

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 13, 2024

Volume 17 Issue 92

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- The SOX strength on a day NASDAQ declined suggests a bounce on Monday.
- The QE Seasonality Calendar for SPX is showing weak stats for this upcoming week.
- While the SOMA rose slightly, this was more than offset by a large rise in reverse repos, which can act as a liquidity drain.
- This past week saw a few studies emerge with intermediate-term bullish implications.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well. This market is too strong to short and too overbought to buy. Patience.

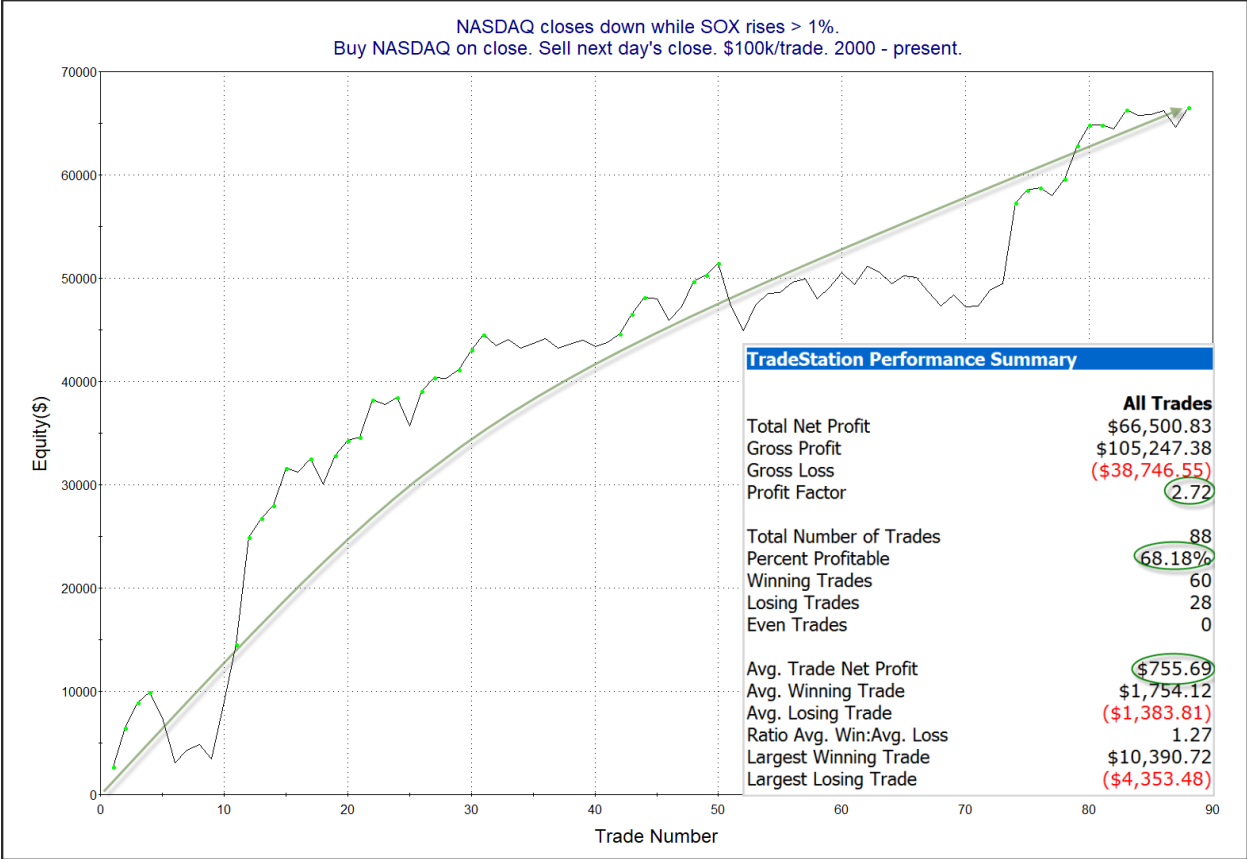
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 13, 2024	NASDAQ down. SOX up > 1%	1 day	Bullish			
Active - Long Term						
May 10, 2024	DJI Up 7 days in a row	1-19 days	Bullish	3.25%	-1.50%	-2.70%
May 7, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
May 6, 2024	NASDAQ Leading	int term	Bullish			
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 ₅ > 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%
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			
Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)						
May 9, 2024	SPX closes down but RSI ₂ > 90	1-2 days	Bullish			

The Evidence

Stocks pushed higher again on Thursday. SPX rose 0.5%, the NASDAQ gained 0.3%, and the Russell 2000 rallied 0.9%. Breadth was strong, with the NYSE Up Issues % coming in at 71% and the Up Volume % at 74%. NYSE total volume declined some for the 2nd day.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up a little over 1%. 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 4/26/24 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.



