

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 22, 2024

Volume 17 Issue 77

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	8

Tonight's Research Points

- The gap down and weak close following a 20-day low suggest an upside edge.
- QQQs down 5 days in a row with a downside acceleration on Friday suggest a 1-day and an intermediate-term edge.
- Opex week bullishness did not materialize. When this has occurred in the past, the next week has typically done well.
- QT was in force this past week in excess of reverse repo closeouts. This made for a liquidity drain.

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.

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 22, 2024	Opex in Mar, Apr, Oct, or Dec closes down	1-5 days	Bullish	1.70%	-1.30%	-2.60%
April 22, 2024	20-low then gap down & close < open.	1-5 days	Bullish	2.50%	-1.10%	-2.20%
April 22, 2024	QQQ down 5+ and acceleration lower	1 day	Bullish			
April 19, 2024	SPY closes btm 33% range 5 days	1-2 days	Bullish			
April 19, 2024	SPX < lower BB 4 days	1-4 days	Bullish			
April 18, 2024	4 Lower lows & 20-low close > 200	1-6 days	Bullish			
April 18, 2024	CBI 10+	1-8 days	Bullish			
April 18, 2024	3 20-day lows > 200ma	1-4 days	Bullish			
April 16, 2024	10-low and bottom 10% range on Monday	1-5 days	Bullish	2.30%	-1.00%	-2.10%
Active - Long Term						
April 22, 2024	QQQ down 5+ and acceleration lower	1-18 days	Bullish	9.00%	-4.30%	-7.70%
April 19, 2024	CBI 11+	1-20 days	Bullish	5.90%	-4.20%	-9.50%
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
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 was another down day for most of the indices. SPX fell 0.9%, the NASDAQ dropped 2.05%, and the Russell 2000 rose 0.2%. Breadth extremely strong for a day the SPX declined, with the NYSE Up Issues % coming in at 68% and the Up Volume % at 69%. NYSE total volume rose as you would expect on opex Friday.

One concept I have discussed a number of times in the past is that when short-term moves that are already a bit extended see a quick acceleration, it often leads to a reversal. QQQ made its fifth lower low on Friday. It also suffered the worst decline of the short-term down move. This triggered the study below, from the 1/24/22 letter. Results are all updated.

QQQ posts a lower low for at least the 5th day in a row. It also suffers the worst 1-day drop of the selloff.
Buy on close. Sell X days later. \$100k/trade. 2000 - 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
20	164,562.43	29	24	5	82.76	32,856.32	-11,758.09	8,118.62	-6,056.87	1.34	6.43	5,674.57
19	163,552.63	29	23	6	79.31	31,167.57	-12,815.82	8,376.61	-4,851.57	1.73	6.62	5,639.75
18	166,444.38	29	23	6	79.31	31,667.44	-9,270.52	8,332.26	-4,199.61	1.98	7.61	5,739.46
17	136,975.75	29	22	7	75.86	26,601.19	-8,171.77	7,452.90	-3,855.45	1.93	6.08	4,723.30
16	122,978.38	29	20	9	68.97	25,925.69	-6,832.98	7,447.76	-2,886.31	2.58	5.73	4,240.63
15	97,530.28	29	20	9	68.97	22,885.94	-9,398.62	6,808.17	-4,292.56	1.59	3.52	3,363.11
14	129,502.89	29	23	6	79.31	26,601.19	-7,120.96	6,862.03	-4,720.65	1.45	5.57	4,465.62
13	112,567.31	29	22	7	75.86	21,872.69	-8,098.52	6,390.32	-4,002.82	1.60	5.02	3,881.63
12	103,481.26	29	20	9	68.97	25,925.69	-7,389.36	6,764.88	-3,535.14	1.91	4.25	3,568.32
11	82,759.96	29	19	10	65.52	25,250.19	-7,773.08	6,433.68	-3,948.00	1.63	3.10	2,853.79
10	78,496.54	29	19	10	65.52	25,844.63	-8,067.02	6,313.93	-4,146.82	1.52	2.89	2,706.78
9	91,454.56	30	20	10	66.67	22,548.19	-7,250.52	6,097.74	-3,050.01	2.00	4.00	3,048.49
8	87,940.59	30	18	12	60.00	26,074.30	-8,883.52	6,374.83	-2,233.86	2.85	4.28	2,931.35
7	86,195.88	30	22	8	73.33	25,763.57	-8,262.98	4,975.87	-2,909.15	1.71	4.70	2,873.20
6	84,472.63	30	22	8	73.33	17,319.82	-6,797.88	4,670.75	-2,285.49	2.04	5.62	2,815.75
5	57,720.28	30	20	10	66.67	12,764.70	-5,192.94	3,684.60	-1,597.18	2.31	4.61	1,924.01
4	45,594.55	30	16	14	53.33	14,955.57	-9,830.66	4,615.81	-2,018.46	2.29	2.61	1,519.82
3	32,573.63	30	17	13	56.67	11,570.21	-7,283.18	3,413.44	-1,958.07	1.74	2.28	1,085.79
2	41,804.95	32	22	10	68.75	15,737.50	-6,680.28	2,859.74	-2,110.94	1.35	2.98	1,306.40
1	38,275.44	33	23	10	69.70	12,275.25	-3,535.08	2,186.51	-1,201.44	1.82	4.19	1,159.86

Decent odds of a quick pop. But instances have really shown an edge over the intermediate-term. Below is the full list of 18-day instances.

QQQ posts a lower low for at least the 5th day in a row.
 It also suffers the worst 1-day drop of the selloff.
 Buy on close. Sell X days later. \$100k/trade. 2000 - present.

