

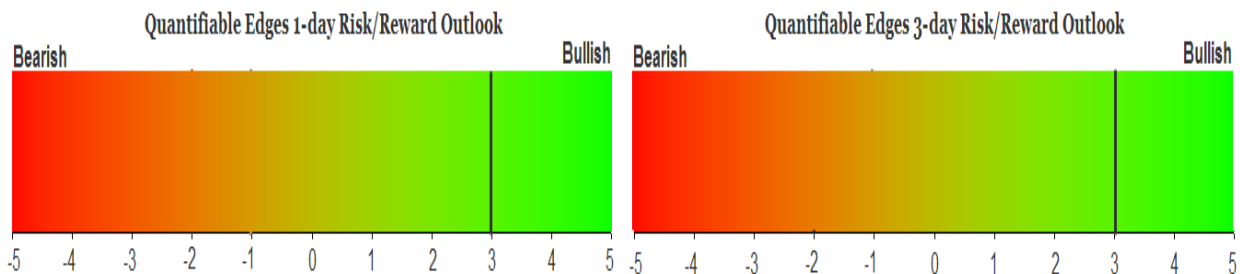
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 4, 2024

Volume 17 Issue 213

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	9

Tonight's Research Points

- Closing low in the intraday range the last 2 days has set SPY up for a potential rally over the next several days.
- The Seasonality Calendar for November looks quite positive.
- We are entering the Best 6 Months, which is generally a positive, but also the 1st year of a presidential cycle, when tends to underperform.
- Liquidity was favorable last week, but outstanding reverse repos are at the lowest level in 3 years.

Short-term Outlook

The Bottom Line

The Aggregator is long. Reward/risk appears favorable for the bulls.

Summary of Current 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						
November 4, 2024	SPY btm 10% intraday 2 of last 3. <10ma	1-8 days	Bullish	2.85%	-1.30%	-2.75%
November 1, 2024	Gap dn 5 low. Close < open but > 200	1-5 days	Bullish			
October 30, 2024	Up Vol < 40%. SPX up and > 200.	1-8 days	Bullish			
October 29, 2024	Day after 4th Fri in October	1-5 days	Bullish			
Active - Long Term						
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			
March 4, 2024	Jan & Feb both close positive	1-10 months	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			

