

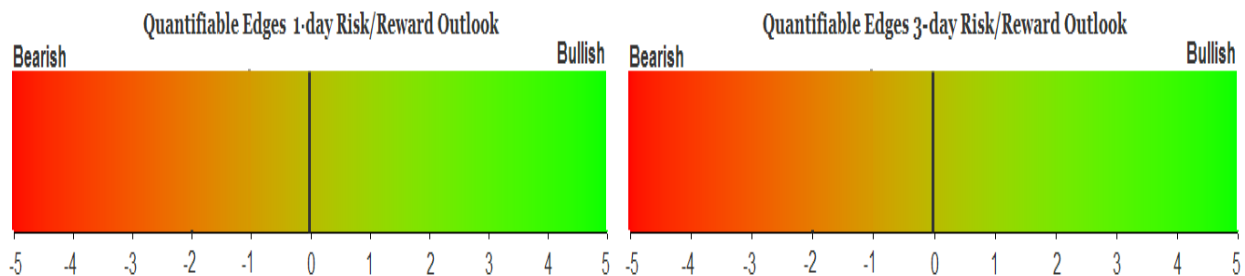
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 15, 2024

Volume 17 Issue 134

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- The SPX Seasonality Calendar looks mostly bullish for the rest of July.
- A Triple-70 Breadth Thrust triggered on Friday.
- Several intermediate-term bullish studies emerged in the last few days.
- Despite a small liquidity injection this past week, the Fed remains a potentially bearish force.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator formation is neutral. I am as well.

**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>						
July 12, 2024	5-day intraday high. Dn close. Up Iss > 60%	1-3 days	Bullish			
July 12, 2024	5+ up to 50-day, then down 1 day	1-4 days	Bullish			
July 11, 2024	2 unfilled gaps up & 50-day high	1-4 days	Bullish			
July 8, 2024	SPX up and > 200. Up Vol % < 40%.	1-8 days	Bullish	1.85%	-1.30%	-2.80%
<b>Active - Long Term</b>						
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
July 12, 2024	SPX 50-day intraday hi. NDX biggest dn 50	1-50 days	Bullish	6.35%	-2.60%	-5.20%
July 12, 2024	5+ up to 50-day, then down 1 day	1-10 days	Bullish	1.85%	-1.10%	-2.25%
July 11, 2024	50-day %b crosses > 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
July 11, 2024	SPX up 7 days in a row	1-20 days	Bullish	3.10%	-1.90%	-4.00%
July 11, 2024	RSI(2) crosses over 99	1-15 days	Bullish	2.30%	-1.50%	-2.90%
July 8, 2024	NDX 18% above 200ma	1-90 days	Bullish	14.50%	-9.40%	-18.90%
June 26, 2024	SPY 50-high then 5 sideways	1-10 days	Bullish	2.10%	-1.15%	-2.50%
June 24, 2024	Seasonality Calendar strong end June-July	int term	Bullish			
June 20, 2024	Hindenburg Omen with SPX trend mod	1-35 days	Bearish	-7.40%	2.80%	4.90%
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
June 7, 2024	RUT btm 25% 20-day rng. SPX top 25%.	1-40 days	Bullish	5.30%	-3.30%	-6.60%
May 6, 2024	NASDAQ Leading	int term	Bullish			
April 29, 2024	May-October selloff potential when 5% dn	1-6 months	Bearish			
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			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

**The Evidence**

Friday saw the market rally across the board, though it did fade some in the late afternoon. SPX finished up 0.55%, the NASDAQ gained 0.6%, and the Russell 2000 rose 1.1%. Breadth was strong with the NYSE Up Issues % coming in at 75% and the Up Volume % at 74%. NYSE volume declined some from Thursday's level.

From a short-term perspective, there was nothing that appeared strongly compelling. So no new short-term studies made the cut tonight. But we did see a Triple-70 Breadth Thrust trigger, which I will discuss in the intermediate-term section below. There have also been several other studies with intermediate-term implications that triggered in the last few days. So while the short-term section will be brief, there is still plenty to discuss this weekend. Before we get to the intermediate-term, let's take a quick look at the SPX Seasonality Calendar.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
7/1/2024	62.67	1.921	0.213
7/2/2024	57.22	1.319	0.069
7/3/2024	62.35	1.592	0.142
7/5/2024	56.33	1.379	0.106
7/8/2024	53.20	1.306	0.034
7/9/2024	53.48	1.466	0.090
7/10/2024	58.02	1.415	0.074
7/11/2024	59.58	1.406	0.070
7/12/2024	58.62	1.597	0.129
7/15/2024	57.52	1.235	0.057
7/16/2024	54.05	1.452	0.106
7/17/2024	53.91	1.122	0.023
7/18/2024	53.09	1.096	0.014
7/19/2024	49.55	1.037	-0.008
7/22/2024	54.66	1.247	0.058
7/23/2024	53.61	1.194	0.044
7/24/2024	54.88	1.304	0.078
7/25/2024	56.46	1.357	0.093
7/26/2024	54.46	1.161	0.034
7/29/2024	51.77	1.117	0.030
7/30/2024	50.72	1.064	0.016
7/31/2024	49.35	1.170	0.048
<b>Baseline</b>	<b>53.61</b>	<b>1.139</b>	<b>0.047</b>

Seasonality looked very strong coming into July, and it has sure lived up to that so far. Friday will be the 1<sup>st</sup> day in a while that won't be showing bullish stats. August won't look this good, but bulls still have a few weeks left with a seasonal wind at their backs.

I have updated [the Aggregator chart](#) below.



With this weekend'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 but 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. This is unlikely to change. Meanwhile, the Differential Pivot will be *inverted at 5650.47* on Monday. That is 0.6% *above* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX will need to close up over 0.6% in order to remain overbought. Anything less than that would cause it to flip to "oversold" versus recent expectations.

So the Aggregator is neutral. Still plenty of evidence pointing higher. But SPX is overbought and has seen some strong chop the last few days despite the favorable breadth numbers. We could certainly see the Aggregator turn bullish on Monday, but it is not there yet. I'm going to wait until the reward/risk scenario is clearly favorable before looking to take on a new index trade.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 7/15 – *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.*

Stock gains were dominated by smallcaps this past week. The SPX rose 0.9%, the NASDAQ climbed 0.25%, and the Russell 2000 (RUT) shot up a whopping 6.0%. Bonds rallied. The US Aggregate Bond ETF (AGG) rose 0.8%. TLT, the 20-year Treasury Bond ETF, gained 1.5%. The SPX and NASDAQ both made new all-time highs, and the Russell 2000 hit its highest levels since 2022. This confirms the long-term uptrend remains in place. There was one intermediate-term study that triggered on Friday worth some discussion.

The study below was last seen in the 5/7/24 letter. 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.

