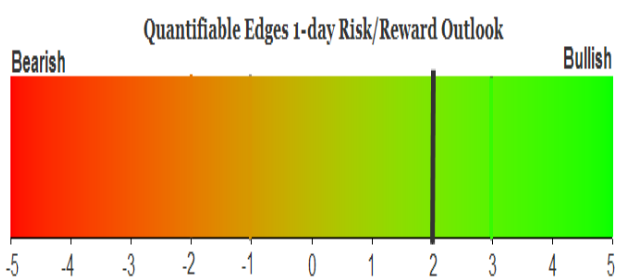
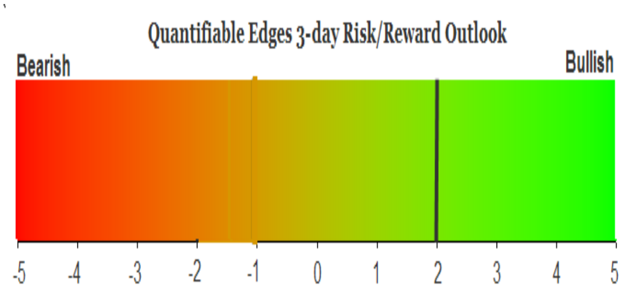
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 29, 2024 Volume 17 Issue 82

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Mid-May appears to be the weakest part of the upcoming month according to the Quantifiable Edges Seasonality Calendar.
- May-October has been susceptible to selling when there was a pullback during the Jan-April period.
- QT was mild this week, but reverse repos rose. This made for a small liquidity drain.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But short-term evidence is getting a little light, and SPX is only modestly oversold. I believe there is a short-term upside edge, but not a strong one.

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**
Active - Short Term						
April 26, 2024	SPY gp down > 1%. Rise 0.5% never fill. >10	1-6 days	Bullish	3.50%	-1.75%	-4.00%
April 24, 2024	15 days under 10ma, now above. SPX > 200	1-7 days	Bullish			
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 saw a lot of buying. The SPX gained 1.0%, the NASDAQ rallied 2.0%, and the Russell 2000 rose 1.05%. Breadth was strong, with the NYSE Up Issues % coming in at 66% and the Up Volume % at 65%. NYSE total volume declined some from Thursday's level.

