

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 28, 2024

Volume 17 Issue 208

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- Friday's reversal lower has characteristics suggesting a rally in the coming days.
- Monday after the 4th Friday in October has often struggled, but the market has typically done well the rest of the week.
- The SOMA declined again this past week and overall liquidity tightened a small amount.
- The NASDAQ continues to lead the SPX, which is a positive.
- We are about to enter the "Best 6 Months" but also "Year 1" of the Presidential Cycle.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but barely. I have some long exposure that I will look to sell if we get a rally on Monday.

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						
October 28, 2024	4th Fri in October	1 day	Bearish			
October 28, 2024	Gapup.Move higher. Close down > 10-low	1-5 days	Bullish	2.10%	-1.40%	-2.30%
October 24, 2024	3 dn from 50-high. C < 10ma. C > 10-low	1-4 days	Bullish	1.60%	-0.90%	-1.90%
October 24, 2024	Gap dn to 5-low. Close < open.	1-5 days	Bullish	1.90%	-1.40%	-3.00%
Active - Long Term						
October 18, 2024	20-high then close btm 10% intraday rng	1-10 days	Bullish	2.20%	-1.40%	-2.80%
September 30, 2024	NASDAQ Leading	int term	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%
July 8, 2024	NDX 18% above 200ma	1-90 days	Bullish	14.50%	-9.40%	-18.90%
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
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, 2023	SPX Golden Cross	int term	Bullish			

