

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 21, 2025

Volume 18 Issue 34

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.
- Opex Friday has often seen selling after the opening bell.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. But with some studies pointing lower for Friday, I am not inclined to take a position unless Friday struggles.

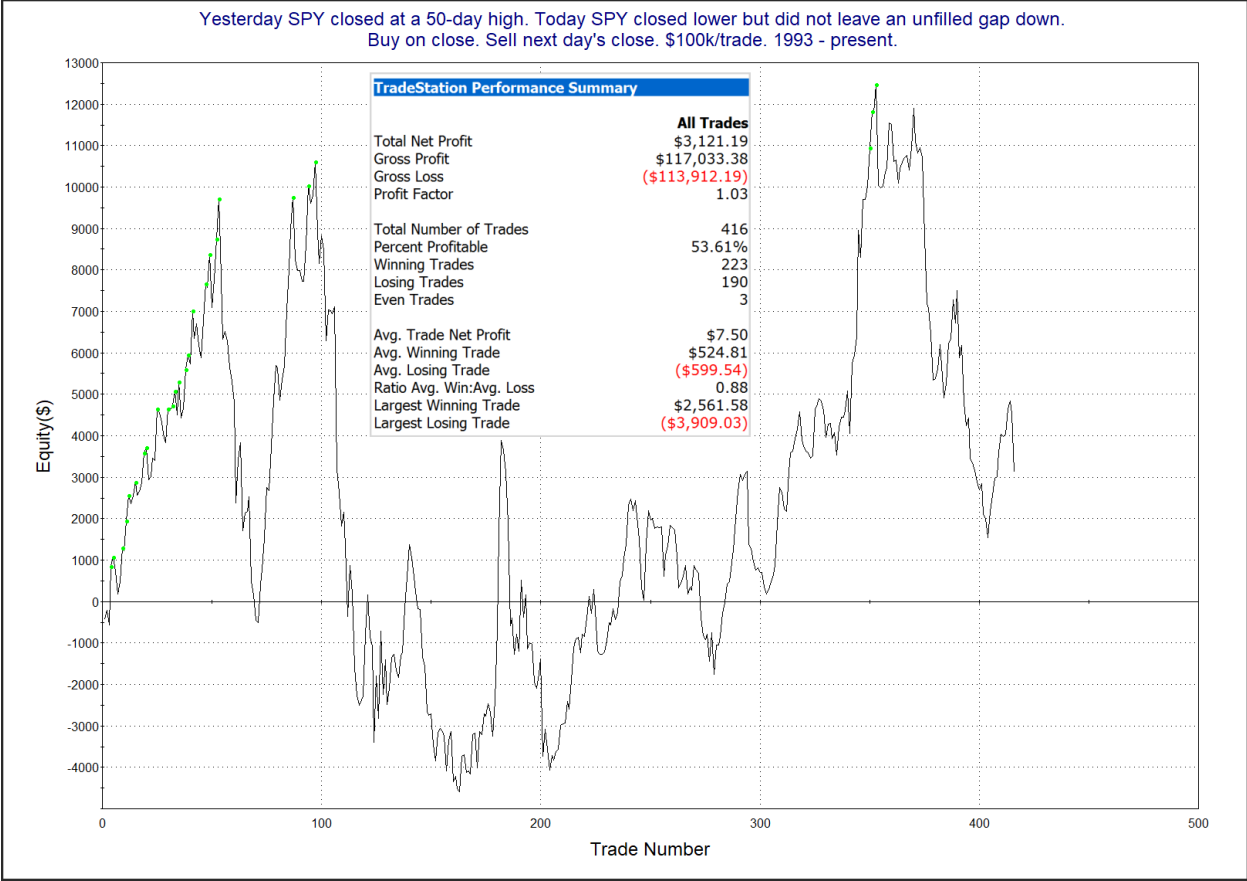
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
February 21, 2025	Unfilled gap down from 50-day high	1 day	Bearish			
February 13, 2025	Big Gap down and partial reversal	1-6 days	Bullish	3.20%	-1.65%	-3.70%
<b>Active - Long Term</b>						
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			

