

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 10, 2025

Volume 18 Issue 26

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Short-term evidence is lacking, though a down Monday would likely trigger some compelling Turnaround Tuesday studies.
- Seasonality looks pretty good this upcoming week, but not so good after that.
- The Fed remains neutral.
- Interest rates are looking more likely to remain as-is, with rate cuts in the next couple of meetings looking increasingly less likely.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I am not terribly enthused.

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						
None						
Active - Long Term						
January 21, 2025	First 75 of new president bullish	1-75 days	Bullish			
November 26, 2024	Triple 70 Thrust	1-80 days	Bullish	9.40%	-4.60%	-11.20%
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

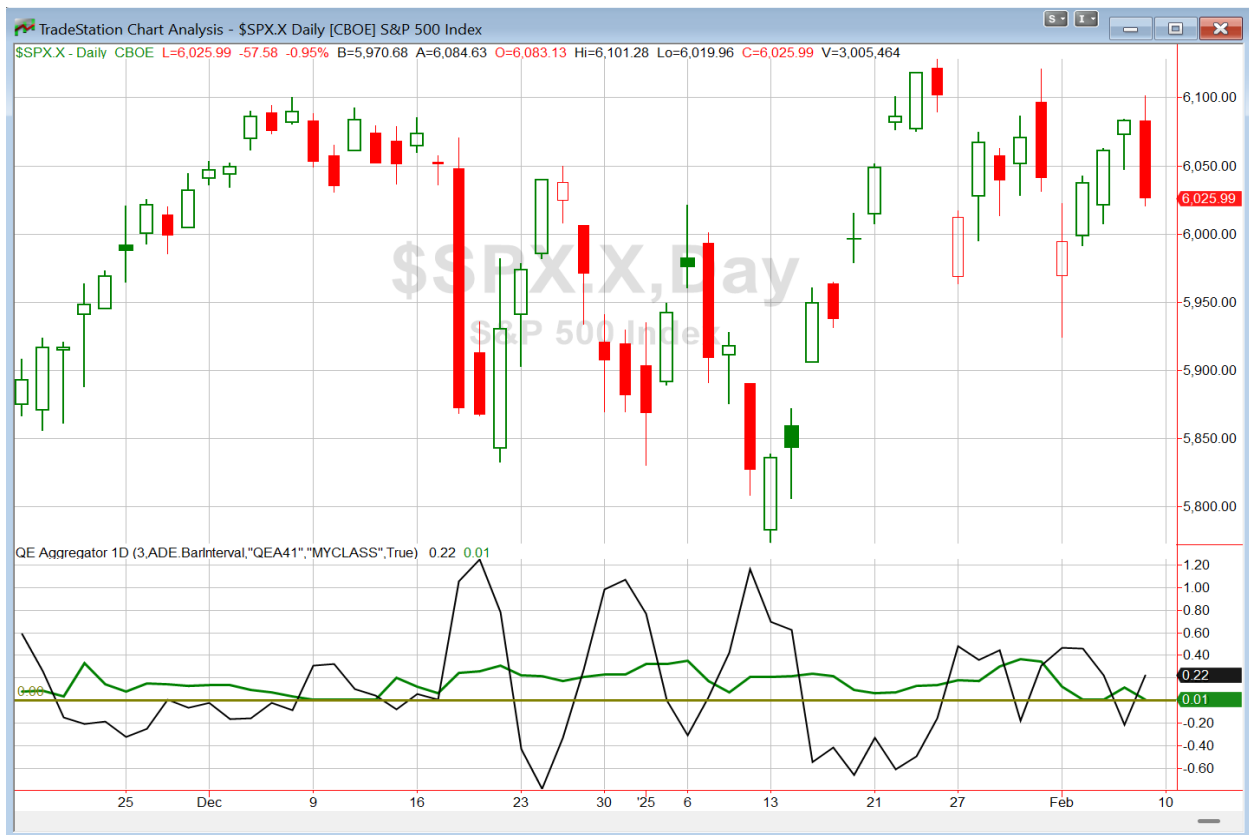
Friday saw a sizable decline. SPX lost 0.95%, the NASDAQ dropped 1.4%, and the Russell 2000 fell 1.2%. Breadth was weak as the NYSE Up Issues % closed at 27% and the NYSE Up Volume % posted a 33% reading. NYSE total volume declined some from Thursday's level.

