

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 28, 2025

Volume 18 Issue 17

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- When SPY posts a large gap down and then partially fills the gap on a positive open-close rally but still finishes down on the day, then that has often led to a bounce higher over the next few days .
- Tuesday's action will help determine how strong the edge is for Wednesday's Fed Day.
- After 2 days pulling back, we could be set up for a Turnaround Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. While there are obvious risks in the coming days, I am optimistic we could see a bounce soon. I like the long side.

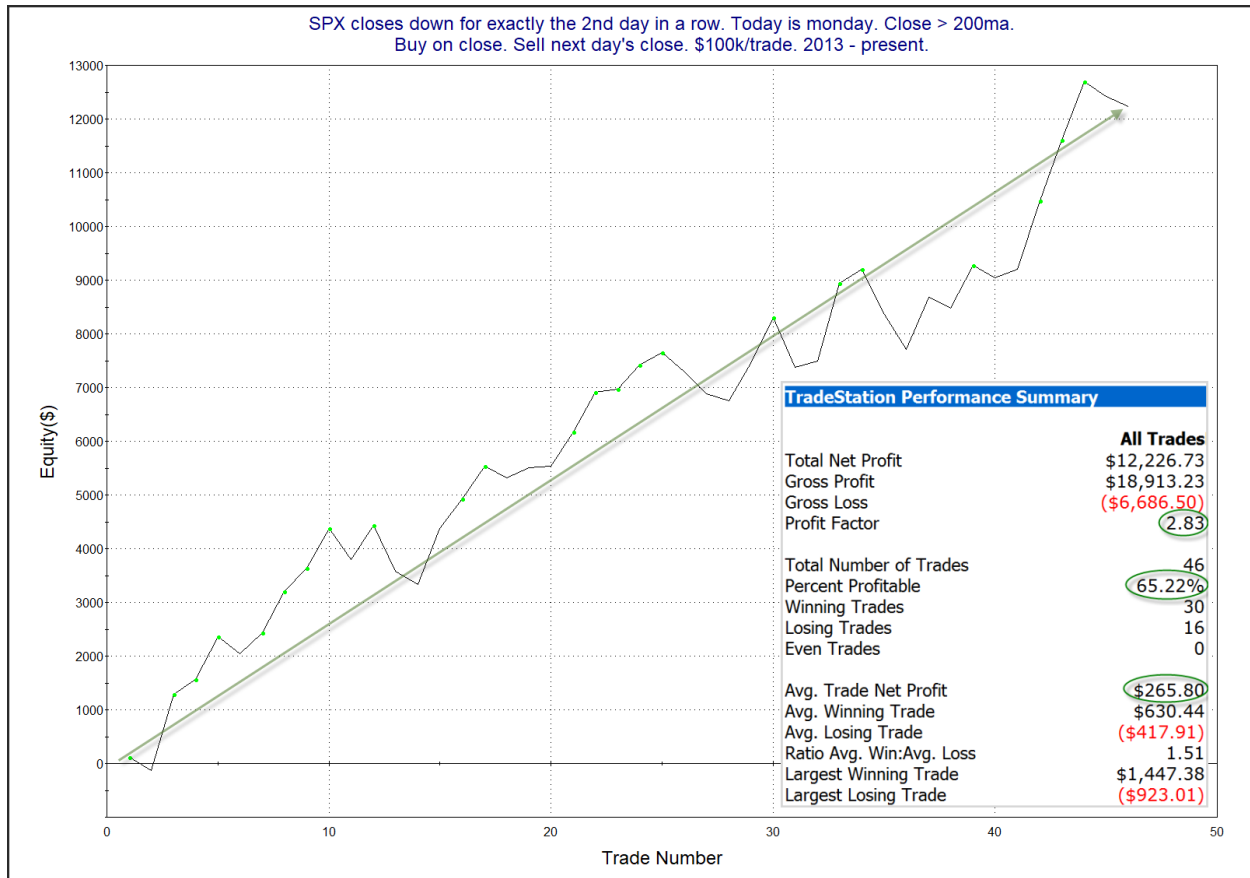
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 28, 2025	Big Gap down and partial reversal	1-6 days	Bullish			
January 28, 2025	Potential Turnaround Tuesday	1 day	Bullish			
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

