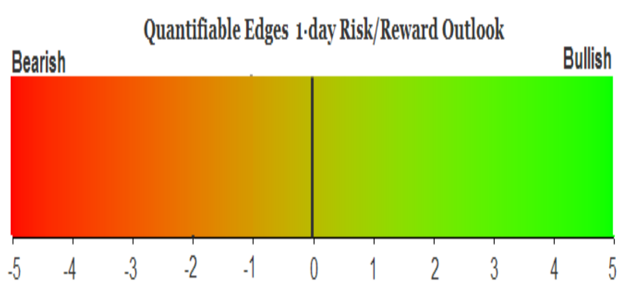
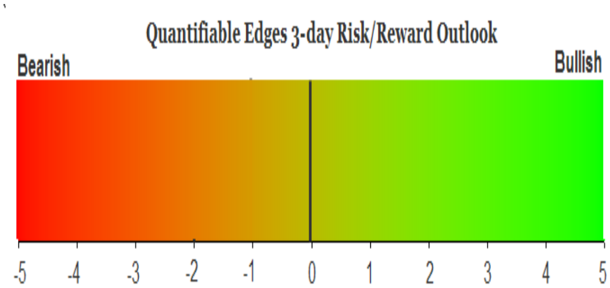
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 27, 2025 Volume 18 Issue 16

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The series of higher highs, lows, and closes, suggests more upside is to come after Wednesday's down close.
- Seasonality remains positive this upcoming week.
- The SOMA declined a bit this past week. It will be interesting to see if there is any change in QT when the Fed announcement comes out on Wednesday.

Short-term Outlook
The Bottom Line
The Aggregator is neutral. I am as well.

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 27, 2025	3 higher hi, lo, cls. Dn cls but higher hi, lo.	1-4 days	Bullish	1.25%	-0.80%	-1.70%
January 24, 2025	SPX up 3+ and 50-high breakout low vol	1-5 days	Bullish	1.60%	-0.90%	-1.85%
January 23, 2025	SPX up > 200. NYSE Up Vol < 40%	1-8 days	Bullish	1.90%	-1.30%	-2.80%
Active - Long Term						
January 21, 2025	First 75 of new president bullish	1-75 days	Bullish			
January 8, 2025	SPX down 1% 3rd day in last 10	1-20 days	Bullish	4.00%	-3.60%	-8.50%
November 26, 2024	Triple 70 Thrust	1-80 days	Bullish	9.40%	-4.60%	-11.20%
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			
February 2, 2023	SPX Golden Cross	int term	Bullish			

