

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 26, 2024

Volume 17 Issue 81

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The SOX strength on a day NASDAQ declined suggests a bounce on Tuesday.
- When SPY posts a large gap down and then partially fills the gap on a positive open-close rally but still finishes down on the day, then that has often led to a bounce higher over the next few days

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator turned bullish. Evidence is pointing higher and the SPX is solidly oversold. There appears to be an upside edge.

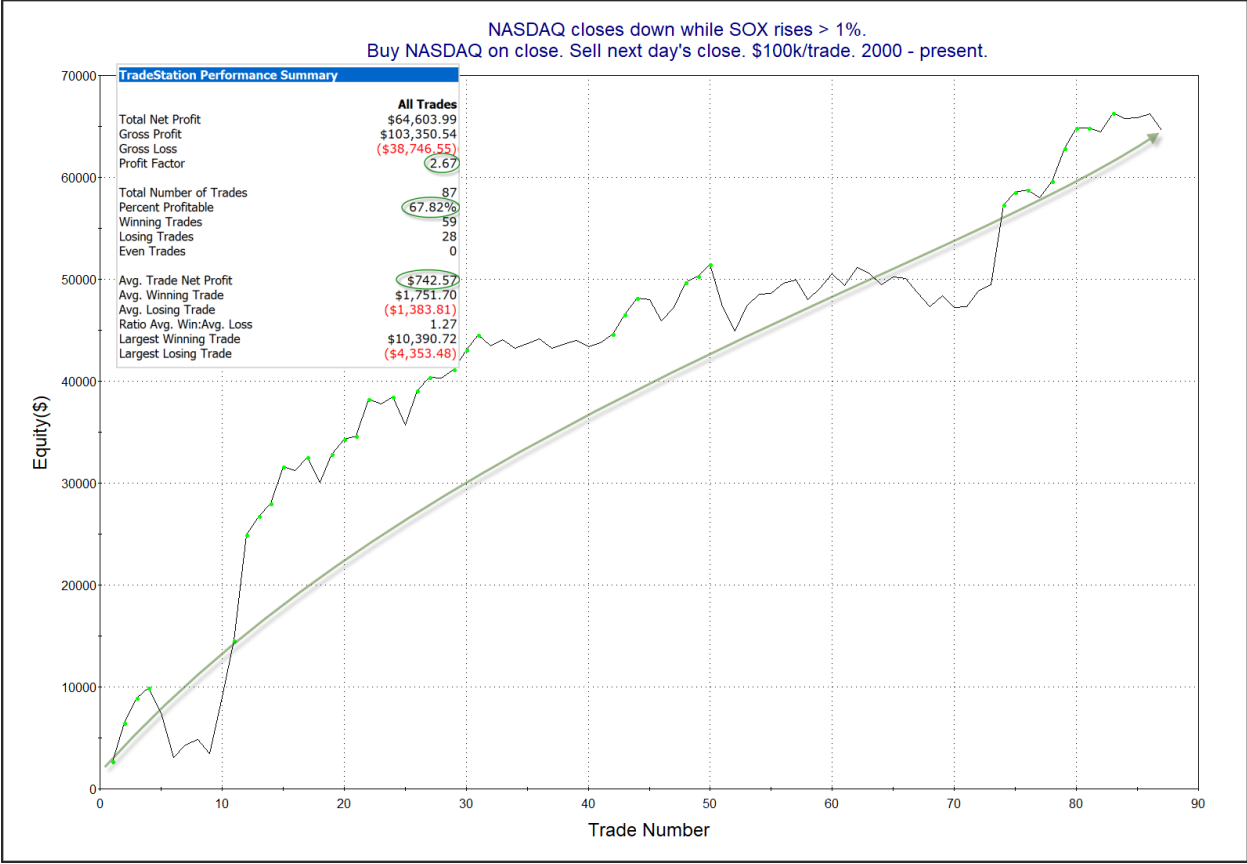
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
April 26, 2024	SPY gp down > 1%. Rise 0.5% never fill. >10	1-6 days	Bullish	3.50%	-1.75%	-4.00%
April 26, 2024	NASDAQ down. SOX up > 1%.	1 day	Bullish			
April 24, 2024	15 days under 10ma, now above. SPX > 200	1-7 days	Bullish			
April 22, 2024	20-low then gap down & close < open.	1-5 days	Bullish	2.50%	-1.10%	-2.20%
April 18, 2024	4 Lower lows & 20-low close > 200	1-6 days	Bullish			
<b>Active - Long Term</b>						
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 ADT <sub>5</sub> > 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			

