

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 15, 2024

Volume 17 Issue 72

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- April opex week has often been bullish, especially the 1<sup>st</sup> two days.
- The day taxes are due and the day after have also shown bullish tendencies.
- Oversized declines on Fridays often lead to a bounce in the coming days.
- The NASDAQ has taken a leading position versus the SPX, which is a bullish development.
- SOMA was flat and Reverse Repos rose slightly this past week, leading to a liquidity drain.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Evidence is suggesting a move higher. With the market oversold, the setup appears favorable for longs.

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

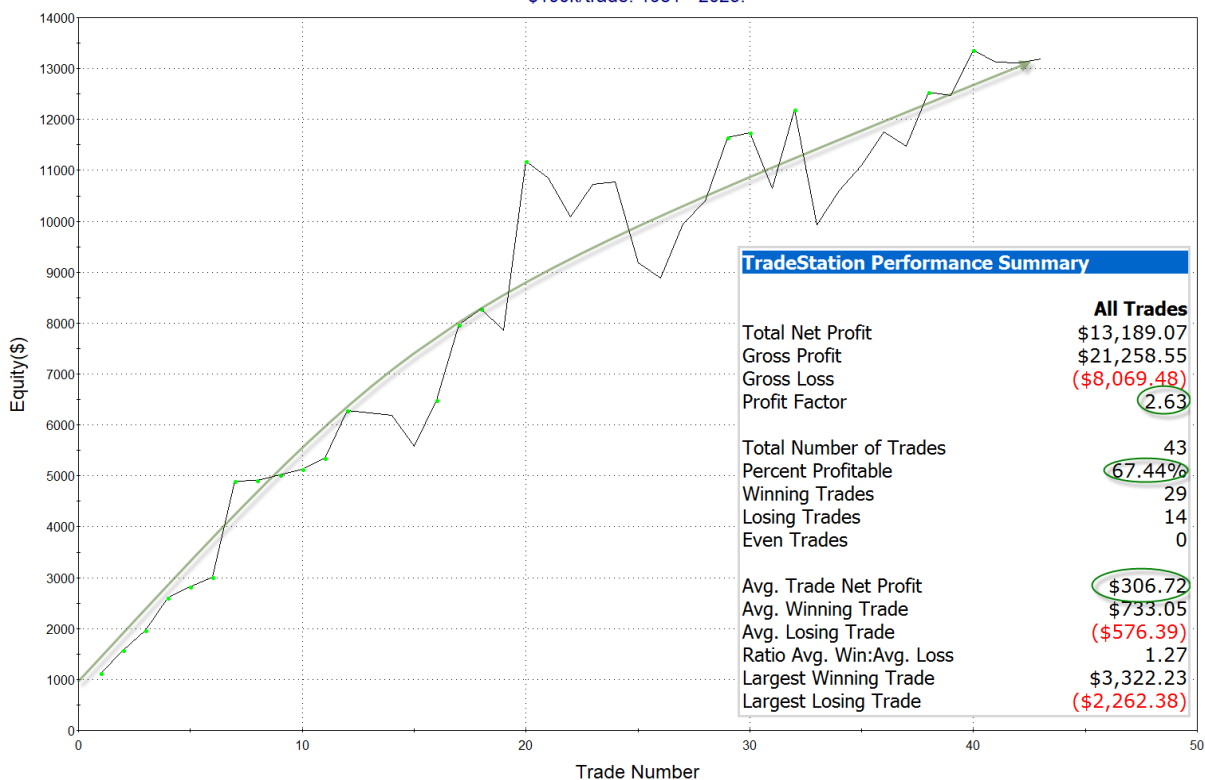
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
April 15, 2024	SPX drops > 1.5x 20-day ATR on Fri	1-4 days	Bullish	1.95%	-1.60%	-3.50%
April 15, 2024	April Opex week bullish	1-2 days	Bullish			
April 15, 2024	Tax Days Bullish	1-2 days	Bullish			
April 12, 2024	Down 1% then sideways for 5 days	1-3 days	Bullish	1.30%	-0.90%	-1.90%
April 8, 2024	10-low yest. Unfill up < 10ma > 200 today	1-5 days	Bullish	1.60%	-1.60%	-2.90%
April 5, 2024	1st 10-low close in 30+ days	1-8 days	Bullish	2.50%	-1.90%	-4.10%
<b>Active - Long Term</b>						
April 15, 2024	NASDAQ Leading	int term	Bullish			
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			