Date	Signal	Price	% Profit	Run-up/ Drawdown
1/28/2000	Buy	\$85.41	24.00%	\$24,347.70
2/24/2000	Sell	\$105.91		(\$2,925.00)
4/14/2000	Buy	\$79.41	5.83%	\$21,251.92
5/11/2000	Sell	\$84.04		(\$2,518.00)
5/23/2000	Buy	\$73.97	31.69%	\$32,937.38
6/19/2000	Sell	\$97.41		(\$3,120.81)
7/28/2000	Buy	\$86.16	12.12%	\$12,400.40
8/23/2000	Sell	\$96.60		(\$3,990.40)
9/17/2001	Buy	\$30.61	11.43%	\$13,227.30
10/11/2001	Sell	\$34.11		(\$13,717.20)
1/16/2002	Buy	\$38.19	-6.42%	\$3,115.42
2/12/2002	Sell	\$35.74		(\$9,974.58)
2/21/2002	Buy	\$32.89	11.86%	\$17,358.40
3/19/2002	Sell	\$36.79		(\$1,185.60)
4/26/2002	Buy	\$30.45	1.18%	\$8,505.56
5/22/2002	Sell	\$30.81		(\$8,604.08)
7/23/2002	Buy	\$21.81	10.55%	\$11,921.00
8/16/2002	Sell	\$24.11		(\$5,043.50)
9/23/2002	Buy	\$20.43	12.38%	\$13,654.26
10/17/2002	Sell	\$22.96		(\$6,166.44)
12/9/2002	Buy	\$24.63	4.47%	\$5,562.20
1/6/2003	Sell	\$25.73		(\$3,816.40)
3/10/2003	Buy	\$23.42	10.55%	\$14,386.53
4/3/2003	Sell	\$25.89		(\$2,006.43)
12/9/2003	Buy	\$33.84	8.60%	\$8,835.45
1/6/2004	Sell	\$36.75		(\$886.50)
8/6/2004	Buy	\$32.13	4.82%	\$6,099.52
9/1/2004	Sell	\$33.68		(\$1,151.44)
1/14/2009	Buy	\$28.04	6.10%	\$10,876.30
2/10/2009	Sell	\$29.75		(\$2,389.22)
6/29/2010	Buy	\$42.78	7.18%	\$7,221.33
7/26/2010	Sell	\$45.85		(\$3,739.20)
11/12/2010	Buy	\$51.92	3.14%	\$3,871.26
12/9/2010	Sell	\$53.55		(\$2,465.28)
4/8/2011	Buy	\$56.36	2.36%	\$4,239.86
5/5/2011	Sell	\$57.69		(\$2,891.62)
8/4/2011	Buy	\$53.58	1.49%	\$2,108.58
8/30/2011	Sell	\$54.38		(\$7,911.84)
5/4/2012	Buy	\$64.11	-4.12%	\$576.83
5/31/2012	Sell	\$61.47		(\$6,142.46)
3/13/2014	Buy	\$89.06	-3.30%	\$1,548.36
4/8/2014	Sell	\$86.12		(\$4,847.04)
9/25/2014	Buy	\$97.52	-0.89%	\$1,599.00
10/21/2014	Sell	\$96.65		(\$7,687.50)
1/15/2015	Buy	\$99.43	5.16%	\$5,396.85
2/11/2015	Sell	\$104.56		(\$291.45)
6/29/2015	Buy	\$106.47	4.14%	\$7,230.30
7/24/2015	Sell	\$110.88		(\$807.54)
8/2/2019	Buy	\$187.13	-1.21%	\$1,244.22
8/28/2019	Sell	\$184.87		(\$4,352.10)
1/21/2022	Buy	\$351.47	1.24%	\$5,228.44
2/16/2022	Sell	\$355.82		(\$4,981.36)
4/11/2022	Buy	\$340.67	-9.29%	\$2,045.14
5/6/2022	Sell	\$309.03		(\$10,483.54)
4/25/2023	Buy	\$309.77	8.56%	\$9,086.84
5/19/2023	Sell	\$336.29		\$0.00
9/21/2023	Buy	\$357.64	2.89%	\$4,430.52
10/17/2023	Sell	\$367.98		(\$1,813.50)

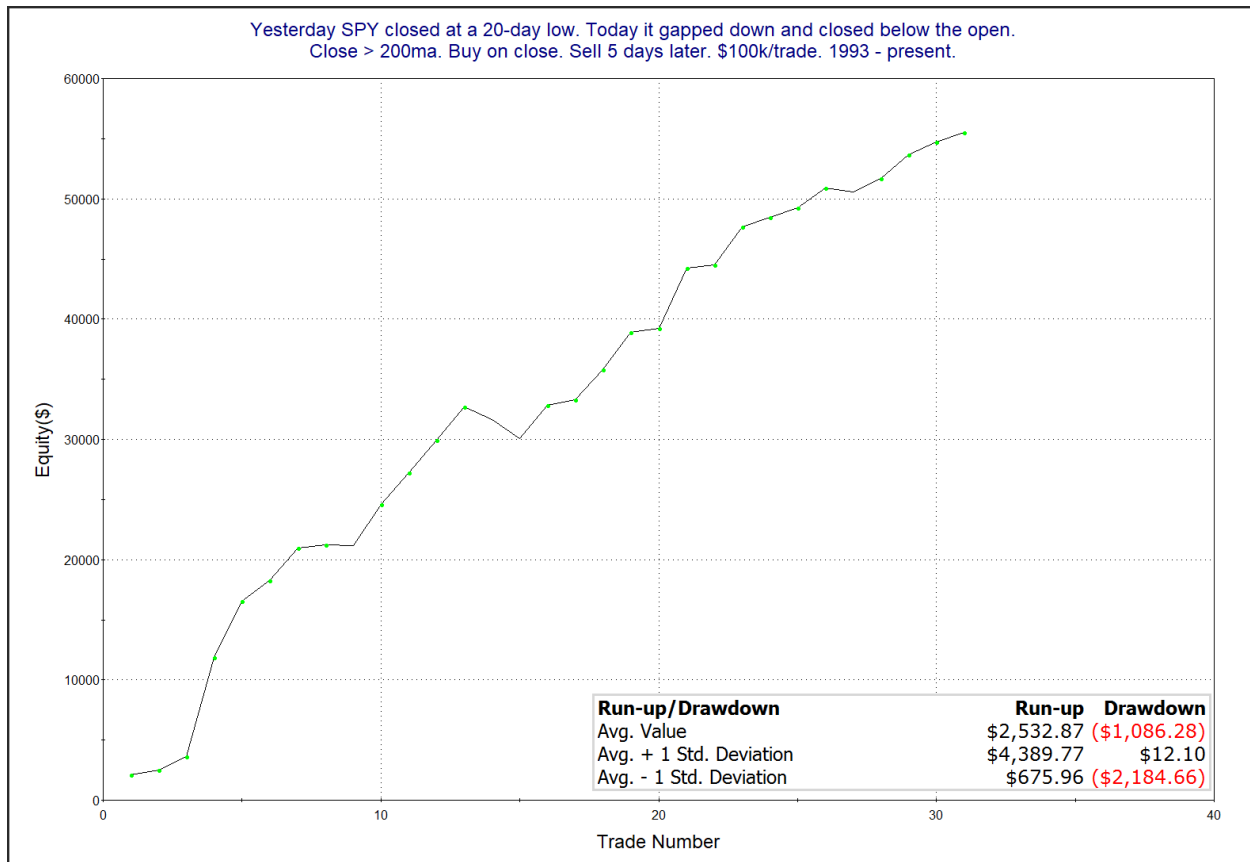
Eighteen days out the average trade has produced a gain in QQQ of nearly 6%. Often the outsized gains were partially due to the volatile environment that was present when the study triggered. Several of these occurred during the wild 2000 – 2002 bear market in the Nasdaq. I don't believe we are about to go back to a time like that. Regardless, there is a chance we could see a relief rally here for the next few weeks. I have added this study to the intermediate-term active list as well as the short-term.