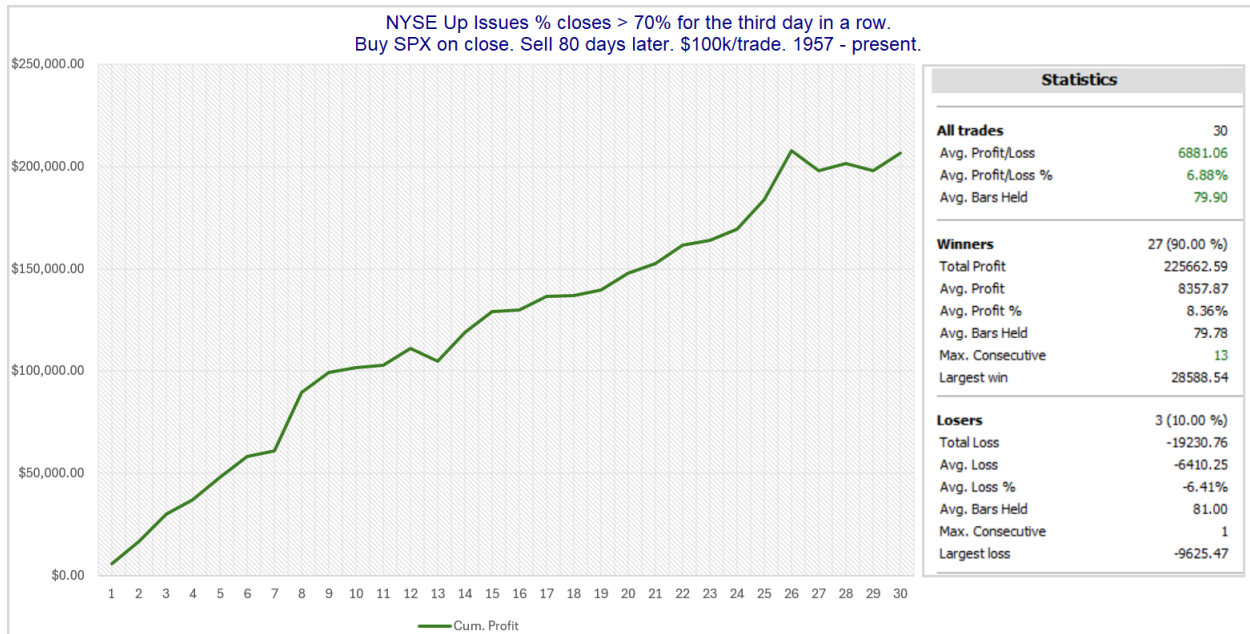
NYSE Up Issues % closes > 70% for the third day in a row. Buy SPX on close. Sell "DaysIn" days later. \$100k/trade. 1957 - present.									
DaysIn	# Trades	# of winners	# of losers	% of Winners	W. Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss	
100	28	24	4	85.71	10.18	-6.06	10.09	\$7,862.35	
95	28	24	4	85.71	9.30	-6.19	9.02	\$7,090.08	
90	29	26	3	89.66	8.77	-5.36	14.17	\$7,307.22	
85	29	25	4	86.21	8.80	-4.50	12.22	\$6,968.83	
80	30	27	3	90.00	8.36	-6.41	11.73	\$6,881.06	
75	31	27	4	87.10	8.16	-7.02	7.85	\$6,204.61	
70	31	27	4	87.10	7.22	-4.87	10	\$5,658.17	
65	31	25	6	80.65	7.64	-4.36	7.31	\$5,320.51	
60	32	26	6	81.25	7.79	-4.93	6.85	\$5,408.06	
55	33	27	6	81.82	7.42	-4.65	7.18	\$5,223.35	
50	33	26	7	78.79	7.87	-5.25	5.57	\$5,089.96	
45	36	27	9	75.00	7.28	-4.48	4.87	\$4,339.03	
40	38	27	11	71.05	6.55	-5.13	3.14	\$3,170.07	
35	40	31	9	77.50	5.06	-3.98	4.38	\$3,024.71	
30	40	28	12	70.00	5.59	-3.04	4.29	\$2,998.17	
25	40	29	11	72.50	4.79	-2.83	4.47	\$2,698.06	
20	41	30	11	73.17	4.42	-2.81	4.29	\$2,477.21	
15	41	31	10	75.61	3.71	-3.28	3.51	\$2,009.19	
10	44	31	13	70.45	2.95	-3.32	2.12	\$1,097.00	
5	46	30	16	65.22	1.84	-2.22	1.56	\$429.55	

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 third day in a row.  
Buy SPX 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
SPX	1/3/1958	40.87	4/28/1958	43.22	\$5,749.94	5.75%	\$5,749.94	-1.22%	6.09%
SPX	11/5/1962	58.35	3/4/1963	64.72	\$10,916.88	10.92%	\$16,666.82	-1.13%	14.76%
SPX	1/9/1967	82.81	5/3/1967	93.91	\$13,404.18	13.40%	\$30,071.00	-1.74%	14.44%
SPX	5/29/1970	76.55	9/22/1970	81.86	\$6,936.64	6.94%	\$37,007.64	-7.66%	9.44%
SPX	10/11/1974	71.14	2/5/1975	78.95	\$10,978.35	10.98%	\$47,985.99	-9.85%	10.98%
SPX	1/5/1976	92.58	4/28/1976	102.13	\$10,315.40	10.32%	\$58,301.40	-1.87%	13.02%
SPX	1/5/1979	99.13	5/1/1979	101.68	\$2,572.38	2.57%	\$60,873.78	-3.78%	4.86%
SPX	8/18/1982	108.54	12/10/1982	139.57	\$28,588.54	28.59%	\$89,462.31	-0.18%	33.00%
SPX	3/3/1983	153.48	6/27/1983	168.46	\$9,760.23	9.76%	\$99,222.54	-2.84%	11.81%
SPX	8/3/1984	162.35	11/27/1984	166.29	\$2,426.86	2.43%	\$101,649.40	-2.68%	4.96%
SPX	12/26/1991	404.84	4/21/1992	410.26	\$1,338.80	1.34%	\$102,988.20	-3.07%	4.04%
SPX	3/21/2007	1435.04	7/16/2007	1549.52	\$7,977.48	7.98%	\$110,965.68	-1.82%	8.37%
SPX	1/2/2009	931.8	4/29/2009	873.64	-\$6,241.68	-6.24%	\$104,724.00	-28.44%	1.29%
SPX	7/15/2009	932.68	11/5/2009	1066.63	\$14,361.84	14.36%	\$119,085.83	-2.42%	18.09%
SPX	7/9/2010	1077.96	11/1/2010	1184.38	\$9,872.35	9.87%	\$128,958.19	-3.55%	10.96%
SPX	3/21/2011	1298.38	7/14/2011	1308.87	\$807.93	0.81%	\$129,766.12	-3.10%	5.56%
SPX	9/15/2011	1209.11	1/10/2012	1292.08	\$6,862.07	6.86%	\$136,628.19	-11.11%	6.91%
SPX	3/9/2012	1370.87	7/3/2012	1374.02	\$229.78	0.23%	\$136,857.97	-7.60%	3.76%
SPX	7/3/2012	1374.02	10/25/2012	1412.97	\$2,834.75	2.83%	\$139,692.72	-3.54%	7.31%
SPX	6/27/2013	1613.2	10/21/2013	1744.66	\$8,149.02	8.15%	\$147,841.74	-0.75%	8.19%
SPX	4/1/2014	1885.52	7/25/2014	1978.34	\$4,922.78	4.92%	\$152,764.52	-3.77%	5.61%
SPX	2/17/2016	1926.82	6/10/2016	2096.07	\$8,783.90	8.78%	\$161,548.42	-1.86%	10.05%
SPX	6/30/2016	2098.86	10/24/2016	2151.33	\$2,499.93	2.50%	\$164,048.35	-1.38%	4.52%
SPX	12/7/2016	2241.35	4/4/2017	2360.16	\$5,300.82	5.30%	\$169,349.17	-1.45%	7.12%
SPX	1/8/2019	2574.41	5/3/2019	2945.64	\$14,420.00	14.42%	\$183,769.18	-1.04%	14.75%
SPX	3/26/2020	2630.07	7/21/2020	3257.3	\$23,848.41	23.85%	\$207,617.59	-6.94%	24.28%
SPX	5/27/2022	4158.24	9/22/2022	3757.99	-\$9,625.47	-9.63%	\$197,992.12	-12.54%	4.02%
SPX	1/12/2023	3983.17	5/9/2023	4119.17	\$3,414.37	3.41%	\$201,406.49	-4.38%	5.33%
SPX	7/13/2023	4510.04	11/3/2023	4358.34	-\$3,363.61	-3.36%	\$198,042.88	-9.01%	2.15%
SPX	5/6/2024	5180.74	7/12/2024	5615.35	\$8,388.96	8.39%	\$206,431.84	-0.74%	9.17%
							<b>Avg</b>	<b>-4.72%</b>	<b>9.49%</b>

Lots of strong rallies seen here. Drawdowns > 10% are highlighted in red and run-ups of > 10% are highlighted in green. Next is the curve and the stats.



