

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 30, 2024

Volume 17 Issue 83

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The Fed Day edge on Wednesday will be greatly influenced by action on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Selling on Tuesday could change it back to bullish.

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

Stocks chopped back and forth on Monday but finished solidly positive. The SPX gained 0.32%, the NASDAQ rallied 0.35%, and the Russell 2000 rose 0.7%. Breadth was strong, with the NYSE Up Issues % coming in at 70.5% and the Up Volume % at 69.5%. NYSE total volume declined some from Friday's level.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. [I have documented this tendency](#) in great detail over the years, including the 2011 book, [The Quantifiable Edges Guide to Fed Days](#). One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. Below are updated stats for the 4 quartiles from highest to lowest in the daily range.

Tomorrow is a Fed Day. SPY closes in the top 25% of its intraday range. Buy on close.
Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$10,818.90
Gross Profit	\$39,289.06
Gross Loss	(\$28,470.16)
Profit Factor	1.38
Total Number of Trades	96
Percent Profitable	50.00%
Winning Trades	48
Losing Trades	46
Even Trades	2
Avg. Trade Net Profit	\$112.70
Avg. Winning Trade	\$818.52
Avg. Losing Trade	(\$618.92)
Ratio Avg. Win:Avg. Loss	1.32
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.
SPY closes > 50% and <= 75% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present

TradeStation Performance Summary

	All Trades
Total Net Profit	\$15,445.46
Gross Profit	\$34,876.26
Gross Loss	(\$19,430.80)
Profit Factor	1.79
Total Number of Trades	58
Percent Profitable	51.72%
Winning Trades	30
Losing Trades	27
Even Trades	1
Avg. Trade Net Profit	\$266.30
Avg. Winning Trade	\$1,162.54
Avg. Losing Trade	(\$719.66)
Ratio Avg. Win:Avg. Loss	1.62
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,246.40)

Tomorrow is a Fed Day.
SPY closes > 25% and <= 50% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$13,122.59
Gross Profit	\$26,498.43
Gross Loss	(\$13,375.84)
Profit Factor	1.98
Total Number of Trades	49
Percent Profitable	63.27%
Winning Trades	31
Losing Trades	18
Even Trades	0
Avg. Trade Net Profit	\$267.81
Avg. Winning Trade	\$854.79
Avg. Losing Trade	(\$743.10)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

Tomorrow is a Fed Day.
SPY closes in the BOTTOM 25% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

