

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 18, 2024

Volume 17 Issue 223

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- A gap below a short-term low and further selling in a long-term uptrend is often followed by a move up over the next few days.
- This upcoming week looks bullish from a seasonal standpoint.
- The SOMA declined and reverse repos rose, all causing a liquidity drain on the market.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the long side.

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 18, 2024	Gap dn from 5-low and close < open	1-2 days	Bullish			
November 13, 2024	5 up to 50-high then down 1 day	1-4 days	Bullish	1.10%	-0.80%	-1.60%
November 8, 2024	100-day high on Fed Day	1-8 days	Bullish	1.65%	-1.00%	-1.70%
Active - Long Term						
November 13, 2024	5 up to 50-high then down 1 day	1-10 days	Bullish	1.80%	-1.10%	-2.30%
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 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			
Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)						
July 15, 2024	Triple 70 Breadth Thrust	1-80 days	Bullish	10.10%	-4.80%	-11.20%

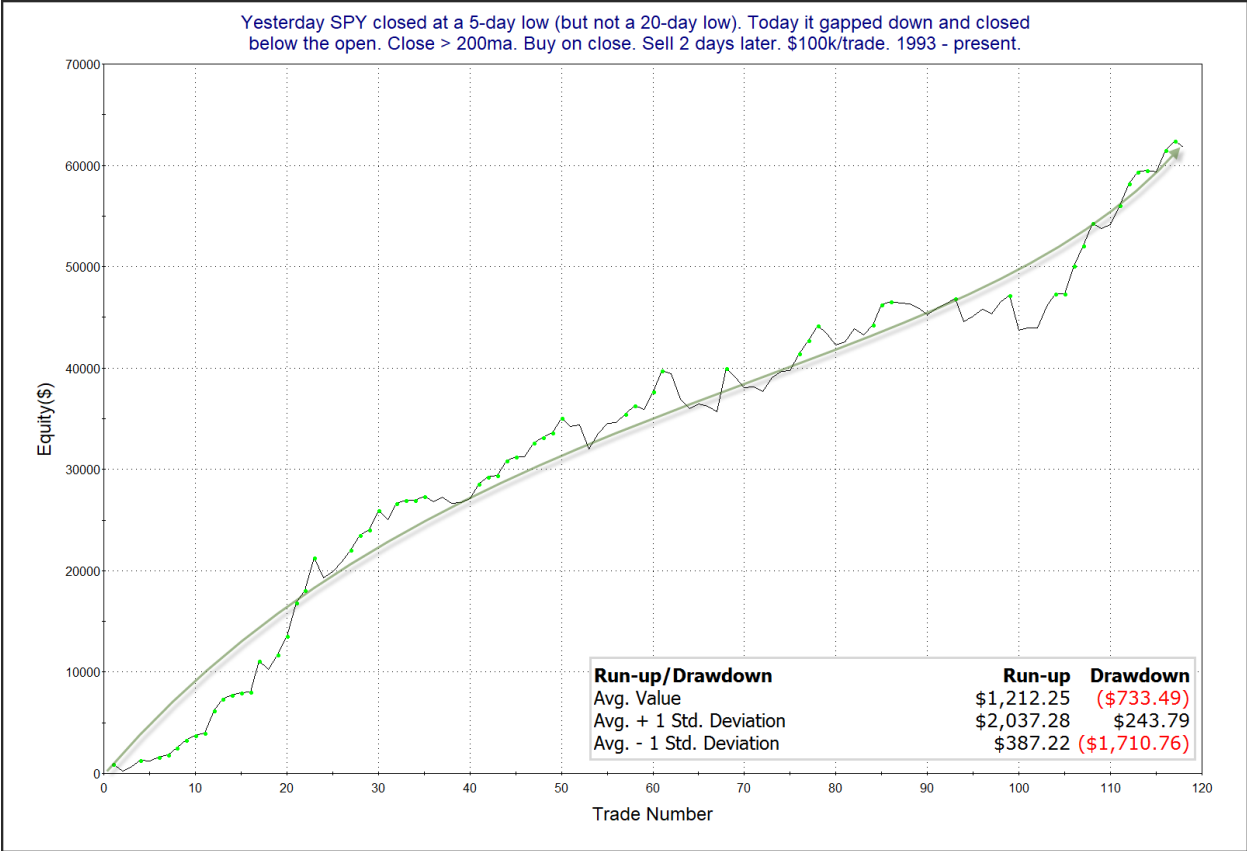
The Evidence

Friday was a rough day for the market. The SPX fell 1.3%, the NASDAQ lost 2.2%, and the Russell 2000 declined 1.4%. Breadth was weak as the NYSE Up Issues % was 34% and the Up Volume % came in at 42%. NYSE total volume rose some from Thursday’s level.