SPY was also already oversold before Friday's action. Friday saw it gap down from a 20- day low the day before and then continue the selling. This triggered the below study, from the 8/17/23 letter. Results are updated.

Yesterday SPY closed at a 20-day low. Today it gapped down and closed below the open. Close > 200ma. 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	55,486.83	31	27	4	87.10	8,239.74	-1,594.30	2,166.44	-751.75	2.88	19.45	1,789.90
4	43,496.86	31	25	6	80.65	5,581.02	-3,255.65	1,964.49	-935.90	2.10	8.75	1,403.12
3	34,910.56	31	21	10	67.74	4,348.05	-2,421.25	2,069.06	-853.98	2.42	5.09	1,126.15
2	25,619.19	32	18	14	56.25	5,477.88	-1,643.62	1,938.07	-661.86	2.93	3.76	800.60
1	18,897.68	37	24	13	64.86	5,764.38	-3,000.80	1,219.05	-796.89	1.53	2.82	510.75

The only instance NOT to close above the entry price at some point in the next week triggered on 5/14/12.

Results here appear consistent and powerful. Below is a look at the profit curve assuming a 5-day holding period.



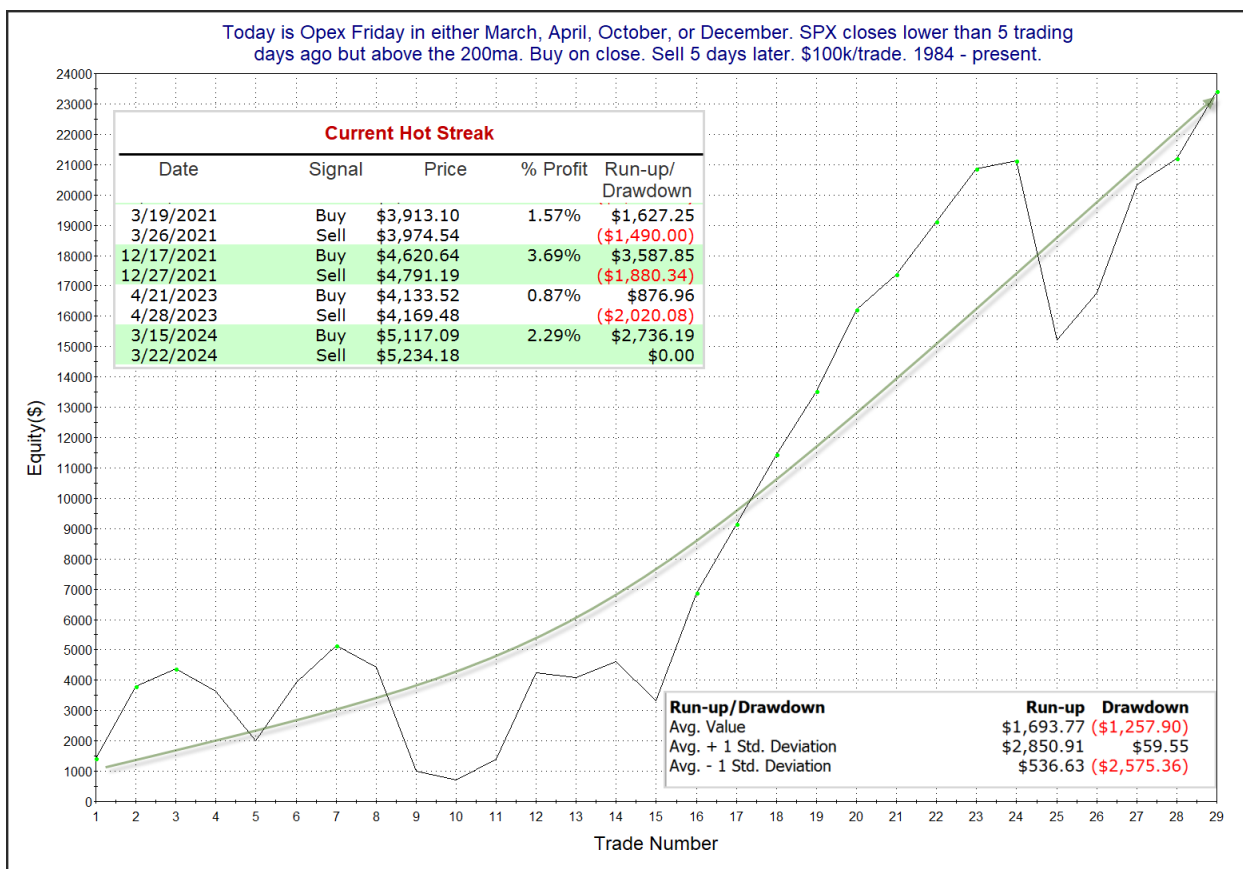
The strong, steady upslope is impressive. It serves as some confirmation of the bullish edge. I have included this study on the Active List tonight.

The April selloff has occurred during what was supposed to be a seasonally bullish time period. Early April has often seen strong returns, and so has opex week in April. Fail. Fail. As I mentioned last weekend, opex week is often a bullish week, especially during the months of March, April, October, and December. In the 3/18/19 letter I looked at other times opex week failed to provide positive returns in those “best” 4 months, and what then happened the following week. Updated results can be found below.

