

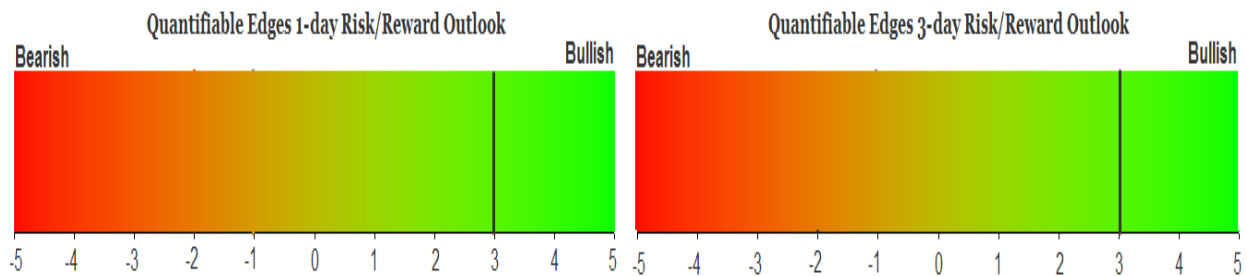
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 24, 2025

Volume 18 Issue 35

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long       | 0           |

## Tonight's Research Points

- Oversized declines on Fridays often lead to a bounce in the coming days.
- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- Weak closes at 5-day lows above the 200ma are often followed by a bounce.
- This upcoming week does not look favorable from a seasonality standpoint.
- SOMA and reverse repo action led to a liquidity drain this past week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Reward/risk appears favorable for the bulls. 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 |
|----------------------------|---|-------------|---------|------------|------------|------------------------|
| <b>Active - Short Term</b> |   |             |         |            |            |                        |
| February 24, 2025          | 2 unfilled gaps down > 200ma            | 1 day       | Bullish |            |            |                        |
| February 24, 2025          | SPX dn 1.5x 20-day ATR on Friday        | 1-4 days    | Bullish | 1.90%      | -1.60%     | -3.50%                 |
| February 24, 2025          | Btm 10% range, 50-low NOT Monday        | 1-5 days    | Bullish | 1.60%      | -1.30%     | -2.70%                 |
| <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***

Friday saw some sizable selling. SPX lost 1.7%, the NASDAQ fell 2.2%, and the Russell 2000 dropped 2.9%. Breadth was weak as the NYSE Up Issues % closed at 25% and the NYSE Up Volume % posted a 24% reading. NYSE total volume rose spike higher as it often does on opex Friday.