**The Evidence**

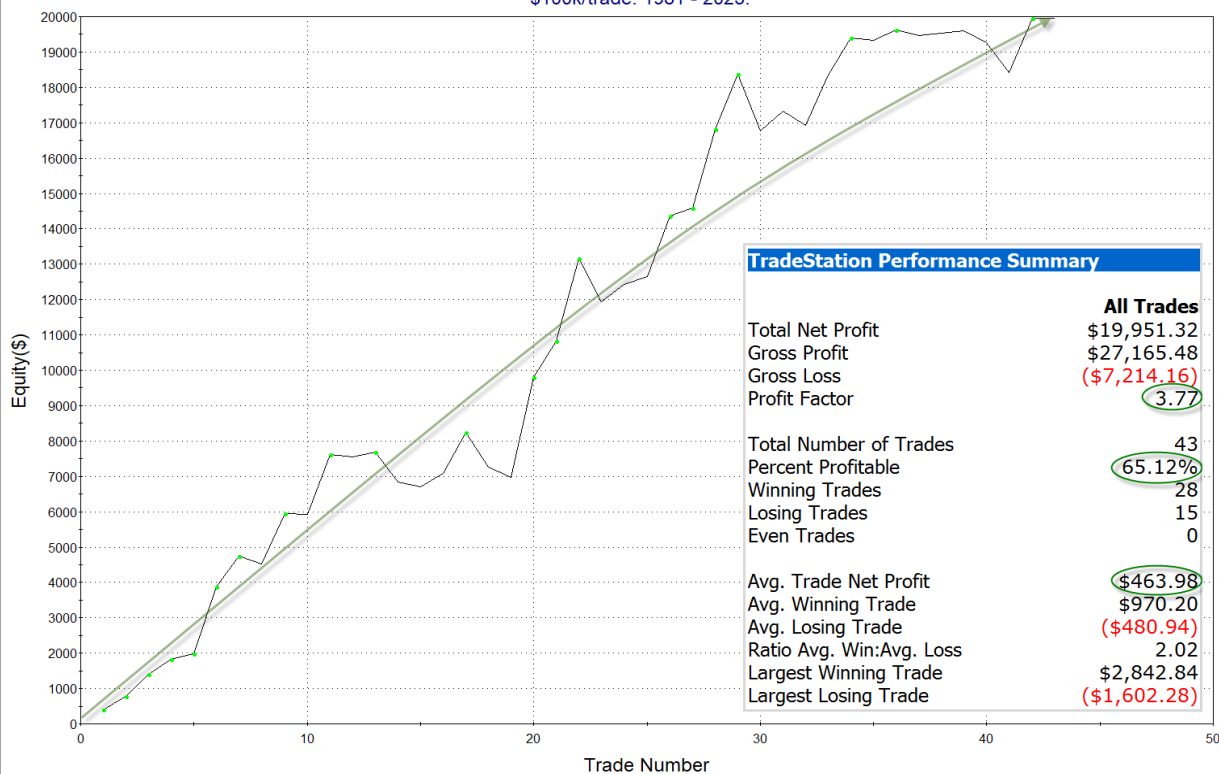
Iranian threats against Israel spooked the market on Friday. (And attacks have now occurred over the weekend.) SPX declined 1.5%, the NASDAQ dropped 1.6%, and the Russell 2000 tumbled 1.9%. Breadth was extremely weak, with the NYSE Up Issues % coming in at 15% and the Up Volume % at 7.5%. NYSE total volume rose some from Thursday's level.

There were several studies that triggered in the Quantifinder. I will cover the most compelling ones. In the 4/17/23 letter (and many times over the years) I showed that there has been a strong historical tendency on tax day (normally April 15th) and the day immediately after. The reason tax day may be important is that it is the last day that people can make IRA contributions to count for the previous tax year. This can create a last-minute rush and you will often have an inflow of funds heading into the market right around and on April 15th. Fund managers will often put this money to work immediately and it creates a positive bias for the market. Below are some updated studies that demonstrate this.

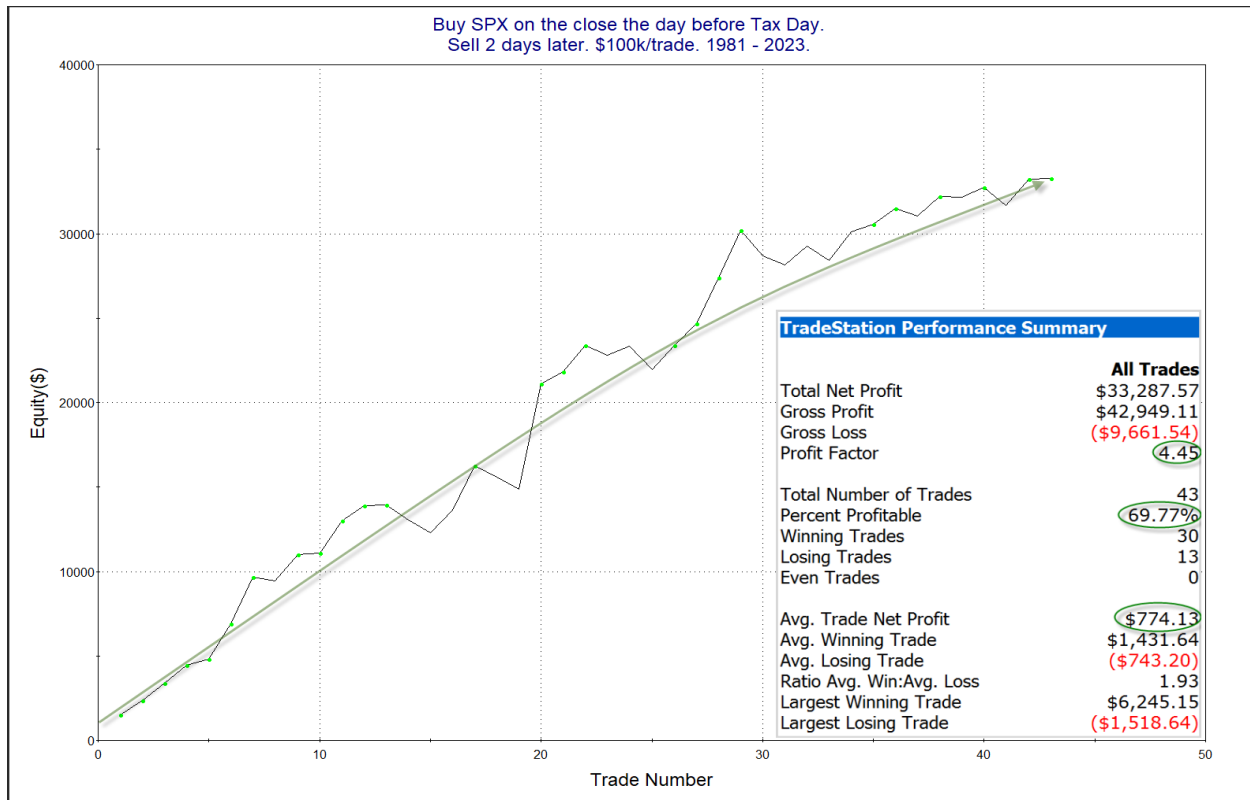
SPX Tax Day Performance.  
\$100k/trade. 1981 - 2023.