Today is Opex Friday in either March, April, October, or December. SPX closes lower than 5 trading days ago but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1984 - 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	23,432.34	29	21	8	72.41	3,581.55	-5,895.00	1,788.43	-1,765.57	1.01	2.66	808.01
4	17,294.33	29	20	9	68.97	3,426.48	-3,899.52	1,465.98	-1,336.14	1.10	2.44	596.36
3	11,393.64	29	18	11	62.07	3,462.48	-1,860.72	1,401.67	-1,257.86	1.11	1.82	392.88
2	5,131.19	29	16	13	55.17	2,950.50	-1,869.00	1,149.27	-1,019.78	1.13	1.39	176.94
1	1,837.02	29	19	10	65.52	1,495.26	-2,214.00	694.01	-1,134.92	0.61	1.16	63.35

The numbers here all point towards an upside edge. The edge improves as we look out from 1 to 5 days. Below is a profit curve showing the how the 5-day edge has evolved.



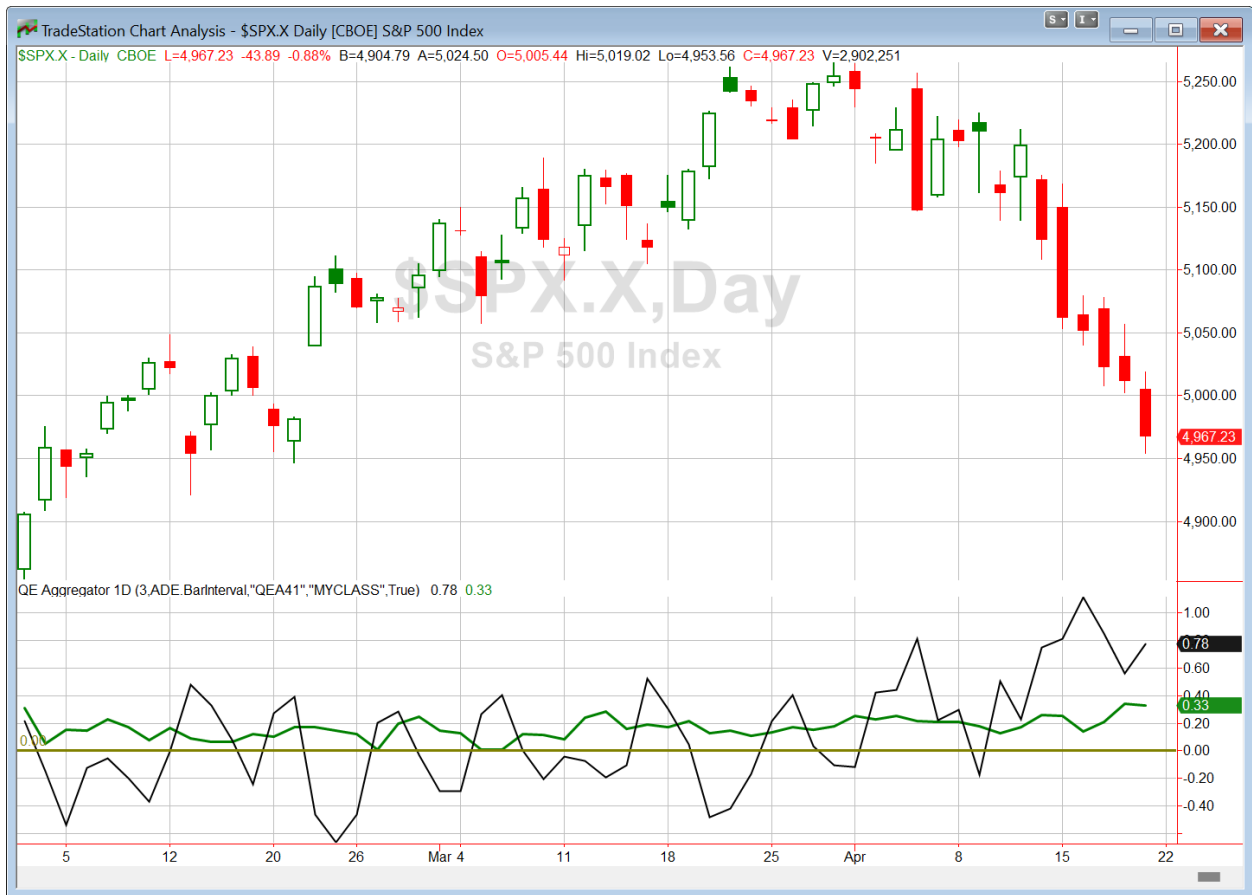
As you can see, the curve has accelerated upwards recently, with the last 4 instances (and 13 of the last 14 dating back to 2007) all posting gains. The last 4 instances are also shown. But how does this differ from performance following instances that saw the bullish opex week tendency play out? For comparison, I flipped that requirement and have shared those results below.

Today is Opex Friday in either March, April, October, or December. SPX closes **higher** than 5 trading days ago but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1984 - 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	-5,192.82	79	35	44	44.30	7,247.22	-3,596.40	1,224.46	-1,092.02	1.12	0.89	-65.73
4	-1,760.20	79	39	40	49.37	5,007.78	-3,039.18	1,066.74	-1,084.08	0.98	0.96	-22.28
3	-5,489.10	79	35	44	44.30	4,592.40	-2,880.45	950.01	-880.44	1.08	0.86	-69.48
2	-7,047.78	79	36	43	45.57	3,170.82	-2,823.40	772.22	-810.41	0.95	0.80	-89.21
1	-4,100.99	79	34	45	43.04	2,523.24	-3,515.37	570.93	-522.50	1.09	0.83	-51.91

So without the opex-week selloff, the following week has not shown a bullish tendency. Based on all this, it appears the bullish tendency has typically arrived late, and it portends a bounce this upcoming week.

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



With tonight's evidence considered, the green Aggregator Line held well 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 5051.57 on Monday. That is 1.7% above Friday's close. Therefore, SPX will need to close up over 1.7% on Monday 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. I expect we will see a bounce here sometime soon. And when the market is this stretched, the reversal tends to be quite strong. Of course there is always the potential for more pain before the bounce arrives. I have a solid amount of long exposure, with one last lot to put on with my index trades. I may look to take on that final lot Monday afternoon if the SPX again struggles.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/22 – 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 changed to long SPY.*

This past week was a rough one for stocks. The SPX fell 2.9%, the NASDAQ declined 3.6%, and the Russell 2000 tumbled 3.8%. Bonds also had a bad week. The US Aggregate Bond ETF (AGG) fell 0.5%. TLT, the 20-year Treasury Bond ETF, dropped 1.65%. The long-term trend still looks up, but 3 down weeks is creating doubt in the uptrend. While SPX sliced through its 50ma, it is still almost 300 points above its 200ma.