SPX action remains choppy, with Friday reversing most of the gains of the previous 3 days. The market remains rangebound, and compelling short-term evidence is becoming difficult to come by. Friday the Quantifinder came up completely blank. So let's look at the Feb Seasonality Calendar for SPX.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
2/3/2025	60.91	1.657	0.171
2/4/2025	52.78	1.050	0.016
2/5/2025	57.40	1.289	0.088
2/6/2025	54.09	1.066	0.026
2/7/2025	55.43	1.177	0.064
2/10/2025	55.14	0.985	-0.013
2/11/2025	54.52	1.125	0.032
2/12/2025	57.28	1.167	0.036
2/13/2025	56.87	1.131	0.022
2/14/2025	59.01	1.414	0.090
2/18/2025	50.84	1.521	0.123
2/19/2025	50.16	1.203	0.039
2/20/2025	48.62	1.212	0.043
2/21/2025	48.42	1.113	0.004
2/24/2025	51.24	0.929	-0.066
2/25/2025	50.10	0.902	-0.072
2/26/2025	49.96	0.950	-0.055
2/27/2025	51.56	1.031	-0.034
2/28/2025	49.82	0.824	-0.097
Baseline	53.81	1.144	0.049

This week is basically the home stretch of positive seasonality. The 2nd half of February is mostly neutral or bearish. So if the bulls are going to make a try for a new high this month, they might want to make some progress in the next seven trading days.

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



With new evidence lacking, the green Aggregator Line remained slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line moved back 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.

Expectations are just slightly positive, and that is entirely due to the intermediate-term evidence. Short-term evidence is lacking. Therefore, any new studies that emerge in the next few days will have a substantial impact on short-term expectations. Meanwhile, the Differential Pivot will be 6069.06 on Monday. That is 0.7% above Friday's close. Therefore SPX will need to close up at least 0.7% on Monday in order to flip from oversold to overbought versus expectations.

So the Aggregator is bullish. But without any short-term studies suggesting a bullish edge, all we have is intermediate-term evidence pointing higher. And the intermediate-term evidence has been getting weaker as well. So I am hesitant to get excited about taking on new long exposure here. But a down Monday should set us up for a potential Turnaround Tuesday. We saw some interesting Turnaround Tuesday evidence trigger the last couple of weeks, and it will again if there is a down close this Monday. So I may take on some long index exposure, but not until the end of the day, and only if I can get a favorable fill.