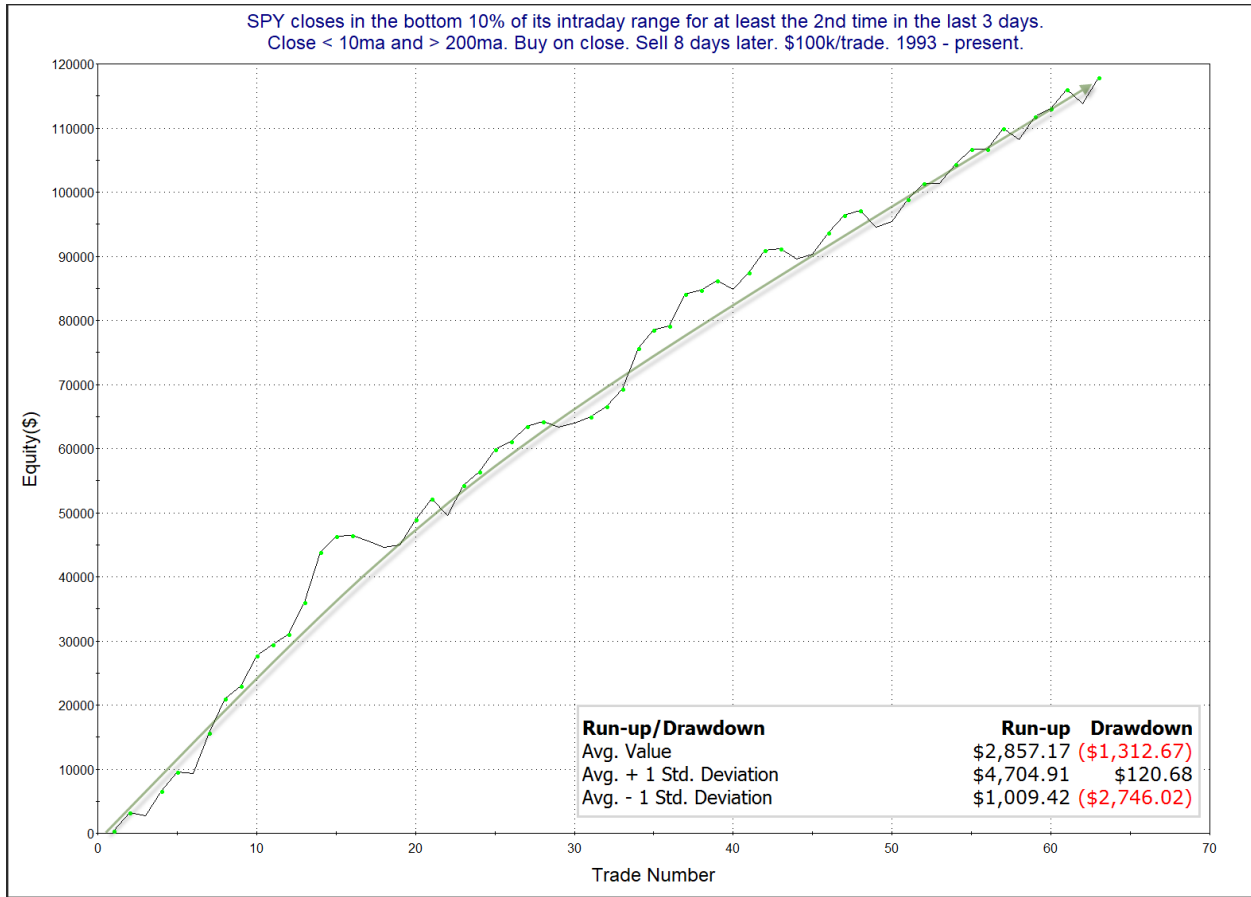
The Evidence

The market rose on Friday, but finished near its low of the day. The SPX gained 0.4%, the NASDAQ climbed 0.8%, and the Russell 2000 moved up 0.6%. Breadth was weak as the NYSE Up Issues % was 45% and the Up Volume % came in at 41%. NYSE total volume declined some from Thursday's level.

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. Friday 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 Thursday. This triggered a study from the 5/2/24 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	123,962.58	62	50	12	80.65	9,282.24	-2,690.64	2,820.42	-1,421.53	1.98	8.27	1,999.40
9	120,937.26	63	51	12	80.95	7,585.77	-2,770.56	2,648.64	-1,178.63	2.25	9.55	1,919.64
8	117,844.92	63	51	12	80.95	7,858.26	-2,601.84	2,614.29	-1,290.33	2.03	8.61	1,870.55
7	103,343.62	63	45	18	71.43	8,324.13	-2,645.44	2,697.47	-1,002.37	2.69	6.73	1,640.37
6	83,953.47	63	50	13	79.37	6,100.26	-4,158.00	2,092.20	-1,588.96	1.32	5.06	1,332.59
5	74,255.42	65	48	17	73.85	5,634.39	-3,578.85	1,988.38	-1,246.29	1.60	4.50	1,142.39
4	67,472.45	65	48	17	73.85	4,175.25	-3,268.58	1,815.93	-1,158.37	1.57	4.43	1,038.04
3	49,231.94	66	46	19	69.70	4,069.77	-2,610.72	1,492.92	-1,023.29	1.46	3.53	745.94
2	38,901.28	69	50	18	72.46	4,479.35	-2,760.94	1,148.91	-1,030.22	1.12	3.10	563.79
1	16,261.50	75	48	27	64.00	2,584.26	-3,744.92	866.87	-938.83	0.92	1.64	216.82

