

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 19, 2024

Volume 17 Issue 76

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	13

Tonight's Research Points

- SPX closing below its lower Bollinger Band 4 days in a row has typically been followed by a bounce over the next 1-4 days.
- SPY closed in the bottom 33% of its intraday range for the 5th day in a row. That has been rare, but often followed by a move up over the next couple of days.
- During uptrends, the market often sees intraday selling on opex Friday.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish. While selloffs can continue to get more extreme before they reverse, we seem to be within days of a short-term rally.

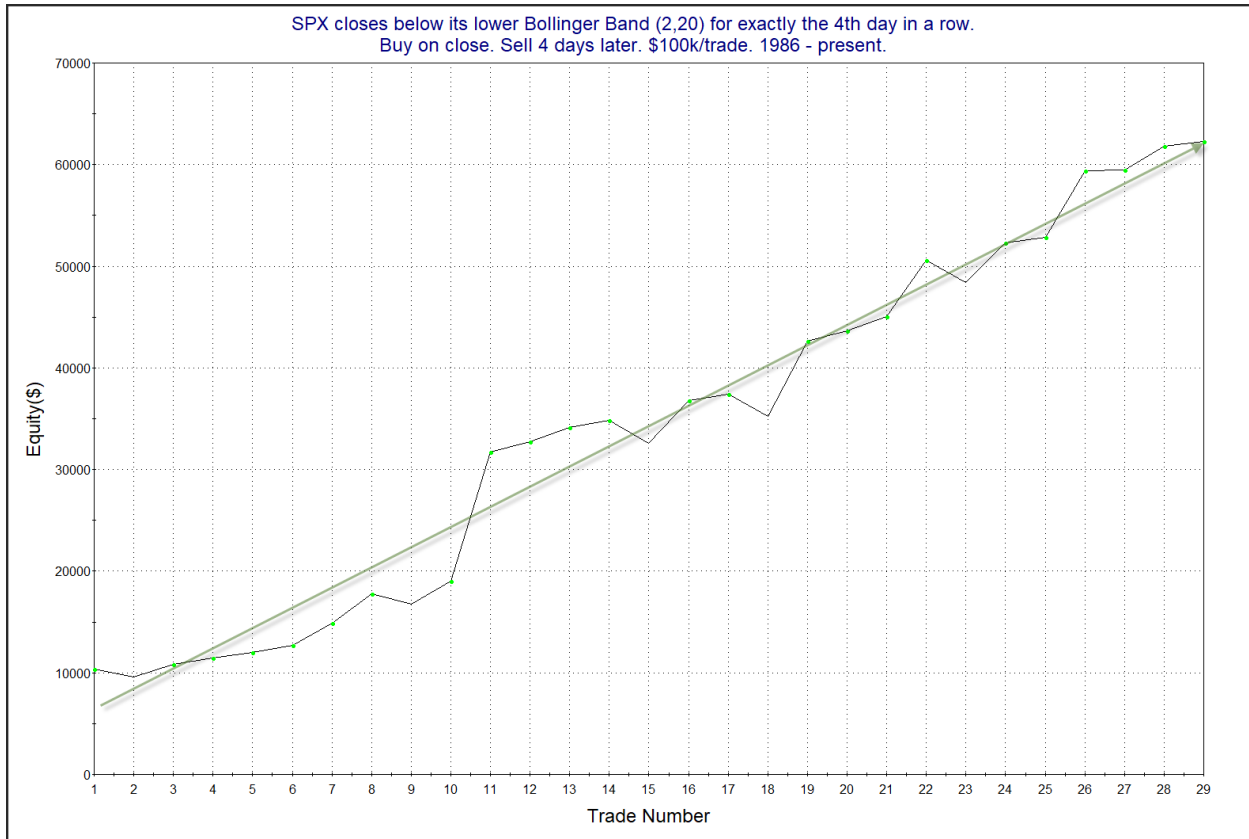
The Evidence

Thursday was similar to the rest of the week in that early strength failed and the market closed lower. SPX fell 0.2%, the NASDAQ dropped 0.5%, and the Russell 2000 lost 0.3%. Breadth was mixed, with the NYSE Up Issues % coming in at 48% and the Up Volume % at 55%. NYSE total volume rose some from Wednesday's level.