Chinese AI breakthroughs sent shockwaves through US tech stocks Monday. SPX declined 1.5%, the NASDAQ lost 3.1%, and the Russell 2000 fell 1.0%. Breadth was positive though as the NYSE Up Issues % closed at 57% and the NYSE Up Volume % posted a 54% reading. NYSE total volume rose some from Friday's level.

I have written a substantial number of times about "Turnaround Tuesday". Over the years Tuesday has exhibited the strongest proficiency for the market to reverse a pullback of any day of the week. But in the case of 2-day pullbacks, which are quite short, they were not terribly consistent prior to 2013. The study below was seen in the 3/26/24 letter. Parameters look for 1) SPX to decline exactly 2 days in a row, 2) today is Monday, and 3) SPX closes above its 200ma. Results are updated.



The stats and the persistent upslope of the profit curve are impressive. I have included this study on the active list tonight as a potentially bullish edge.

For SPY, Monday started with a big gap down, and while the intraday rise was substantial, it never made it back to breakeven. This triggered the study below. It looks at times the SPY gapped down over 1%, then closed over 0.5% above the open, but still never closed the opening gap. It also required a close above the 10ma. The study was last featured in the 4/26/24 letter. Results are updated.

SPY gaps down > 1%. It never fills and closes > 0.5% above the open.
Close > 10ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

