

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 2, 2024

Volume 17 Issue 85

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- Multiple studies triggered on Wednesday

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I am as well.

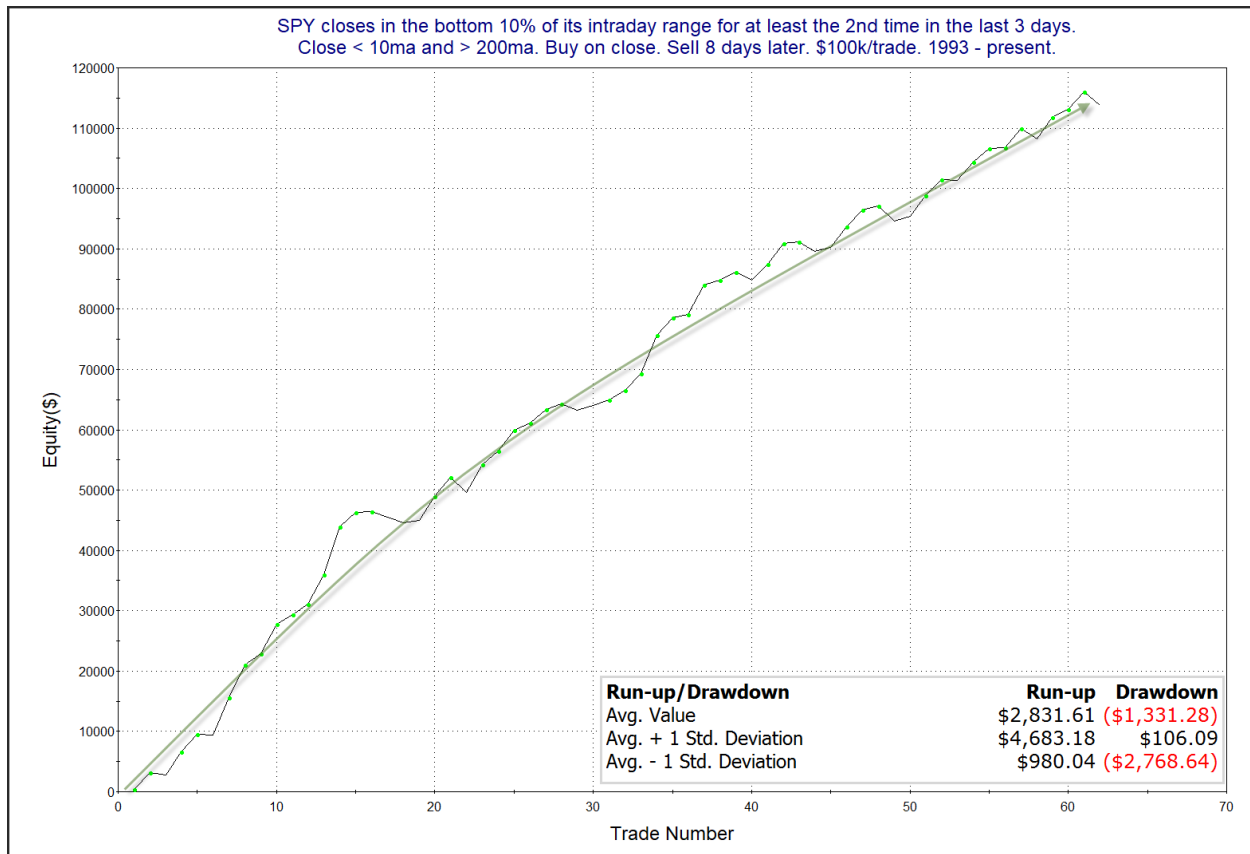
The Evidence

Reaction to the Fed was initially positive but by the close the gains had reversed and the indices were mostly lower.

Closes that occur right near the high or the low of the day can serve as a sort of sentiment reading. Traders are looking to get in or get out at the worst prices of the day because their of perception of risk, and what might occur tomorrow. This late-day reaction is often an overreaction, and prices will often rebound in the short term. Wednesday we saw traders selling hard at the end of the day, despite being offered the worst prices that they saw all day. This also happened on Tuesday. This triggered a study from the 11/23/20 letter that examined times SPY closed in the bottom 10% of its intraday range for at least the 2nd time in the last 3 days. Updated results can be seen in the table below.

