

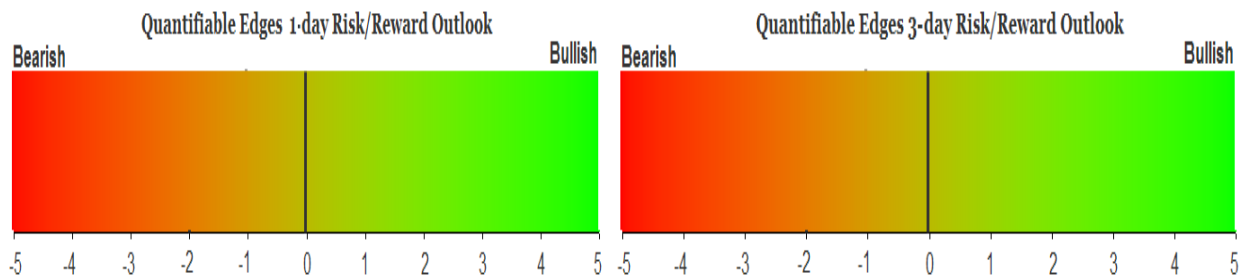
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 11, 2024

Volume 17 Issue 218

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Seasonality appears favorable this upcoming week.
- Recent momentum appears favorable for the intermediate-term.
- Reverse repos closeouts overwhelmed QT and there was boost to liquidity. But reverse repos are getting lower and lower.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I agree.

*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
<b>Active - Short Term</b>						
November 8, 2024	100-day high on Fed Day	1-8 days	Bullish	1.65%	-1.00%	-1.70%
November 7, 2024	Breakaway gap	1-5 days	Bullish	1.40%	-0.90%	-1.90%
November 7, 2024	2 unfilled gaps up to 50-high	1-4 days	Bullish			
November 7, 2024	VIX goes frm 10% above to 10% below 10ma	1-8 days	Bullish	2.05%	-1.20%	-2.60%
<b>Active - Long Term</b>						
November 8, 2024	50-day %b > 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
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 post-election rally continued on Friday. SPY gapped up in the morning and moved higher for the 4<sup>th</sup> day in a row. The SPX closed up 0.4%, the NASDAQ gained 0.1%, and the Russell 2000 rose 0.7%. Breadth was mixed as the NYSE Up Issues % was 62% and the Up Volume % came in at 49%. NYSE total volume declined some from Thursday's level.

This is only the 5<sup>th</sup> time since the inception of SPY in 1993 that it left an unfilled gap higher 4 days in a row. It happened once in 2018 and three times in 2020. Results going forward were mixed, and it is dangerous to try and draw conclusions from just 4 instances, but I found it interesting just how unusual action has been over the last 4 days.

