.103	0.030
4/3/2024	55.89	1.368	0.110
4/4/2024	56.65	1.173	0.057
4/5/2024	56.81	1.278	0.091
4/8/2024	54.56	1.334	0.081
4/9/2024	52.71	1.418	0.114
4/10/2024	54.79	1.341	0.091
4/11/2024	55.46	1.295	0.071
4/12/2024	55.77	1.525	0.145
4/15/2024	60.57	1.478	0.102
4/16/2024	57.47	1.732	0.161
4/17/2024	54.76	1.200	0.052
4/18/2024	54.17	1.155	0.036
4/19/2024	50.37	1.099	0.016
4/22/2024	54.81	1.103	0.030
4/23/2024	53.40	1.053	0.017
4/24/2024	54.57	1.155	0.048
4/25/2024	56.75	1.230	0.068
4/26/2024	54.55	1.001	0.000
4/29/2024	52.40	1.026	0.001
4/30/2024	50.99	0.975	-0.012
<b>Baseline</b>	<b>53.81</b>	<b>1.139</b>	<b>0.047</b>

These confirm the above discussed tendencies. The end of March looks strong (especially Thursday). And so does the beginning of April (and almost all of April for that matter).

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. This could possibly change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 5251.79* on Monday. That is 0.3% *above* Friday's close. An inverted pivot means that the differential line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up over 0.3% in order to remain overbought. Anything other than that and it will be considered "oversold" versus expectations as of Monday's close.

So the Aggregator is again neutral. But we have seen some bullish studies emerge over the last few days, and with the Differential Pivot inverted, SPX is primed to flip back to oversold. I don't usually jump the gun, but I may look to take on some long exposure near the close on Monday if SPX has a tough day and closes near the bottom of its intraday range.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 3/25 – *bullish***

<b>Combo #1</b>	<b>Combo #2</b>	<b>Combo #3</b>	<b>Combo #4</b>
<b>Long SPY</b>	<b>Long SPY</b>	<b>Long SPY</b>	<b>Long SPY</b>

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. *The Combo Systems all remained long SPY.*

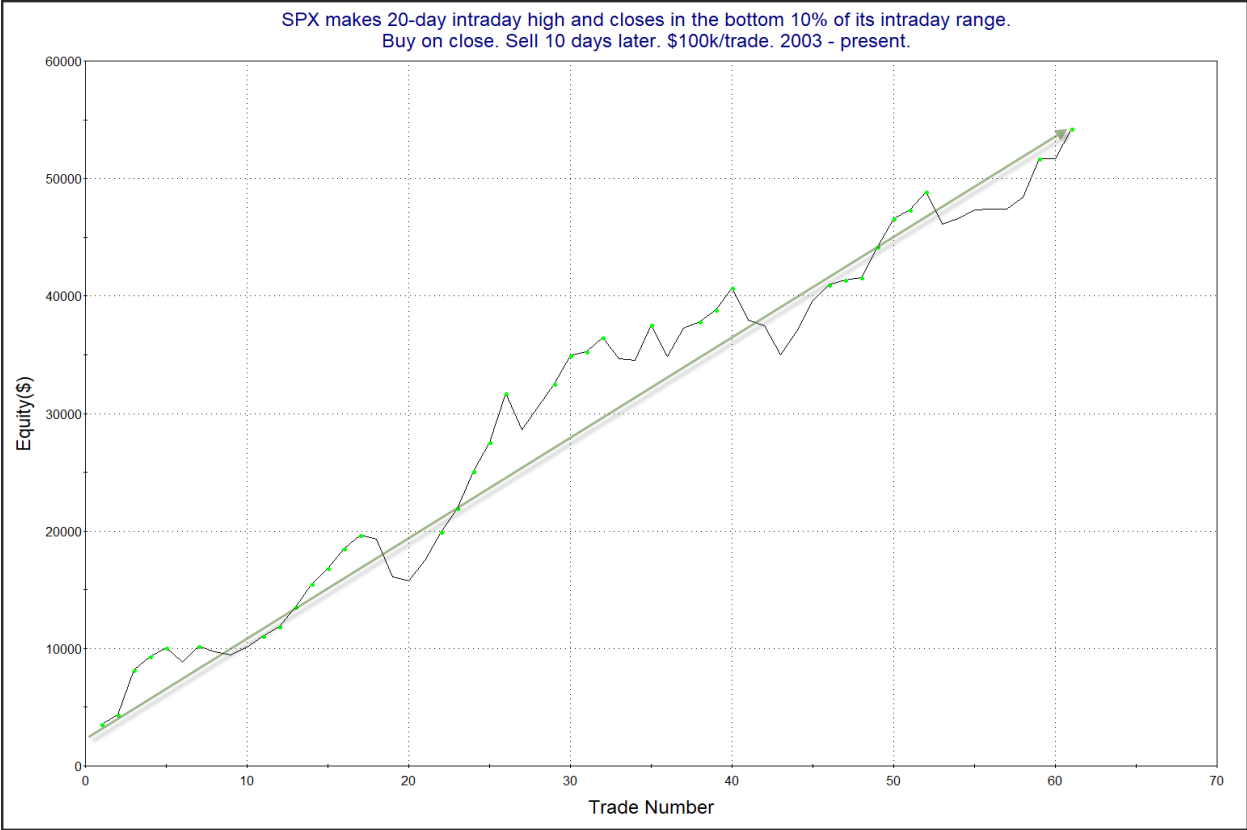
This past week saw a big rebound and more new highs. The SPX rose 2.3%, the NASDAQ rallied 2.9%, and the Russell 2000 gained 1.6%. Bonds also did well. The US Aggregate Bond ETF (AGG) climbed 0.7%. TLT, the 20-year Treasury Bond ETF, rose 1.1%. SPX and NASDAQ both posted new all-time highs during the week. The long-term uptrend still appears to be intact.

