

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 1, 2024

Volume 17 Issue 62

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The 1st day of the month has shown a strong bullish tendency when SPY closes in the lower half of its range on the last day of the previous month and above the 200ma.
- Early April has shown strong seasonality, and in fact the whole month looks favorable based on the QE Seasonality Calendar.
- The SOMA continues to shrink and this week should see a substantial decline. The Fed policy still appear to be a market headwind.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well..

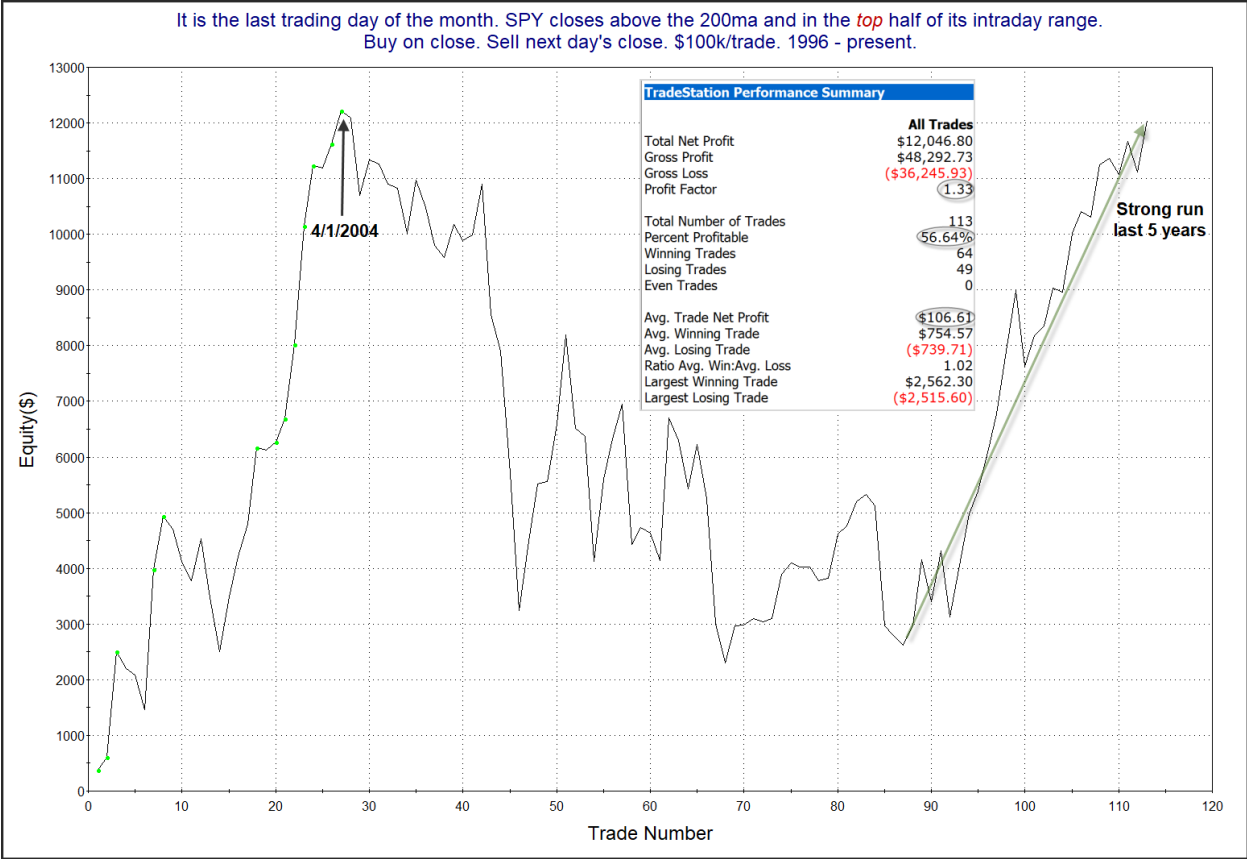
Summary of Current Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 1, 2024	Last day of month closes btm 1/2 intra rng	1 day	Bullish			
April 1, 2024	Early April bullish	1-4 days	Bullish	3.40%	-1.70%	-3.40%
March 28, 2024	5-low to 50-high in 1 day	1-5 days	Bearish			
March 27, 2024	SPY btm 1/4 of intraday range 4th day row	1-5 days	Bullish	3.40%	-1.70%	-3.40%
March 27, 2024	SPX 5-low, btm 10% intraday. Not Mon	1-5 days	Bullish	1.60%	-1.30%	-2.80%
March 25, 2024	Week After 4th Friday in March Bullish	1-5 days	Bullish	2.20%	-1.05%	-2.20%
March 21, 2024	SPX 100-day high on a Fed Day	1-8 days	Bullish	1.70%	-1.00%	-1.70%
Active - Long Term						
March 22, 2024	SPX 20-day intraday high and btm 10% cls	1-10 days	Bullish	2.00%	-1.50%	-2.80%
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			