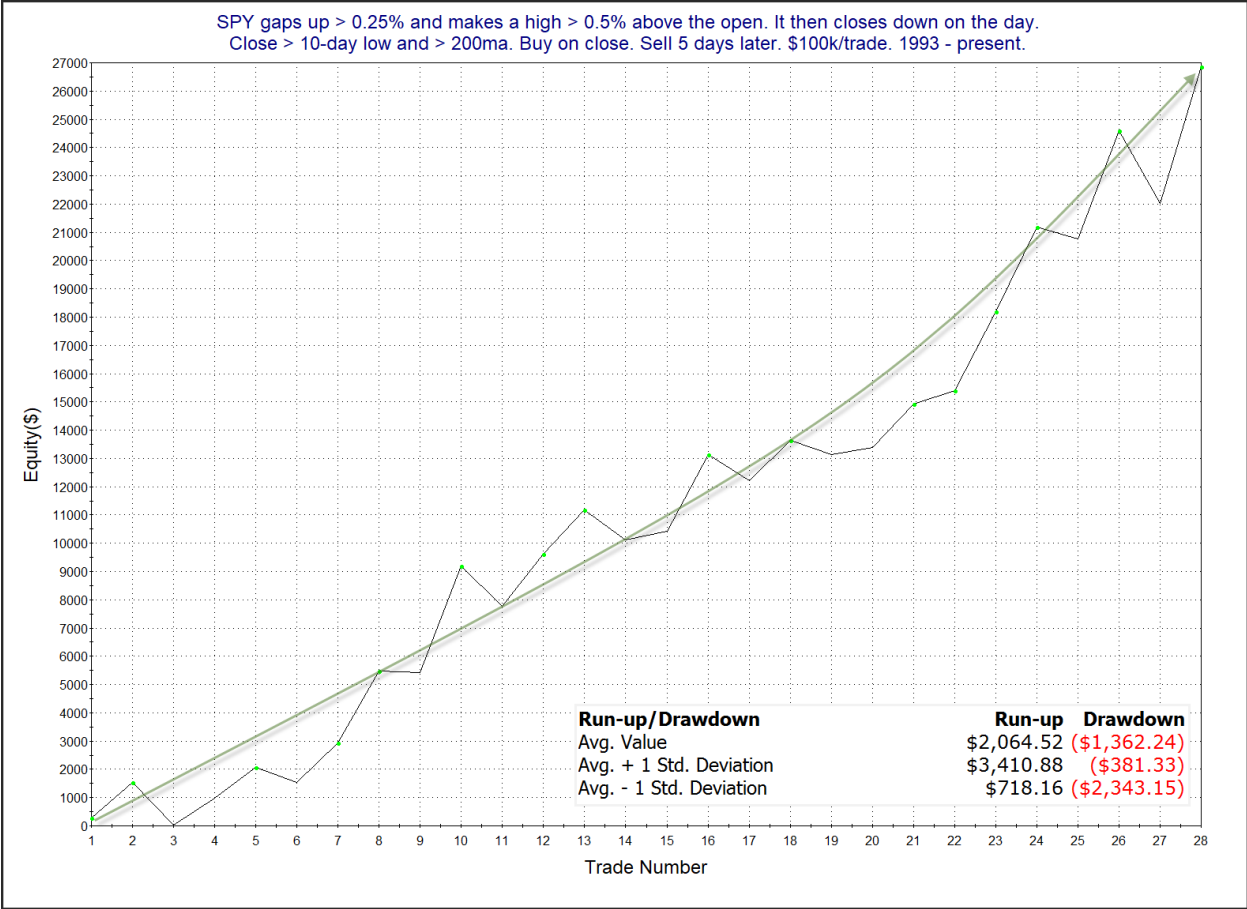
The Evidence

Friday started well, but gains could not hold. The SPX closed down 0.03%, the NASDAQ rallied 0.6%, and the Russell 2000 fell 0.5%. Breadth was weak as the NYSE Up Issues % was 37% and the Up Volume % came in at 33%. NYSE total volume declined some from Thursday's level.

The gap up, move higher intraday, and then reversal to a down close for SPY triggered the study below from the 8/8/24 letter.

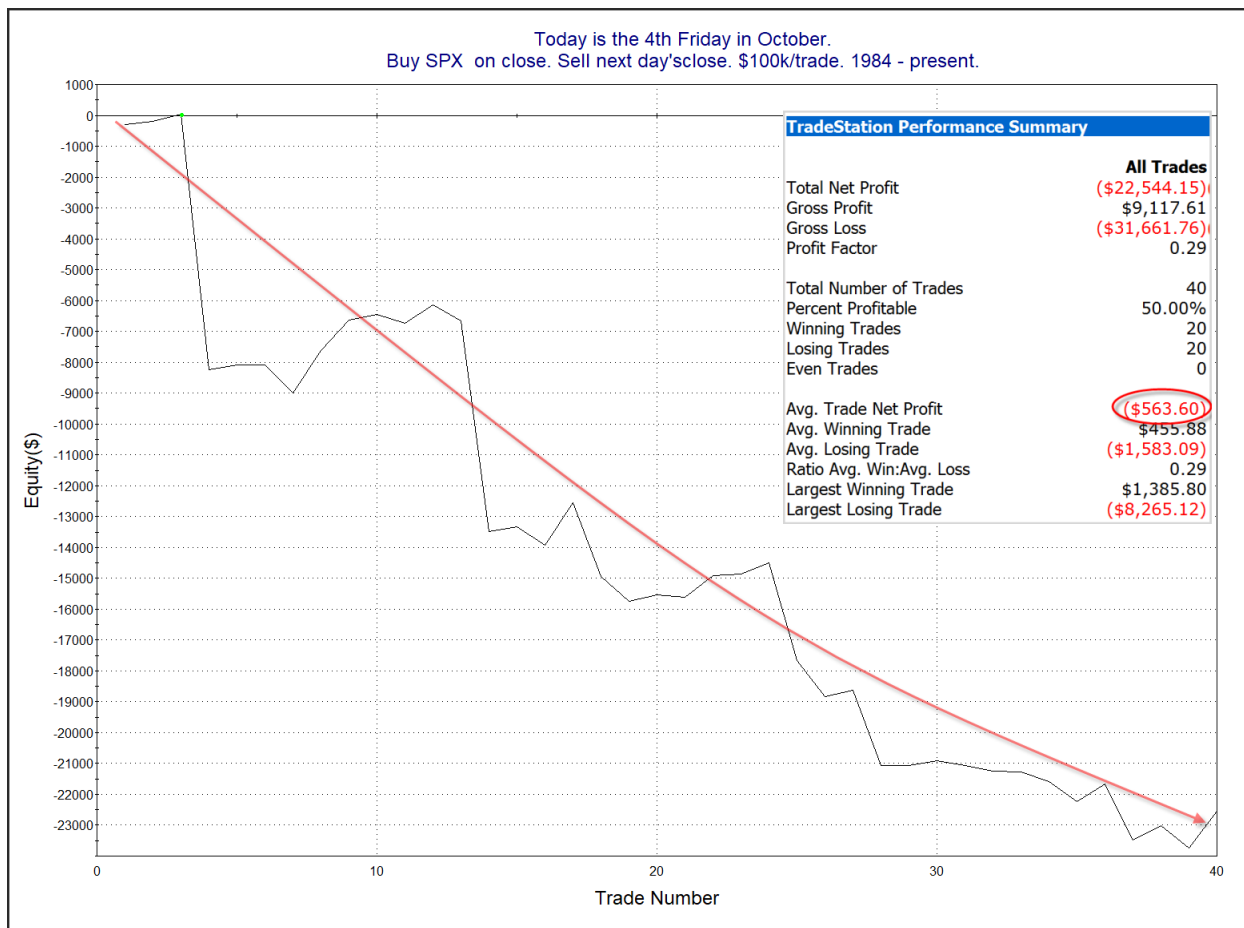
SPY gaps up > 0.25% and makes a high > 0.5% above the open. It then closes down on the day. Close > 10-day low and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	26,847.41	28	19	9	67.86	4,817.28	-2,558.13	1,884.37	-995.06	1.89	4.00	958.84
4	27,285.03	29	18	11	62.07	4,533.98	-2,259.92	2,091.13	-941.40	2.22	3.63	940.86
3	17,134.47	29	18	11	62.07	3,858.36	-2,990.26	1,713.10	-1,245.58	1.38	2.25	590.84
2	13,991.28	29	20	9	68.97	2,772.48	-1,568.92	1,047.19	-772.50	1.36	3.01	482.46
1	5,964.86	30	19	11	63.33	2,319.36	-2,206.61	816.21	-867.56	0.94	1.63	198.83