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

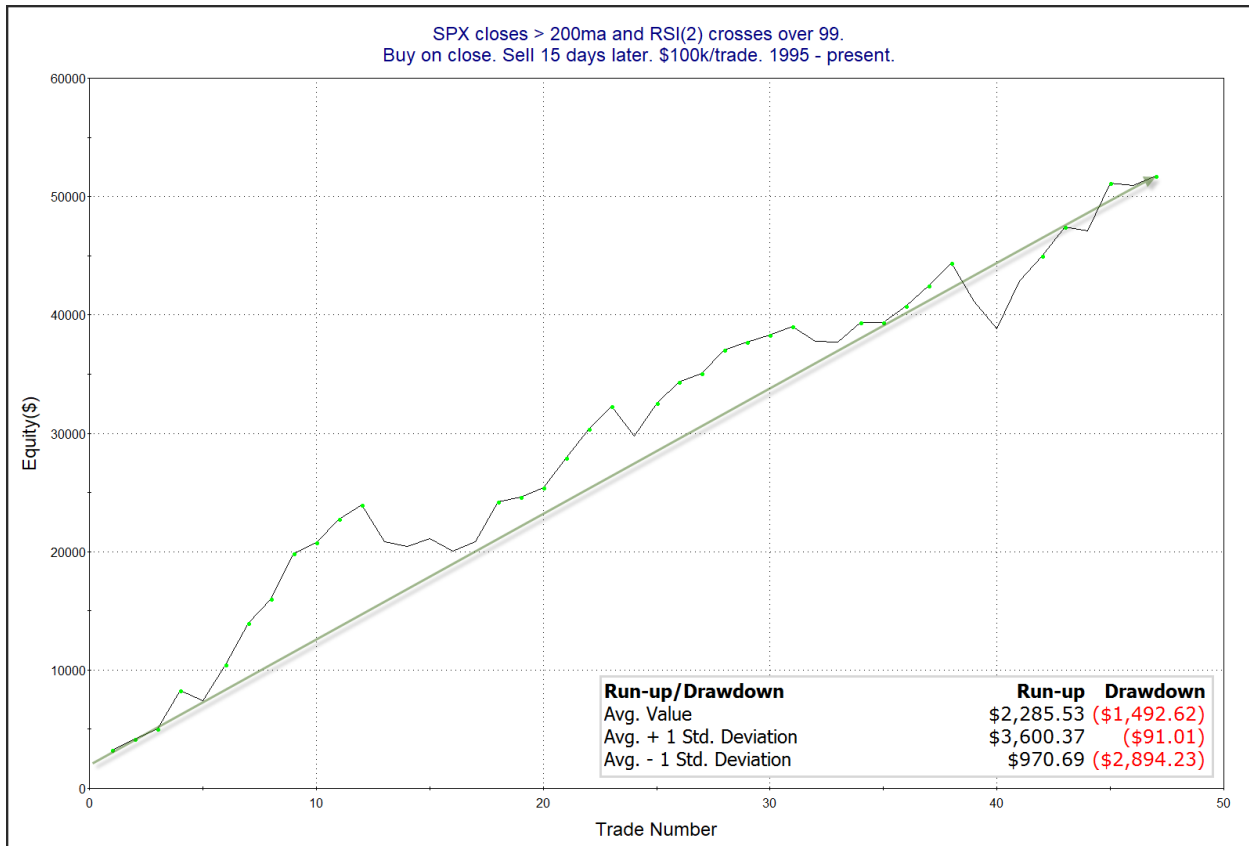
There were several studies that triggered over the last few days showing bullish intermediate-term implications as well. The three below appeared in Wednesday night's letter.

*The recent rally has left the market short-term overbought by most measures. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we have seen this scenario unfold. It is exemplified in the study below from the 11/9/23 Letter, which uses RSI(2).*

SPX closes > 200ma and RSI(2) crosses over 99.  
Buy on close. Sell X days later. \$100k/trade. 1995 - 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
15	51,740.46	47	36	11	76.60	4,070.44	-3,265.02	1,866.27	-1,404.13	1.33	4.35	1,100.86
14	46,590.16	47	36	11	76.60	4,461.36	-4,024.68	1,747.15	-1,482.47	1.18	3.86	991.28
13	47,566.01	49	37	12	75.51	3,989.82	-3,320.01	1,673.59	-1,196.40	1.40	4.31	970.73
12	42,973.46	50	38	12	76.00	4,058.61	-3,175.53	1,523.92	-1,244.64	1.22	3.88	859.47
11	42,855.28	51	38	13	74.51	4,106.40	-3,857.28	1,597.50	-1,373.05	1.16	3.40	840.30
10	36,023.64	52	39	13	75.00	3,824.48	-3,907.12	1,407.78	-1,452.29	0.97	2.91	692.76
9	32,143.71	52	38	14	73.08	3,453.27	-3,440.07	1,277.58	-1,171.75	1.09	2.96	618.15
8	28,730.58	53	36	17	67.92	3,621.20	-4,112.92	1,330.07	-1,126.58	1.18	2.50	542.09
7	21,642.43	54	35	19	64.81	3,564.39	-4,153.62	1,131.97	-946.13	1.20	2.20	400.79
6	10,031.38	54	33	21	61.11	2,760.12	-5,296.92	1,042.42	-1,160.41	0.90	1.41	185.77
5	14,022.58	54	35	19	64.81	2,859.08	-3,596.40	932.95	-980.56	0.95	1.75	259.68
4	11,296.37	54	36	18	66.67	2,697.92	-3,039.18	855.65	-1,083.72	0.79	1.58	209.19
3	4,176.79	56	34	22	60.71	3,504.64	-2,880.45	721.42	-925.07	0.78	1.21	74.59
2	4,746.71	56	33	23	58.93	2,273.92	-2,348.76	642.28	-715.15	0.90	1.29	84.76
1	1,094.53	56	28	28	50.00	2,096.10	-3,515.37	490.70	-451.61	1.09	1.09	19.55

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.