One Quantifinder study noted that SPX is strongly oversold in looking at its Bollinger Bands. In fact it has closed below its lower Bollinger Band for 4 days in a row. Last seen in the 1/25/22 letter, the results are updated.

SPX closes below its lower Bollinger Band (2,20) for exactly the 4th day in a row. Buy on close. Sell X days later. \$100k/trade. 1986 - 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	44,887.05	29	21	8	72.41	13,135.00	-4,509.84	2,681.33	-1,427.61	1.88	4.93	1,547.83
4	62,269.08	29	24	5	82.76	12,657.50	-2,221.38	2,945.82	-1,686.14	1.75	8.39	2,147.21
3	43,967.13	29	22	7	75.86	10,398.48	-9,701.00	2,974.04	-3,065.96	0.97	3.05	1,516.11
2	39,976.96	29	19	10	65.52	14,891.76	-8,631.00	3,079.96	-1,854.23	1.66	3.16	1,378.52
1	23,674.37	29	18	11	62.07	5,716.25	-6,633.36	2,359.35	-1,708.54	1.38	2.26	816.36

Numbers here are very bullish. Here is the 4-day profit curve.



That is about as strong and steady as it gets.

SPY has consistently closed near the lower end of its range over the last 5 days. The study below looks at other instances where SPY closed in the bottom third of its daily range for five days in a row. It was last seen in the 3/19/18 letter.

SPY closes in the bottom 33% of its daily range for the 5th day in a row.
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
5	17,658.13	10	7	3	70.00	9,205.12	-5,878.60	3,517.71	-2,321.95	1.51	3.53	1,765.81
4	16,842.37	10	7	3	70.00	5,157.60	-3,832.92	3,053.01	-1,509.57	2.02	4.72	1,684.24
3	11,210.41	10	7	3	70.00	4,348.05	-1,372.28	1,953.36	-821.03	2.38	5.55	1,121.04
2	13,792.44	10	8	2	80.00	4,479.35	-2,323.68	2,162.39	-1,753.34	1.23	4.93	1,379.24
1	1,742.89	10	6	4	60.00	3,024.84	-2,736.00	1,288.46	-1,496.97	0.86	1.29	174.29

Low instances, but very impressive numbers. Below is the list of instances with their 2-day returns.

SPY closes in the bottom 33% of its daily range for the 5th day in a row. Buy on close. Sell 2 days later. \$100k/trade. 1993 - present.

Date	Signal	Price	% Chg	Run-up / Drawdown
7/22/2002	Buy	\$82.20	3.07%	\$3,550.72
7/24/2002	Sell	\$84.72		(\$5,496.32)
1/5/2005	Buy	\$118.01	0.36%	\$1,033.34
1/7/2005	Sell	\$118.44		\$0.00
1/25/2005	Buy	\$116.88	0.47%	\$743.85
1/27/2005	Sell	\$117.43		\$0.00
3/29/2005	Buy	\$116.53	1.23%	\$1,655.94
3/31/2005	Sell	\$117.96		\$0.00
12/21/2005	Buy	\$126.03	0.58%	\$658.19
12/23/2005	Sell	\$126.76		\$0.00
12/19/2011	Buy	\$120.29	3.23%	\$3,382.17
12/21/2011	Sell	\$124.17		\$0.00
5/16/2012	Buy	\$132.83	-2.33%	\$142.88
5/18/2012	Sell	\$129.74		(\$2,466.56)
12/16/2014	Buy	\$197.91	4.48%	\$7,605.30
12/18/2014	Sell	\$206.78		\$0.00
3/16/2018	Buy	\$274.20	-1.19%	\$72.80
3/20/2018	Sell	\$270.95		(\$2,031.12)
2/27/2020	Buy	\$297.51	3.89%	\$3,914.40
3/2/2020	Sell	\$309.09		(\$4,021.92)

I'd rather see more instances, but early indications are that this is a setup worth paying attention to. I have added this to the active list as well.