SPX Day After Tax Day Performance.  
\$100k/trade. 1981 - 2023.



As you can see, both of these days seem to contain very solid upside edges. The study below looks at what happens if you hold for both days instead of just one.



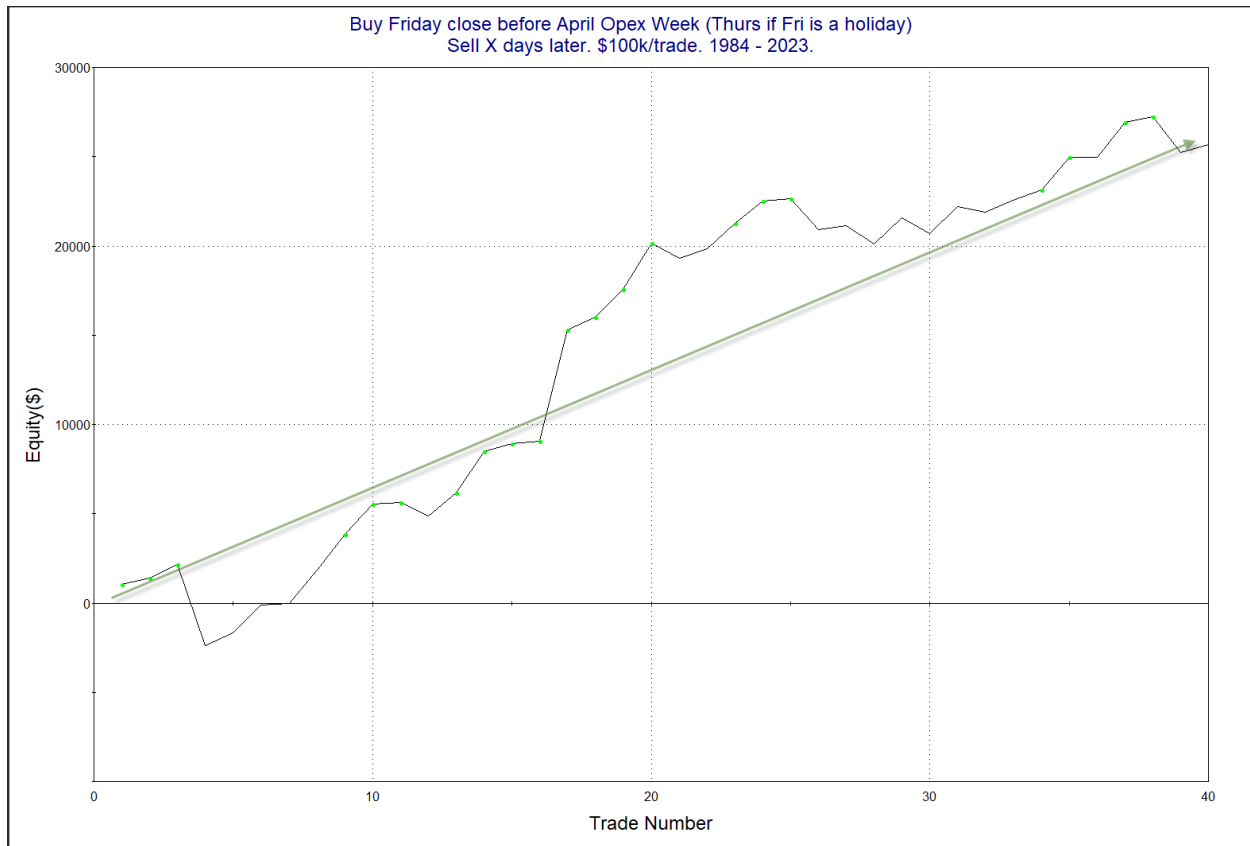
As you would expect, the numbers and the profit curve are impressive. This study will be added to the active list.

It is also notable that April expirations week is here, and it has historically been very bullish. The study below, from the 4/17/23 letter shows this. Results are updated.

Buy Friday close before April Opex Week (Thurs if Fri is a holiday)  
Sell X days later. \$100k/trade. 1984 - 2023.

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	30,126.07	40	25	15	62.50	5,393.97	-3,580.15	2,043.99	-1,398.25	1.46	2.44	753.15
4	29,264.64	40	26	14	65.00	5,895.12	-3,587.57	1,863.72	-1,370.86	1.36	2.52	731.62
3	32,745.66	40	26	14	65.00	5,215.85	-2,745.05	1,767.52	-943.57	1.87	3.48	818.64
2	25,664.34	40	31	9	77.50	6,245.15	-4,545.53	1,219.69	-1,349.55	0.90	3.11	641.61
1	6,396.91	40	24	16	60.00	3,322.23	-2,339.26	716.32	-674.68	1.06	1.59	159.92

The consistency has been very impressive. It suggests an upside edge the first few days of the week. Below is a profit curve that assumes a 2-day holding period.



The strong, steady upslope is encouraging, and serves as some confirmation of the upside edge.