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



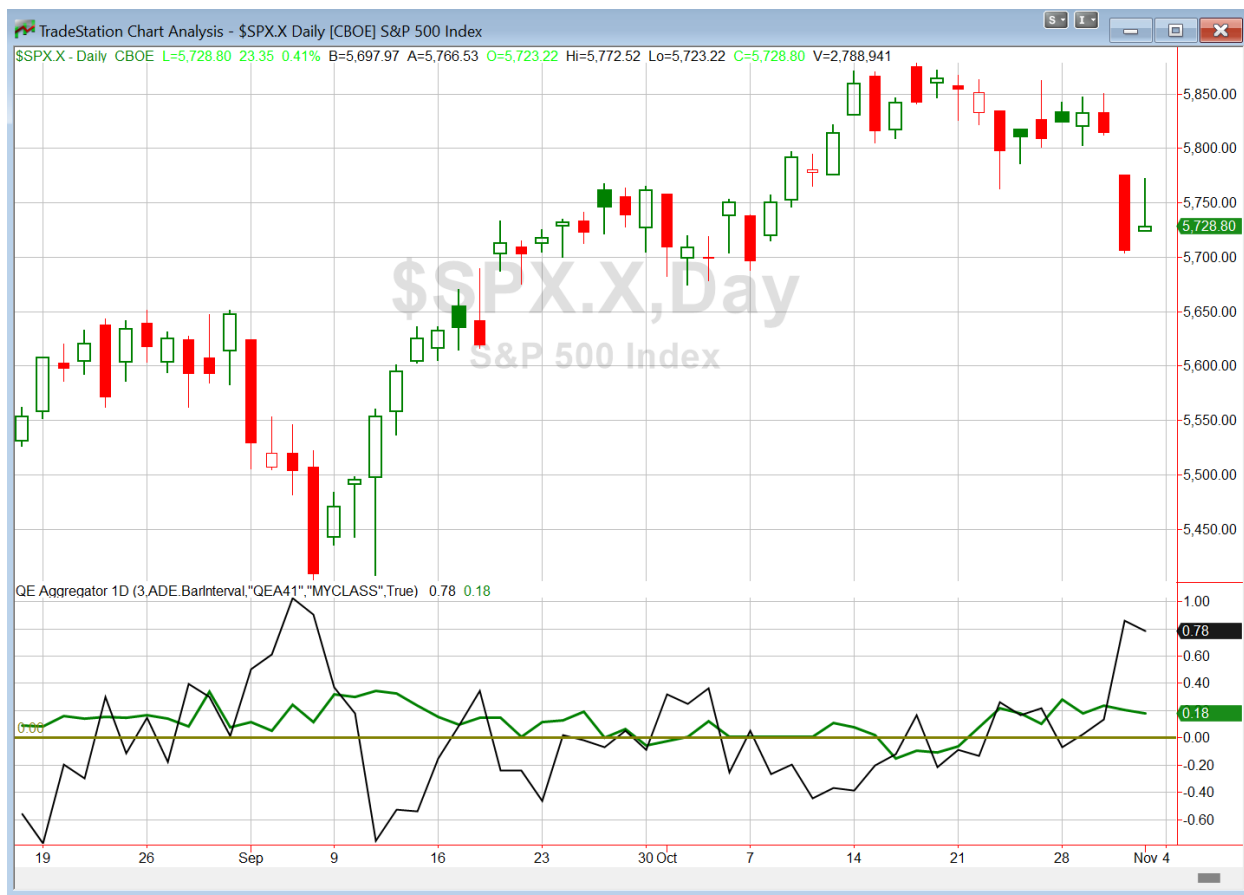
The strong upslope and minimal drawdowns support the numbers, and serve as some confirmation of the bullish tendency. I have included this study on the Active List tonight.