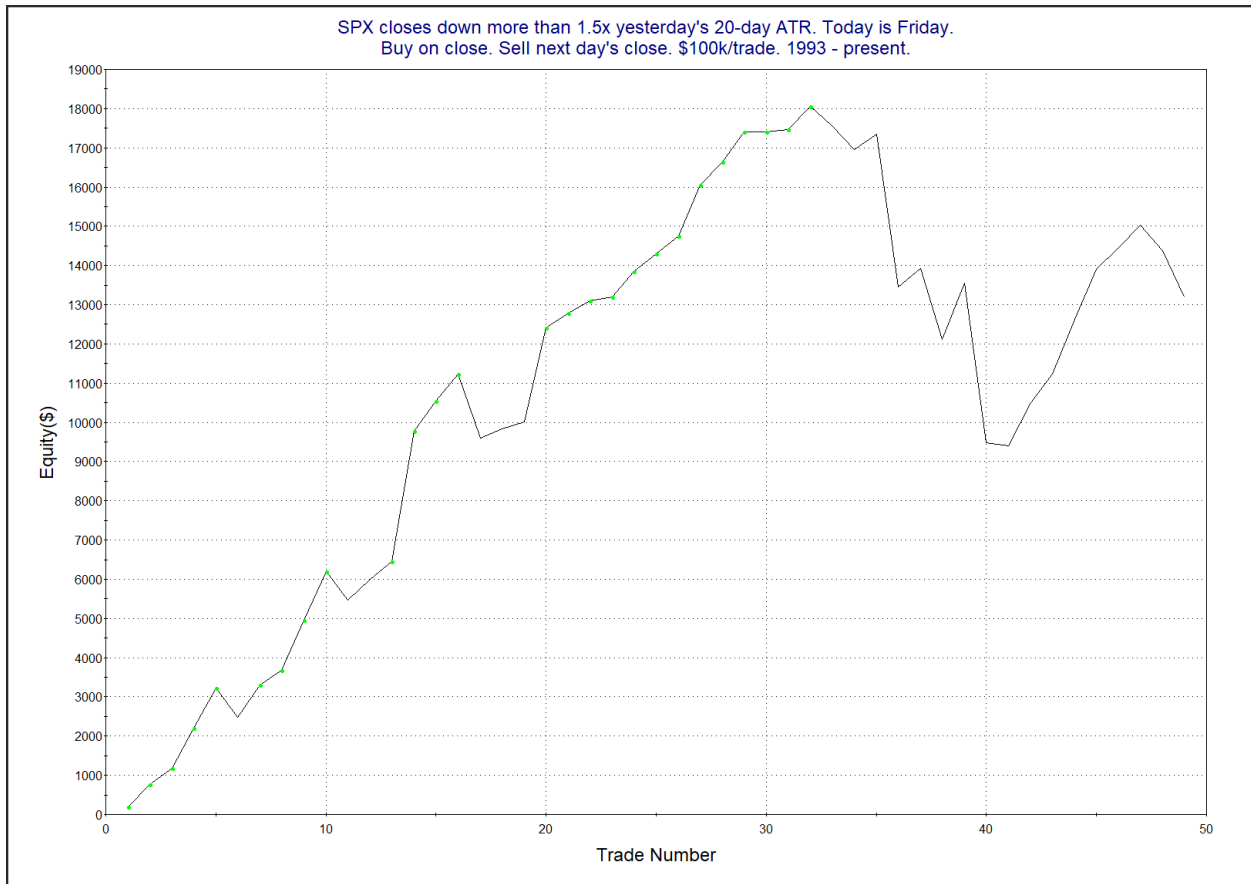
One interesting Quantifinder study looked at large drops on Fridays. Both the Crash of '29 and the Crash of '87 happened on Monday. The Crash of '87 is still remembered by some traders that are active today (though it is getting less and less each year). In 1987, there was a strong selloff on Friday and then all hell broke loose on Monday. But since then, strong Friday selloffs have commonly been followed by bounces in the following days. Perhaps this is due to the fact that fear of a crash causes what might otherwise be an ordinary selloff to become exaggerated and overdone on Fridays. Or perhaps it is just that people don't want to hold over the weekend. Whatever the reason, the tendency to bounce has been strong. In recent years the bounce has not always occurred on Monday. Sometimes we saw more selling on Monday before the rebound started on Tuesday. The study below was last discussed in the 4/15/24 subscriber letter. It defines a strong selloff as more than 1.5x the recent (20-day) average true range. Results are updated.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday.  
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