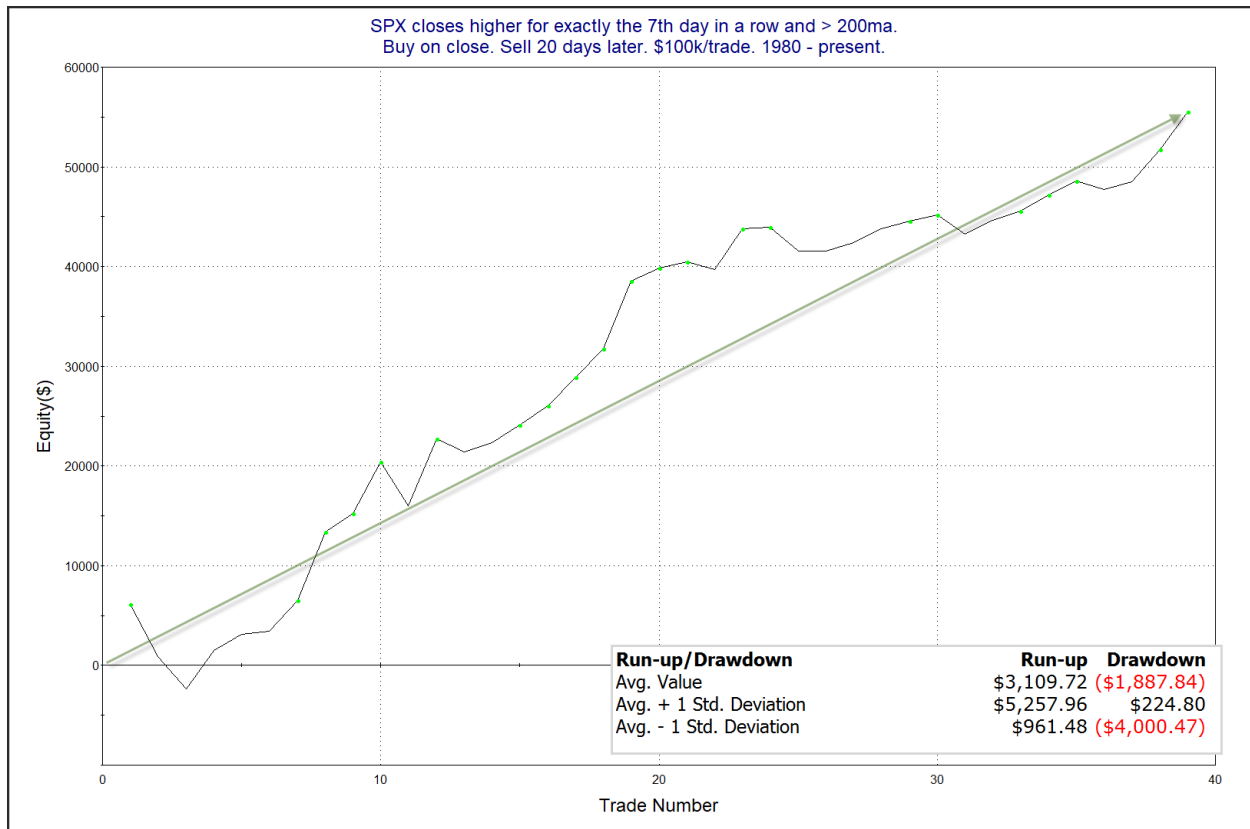


The upside edge has been apparent for a while, and it still appears to be intact. Obviously, this study does not help us with the short-term, but I have added it to the intermediate-term list.

Wednesday also marked the 7<sup>th</sup> day in a row in which SPX closed higher. Looking back to 1980, there have been 41 previous streaks of 7-day rallies where SPX closed above the 200ma. The study below was last seen in the 11/8/23 letter. I have updated the stats table.

SPX 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	55,511.79	39	31	8	79.49	6,854.40	-5,183.75	2,440.90	-2,519.50	0.97	3.75	1,423.38
19	55,965.06	39	30	9	76.92	7,580.16	-6,017.50	2,683.32	-2,726.07	0.98	3.28	1,435.00
18	52,564.33	39	28	11	71.79	8,006.40	-6,177.00	2,599.81	-1,839.12	1.41	3.60	1,347.80
17	51,052.57	40	30	10	75.00	7,422.72	-7,532.75	2,504.28	-2,407.57	1.04	3.12	1,276.31
16	44,700.55	40	27	13	67.50	6,021.12	-6,880.25	2,538.61	-1,833.99	1.38	2.87	1,117.51
15	43,066.82	40	29	11	72.50	6,197.76	-5,270.75	2,291.90	-2,127.12	1.08	2.84	1,076.67
14	34,536.82	41	32	9	78.05	5,439.96	-5,279.12	1,981.28	-3,207.13	0.62	2.20	842.36
13	32,495.31	41	28	13	68.29	5,349.12	-4,228.00	1,938.29	-1,675.14	1.16	2.49	792.57
12	36,929.27	41	29	12	70.73	5,794.56	-4,104.27	1,907.46	-1,532.27	1.24	3.01	900.71
11	32,539.93	42	26	16	61.90	5,750.00	-3,463.18	2,082.25	-1,349.91	1.54	2.51	774.76
10	25,043.17	42	26	16	61.90	5,076.56	-4,247.60	1,884.59	-1,497.26	1.26	2.05	596.27
9	27,884.92	42	30	12	71.43	4,669.08	-4,677.12	1,587.01	-1,643.79	0.97	2.41	663.93
8	21,050.67	42	28	14	66.67	5,222.40	-4,726.96	1,478.59	-1,453.56	1.02	2.03	501.21
7	17,130.83	42	31	11	73.81	3,635.40	-6,521.20	1,253.67	-1,975.73	0.63	1.79	407.88
6	14,969.18	42	28	14	66.67	3,501.08	-4,932.76	1,166.73	-1,264.23	0.92	1.85	356.41
5	20,031.91	42	32	10	76.19	3,582.84	-2,665.71	987.31	-1,156.21	0.85	2.73	476.95
4	12,245.40	42	28	14	66.67	3,720.08	-3,022.92	847.08	-819.49	1.03	2.07	291.56
3	13,267.29	42	27	15	64.29	2,917.08	-2,626.02	905.28	-745.03	1.22	2.19	315.89
2	2,825.02	42	21	21	50.00	1,998.39	-1,508.17	575.52	-441.00	1.31	1.31	67.26
1	-1,872.86	42	20	22	47.62	1,606.89	-840.84	333.50	-388.32	0.86	0.78	-44.59

No apparent edge over the 1<sup>st</sup> few days, but like the 1<sup>st</sup> study, the market has typically pressed higher over the intermediate term. Momentum this strong often sees follow through. Below is a look at the 20-day profit curve.

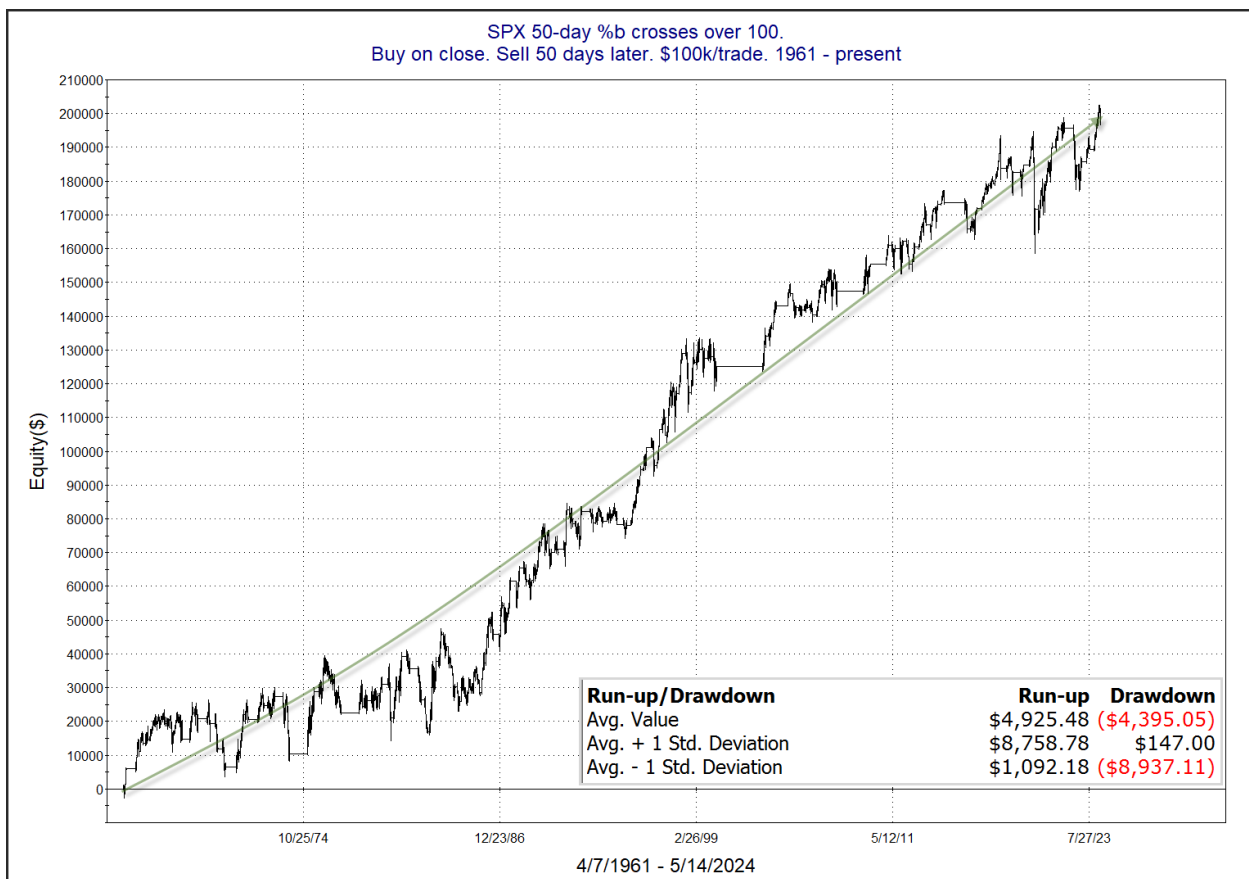


*More confirmation that suggests the strong momentum is a positive sign for the intermediate-term.*