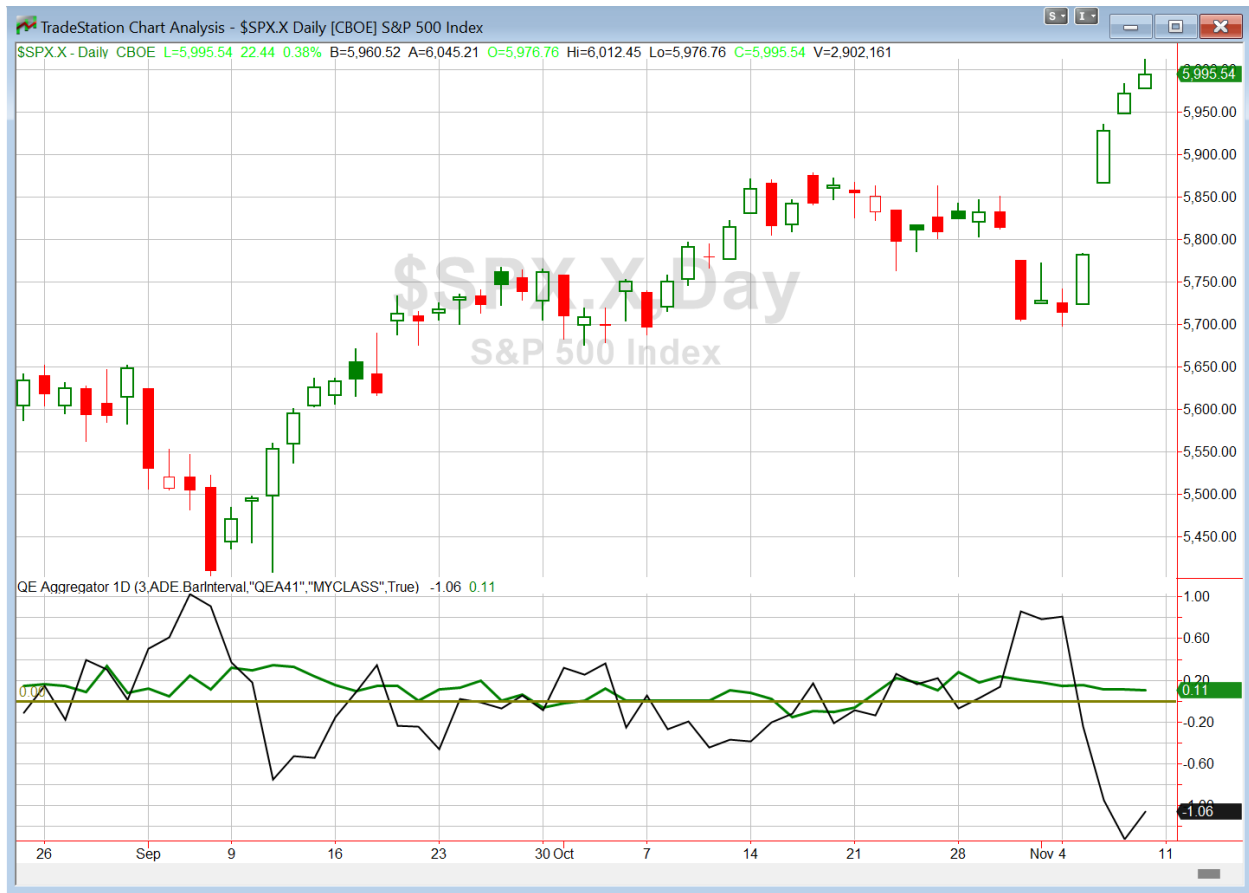
While we have seen positive studies emerge with the initial breakout and the move up on Wednesday and Thursday, I did not identify any new and compelling evidence based on Friday's action. There will not be any new studies added to the short-term active list.

Below is a look at the SPX Seasonality Calendar:

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
<b>Baseline</b>	<b>53.73</b>	<b>1.143</b>	<b>0.049</b>

Friday is neutral, but every other day this upcoming week looks to have a bullish seasonal breeze behind it.

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



Without any compelling new evidence emerging this weekend, 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 dropped even further below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is