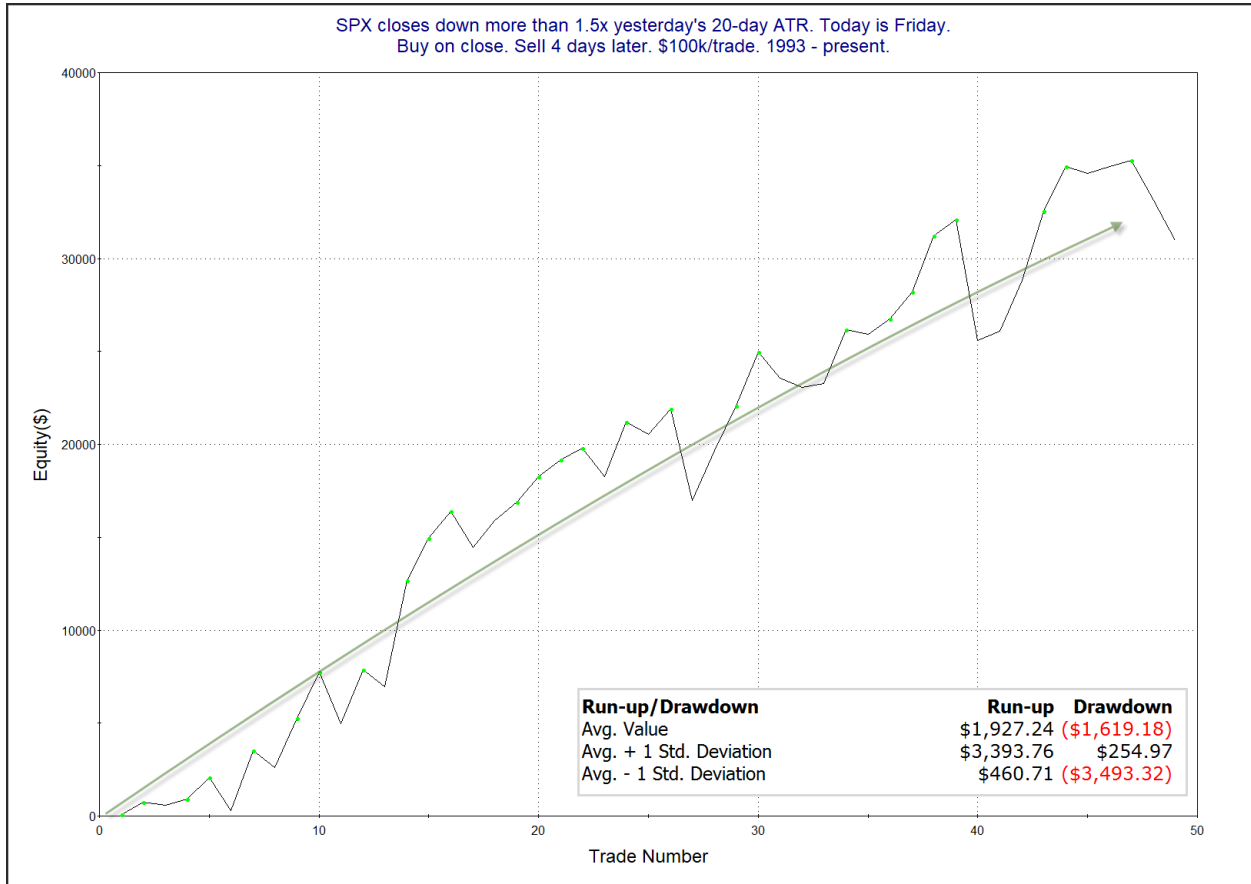
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 10     | 58,237.85       | 47                | 31                  | 16                 | 65.96             | 9,241.60               | -6,049.40             | 3,085.57               | -2,338.43             | 1.32                | 2.56              | 1,239.10       |
| 9      | 57,451.16       | 47                | 31                  | 16                 | 65.96             | 7,602.40               | -5,483.80             | 2,871.61               | -1,973.04             | 1.46                | 2.82              | 1,222.37       |
| 8      | 62,976.28       | 47                | 32                  | 15                 | 68.09             | 7,949.70               | -3,550.72             | 2,796.11               | -1,766.61             | 1.58                | 3.38              | 1,339.92       |
| 7      | 50,339.48       | 47                | 30                  | 17                 | 63.83             | 7,662.81               | -4,599.52             | 2,746.19               | -1,885.08             | 1.46                | 2.57              | 1,071.05       |
| 6      | 51,540.08       | 47                | 33                  | 14                 | 70.21             | 8,870.96               | -4,202.80             | 2,435.87               | -2,060.26             | 1.18                | 2.79              | 1,096.60       |
| 5      | 33,157.47       | 49                | 31                  | 18                 | 63.27             | 5,393.97               | -6,368.04             | 2,244.02               | -2,022.62             | 1.11                | 1.91              | 676.68         |
| 4      | 30,976.85       | 49                | 33                  | 16                 | 67.35             | 5,731.96               | -6,520.68             | 1,817.29               | -1,812.11             | 1.00                | 2.07              | 632.18         |
| 3      | 26,209.31       | 49                | 29                  | 20                 | 59.18             | 5,215.85               | -3,492.36             | 1,875.94               | -1,409.64             | 1.33                | 1.93              | 534.88         |
| 2      | 13,136.60       | 49                | 29                  | 20                 | 59.18             | 6,245.15               | -5,163.50             | 1,385.89               | -1,352.71             | 1.02                | 1.49              | 268.09         |
| 1      | 13,199.35       | 49                | 38                  | 11                 | 77.55             | 3,322.23               | -4,074.84             | 764.68                 | -1,441.67             | 0.53                | 1.83              | 269.37         |

44 of 49 instances (90%) closed above the entry price at some point in the next week.