Intermediate-term Outlook (2 weeks – 2 months) – updated 2/10 – somewhat bullish

Combo #1	Combo #2	Combo #3	Combo #4
Long SPY	Long SPY	Flat	Long SPY

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 the same this week.*

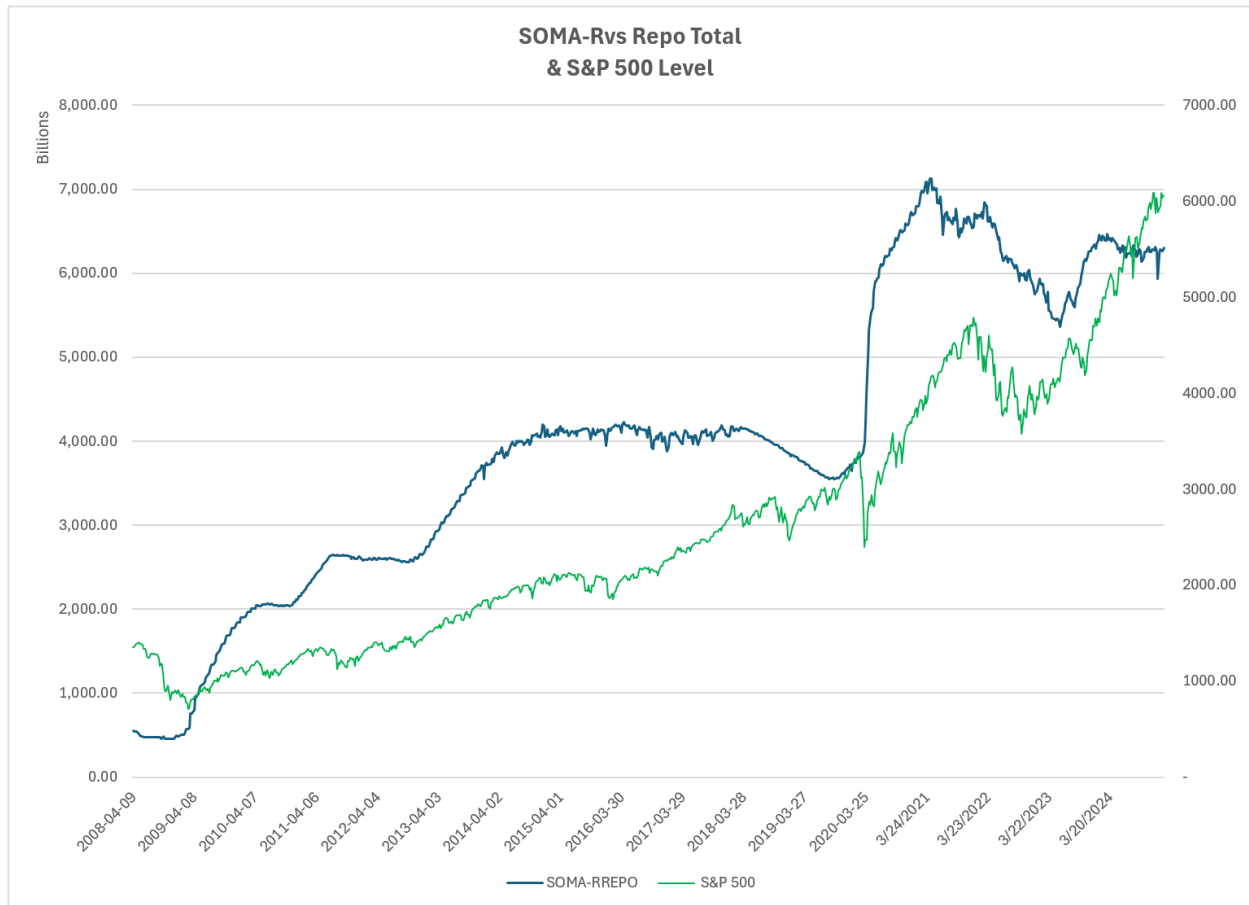
Stocks saw net selling for the 2nd week in a row. The SPX declined 0.2%, the NASDAQ fell 0.5%, and the Russell 2000 (RUT) declined 0.35%. Bonds rose. The US Aggregate Bond ETF (AGG) gained 0.4%. TLT, the 20-year Treasury Bond ETF, jumped 2.1%. The long-term uptrend does still appear in place with the SPX above its 50 and 200-day moving averages, but progress has been minimal since early December. There were no new studies that emerged in the last few days with intermediate-term implications.