One Quantifinder study really stood out this weekend. In the 9/6/24 letter I showed a study that examined gaps down and poor closes following a 5-day low. The setup appeared bullish. But I also noted that it was even more bullish if the gap down followed a 20-day low. So 20-day low instances are excluded in the below study to prevent the data from looking overly bullish. Stats are updated.

Yesterday SPY closed at a 5-day low (but not a 20-day low). Today it gapped down and closed below the open. Close > 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	94,467.27	115	80	34	69.57	5,165.28	-5,063.85	1,689.20	-1,196.15	1.41	3.32	821.45
4	56,580.48	115	78	37	67.83	4,647.50	-8,109.60	1,484.44	-1,600.16	0.93	1.96	492.00
3	55,513.18	117	74	42	63.25	4,290.00	-7,722.10	1,452.52	-1,237.46	1.17	2.07	474.47
2	61,826.15	118	85	33	72.03	4,305.42	-3,385.20	1,052.73	-838.06	1.26	3.24	523.95
1	33,282.34	123	84	39	68.29	2,143.68	-4,181.76	795.08	-859.09	0.93	1.99	270.59

Odds here appear favorable, especially over the 1st 2 days. Below is a profit curve assuming a 2-day exit strategy.



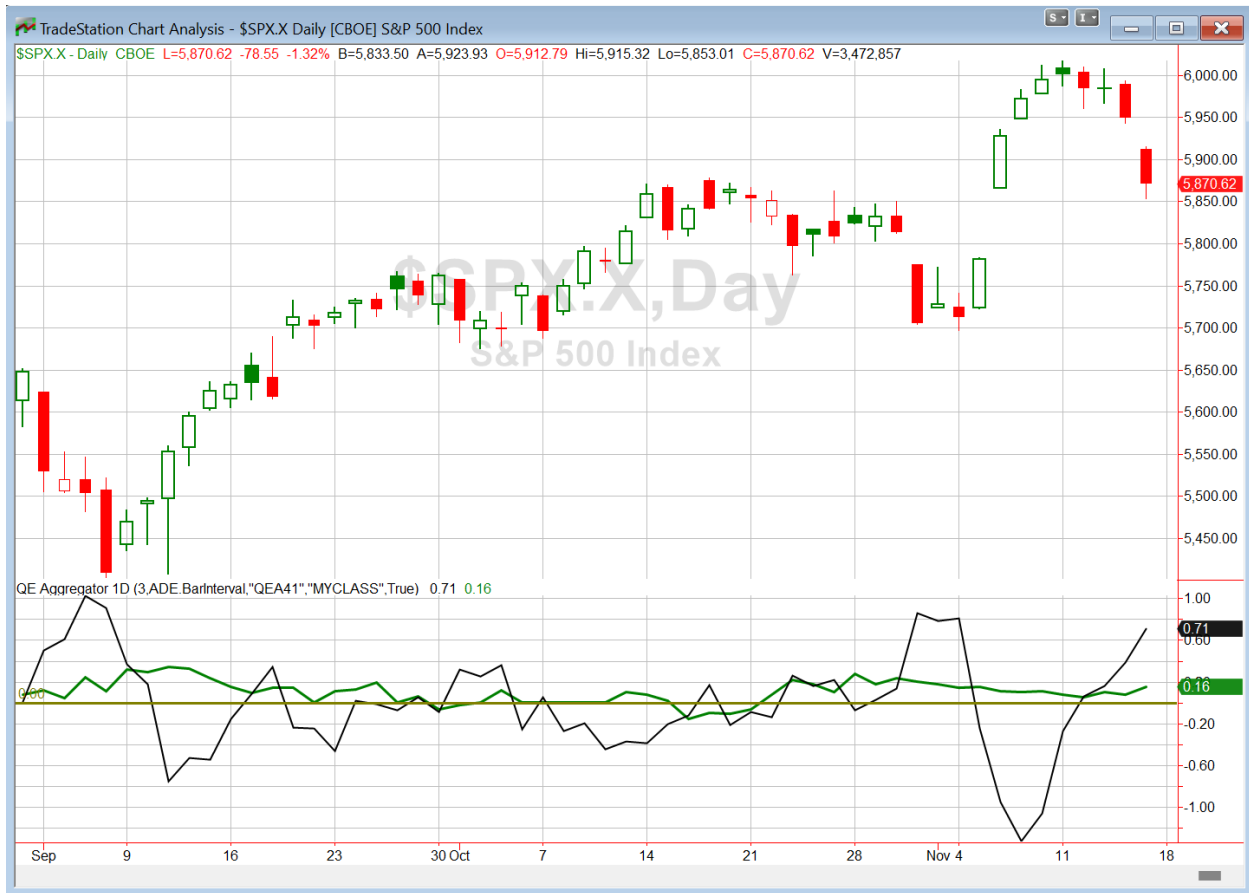
The persistent upslope serves as confirmation of the bullish potential. And recent instances have been especially strong. I have included this study on the Active List tonight.

