

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 19, 2025

Volume 18 Issue 32

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

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 19, 2025	VIX up. SPX 50-day high on 1st of week.	1-2 days	Bearish			
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

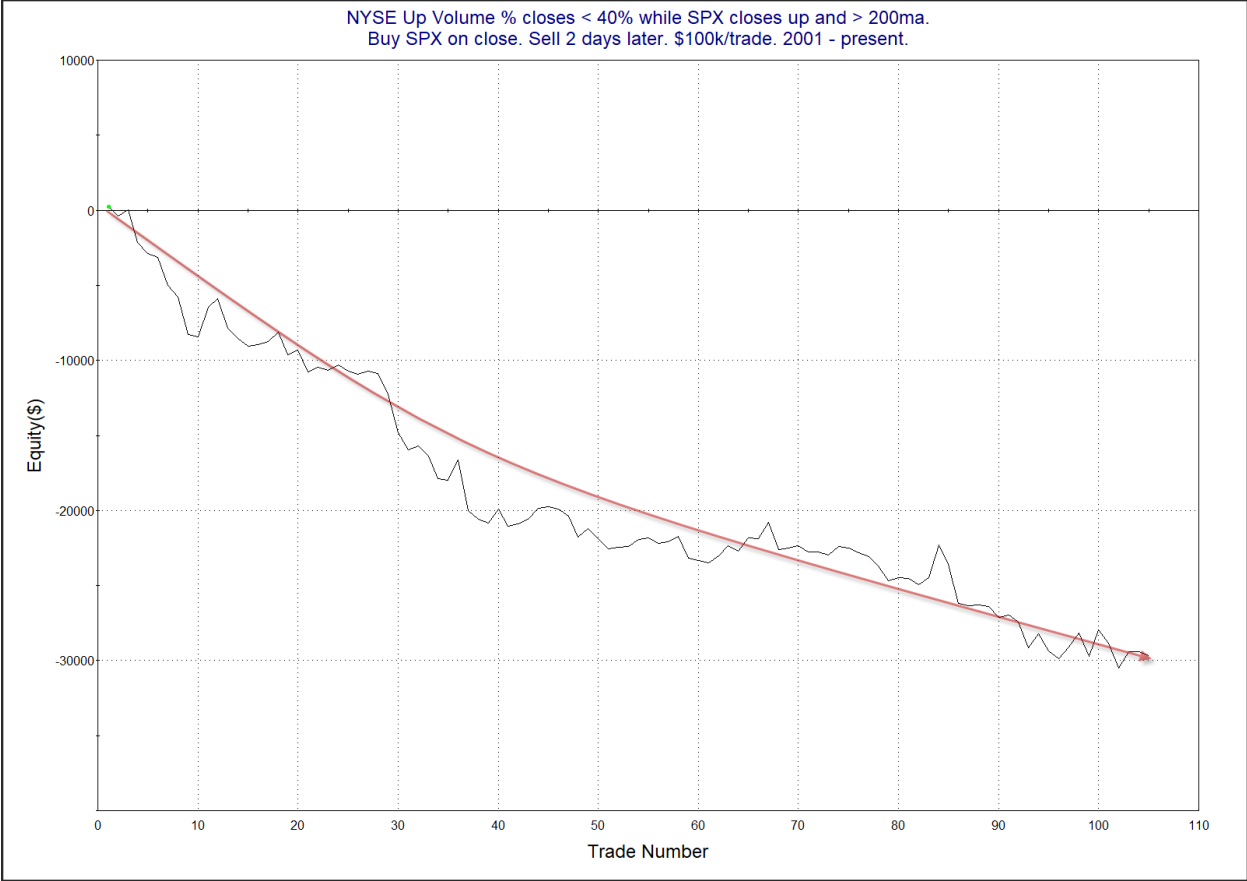
Tuesday saw mild gains. SPX climbed 0.2%, the NASDAQ rose 0.1%, and the Russell 2000 gained 0.45%. Breadth was positive as the NYSE Up Issues % closed at 58% and the NYSE Up Volume % posted a 68% reading. NYSE total volume rose some from Friday’s level.

SPX closed at a new high for the 1st time in a while. That is a good sign for the intermediate-term. It confirms the uptrend remains in place. But for the short-term, new-high action was not great. Breakouts tend to continue over the short-term if one of the following is true: 1) NYSE volume is lower than the day before, 2) NYSE volume comes in at a 20-day high, or 3) SPY leaves an unfilled gap higher. None of those things happened, which basically left the short-term implications of the breakout to be neutral. There was a VIX-based study that leaned bearish.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which I discussed last in the 11/12/24 letter. Results are all updated.