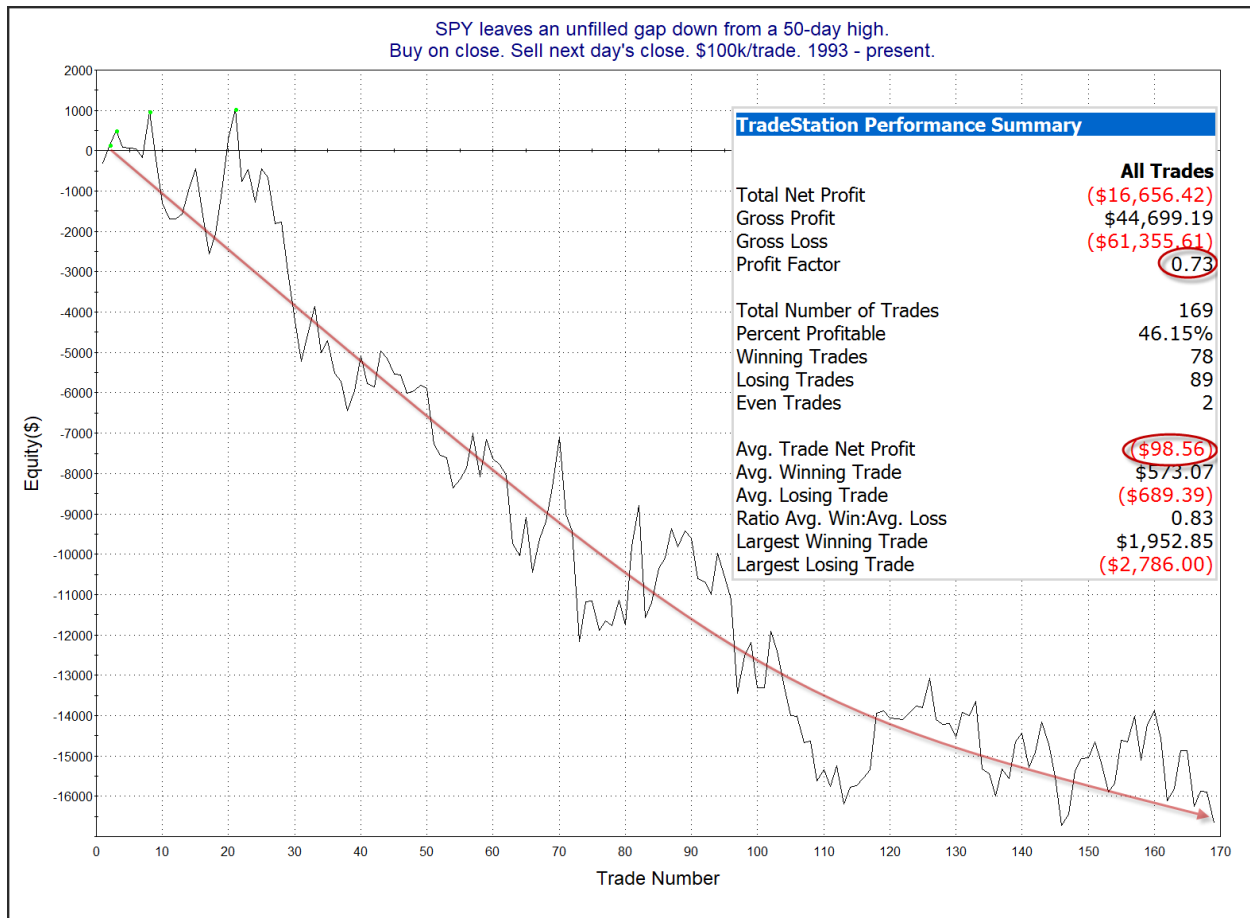
**The Evidence**

The market struggled on Thursday. SPX lost 0.4%, the NASDAQ fell 0.5%, and the Russell 2000 dropped 0.9%. Breadth was weak as the NYSE Up Issues % closed at 43% and the NYSE Up Volume % posted a 48% reading. NYSE total volume rose some from Wednesday's level.

The 1<sup>st</sup> day down from a high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They were last seen in the 7/18/24 letter. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



While the curve has flattened some in recent years, it is back near new lows. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Wednesday did *not* include an unfilled gap lower.