strongly 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 active studies, expectations are slated to remain positive on Monday. This is unlikely to change. Meanwhile, the Differential Pivot will be 5953.02. That is 0.7% below Friday's close. Therefore, SPX will need to close down at least 0.7% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. While evidence is pointing higher, SPX is already substantially overbought. That increases risk on a potential entry. I will wait for the overbought condition to work off before considering a long entry.

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

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

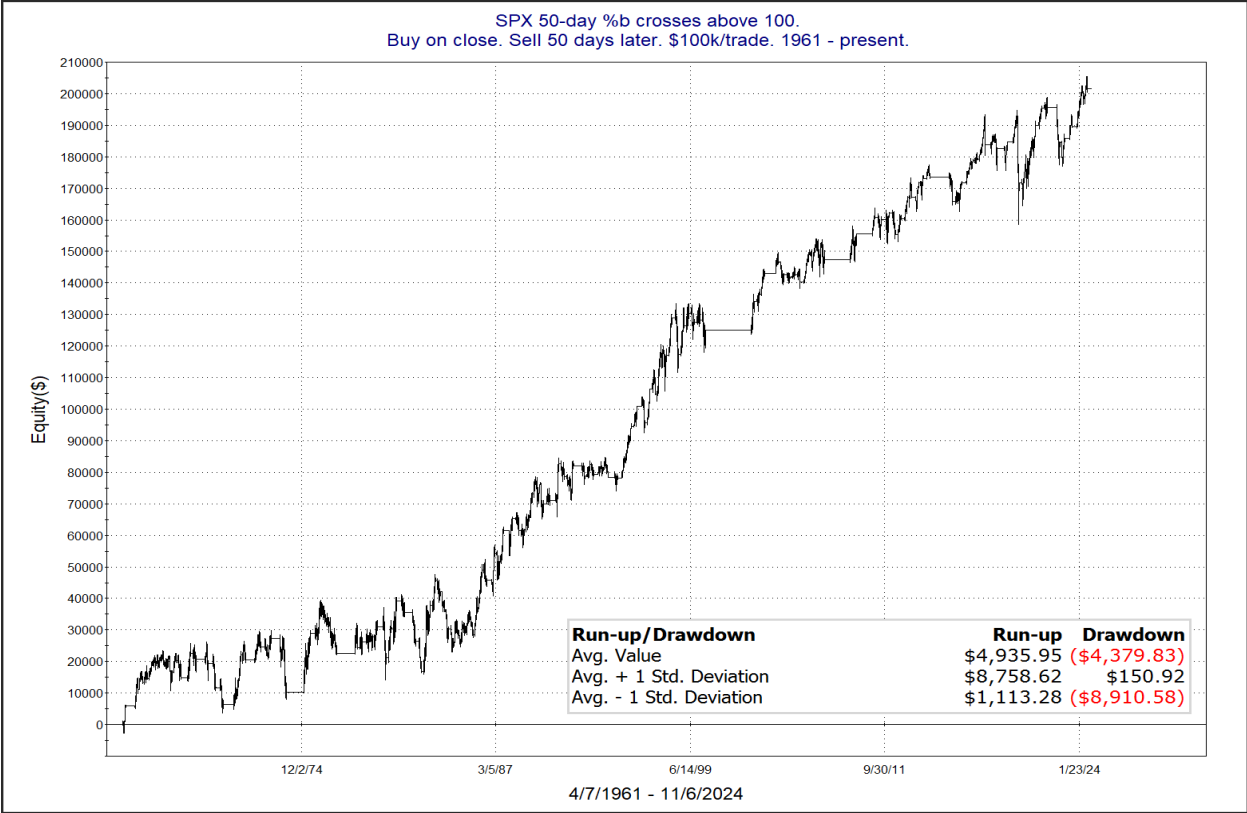
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. *The Combo Systems all remained long QQQ as of Friday's close.*