The numbers here are all impressive and suggest a bullish bias. I decided to look at the 1-day and 4-day returns. First, below is the profit curve for a 1-day holding period.

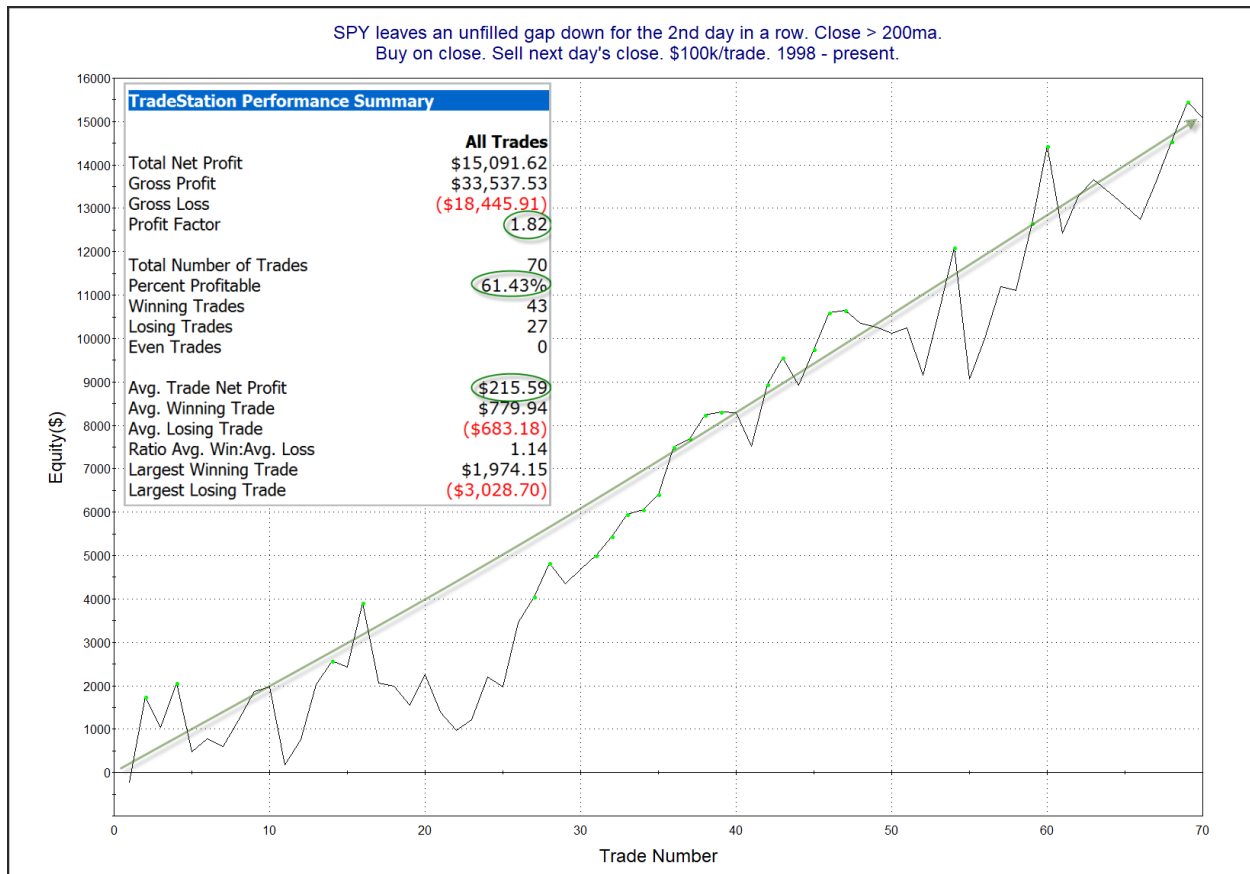


There have been some bumps in recent years. But now the 4-day curve.