Let's take a look at the QE Seasonality Calendar for SPX.

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

Friday was the one day last week that showed some seasonal weakness. And that sure played out. This upcoming week we are seeing strong Win% numbers across the board. So there appears to be a bit of a seasonal breeze at the market's back. And that will continue through Thanksgiving. I will discuss Thanksgiving week odds in more detail in next weekend's letter.

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 5997.81. That is 2.2% above Friday's close. Therefore, SPX will need to close up at least 2.2% on Monday in order to flip from oversold to overbought versus recent expectations. More likely, we are going to need to see a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator is long. We have some evidence pointing to a bounce, and there is plenty of room to the upside before SPX would flip to overbought. Reward/risk appears to favor the bulls. I have a small amount of long exposure already. I will look to increase that on Monday if I can get a favorable fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/18 – *bullish*

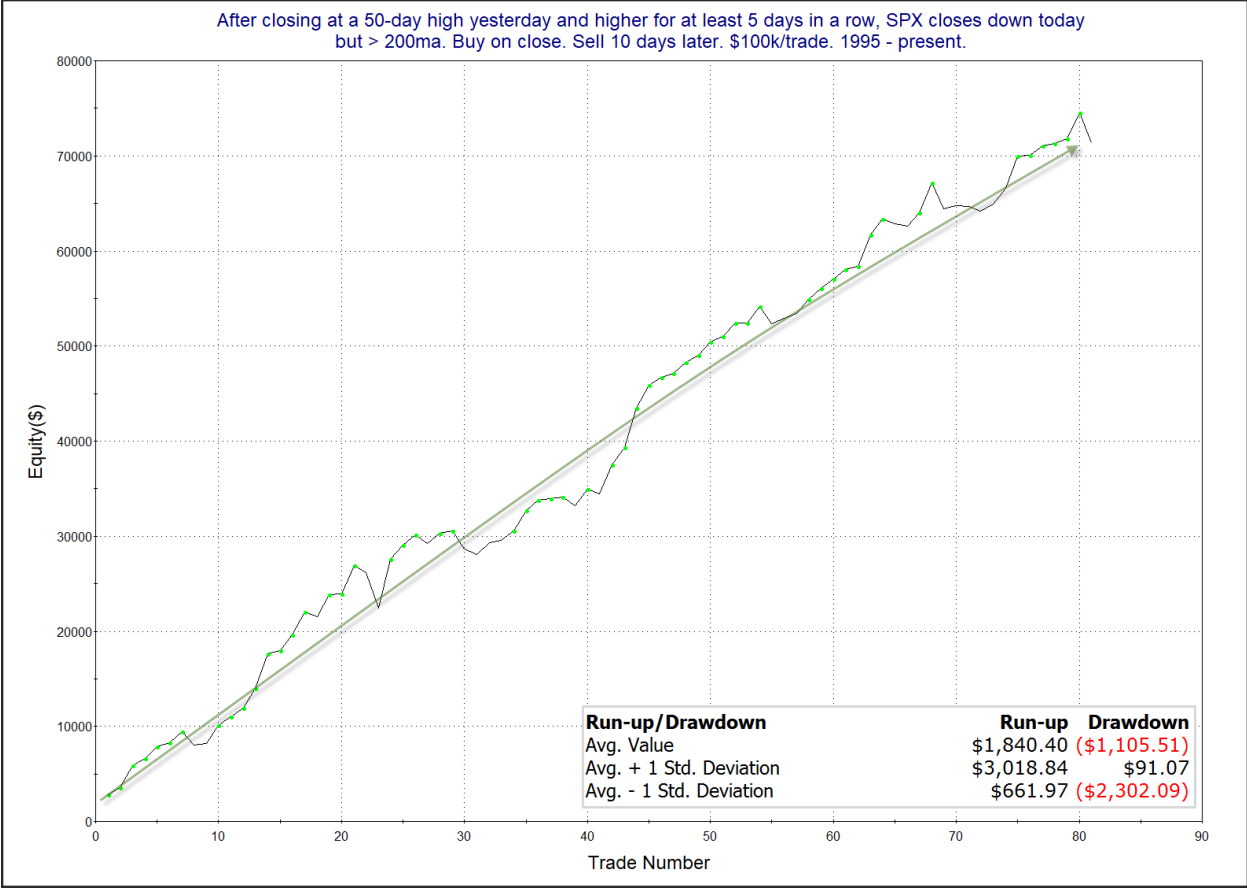
Combo #1	Combo #2	Combo #3	Combo #4
Long QQQ	Long QQQ	Long QQQ	Long QQQ