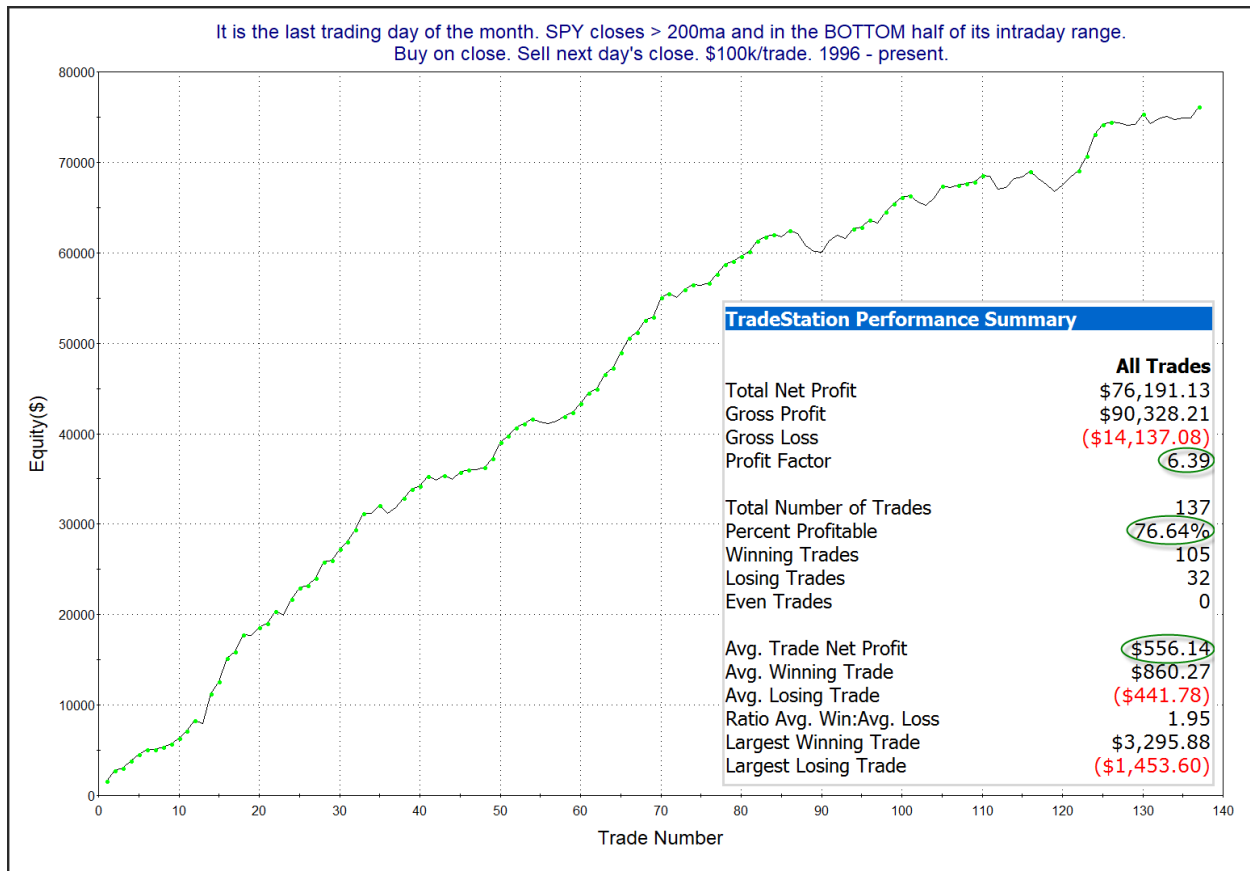
The Evidence

The major indices finished mixed on Thursday. SPX closed up 0.1%, the NASDAQ declined 0.1%, and the Russell 2000 rose 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 62% and the Up Volume % at 70%. NYSE total volume rose some from Wednesday's level.

There were several studies that triggered that noted Thursday was the last trading day of the month. The 1st day of a new month is often a bullish day. Over the years we have found the bullish tendency to be more consistent and powerful when SPY closes poorly on the last trade day of the month. The two studies below delineate between times SPY closed in the top half of its intraday range and the bottom half. First, let's look at times SPY closed in the top half.