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

Domestic Security Holdings as of
[◀ Previous](#) **February 5, 2025** 
Posted February 6, 2025 at 4:30 PM

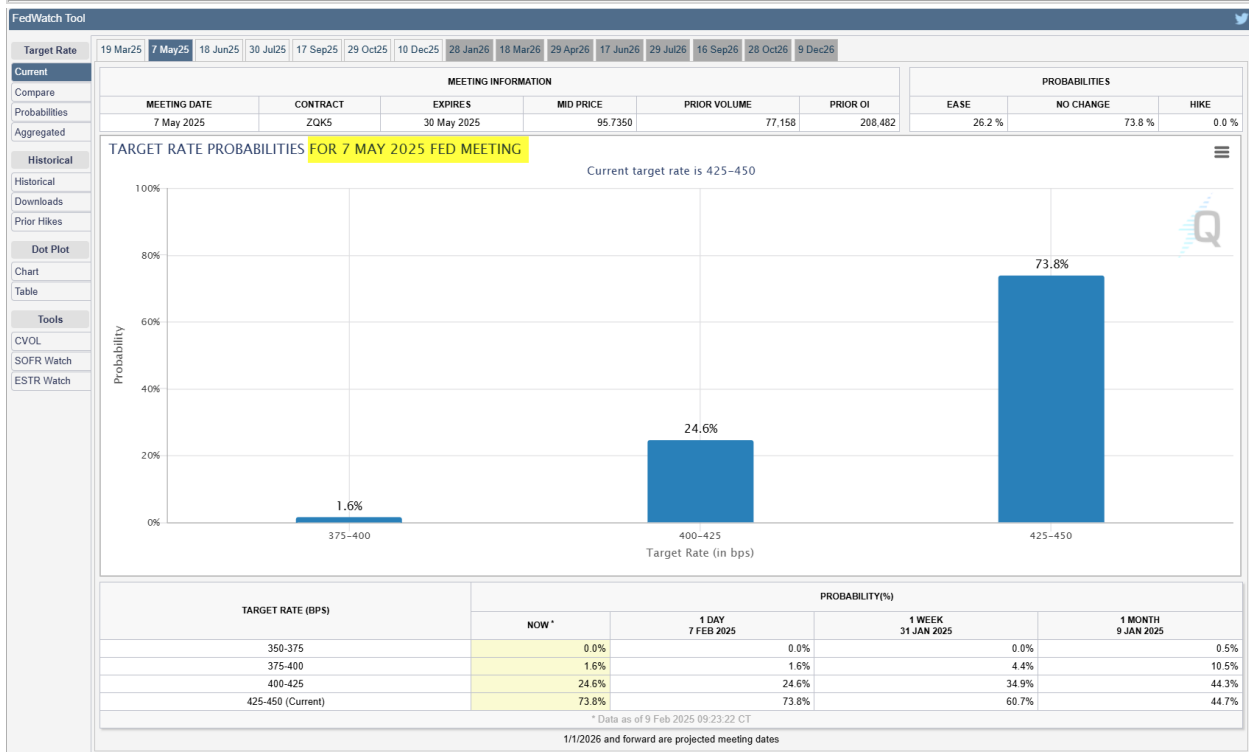
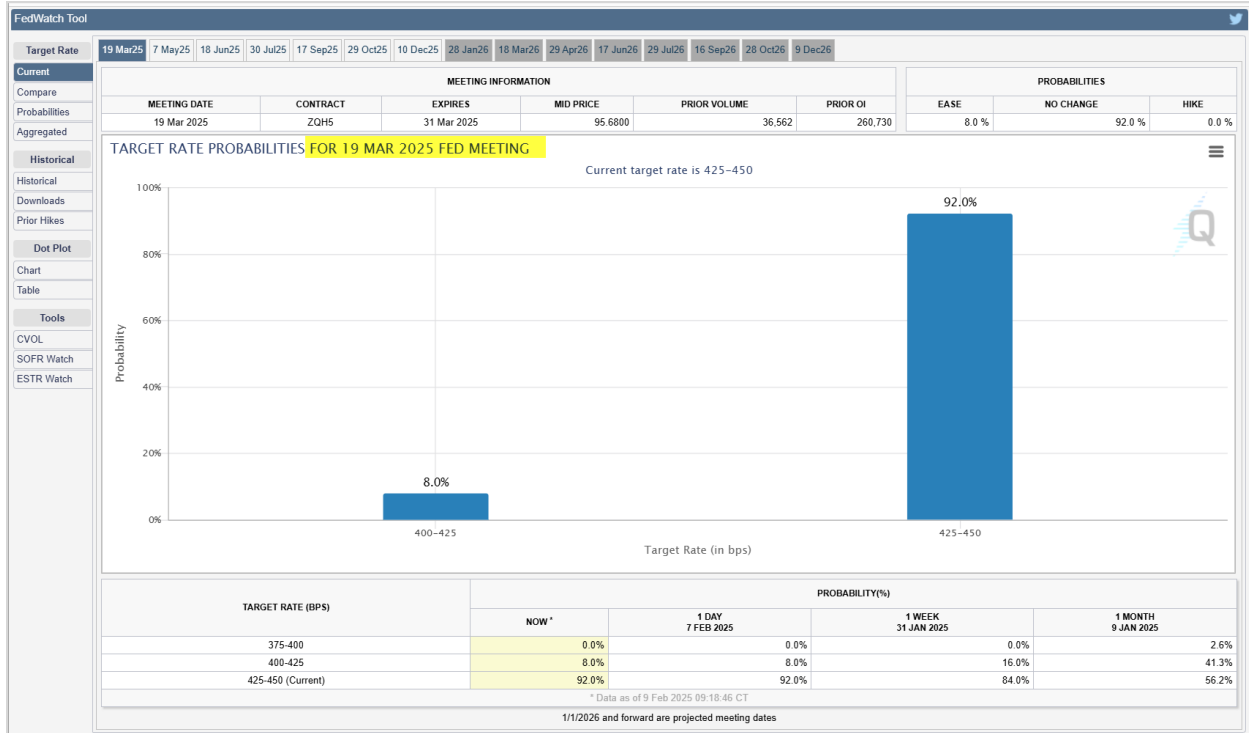
SECURITY TYPE		TOTAL (\$Thousands)
US Treasury Bills (T-Bills)		195,342,926.7
US Treasury Notes and Bonds (Notes/Bonds)		3,635,947,549.1
US Treasury Floating Rate Notes (FRNs)		7,998,521.7
US Treasury Inflation-Protected Securities (TIPS)*		320,004,565.1
Federal Agency Securities**		2,347,000.0
Agency Mortgage-Backed Securities***		2,209,533,357.3
Agency Commercial Mortgage-Backed Securities***		8,025,687.7
Total SOMA Holdings		6,379,199,607.6
Change From Prior Week		-8,578,576.1