Let's now take a look at the SPX Seasonality Calendar for November:

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
11/1/2024	59.57	1.667	0.173
11/4/2024	60.00	1.661	0.171
11/5/2024	55.03	1.370	0.075
11/6/2024	59.66	1.586	0.140
11/7/2024	53.82	1.397	0.089
11/8/2024	58.54	1.581	0.140
11/11/2024	54.15	1.195	0.032
11/12/2024	53.81	1.344	0.081
11/13/2024	53.59	1.162	0.028
11/14/2024	55.43	1.229	0.050
11/15/2024	49.55	1.070	-0.007
11/18/2024	59.87	1.147	0.040
11/19/2024	55.60	1.338	0.084
11/20/2024	54.70	1.005	-0.004
11/21/2024	54.17	1.056	0.012
11/22/2024	54.54	1.025	0.003
11/25/2024	54.01	1.243	0.067
11/26/2024	53.11	1.230	0.062
11/27/2024	53.13	1.347	0.087
11/29/2024	49.72	1.064	0.022
Baseline	53.73	1.143	0.049

Almost all green. And this upcoming week is looking especially strong. So we should have a seasonal wind at our backs for much of the month.

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 is unlikely to change. Meanwhile, the Differential Pivot will be 5851.95. That is 2.15% above Friday's close. Therefore, SPX will need to close up 2.15% on Monday in order to flip from oversold to overbought versus recent expectations. More likely it will take a multi-day rally or consolidation to work off the current oversold condition.

So the Aggregator is long. Evidence continues to favor the bulls, and there is decent room to the upside before SPX would turn overbought. Reward/risk appears to favor the bulls. I have a small amount of long index exposure. I plan to hold onto that for the time being.

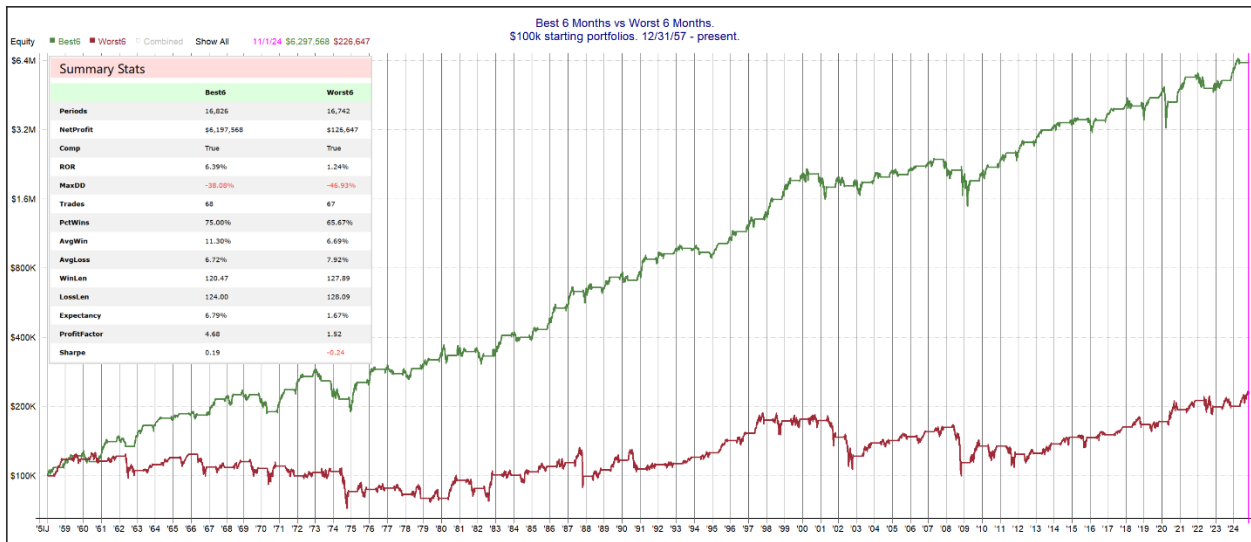
Intermediate-term Outlook (2 weeks – 2 months) – updated 11/4 – *bullish*

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 was mostly lower for the indices. The SPX declined 1.4%, the NASDAQ fell 1.5%, and the Russell 2000 (RUT) rose 0.1%. Bonds struggled. The US Aggregate Bond ETF (AGG) declined 0.6%. TLT, the 20-year Treasury Bond ETF, lost 1.1%. The NASDAQ made a new all-time high during the week. The SPX is still not far from one. So the long-term uptrend certainly appears to be intact.