We see here huge inconsistency. And since 2004 there has been a net loss. But there has been a bullish streak over the last 5 years. Still, this is a tough curve to get very excited about. Next let's look at performance following weak closes on the last day of the month.



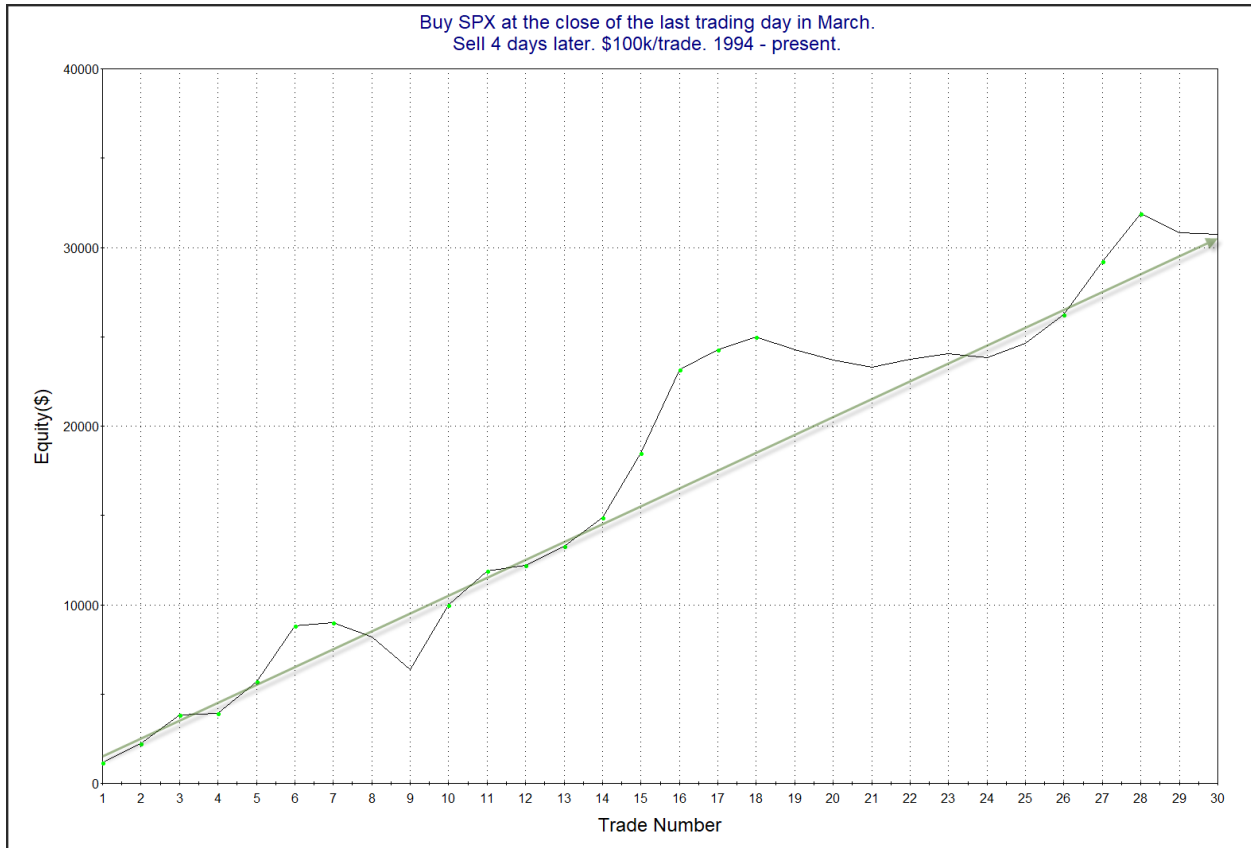
The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6.4x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 137 instances. And despite a few recent failures, the curve has shown progress over a long period of time and is back at new highs. This setup certainly appears to provide a 1-day bullish edge. I have included it on the Active List.

Another seasonal edge worth noting tonight is that since the mid-90s the beginning of April has generally provided market gains. The study below was last seen in the 4/1/22 letter. Stats are updated.