This past week saw big gains for stocks. The SPX rose 4.7%, the NASDAQ jumped 5.7%, and the Russell 2000 (RUT) rallied 8.1%. Bonds also had a good week. The US Aggregate Bond ETF (AGG) gained 0.8%. TLT, the 20-year Treasury Bond ETF, climbed 1.8%. The NASDAQ and SPX both closed Friday at all-time highs. So the long-term uptrend certainly appears to be intact. There was one study with intermediate-term implications that appeared in Thursday night's letter. I have copied it below.

*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 7/11/24 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.*

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

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Domestic Security Holdings as of  
November 6, 2024  
Posted November 7, 2024 at 4:30 PM

[Previous](#)

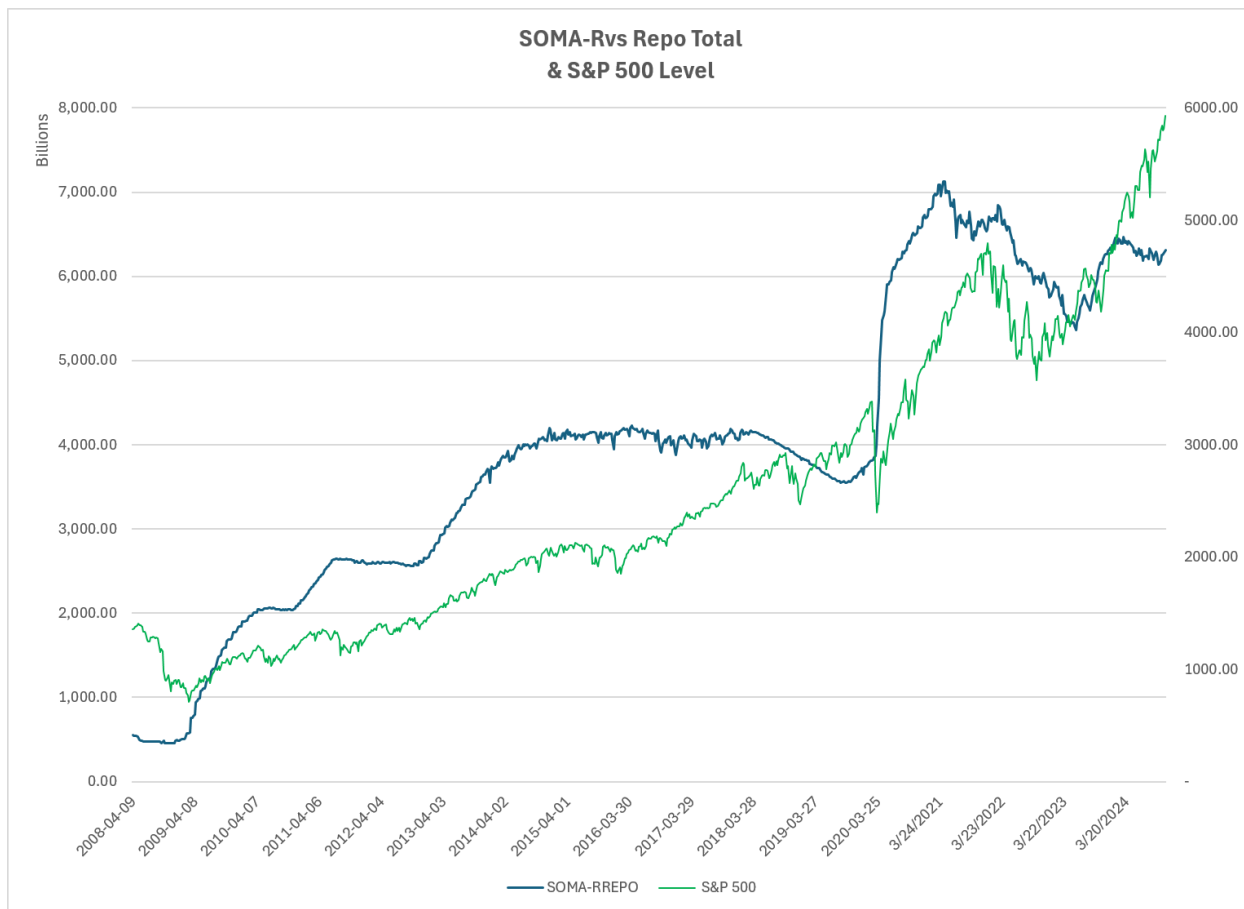
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SUMMARY
T-BILLS
T-NOTES AND T-BONDS
FRNS
TIPS
AGENCY DEBTS
MBS
CMBS