We are seeing some seasonal cycles change right now. The “Best 6 Months” just started. And the Presidential Cycle has shifted to Year 1. Note that while many people measure the Presidential Cycle years from January – December, I measure them starting on 11/1. This is the closest monthly change date to the election, and I have found it effective. I discuss this a bit more in the Market Timing Course. Below is an update of a chart I show in the course that compares the Best 6 Months (Nov-Apr) to the Worst 6 Months (May-Oct).



Clearly the market has done substantially better during the Best 6 Months. But this is Year 1 of the Presidential Cycle. And no matter who wins, we are going to have a change in president. So I looked at the 1st six months for all new presidents since SPX inception in 1957. Results are below.

SPX performance during Best 6 Months of 1st year of new President (Nov-Apr).
1957 - 2021.

Symbol	Trade	Date	Price	Exit Date	Exit Price	% chg	MAE	MFE
\$SPX	Long	10/31/1960	53.39	4/28/1961	65.31	22.33%	0.00%	24.89%
\$SPX	Long	10/31/1968	103.41	4/30/1969	103.69	0.27%	-6.56%	5.76%
\$SPX	Long	10/29/1976	102.9	4/29/1977	98.44	-4.33%	-6.19%	4.93%
\$SPX	Long	10/31/1980	127.47	4/30/1981	132.81	4.19%	-2.20%	11.37%
\$SPX	Long	10/31/1988	278.97	4/28/1989	309.64	10.99%	-5.78%	11.28%
\$SPX	Long	10/30/1992	418.68	4/30/1993	440.19	5.14%	-0.74%	9.10%
\$SPX	Long	10/31/2000	1429.4	4/30/2001	1249.49	-12.59%	-24.36%	0.63%
\$SPX	Long	10/31/2008	968.75	4/30/2009	872.81	-9.90%	-31.17%	4.00%
\$SPX	Long	10/31/2016	2126.15	4/28/2017	2384.2	12.14%	-1.99%	12.93%
\$SPX	Long	10/30/2020	3269.96	4/30/2021	4181.17	27.87%	-1.10%	29.02%
					Average	5.61%	-8.01%	11.39%
					Median	4.67%	-3.99%	10.19%
					% Wins	70%		

Most new presidencies have had pretty weak starts for the stock market. But the last 2 have been the 1st best (Biden) and 3rd best (Trump) looking back to 1960. We will see if this tendency reverts back to the old ways or whether the recent positive action can continue under Harris or Trump 2.0. So these seasonality indicators will remain mixed, while both of the Market Timing Course price action indicators remain positive. And this has all 4 combo systems still long QQQ.