SPY closes in the bottom 10% of its intraday range for at least the 2nd time in the last 3 days. Close < 10ma and > 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
10	118,106.02	61	49	12	80.33	9,282.24	-2,690.64	2,758.46	-1,421.53	1.94	7.92	1,936.16
9	116,370.21	62	50	12	80.65	7,585.77	-2,770.56	2,610.27	-1,178.63	2.21	9.23	1,876.94
8	113,753.47	62	50	12	80.65	7,858.26	-2,601.84	2,584.75	-1,290.33	2.00	8.35	1,834.73
7	99,266.12	62	44	18	70.97	8,324.13	-2,645.44	2,666.11	-1,002.37	2.66	6.50	1,601.07
6	80,009.29	62	49	13	79.03	6,100.26	-4,158.00	2,054.40	-1,588.96	1.29	4.87	1,290.47
5	70,904.26	64	47	17	73.44	5,634.39	-3,578.85	1,959.39	-1,246.29	1.57	4.35	1,107.88
4	64,131.23	64	47	17	73.44	4,175.25	-3,268.58	1,783.48	-1,158.37	1.54	4.26	1,002.05
3	46,004.17	65	45	19	69.23	4,069.77	-2,610.72	1,454.37	-1,023.29	1.42	3.37	707.76
2	36,724.22	68	49	18	72.06	4,479.35	-2,760.94	1,127.92	-1,030.22	1.09	2.98	540.06
1	15,330.18	74	47	27	63.51	2,584.26	-3,744.92	865.50	-938.83	0.92	1.60	207.16

The numbers suggest a substantial upside edge over the next couple of weeks. Below is a look at an 8-day profit curve.



The strong upslope and minimal drawdowns support the numbers, and serve as some confirmation of the bullish tendency. I have included this study on the Active List tonight.

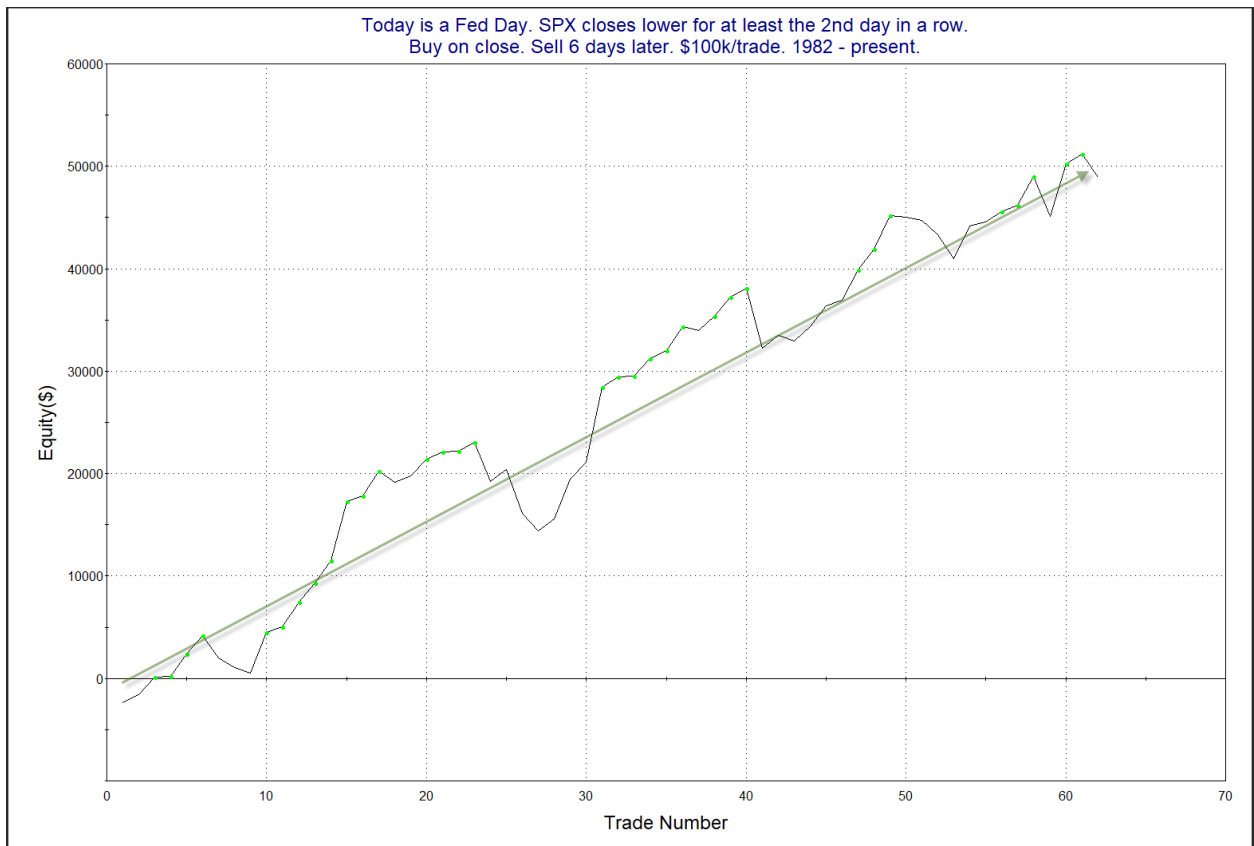
The study below was recently seen in the 2/1/24 letter. I have not updated, but rather just cut and pasted it.