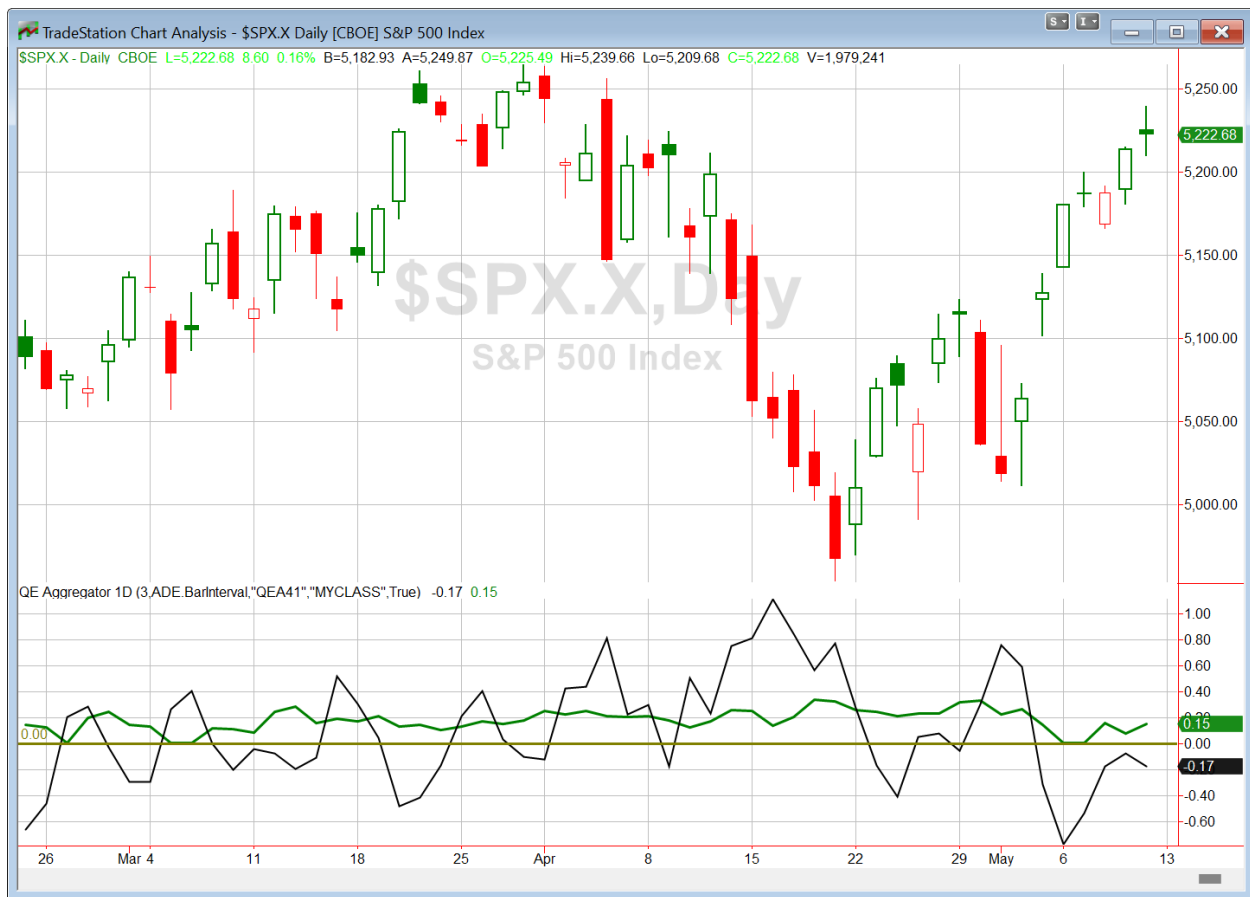
Results here appear steady but less explosive. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

Next let's take a quick look at the Seasonality Calendar for SPX.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
5/1/2024	53.86	1.177	0.042
5/2/2024	53.32	0.962	-0.018
5/3/2024	53.97	1.110	0.029
5/6/2024	55.00	1.325	0.092
5/7/2024	48.72	0.937	-0.026
5/8/2024	52.28	0.958	-0.015
5/9/2024	53.60	0.956	-0.019
5/10/2024	53.83	1.167	0.048
5/13/2024	52.20	0.910	-0.046
5/14/2024	50.57	0.990	-0.012
5/15/2024	52.56	0.904	-0.038
5/16/2024	51.94	0.877	-0.049
5/17/2024	48.75	0.831	-0.066
5/20/2024	61.01	1.683	0.133
5/21/2024	56.63	1.873	0.177
5/22/2024	59.17	1.887	0.181
5/23/2024	60.54	1.945	0.197
5/24/2024	59.71	1.730	0.127
5/28/2024	50.07	1.326	0.070
5/29/2024	51.00	1.459	0.110
5/30/2024	52.37	1.517	0.126
5/31/2024	54.37	1.318	0.067
Baseline	53.65	1.134	0.046

This upcoming week is the weakest part of the Calendar. If bears are going to make some noise in the next few weeks, this seems an opportune time to get something done.