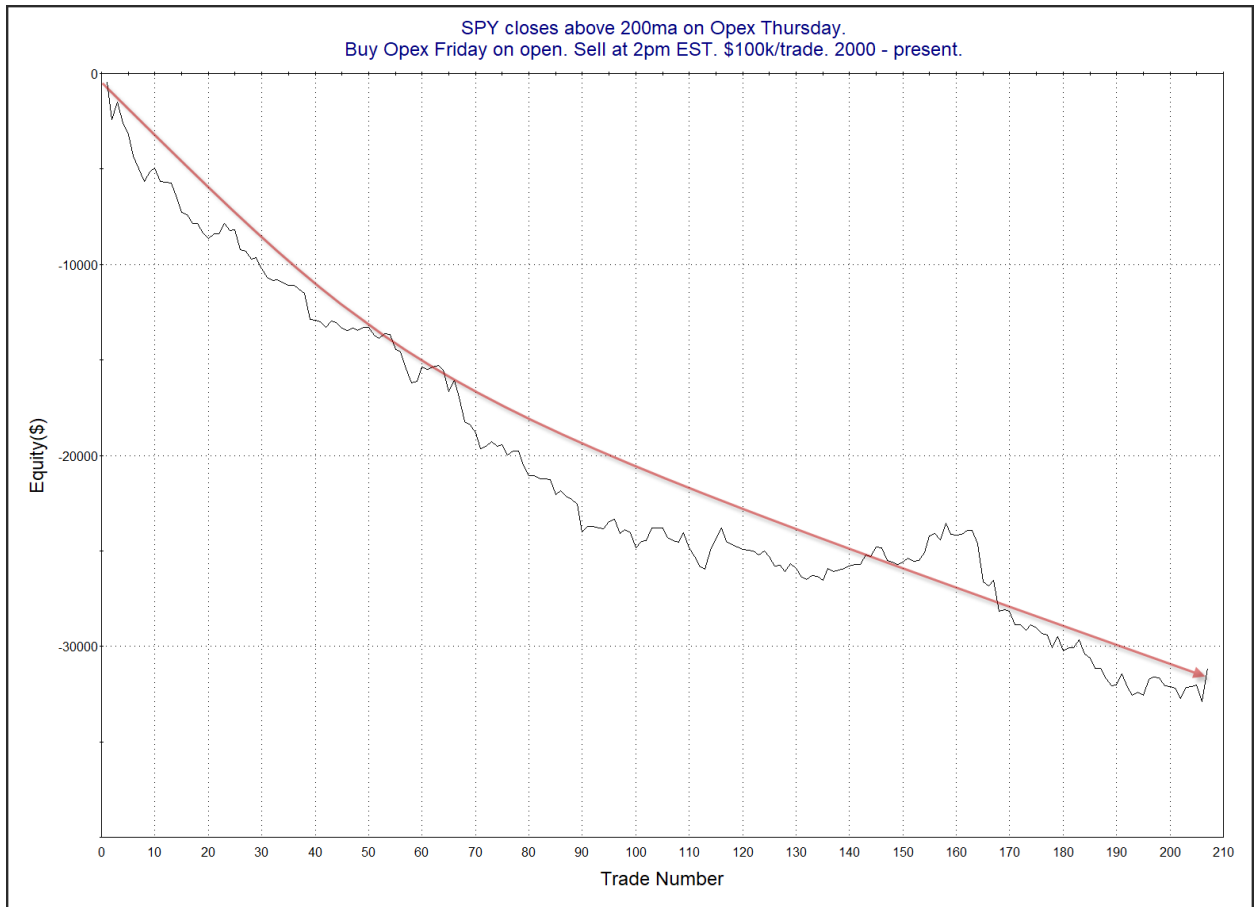
Tomorrow is opex, which I have discussed many times in the past. The notes and studies below were copied from the 1/17/25 letter.