It is unusual that a Fed Day would continue a string of down days. I looked at this in the study below, which was last seen in the 9/21/23 letter. Results have been updated.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row.
Buy on close. Sell X days later. \$100k/trade. 1982 - 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	52,322.59	62	40	22	64.52	9,012.33	-5,334.70	2,635.99	-2,414.41	1.09	1.99	843.91
9	50,932.18	62	43	19	69.35	8,967.96	-5,671.36	2,304.66	-2,535.17	0.91	2.06	821.49
8	38,263.11	62	44	18	70.97	8,456.40	-6,514.96	2,062.28	-2,915.41	0.71	1.73	617.15
7	44,276.29	62	46	16	74.19	8,869.37	-6,757.80	1,903.27	-2,704.63	0.70	2.02	714.13
6	48,931.80	62	45	17	72.58	7,361.95	-5,884.97	1,843.45	-2,001.38	0.92	2.44	789.22
5	34,826.66	62	42	20	67.74	6,013.86	-5,581.03	1,636.88	-1,696.12	0.97	2.03	561.72
4	22,593.56	62	38	24	61.29	7,513.37	-4,622.80	1,554.06	-1,519.20	1.02	1.62	364.41
3	8,865.02	62	37	25	59.68	5,035.28	-4,476.12	1,127.93	-1,314.73	0.86	1.27	142.98
2	5,533.78	62	34	28	54.84	5,202.52	-4,613.73	1,095.47	-1,132.58	0.97	1.17	89.25
1	2,077.53	62	36	26	58.06	4,001.33	-5,829.24	865.47	-1,118.44	0.77	1.07	33.51

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.