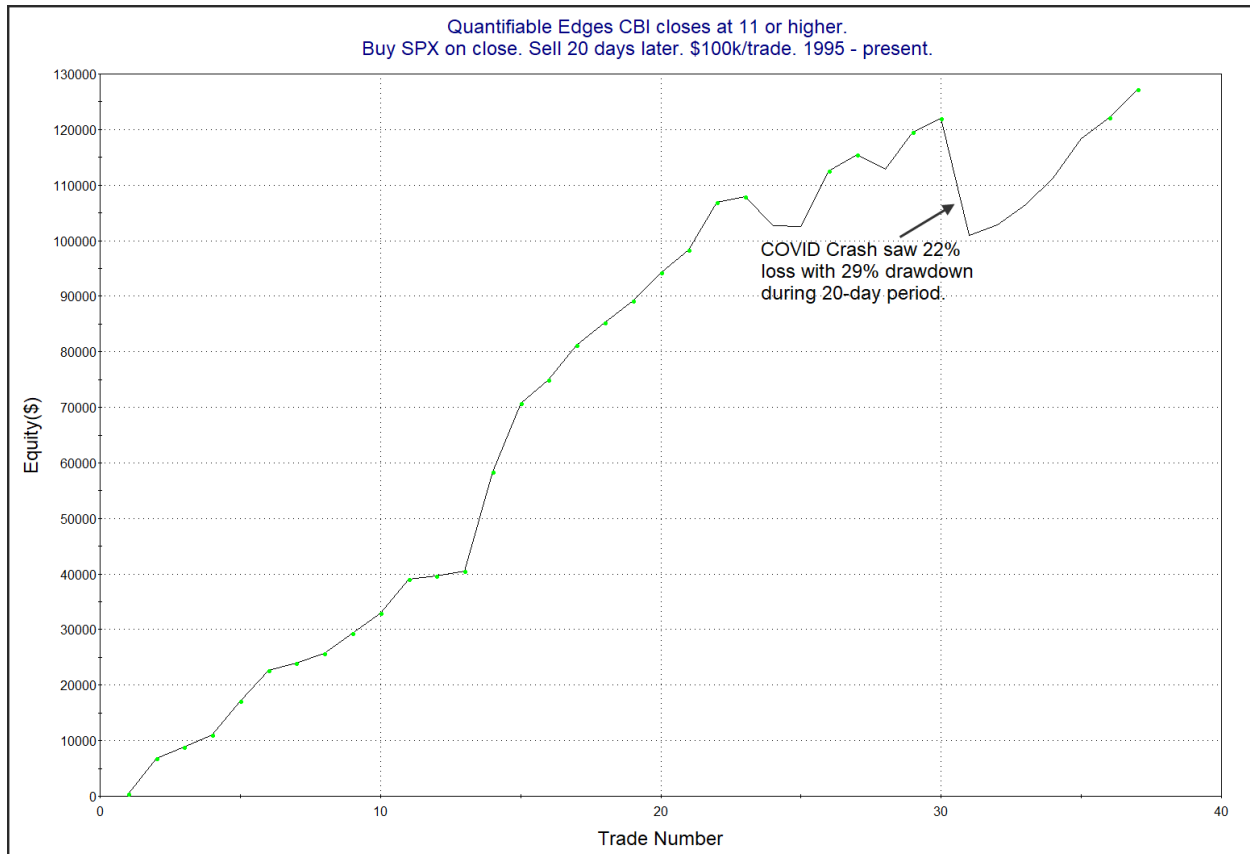
The spike in the CBI during the week triggered a study with potential intermediate-term influence. From Wednesday night's letter, I have copied the study below.

I have also shown in the past that readings of 11 or higher have been a bullish intermediate-term indication. The study below is one I have shared several times, most recently in the 1/17/24 letter.

Quantifiable Edges CBI closes at 11 or higher.
Buy SPX on close. Sell X days later. \$100k/trade. 1995 - 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
20	127,308.88	37	33	4	89.19	17,878.08	-21,107.28	4,741.24	-7,288.03	0.65	5.37	3,440.78
19	115,559.01	37	31	6	83.78	17,534.88	-27,615.11	4,903.41	-6,074.43	0.81	4.17	3,123.22
18	114,079.73	37	32	5	86.49	20,061.36	-25,521.99	4,538.39	-6,229.73	0.73	4.66	3,083.24
17	111,858.79	37	33	4	89.19	21,217.68	-22,283.42	4,273.80	-7,294.13	0.59	4.83	3,023.21
16	101,440.66	37	34	3	91.89	15,329.16	-22,633.41	3,852.50	-9,848.15	0.39	4.43	2,741.64
15	94,544.20	37	29	8	78.38	17,338.20	-18,569.62	4,205.64	-3,427.43	1.23	4.45	2,555.25
14	64,243.50	38	29	9	76.32	15,991.80	-23,004.48	3,833.80	-5,215.20	0.74	2.37	1,690.62
13	86,710.50	39	31	8	79.49	19,377.60	-12,932.89	3,925.85	-4,373.87	0.90	3.48	2,223.35
12	70,494.97	39	30	9	76.92	17,982.36	-20,074.67	3,703.18	-4,511.17	0.82	2.74	1,807.56
11	85,065.80	39	29	10	74.36	20,758.32	-11,991.73	3,973.46	-3,016.46	1.32	3.82	2,181.17
10	74,645.70	39	26	13	66.67	16,319.16	-7,625.38	3,758.79	-1,775.60	2.12	4.23	1,913.99
9	77,186.29	39	29	10	74.36	12,246.96	-11,831.15	3,516.95	-2,480.52	1.42	4.11	1,979.14
8	70,804.77	39	31	8	79.49	15,615.60	-5,568.00	3,058.23	-3,000.03	1.02	3.95	1,815.51
7	73,822.13	39	29	10	74.36	12,720.84	-4,980.00	3,279.35	-2,127.89	1.54	4.47	1,892.88
6	69,472.80	40	31	9	77.50	18,349.11	-8,839.00	2,958.40	-2,470.83	1.20	4.12	1,736.82
5	73,595.56	40	30	10	75.00	18,981.60	-5,174.95	3,171.57	-2,155.16	1.47	4.41	1,839.89
4	63,600.04	40	28	12	70.00	17,851.68	-4,365.00	3,118.74	-1,977.06	1.58	3.68	1,590.00
3	24,109.85	40	25	15	62.50	13,853.40	-9,701.00	2,926.58	-3,270.31	0.89	1.49	602.75
2	11,089.11	40	23	17	57.50	13,116.84	-8,631.00	2,539.89	-2,784.01	0.91	1.23	277.23
1	13,300.66	40	22	18	55.00	10,716.03	-6,760.90	1,988.77	-1,691.79	1.18	1.44	332.52

Looking out over the next several weeks, the stats are (almost) all very impressive. The one exception is the Max Losing Trade. And you can guess when that was.