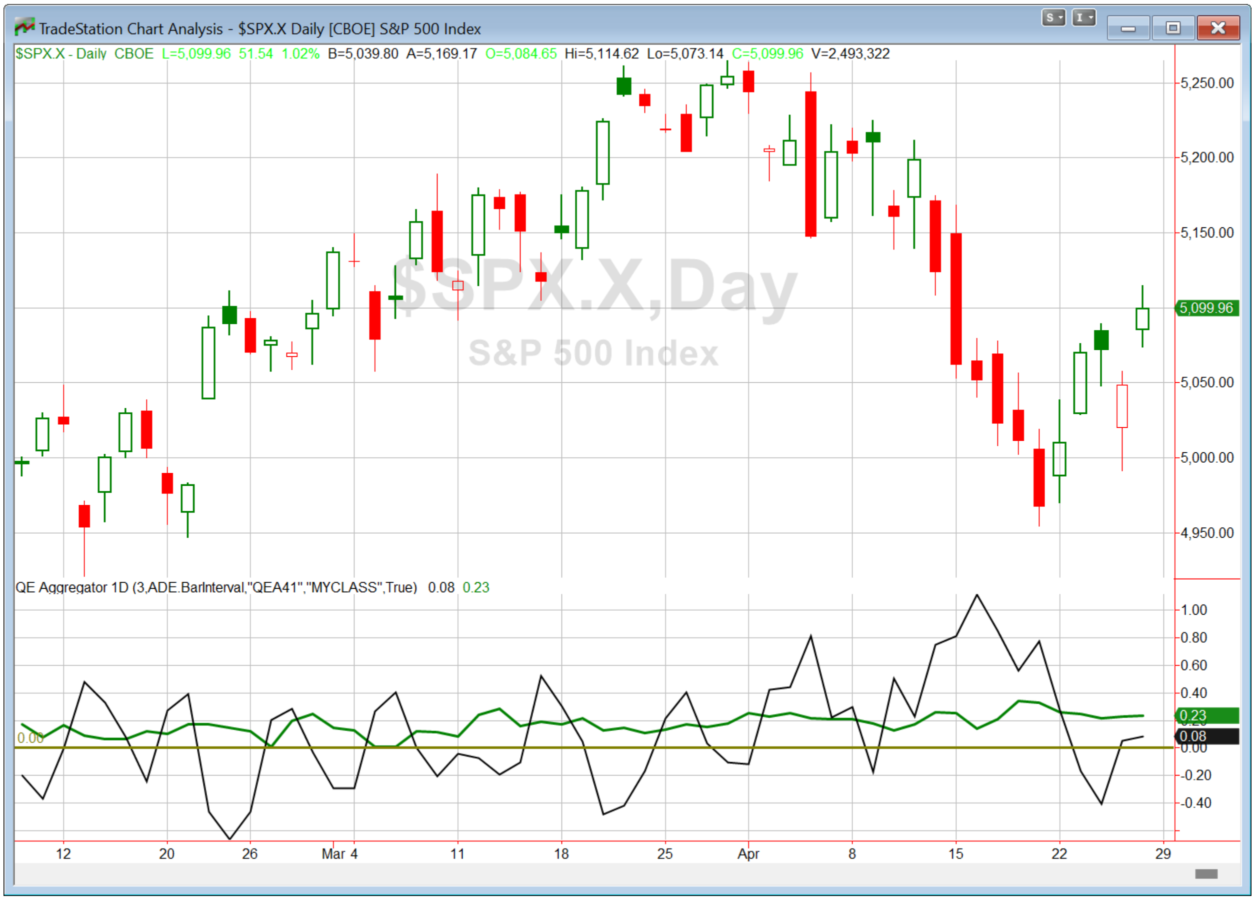
Friday's action did not trigger anything in the Quantifinder. The move was strong, but we are still in the middle section of the recent range. About half of the March drawdown was made up for over the last week. And mid-range is often a place where we don't see strong edges emerge. That seems to be the case now. There are still a couple of short-term studies active from the last few days. They suggest more upside to come. But I won't be adding any new studies tonight.

I did post the preliminary Seasonality Calendars for May. Below is a look at the SPX Calendar.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
5/1/2024	53.87	1.189	0.047
5/2/2024	53.37	0.975	-0.012
5/3/2024	53.92	1.120	0.034
5/6/2024	54.95	1.324	0.092
5/7/2024	48.78	0.943	-0.025
5/8/2024	52.28	0.958	-0.015
5/9/2024	53.65	0.956	-0.018
5/10/2024	53.78	1.165	0.047
5/13/2024	52.15	0.908	-0.046
5/14/2024	50.63	0.996	-0.011
5/15/2024	52.56	0.904	-0.038
5/16/2024	51.99	0.877	-0.049
5/17/2024	48.70	0.829	-0.066
5/20/2024	60.96	1.681	0.133
5/21/2024	56.68	1.879	0.178
5/22/2024	59.17	1.887	0.181
5/23/2024	60.64	1.946	0.197
5/24/2024	59.59	1.726	0.126
5/28/2024	50.17	1.335	0.073
5/29/2024	51.00	1.459	0.110
5/30/2024	52.47	1.518	0.126
5/31/2024	54.21	1.312	0.065
Baseline	*53.65*	*1.135*	*0.046*

The weakest part of the month appears to be between the 7th and the 17th. That could be a period where bears might have an easier time making a push lower.

I have updated the Aggregator chart below.



Without any new short-term studies being added, 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 could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5108.06 on Monday. That is 0.2% above Friday's close. Therefore, SPX will need to close up 0.2% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. But I don't love the setup for new entries. We did not see any supporting short-term evidence emerge on Friday. And while SPX is oversold vs expectations, it has made a big move higher from Thursday's gap-down open. It also would not take much to flip it from oversold to overbought on Monday. So I won't be looking to take on any new exposure just yet.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/29 – mildly 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, but Combo #3 will change to cash on Tuesday afternoon.*

This past week saw a big rebound for stocks. The SPX gained 2.7%, the NASDAQ rallied 4.2%, and the Russell 2000 rose 2.8%. Bonds did not perform well. The US Aggregate Bond ETF (AGG) fell 0.05%. TLT, the 20-year Treasury Bond ETF, dropped 1.0%. The long-term trend still looks up, but there is work to do to get back to new highs, and SPX is at about the same level it was at to close February. It is also positioned below its 50ma and above its 200ma.