Of course tomorrow is opex. I've written several times before about the downside intraday market tendency on opex days. I last discussed it in the 3/15/24 letter. I have copied that research below. Results are not updated, but SPY and QQQ both saw intraday selloffs on 3/15. So the numbers would not change much at all.

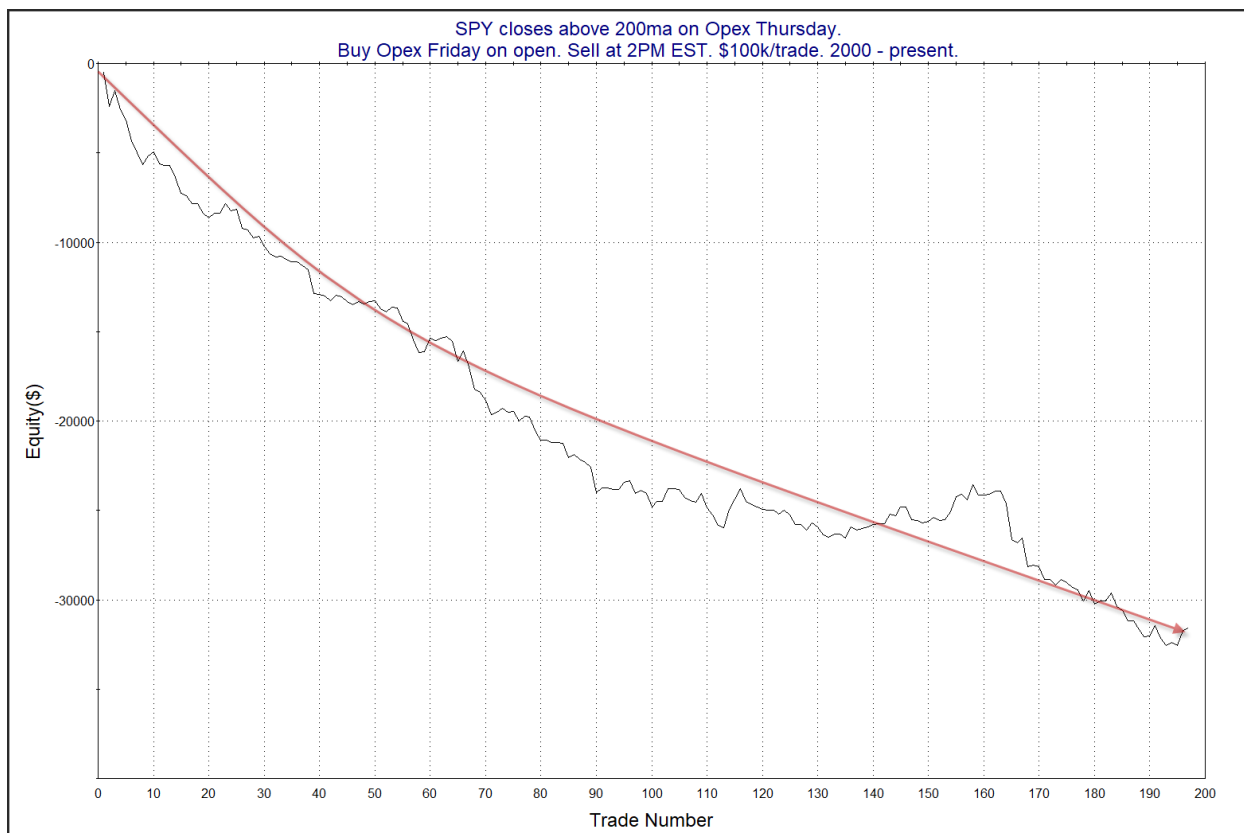
Options expiration has long been a day that has seen weakness after the opening bell...

This first study shows results of purchasing SPY at the open and then exiting at different times during the day.