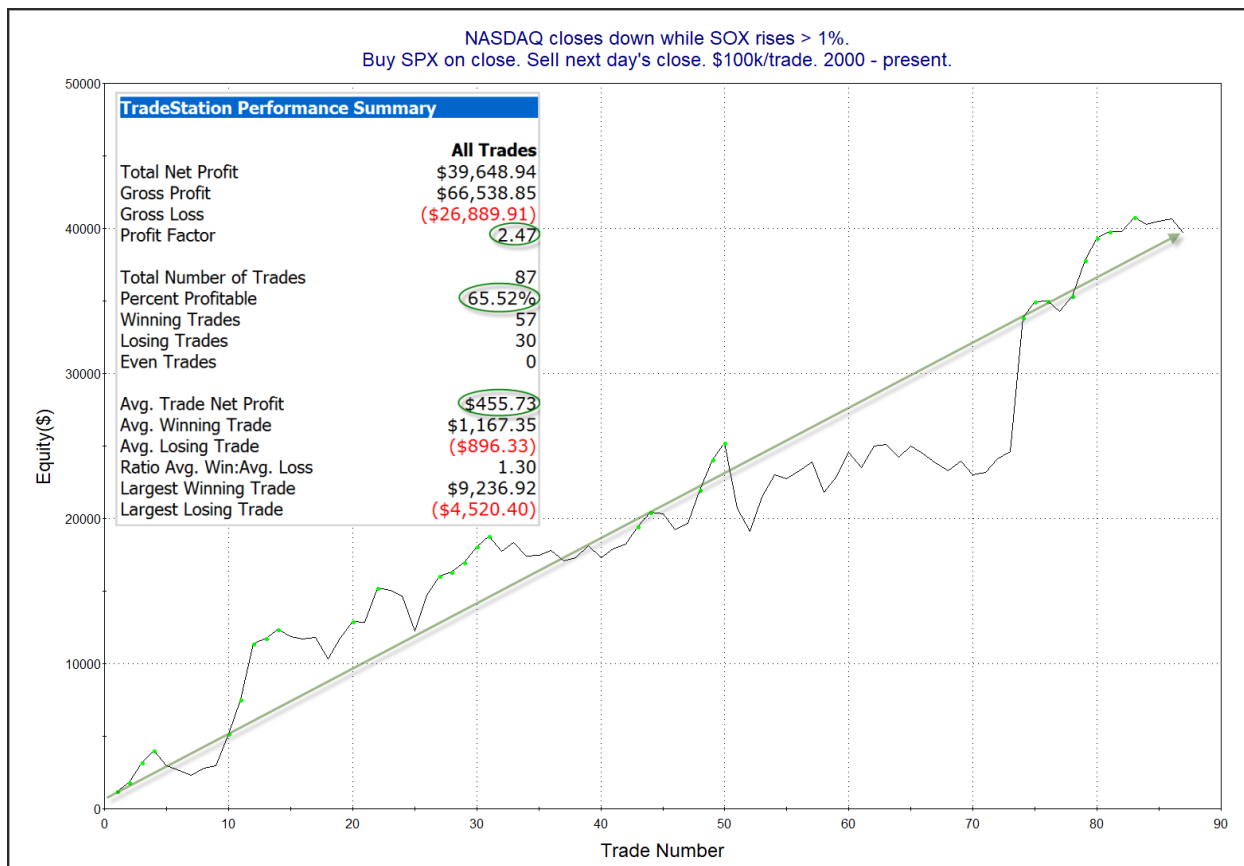
**The Evidence**

Thursday saw a very weak start that was mostly recovered by the close. The SPX finished down 0.5%, the NASDAQ fell 0.6%, and the Russell 2000 dropped 0.7%. Breadth was weak, with the NYSE Up Issues % coming in at 30% and the Up Volume % at 42%. NYSE total volume rose some from Wednesday's level.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up nearly 2%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which has popped up a few times this year, most recently in the 3/5/24 letter. Results are updated.