Results here appear bullish. Here is the 5-day profit curve.



The edge has been persistent and has accelerated in recent instances. This serves as some confirmation of the numbers. I have added this study to the short-term active list.

The week after the 4th Friday in October has been an interesting one historically. The studies below are updated from the 10/30/23 letter. They show that Monday has seen difficulties, but the rest of the week has been strong, and it has even carried through to the next Monday. Let's first look at the Monday after the 4th Friday:

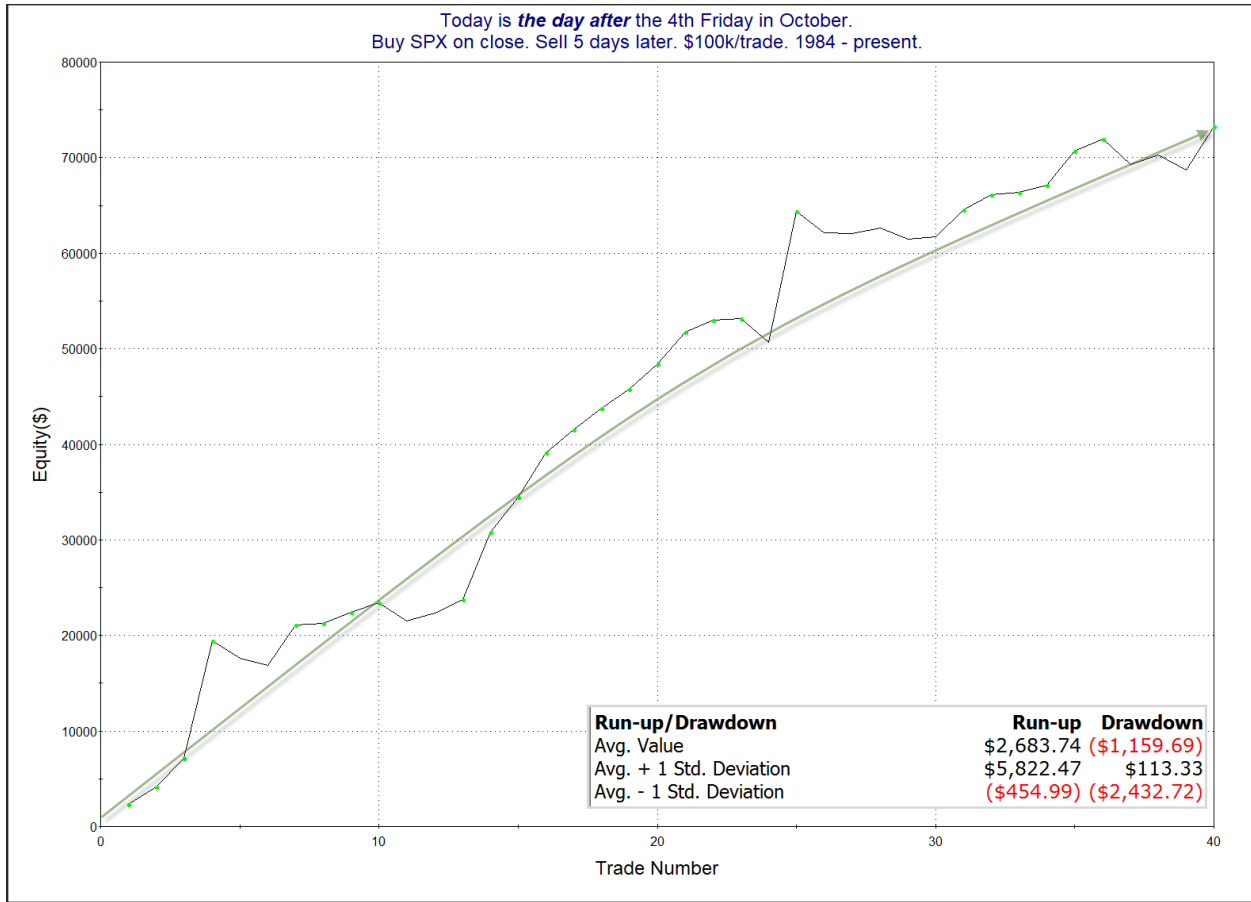


There have been the same number of Mondays here that have closed higher as lower, but the losers have been about 3.5x the size of the winners on average. The profit curve is choppy as you would expect with the winning % shown, but the slope has certainly been down for a long time. So Monday may carry a little extra risk to see a sizable decline. But Tuesday through the following Monday have shown very positive seasonality. This can be seen below.

Today is *the day after* the 4th Friday in October.
Buy SPX on close. Sell X days later. \$100k/trade. 1984 - present.