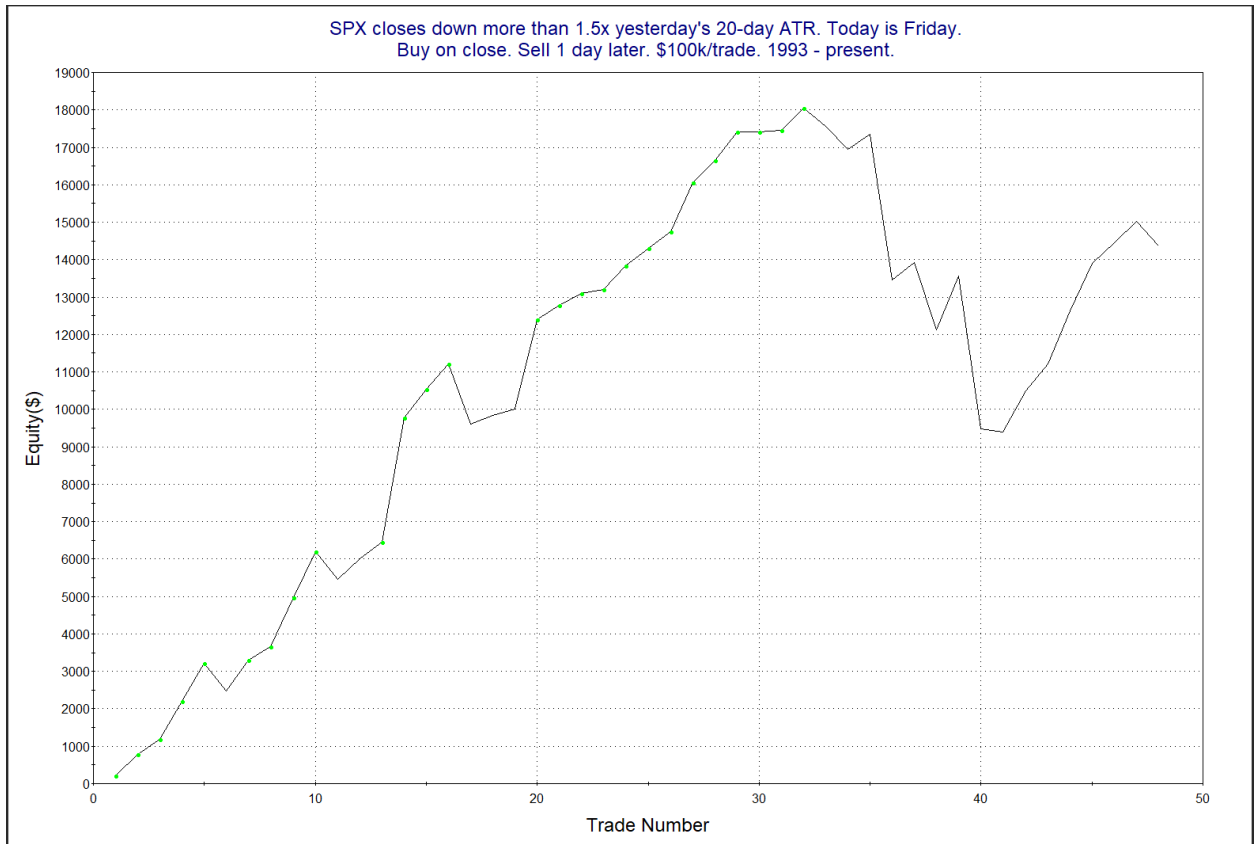
One interesting Quantifinder study looked at large drops on Fridays. Both the Crash of '29 and the Crash of '87 happened on Monday. The Crash of '87 is still remembered by some traders that are active today (though it is getting less and less each year). In 1987, there was a strong selloff on Friday and then all hell broke loose on Monday. But since then, strong Friday selloffs have commonly been followed by bounces in the following days. Perhaps this is due to the fact that fear of a crash causes what might otherwise be an ordinary selloff to become exaggerated and overdone on Fridays. Or perhaps it is just that people don't want to hold over the weekend. Whatever the reason, the tendency to bounce has been strong. In recent years the bounce has not always occurred on Monday. Sometimes we saw more selling on Monday before the rebound started on Tuesday. The study below was last discussed in the 8/29/22 subscriber letter. It defines a strong selloff as more than 1.5x the recent (20-day) average true range. Results are updated.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