Buy SPX at the close of the last trading day in March.
Sell X days later. \$100k/trade. 1994 - 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	20,062.35	30	19	11	63.33	4,435.97	-2,745.12	1,716.23	-1,140.56	1.50	2.60	668.75
4	30,715.90	30	22	8	73.33	4,701.25	-1,831.35	1,654.96	-711.64	2.33	6.40	1,023.86
3	17,926.58	30	20	10	66.67	5,578.75	-4,909.74	1,630.77	-1,468.88	1.11	2.22	597.55
2	20,489.05	30	20	10	66.67	4,563.75	-4,638.84	1,556.88	-1,064.85	1.46	2.92	682.97
1	6,179.06	30	21	9	70.00	3,559.50	-4,335.42	818.61	-1,223.52	0.67	1.56	205.97

The numbers look compelling. Let's look at the 4-day profit curve to see how the edge has played out over time.



While there has been a slight pullback the last couple of years, the curve still seems to support the idea of a bullish edge.

The April Seasonality Calendars were finalized and published on the site. Below is a look at the SPX calendar.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
4/1/2024	61.17	1.867	0.207
4/2/2024	49.99	1.104	0.029
4/3/2024	55.69	1.370	0.109
4/4/2024	56.40	1.173	0.056
4/5/2024	56.65	1.281	0.091
4/8/2024	54.56	1.335	0.081
4/9/2024	52.66	1.417	0.114
4/10/2024	54.79	1.341	0.091
4/11/2024	55.41	1.293	0.070
4/12/2024	55.82	1.526	0.145
4/15/2024	60.70	1.481	0.102
4/16/2024	57.61	1.734	0.161
4/17/2024	54.76	1.200	0.052
4/18/2024	53.99	1.148	0.033
4/19/2024	50.55	1.102	0.017
4/22/2024	54.81	1.105	0.030
4/23/2024	53.14	1.047	0.015
4/24/2024	54.67	1.161	0.050
4/25/2024	56.80	1.229	0.067
4/26/2024	54.60	1.002	0.000
4/29/2024	52.40	1.028	0.001
4/30/2024	50.73	0.969	-0.014
Baseline	53.81	1.140	0.047

That is about as strong as you'll see for any month. Not only is nearly every day green, but there are only 4 days that don't show a Win% higher than the historical Baseline Win%. Seasonality should continue to provide a bullish breeze behind the market for a while longer.

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 dropped 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5225.11 on Monday. That is 0.6% below Thursday's close. Therefore, SPX will need to close down at least 0.6% on Monday in order to flip from overbought to oversold versus recent expectations.

The bounce over the last couple of days was expected, but it overshot expectations. This leaves the Aggregator neutral and me looking to flatten out on my short-term index position. A pullback in the next few days could set up another favorable entry opportunity. For now, my focus is exiting my current position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/1 – *bullish*

Combo #1	Combo #2	Combo #3	Combo #4
Long SPY	Long SPY	Long SPY	Long SPY

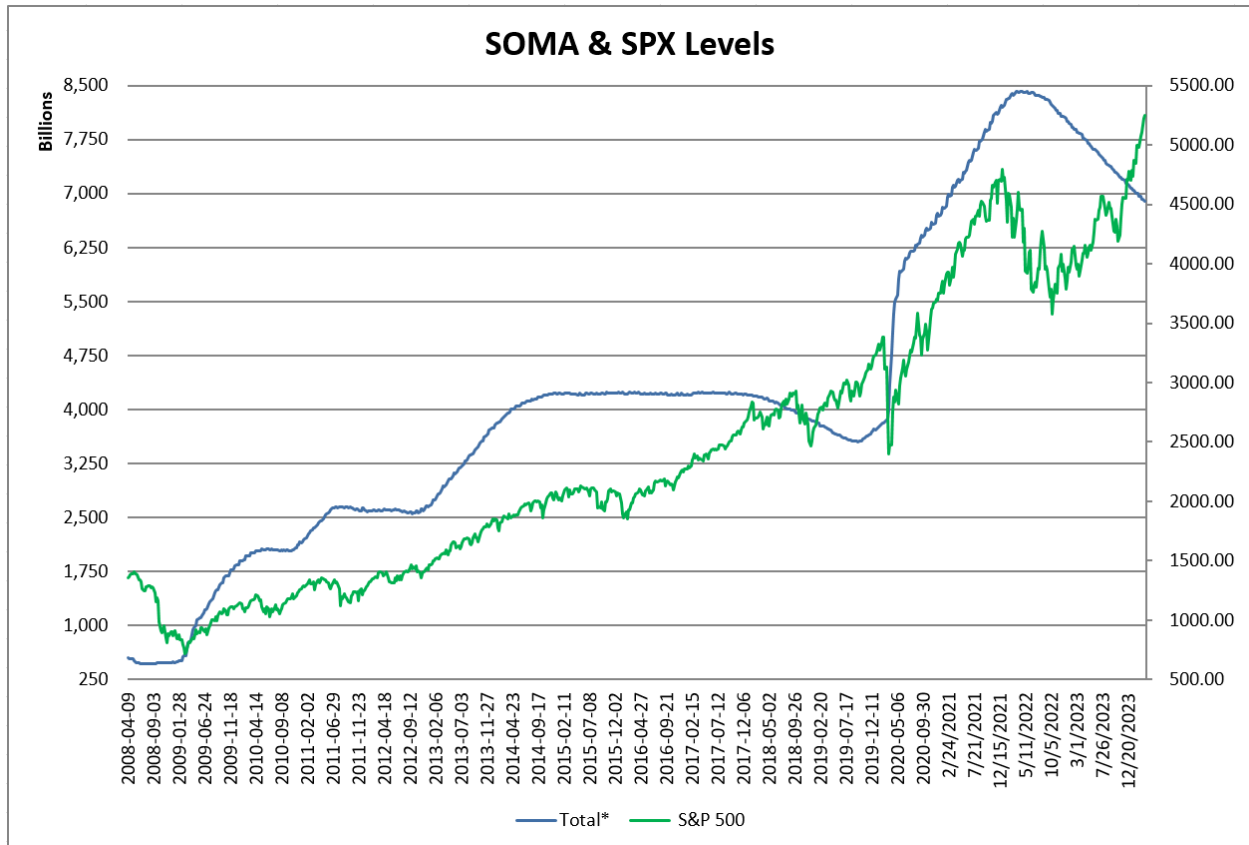
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which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