*Another interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 5/16/24 letter. Updated results are below.*

SPX 50-day %b crosses over 100. Buy on close. Sell X days later. \$100k/trade. 1961 - 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
50	198,887.38	150	94	56	62.67	18,408.18	-20,704.80	4,752.37	-4,425.63	1.07	1.80	1,325.92
45	152,404.06	156	92	64	58.97	15,816.57	-32,382.30	4,932.37	-4,708.96	1.05	1.51	976.95
40	158,877.22	163	99	64	60.74	17,624.67	-27,920.40	4,440.24	-4,386.04	1.01	1.57	974.71
35	155,060.81	173	105	68	60.69	15,782.13	-13,839.56	3,989.91	-3,880.58	1.03	1.59	896.31
30	94,726.88	180	108	72	60.00	11,920.74	-14,377.53	3,263.52	-3,579.63	0.91	1.37	526.26
25	61,566.23	188	108	80	57.45	10,859.94	-8,745.98	2,947.94	-3,210.15	0.92	1.24	327.48
20	60,233.59	201	115	86	57.21	9,501.30	-10,205.38	2,630.06	-2,816.55	0.93	1.25	299.67
15	40,556.95	221	128	93	57.92	7,843.46	-9,763.44	2,284.46	-2,708.11	0.84	1.16	183.52
10	35,616.55	245	148	97	60.41	8,239.16	-9,133.53	1,668.22	-2,178.14	0.77	1.17	145.37
5	6,606.00	299	165	134	55.18	5,030.81	-6,524.55	1,116.91	-1,326.00	0.84	1.04	22.09

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside rather than a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



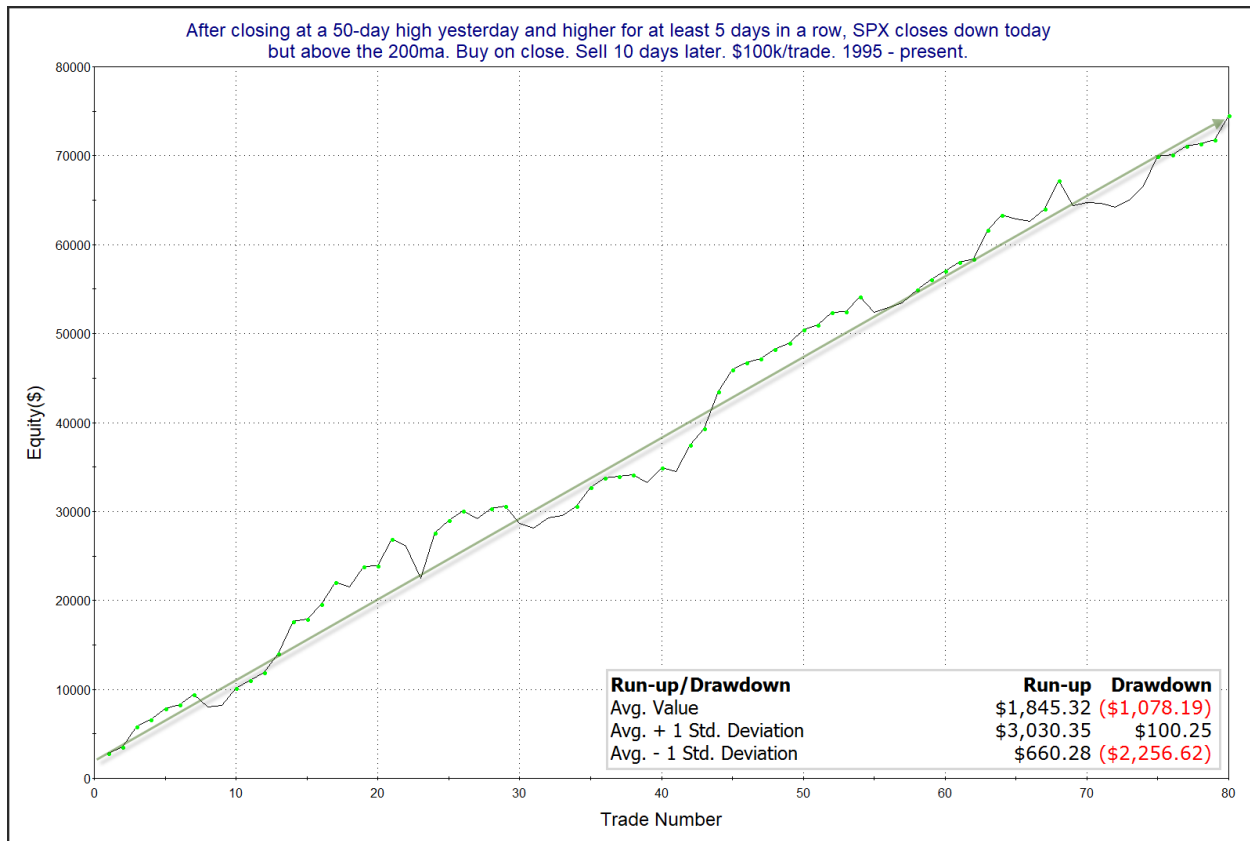
That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study enough to add it to the intermediate-term active list.

Thursday night saw some additional intermediate-term bullish studies emerge. They are pasted below.

*One compelling study suggested the recent persistent upmove is unlikely to abruptly end. It examined what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen recently in the 12/18/23 Letter. I have updated the stats in the table below.*

After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes down today but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	74,547.61	80	65	15	81.25	5,131.35	-3,672.90	1,407.95	-1,131.26	1.24	5.39	931.85
9	70,889.58	84	67	17	79.76	5,023.20	-4,151.40	1,392.18	-1,316.87	1.06	4.17	843.92
8	60,009.06	85	60	25	70.59	4,878.08	-4,874.10	1,486.74	-1,167.82	1.27	3.06	705.99
7	47,679.34	88	62	26	70.45	3,874.76	-4,511.36	1,289.48	-1,241.09	1.04	2.48	541.81
6	47,589.02	90	65	25	72.22	4,307.20	-3,637.71	1,178.04	-1,159.35	1.02	2.64	528.77
5	36,561.90	90	61	29	67.78	4,252.50	-4,717.16	1,049.63	-947.08	1.11	2.33	406.24
4	36,793.55	90	58	32	64.44	3,843.00	-3,003.39	1,058.89	-769.45	1.38	2.49	408.82
3	19,023.70	90	54	36	60.00	2,472.85	-1,992.34	832.66	-720.55	1.16	1.73	211.37
2	22,046.01	90	59	31	65.56	2,437.50	-2,614.95	761.06	-737.31	1.03	1.96	244.96
1	13,484.57	90	57	32	63.33	1,751.19	-1,744.10	515.80	-497.38	1.04	1.85	149.83

*We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.*



*The strong upslope appears to confirm the bullish edge...*

*It was also interesting that the new intraday high Thursday for SPX came on a day when NDX had its worst day in a long time. In the 4/7/14 letter I looked at other instances of a 50-day high for SPX and the biggest drop in 50-days for NDX. Here's an updated results table.*