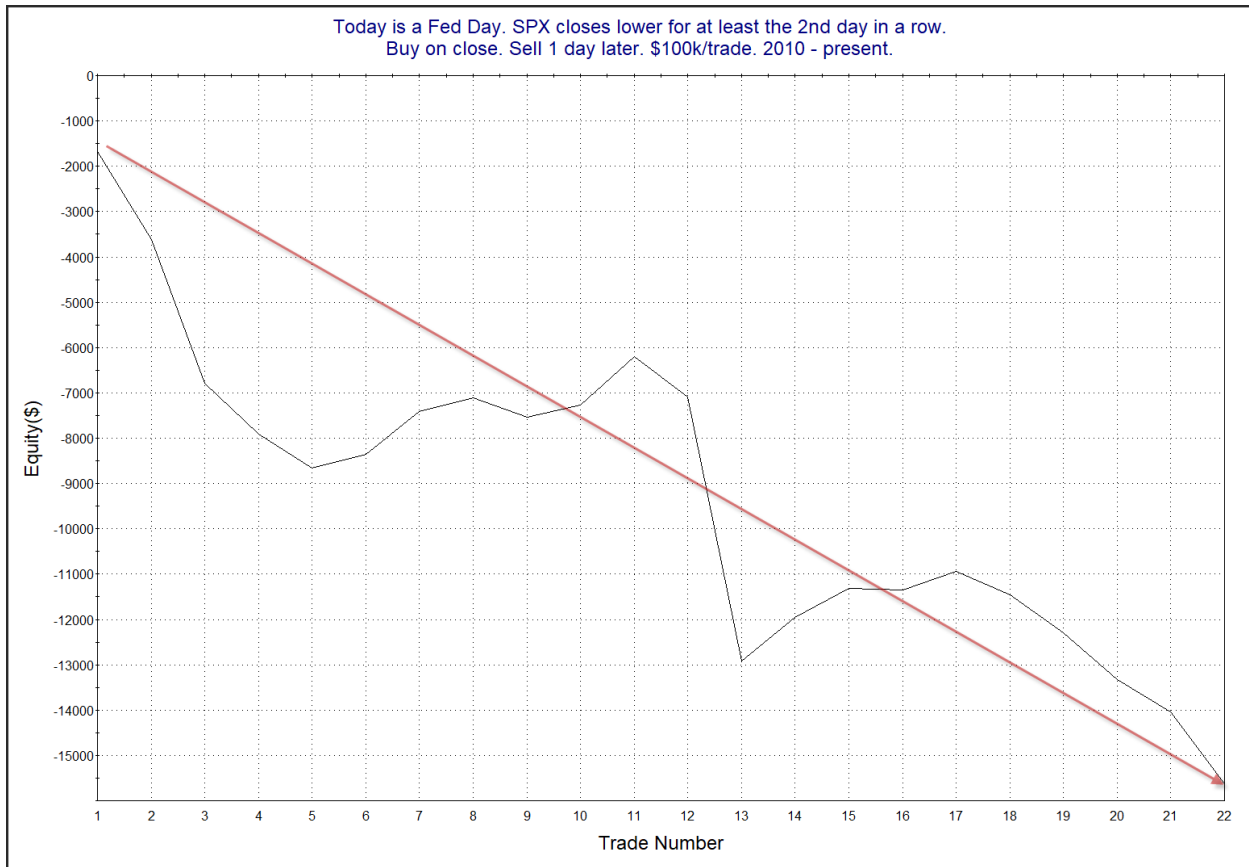
That is an impressive looking curve. And this would seem worthy of inclusion on the active list. But one thing I noted was that while the 6-day curve has remained strong, the 1-day and 2-day

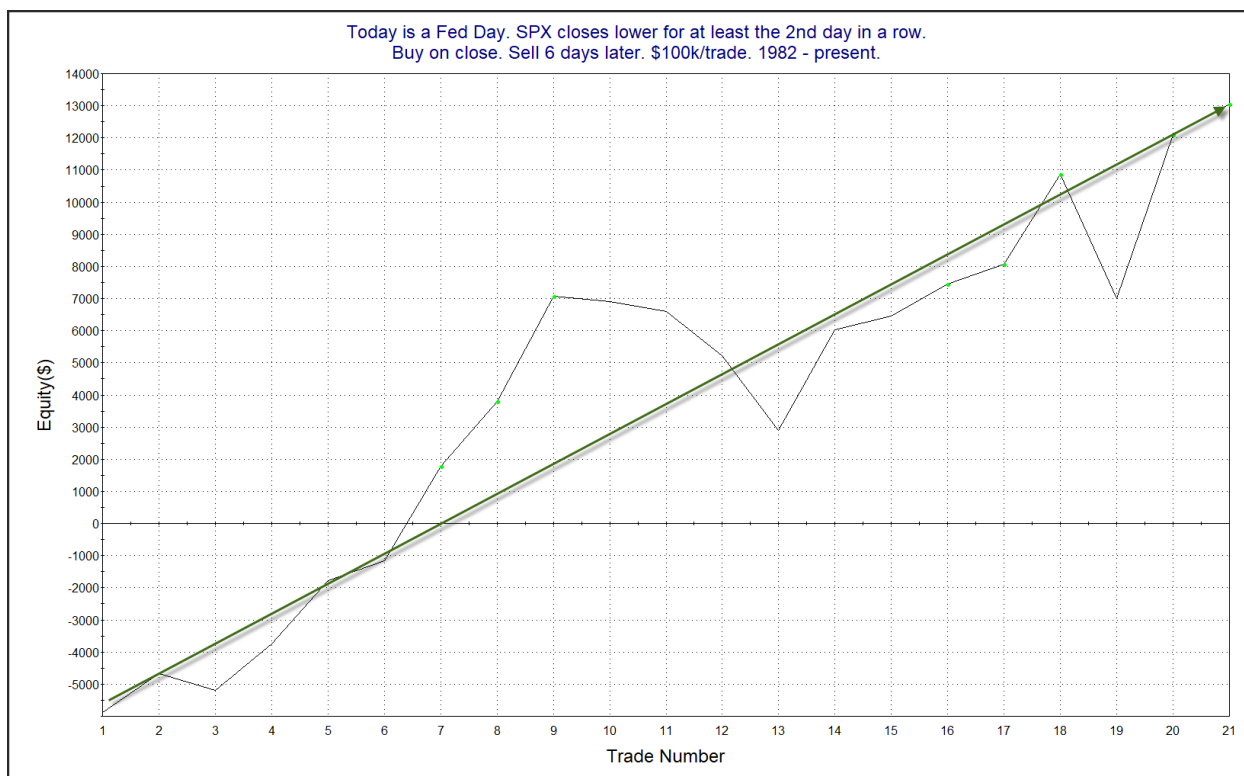
curves have done quite poorly over the last 14 years or so. Below is a look at the results table, but only looking at instances since 2010.