The Evidence

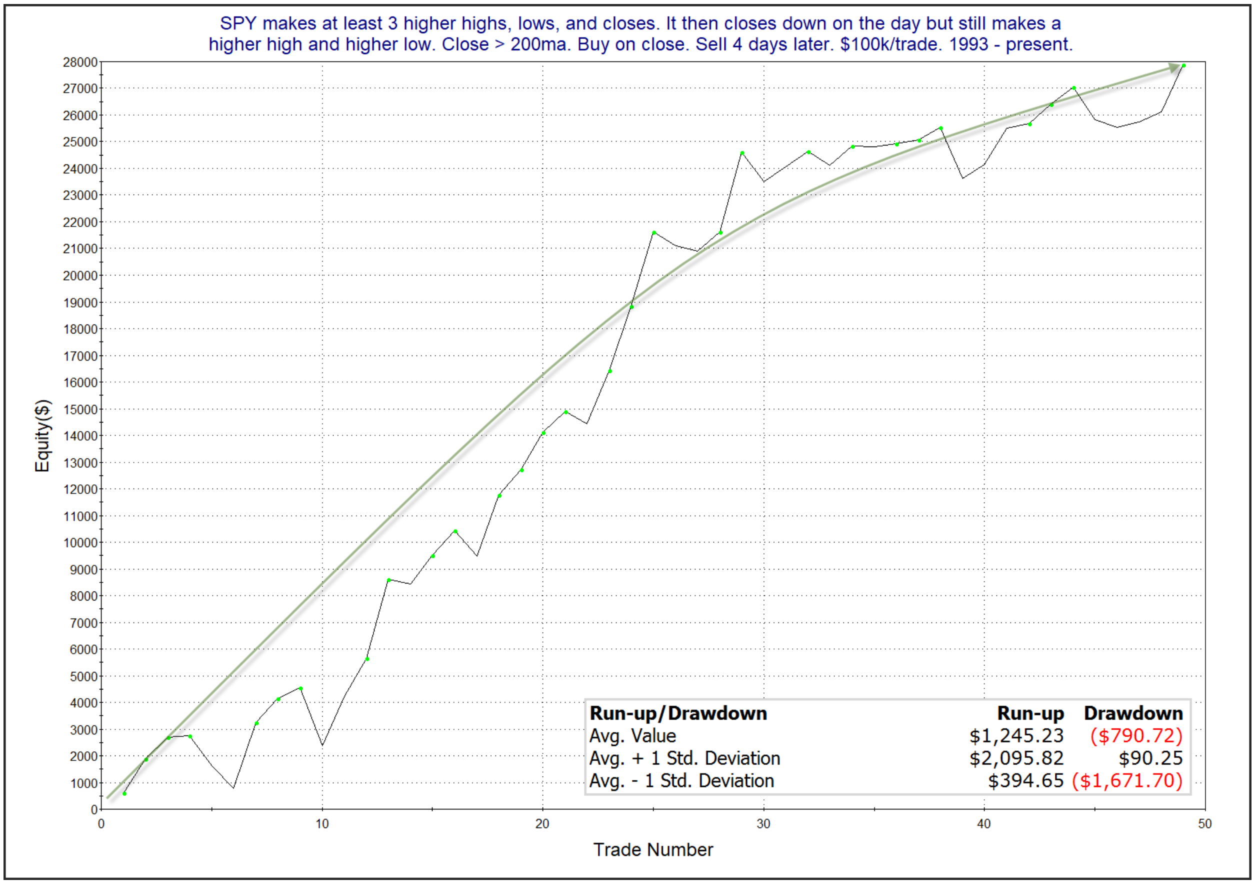
Friday saw the market pull back a bit. SPX declined 0.3%, the NASDAQ lost 0.5%, and the Russell 2000 fell 0.3%. Breadth was positive though as the NYSE Up Issues % closed at 55% and the NYSE Up Volume % posted a 58% reading. NYSE total volume rose some from Thursday's level.

SPY finished lower, but it did manage to register a higher high and a higher low. The study below was last seen in the 9/19/24 letter and it examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, lows, and closes. It then closes down on the day but still makes a higher high and higher low. 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	20,647.68	49	31	18	63.27	3,602.64	-4,604.60	1,242.38	-992.56	1.25	2.16	421.38
4	27,875.19	49	35	14	71.43	2,962.96	-2,191.22	1,126.89	-826.15	1.36	3.41	568.88
3	20,529.18	49	33	16	67.35	2,762.41	-2,640.33	935.05	-645.47	1.45	2.99	418.96
2	14,904.33	49	34	14	69.39	2,399.54	-2,291.63	735.10	-720.65	1.02	2.48	304.17
1	9,426.48	49	32	17	65.31	1,705.24	-1,576.28	516.92	-418.53	1.24	2.32	192.38

There appears to be a strong propensity for the move up to resume. Below is a profit curve assuming a 4-day holding period.



The persistent move higher is impressive. This study seems worth consideration. I have added it to the Active List tonight.