SPX posts 50-day intraday high while NDX suffers biggest loss in 50 days.  
Buy SPX on close. Sell X days later. \$100k/trade. 1985 - 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
50	29,919.44	7	7	0	100.00	7,027.70	0.00	4,274.21	0.00	100.00	100.00	4,274.21
45	33,603.20	7	7	0	100.00	8,469.20	0.00	4,800.46	0.00	100.00	100.00	4,800.46
40	37,352.83	7	7	0	100.00	8,643.48	0.00	5,336.12	0.00	100.00	100.00	5,336.12
35	28,099.54	7	7	0	100.00	7,862.20	0.00	4,014.22	0.00	100.00	100.00	4,014.22
30	21,667.57	7	7	0	100.00	6,086.46	0.00	3,095.37	0.00	100.00	100.00	3,095.37
25	15,171.04	7	6	1	85.71	4,449.04	-669.06	2,640.02	-669.06	3.95	23.68	2,167.29
20	8,531.49	7	5	2	71.43	3,968.64	-1,373.76	2,155.27	-1,122.43	1.92	4.80	1,218.78
15	11,297.94	7	7	0	100.00	5,200.26	0.00	1,613.99	0.00	100.00	100.00	1,613.99
10	7,431.88	7	5	2	71.43	4,119.18	-160.38	1,527.75	-103.44	14.77	36.92	1,061.70
5	1,155.36	7	5	2	71.43	2,693.34	-2,618.20	963.04	-1,829.93	0.53	1.32	165.05

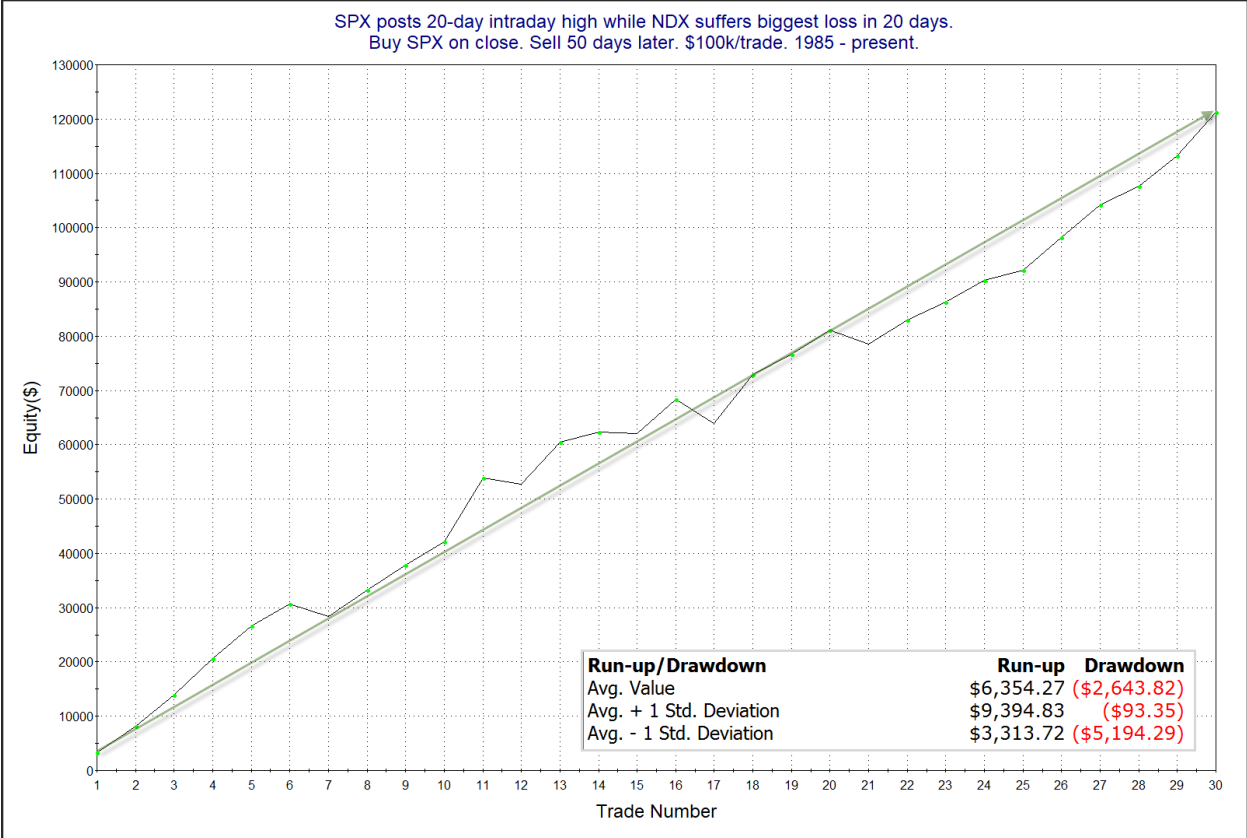
Too few occurrences to put a lot of confidence in an edge. But here is a look at the individual instances.

SPX posts 50-day intraday high while NDX suffers biggest loss in 50 days. Buy SPX on close. Sell X days later. \$100k/trade. 1985 - present.				
Date	Signal	Price	%Chg	Runup/Ddn
6/5/1989	Buy	\$322.03	6.74%	\$8,044.50
8/1/1989	Sell	\$343.75		(\$2,374.60)
3/29/1995	Buy	\$503.13	5.06%	\$5,698.44
5/25/1995	Sell	\$528.59		(\$1,471.14)
12/14/1995	Buy	\$616.92	7.07%	\$7,664.22
2/13/1996	Sell	\$660.52		(\$3,180.06)
1/28/2011	Buy	\$1,276.34	2.65%	\$5,282.94
3/28/2011	Sell	\$1,310.19		(\$2,128.62)
1/24/2013	Buy	\$1,494.82	4.15%	\$4,540.80
3/22/2013	Sell	\$1,556.89		(\$647.46)
4/4/2014	Buy	\$1,865.09	3.17%	\$3,221.87
6/3/2014	Sell	\$1,924.24		(\$2,688.69)
11/29/2017	Buy	\$2,626.07	8.66%	\$9,378.40
1/29/2018	Sell	\$2,853.53		(\$780.90)

Results are very impressive. I'll also note that every instance had a run-up of at least 3.2%, and the largest drawdown was under 3.2%. To get a good number of instances I loosened the criteria a bit.

SPX posts 20-day intraday high while NDX suffers biggest loss in 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1985 - 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
50	121,250.96	30	25	5	83.33	11,736.48	-4,474.24	5,280.63	-2,152.97	2.45	12.26	4,041.70
45	99,118.36	30	24	6	80.00	10,640.84	-5,533.44	4,846.10	-2,864.66	1.69	6.77	3,303.95
40	79,899.09	31	24	7	77.42	9,682.40	-9,804.11	4,294.92	-3,311.29	1.30	4.45	2,577.39
35	69,014.09	32	23	9	71.88	8,919.96	-5,508.07	4,146.67	-2,928.81	1.42	3.62	2,156.69
30	66,517.03	32	24	8	75.00	9,146.60	-9,849.67	4,201.38	-4,289.51	0.98	2.94	2,078.66
25	61,177.49	34	25	9	73.53	7,466.70	-9,670.78	3,735.17	-3,577.97	1.04	2.90	1,799.34
20	50,954.11	34	25	9	73.53	7,296.33	-5,098.24	2,896.09	-2,383.13	1.22	3.38	1,498.65
15	44,226.02	34	26	8	76.47	7,393.84	-3,229.81	2,221.64	-1,692.07	1.31	4.27	1,300.77
10	28,715.62	35	24	11	68.57	4,119.18	-2,561.28	1,555.21	-782.68	1.99	4.34	820.45
5	15,535.05	36	22	14	61.11	4,189.92	-2,618.20	1,216.27	-801.64	1.52	2.38	431.53

Results here appear pretty strong. Below is a profit curve for the 50-day holding period.