*Of course Friday is options expiration (opex). Options expiration has long been a day that has seen weakness after the opening bell. The studies below are some that I have shown several times over the years. This first study shows results of purchasing SPY at the open and then exiting at different times during the day.*

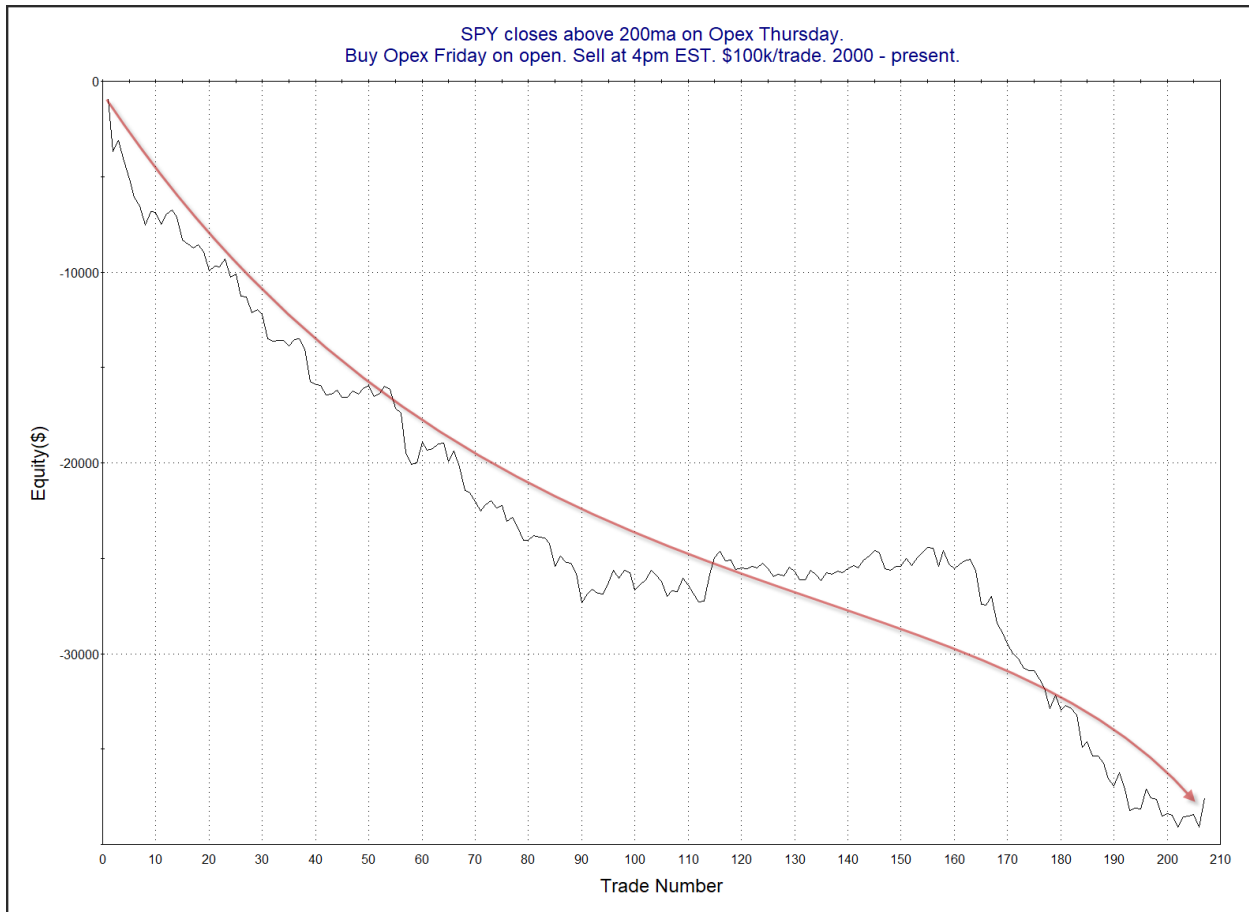
SPY closes above 200ma on Opex Thursday.  
Buy Opex Friday on open. Sell at time shown on left. \$100k/trade. 2000 - present.

OE Op-Ex Fri Intra Short: timeofday	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
1,600	-37,554.64	207	84	123	40.58	1,547.00	-2,746.58	334.65	-533.87	0.63	0.43	-181.42
1,500	-31,586.44	207	84	122	40.58	1,824.10	-2,315.18	317.38	-477.43	0.66	0.46	-152.59
1,400	-31,145.55	207	72	135	34.78	1,751.00	-2,000.00	312.28	-397.26	0.79	0.42	-150.46
1,300	-27,351.29	207	75	131	36.23	2,172.60	-1,324.62	298.92	-379.92	0.79	0.45	-132.13
1,200	-25,727.81	207	73	134	35.27	2,150.50	-1,318.40	286.69	-348.18	0.82	0.45	-124.29
1,100	-21,264.38	207	78	128	37.68	1,103.30	-968.50	226.45	-304.12	0.74	0.45	-102.73
1,000	-18,207.29	207	60	147	28.99	365.47	-629.00	132.71	-178.03	0.75	0.30	-87.96

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Most of the downside would have been achieved by exiting at 2pm. Below is a look at a profit curve the 2pm exit.