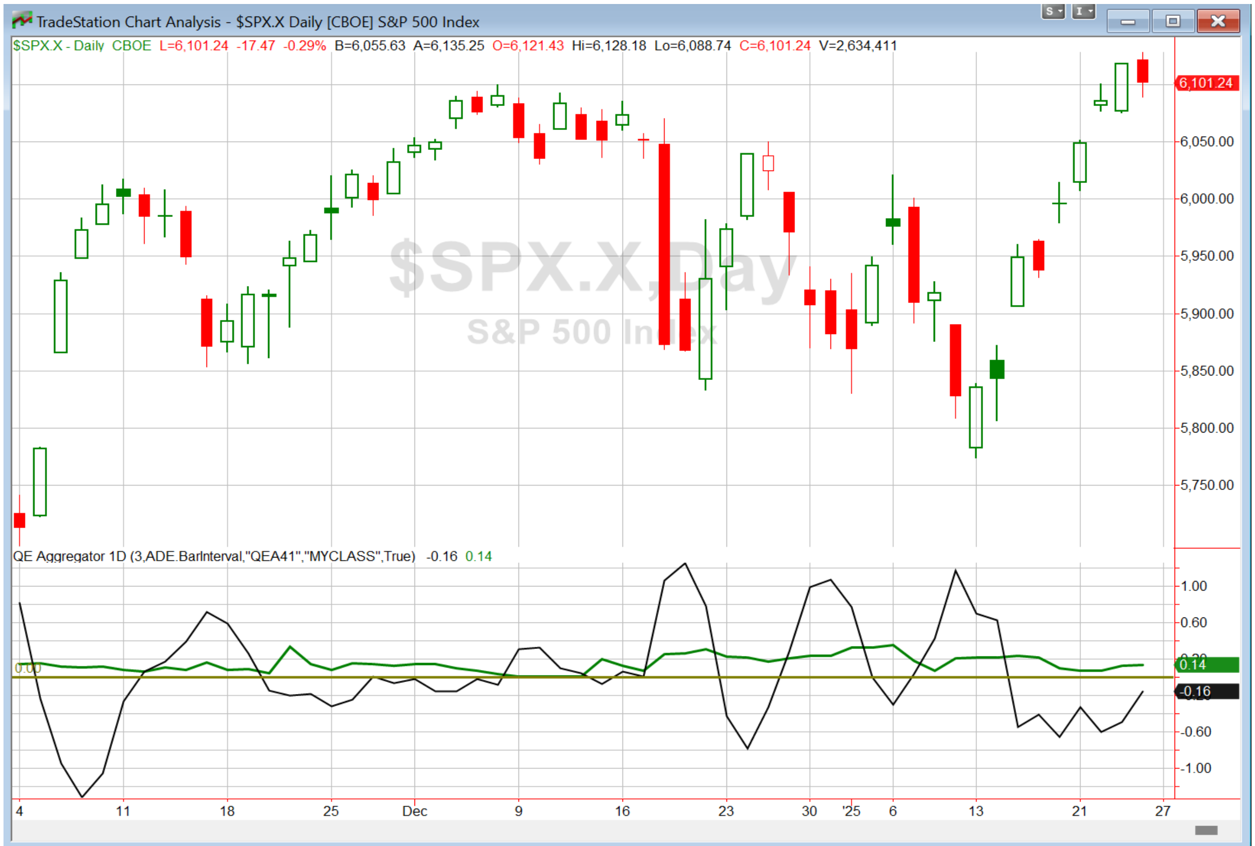
Next let's take a quick look at the Seasonality Calendar in order to see the upcoming week's odds.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
1/2/2025	54.91	1.326	0.061
1/3/2025	50.68	1.091	0.031
1/6/2025	55.22	1.325	0.097
1/7/2025	53.94	1.128	0.028
1/8/2025	56.58	1.142	0.038
1/9/2025	56.44	1.138	0.036
1/10/2025	57.01	1.362	0.095
1/13/2025	53.25	1.064	0.015
1/14/2025	52.54	1.202	0.061
1/15/2025	54.16	1.139	0.032
1/16/2025	52.62	1.152	0.038
1/17/2025	51.25	1.119	0.009
1/21/2025	53.07	1.413	0.105
1/22/2025	51.47	1.232	0.068
1/23/2025	53.21	1.310	0.087
1/24/2025	54.78	1.140	0.037
1/27/2025	55.87	1.160	0.054
1/28/2025	54.09	1.110	0.039
1/29/2025	51.01	1.117	0.043
1/30/2025	55.76	1.256	0.083
1/31/2025	54.37	1.046	0.020
Baseline	*53.69*	*1.139*	*0.048*

This final week is showing some of the best numbers of the month, so bulls may have some positive seasonality to help them.

Of course Wednesday will be a Fed Day. It is expected that the Fed will hold rates firm and not make any changes just yet. It will be worth noting whether they offer any insights about possible future moves, and also if they have anything to say about reducing / eliminating the quantitative tightening program. In general, Fed Days have shown a bullish tilt. That bullish inclination has been stronger if the market moves lower in anticipation (fear) of the Fed announcement than if the market runs higher right into the announcement. A rally over the next 2 days that puts SPX at a new high would *not* be a good indication for Wednesday. But selling over the next couple of days would likely set up nicely for a bounce on Wednesday.