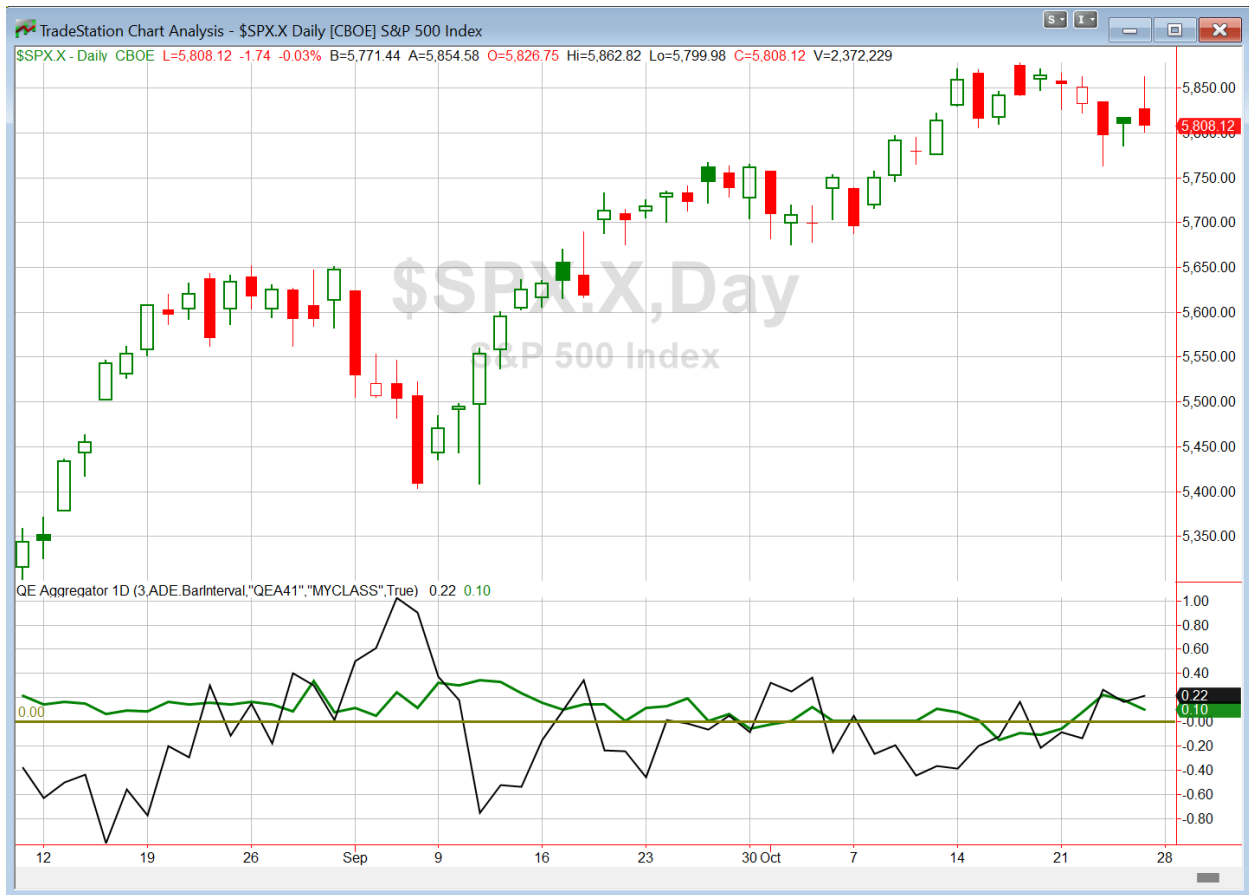
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	73,243.48	40	31	9	77.50	13,733.46	-2,631.17	2,840.70	-1,646.47	1.73	5.94	1,831.09
4	56,905.85	40	29	11	72.50	14,020.11	-3,799.29	2,562.62	-1,582.73	1.62	4.27	1,422.65
3	46,549.32	40	29	11	72.50	12,304.89	-3,802.25	2,056.30	-1,189.41	1.73	4.56	1,163.73
2	22,747.70	40	29	11	72.50	9,496.89	-3,768.26	1,336.55	-1,455.65	0.92	2.42	568.69
1	23,352.59	40	25	15	62.50	10,716.03	-2,766.58	1,377.02	-738.20	1.87	3.11	583.81

The stats here are very strong across the board and suggestive of an upside edge. Below is a look at the 5-day profit curve.



The curve has headed upwards for a long time. This short-term look at seasonality suggests the market could have some wind at its back after Monday.

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



With this weekend's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held 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 active studies, expectations are slated to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5811.49 on Monday. That is less than 0.1% above Friday's close. Therefore, SPX will only need to close up 0.1% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is long. But Monday looks questionable, and there is not much room to the upside before SPX would turn to overbought. I have a small amount of long exposure. I will look to take profits near the close on Monday if SPX moves up much.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/28 – *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 as of Friday's close.*