The strong move from upper left to lower right supports the bearish case. Next is the 4pm exit.

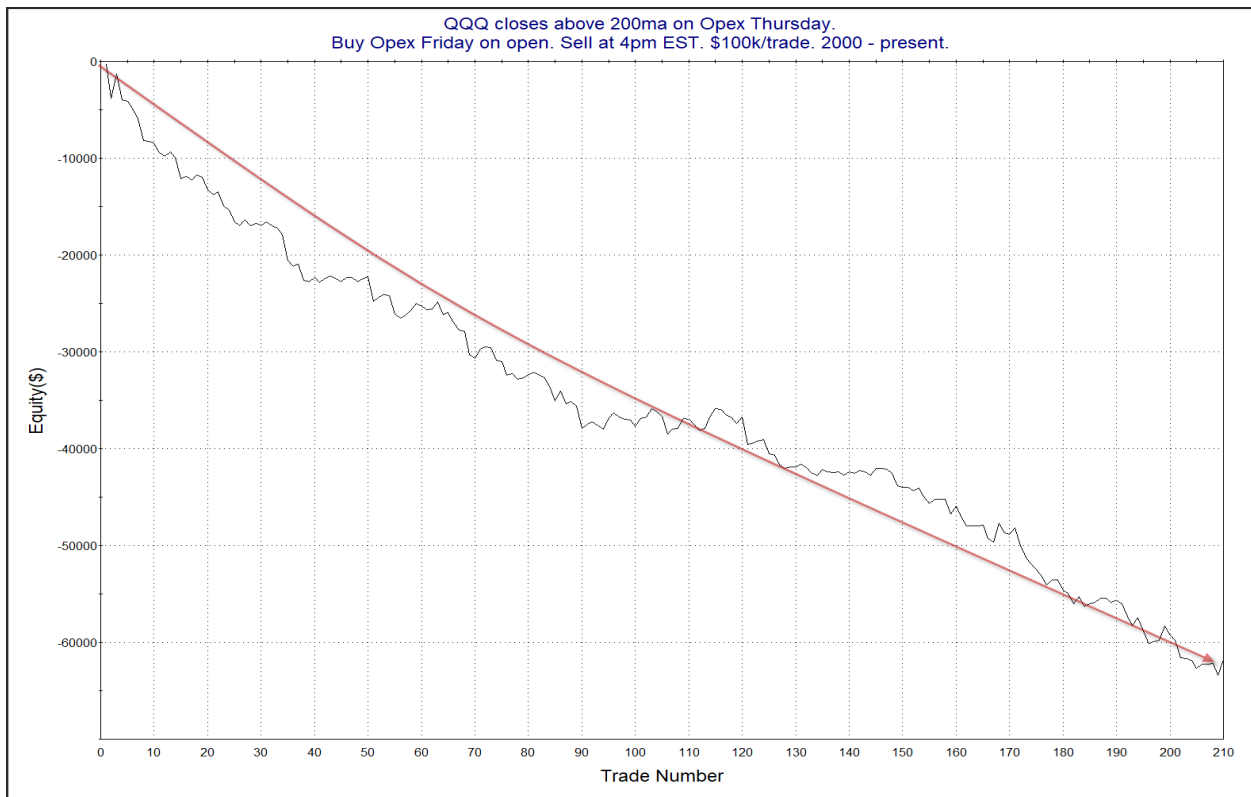
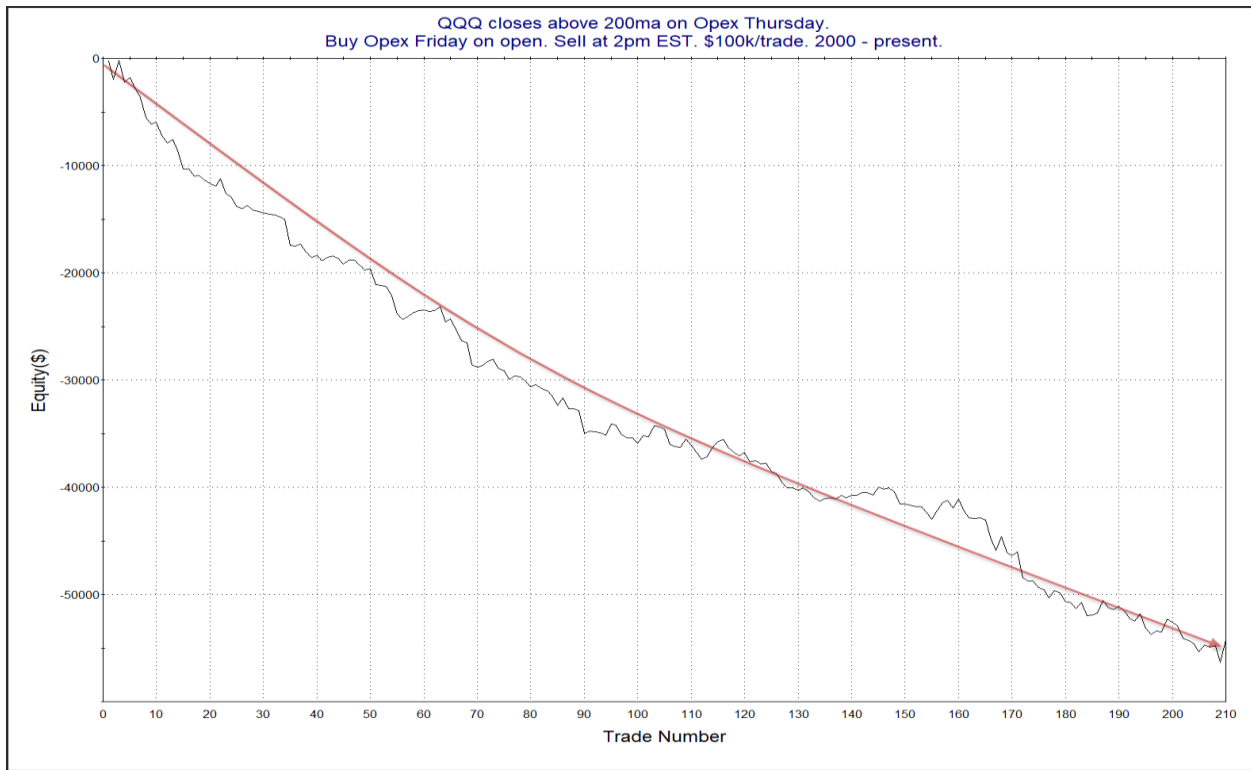