Even with the COVID Crash included, this study has made it back to new highs and beyond. Overall, I view the CBI spike over the last few days to be a favorable indication for both the short and intermediate-term.

For the 2nd week in a row we saw the NASDAQ/SPX Relative Leadership indicator flip. This time from QQQ to SPX. This can be seen in the chart below.



The movement of the green line (which is about to turn red) below the blue dotted line is our indication that the NASDAQ is in a lagging position. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. This can be seen in the table below. (Copied – not updated from last weekend’s letter.)

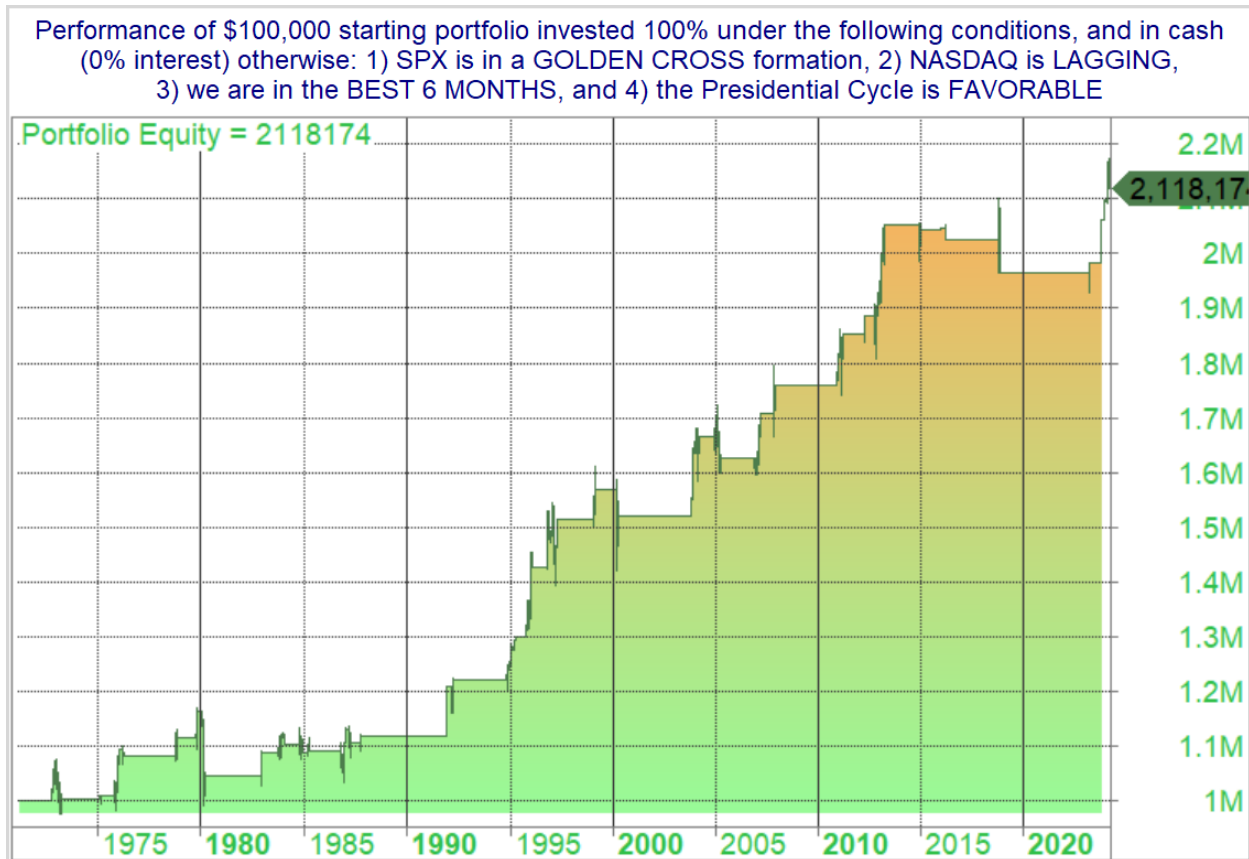
Historical Compound Returns of \$100,000 Starting Portfolio Using the NASDAQ/SPX Relative Leadership Indicator as a Filter. 12/31/71 - 4/12/2024.

	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.)

I decided also to take a look at how the market has done when all original 4 Market Timing Course indicators have been aligned as they are now. That means: 1) SPX “Golden Cross” in effect, 2) the NASDAQ is lagging, 3) favorable Presidential Cycle, and 4) “Best” 6 months in effect. Below is a chart showing SPX performance during this alignment.



This curve is encouraging. It has basically been headed up or sideways nearly the entire time, and it is back at new highs. There have not been any sizable drawdowns. So it seems to suggest that the current configuration is still bullish. While we would rather see the NASDAQ leading, all 4 of the Market Timing Course Combo Systems remain “long”. They have just switched from QQQ to SPY.