Not exactly a steady rise, but the move and numbers are impressive nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



Results here appear steady but less explosive. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

For SPY, Thursday started with a big gap down, and while the intraday rise was substantial, it never made it back to breakeven. This triggered the study below. It looks at times the SPY gapped down over 1%, then closed over 0.5% above the open, but still never closed the opening gap. It also required a close above the 10ma. The study was last featured in the 8/8/22 letter. Results are updated.

SPY gaps down > 1%. It never fills and closes > 0.5% above the open.  
Close > 10ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

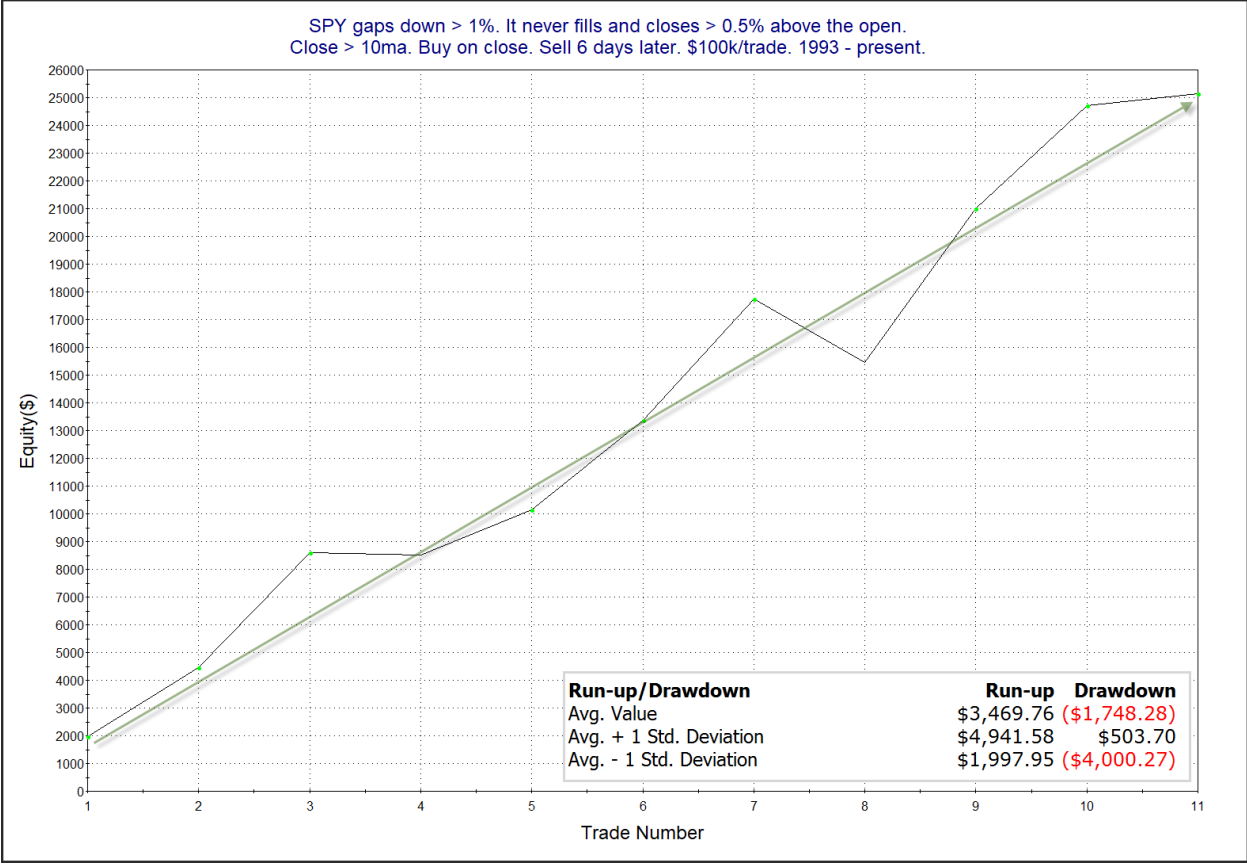
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	23,852.98	10	9	1	90.00	5,117.92	-8,625.78	3,608.75	-8,625.78	0.42	3.77	2,385.30
9	25,984.62	10	9	1	90.00	5,499.74	-5,949.96	3,548.29	-5,949.96	0.60	5.37	2,598.46
8	30,148.33	11	10	1	90.91	6,684.18	-3,540.06	3,368.84	-3,540.06	0.95	9.52	2,740.76
7	22,537.30	11	9	2	81.82	5,658.39	-4,287.96	3,104.70	-2,702.48	1.15	5.17	2,048.85
6	25,142.63	11	9	2	81.82	5,558.41	-2,301.87	3,060.56	-1,201.20	2.55	11.47	2,285.69
5	21,039.53	11	9	2	81.82	5,272.34	-3,382.17	2,831.43	-2,221.66	1.27	5.74	1,912.68
4	11,183.31	11	9	2	81.82	2,972.06	-5,625.87	1,987.13	-3,350.44	0.59	2.67	1,016.66
3	7,784.74	11	9	2	81.82	3,176.64	-6,190.95	1,844.30	-4,406.98	0.42	1.88	707.70
2	1,965.47	11	6	5	54.55	2,345.96	-3,058.08	1,280.06	-1,142.98	1.12	1.34	178.68
1	3,051.38	11	6	5	54.55	2,247.84	-1,819.95	1,144.34	-762.94	1.50	1.80	277.40