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 stocks struggle. The SPX fell 2.1%, the NASDAQ lost 3.15%, and the Russell 2000 (RUT) dropped 4.0%. Bonds also lost ground. The US Aggregate Bond ETF (AGG) declined 0.85%. TLT, the 20-year Treasury Bond ETF, tumbled 2.6%. The NASDAQ and SPX both made new all-time highs early in the week. So the long-term uptrend appears to be intact. There was one study with intermediate-term implications that appeared in Tuesday night's letter. I have copied it below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes down today but > 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	71,397.17	81	65	16	80.25	5,131.35	-3,672.90	1,407.95	-1,257.46	1.12	4.55	881.45
9	68,213.61	85	67	18	78.82	5,023.20	-4,151.40	1,392.18	-1,392.37	1.00	3.72	802.51
8	59,519.46	86	60	26	69.77	4,878.08	-4,874.10	1,486.74	-1,141.74	1.30	3.01	692.09
7	47,337.13	89	62	27	69.66	3,874.76	-4,511.36	1,289.48	-1,207.79	1.07	2.45	531.88
6	46,236.84	91	65	26	71.43	4,307.20	-3,637.71	1,178.04	-1,166.77	1.01	2.52	508.10
5	35,882.75	91	61	30	67.03	4,252.50	-4,717.16	1,049.63	-938.15	1.12	2.27	394.32
4	36,856.96	91	59	32	64.84	3,843.00	-3,003.39	1,042.02	-769.45	1.35	2.50	405.02
3	20,428.91	91	55	36	60.44	2,472.85	-1,992.34	843.07	-720.55	1.17	1.79	224.49
2	22,839.57	91	60	31	65.93	2,437.50	-2,614.95	761.61	-737.31	1.03	2.00	250.98
1	14,008.34	91	58	32	63.74	1,751.19	-1,744.10	515.94	-497.38	1.04	1.88	153.94

