

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 18, 2025

Volume 18 Issue 31

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 1 |

Tonight's Research Points

- The Seasonality Calendars do not look terribly strong for the next month and a half.
- Reverse repos declined again, which pumped some liquidity into the system. But they are getting quite low. The chances of a rate reduction anytime soon is getting lower. The Fed appears fairly neutral.
- SPX and the NASDAQ are near new highs. Getting there would confirm the long-term uptrend remains in place.

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 | | | | | | |
| February 13, 2025 | Big Gap down and partial reversal | 1-6 days | Bullish | 3.20% | -1.65% | -3.70% |
| 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 mixed action. SPX was near flat with a 0.01% loss, the NASDAQ rose 0.4%, and the Russell 2000 declined 0.1%. Breadth was mixed as the NYSE Up Issues % closed at 53% and the NYSE Up Volume % posted a 48% reading. NYSE total volume declined some from Thursday's level.

The sideways price action did not manage to trigger anything new and compelling that I could identify. So we are going to have a short letter on a long weekend. Let's take a look at the 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 |

Tuesday and Wednesday show positive numbers, but after that we see weakness, basically for the rest of the month. I also ran the preliminary numbers for March, and have pasted them below.

| Quantifiable Edges Seasonality Calendar \$SPX S&P 500 Index | | | | Quantifiable Edges Seasonality Calendar \$DJI Dow Jones Industrial Average | | | |
|--|--------------|---------------|--------------|---|--------------|---------------|--------------|
| Date | Win% | Profit Factor | Avg % Chg | Date | Win% | Profit Factor | Avg % Chg |
| 3/3/2025 | 57.49 | 1.585 | 0.161 | 3/3/2025 | 56.51 | 1.568 | 0.152 |
| 3/4/2025 | 50.14 | 1.049 | 0.017 | 3/4/2025 | 49.86 | 1.032 | 0.011 |
| 3/5/2025 | 55.08 | 1.305 | 0.094 | 3/5/2025 | 53.44 | 1.406 | 0.105 |
| 3/6/2025 | 51.29 | 1.056 | 0.025 | 3/6/2025 | 51.85 | 1.087 | 0.029 |
| 3/7/2025 | 52.73 | 1.172 | 0.066 | 3/7/2025 | 54.03 | 1.255 | 0.084 |
| 3/10/2025 | 52.19 | 0.932 | -0.076 | 3/10/2025 | 51.24 | 0.965 | -0.061 |
| 3/11/2025 | 51.42 | 1.062 | -0.033 | 3/11/2025 | 48.08 | 1.027 | -0.044 |
| 3/12/2025 | 52.18 | 0.925 | -0.071 | 3/12/2025 | 48.89 | 0.881 | -0.089 |
| 3/13/2025 | 51.73 | 0.904 | -0.080 | 3/13/2025 | 51.72 | 0.946 | -0.071 |
| 3/14/2025 | 52.17 | 1.129 | -0.019 | 3/14/2025 | 54.89 | 1.251 | 0.011 |
| 3/17/2025 | 56.85 | 1.098 | 0.021 | 3/17/2025 | 58.60 | 0.959 | -0.046 |
| 3/18/2025 | 52.24 | 1.290 | 0.063 | 3/18/2025 | 55.66 | 1.123 | 0.002 |
| 3/19/2025 | 48.47 | 0.901 | -0.043 | 3/19/2025 | 52.26 | 0.785 | -0.100 |
| 3/20/2025 | 49.89 | 0.949 | -0.026 | 3/20/2025 | 53.88 | 0.986 | -0.037 |
| 3/21/2025 | 47.07 | 0.842 | -0.067 | 3/21/2025 | 55.21 | 0.872 | -0.075 |
| 3/24/2025 | 51.84 | 1.168 | 0.065 | 3/24/2025 | 51.96 | 1.154 | 0.064 |
| 3/25/2025 | 50.81 | 1.148 | 0.061 | 3/25/2025 | 49.85 | 1.129 | 0.056 |
| 3/26/2025 | 50.70 | 1.200 | 0.078 | 3/26/2025 | 50.56 | 1.210 | 0.082 |
| 3/27/2025 | 51.91 | 1.253 | 0.092 | 3/27/2025 | 52.29 | 1.279 | 0.099 |
| 3/28/2025 | 50.48 | 1.068 | 0.036 | 3/28/2025 | 51.88 | 1.079 | 0.039 |
| 3/31/2025 | 55.72 | 1.205 | 0.063 | 3/31/2025 | 55.36 | 1.177 | 0.056 |
| Baseline | 53.89 | 1.146 | 0.050 | Baseline | 54.13 | 1.130 | 0.043 |

March does not look as strong as the last few months. Both SPX and DJI have a lot of non-green days. It will be interesting to see if bears can take advantage at all.