This setup has been rare, but the fairly low number of instances we have seen have shown strong returns. Below is a look at all 11 instances along with their 8-day results.

SPY gaps down > 1%. It never fills and closes > 0.5% above the open. Close > 10ma.  
Buy on close. Sell 8 days later. \$100k/trade. 1993 - present.

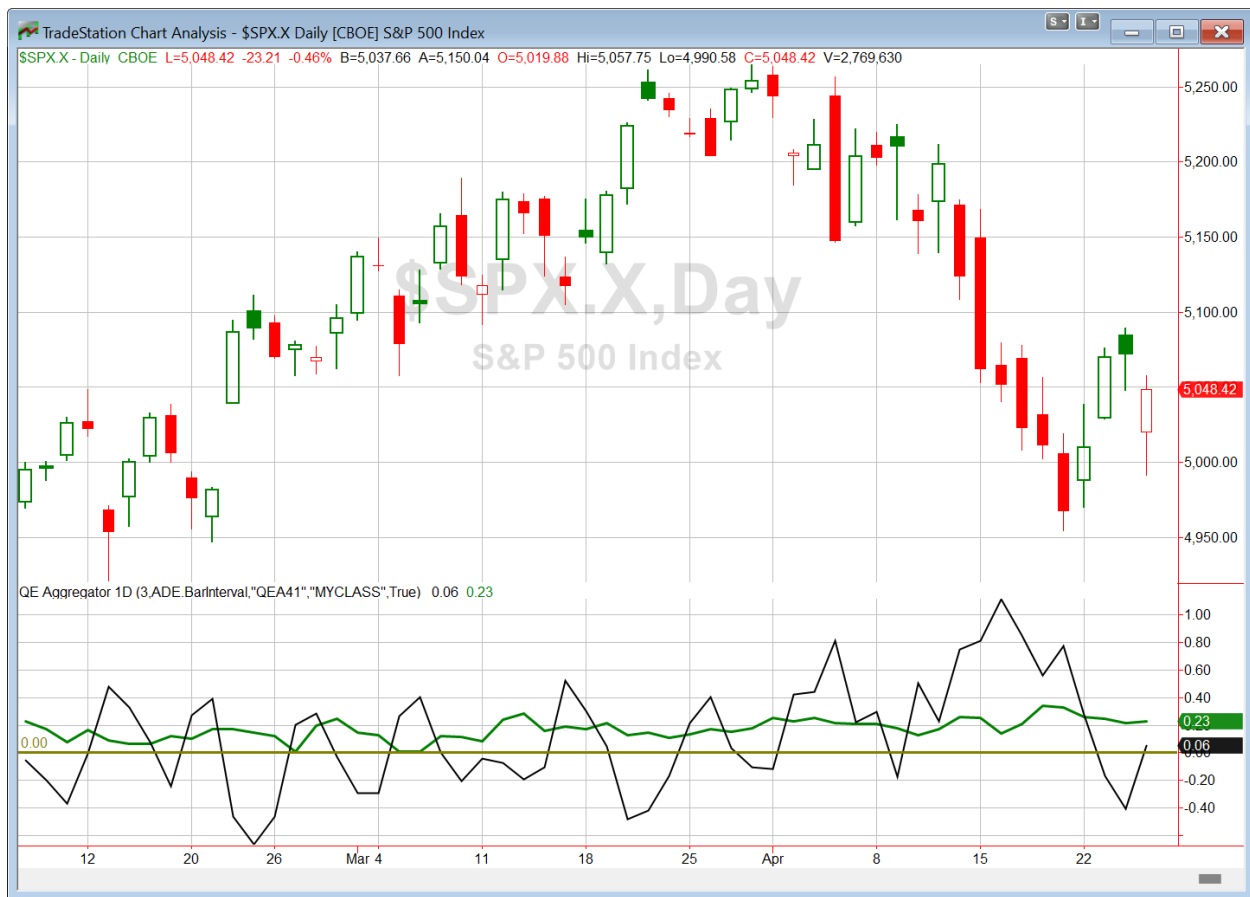
Date	Signal	Price	% Profit	Run-up/ Drawdown
11/7/1997	Buy	\$92.94	1.85%	\$2,547.75
11/19/1997	Sell	\$94.66		(\$3,063.75)
11/12/2001	Buy	\$112.03	3.26%	\$3,407.44
11/23/2001	Sell	\$115.68		\$0.00
8/12/2002	Buy	\$90.62	6.69%	\$7,202.59
8/22/2002	Sell	\$96.68		(\$2,867.80)
10/22/2002	Buy	\$89.52	0.84%	\$1,977.09
11/1/2002	Sell	\$90.27		(\$2,814.84)
2/12/2010	Buy	\$108.04	2.43%	\$3,274.50
2/25/2010	Sell	\$110.67		\$0.00
2/25/2010	Buy	\$110.67	3.42%	\$3,900.96
3/9/2010	Sell	\$114.46		(\$505.68)
6/23/2011	Buy	\$128.30	4.42%	\$4,549.36
7/6/2011	Sell	\$133.97		(\$1,308.72)
9/19/2011	Buy	\$120.31	-3.54%	\$1,396.08
9/29/2011	Sell	\$116.05		(\$7,487.31)
10/2/2020	Buy	\$333.84	4.22%	\$6,033.82
10/14/2020	Sell	\$347.93		\$0.00
8/5/2022	Buy	\$413.47	3.19%	\$4,400.66
8/17/2022	Sell	\$426.65		(\$783.25)
11/17/2022	Buy	\$394.24	3.41%	\$3,400.32
11/30/2022	Sell	\$407.68		(\$399.74)

That is a good-looking list. Next is the profit curve for the slightly shorter 6-day hold.



I've decided to include this study on the Active List as well.

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 rose 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5112.51 on Friday. That is 1.3% above Thursday's close. Therefore, SPX will need to close up 1.3% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is back to bullish after a couple of neutral days. Evidence is pointing higher and there is ample room to the upside before SPX will turn overbought. So it appears to be a solid setup. I'd be a little more excited if SPX had not rebounded so much intraday on Thursday. And MSFT and GOOGL both posted strong earnings and saw strong moves after hours, helping ES futures rise over 0.5%. So I will look to take on some exposure Friday, but I won't chase. I would like to see an intraday pullback to buy into.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/22 – **bullish***

## **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 @ \$500.00 LIMIT.** Base on the short-term outlook above, I will look to take on some SPY exposure if it pulls back a bit from Thursday’s closing price.

## **Current Open Trade Ideas**

**None.**

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