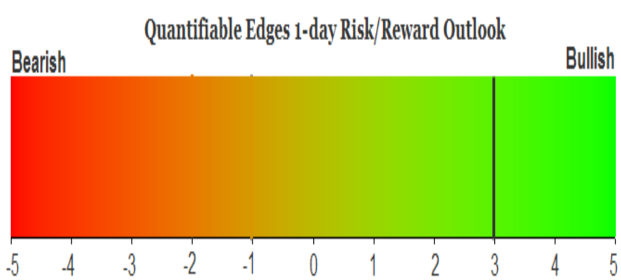
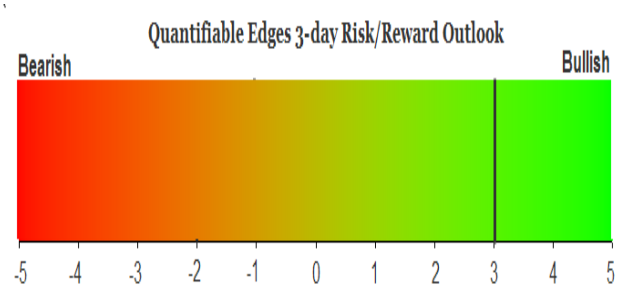
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 10, 2025 Volume 18 Issue 6

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- The "1st 5 Days" of January are a well-known predictor that I examined a little closer a few years ago.

Short-term Outlook
The Bottom Line
The Aggregator is bullish. I like the long side.

Quantifiable Edges, LLC 10 Boyden Rd., Medfield, Massachusetts 02052 781-956-6952

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						
January 3, 2025	SPX down 5 days. VIX < 10ma	1-4 days	Bullish			
December 31, 2024	3 down on Monday > 200ma	1-7 days	Bullish			
Active - Long Term						
January 8, 2025	SPX down 1% 3rd day in last 10	1-20 days	Bullish			
December 23, 2024	Rebound from 1-month low on a Friday	1-20 days	Bullish			
November 26, 2024	Triple 70 Thrust	1-80 days	Bullish	9.40%	-4.60%	-11.20%
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			
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

Wednesday saw choppy action mixed results. SPX closed up 0.2%, the NASDAQ fell 0.1%, and the Russell 2000 lost 0.5%. Breadth was weak as the NYSE Up Issues % closed at 38% and the NYSE Up Volume % posted a 32% reading. NYSE total volume declined some from Tuesday's level.

There was one interesting study from the Quantifinder that I decided to update tonight. It uses the 1st 5 days of the year to provide a hint of how the rest of the year may go. I have updated that study after the short-term outlook.

1st 5 Days Study (copied from 1/9/20 letter)

Yale and Jeffrey Hirsch have published the Stock Traders Almanac for many years. I am a fan of their work and have benefitted from some of the ideas they have shared. One study they published that gets a lot of press every year at this time is "January's 1st 5 Days: An Early Warning System". The basic idea is that performance on the 1st 5 days in January can be an indication of how the full year will perform. While I am a fan of their work, I have never been a big fan of this study. Not because I didn't believe it, but because I didn't know how to profit from it. It seemed silly to be to establish a bullish bias for the year based on just 5 days. But I examined it a couple of years ago and decided to update those results tonight.

Using the SPX I simply looked back to 1961 to see how the market has performed if the 1st 5 days in January closed higher. I did not include those 5 days in my results, but assumed I bought at the close of day 5 and then sold at the close on December 31st. Those results are below.

Buy SPX if 1st 5 days of Jan show net gain. Sell end of December. $100k/trade. 1961 - present.

Statistics

All trades	39
Avg. Profit/Loss	10146.39
Avg. Profit/Loss %	10.15%
Avg. Bars Held	247.51
Winners	28 (71.79 %)
Avg. Profit %	17.05%
Avg. Bars Held	247.18
Max. Consecutive	5
Largest win	33656.66
Losers	11 (28.21 %)
Avg. Loss %	-7.43%
Avg. Bars Held	248.36
Max. Consecutive	2
Largest loss	-24199.84
Profit Factor	5.84

These numbers certainly look compelling. 72% of the time the market moved higher over the remainder of the year and winning years were more than twice as large as losers. The average result when the 1st 5 days were higher was a gain of 10.1%. Overall this seems impressive.