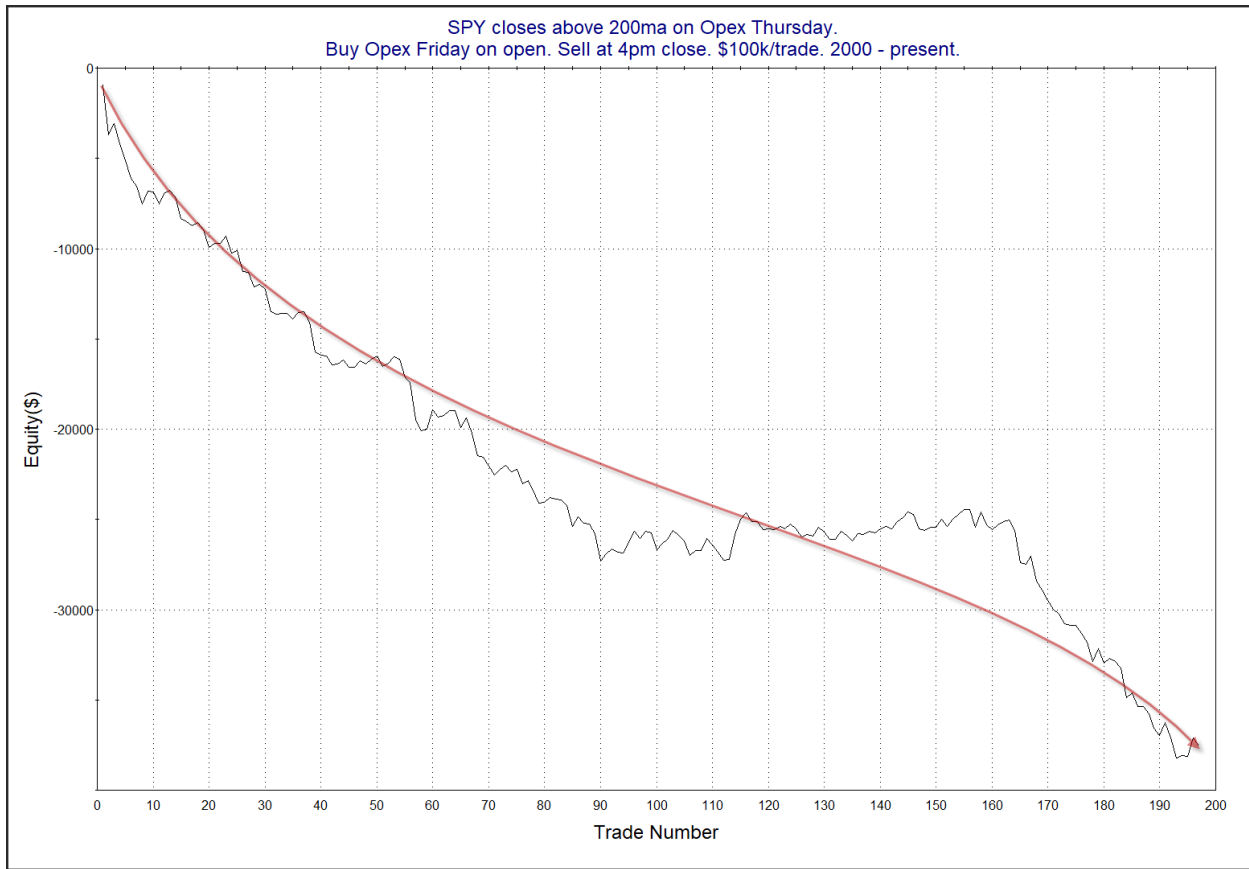
SPY closes above 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-37,559.81	197	79	118	40.10	1,400.58	-2,746.58	326.48	-536.88	0.61	0.41	-190.66
1,500	-31,736.87	197	80	116	40.61	983.92	-2,315.18	301.43	-481.47	0.63	0.43	-161.10
1,400	-31,592.41	197	68	129	34.52	993.96	-2,000.00	294.56	-400.17	0.74	0.39	-160.37
1,300	-28,247.44	197	70	126	35.53	968.86	-1,324.62	277.76	-378.50	0.73	0.41	-143.39
1,200	-26,777.19	197	69	128	35.03	1,243.06	-1,318.40	264.07	-351.55	0.75	0.40	-135.92
1,100	-21,483.49	197	73	123	37.06	1,020.18	-968.50	220.77	-305.69	0.72	0.43	-109.05
1,000	-17,940.30	197	56	141	28.43	365.47	-629.00	135.84	-181.19	0.75	0.30	-91.07