Wednesday the Calendar is going to turn to May. That will take us into the "Worst 6 Months" seasonal period. It will also turn the Combo #3 signal to cash.

Over the last several years I have looked at the "Worst 6 Months" and filtered it by whether the market has suffered a pullback at any point leading up to the end of April. To define "pullback" I started with a clean slate every year on January 1. The close of Jan 1 was the high for the year as of that date. Each time a new high was made I would measure the pullbacks from the highest close to-date. I broke "Sell in May" down by years the SPX had a 5% pullback before May versus years it did not. Three-quarters of the time we have seen a 5% pullback. The updated results table below shows times where there had NOT been a pullback at some point before May (unlike this year).

SPX has not pulled back more than 5% on a close to close basis at any point from Jan - April. 6-month performance of May - Oct shown below.								
Symbol	**Trade**	**Date**	**Price**	**Ex. date**	**Ex. Price**	**% chg**	**MAE**	**MFE**
$SPX	Long	4/28/1961	65.31	10/31/1961	68.62	5.07%	-1.38%	5.07%
$SPX	Long	4/30/1963	69.8	10/31/1963	74.01	6.03%	-3.24%	7.71%
$SPX	Long	4/30/1964	79.46	10/30/1964	84.86	6.80%	-1.65%	7.85%
$SPX	Long	4/30/1965	89.11	10/29/1965	92.42	3.71%	-9.40%	4.58%
$SPX	Long	4/28/1967	94.01	10/31/1967	93.3	-0.76%	-7.25%	4.57%
$SPX	Long	4/30/1971	103.95	10/29/1971	94.23	-9.35%	-10.72%	0.97%
$SPX	Long	4/28/1972	107.67	10/31/1972	111.58	3.63%	-3.57%	5.37%
$SPX	Long	4/30/1976	101.64	10/29/1976	102.9	1.24%	-3.61%	6.97%
$SPX	Long	4/30/1985	179.83	10/31/1985	189.82	5.56%	-0.82%	9.03%
$SPX	Long	4/28/1989	309.64	10/31/1989	340.36	9.92%	-1.80%	16.41%
$SPX	Long	4/28/1995	514.71	10/31/1995	581.5	12.98%	-0.74%	14.76%
$SPX	Long	4/28/2006	1310.61	10/31/2006	1377.94	5.14%	-6.97%	6.02%
$SPX	Long	4/30/2012	1397.91	10/31/2012	1412.16	1.02%	-9.38%	5.48%
$SPX	Long	4/30/2013	1597.57	10/31/2013	1756.54	9.95%	-2.33%	11.12%
$SPX	Long	4/30/2015	2085.51	10/30/2015	2079.36	-0.29%	-10.48%	2.36%
$SPX	Long	4/28/2017	2384.2	10/31/2017	2575.26	8.01%	-1.32%	8.34%
$SPX	Long	4/30/2019	2945.83	10/31/2019	3037.56	3.11%	-7.37%	3.54%
$SPX	Long	4/30/2021	4181.17	10/29/2021	4605.38	10.15%	-2.97%	10.15%
					Avg	**4.55%**	**-4.72%**	**7.24%**

Results here are actually quite positive, with 15 winning years and only 3 losers. And only twice did the Max Adverse Excursion (drawdown) exceed 10%, and that was just barely in both cases. Overall, the results suggest that when there has been a strong market headed into May that the May-October period has been pretty good. But this year we saw a sizable pullback in April. Here are results for years in which there was a 5% pullback at some point in Jan-April. I have highlighted any run-ups (green) or drawdowns (red) exceeding 10%.

SPX has pulled back > 5% at some point during January - April.
6-month performance of May - October shown below.