Today is a Fed Day. SPX closes lower for at least the 2nd day in a row.
Buy on close. Sell X days later. \$100k/trade. 2010 - 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	9,635.67	22	12	10	54.55	5,219.50	-4,612.74	2,885.54	-2,499.09	1.15	1.39	437.98
9	13,535.40	22	13	9	59.09	6,033.04	-3,800.50	2,534.38	-2,156.83	1.18	1.70	615.25
8	2,863.48	22	13	9	59.09	5,136.56	-5,822.18	2,337.83	-3,058.71	0.76	1.10	130.16
7	6,693.13	22	14	8	63.64	6,064.24	-6,320.86	2,219.85	-3,048.10	0.73	1.27	304.23
6	10,805.71	22	14	8	63.64	5,113.68	-5,884.97	1,967.32	-2,092.10	0.94	1.65	491.17
5	1,326.15	22	13	9	59.09	5,267.90	-5,581.03	1,519.93	-2,048.11	0.74	1.07	60.28
4	1,988.94	22	14	8	63.64	4,325.42	-4,622.80	1,479.38	-2,340.30	0.63	1.11	90.41
3	-4,912.61	22	12	10	54.55	3,643.64	-4,476.12	1,011.68	-1,705.28	0.59	0.71	-223.30
2	-15,360.84	22	6	16	27.27	1,802.24	-4,613.73	800.08	-1,260.08	0.63	0.24	-698.22
1	-15,623.35	22	8	14	36.36	1,072.75	-5,829.24	612.23	-1,465.80	0.42	0.24	-710.15

The 22 instances we see here do perform fairly well over the 6-day period. But the 1-2 day numbers look really poor. Here are the 1-day and 6-day profit curves.