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 remained 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. But with the last of the short-term studies set to expire, expectations will be greatly influenced by any new studies that emerge. Meanwhile, the Differential Pivot will be 5196.47 on Monday. That is 0.5% below Friday's close. Therefore SPX will need to close down at least 0.5% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. Friday did nothing to change my short-term outlook. Short-term evidence is light and the market is moderately overbought. The upside persistence of the market has been impressive. We are at point where the market is too strong to short and too overbought to buy. So I'll continue to wait until a more compelling setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/13 – *bullish*

Combo #1	Combo #2	Combo #3	Combo #4
Long QQQ	Long QQQ	Long QQQ	Long QQQ

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 QQQ this week.*

Stocks climbed for the 3rd week in a row. The SPX gained 1.85%, the NASDAQ rallied 1.1%, and the Russell 2000 rose 1.2%. Bonds saw smaller moves higher. The US Aggregate Bond ETF (AGG) inched up 0.05%. TLT, the 20-year Treasury Bond ETF, climbed 0.3%. The long-term trend still looks up. SPX and NASDAQ are both back above their 50ma and near new all-time highs, which were last seen in March. From an intermediate-term perspective, there were a couple of new studies that triggered this past week.

This first study appeared in Monday night's letter. I have copied it below.

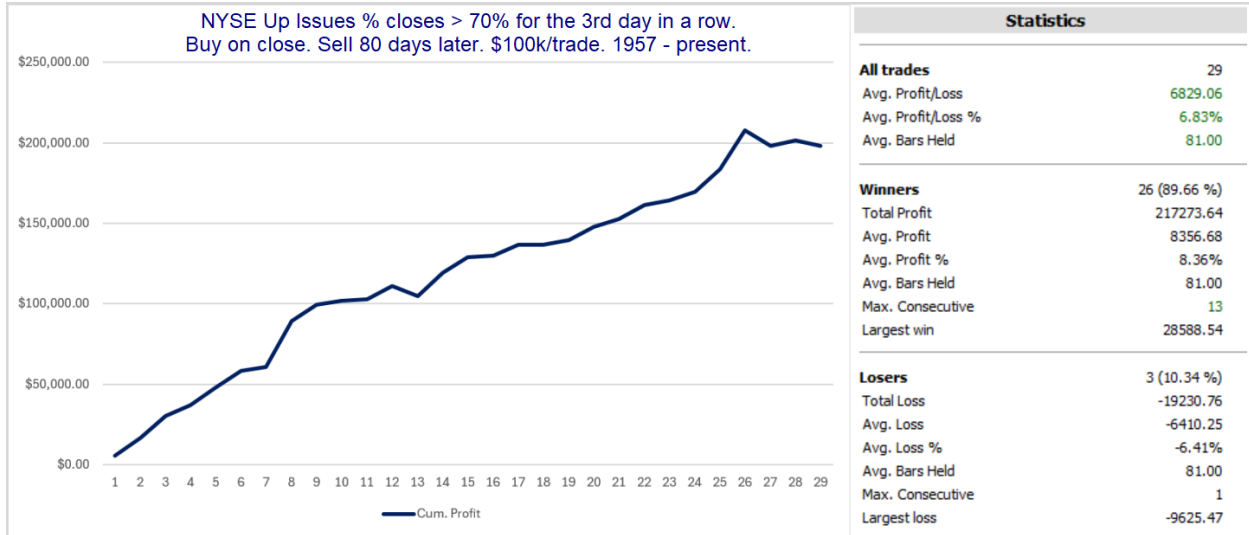
It looks at other times that breadth came in strong for 3 days in a row. I have shown this study many times over the years. I often refer to it as a Triple-70 Thrust, because it requires the NYSE Up Issues % to close at 70% or greater for 3 days in a row. Stats are updated.

NYSE Up Issues % closes > 70% for the 3rd day in a row. Buy on close. Sell "DaysIn" days later. \$100k/trade. 1957 - present.									
DaysIn	# Trades	# of winners	# of losers	% of Winners	W. Avg. Profit	L. Avg. Loss	Profit Factor	Avg Profit/Loss	
100	27	23	4	85.19	\$10,260.18	-\$6,056.83	9.74	\$7,842.85	
95	27	23	4	85.19	\$9,343.25	-\$6,190.38	8.68	\$7,041.97	
90	28	25	3	89.29	\$8,784.27	-\$5,362.18	13.65	\$7,268.58	
85	28	24	4	85.71	\$8,821.82	-\$4,504.13	11.75	\$6,918.11	
80	29	26	3	89.66	\$8,356.68	-\$6,410.25	11.3	\$6,829.06	
75	30	26	4	86.67	\$8,154.65	-\$7,016.71	7.55	\$6,131.80	
70	30	26	4	86.67	\$7,173.38	-\$4,873.37	9.57	\$5,567.14	
65	30	24	6	80	\$7,611.56	-\$4,355.13	6.99	\$5,218.23	
60	31	25	6	80.65	\$7,769.73	-\$4,929.05	6.57	\$5,311.90	
55	32	26	6	81.25	\$7,379.48	-\$4,647.45	6.88	\$5,124.43	
50	32	25	7	78.13	\$7,853.61	-\$5,251.48	5.34	\$4,986.87	
45	34	26	8	76.47	\$7,260.39	-\$5,044.89	4.68	\$4,365.03	
40	36	26	10	72.22	\$6,538.27	-\$5,640.94	3.01	\$3,155.16	
35	38	30	8	78.95	\$5,036.41	-\$4,479.96	4.22	\$3,032.97	
30	38	27	11	71.05	\$5,574.09	-\$3,316.88	4.12	\$3,000.39	
25	38	28	10	73.68	\$4,830.97	-\$3,110.04	4.35	\$2,741.23	
20	39	29	10	74.36	\$4,494.57	-\$3,091.21	4.22	\$2,549.50	
15	39	30	9	76.92	\$3,757.52	-\$3,640.85	3.44	\$2,050.21	
10	42	30	12	71.43	\$2,966.61	-\$3,599.09	2.06	\$1,090.69	
5	44	29	15	65.91	\$1,876.67	-\$2,363.28	1.54	\$431.23	