Symbol	Trade	Entry Date	Price	Exit Date	Exit Price	% chg	MAE	MFE
$SPX	Long	4/30/1962	65.24	10/31/1962	56.52	-13.37%	-21.29%	2.59%
$SPX	Long	4/29/1966	91.06	10/31/1966	80.2	-11.93%	-20.62%	0.88%
$SPX	Long	4/30/1968	97.46	10/31/1968	103.41	6.11%	-1.71%	8.54%
$SPX	Long	4/30/1969	103.69	10/31/1969	97.12	-6.34%	-15.09%	2.94%
$SPX	Long	4/30/1970	81.52	10/30/1970	83.25	2.12%	-15.84%	7.64%
$SPX	Long	4/30/1973	106.97	10/31/1973	108.29	1.23%	-6.76%	5.47%
$SPX	Long	4/30/1974	90.31	10/31/1974	73.9	-18.17%	-32.50%	3.82%
$SPX	Long	4/30/1975	87.3	10/31/1975	89.04	1.99%	-6.56%	10.63%
$SPX	Long	4/29/1977	98.44	10/31/1977	92.34	-6.20%	-8.37%	4.20%
$SPX	Long	4/28/1978	96.83	10/31/1978	93.15	-3.80%	-5.35%	11.59%
$SPX	Long	4/30/1979	101.76	10/31/1979	101.82	0.06%	-4.20%	10.22%
$SPX	Long	4/30/1980	106.29	10/31/1980	127.47	19.93%	-2.62%	27.84%
$SPX	Long	4/30/1981	132.81	10/30/1981	121.89	-8.22%	-17.03%	2.15%
$SPX	Long	4/30/1982	116.44	10/29/1982	133.72	14.84%	-12.23%	20.58%
$SPX	Long	4/29/1983	164.43	10/31/1983	163.55	-0.54%	-3.61%	5.00%
$SPX	Long	4/30/1984	160.05	10/31/1984	166.09	3.77%	-7.99%	6.00%
$SPX	Long	4/30/1986	235.52	10/31/1986	243.98	3.59%	-3.16%	7.95%
$SPX	Long	4/30/1987	288.36	10/30/1987	251.79	-12.68%	-24.93%	17.18%
$SPX	Long	4/29/1988	261.33	10/31/1988	278.97	6.75%	-4.78%	8.66%
$SPX	Long	4/30/1990	330.8	10/31/1990	304	-8.10%	-10.97%	11.78%
$SPX	Long	4/30/1991	375.35	10/31/1991	392.46	4.56%	-2.54%	5.93%
$SPX	Long	4/30/1992	414.95	10/30/1992	418.68	0.90%	-4.37%	2.49%
$SPX	Long	4/30/1993	440.19	10/29/1993	467.83	6.28%	-0.76%	7.02%
$SPX	Long	4/29/1994	450.91	10/31/1994	472.35	4.75%	-2.46%	5.92%
$SPX	Long	4/30/1996	654.17	10/31/1996	705.27	7.81%	-7.38%	9.16%
$SPX	Long	4/30/1997	801.34	10/31/1997	914.62	14.14%	-1.26%	22.68%
$SPX	Long	4/30/1998	1111.77	10/30/1998	1098.67	-1.18%	-16.95%	7.09%
$SPX	Long	4/30/1999	1335.18	10/29/1999	1362.93	2.08%	-7.60%	6.36%
$SPX	Long	4/28/2000	1452.43	10/31/2000	1429.4	-1.59%	-10.10%	5.35%
$SPX	Long	4/30/2001	1249.49	10/31/2001	1059.78	-15.18%	-24.39%	5.32%
$SPX	Long	4/30/2002	1076.92	10/31/2002	885.7601	-17.75%	-28.63%	2.76%
$SPX	Long	4/30/2003	916.92	10/31/2003	1050.71	14.59%	-1.54%	14.93%
$SPX	Long	4/30/2004	1107.3	10/29/2004	1130.2	2.07%	-4.21%	3.53%
$SPX	Long	4/29/2005	1156.85	10/31/2005	1207.01	4.34%	-1.53%	7.69%
$SPX	Long	4/30/2007	1482.37	10/31/2007	1549.38	4.52%	-7.54%	6.32%
$SPX	Long	4/30/2008	1385.59	10/31/2008	968.75	-30.08%	-39.39%	3.94%
$SPX	Long	4/30/2009	872.81	10/30/2009	1036.19	18.72%	-0.77%	26.19%
$SPX	Long	4/30/2010	1186.69	10/29/2010	1183.26	-0.29%	-14.81%	1.79%
$SPX	Long	4/29/2011	1363.61	10/31/2011	1253.3	-8.09%	-21.18%	0.51%
$SPX	Long	4/30/2014	1883.95	10/31/2014	2018.05	7.12%	-3.36%	7.18%
$SPX	Long	4/29/2016	2065.3	10/31/2016	2126.15	2.95%	-3.56%	6.22%
$SPX	Long	4/30/2018	2648.05	10/31/2018	2711.74	2.41%	-2.02%	11.06%
$SPX	Long	4/30/2020	2912.43	10/30/2020	3269.96	12.28%	-5.01%	23.20%
$SPX	Long	4/29/2022	4131.93	10/31/2022	3871.98	-6.29%	-15.50%	4.68%
$SPX	Long	4/28/2023	4169.48	10/31/2023	4193.8	0.58%	-2.91%	10.50%
					Average	0.02%	-10.12%	8.52%