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,292,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,679,675,446.4
US Treasury Floating Rate Notes (FRNs)	6,345,642.2
US Treasury Inflation-Protected Securities (TIPS)*	341,360,480.2
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	6,490,984,220.5
Change From Prior Week	-18,020,797.7

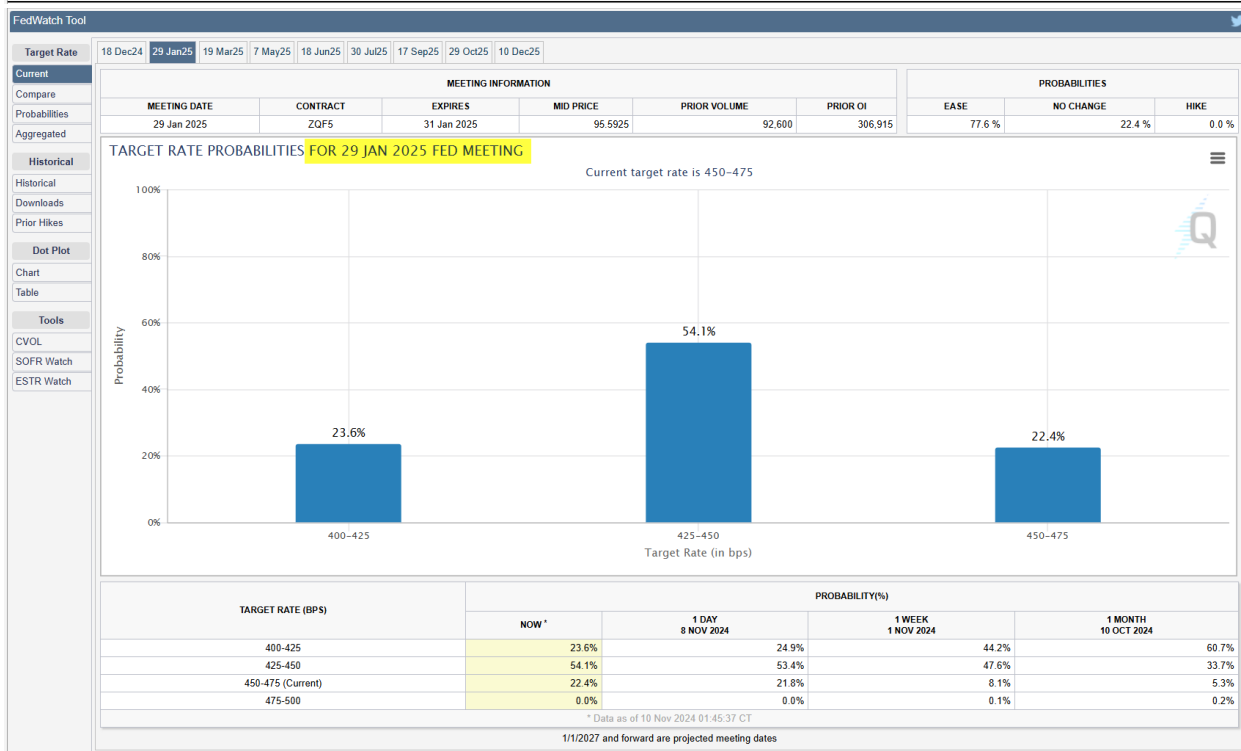
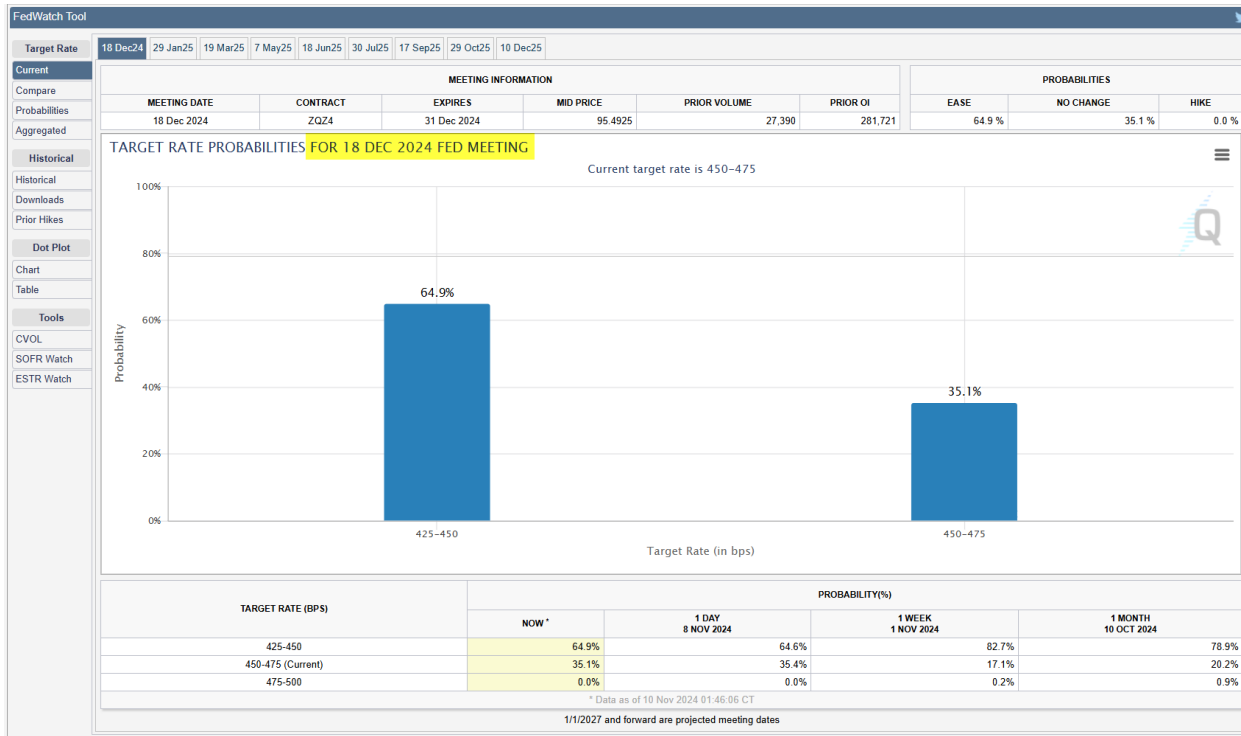
\*Does not reflect inflation compensation of 117,288,027.8

The SOMA posted a decline of \$18 billion over the past week. Meanwhile, reverse repos declined by \$51 billion. Combined for the week, SOMA and reverse repo action accounted for a \$33 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 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 months we have seen the number chopping around, but this week reverse repos stand at just \$178 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 heads lower again 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 for a 25 point cut in December are now 65%, with a 35% chance of no cut. Odds for January's meeting show about a 54% that rates are 0.25% lower than today, and an 54% 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, evidence still seems to favor the bulls. The long-term trend is up. The NASDAQ/SPX Relative Leadership indicator is favoring the NASDAQ, which is typically a positive. We are now in the best 6 months of the year. This week's Bollinger Band study shows the recent strong momentum appears to be a good thing for the market. 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, but nothing has mattered in a while as the market continues to make new highs. Overall, bullish evidence again appears to outweigh bearish. I will 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***

None

#### ***Broad Market Large Cap CBI – 0***

### **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**

None

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