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 17, 2024** 📅
 Posted April 18, 2024 at 4:30 PM

SUMMARY

T-BILLS

T-NOTES AND T-BONDS

FRNS

TIPS

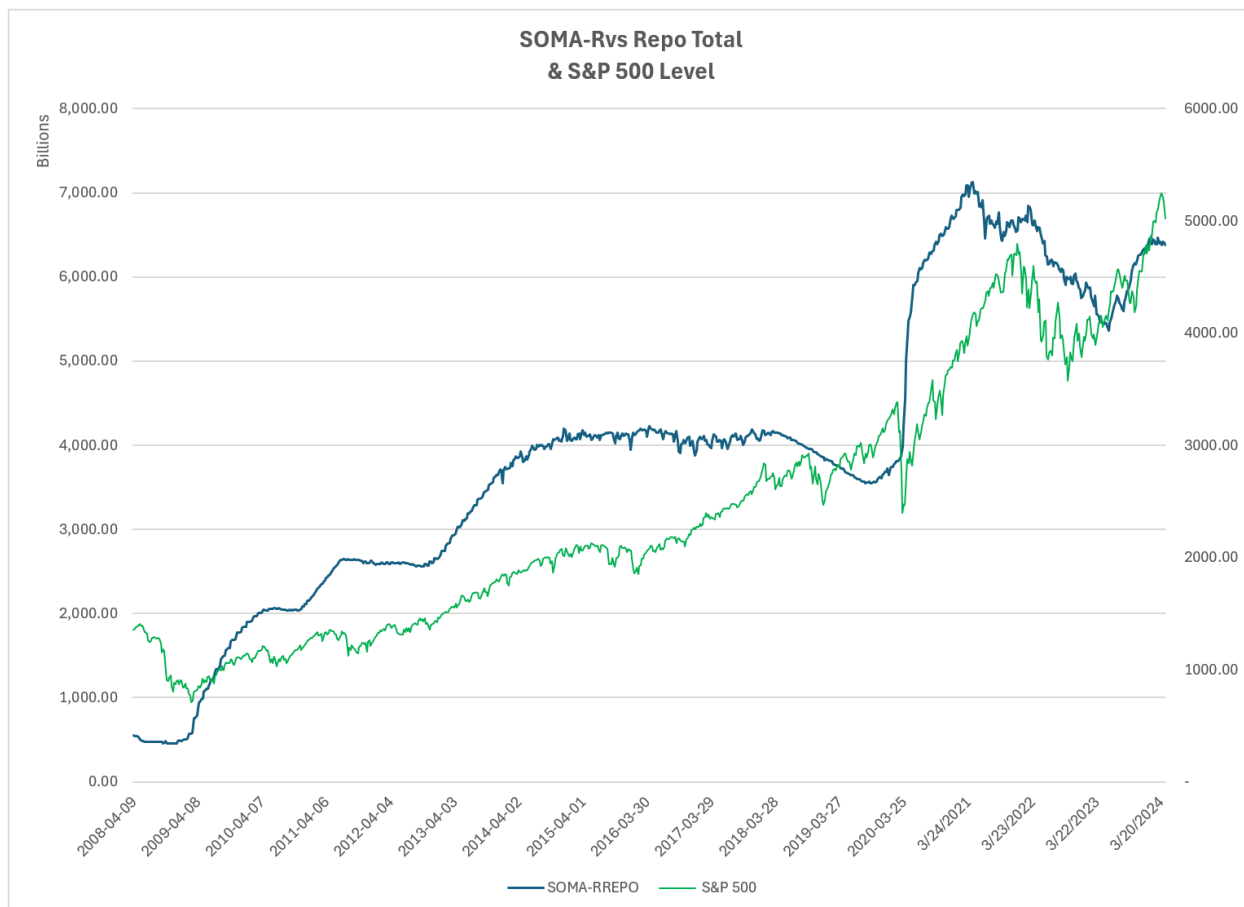
AGENCY DEBTS

MBS

CMBS

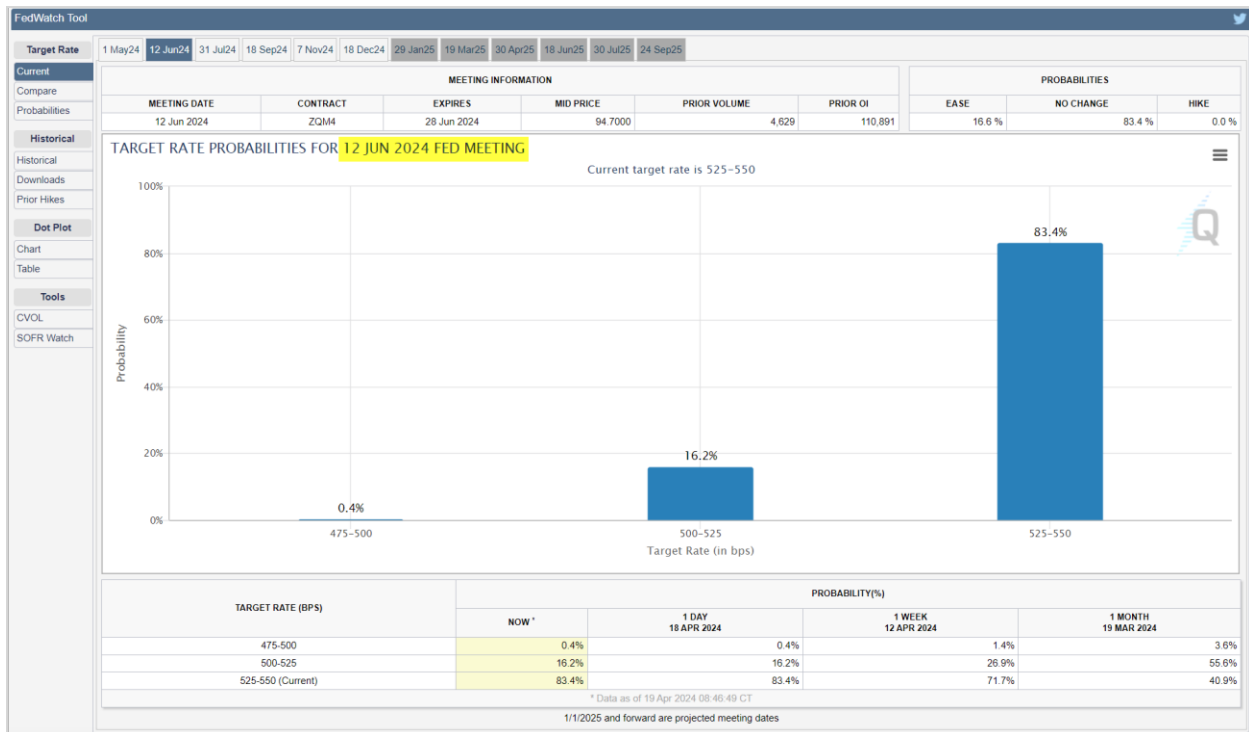
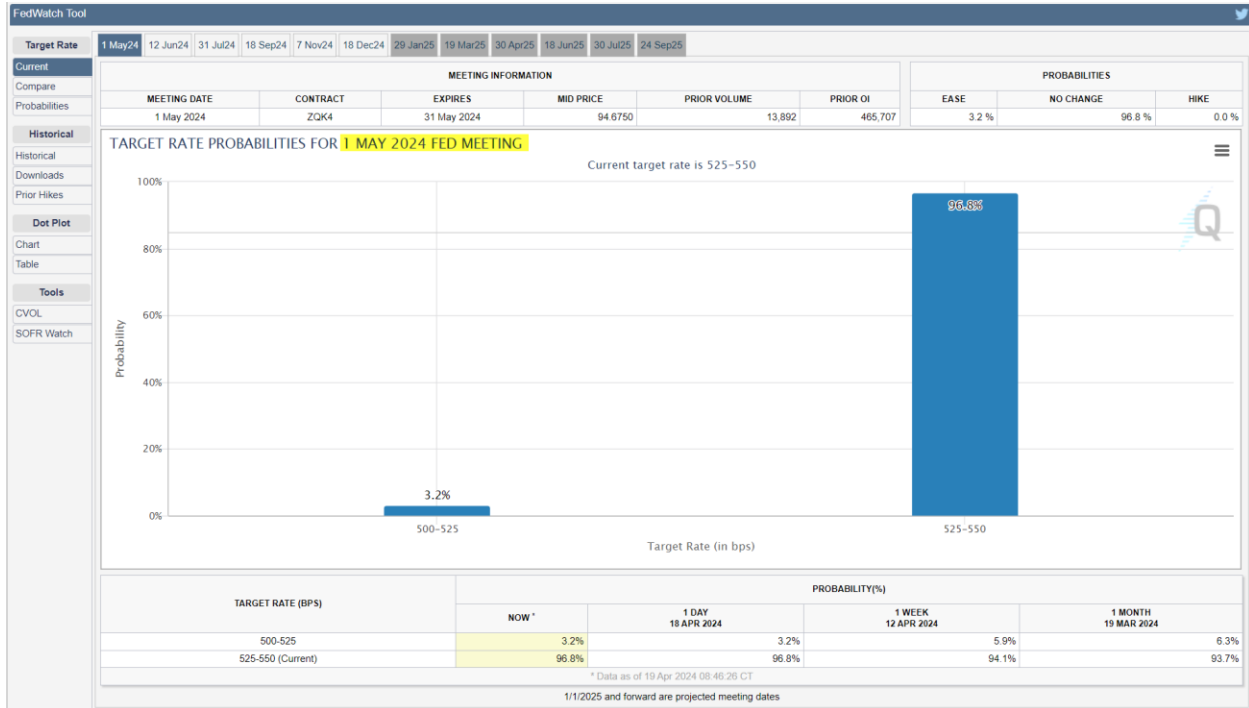
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,142,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,873,577,840.6
US Treasury Floating Rate Notes (FRNs)	7,777,080.8
US Treasury Inflation-Protected Securities (TIPS)*	350,026,554.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,380,057,259.4
Agency Commercial Mortgage-Backed Securities***	8,183,256.5
Total SOMA Holdings	6,817,111,918.2
Change From Prior Week	-35,188,276.5

The SOMA dropped a sizable \$35 billion this past week. The current week should see a more muted decline. Meanwhile, reverse repos declined about \$5 billion. This amounts to about a \$30 billion drain 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. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this helped provide fuel for the market rally. But since early March, there has been a chopping around of the blue line and a small drain on liquidity. This could be a contributor to the recent pullback. There are still plenty of reverse repos to provide liquidity support, but the level is less than 20% of what it was about a year ago. I will continue to keep an eye on these liquidity flows in the coming weeks and months.

With regards to rates, odds are showing just a 3% chance that the Fed cuts rates in May, and a 17% chance that rates are lowered by the June meeting. This number has been dropping every week for the past 4 weeks. 