Of the 45 years where a 5% pullback has occurred, 16 of them saw the market drop more than 10% from its April closing price during the next 6 months. And 7 of them were more than 10% lower at the close of October. You'll note the drawdown last year looks quite mild. That is because it is measuring from the April close. From August through October the market pulled back 10%. So the drawdown numbers shown are a bit generous. There were more winning years than losing ones (27 vs 18), but the losers were quite a bit bigger, leaving the overall average instance basically flat (0.02% gain). This suggests the market could be susceptible to some poor seasonal influence over the May – October timeframe.

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

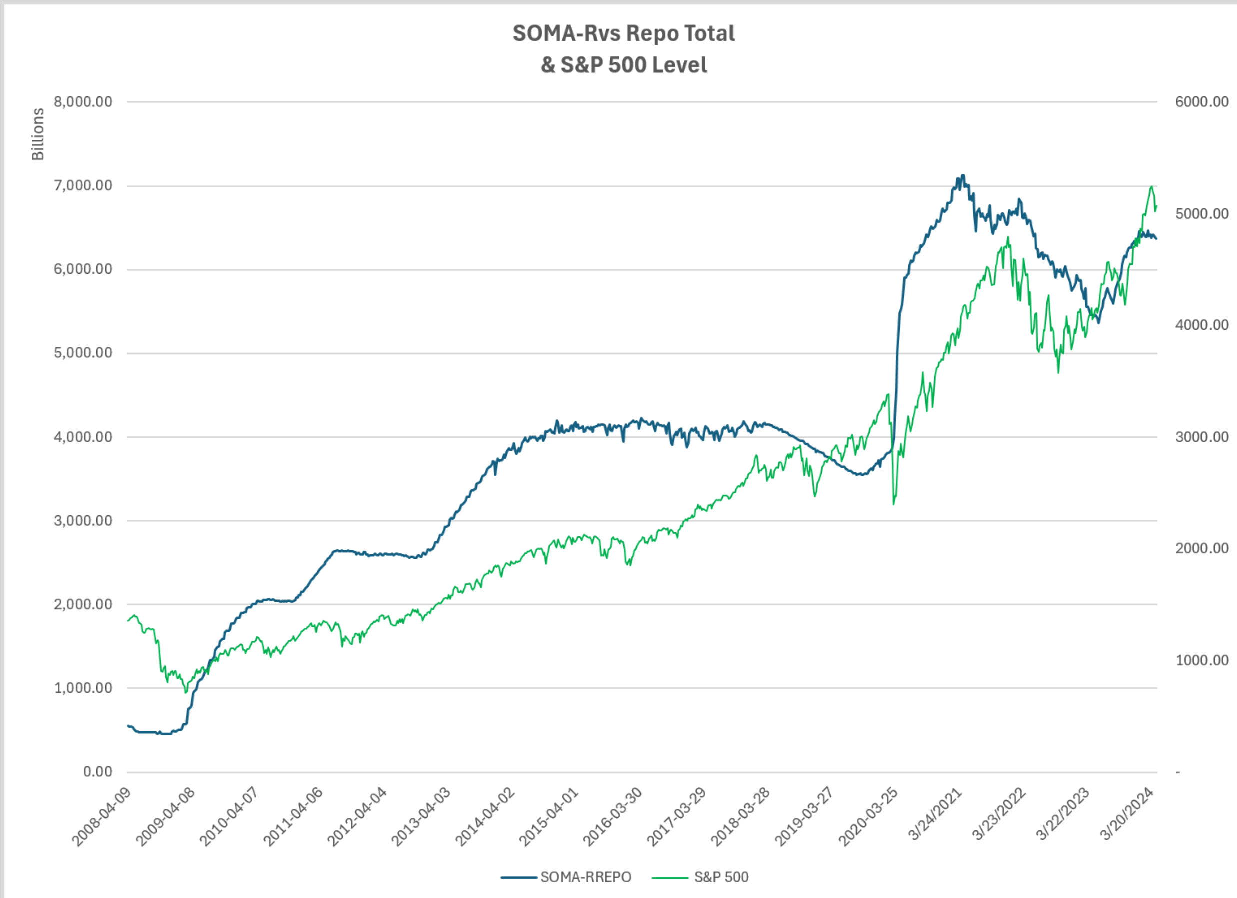
Previous April 24, 2024

Posted April 25, 2024 at 4:30 PM

SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

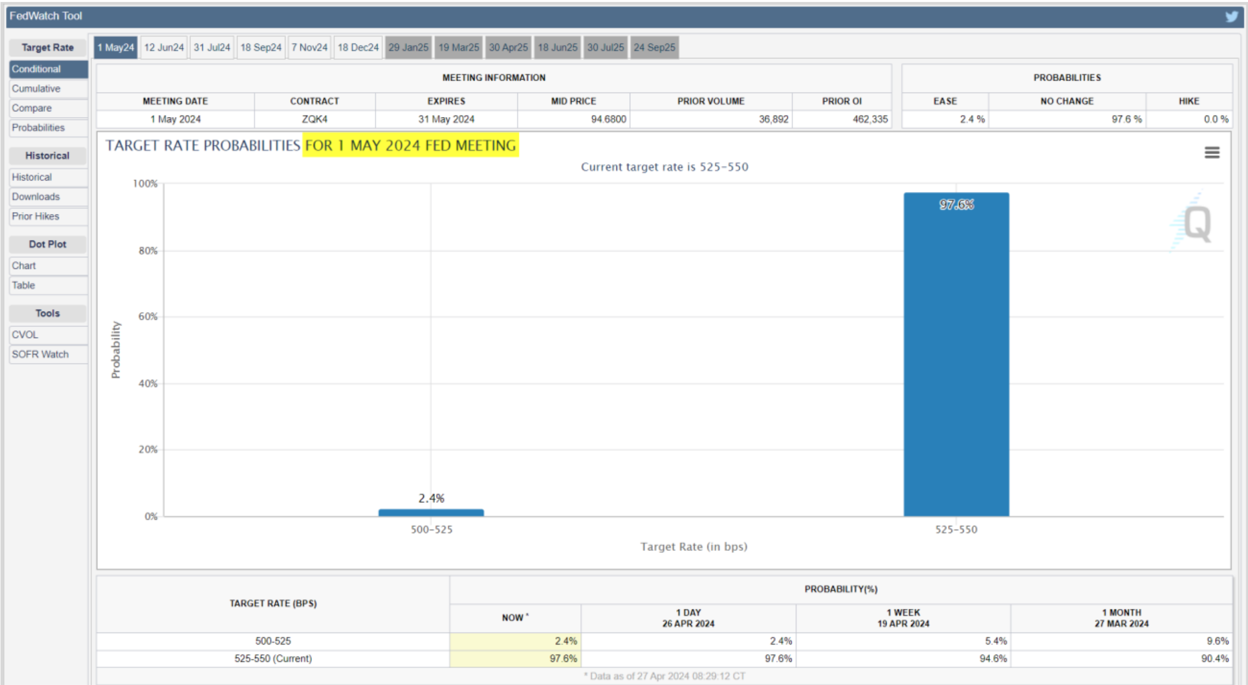
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	195,142,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,873,577,840.6
US Treasury Floating Rate Notes (FRNs)	7,777,080.8
US Treasury Inflation-Protected Securities (TIPS)*	350,026,554.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,376,536,747.7
Agency Commercial Mortgage-Backed Securities***	8,183,256.5
Total SOMA Holdings	6,813,591,406.5
Change From Prior Week	-3,520,511.7