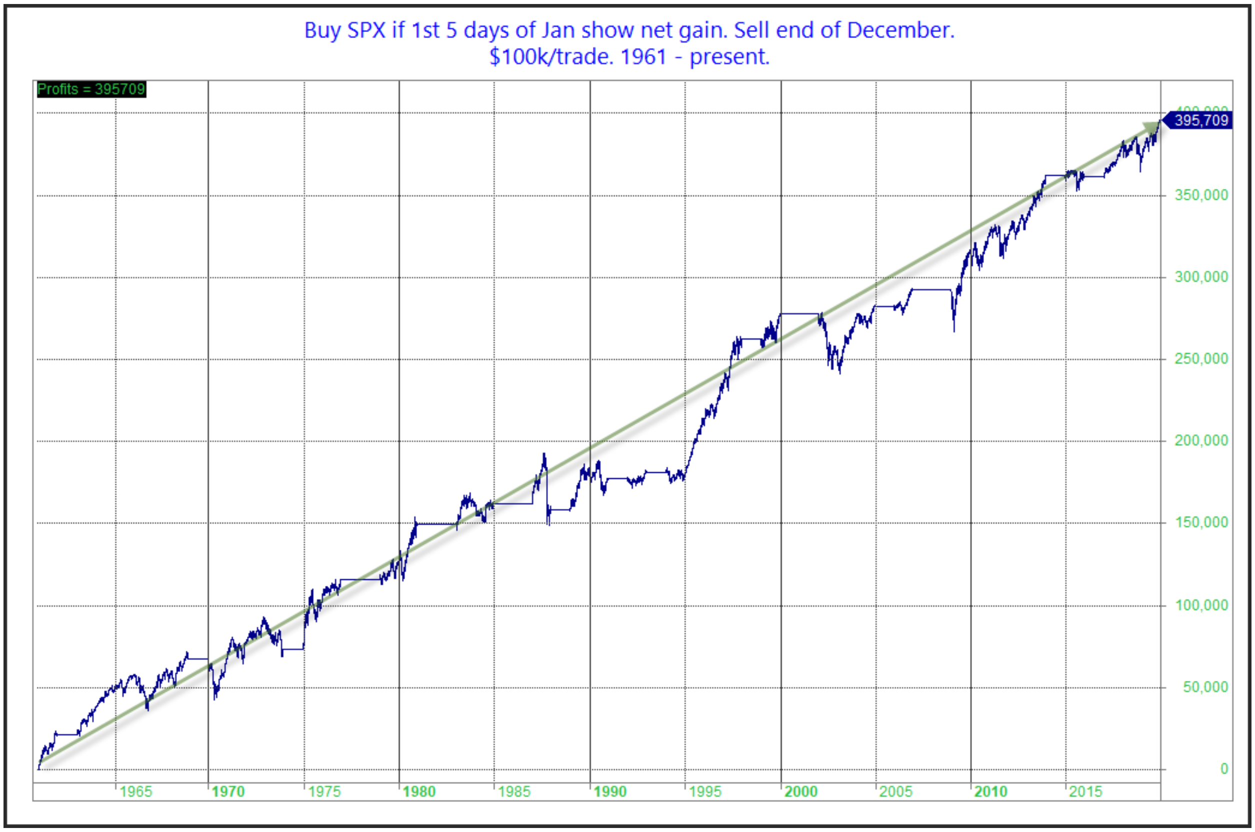
Now let's look at times the "1st 5 Days" showed a loss.

Buy SPX if 1st 5 days of Jan show net loss. Sell end of December. $100k/trade. 1961 - present.

Statistics	
All trades	20
Avg. Profit/Loss	2928.95
Avg. Profit/Loss %	3.62%
Avg. Bars Held	248.05
Winners	12 (60.00 %)
Avg. Profit %	15.88%
Avg. Bars Held	248.33
Max. Consecutive	7
Largest win	32451.57
Losers	8 (40.00 %)
Avg. Loss %	-14.78%
Avg. Bars Held	247.63
Max. Consecutive	4
Largest loss	-35026.87
Profit Factor	1.56

The Hirsch's noted that these instances aren't bearish, but that they pale in comparison to the returns if the "1st 5 Days" are positive. As you can see, this is the case.

So far, a strong "1st 5 days" seems to be a positive sign. I produced a profit curve below to see how this edge has played out over time.



That is a pretty straight and steady looking curve. Based on these results it appears the "1st 5 days" of January may be predictive. While the market has had an upward bias over the years, we all know the curve has looked a lot choppier than this.

But is January more predictive than other months?

What about the "1st 5 days" of February? March? December?