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 below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is 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 list of active studies, expectations are slated to remain bullish on Monday. This could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 6100.31. That is only about 1 *point* below Friday's close. Therefore, SPX will flip from overbought to oversold versus recent expectations with just about any down close on Monday.

So the Aggregator is again neutral. Short-term evidence is pointing higher, but the overbought nature of the market reduces reward/risk. This does not seem to be a great time to enter new positions. That could change if the market closes down on Monday. I'll see how Monday plays out before considering taking on a new index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/27 – 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.*

It was a strong week for stocks. The SPX rose 1.74%, the NASDAQ gained 1.65%, and the Russell 2000 (RUT) climbed 1.40%. Bonds barely moved. The US Aggregate Bond ETF (AGG) gained 0.09%. TLT, the 20-year Treasury Bond ETF, inched up 0.03%. SPX confirmed the long-term uptrend remains intact by making a new all-time high. The NASDAQ is not far from one. There were no new studies with intermediate-term implications that emerged over the last few days.

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

Domestic Security Holdings as of

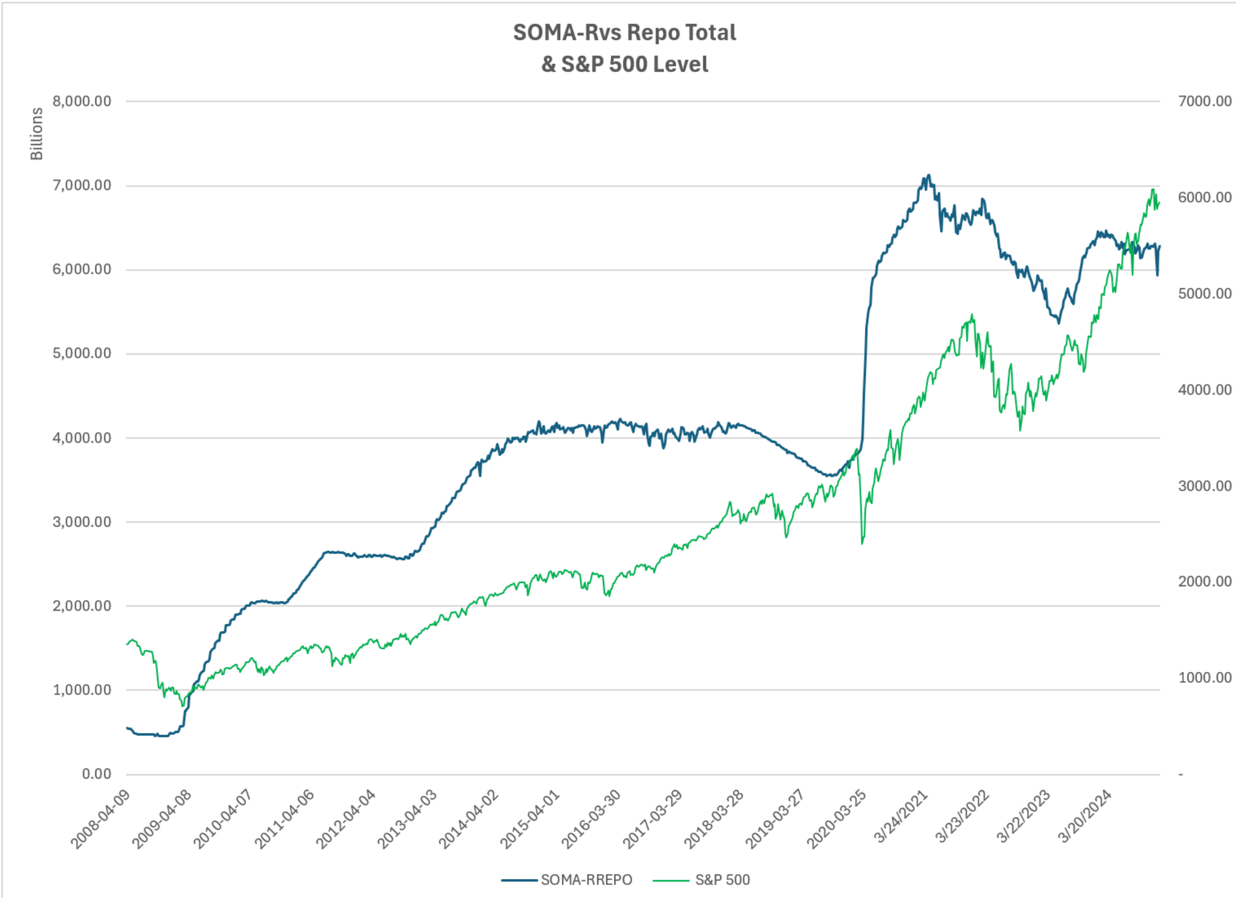
Previous January 22, 2025

Posted January 24, 2025 at 10:52 AM

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

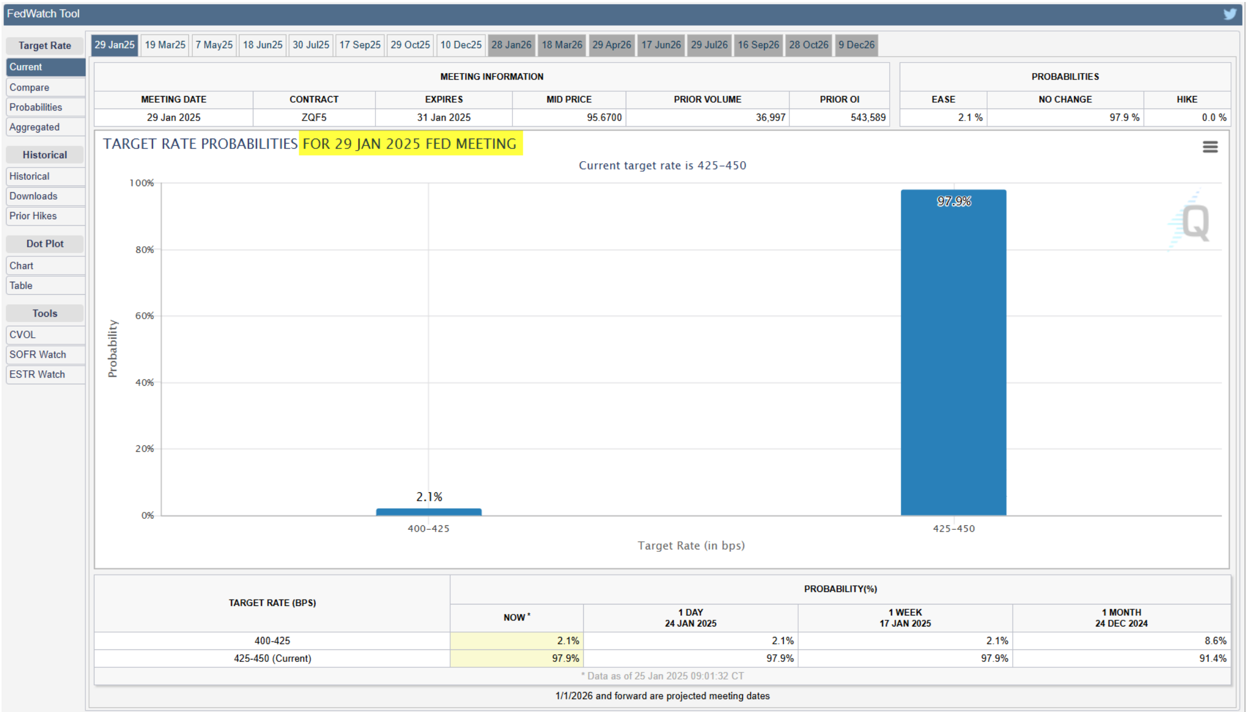
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	195,342,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,647,289,591.0
US Treasury Floating Rate Notes (FRNs)	6,345,642.2
US Treasury Inflation-Protected Securities (TIPS)*	318,893,978.8
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,221,793,033.5
Agency Commercial Mortgage-Backed Securities***	8,044,645.5
Total SOMA Holdings	6,400,056,817.7
Change From Prior Week	-3,366,835.8