This past week saw mixed and generally mild returns for stocks. The SPX rose 0.4%, the NASDAQ declined 0.3%, and the Russell 2000 gained 2.5%. Bonds posted small gains. The US Aggregate Bond ETF (AGG) climbed 0.1%. TLT, the 20-year Treasury Bond ETF, rose 0.7%. SPX posted new all-time highs, so the long-term uptrend still appears to be intact. There were no studies that triggered in the last few days with intermediate-term implications.

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

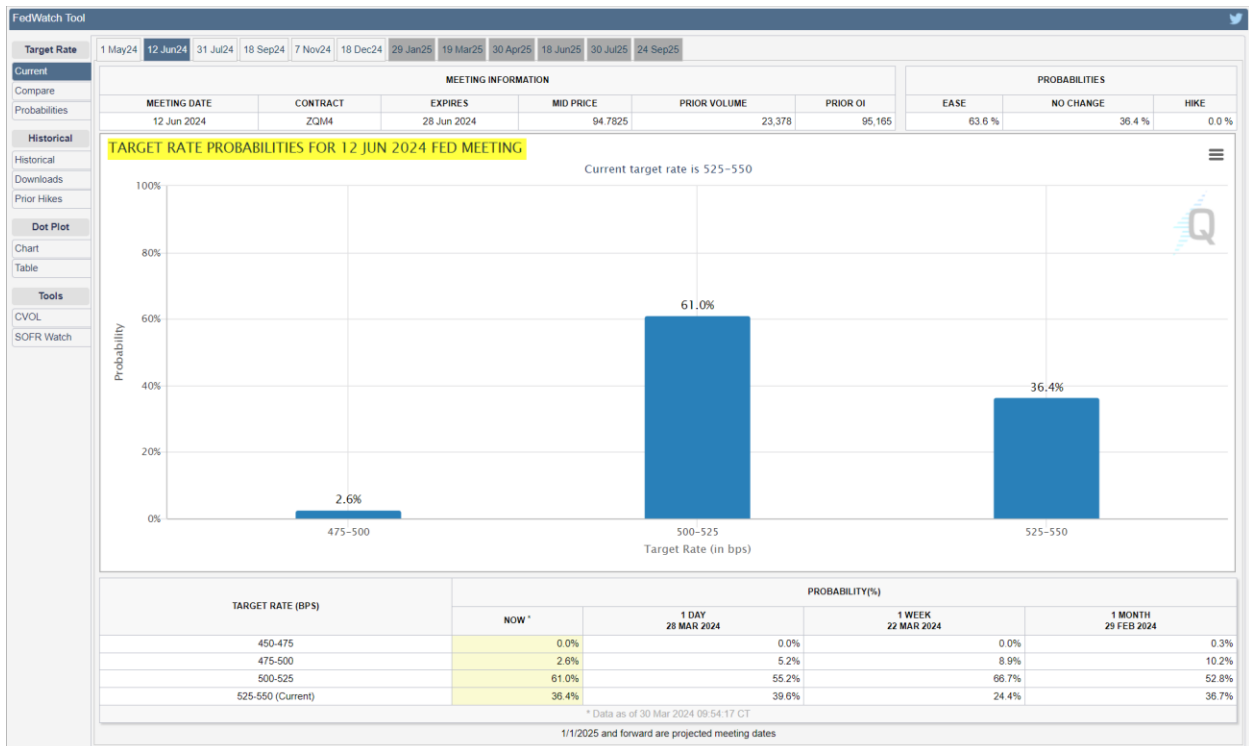
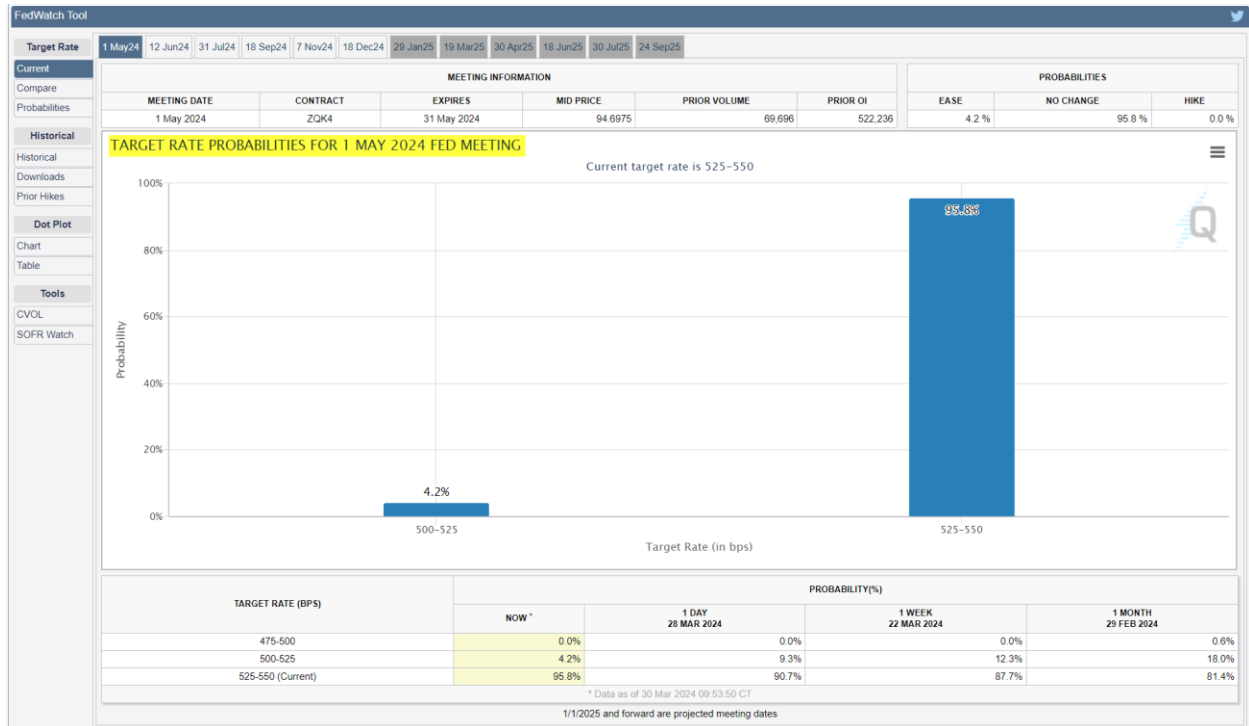
Domestic Security Holdings as of	
◀ Previous	March 27, 2024 📅 Posted March 28, 2024 at 4:30 PM
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	199,214,979.7
US Treasury Notes and Bonds (Notes/Bonds)	3,937,459,289.9
US 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***	2,380,239,926.0
Agency Commercial Mortgage-Backed Securities***	8,195,378.6
Total SOMA Holdings	6,895,845,250.7
Change From Prior Week	-14,489,810.3

The SOMA saw a decline this past week of \$14.5 billion. The current week should see a much stronger decline. 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 4% chance that the Fed cuts rates in May (down from 12% last week), but a 64% chance that rates are lowered by the June meeting (down from 76% last week). 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. 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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	3/26/2024	\$519.77	\$523.07	0.63%	sell on open

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