There are a lot of positive numbers and the edge generally appears to be to the upside. Results between 70 and 90 days appear especially strong and consistent. Below is the full list with an 80-day exit.

NYSE Up Issues % closes > 70% for the 3rd day in a row. Buy on close. Sell 80 days later. \$100k/trade. 1957 - present.										
Symbol	Entry Date	Price	Exit date	Exit Price	Profit	% Profit	Cum. Profit	Drawdown	Run-Up	
\$\$PX	1/3/1958	40.87	4/28/1958	43.22	\$5,749.94	5.75%	\$5,749.94	-1.22%	6.09%	
\$\$PX	11/5/1962	58.35	3/4/1963	64.72	\$10,916.88	10.92%	\$16,666.82	-1.13%	14.76%	
\$\$PX	1/9/1967	82.81	5/3/1967	93.91	\$13,404.18	13.40%	\$30,071.00	-1.74%	14.44%	
\$\$PX	5/29/1970	76.55	9/22/1970	81.86	\$6,936.64	6.94%	\$37,007.64	-7.66%	9.44%	
\$\$PX	10/11/1974	71.14	2/5/1975	78.95	\$10,978.35	10.98%	\$47,985.99	-9.85%	10.98%	
\$\$PX	1/5/1976	92.58	4/28/1976	102.13	\$10,315.40	10.32%	\$58,301.40	-1.87%	13.02%	
\$\$PX	1/5/1979	99.13	5/1/1979	101.68	\$2,572.38	2.57%	\$60,873.78	-3.78%	4.86%	
\$\$PX	8/18/1982	108.54	12/10/1982	139.57	\$28,588.54	28.59%	\$89,462.31	-0.18%	33.00%	
\$\$PX	3/3/1983	153.48	6/27/1983	168.46	\$9,760.23	9.76%	\$99,222.54	-2.84%	11.81%	
\$\$PX	8/3/1984	162.35	11/27/1984	166.29	\$2,426.86	2.43%	\$101,649.40	-2.68%	4.96%	
\$\$PX	12/26/1991	404.84	4/21/1992	410.26	\$1,338.80	1.34%	\$102,988.20	-3.07%	4.04%	
\$\$PX	3/21/2007	1435.04	7/16/2007	1549.52	\$7,977.48	7.98%	\$110,965.68	-1.82%	8.37%	
\$\$PX	1/2/2009	931.80	4/29/2009	873.64	-\$6,241.68	-6.24%	\$104,724.00	-28.44%	1.29%	
\$\$PX	7/15/2009	932.68	11/5/2009	1066.63	\$14,361.84	14.36%	\$119,085.83	-2.42%	18.09%	
\$\$PX	7/9/2010	1077.96	11/1/2010	1184.38	\$9,872.35	9.87%	\$128,958.19	-3.55%	10.96%	
\$\$PX	3/21/2011	1298.38	7/14/2011	1308.87	\$807.93	0.81%	\$129,766.12	-3.10%	5.56%	
\$\$PX	9/15/2011	1209.11	1/10/2012	1292.08	\$6,862.07	6.86%	\$136,628.19	-11.11%	6.91%	
\$\$PX	3/9/2012	1370.87	7/3/2012	1374.02	\$229.78	0.23%	\$136,857.97	-7.60%	3.76%	
\$\$PX	7/3/2012	1374.02	10/25/2012	1412.97	\$2,834.75	2.83%	\$139,692.72	-3.54%	7.31%	
\$\$PX	6/27/2013	1613.20	10/21/2013	1744.66	\$8,149.02	8.15%	\$147,841.74	-0.75%	8.19%	
\$\$PX	4/1/2014	1885.52	7/25/2014	1978.34	\$4,922.78	4.92%	\$152,764.52	-3.77%	5.61%	
\$\$PX	2/17/2016	1926.82	6/10/2016	2096.07	\$8,783.90	8.78%	\$161,548.42	-1.86%	10.05%	
\$\$PX	6/30/2016	2098.86	10/24/2016	2151.33	\$2,499.93	2.50%	\$164,048.35	-1.38%	4.52%	
\$\$PX	12/7/2016	2241.35	4/4/2017	2360.16	\$5,300.82	5.30%	\$169,349.17	-1.45%	7.12%	
\$\$PX	1/8/2019	2574.41	5/3/2019	2945.64	\$14,420.00	14.42%	\$183,769.18	-1.04%	14.75%	
\$\$PX	3/26/2020	2630.07	7/21/2020	3257.30	\$23,848.41	23.85%	\$207,617.59	-6.94%	24.28%	
\$\$PX	5/27/2022	4158.24	9/22/2022	3757.99	-\$9,625.47	-9.63%	\$197,992.12	-12.54%	4.02%	
\$\$PX	1/12/2023	3983.17	5/9/2023	4119.17	\$3,414.37	3.41%	\$201,406.49	-4.38%	5.33%	
\$\$PX	7/13/2023	4510.04	11/3/2023	4358.34	-\$3,363.61	-3.36%	\$198,042.88	-9.01%	2.15%	

Next is the curve and the stats.