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

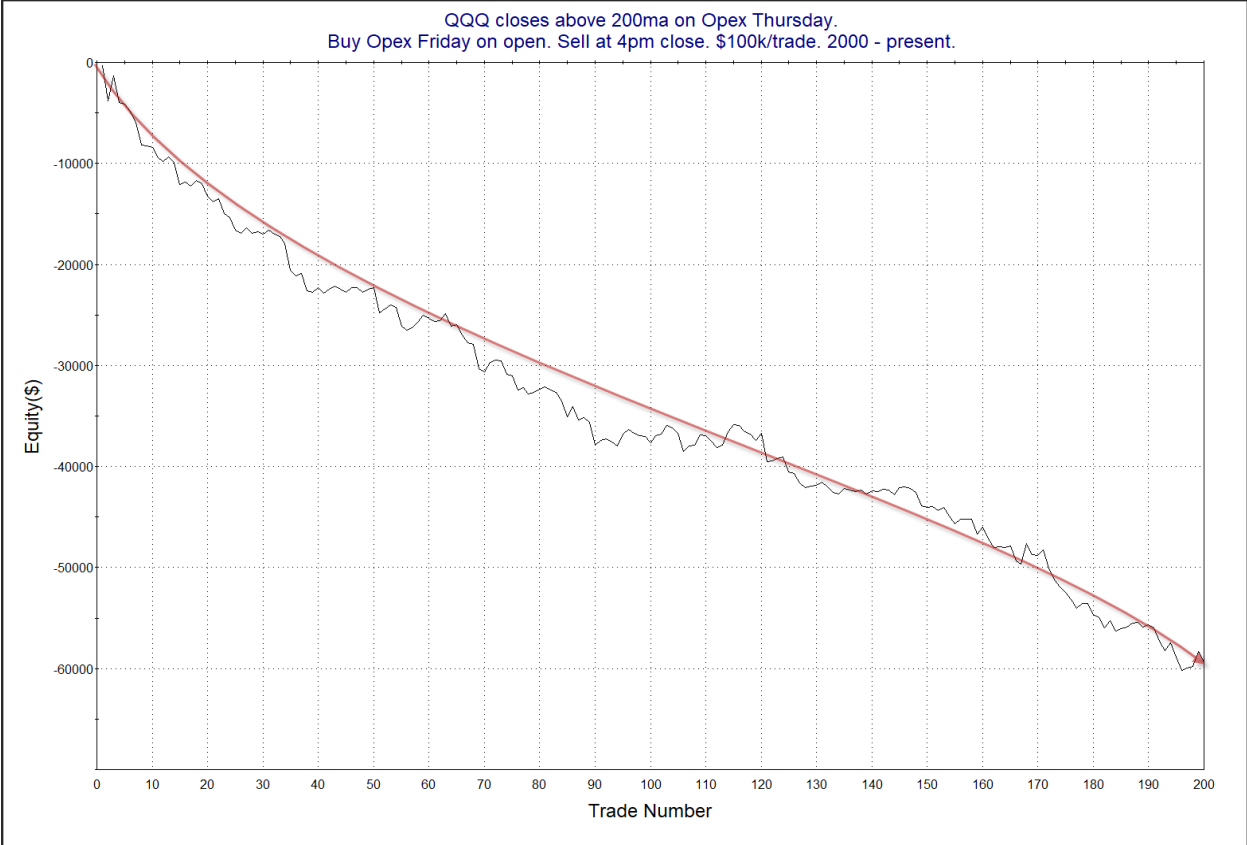