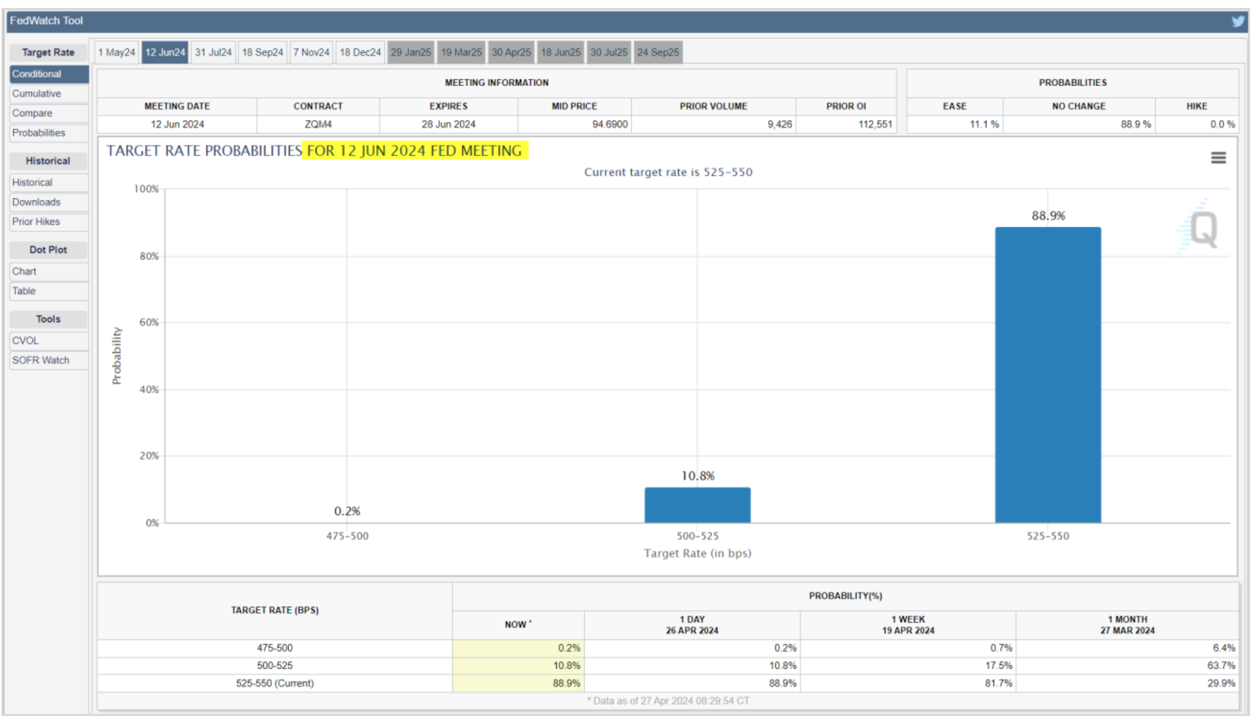
The SOMA dropped a mild $3 billion this past week. The current week should see a much larger decline. Meanwhile, reverse repos rose a modest $700 million. This amounts to about a $4 billion drain on liquidity. I discussed reverse repos impact on liquidity in the 4/8/24 letter. Below is an updated SOMA-Reverse 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 has declined over 80% from 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 2% chance that the Fed cuts rates in May, and a 11% chance that rates are lowered by the June meeting. This number has been dropping every week for the past 5 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. Last weekend’s studies that discussed the QQQ acceleration lower and the spike in the CBI both suggested a rise, and we have already seen a good chunk of the expected rise take place. The trend still appears up, though trading below the 50ma has that in question. While I am still overall bullish I am losing some enthusiasm. The NASDAQ continues to lag the SPX, the breadth thrust studies from last Autumn have done great, but they are getting a bit old, and seasonality is weakening with May arriving on Wednesday. The Fed remains a potentially bearish force, there are concerns that inflation is looking sticky while economic growth is slowing, and geopolitics remain a bubbling cauldron. Of course most of this is “bearish potential” rather than outright bearish. I’ve dialed back my outlook from “bullish” to “mildly bullish”. I will still be more inclined to take long positions than short ones, but I may not be as aggressive with entries and I might look to take profits quicker than if I was still solidly 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*.

None tonight.

Current Open Trade Ideas

None.