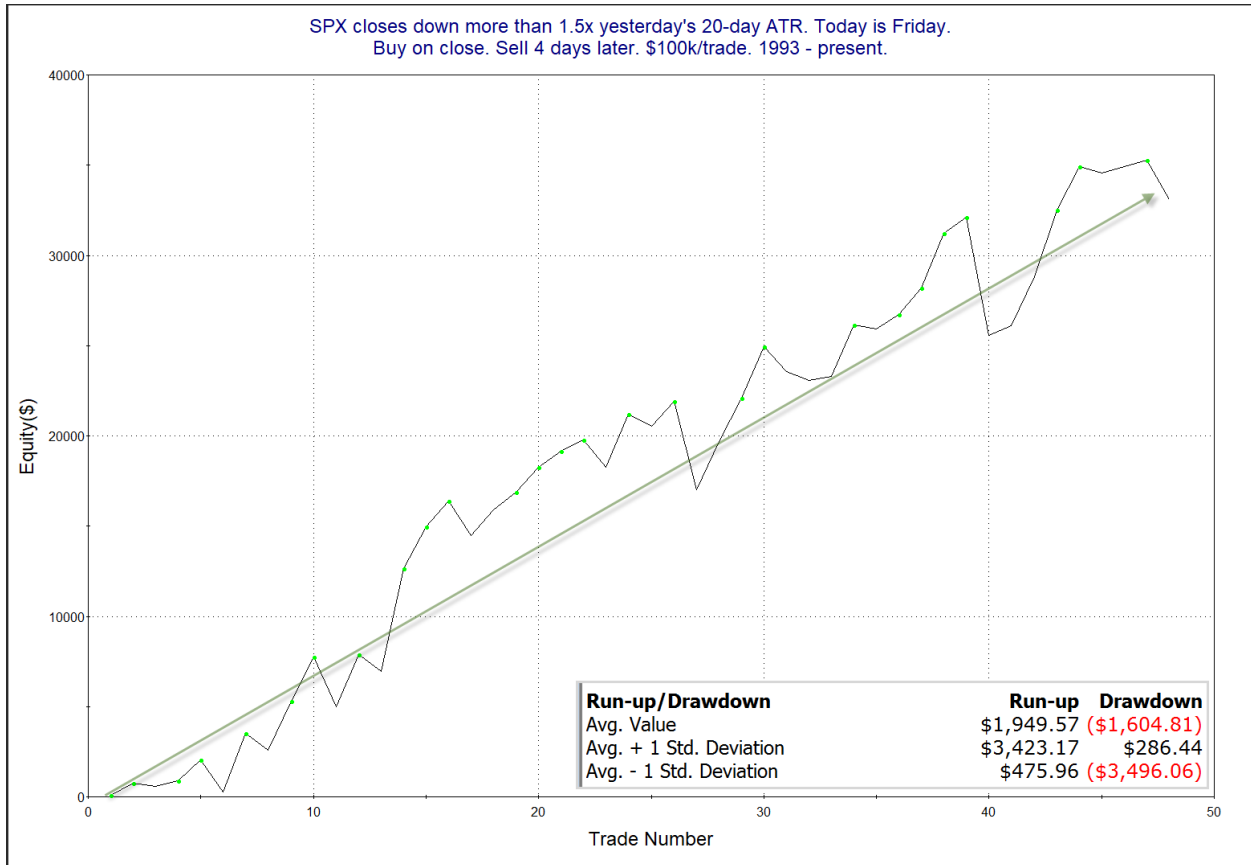
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	58,683.40	46	31	15	67.39	9,241.60	-6,049.40	3,085.57	-2,464.62	1.25	2.59	1,275.73
9	58,875.97	46	31	15	67.39	7,602.40	-5,483.80	2,871.61	-2,009.59	1.43	2.95	1,279.91
8	63,960.10	46	32	14	69.57	7,949.70	-3,550.72	2,796.11	-1,822.53	1.53	3.51	1,390.44
7	51,343.82	46	30	16	65.22	7,662.81	-4,599.52	2,746.19	-1,940.12	1.42	2.65	1,116.17
6	53,683.47	46	33	13	71.74	8,870.96	-4,202.80	2,435.87	-2,053.87	1.19	3.01	1,167.03
5	36,124.89	48	31	17	64.58	5,393.97	-6,368.04	2,244.02	-1,967.04	1.14	2.08	752.60
4	33,110.36	48	33	15	68.75	5,731.96	-6,520.68	1,817.29	-1,790.68	1.01	2.23	689.80
3	28,132.11	48	29	19	60.42	5,215.85	-3,492.36	1,875.94	-1,382.63	1.36	2.07	586.09
2	14,504.60	48	29	19	60.42	6,245.15	-5,163.50	1,385.89	-1,351.91	1.03	1.56	302.18
1	14,369.56	48	38	10	79.17	3,322.23	-4,074.84	764.68	-1,468.81	0.52	1.98	299.37

44 of 48 instances (92%) closed above the entry price at some point in the next week.

The numbers here are all impressive and suggest a bullish bias. I decided to look at the 1-day and 4-day returns. First, below is the profit curve for a 1-day holding period.