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



Without any new evidence making the cut, 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 remained 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 set to remain positive on Tuesday. Meanwhile, the Differential Pivot will be 6067.96. That is 0.8% below Friday's close. Therefore, SPX will need to close down 0.8% or more on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence is still suggesting more upside. But SPX remains short-term overbought. So reward/risk is sub-optimal. I'll continue to wait for a more compelling setup to emerge before taking on my next short-term index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/18 – 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 put in a solid week. The SPX rose 1.5%, the NASDAQ rallied 2.6%, and the Russell 2000 (RUT) inched up 0.01%. Bonds were mixed. The US Aggregate Bond ETF (AGG) gained 0.25%. TLT, the 20-year Treasury Bond ETF, lost 0.1%. The long-term uptrend does still appear in place with the SPX and NASDAQ both quite close to closing at new all-time highs. 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.

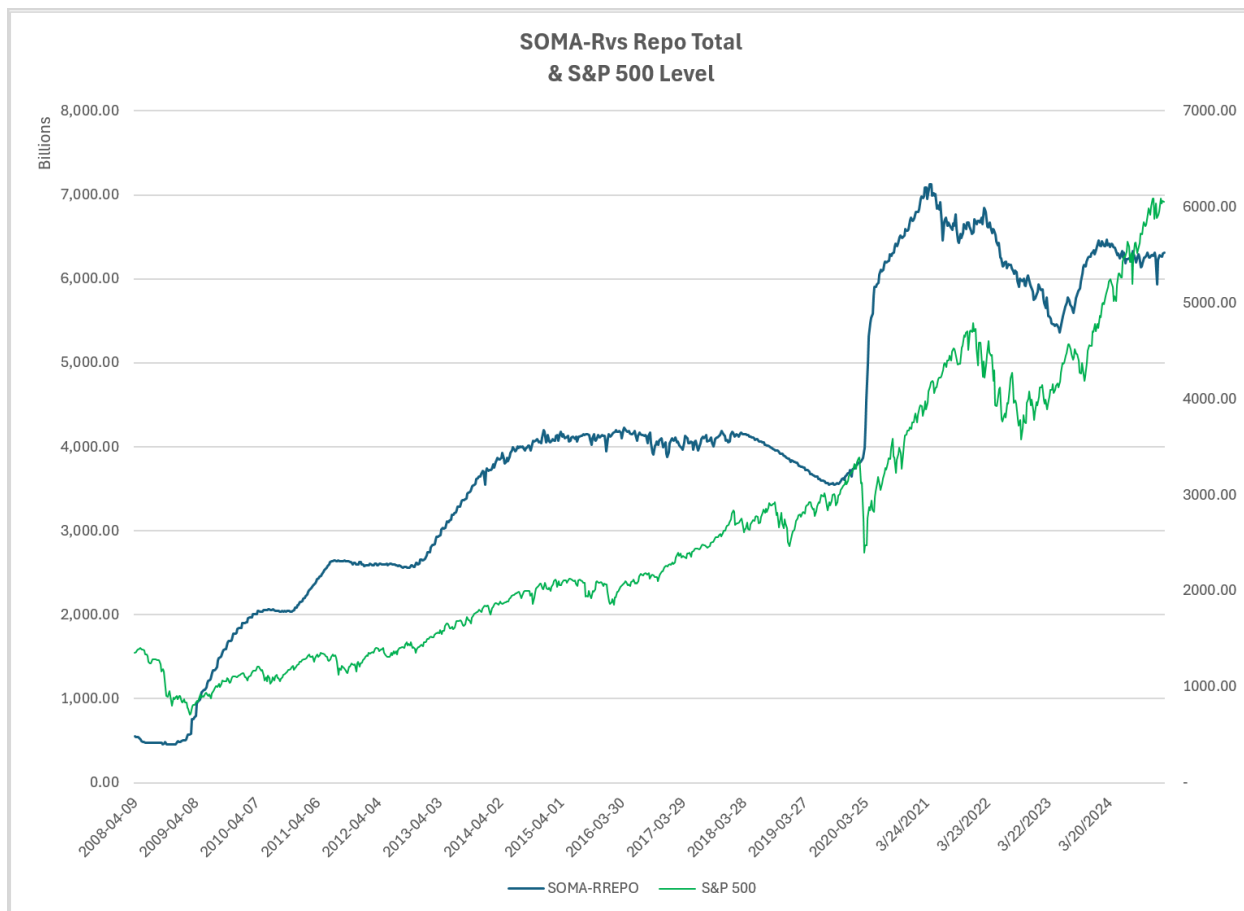
Export current release to: [CSV](#) | [HTML](#)