Despite the pullback on the last 2 instances, there is a very persistent rise here from lower left to upper right. This curve still appears impressive.

Also notable about Friday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. This next study suggested bullish implications when this occurred during a long-term uptrend. Last featured in the 12/31/24 letter, results are updated.



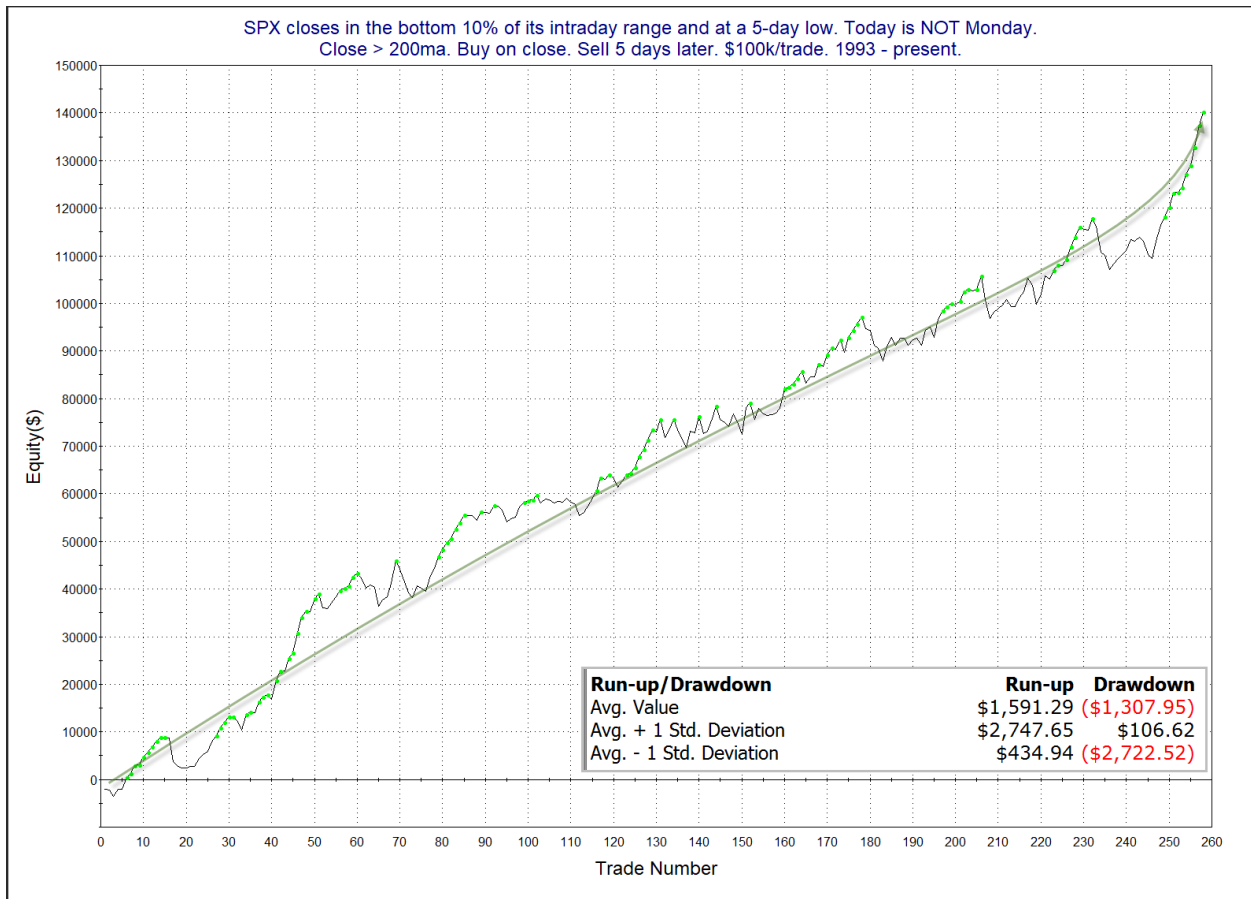
The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

The study below looks at times since 1993 that SPX 1) closed in the bottom 10% of its daily range, 2) at a 5-day low, 3) above the 200ma, and 4) it was not Monday. The “not Monday” requirement seems like an odd one. But it is included because when it happens on a Monday it is even more powerful – containing Turnaround Tuesday potential. Results are all updated.