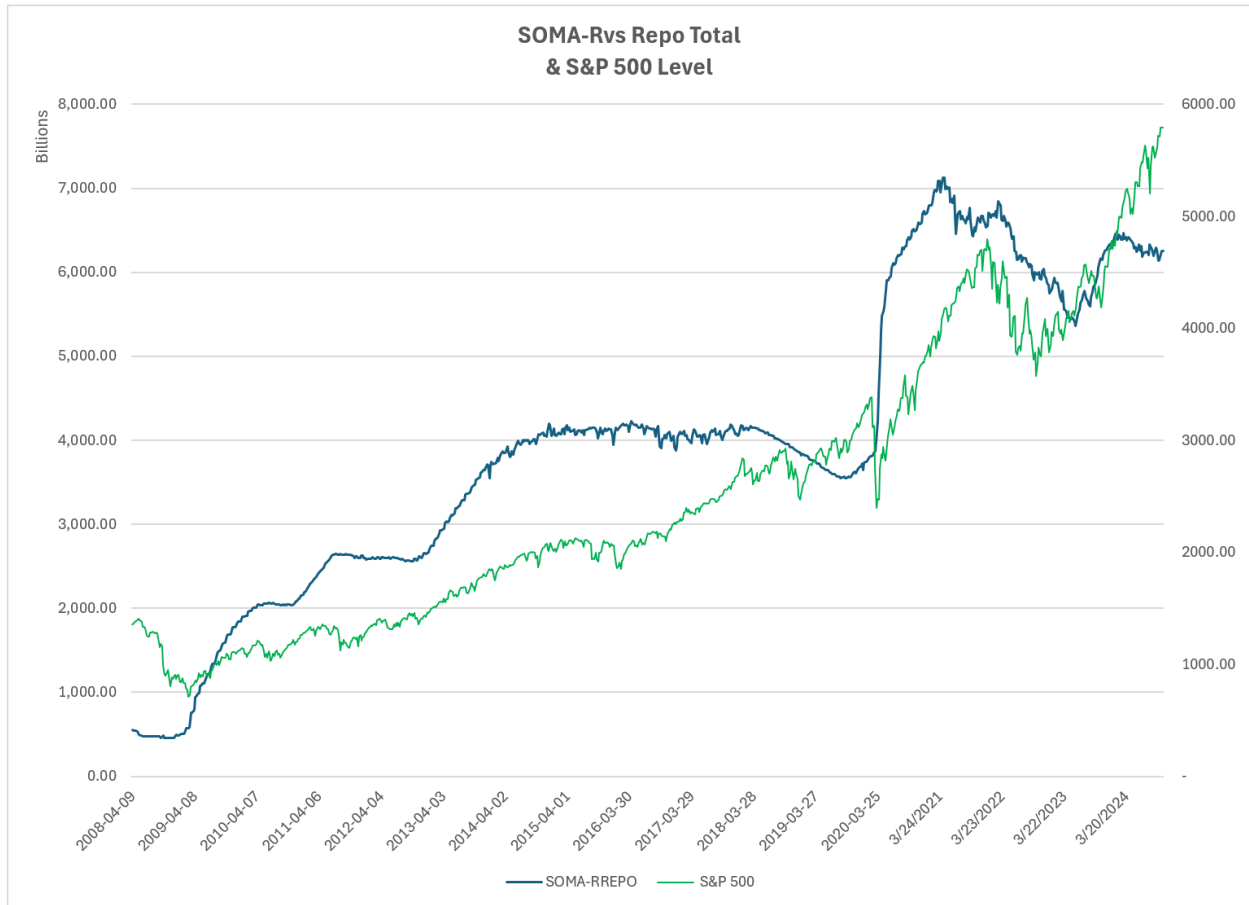
This past week saw mixed results. The SPX declined 1.0%, the NASDAQ gained 0.2%, and the Russell 2000 (RUT) tumbled 3.0%. Bonds struggled. The US Aggregate Bond ETF (AGG) declined 0.9%. TLT, the 20-year Treasury Bond ETF, lost 1.8%. SPX and NASDAQ are not far from new all-time highs, so the long-term uptrend certainly seems to remain in place. There were no new studies that triggered in the last few days with intermediate-term implications.

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	October 23, 2024 📅 <small>Posted October 24, 2024 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; font-size: small;"> SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,292,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,698,546,149.1
US Treasury Floating Rate Notes (FRNs)	5,850,583.8
US Treasury Inflation-Protected Securities (TIPS)*	340,930,633.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,270,512,734.8
Agency Commercial Mortgage-Backed Securities***	8,103,435.8
Total SOMA Holdings	6,521,583,463.7
Change From Prior Week	-3,472,227.3

The SOMA posted a moderate decline of \$3 billion over the past week. Meanwhile, reverse repos declined by \$1 billion. Combined for the week, SOMA and reverse repo action accounted for a \$2 billion liquidity drain. 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