Domestic Security Holdings as of
[◀ Previous](#) **February 12, 2025** 📅
Posted February 13, 2025 at 4:30 PM

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

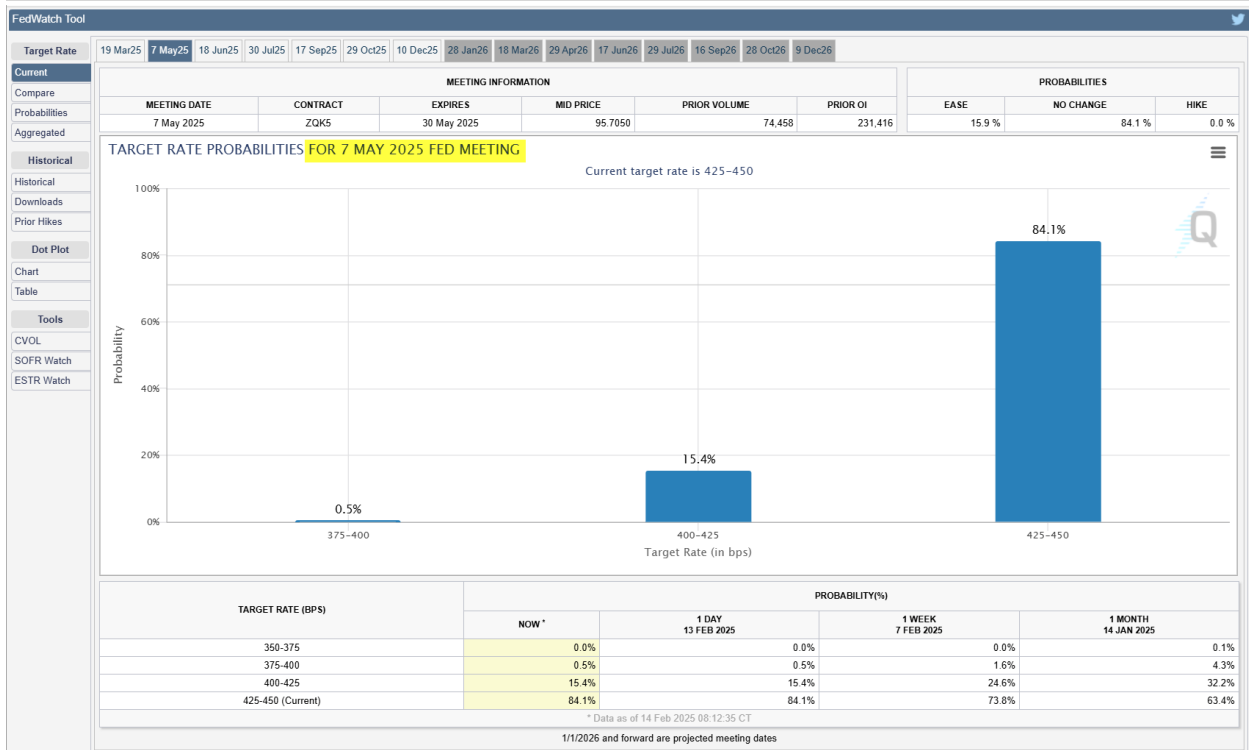
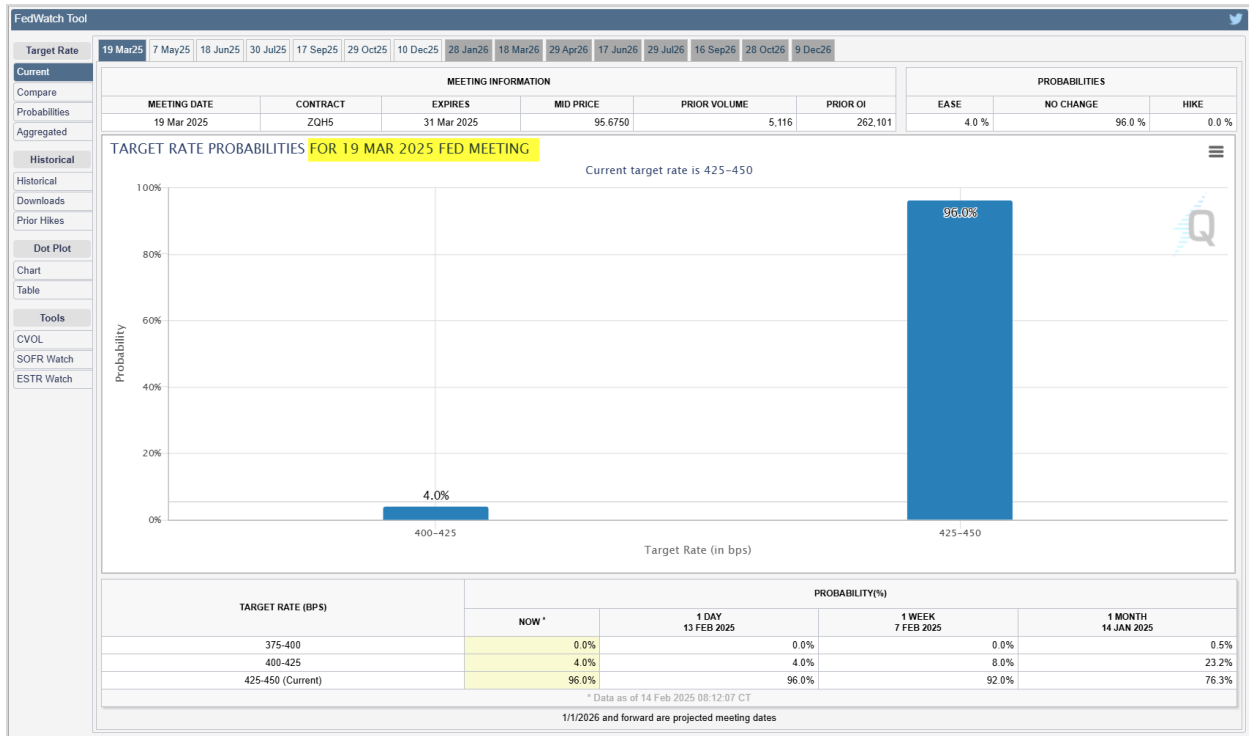
| SECURITY TYPE | TOTAL (\$Thousands) |
|--|---|
| US Treasury Bills (T-Bills) | 195,342,926.7 |
| US Treasury Notes and Bonds (Notes/Bonds) | 3,635,947,549.1 |
| US Treasury Floating Rate Notes (FRNs) | 7,998,521.7 |
| US Treasury Inflation-Protected Securities (TIPS)* | 320,004,565.1 |
| Federal Agency 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 | No change from last week → 6,379,199,607.6 |

The SOMA account holdings did not change this past week. Meanwhile, reverse repos declined by \$11 billion for the week ending 2/12. A decline in reverse repos can act as a liquidity boost. Combined for the week, SOMA and reverse repo action accounted for a \$11 billion liquidity infusion. The amount of liquidity left in reverse repos is just \$68 billion as of 2/12/25. 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.

With regards to rates, the chance of a 25 point cut in March is now just 4%. Meanwhile, May odds show a 16% 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. 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 is now fairly low. 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

New

MRK – 1/3 @ \$83.01 (buy @ limit)

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.

MRK - Buy 1/3 Catapult position @ \$83.01 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible, lots of MRK.

Current Open Trade Ideas

None.

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