*This is also impressive.*

*QQQ has seen an even stronger tendency to sell off. This can be seen in the table and profit curves below.*

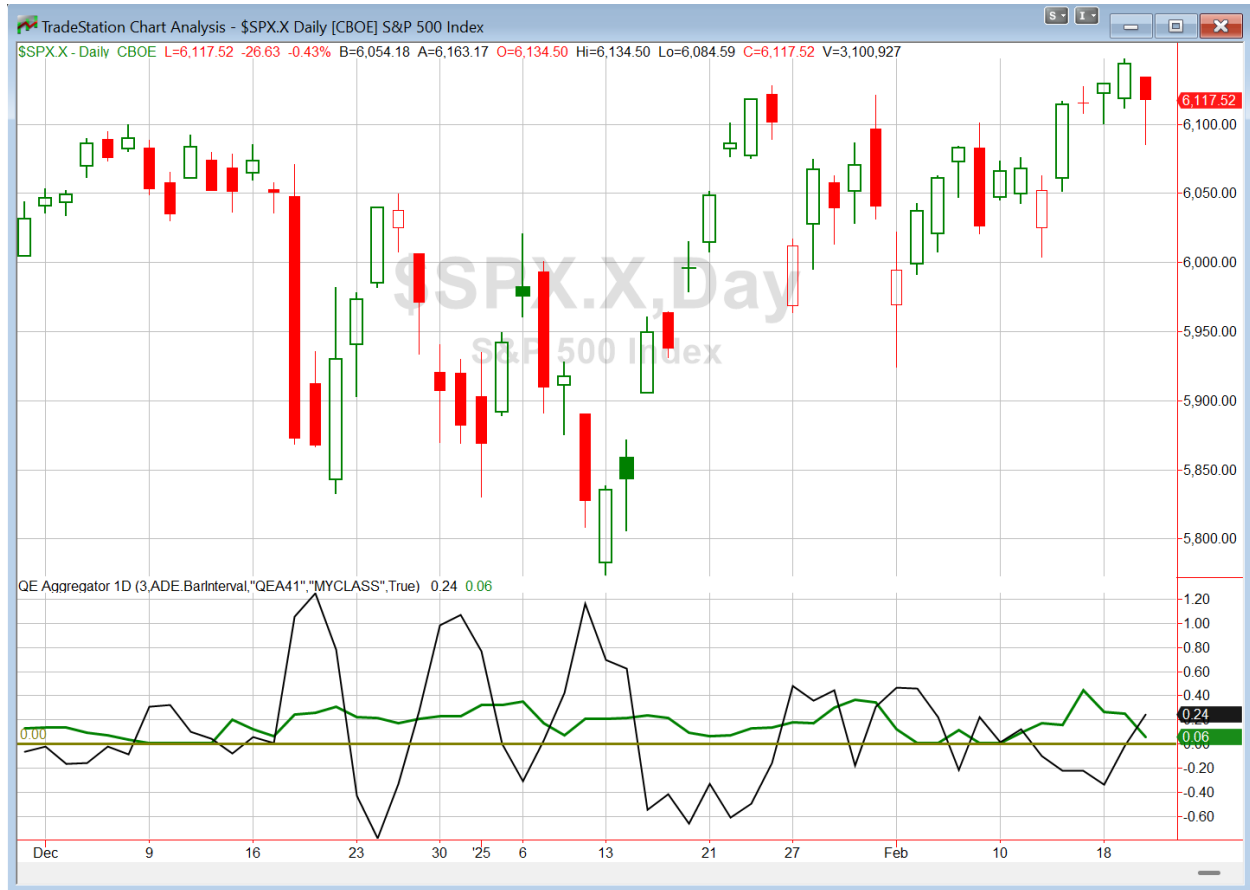
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1,600	-62,144.91	208	80	128	38.46	2,516.00	-3,525.88	445.71	-764.08	0.58	0.36	-298.77
1,500	-55,806.19	208	75	131	36.06	1,739.00	-2,590.84	420.82	-666.93	0.63	0.36	-268.30
1,400	-54,795.86	208	67	138	32.21	1,822.25	-2,431.68	403.11	-592.78	0.68	0.33	-263.44
1,300	-47,876.17	208	71	136	34.13	1,655.75	-2,382.80	370.82	-545.62	0.68	0.35	-230.17
1,200	-46,676.32	208	75	132	36.06	2,488.25	-1,843.43	336.24	-544.66	0.62	0.35	-224.41
1,100	-38,871.46	208	70	137	33.65	1,998.00	-1,936.40	352.99	-464.09	0.76	0.39	-186.88
1,000	-30,033.98	208	65	142	31.25	1,332.00	-1,198.29	213.34	-309.16	0.69	0.32	-144.39



*The bearish edge appears alive and well here. It is something traders may want to consider on Friday morning.*

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



Even with tonight's evidence considered, 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 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.

Both currently active short-term studies are set to expire on Friday. Without new evidence emerging, this would likely leave expectations slightly positive based on the intermediate-term outlook. But any new short-term evidence that emerges in the next few days could have a strong impact on expectations. Meanwhile, the Differential Pivot will be 6182.85. That is 1.1% above Thursday's close. So SPX will need to close up at least 1.1% on Friday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. But tonight's evidence suggests Friday could be rough. So I am not enthused about taking on a long trade Friday morning. I will consider a small position if Friday struggles occur, but not until near the 4pm close.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 2/18 – somewhat 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 @ \$607.25 LIMIT ON CLOSE.** I will look to start a small SPY position if it closes down near the low from Thursday.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<b>MRK(1/3)</b>	<b>2/18/2025</b>	<b>\$81.13</b>	<b>\$85.90</b>	<b>5.88%</b>	<b><i>sold on open</i></b>

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