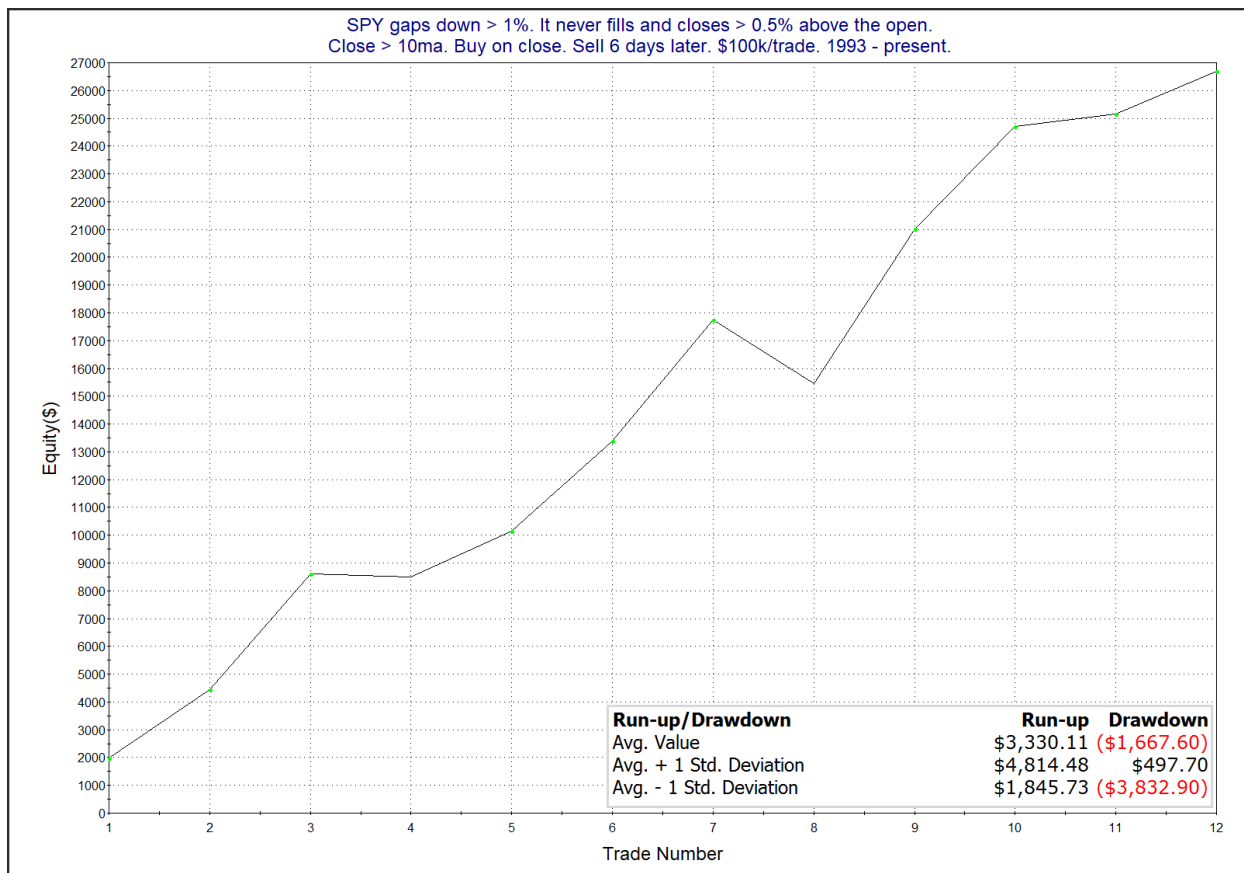
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	27,155.62	11	10	1	90.91	5,117.92	-8,625.78	3,578.14	-8,625.78	0.41	4.15	2,468.69
9	28,697.22	11	10	1	90.91	5,499.74	-5,949.96	3,464.72	-5,949.96	0.58	5.82	2,608.84
8	32,851.03	12	11	1	91.67	6,684.18	-3,540.06	3,308.28	-3,540.06	0.93	10.28	2,737.59
7	25,127.14	12	10	2	83.33	5,658.39	-4,287.96	3,053.21	-2,702.48	1.13	5.65	2,093.93
6	26,687.03	12	10	2	83.33	5,558.41	-2,301.87	2,908.94	-1,201.20	2.42	12.11	2,223.92
5	21,344.45	12	10	2	83.33	5,272.34	-3,382.17	2,578.78	-2,221.66	1.16	5.80	1,778.70
4	10,561.59	12	9	3	75.00	2,972.06	-5,625.87	1,987.13	-2,440.86	0.81	2.44	880.13
3	7,485.76	12	9	3	75.00	3,176.64	-6,190.95	1,844.30	-3,037.64	0.61	1.82	623.81
2	3,266.33	12	7	5	58.33	2,345.96	-3,058.08	1,283.03	-1,142.98	1.12	1.57	272.19
1	3,995.84	12	7	5	58.33	2,247.84	-1,819.95	1,115.79	-762.94	1.46	2.05	332.99

This setup has been rare, but the fairly low number of instances we have seen have shown strong returns. Below is a look at all 12 instances along with their 8-day results.

SPY gaps down > 1%. It never fills and closes > 0.5% above the open. Close > 10ma. Buy on close.
Sell 8 days later. \$100k/trade. 1993 - present.

11/7/1997	Buy	\$92.94	1.85%	\$2,547.75
11/19/1997	Sell	\$94.66		(\$3,063.75)
11/12/2001	Buy	\$112.03	3.26%	\$3,407.44
11/23/2001	Sell	\$115.68		\$0.00
8/12/2002	Buy	\$90.62	6.69%	\$7,202.59
8/22/2002	Sell	\$96.68		(\$2,867.80)
10/22/2002	Buy	\$89.52	0.84%	\$1,977.09
11/1/2002	Sell	\$90.27		(\$2,814.84)
2/12/2010	Buy	\$108.04	2.43%	\$3,274.50
2/25/2010	Sell	\$110.67		\$0.00
2/25/2010	Buy	\$110.67	3.42%	\$3,900.96
3/9/2010	Sell	\$114.46		(\$505.68)
6/23/2011	Buy	\$128.30	4.42%	\$4,549.36
7/6/2011	Sell	\$133.97		(\$1,308.72)
9/19/2011	Buy	\$120.31	-3.54%	\$1,396.08
9/29/2011	Sell	\$116.05		(\$7,487.31)
10/2/2020	Buy	\$333.84	4.22%	\$6,033.82
10/14/2020	Sell	\$347.93		\$0.00
8/5/2022	Buy	\$413.47	3.19%	\$4,400.66
8/17/2022	Sell	\$426.65		(\$783.25)
11/17/2022	Buy	\$394.24	3.41%	\$3,400.32
11/30/2022	Sell	\$407.68		(\$399.74)
4/25/2024	Buy	\$503.49	2.71%	\$2,985.84
5/7/2024	Sell	\$517.14		(\$780.12)