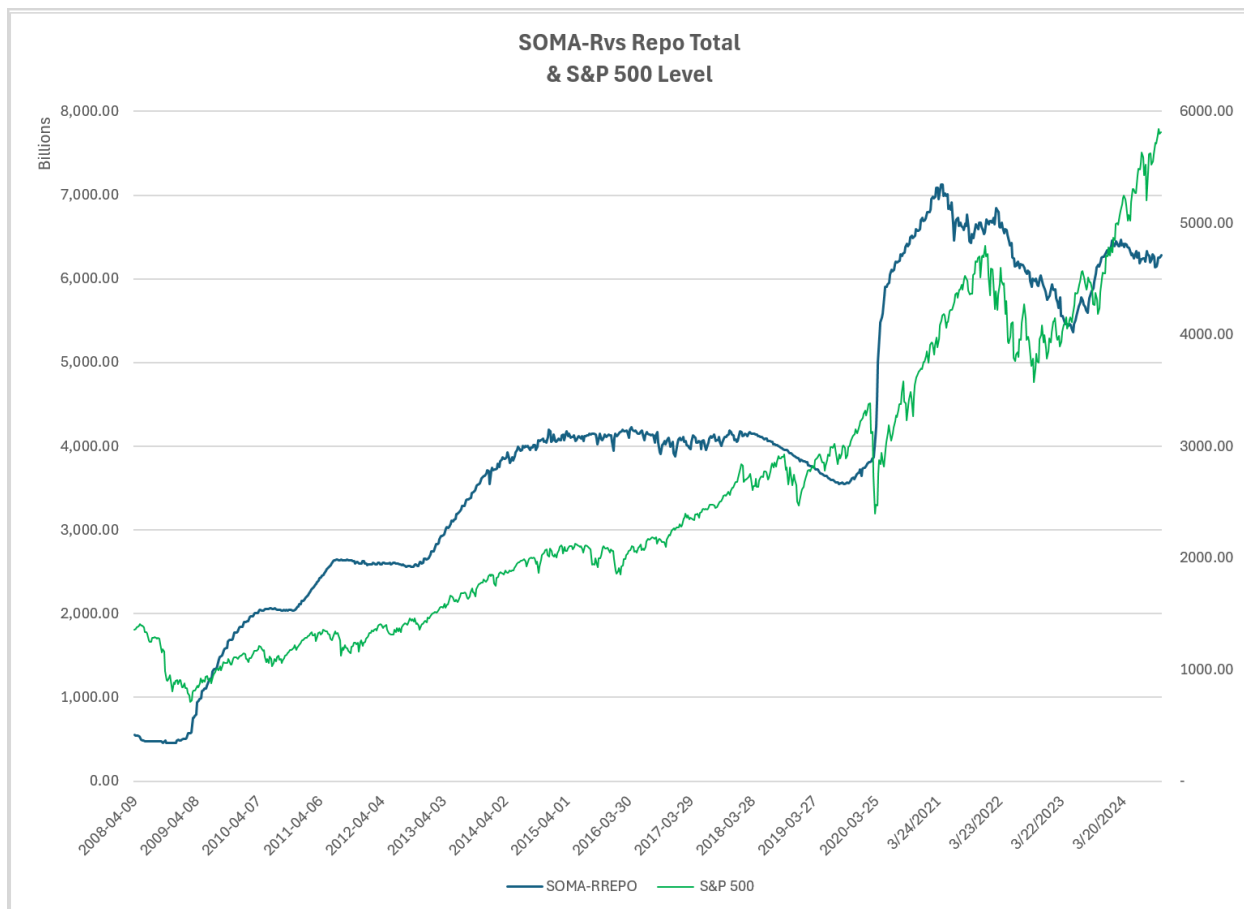
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
 ◀ Previous **October 30, 2024** 📅
 Posted October 31, 2024 at 4:30 PM