There was one study that triggered intermediate-term implications in Thursday night's letter. I have copied it below.

*Early in the day the SPX managed to make a new intraday high. The new high followed by a poor and close triggered the study below, which was last seen recently in the 3/11/24 subscriber letter. Results are updated.*

SPX makes a 20-day intraday high and then closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
<b>X Days</b>	<b>All: Net Profit</b>	<b>All: Total Trades</b>	<b>All: Winning Trades</b>	<b>All: Losing Trades</b>	<b>All: % Profitable</b>	<b>All: Max Winning Trade</b>	<b>All: Max Losing Trade</b>	<b>All: Avg Winning Trade</b>	<b>All: Avg Losing Trade</b>	<b>All: Win/Loss Ratio</b>	<b>All: ProfitFactor</b>	<b>All: Avg Trade</b>
10	54,213.89	61	46	15	75.41	4,119.18	-3,210.80	1,657.54	-1,468.86	1.13	3.46	888.75
9	52,183.56	62	46	16	74.19	3,613.36	-3,775.10	1,626.14	-1,413.69	1.15	3.31	841.67
8	49,053.63	63	48	15	76.19	4,483.84	-3,803.24	1,569.06	-1,750.76	0.90	2.87	778.63
7	40,064.10	64	47	17	73.44	3,761.94	-4,159.32	1,446.10	-1,641.33	0.88	2.44	626.00
6	36,502.39	65	47	18	72.31	3,703.30	-3,567.90	1,279.01	-1,311.72	0.98	2.55	561.58
5	21,010.45	65	40	25	61.54	4,377.84	-3,566.84	1,099.80	-919.26	1.20	1.91	323.24
4	17,217.95	67	43	24	64.18	5,024.25	-2,435.84	994.37	-1,064.16	0.93	1.67	256.98
3	15,311.11	67	41	26	61.19	3,368.93	-3,384.50	905.27	-838.66	1.08	1.70	228.52
2	18,757.15	67	40	27	59.70	3,288.48	-1,575.22	842.17	-552.95	1.52	2.26	279.96
1	12,998.46	68	45	23	66.18	2,588.08	-2,471.25	562.74	-535.86	1.05	2.05	191.15

*Results here seem to suggest an upside edge...*



*... I have included this study on the short and intermediate-term active lists. It was just about to expire on the intermediate-term list, so I reset it there.*