Impressive looking curve and stats. I've included this study on the intermediate-term active list.

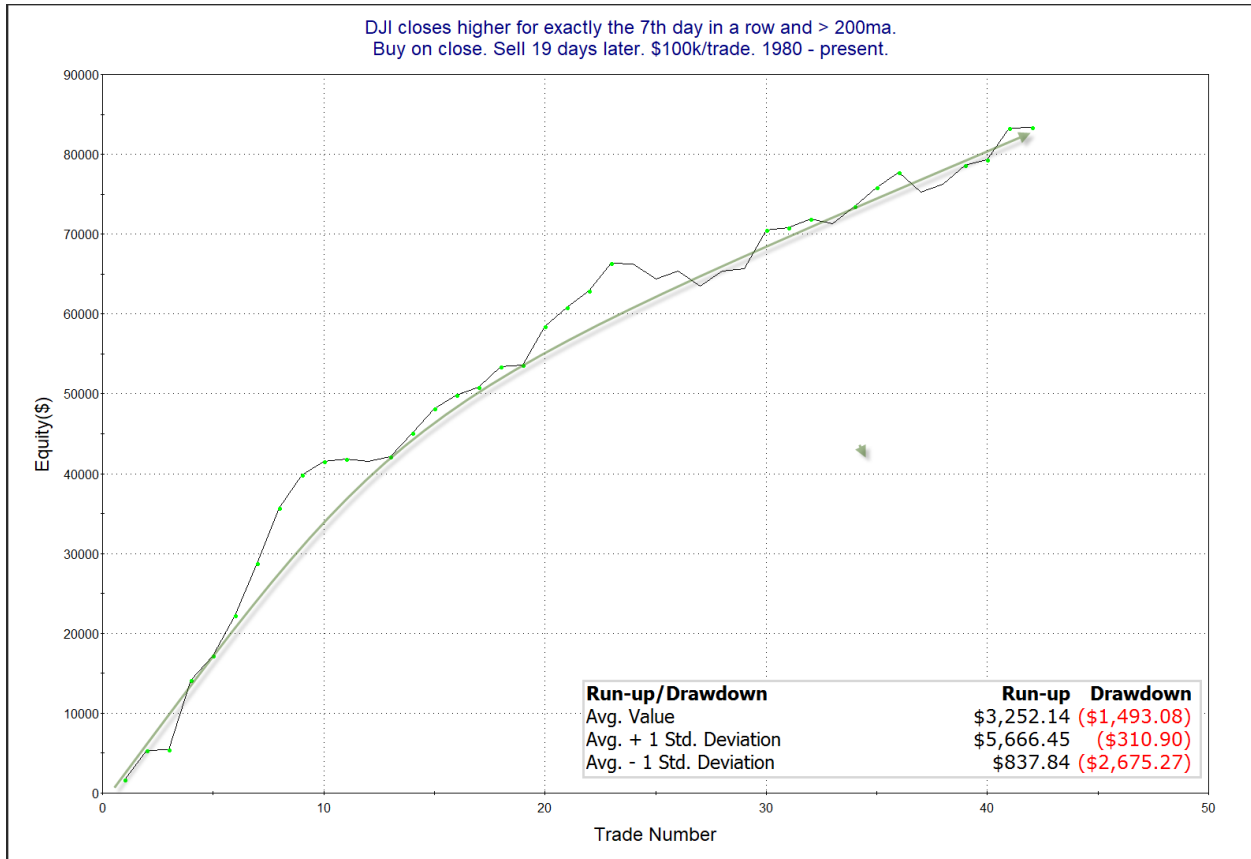
This next study appeared in Thursday night's letter:

The move higher has many oscillators strongly overbought short-term. Initially overbought often suggests a pullback. But persistently overbought can suggest more upside ahead. There was a study from the 12/18/23 letter that was notable for the intermediate-term. It looked at performance after 7-day win streaks in the Dow Industrials since 1980. I've updated the stats table below.