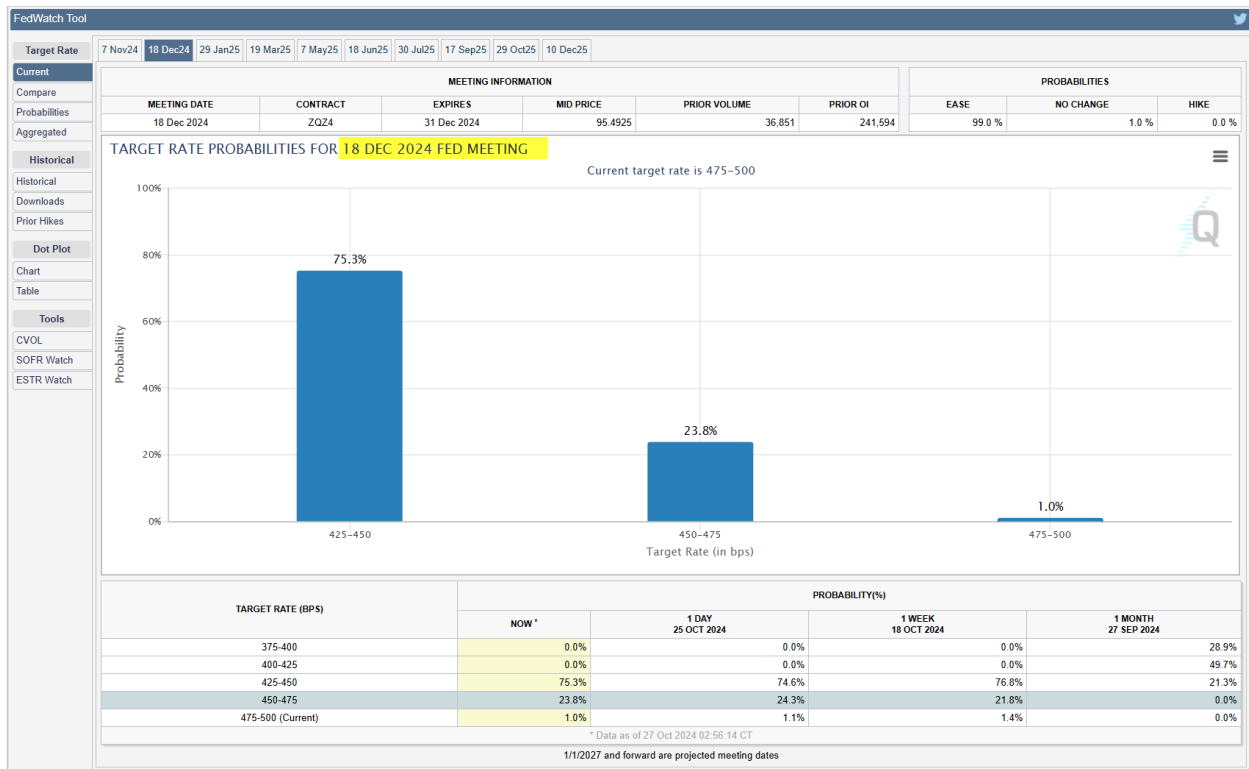
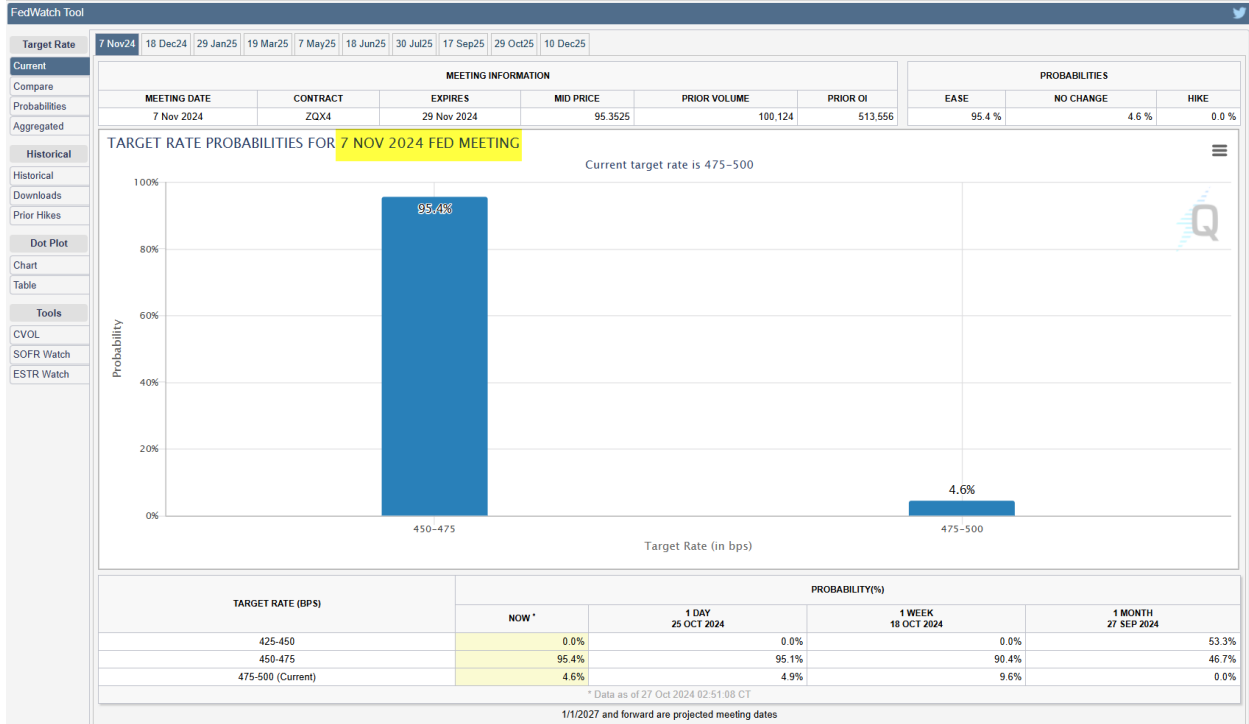
a positive impact on liquidity. From early March through May the level of reverse repos remained about the same. The last few months we have seen the number chopping around, but this week reverse repos stand at just \$271 billion, which is the lowest level since 2021. Below is an updated SOMA-Reverse 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. 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 continues to head lower as reverse repos approach \$0, then that could mean a liquidity headwind for the market. We will be on the lookout for changes in QT policy at upcoming Fed meetings. It would be unusual for the Fed to continue QT while lowering rates for very long.