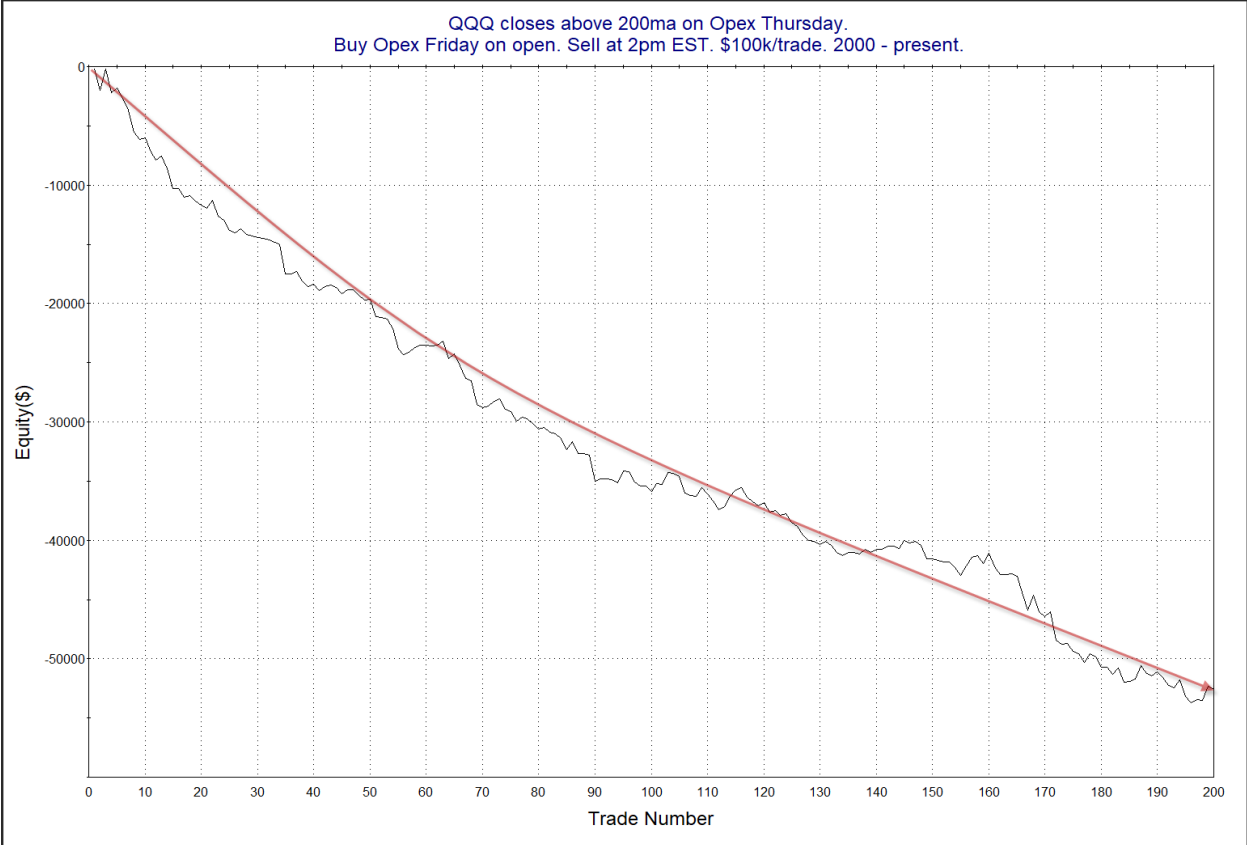


This is also impressive.

QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.