DJI closes higher for exactly the 7th day in a row and > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1980 - 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	74,759.19	41	29	12	70.73	8,198.68	-3,332.50	2,981.83	-976.15	3.05	7.38	1,823.39
19	83,410.90	42	36	6	85.71	8,695.05	-2,509.32	2,519.64	-1,216.01	2.07	12.43	1,985.97
18	82,388.71	42	34	8	80.95	9,411.43	-3,131.59	2,744.53	-1,365.66	2.01	8.54	1,961.64
17	80,332.99	42	32	10	76.19	8,908.69	-3,757.81	2,903.14	-1,256.75	2.31	7.39	1,912.69
16	74,446.45	42	34	7	80.95	7,792.47	-2,497.15	2,470.88	-1,366.20	1.81	8.78	1,772.53
15	69,051.34	42	32	10	76.19	8,330.00	-2,944.23	2,536.72	-1,212.37	2.09	6.70	1,644.08
14	63,271.24	42	33	9	78.57	7,282.38	-3,311.49	2,321.74	-1,482.90	1.57	5.74	1,506.46
13	51,696.71	43	30	13	69.77	7,378.91	-3,665.00	2,232.55	-1,175.36	1.90	4.38	1,202.25
12	46,113.69	43	28	15	65.12	7,544.53	-3,171.51	2,269.46	-1,162.08	1.95	3.65	1,072.41
11	41,763.08	43	29	14	67.44	6,910.47	-2,343.12	2,045.53	-1,254.09	1.63	3.38	971.23
10	44,886.39	43	30	13	69.77	4,795.14	-2,876.67	1,972.35	-1,098.78	1.80	4.14	1,043.87
9	45,489.60	44	33	11	75.00	4,512.90	-3,132.90	1,699.04	-961.69	1.77	5.30	1,033.85
8	41,748.45	44	29	15	65.91	6,676.25	-2,237.31	1,789.51	-676.50	2.65	5.11	948.83
7	35,303.43	44	31	13	70.45	4,147.36	-2,345.95	1,501.31	-864.39	1.74	4.14	802.35
6	20,592.92	44	29	15	65.91	4,657.45	-3,410.35	1,284.71	-1,110.91	1.16	2.24	468.02
5	18,653.43	44	28	16	63.64	4,560.92	-2,927.07	1,204.17	-941.46	1.28	2.24	423.94
4	13,479.85	44	27	17	61.36	3,293.29	-2,425.90	1,058.39	-888.04	1.19	1.89	306.36
3	9,001.60	44	22	22	50.00	3,004.19	-1,664.47	990.37	-581.21	1.70	1.70	204.58
2	5,159.28	44	23	21	52.27	2,153.92	-847.62	575.24	-384.34	1.50	1.64	117.26
1	1,073.45	44	22	22	50.00	1,996.48	-1,220.94	365.46	-316.67	1.15	1.15	24.40

There is not much of an edge over the 1st few days. But once you get out a little further, the stats appear solidly bullish. Below is a look at the profit curve assuming a 19-day holding period.



The strong move from lower left to upper right appears to offer some confirmation of the bullish tendency. I have added this study to the intermediate-term active list.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