*The strong, steady upslope is quite impressive, and serves as confirmation of the apparent upside edge.*

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

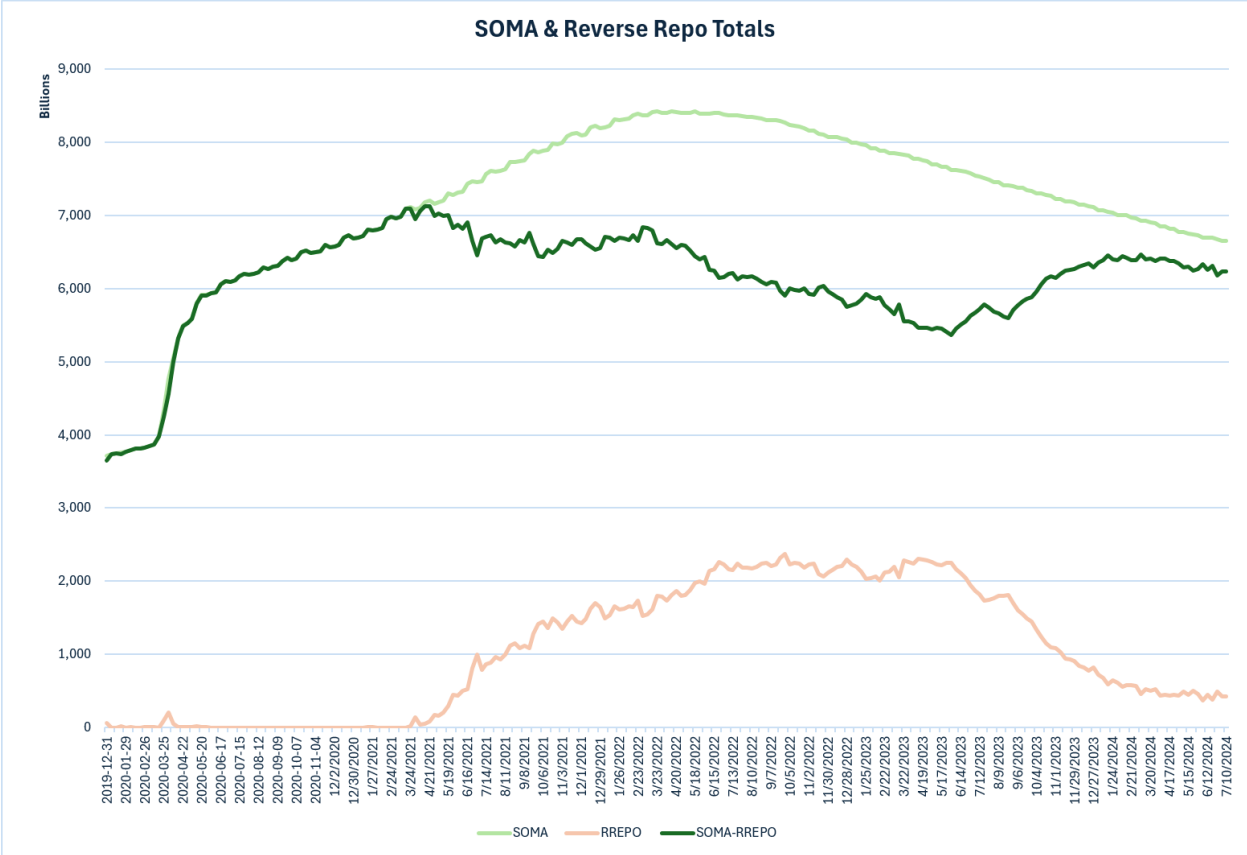
◀ Previous **July 10, 2024** 📅  
Posted July 11, 2024 at 4:30 PM

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

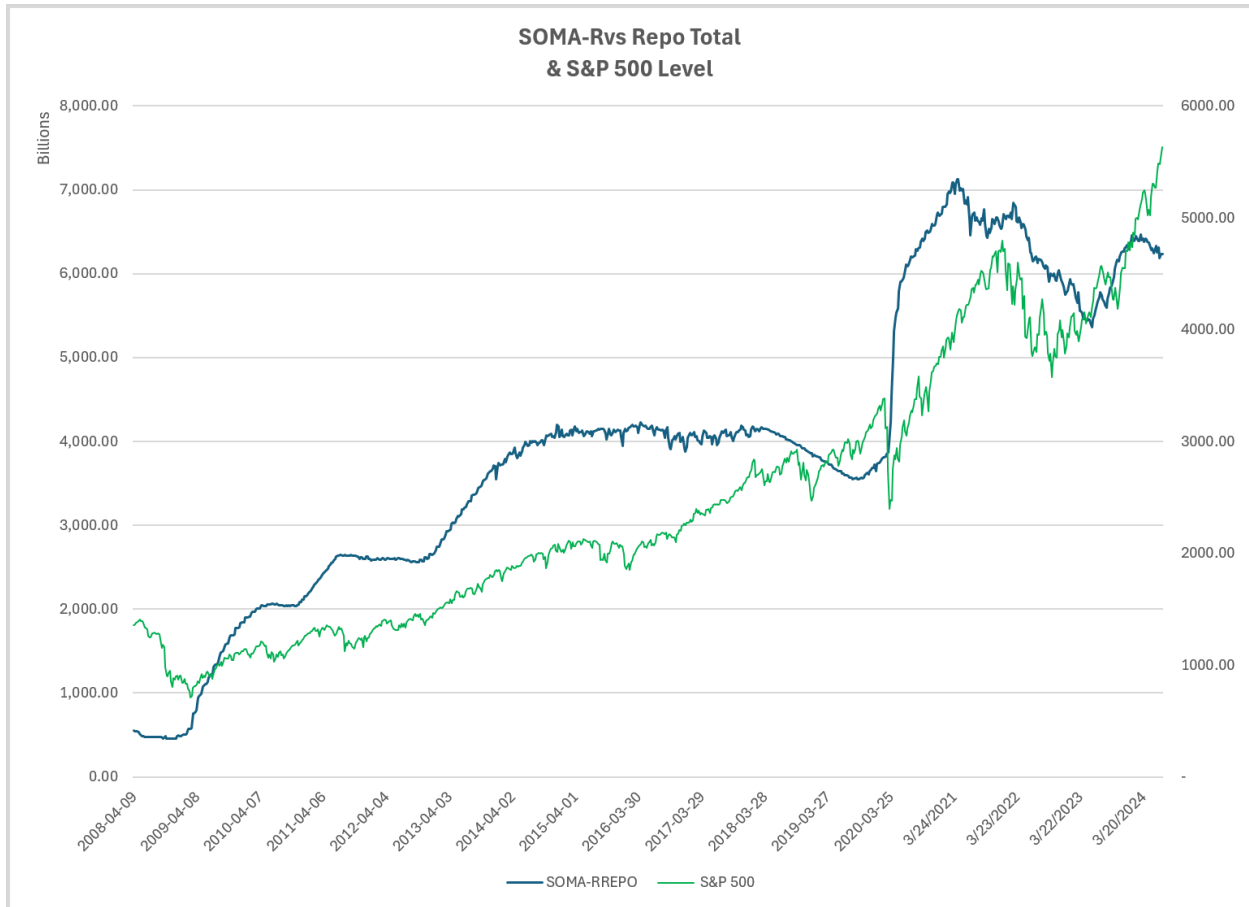
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,292,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,766,531,594.9
US Treasury Floating Rate Notes (FRNs)	6,253,764.6
US Treasury Inflation-Protected Securities (TIPS)*	351,086,057.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,327,852,248.9
Agency Commercial Mortgage-Backed Securities***	8,144,317.8
Total SOMA Holdings	6,657,507,910.1
Change From Prior Week	50,000.0

The SOMA saw a mild rise this past week of \$50 million. The fact that it rose rather than fell is not an indication of policy change by the Fed. It is simply a calendar quirk. I expect to see a decline this upcoming week. Meanwhile, reverse repos declined by \$3.75 billion. Combined for the week, SOMA and reverse repo action accounted for a \$3.8 billion liquidity injection. 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 like this past week, it acts as a liquidity injection. Throughout much of 2023 and the 1<sup>st</sup> quarter of 2024 reverse repos declined substantially and had a positive impact on liquidity. From early March through May the level of reverse repos remained about the same. The last few weeks we have seen the number chopping around. This can be seen in the chart below.