The SOMA account declined by \$8.6 billion this past week. Meanwhile, reverse repos declined by \$43 billion for the week ending 2/5. A decline in reverse repos can act as a liquidity boost. Combined for the week, SOMA and reverse repo action accounted for a \$34.5 billion liquidity infusion. The amount of liquidity left in reverse repos is just \$79 billion as of 2/5/25. 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 December meeting, but that has not seemed to increase demand for them.

With regards to rates, the chance of a 25 point cut in March is now just 8%, down from about 28% two weeks ago. Meanwhile, May odds show a 26% chance that rates are lower than they are now. Additional rate cuts keep looking farther out. 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. Inflation news will be especially important to watch.

From an intermediate-term standpoint, bulls still appear to be hanging on – but not by much. This is similar to last week. The first 75 days with a new president typically see that market rally. The long-term trend is still higher. We are in the best 6 months of the year. But the number of outstanding intermediate-term studies has also waned in the last couple of weeks. 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, I may change to a neutral intermediate-term outlook soon. For now, I will maintain a somewhat bullish bias. Hence, I'll remain a bit 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.

SPY – Buy ¼ index position @ \$600.75 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take on a small amount of long exposure if Monday is a down day heading into a potential Turnaround Tuesday.

Current Open Trade Ideas

None.

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