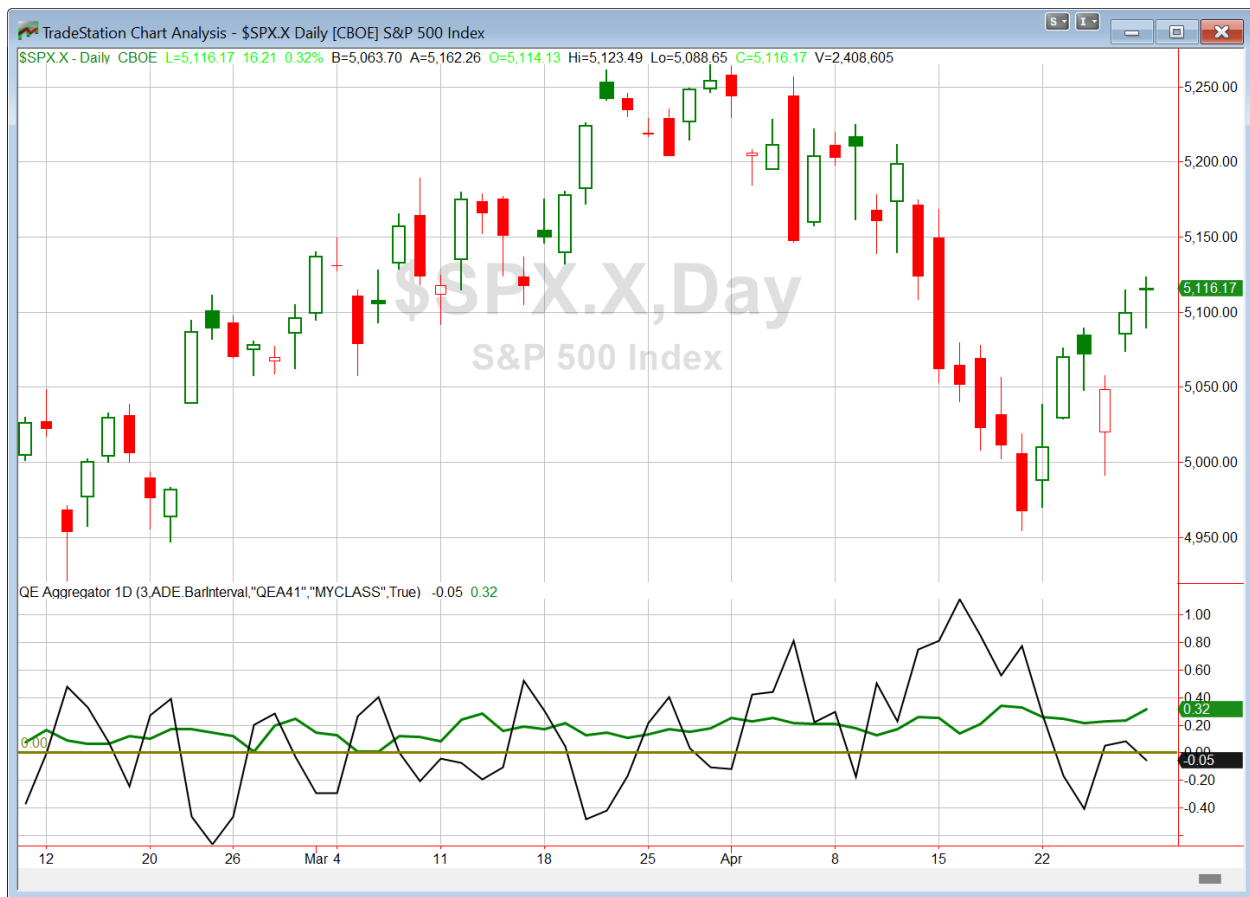
TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,798.46
Gross Profit	\$37,727.36
Gross Loss	(\$11,928.90)
Profit Factor	3.16
Total Number of Trades	45
Percent Profitable	73.33%
Winning Trades	33
Losing Trades	12
Even Trades	0
Avg. Trade Net Profit	\$573.30
Avg. Winning Trade	\$1,143.25
Avg. Losing Trade	(\$994.07)
Ratio Avg. Win:Avg. Loss	1.15
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

I am at a conference the next couple of days, and tomorrow's letter might be brief – even if we get evidence I would normally go into great detail about. The conference I am attending is the National Association of Active Investment Managers (NAAIM). I am excited to announce that I am the 2024 recipient of their Founders Award for the top active investment management paper. I will be presenting the paper at the conference on Wednesday morning, and they will be sending out a press release on Wednesday or Thursday. The paper is on using SPX action to time the VIX. I will send out a link to it once it is posted in the next few days.

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 dipped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive and SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5083.16 on Tuesday. That is 0.65% below Monday's close. Therefore, SPX will need to close down 0.65% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Expectations are higher, but SPX is overbought and while Fed Days can be bullish, they are also a potential volatility event. Of course a poor close on Tuesday could set us up for a bounce Wednesday. I may look to take on some short-term exposure, but only if we get a selloff that closes near the bottom of the range. And if filled I will look to close out the position before the 2pm announcement on Wednesday.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/29 – **mildly 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 if SPX closes \leq 5083.16 and SPY finishes in the bottom 25% of its intraday range. From the short-term section above, I will look to take on some long exposure if SPX closes below the Differential Pivot and SPY closes poorly. I will be exiting this before the announcement on Wednesday.

Current Open Trade Ideas

None.

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