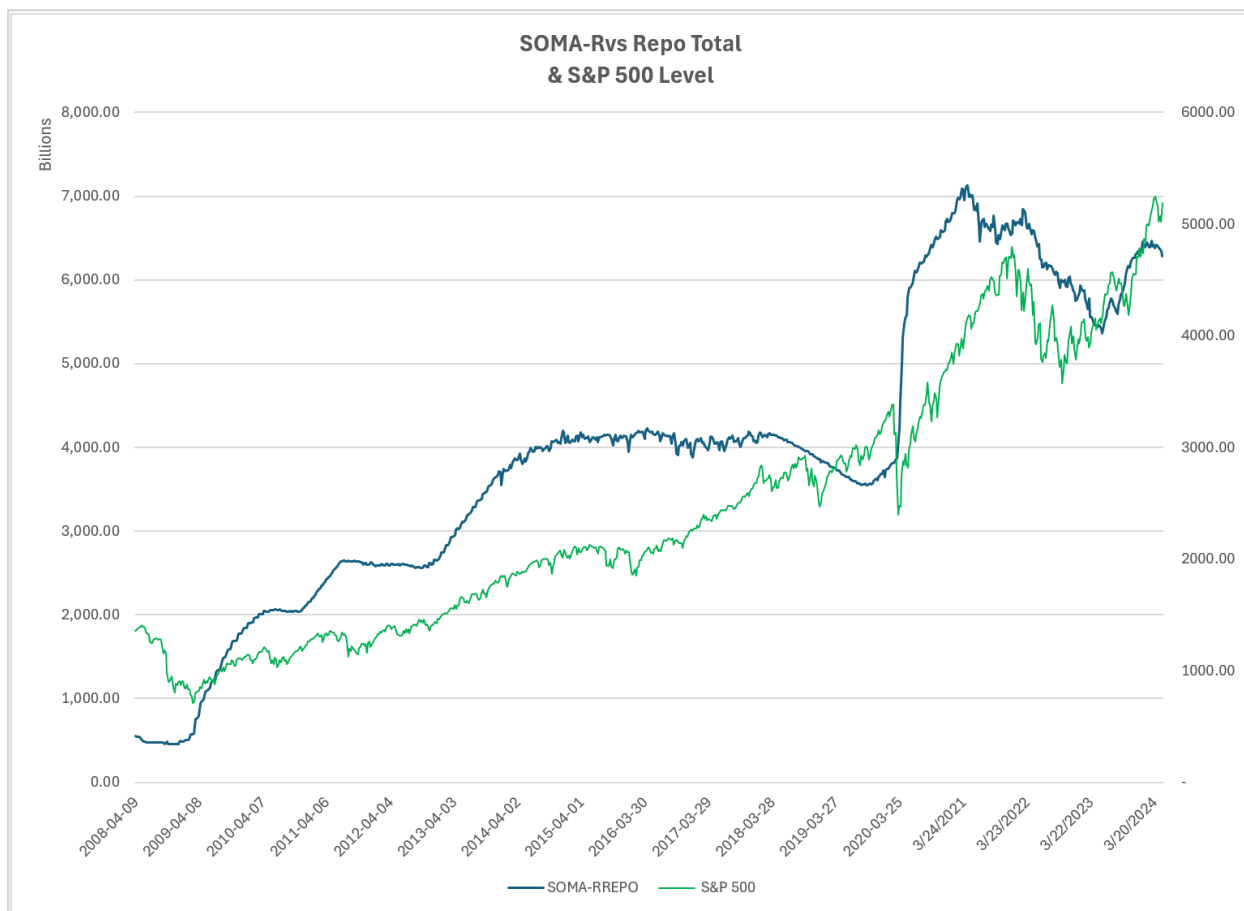
Domestic Security Holdings as of

◀ Previous **May 8, 2024** 📅
 Posted May 9, 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)	195,217,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,854,093,773.0
US Treasury Floating Rate Notes (FRNs)	4,591,469.5
US Treasury Inflation-Protected Securities (TIPS)*	350,161,174.4
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,363,882,894.6
Agency Commercial Mortgage-Backed Securities***	8,165,720.1
Total SOMA Holdings	6,778,459,958.3
Change From Prior Week	100,000.0

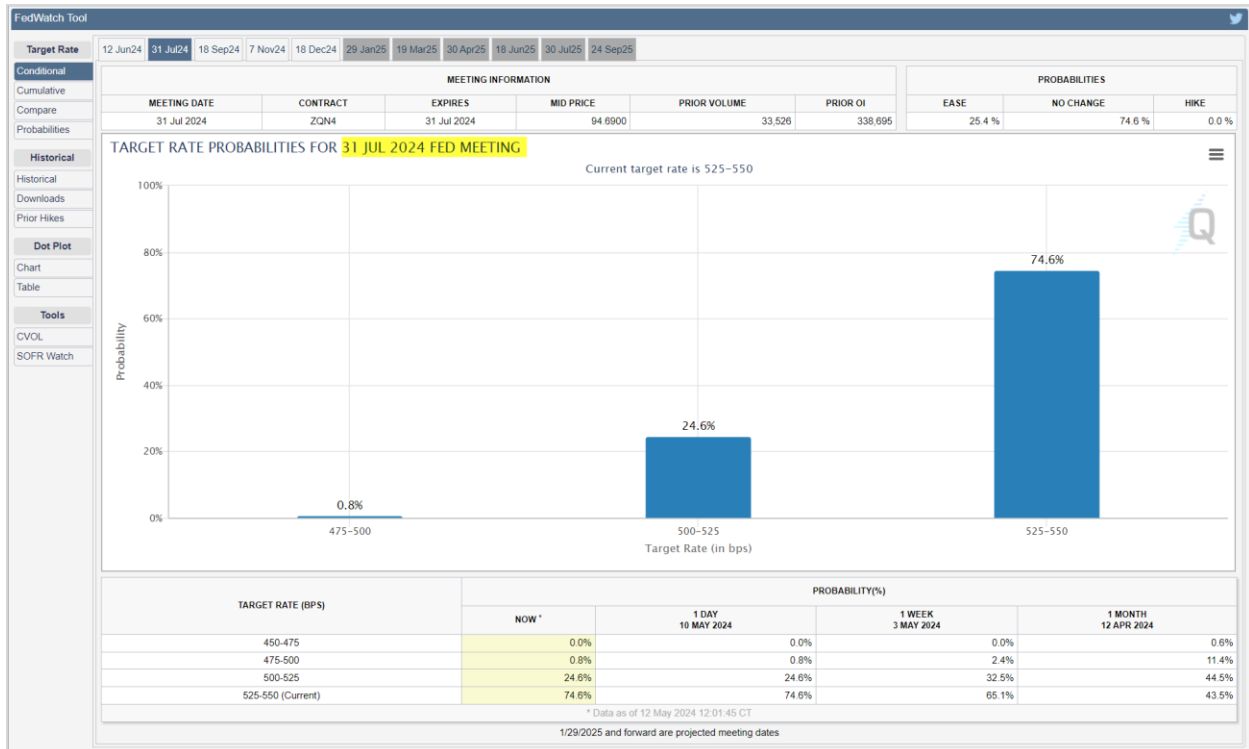
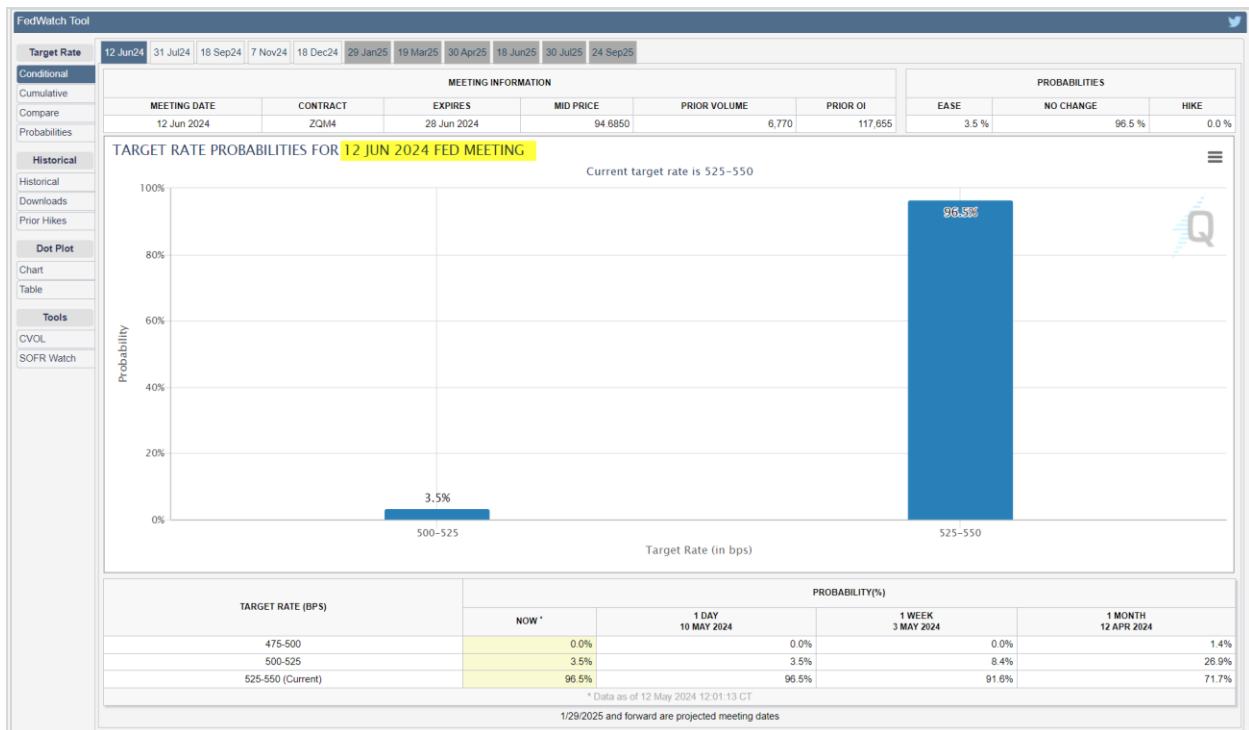
The SOMA rose a scant \$100 million this past week. The current week should see a sizable decline, since there are over \$46 billion in treasury binds set to expire on the 15th. Meanwhile, reverse repos *rose* by a whopping \$55 billion. Combined this amounts to about a \$55 billion drain on liquidity. I discussed reverse repos impact on liquidity [in the 4/8/24 letter](#). When they are rising, it tends to drain liquidity, and when they are falling, it acts as a liquidity injection. Throughout much of 2023 and the 1st quarter of 2024 reverse repos declined substantially and had a positive impact on liquidity. Since March, the decline has halted and we have actually seen a slight rise in bank reverse repo holdings. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