And here is the 10-day profit curve:



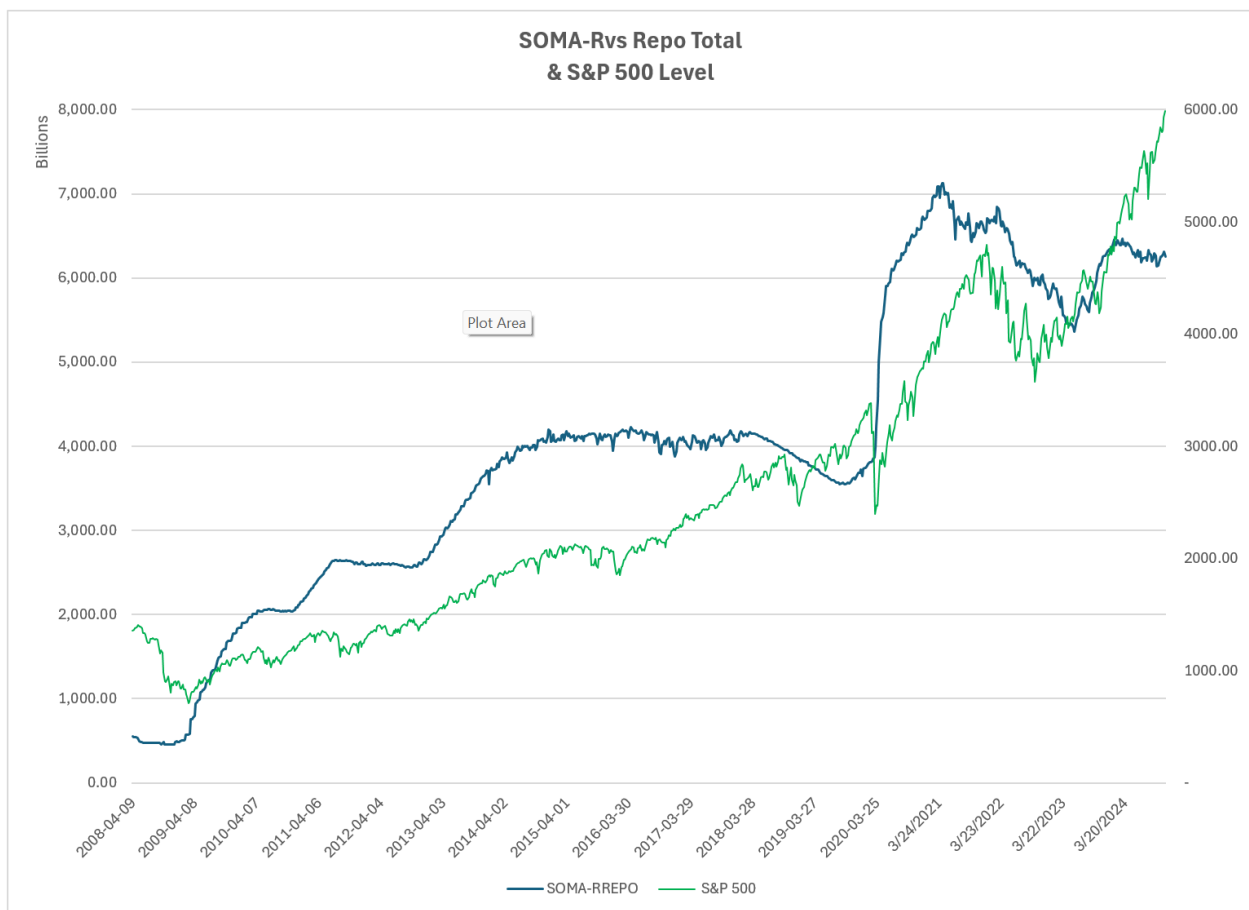
The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of
[◀ Previous](#) **November 13, 2024** 📅
Posted November 14, 2024 at 4:30 P.M