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

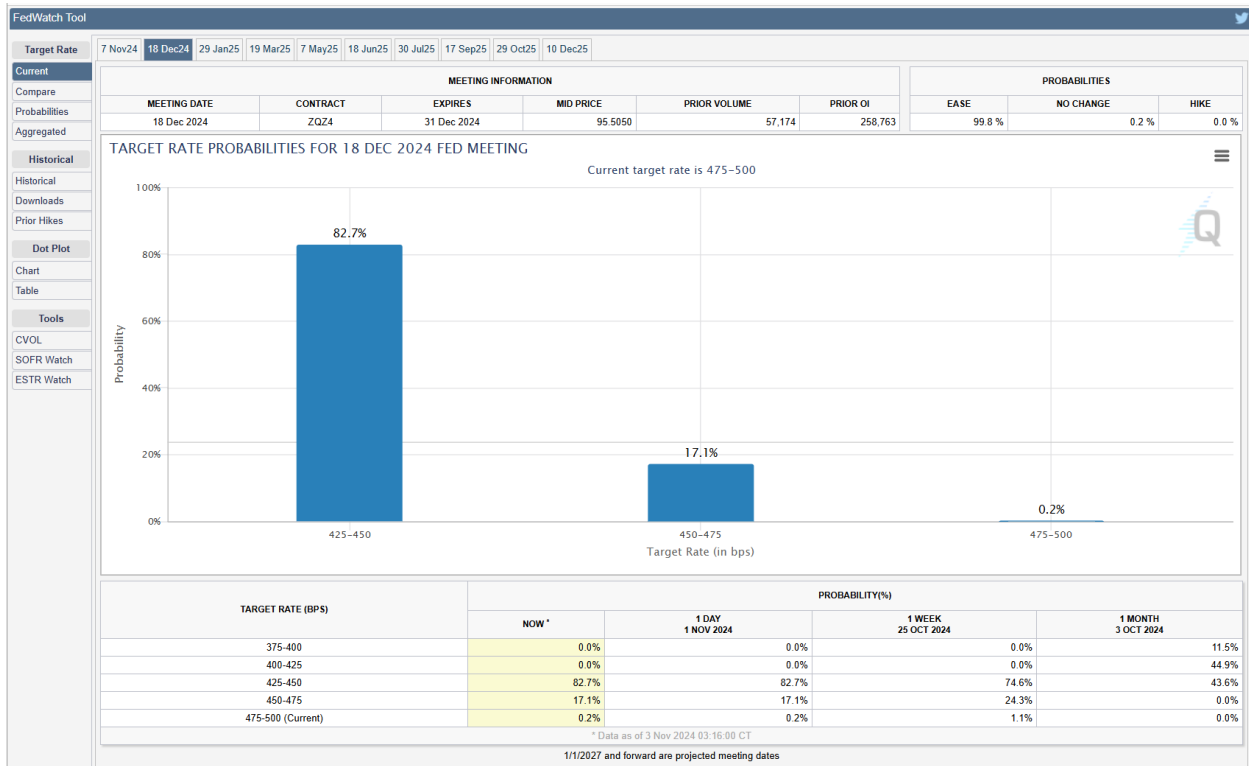
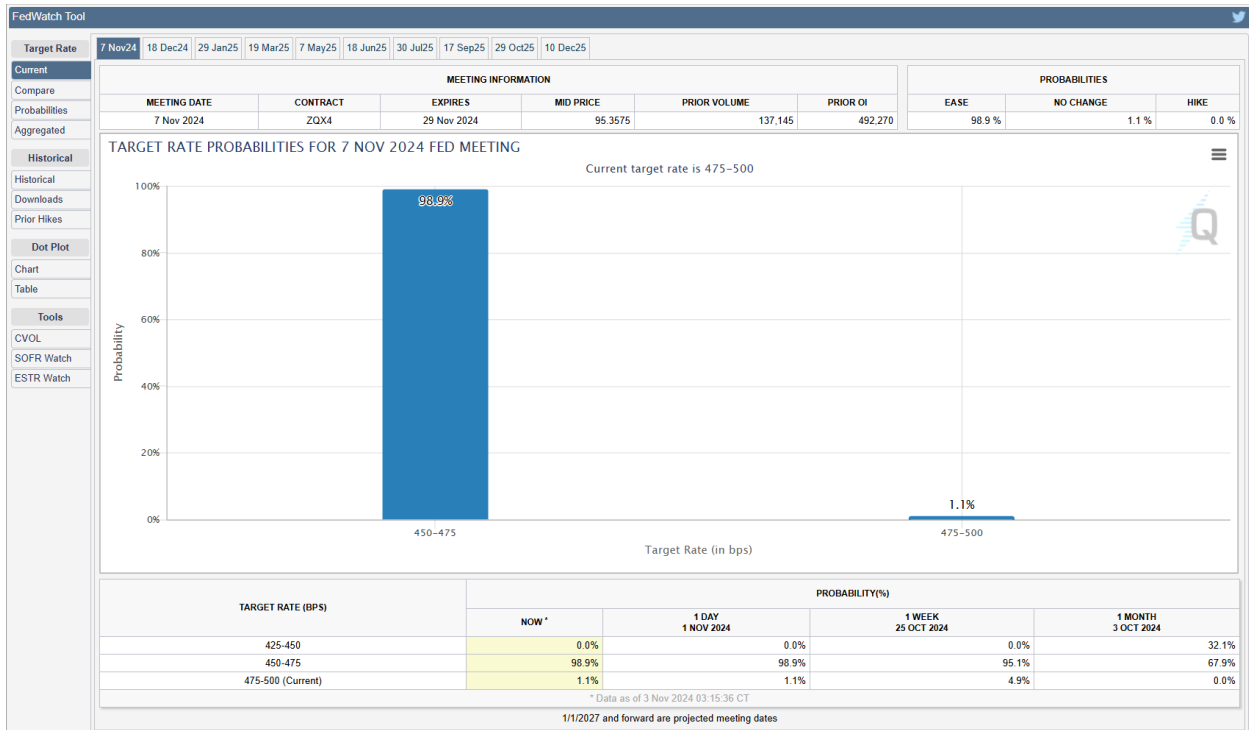
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,292,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,698,596,149.1
US Treasury Floating Rate Notes (FRNs)	5,850,583.8
US Treasury Inflation-Protected Securities (TIPS)*	340,955,633.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,257,864,914.4
Agency Commercial Mortgage-Backed Securities***	8,097,810.6
Total SOMA Holdings	6,509,005,018.2
Change From Prior Week	-12,578,445.5