If we are to consider January to be predictive then perhaps we should also compare it to other months. In the results table below I did this. I took each month's "1st 5 days" and if the number was positive I then bought and held for the next year (minus 5 days). So if the 1st 5 days in February were positive I bought the close of the 5th trading day and then sold the last trading day the following January. A positive start to March would mean I bought the 5th day there and held to the end of February, and so on. In this way each month's start had a chance to serve as a predictor for the next 12 months (minus 5 days).

Buy SPX if 1st 5 days of X Month shows a net gain. Sell last day of month next year at end of previous month. $100k/trade. 1961 - present.									
X Month	# Trades	# of winners	# of losers	% of Winners	Net Profit	W. Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss
2	37	28	9	75.68	$351,929.61	14.89	-6.94	6.63	$9,511.61
3	33	26	7	78.79	$200,831.85	11.67	-14.65	2.96	$6,085.81
4	33	26	7	78.79	$278,762.80	14.2	-12.91	4.09	$8,447.36
5	36	24	12	66.67	$226,507.83	15.05	-10.77	2.77	$6,291.88
6	35	26	9	74.29	$295,032.77	14.06	-7.83	5.18	$8,429.51
7	37	30	7	81.08	$322,450.51	13.21	-10.02	5.59	$8,714.88
8	29	20	9	68.97	$149,891.33	13.04	-11.94	2.4	$5,168.67
9	29	24	5	82.76	$297,146.90	13.53	-5.51	11.79	$10,246.44
10	37	26	11	70.27	$237,584.03	15.75	-14.96	2.44	$6,421.19
11	41	34	7	82.93	$325,833.93	12.66	-14.15	4.29	$7,947.17

These results surprised me when I first ran them. If you look at the "% of Winners" column you will see that 7 of the remaining 11 months were more reliable predictors than January. January did not even make the top half! One thing that January does have going for it is that the "Avg Trade" was slightly better than all other months, except for September.

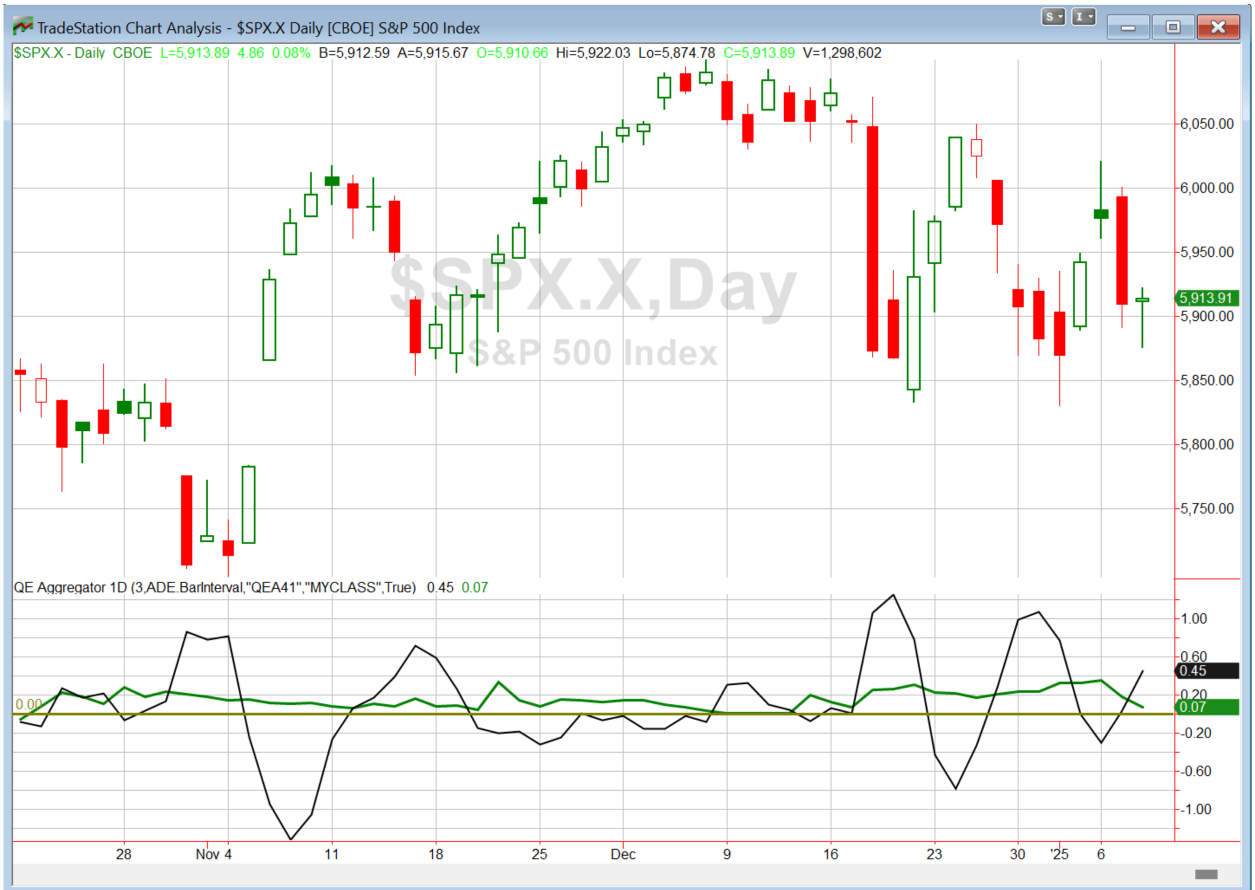
But I also looked at results for all the other months if the "1st 5 days" was down.