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)	3,679,600,446.4
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	6,490,909,220.5
Change From Prior Week	-75,000.0

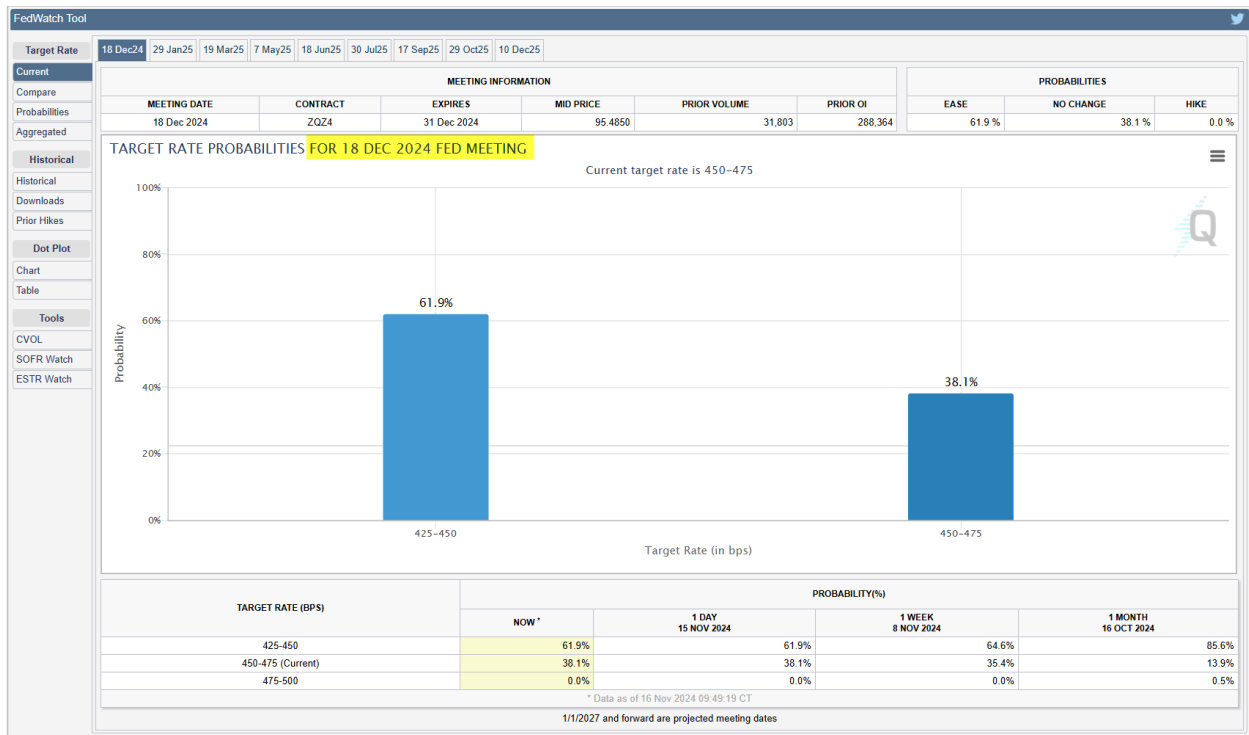
The SOMA posted a very small decline of \$75 million over the past week. Meanwhile, reverse repos rose by over \$60 billion. Combined for the week, SOMA and reverse repo action accounted for a \$60 billion liquidity drain. I discussed reverse repos impact on liquidity [in the 4/8/24 letter](#). When 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 \$238 billion, which is near the lowest level since 2021. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.