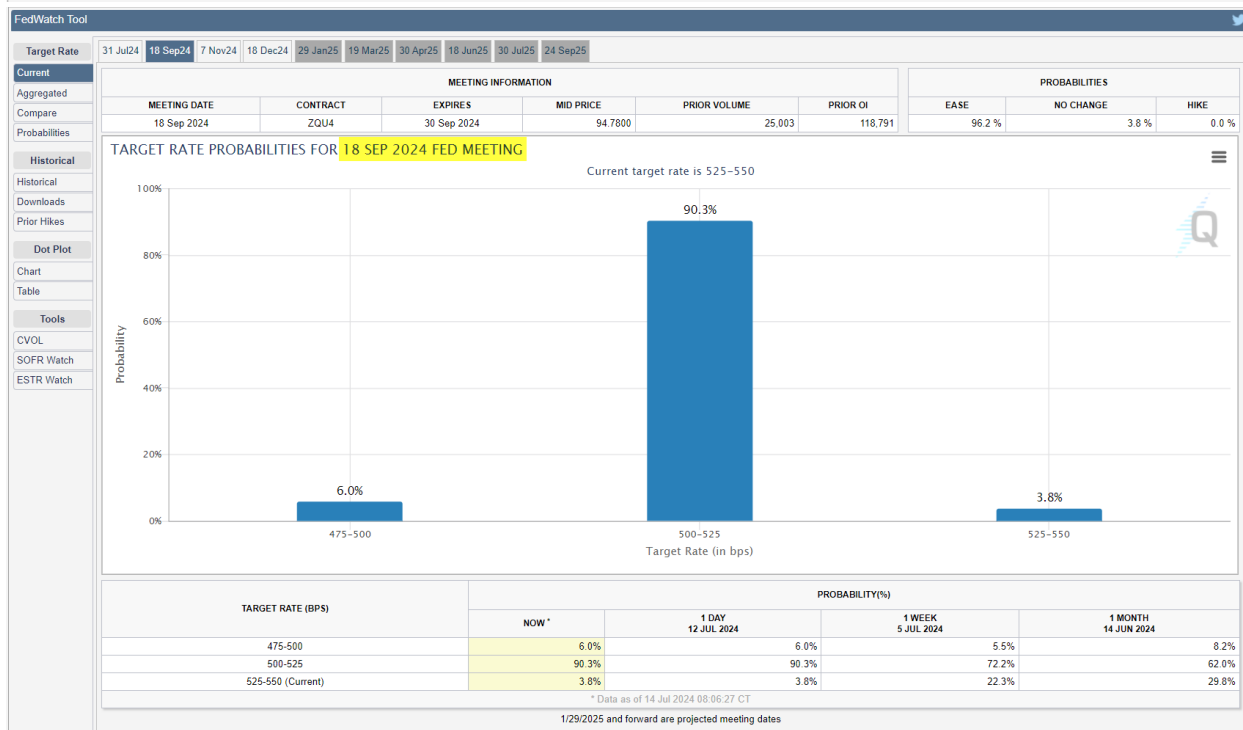
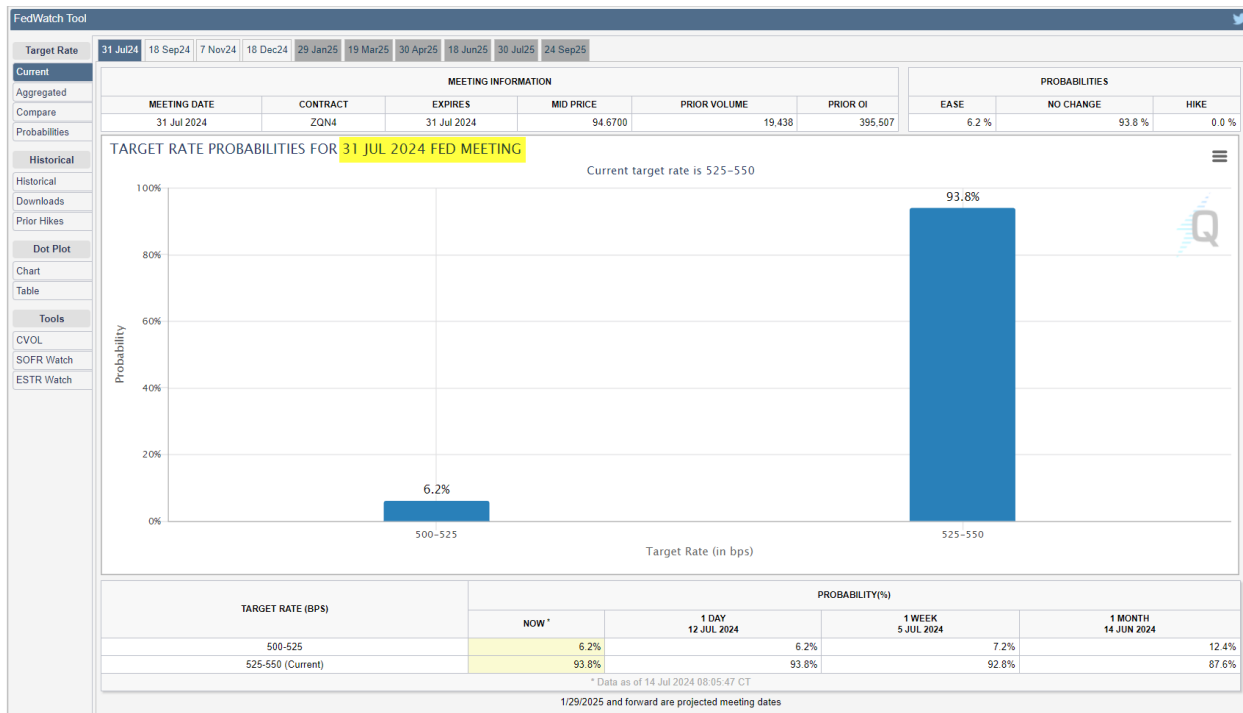
The dark green line looks at SOMA holdings and subtracts reverse repo holdings from it to get a better idea of whether liquidity is increasing or decreasing. The big decline in the reverse repos (orange line) over the last 15 months has helped the market, but there is not much more liquidity that can be provided before it reaches zero.

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, but it is now at a lower level than we saw over the last couple of years. 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 they are starting to run low. Since early March, there has been a chopping around of the blue line, which looks at the SOMA level and subtracts the amount of outstanding reverse repos. If that line heads lower again as reverse repos approach \$0, then that could mean a liquidity headwind for the market.

With regards to rates, odds are showing a 94% chance that the Fed keeps rates steady in July. But September is now showing odds about **96% for a cut**. Odds of a cut have grown substantially. Last week it was 78%, and a month ago odds were about 70%. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.



Odds still suggest that the next move will be a cut. Keep in mind that these odds continue to shift, with the Fed sticking to its “data dependent” rhetoric. Overall, while QT is still active, and rates remain elevated, I am still viewing the Fed as a potentially bearish market force.

The last 3 days have generated a large amount of bullish evidence. This added to a list that already was leaning bullish. Trend, leadership (NASDAQ), July seasonality, momentum, and now breadth all seem to be pointing higher. The Fed remains a potentially bearish force, despite QT being dialed back in June. Overall, bullish evidence still appears to outweigh bearish. If the rally continues through July, we will see several bullish studies expire, and could easily see others get removed from the active list due to reaching their upside targets. August and September are often difficult market months, and I would not be surprised to see some market struggles as we approach the fall. But for now, the market is rallying, and fighting against that does not seem prudent. With so much evidence now pointing higher it is tough to be anything but bullish. Of course I will continue to look for cracks in the bullish case, and remain flexible with my analysis should new bearish evidence emerge. For now, I will be more aggressive with long positions and especially conservative when considering short-side trades.

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### ***Open Catapult Triggers***

*New*

NFLX @ \$647.60 (buy 1/3 @ limit)

#### ***Broad Market Large Cap CBI – 1 (NFLX)***

### **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.*

**NFLX – Buy 1/3 Catapult position @ \$647.60 LIMIT.** From the Catapult section above, this is the 1<sup>st</sup> of up to 3 possible lots of NFLX.

### **Current Open Trade Ideas**

**None**

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