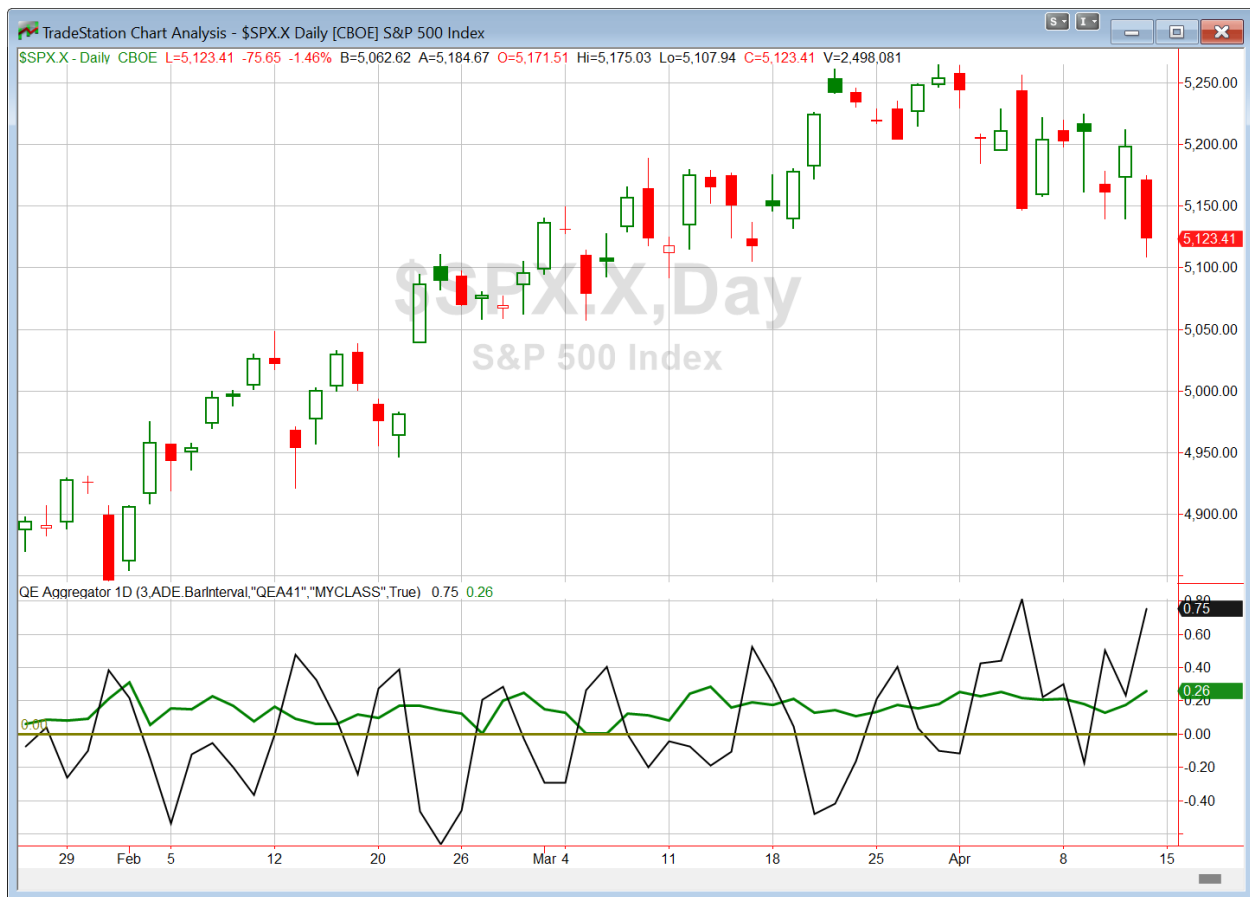


Six of the last seven instances have bounced nicely on Monday. Prior to that there were some bumps in recent years. But now the 4-day curve.



Very persistent rise here from lower left to upper right. I have no complaints about this curve.

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



With this weekend'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 above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long 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 5186.51 on Monday. That is 1.2% above Friday's close. Therefore, SPX will need to close up over 1.2% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is long. The market is oversold heading into a seasonally strong period. (April opex and tax days.) The selling appears overdone according to the Friday selloff study. So with evidence favorable and plenty of room to the upside before SPX would turn overbought, reward/risk appears compelling. But geopolitical risks have spiked with Iran attacking Israel this weekend. So I like the long side, but I will scale in as I often do.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/15 – *bullish***

Combo #1	Combo #2	Combo #3	Combo #4
Long QQQ	Long QQQ	Long QQQ	Long QQQ

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 changed to long QQQ.*

This past week saw stocks struggle. The SPX fell 1.6%, the NASDAQ declined 0.45%, and the Russell 2000 tumbled 2.9%. Bonds also had a bad week. The US Aggregate Bond ETF (AGG) fell 0.7%. TLT, the 20-year Treasury Bond ETF, dropped 1.2%. The long-term trend still looks up, but there is some question now as SPX is approaching its 50-day moving average for the 1<sup>st</sup> time since early November.

After lagging the SPX since early March, the NASDAQ has now moved into a leading position. This can be seen in the chart below.



The movement of the red line (which is about to turn green) above the blue dotted line is our indication that the NASDAQ is leading. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. This can be seen in the table below.

Historical Compound Returns of \$100,000 Starting Portfolio Using the NASDAQ/SPX Relative Leadership Indicator as a Filter. 12/31/71 - 4/12/2024.			
	Compound Annual Growth Rate	Max Drawdown	End Value of \$100,000
S&P 500 Index	7.77%	-56.78%	\$5,018,523.00
SPX when NASDAQ lags	-0.02%	-67.21%	\$99,180.97
SPX when NASDAQ leads	7.79%	-33.92%	\$5,059,965.10
NASDAQ Composite	9.93%	-77.93%	\$14,173,755.32
NASDAQ when lagging	-1.42%	-85.53%	\$47,372.52
NASDAQ when leading	11.51%	-40.62%	\$29,919,785.51
NASDAQ when leading (with interest when in cash)*	14.01%	-37.64%	\$95,611,126.40
*interest on cash calculated at historical 30-day Fed Funds rate			