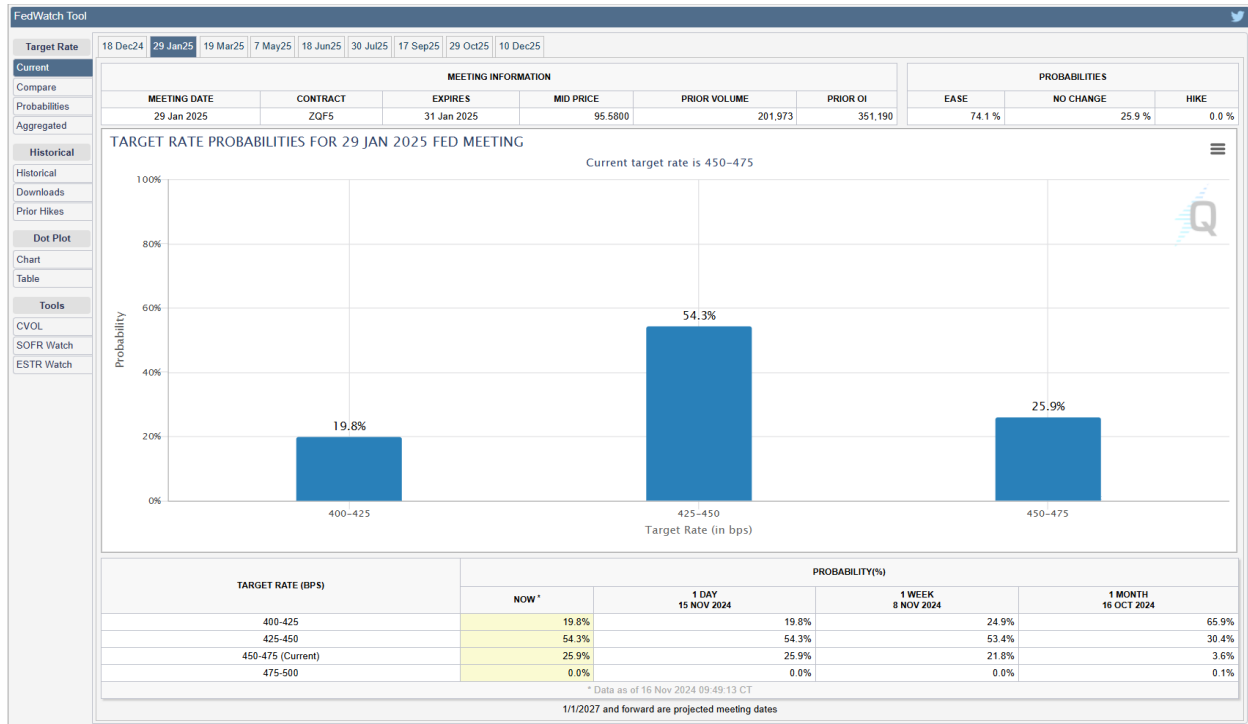


Quantitative Tightening (QT) can still be a headwind to the market, but it is now at a lower level than we saw over the last couple of years. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this helped provide fuel for the market rally. Since early March, 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 62%, with a 38% chance of no cut. This is almost the same as last week. Odds for January’s meeting again show about a 54% that rates are 0.25% lower than today, and now a 20% 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. We have seen two new momentum studies the last 2 weeks suggesting more new market highs are ahead of us. 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. 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

New

DOW – 1/3 @ \$44.04 (buy @ limit)

KO – 1/3 @ \$61.74 (buy @ limit)

Broad Market Large Cap CBI – 2 (DOW, KO)

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.

SPY – Buy ¼ index position @ \$585.75 LIMIT. Based on the short-term outlook above, I will look to take on a 2nd lot of SPY if I can get filled at or below Friday’s closing price.

DOW – Buy 1/3 Catapult position @ \$44.04 LIMIT. From the Catapult section above, this is the 1st of up to 3 potential lots of DOW.

KO – Buy 1/3 Catapult position @ \$61.74 LIMIT. From the Catapult section above, this is the 1st of up to 3 potential lots of KO.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	11/14/2024	\$593.35	\$585.75	-1.28%	Aggregator

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