Buy SPX if 1st 5 days of X Month show a net loss. Sell last day of month next year at end of previous month. $100k/trade. 1961 - present.									
X Month	# Trades	# of winners	# of losers	% of Winners	Net Profit	W. Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss
2	22	15	7	68.18	$108,276.79	15.21	-17.13	1.9	$4,921.67
3	26	19	7	73.08	$265,465.24	18.48	-12.13	4.13	$10,210.20
4	26	18	8	69.23	$171,910.68	15.27	-11.5	2.92	$6,611.95
5	23	20	3	86.96	$223,892.44	13.04	-12.33	7.05	$9,734.45
6	24	15	9	62.5	$144,364.97	16.44	-11.14	2.44	$6,015.21
7	22	12	10	54.55	$98,367.95	19.73	-11.83	1.89	$4,471.27
8	30	25	5	83.33	$322,612.61	16.27	-16.82	4.84	$10,753.75
9	30	19	11	63.33	$148,974.77	16.53	-14.35	1.94	$4,965.83
10	22	16	6	72.73	$214,316.39	17.07	-9.81	4.64	$9,741.65
11	18	13	5	72.22	$90,487.11	14.55	-18.81	1.97	$5,027.06

January's edge is also put to question here. We see here that a weak start has actually beaten January's "Avg Trade" in 2 of the instances. And it appears the most reliable and powerful "1st 5" scenario appears here…a bad start to August.

Overall, the "1st 5 Days" seems to be an interesting phenomenon, but its predictability is questionable and making it actionable is beyond me. This shouldn't be construed as a knock on the Hirsch's or their work. I'm quite sure they don't take long-term positions based on 5 days in January, either. But I found it an interesting exercise and thought I would share the results.

I have updated the Aggregator chart below.



Without any new studies being added tonight, 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 also 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 list of active studies, expectations are slated to remain bullish on Friday. This could change if compelling new bearish evidence were to emerge. Meanwhile, the Differential Pivot will be 6034.10. That is a very sizable 2.0% above Wednesday's close. Therefore, SPX will need to close up 2.0% on Friday in order to flip from oversold to overbought versus recent expectations. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is bullish. Short-term evidence is getting a little lighter, since we have had some studies expire in the last couple of days and nothing new replacing them. I have a small index position. I will leave it small for now and see how Friday plays out before considering my next move.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/6 – bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

ADBE @ $430.57 (bought 1/3 @ limit)
PEP @ $146.27 (bought 1/3 @ limit)
TMUS @ $212.38 (bought 1/3 @ limit)
PEP @ $145.40 (bought 1/3 @ limit)
TMUS @ $212.34 (bought 1/3 @ limit)
LMT @ $463.96 (bought 1/3 @ limit)

New

ADBE @ $430.57 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 7(ADBE-2, PEP-2, TMUS-2, LMT)

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*.

ADBE – Buy 1/3 Catapult position @ $419.58 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of ADBE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
ADBE(1/3)	1/6/2025	$430.57	$419.58	-2.55%	Catapult
PEP(1/3)	1/7/2025	$146.27	$146.54	0.18%	Catapult
TMUS(1/3)	1/7/2025	$211.38	$215.52	1.96%	Catapult
SPY(1/4)	1/8/2025	$588.63	$589.49	0.15%	Aggregator
LMT(1/3)	1/8/2025	$463.50	$468.85	1.15%	Catapult
PEP(1/3)	1/8/2025	$145.40	$146.54	0.78%	Catapult
TMUS(1/3)	1/8/2025	$212.34	$215.52	1.50%	Catapult