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

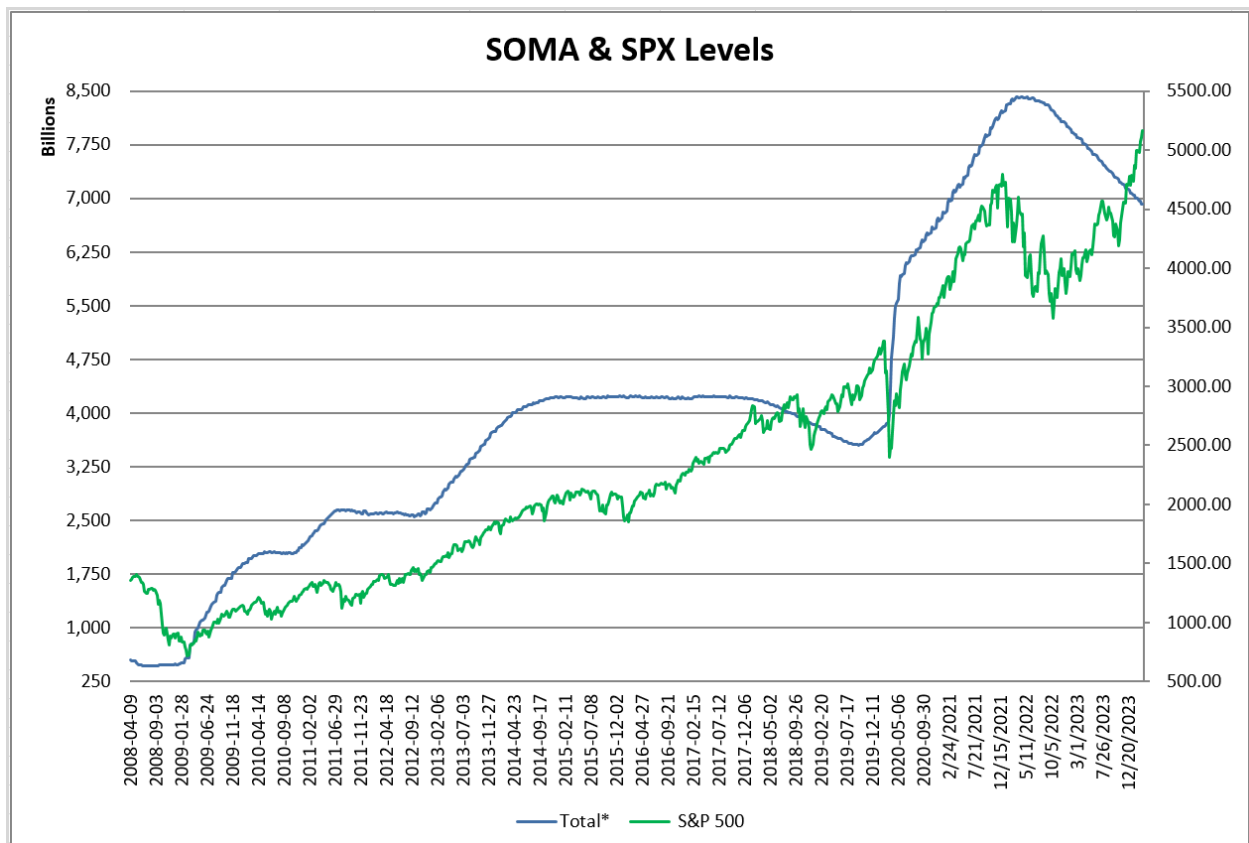
Domestic Security Holdings as of

◀ Previous **March 20, 2024** 📅  
Posted March 21, 2024 at 4:30 PM

**SUMMARY** | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

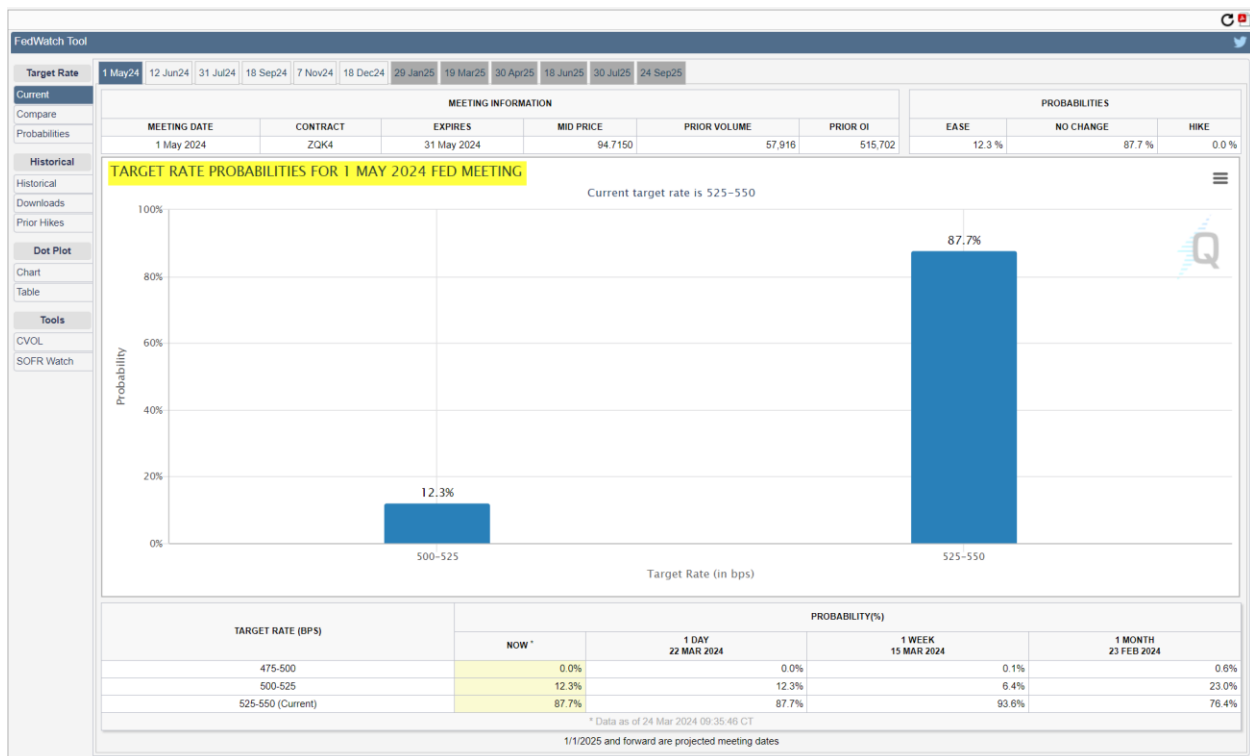
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	202,148,016.6
US Treasury Notes and Bonds (Notes/Bonds)	3,937,459,289.9
US Treasury Floating Rate Notes (FRNs)	7,777,080.8
US Treasury Inflation-Protected Securities (TIPS)*	360,611,595.8
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,391,783,655.7
Agency Commercial Mortgage-Backed Securities***	8,208,422.3
Total SOMA Holdings	6,910,335,061.1
Change From Prior Week	-12,238,676.8