With regards to rates, odds did not change much for Fed rate expectations this. Odds of a 25 point cut are 95%, and odds of no cut is about 5%, basically in line with a week ago. Odds for

December's meeting show about a 1% chance that rates will be where they are today, 24% that rates are 0.25% lower than today, and a 75% chance that rates are 0.5% below today. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.



As we have seen over and over, odds continually shift, so expect further refinement as we get closer to these Fed meeting dates.

One notable that I will discuss in detail next weekend is the fact that we are seeing some shifts in intermediate-term seasonal cycles. On Friday (November 1st) we will enter the “Best 6 Months” period. This is bullish. At the same time, we will enter the 1st year of the Presidential Cycle (I generally measure Nov – Oct). Whichever candidate wins, it will be the 1st year for them, so there is no suspense there. The 1st year has often been weak. I am traveling this weekend with limited time, but I will discuss implications in more detail next weekend.

From an intermediate-term standpoint, my outlook is basically the same as last week. Evidence still seems to favor the bulls. The long-term trend still appears to be up. The NASDAQ/SPX Relative Leadership indicator is favoring the NASDAQ, which is typically a positive. And there still remain several bullish studies on the active list from the last few months. Fed policy now appears neutral. There are plenty of potential triggers that could cause a market shock, from geopolitical to economic and Fed to election and new policy concerns. And valuations are certainly on the high end for stocks. But overall, bullish evidence continues to outweigh bearish. I will again maintain a bullish bias. Hence, I’ll remain more aggressive with long trades than I am with short trades.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

HD – 1/3 @ \$399.64

New

IBM – 1/3 @ \$214.67 (buy @ limit)

ACN – 1/3 @ \$360.80 (buy @ limit)

Broad Market Large Cap CBI – 3(HD, IBM, ACN)

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.

IBM – Buy 1/3 Catapult position @ \$214.67 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of IBM.

ACN – Buy 1/3 Catapult position @ \$360.80 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of ACN.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
HD(1/3)	10/24/2024	\$399.64	\$398.91	-0.18%	Catapult
SPY(1/4)	10/24/2024	\$577.75	\$579.04	0.22%	sell @ \$579.50 limit on close

The author of Quantifiable Edges (QE), Mr. Robert Hanna, is separately affiliated with a registered investment adviser, Eastsound Capital Advisors, LLC (ECA) d.b.a. Capital Advisors 360. Advisory clients of ECA utilizing the approaches developed by Mr. Hanna will receive the QE newsletter from QE at no charge. ECA is not otherwise affiliated with QE, and neither endorses nor warrants the content of this site, the QE newsletter(s), any embedded advertisement, nor any linked resource herein.

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2024 Quantifiable Edges, LLC.