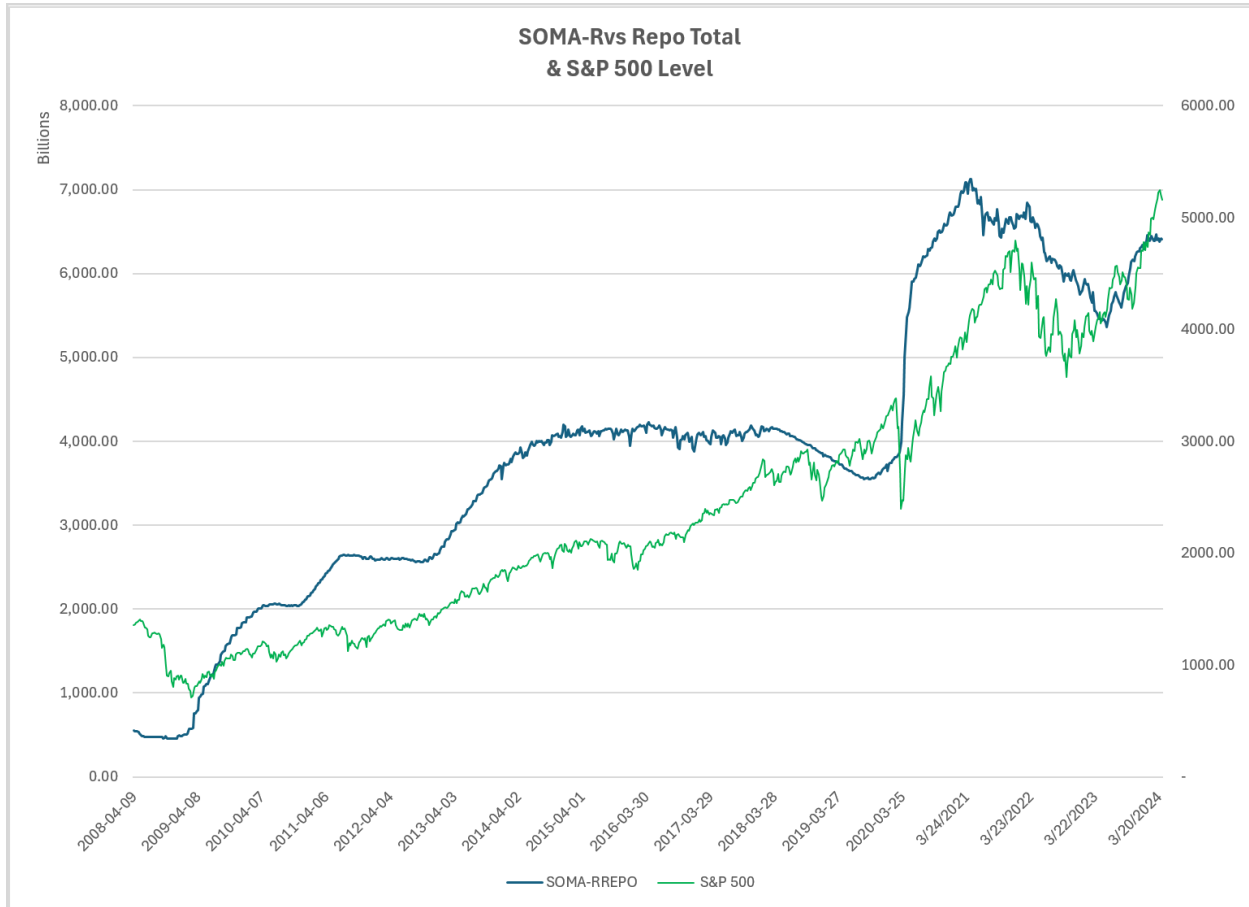
More on this indicator can be found in the Market Timing Course. (Free for all annual subscribers.)

This means all four of the original Market Timing Course indicators are now bullish. Only the Fed Liquidity Indicator from the 2023 version of the Market Timing Course is not bullish. That is a strongly favorable situation, as evidenced by all 4 combo models now long QQQ.