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 market struggles since early March. 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.

Also noteworthy is the fact that the Fed will be dialing back the level of QT starting in June. It will drop from a max of \$95 billion per month down to \$60 billion. I expect further QT reductions to occur at upcoming Fed meetings. So QT is becoming less bearish while reverse repos are becoming less bullish.

With regards to rates, odds are showing just a 4% chance that the Fed cuts rates in June (down from 8% last week), and a 25% chance that rates are lowered by the July meeting (down from 35% last week). 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. September appears the earliest likely cut right now,

and being that close to an election, the Fed might be inclined to wait all the way until November unless data is screaming at them that there is a real need to cut. Overall, while QT is being dialed back and rates remain elevated, 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. Evidence this week again helped the bull case. We saw the Triple 70 Breadth Thrust trigger followed by the 7-day Dow rally a few days later. Both suggest positive intermediate-term implications. The NASDAQ still leads the SPX according to our NASDAQ/SPX relative leadership indicator. This is a bullish scenario. The trend still appears up, and new highs are not far above current levels. The Fed remains a potentially bearish force, but the dialing back of QT means the bearish force they are exerting is weakening. Seasonality is weaker now that we are in the "worst 6 months", and the upcoming week appears especially weak. Still, bullish evidence appears to outweigh bearish by a substantial amount. I am again bullish for the intermediate-term. Of course this could quickly change. But for now, I will be more conservative with potential short trades and more aggressive with long positions.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

CVS – 1/3 @ \$56.31 – bought @ limit

CVS – 1/3 @ \$55.15 – bought @ limit

Broad Market Large Cap CBI – 2(CVS-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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CVS(1/3)	5/2/2024	\$56.31	\$55.82	-0.87%	Catapult
CVS(1/3)	5/3/2024	\$55.15	\$55.82	1.21%	Catapult

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