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. This week the QQQ acceleration lower and the spike in the CBI are both suggesting a rise over the next few weeks. Seasonality is still favorable as well. The trend still appears up, though the drop below the 50ma has that is question. There are still some negatives, including potentially bearish Fed policies. And geopolitical strife weighed on the market this past week and could continue to be an issue. 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

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

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

CAT - 1/3 @ \$359.88 (buy @ limit)

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

CAT - 1/3 @ \$358.32 (buy @ limit)

COP - 1/3 @ \$128.33 (buy @ limit)

CAT - 1/3 @ \$357.93 (buy @ limit)

COP - 1/3 @ \$128.33 (buy @ limit)

Broad Market Large Cap CBI - 8 (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.

SPY - Buy ¼ index position @ \$491.00 LIMIT ON CLOSE. Another sizable drop on Monday heading into a potential Turnaround Tuesday would have me looking to take on the last bit of a long index position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
BRK.B(1/3)	4/15/2024	\$403.26	\$405.08	0.45%	<i>sell on open</i>
JPM(1/3)	4/15/2024	\$182.79	\$185.80	1.65%	<i>sell on open</i>
SPY(1/4)	4/15/2024	\$510.85	\$495.16	-3.07%	Aggregator
SPY1/4)	4/15/2024	\$504.45	\$495.16	-1.84%	Aggregator
BRK.B(1/3)	4/16/2024	\$400.26	\$405.08	1.20%	<i>sell on open</i>
AIG(1/3)	4/16/2024	\$73.05	\$74.23	1.62%	<i>sell on open</i>
EMR(1/3)	4/16/2024	\$111.76	\$108.58	-2.85%	Catapult
EMR(1/3)	4/17/2024	\$111.49	\$108.58	-2.61%	Catapult
SPY(1/4)	4/18/2024	\$500.75	\$495.16	-1.12%	Aggregator
JPM(1/3)	4/18/2024	\$180.08	\$185.80	3.18%	<i>sell on open</i>
EMR(1/3)	4/18/2024	\$109.81	\$108.58	-1.12%	Catapult
CAT(1/3)	4/18/2024	\$359.88	\$354.66	-1.45%	Catapult
CAT(1/3)	4/18/2024	\$358.32	\$354.66	-1.02%	Catapult
COP(1/3)	4/18/2024	\$128.33	\$129.38	0.82%	Catapult
CAT(1/3)	4/19/2024	\$357.93	\$354.66	-0.91%	Catapult

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