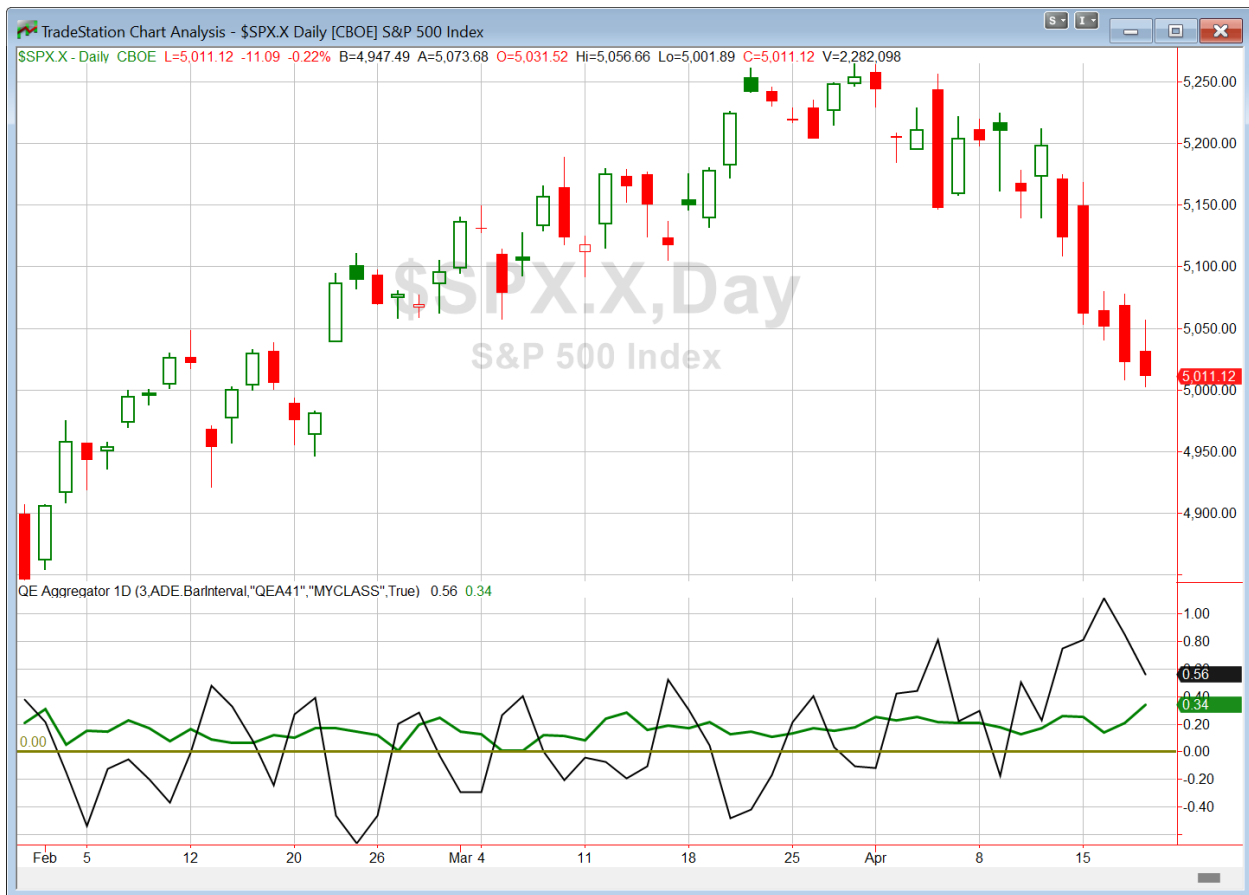
QQQ closes above 200ma on Opex Thursday.
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-59,307.31	200	78	122	39.00	2,516.00	-3,525.88	449.62	-773.58	0.58	0.37	-296.54
1,500	-52,994.32	200	73	125	36.50	1,739.00	-2,590.84	422.40	-670.63	0.63	0.37	-264.97
1,400	-52,593.31	200	65	132	32.50	1,822.25	-2,431.68	404.32	-597.53	0.68	0.33	-262.97
1,300	-45,908.58	200	69	130	34.50	1,655.75	-2,382.80	368.56	-548.76	0.67	0.36	-229.54
1,200	-45,150.78	200	71	128	35.50	2,488.25	-1,843.43	346.04	-544.69	0.64	0.35	-225.75
1,100	-37,547.00	200	68	131	34.00	1,998.00	-1,936.40	361.03	-474.03	0.76	0.40	-187.74
1,000	-29,056.55	200	63	136	31.50	1,332.00	-1,198.29	218.12	-314.69	0.69	0.32	-145.28



The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.