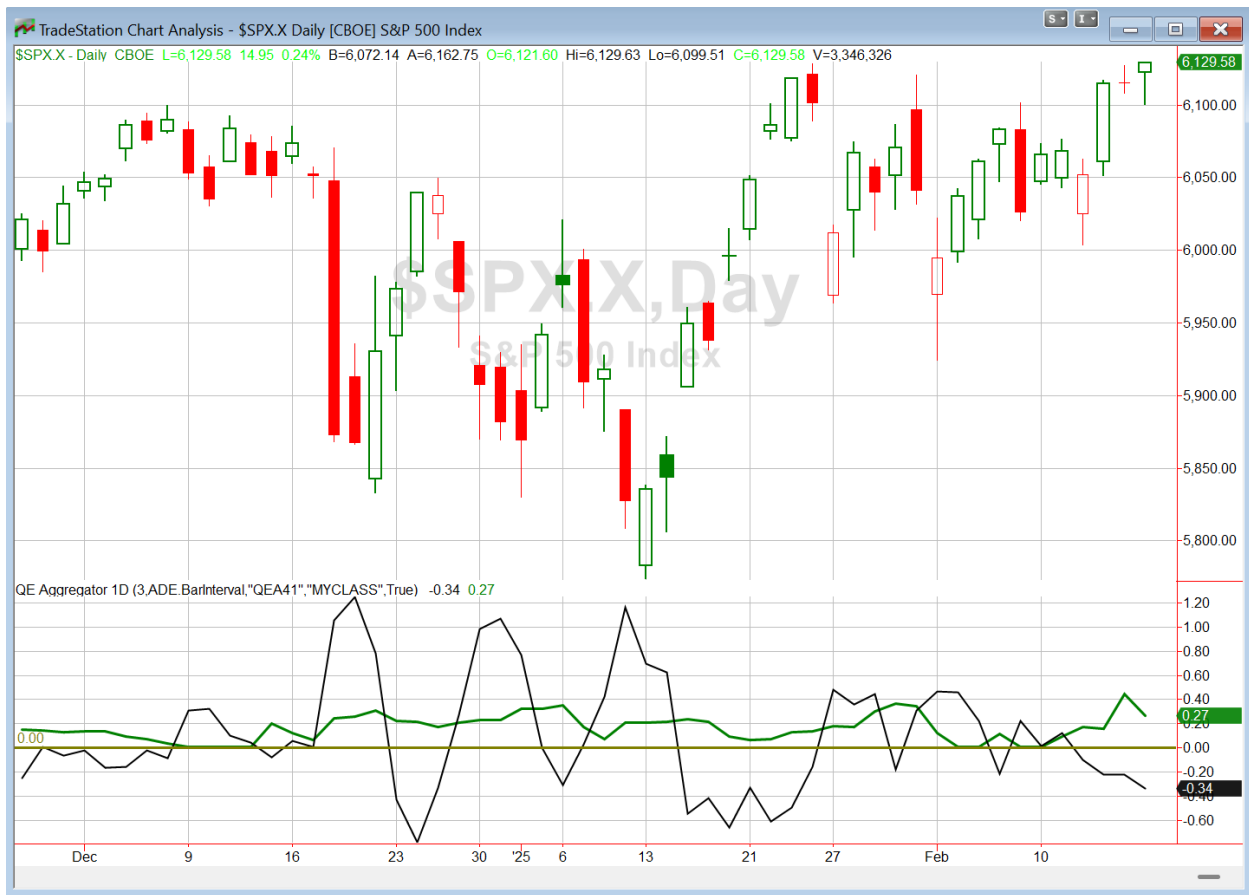
Today was the 1st trading day of the week. VIX closed up. SPX closed at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-15,597.05	99	47	52	47.47	5,653.12	-5,048.68	1,112.02	-1,305.04	0.85	0.77	-157.55
4	-15,577.97	105	51	54	48.57	4,422.40	-5,732.40	963.85	-1,198.79	0.80	0.76	-148.36
3	-18,362.24	105	49	56	46.67	2,641.80	-6,908.70	728.69	-965.50	0.75	0.66	-174.88
2	-29,669.25	105	43	62	40.95	2,148.48	-3,372.16	552.07	-861.43	0.64	0.44	-282.56
1	-9,290.20	105	39	66	37.14	802.88	-1,580.04	330.87	-336.27	0.98	0.58	-88.48

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline and seems worthy of consideration. I have included this study on the Active List.

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



Even 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 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 Wednesday. Meanwhile, the Differential Pivot will be *inverted* at 6140.96. That is 0.2% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.2% in order to remain overbought. Anything other than that and it will be considered "oversold" versus expectations as of Wednesday's close.

So the Aggregator is again neutral. Evidence is mixed and the Differential Pivot is inverted. Nothing about this combination is suggesting a strong directional edge, so there isn't anything enticing me to take an index position. I'll continue to wait until the next compelling setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/18 – somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MRK – 1/3 @ \$83.01 (buy @ limit)

Broad Market Large Cap CBI – 1(MRK)

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MRK(1/3)	2/18/2025	\$81.13	\$83.29	2.66%	Catapult

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