The SOMA posted a moderate decline of \$12.6 billion over the past week. Meanwhile, reverse repos declined by \$42 billion. Combined for the week, SOMA and reverse repo action accounted for a \$29 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, 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 \$229 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 99%, and odds of no cut is about 1. Odds for December's meeting show about a 17% that rates are 0.25% lower than today, and an 83% 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.

From an intermediate-term standpoint, not much has changed. 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

IBM – 1/3 @ \$214.67 (bought @ limit)

ACN – 1/3 @ \$360.80 (bought @ limit)

IBM – 1/3 @ \$212.91 (bought @ limit)

LMT – 1/3 @ \$555.17 (bought @ limit)

IBM – 1/3 @ \$210.43 (bought @ limit)

LMT – 1/3 @ \$546.80 (bought @ limit)

LMT – 1/3 @ \$545.94 (bought @ limit)

New

CL – 1/3 @ \$93.33 (buy @ limit)

Broad Market Large Cap CBI – 9(HD, IBM-3, ACN, LMT-3, CL)

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.

CL – Buy 1/3 Catapult position @ \$93.33 LIMIT . From the Catapult section above, this is the 1st of up to 3 possible lots of CL.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
HD(1/3)	10/24/2024	\$399.64	\$392.59	-1.76%	Catapult
IBM(1/3)	10/28/2024	\$214.67	\$208.25	-2.99%	Catapult
ACN(1/3)	10/28/2024	\$360.80	\$345.67	-4.19%	Catapult
IBM(1/3)	10/29/2024	\$211.99	\$208.25	-1.76%	Catapult
LMT(1/3)	10/29/2024	\$552.80	\$545.35	-1.35%	Catapult
IBM(1/3)	10/30/2024	\$209.48	\$208.25	-0.59%	Catapult
LMT(1/3)	10/30/2024	\$546.80	\$545.35	-0.27%	Catapult
LMT(1/3)	10/31/2024	\$545.94	\$545.35	-0.11%	Catapult
SPY(1/4)	10/31/2024	\$575.56	\$571.04	-0.79%	Aggregator

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