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



With tonight's evidence considered, the green Aggregator Line moved higher 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 Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5083.92 on Friday. That is 1.5%

above Thursday's close. Therefore, SPX will need to close up over 1.5% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again long. Evidence continues to build and there is ample room to the upside before SPX would turn overbought. This is all bullish. But every morning the market has been bought, and every day for the last week, that initial buying failed. While I like the long side, it is a little concerning that no bounce is sticking. One will come eventually...most likely in the next few days. But there is always the potential for more pain before the bounce arrives. I have one last lot to put on with my index trades. I will hold off on entering that for now. The market is struggling beyond most historical norms, geopolitical tensions are high heading into the weekend, and opex Fridays often see intraday selling. If Friday does not catch a bid, it could be an ugly day. So I will maintain my current position and then re-evaluate over the weekend to see if I might want another lot on Monday.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

BRK.B – 1/3 @ \$403.26 (buy @ limit)

JPM – 1/3 @ \$182.79 (buy @ limit)

BRK.B – 1/3 @ \$400.26 (buy @ limit)

AIG – 1/3 @ \$73.05 (buy @ limit)

EMR - 1/3 @ \$111.76 (buy @ limit)

EMR - 1/3 @ \$111.49 (buy @ limit)

CAT – 1/3 @ \$359.88 (buy @ limit)

JPM – 1/3 @ \$180.08 (buy @ limit)

EMR - 1/3 @ \$109.81 (buy @ limit)

CAT – 1/3 @ \$358.32 (buy @ limit)

COP – 1/3 @ \$128.33 (buy @ limit)

New

CAT – 1/3 @ \$357.93 (buy @ limit)

COP – 1/3 @ \$128.33 (buy @ limit)

Broad Market Large Cap CBI – 13 (BRK.B-2, JPM-2, AIG, EMR-3, CAT-3, COP-2)

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.

CAT – buy 1/3 Catapult position @ \$357.93 LIMIT. From the Catapult section above. This will be the 3rd and final lot of CAT.

COP – buy 1/3 Catapult position @ \$127.81 LIMIT. From the Catapult section above. This will be the 2nd of up to 3 lots of EMR.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
BRK.B(1/3)	4/15/2024	\$403.26	\$399.89	-0.84%	Catapult
JPM(1/3)	4/15/2024	\$182.79	\$181.25	-0.84%	Catapult
SPY(1/4)	4/15/2024	\$510.85	\$499.52	-2.22%	Aggregator
SPY1/4)	4/15/2024	\$504.45	\$499.52	-0.98%	Aggregator
BRK.B(1/3)	4/16/2024	\$400.26	\$399.89	-0.09%	Catapult
AIG(1/3)	4/16/2024	\$73.05	\$72.99	-0.08%	Catapult
EMR(1/3)	4/16/2024	\$111.76	\$109.31	-2.19%	Catapult
BRK.B(1/3)	4/17/2024	\$396.92	\$399.70	0.70%	sold on open
EMR(1/3)	4/17/2024	\$111.49	\$109.31	-1.96%	Catapult
SPY(1/4)	4/18/2024	\$500.75	\$499.52	-0.25%	Aggregator
JPM(1/3)	4/18/2024	\$180.08	\$181.25	0.65%	Catapult
EMR(1/3)	4/18/2024	\$109.81	\$109.31	-0.46%	Catapult
CAT(1/3)	4/18/2024	\$359.88	\$357.93	-0.54%	Catapult
CAT(1/3)	4/18/2024	\$358.32	\$357.93	-0.11%	Catapult
COP(1/3)	4/18/2024	\$128.33	\$127.81	-0.41%	Catapult

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