That is a good-looking list. Next is the profit curve for the slightly shorter 6-day hold.



I've decided to include this study on the Active List as well.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I [have documented this tendency in great detail](#) over the years. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last did this in the 12/17/24 letter. I have updated that research below.

Tomorrow is a Fed Day. SPY closes in the top 25% of its intraday range. Buy on close. Sell Fed Day close.
\$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$12,411.49
Gross Profit	\$40,881.65
Gross Loss	(\$28,470.16)
Profit Factor	1.44
Total Number of Trades	98
Percent Profitable	51.02%
Winning Trades	50
Losing Trades	46
Even Trades	2
Avg. Trade Net Profit	\$126.65
Avg. Winning Trade	\$817.63
Avg. Losing Trade	(\$618.92)
Ratio Avg. Win:Avg. Loss	1.32
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.

SPY closes > 50% and <= 75% of its intraday range.

Buy on close. Sell Fed Day close. \$100k/trade. 93 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$12,473.81
Gross Profit	\$34,876.26
Gross Loss	(\$22,402.45)
Profit Factor	1.56
Total Number of Trades	59
Percent Profitable	50.85%
Winning Trades	30
Losing Trades	28
Even Trades	1
Avg. Trade Net Profit	\$211.42
Avg. Winning Trade	\$1,162.54
Avg. Losing Trade	(\$800.09)
Ratio Avg. Win:Avg. Loss	1.45
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,971.65)

Tomorrow is a Fed Day.

SPY closes > 25% and <= 50% of its intraday range.

Buy on close. Sell Fed Day close. \$100k/trade. 1993 -

TradeStation Performance Summary

	All Trades
Total Net Profit	\$14,448.04
Gross Profit	\$28,119.47
Gross Loss	(\$13,671.43)
Profit Factor	2.06
Total Number of Trades	51
Percent Profitable	62.75%
Winning Trades	32
Losing Trades	19
Even Trades	0
Avg. Trade Net Profit	\$283.29
Avg. Winning Trade	\$878.73
Avg. Losing Trade	(\$719.55)
Ratio Avg. Win:Avg. Loss	1.22
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