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

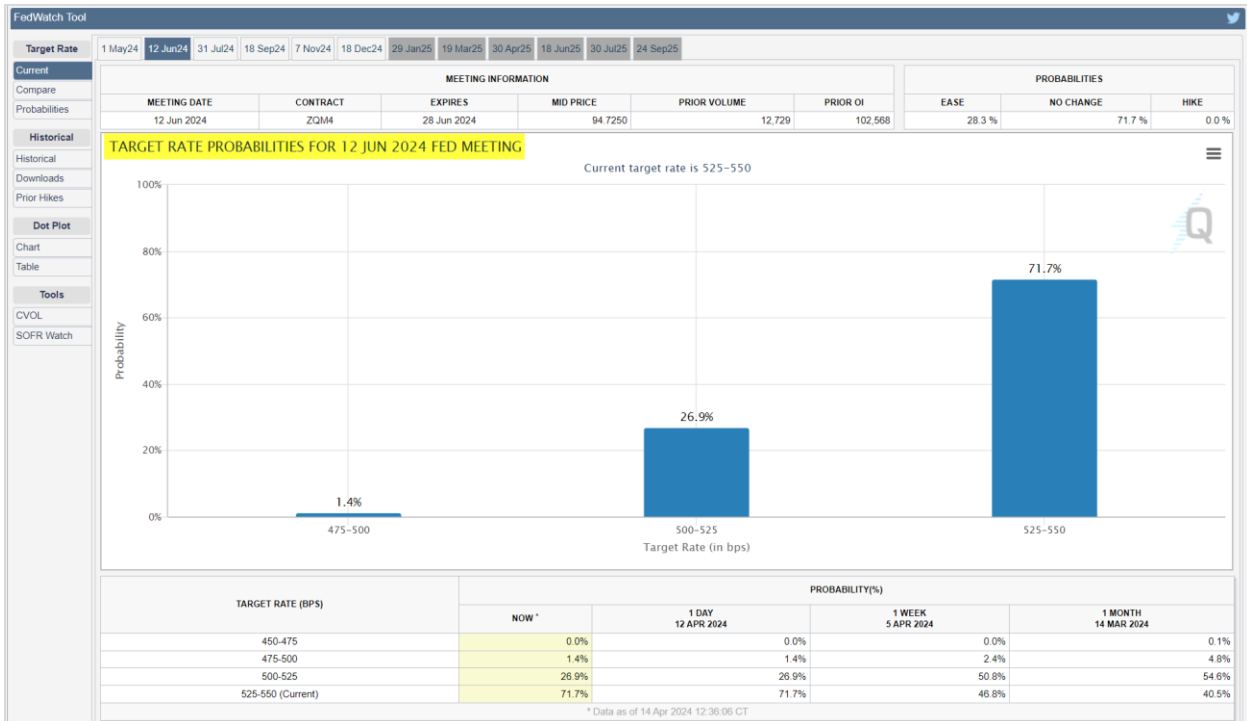
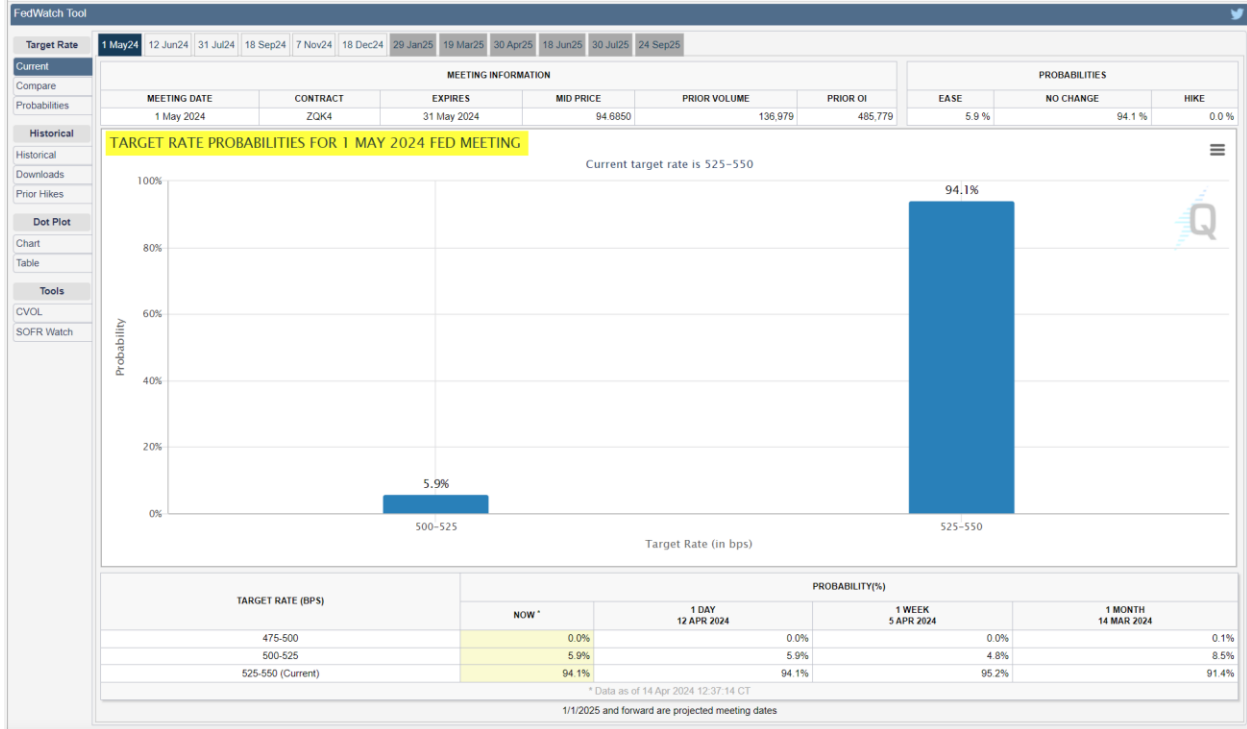
Domestic Security Holdings as of	
◀ Previous	April 10, 2024 📅 Posted April 11, 2024 at 4:30 PM
<a href="#">SUMMARY</a>   <a href="#">T-BILLS</a>   <a href="#">T-NOTES AND T-BONDS</a>   <a href="#">FRNS</a>   <a href="#">TIPS</a>   <a href="#">AGENCY DEBTS</a>   <a href="#">MBS</a>   <a href="#">CMBS</a>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,142,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,897,986,286.9
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	\$0 change from last week 6,852,300,194.7

The SOMA came in flat this week from the week before. The current week should see a substantial decline. Meanwhile, reverse repos rose about \$9 billion, which has an overall negative impact on liquidity. I discussed reverse repos impact on liquidity [in the 4/8/24 letter](#). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



So Quantitative Tightening (QT) can still be a headwind to the market. But it has not been lately thanks to reverse repos closing out. I will continue to keep an eye on this in the coming weeks and months, because we could very well see the market stumble when reverse repos get too low. It will be important to monitor any changes to QT moving forward..

With regards to rates, odds are showing just a 6% chance that the Fed cuts rates in May, and a 28% chance that rates are lowered by the June meeting (down from 76% three weeks ago). 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. Seasonality is generally favorable, breadth thrusts we saw a few months ago have seen great follow through to this point. The trend still appears up and the NASDAQ has retaken a leading position. And thanks to reverse repo activity, liquidity has been positive most of the year. There are still some negatives, including potentially bearish Fed policies. And geopolitical strife could certainly add volatility. But there is enough pointing higher 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***

*New*

BRK.B – 1/3 @ \$403.26 (buy @ limit)

JPM – 1/3 @ \$182.79 (buy @ limit)

#### ***Broad Market Large Cap CBI – 2 (BRK.B, JPM)***

### **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 @ \$510.85 LIMIT.** Based on the short-term section above, I will look to take on some long index exposure if I can get a decent fill on Monday.

**SPY – buy ¼ index position @ \$507.50 LIMIT ON CLOSE IF IT ALSO CLOSES BELOW THE OPEN PRICE.** Further selling on Monday could get me to take on a 2<sup>nd</sup> lot near the close.

**BRK.B – but 1/3 Catapult position @ \$403.26 LIMIT.** From the Catapult section above. This will be the 1<sup>st</sup> of up to 3 lots of BRK.B.

**JPM – but 1/3 Catapult position @ \$182.79 LIMIT.** From the Catapult section above. This will be the 1<sup>st</sup> of up to 3 lots of JPM.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>NVDA(1/4)</i>	<i>4/10/2024</i>	<i>\$839.26</i>	<i>\$896.99</i>	<i>6.88%</i>	<i>sold on open</i>

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