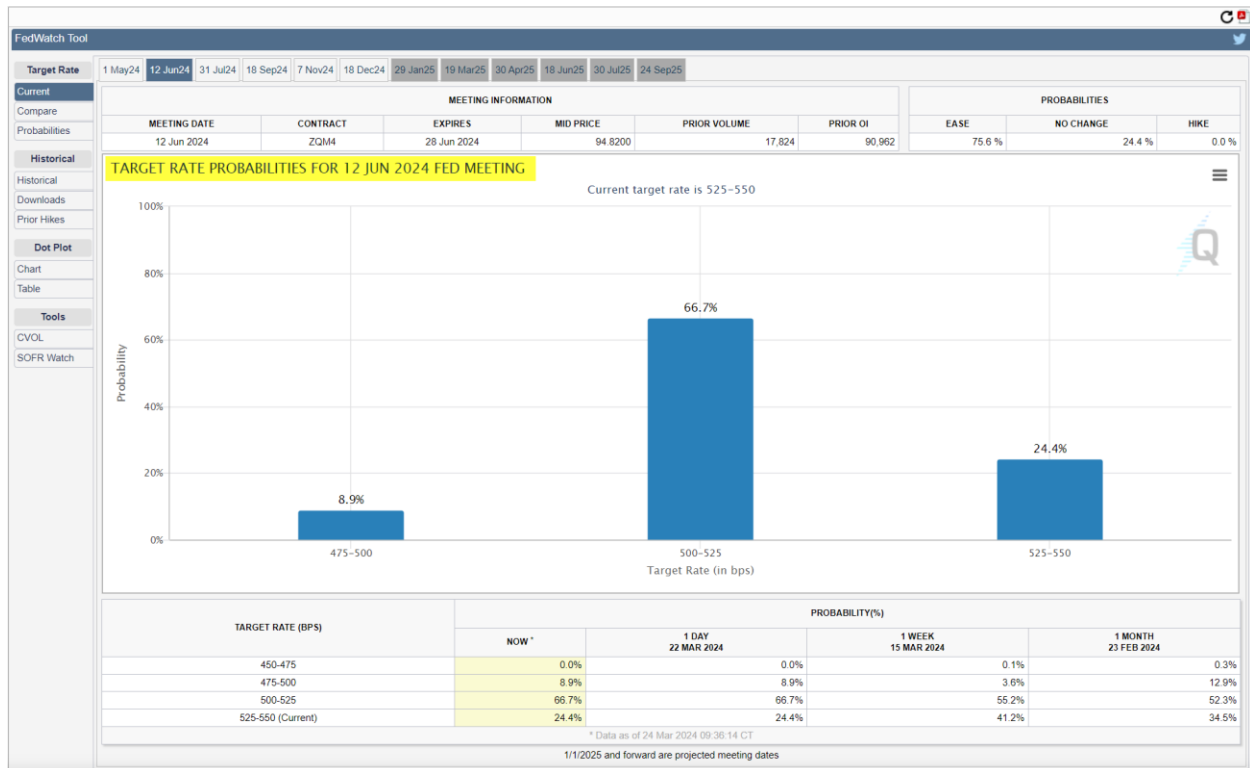
The SOMA saw a decline this past week of \$12 billion. The current week should see a much more mild decline, followed by a very big decline the next week. Below is an updated SOMA/SPX chart looking back to 2008.



The Fed is in the midst of what is now the largest ever reduction in the size of the SOMA. Despite the strong rally we have seen, SPX is only up moderately since Quantitative Tightening (QT) began in early 2022. Looking back to 2003, the market has now posted very net mild gains during times that the SOMA was shrinking. The vast majority of the gains have all come during periods that the SOMA was growing. The shrinking SOMA remains a headwind for the market. Notable with regards to QT is that we may be nearing a point where the Fed will begin winding it down. Powell indicated in his press conference this was likely to occur, but gave no details and no timeline.

With regards to rates, odds are showing just a 12% chance that the Fed cuts rates in May, but a 76% that rates are lowered by the June meeting. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.





There continue to be expectations that the next move, when it eventually comes, will be a cut. Keep in mind that these odds continue to shift. Last year at this time most people believed the Fed was going to start cutting rates in July of 2023. We are now way beyond that. I am still viewing the Fed as a potentially bearish market force.

I've had a bullish overall bias for a while now. And most of what we see on the intermediate-term active list remains bullish. Momentum is strong, seasonality is generally favorable, breadth thrusts we saw a few months ago have seen great follow through to this point. The trend is clearly up and the market is posting new all-time highs. We also had confirming study trigger that looked at the weak close from the new high on Thursday. There are still some negatives, including potentially bearish Fed policies, and the fact that the NASDAQ is in a lagging position. But there is enough pointing higher at this point that I will keep my outlook bullish. I will look to be more aggressive with long-side trades, and will be conservative when considering short positions.

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

**None**

### ***Broad Market Large Cap CBI – 0***

## **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

**SPY – Buy ¼ index position @ \$518.00 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM 25% OF ITS INTRADAY RANGE.** Based on the short-term section above, I will scale in a small amount on Monday if it is a tough day that closes near its low.

## **Current Open Trade Ideas**

**None**

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