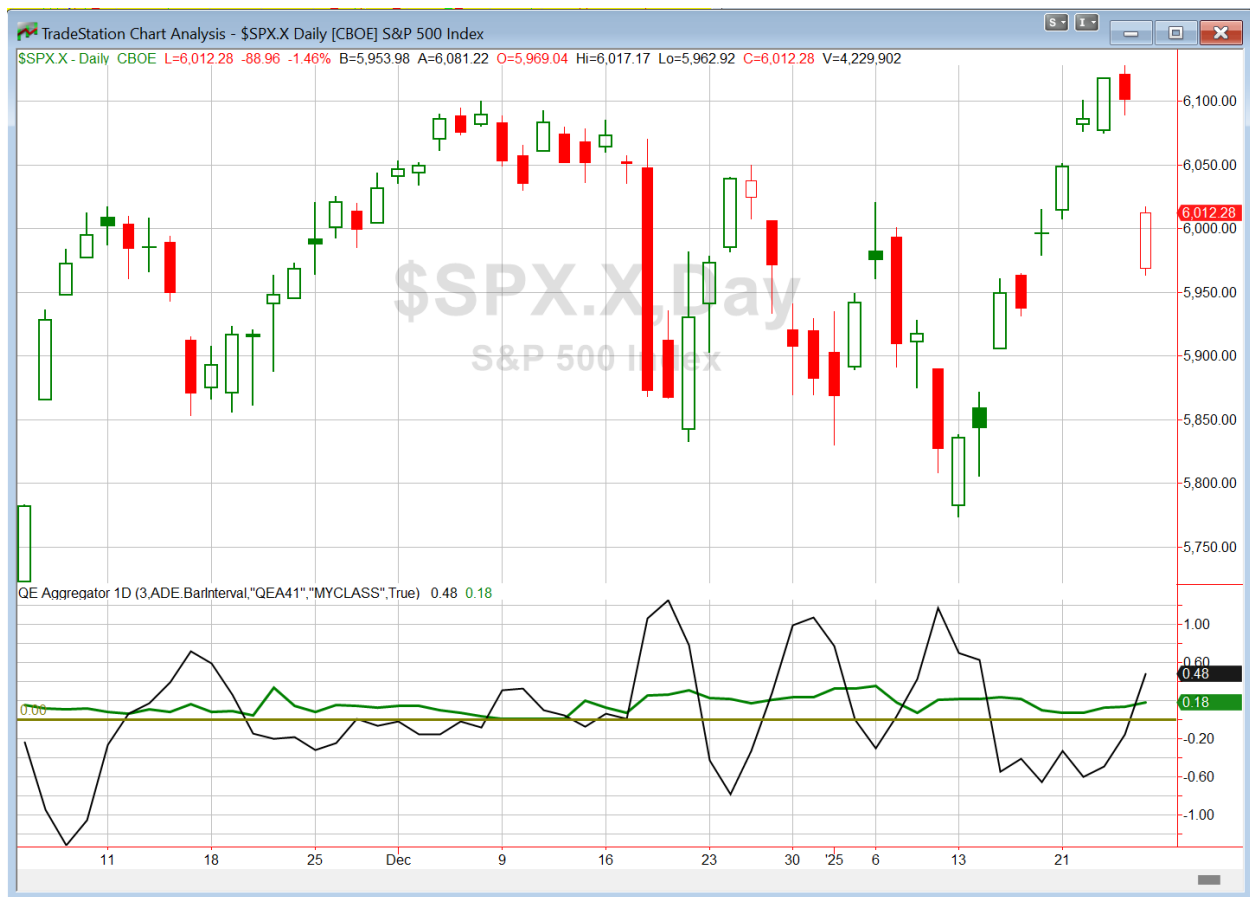
Tomorrow is a Fed Day.
SPY closes in the BOTTOM 25% of its intraday range.
Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,474.09
Gross Profit	\$37,727.36
Gross Loss	(\$12,253.27)
Profit Factor	3.08
Total Number of Trades	46
Percent Profitable	71.74%
Winning Trades	33
Losing Trades	13
Even Trades	0
Avg. Trade Net Profit	\$553.78
Avg. Winning Trade	\$1,143.25
Avg. Losing Trade	(\$942.56)
Ratio Avg. Win:Avg. Loss	1.21
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

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



With tonight'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 moved 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 turned long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Tuesday. This is unlikely to change. Meanwhile, the Differential Pivot will be 6132.84. That is a sizable 2% above Monday's close. Therefore, it will take a large rally on Tuesday in order for SPX 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 of consolidation.

So the Aggregator is again bullish. Evidence is pretty good, and there is plenty of room to the upside before SPX will turn overbought. But this setup is not without risk. In addition to the Fed Day wildcard on Wednesday, there are several tech giants with earnings releases later in the week. So there is plenty of opportunity for additional volatility. I will look to take on a small amount of long exposure on Tuesday, but only if I can get a favorable entry.

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

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.

SPY - Buy ¼ index position @ \$597.00 LIMIT, or at \$599.00 LIMIT ON CLOSE if it also closes in the bottom half of its intraday range. From the short-term section above, I will look to get long SPY if it retraces some of its dip on Tuesday, or if it closes poorly.

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.