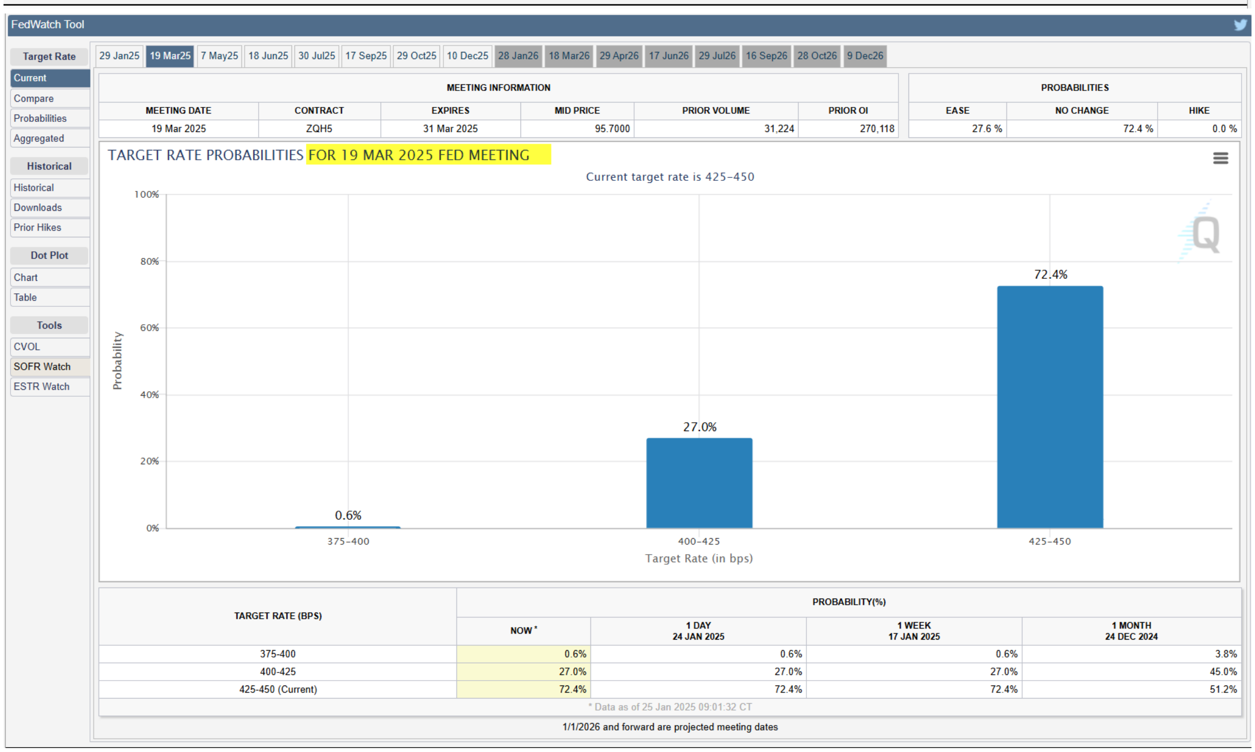
The SOMA account declined by $3.4 billion this past week. Meanwhile, reverse repos ros by $4 billion for the week ending 1/22. Combined for the week, SOMA and reverse repo action accounted for a $7 billion liquidity drain. Reverse repos spiked right at the end of 2024, but the spike quickly disappeared and the amount of liquidity they can provide is getting quite low at this point (just $124 billion remaining as of 1/22/25). 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 not nearly as strong as it has been at times in the last few years. I am expecting that the Fed will stop QT at some point in 2025, but they gave no indication at the last meeting. 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 last 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. The Fed did reduce the repo rate at their last meeting, but that has not seemed to increase demand for them.

With regards to rates, the chance of a 25 point cut in January is now just 2%, almost assuring us the Fed will hold firm. Meanwhile, March odds show a 28% chance that rates are lower then than they are now. That is basically the same as last week. 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. Next week I will put the May meeting on the radar.

From an intermediate-term standpoint, bulls still appear to be hanging on. We have a few studies left on the intermediate-term active list that suggest further upside. The long-term trend is clearly higher with a new high having occurred in SPX. The NASDAQ/SPX Relative Leadership indicator continues to favor the NASDAQ, which is typically a positive. We are in the best 6 months of the year, and the January Seasonality Calendar (as well as the 1st half of February) appears favorable. Fed policy is basically neutral. There are plenty of potential triggers that could cause a market shock. Overall, bullish evidence is still outweighing bearish. But unless we see more bullish evidence emerge, things might not look as positive soon. For now, 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

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 © 2025 Quantifiable Edges, LLC.