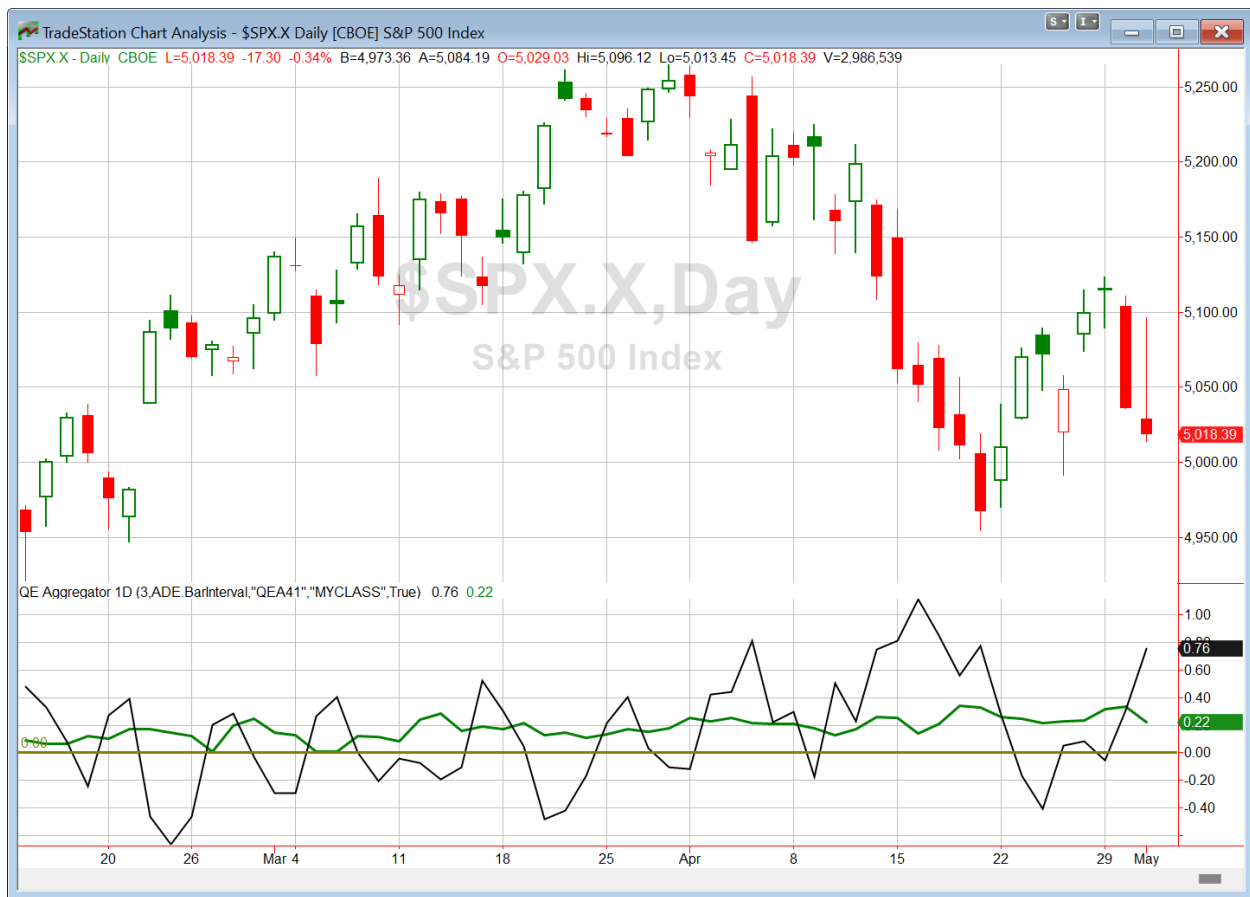




Striking difference. It appears there may be a decent chance of additional selling before the rebound arrives. I have added this study to the active list using the 2010 – present numbers for estimations.

I will have more to say about the Fed this weekend.

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 also 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 Thursday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5153.76 on Thursday. That is 2.7% above Wednesday's close. Therefore, SPX will need to rally at least 2.7% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is solid and the market is strongly oversold. Reward/risk appears favorable. I took some long index exposure near the close and now have 2 lots of SPY. I won't be adding any more to my index position on Thursday. There were a couple more Catapults that triggered.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/29 – **mildly bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

ACN – 1/3 @ \$303.16 – bought @ limit

ACN – 1/3 @ \$300.91 – bought @ limit

New

ACN – 1/3 @ \$298.66 – buy @ limit

CVS – 1/3 @ \$56.31 – buy @ limit

Broad Market Large Cap CBI – 4(ACN-3, CVS)

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.

ACN – Buy 1/3 Catapult position @ \$298.66 LIMIT. From the Catapult section above the is the 3rd and final lot of ACN.

CVS – Buy 1/3 Catapult position @ \$56.31 LIMIT. From the Catapult section above the is the 1st of up to 3 possible lots of CVS.

Current Open Trade Ideas

Long 2 lots of SPY and 2 lots of ACN. Not looking to sell any right now. I will update with a table tomorrow night.

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