SPX closes in the bottom 10% of its intraday range and at a 5-day low. Today is NOT Monday.  
Close > 200ma. 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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 5      | 140,166.88      | 258               | 165                 | 93                 | 63.95             | 5,555.16               | -5,482.89             | 1,645.47               | -1,412.20             | 1.17                | 2.07              | 543.28         |
| 4      | 108,639.36      | 268               | 164                 | 104                | 61.19             | 5,290.00               | -6,520.68             | 1,491.72               | -1,307.72             | 1.14                | 1.80              | 405.37         |
| 3      | 84,805.42       | 276               | 175                 | 101                | 63.41             | 4,895.50               | -5,393.69             | 1,206.30               | -1,250.47             | 0.96                | 1.67              | 307.27         |
| 2      | 64,276.55       | 295               | 174                 | 120                | 58.98             | 4,424.50               | -7,559.56             | 1,062.71               | -1,005.29             | 1.06                | 1.53              | 217.89         |
| 1      | 32,194.80       | 325               | 195                 | 130                | 60.00             | 2,671.02               | -5,829.81             | 686.19                 | -781.63               | 0.88                | 1.32              | 99.06          |

The stats table shows moderate odds of a move higher over the next few days. Below is a look at the 5-day profit curve.



The stats were not overwhelming, but I do like the profit curve. It shows a very persistent move higher, and it has been on a hot streak lately, with the last 12 instances all closing higher. I've listed them below.

SPX closes in the bottom 10% of its intraday range and at a 5-day low.  
 Today is NOT Monday. Close > 200ma.  
 Buy on close. Sell 5 days later. \$100k/trade. Last 12 instances.

| Date       | Signal | Price      | % Gain | Runup/Ddn  |
|------------|--------|------------|--------|------------|
| 11/9/2023  | Buy    | \$4,347.35 | 3.70%  | \$3,997.86 |
| 11/16/2023 | Sell   | \$4,508.24 |        | \$0.00     |
| 12/6/2023  | Buy    | \$4,549.34 | 3.47%  | \$3,367.35 |
| 12/13/2023 | Sell   | \$4,707.09 |        | \$0.00     |
| 12/20/2023 | Buy    | \$4,698.35 | 1.81%  | \$1,993.95 |
| 12/28/2023 | Sell   | \$4,783.35 |        | \$0.00     |
| 1/4/2024   | Buy    | \$4,688.68 | 1.95%  | \$2,306.22 |
| 1/11/2024  | Sell   | \$4,780.24 |        | (\$137.97) |
| 1/31/2024  | Buy    | \$4,845.65 | 3.08%  | \$3,084.80 |
| 2/7/2024   | Sell   | \$4,995.06 |        | \$0.00     |
| 3/26/2024  | Buy    | \$5,203.58 | 0.15%  | \$1,164.13 |
| 4/3/2024   | Sell   | \$5,211.49 |        | (\$371.07) |
| 4/4/2024   | Buy    | \$5,147.21 | 1.01%  | \$1,474.40 |
| 4/11/2024  | Sell   | \$5,199.06 |        | (\$161.69) |
| 4/30/2024  | Buy    | \$5,035.69 | 3.02%  | \$3,126.26 |
| 5/7/2024   | Sell   | \$5,187.70 |        | (\$468.16) |
| 7/24/2024  | Buy    | \$5,427.13 | 1.75%  | \$2,238.84 |
| 7/31/2024  | Sell   | \$5,522.30 |        | (\$651.24) |
| 9/6/2024   | Buy    | \$5,408.42 | 4.02%  | \$4,101.30 |
| 9/13/2024  | Sell   | \$5,626.02 |        | (\$26.28)  |
| 10/31/2024 | Buy    | \$5,705.45 | 4.69%  | \$4,732.63 |
| 11/7/2024  | Sell   | \$5,973.10 |        | (\$151.98) |
| 12/18/2024 | Buy    | \$5,872.16 | 2.82%  | \$3,019.03 |
| 12/26/2024 | Sell   | \$6,037.59 |        | (\$677.62) |

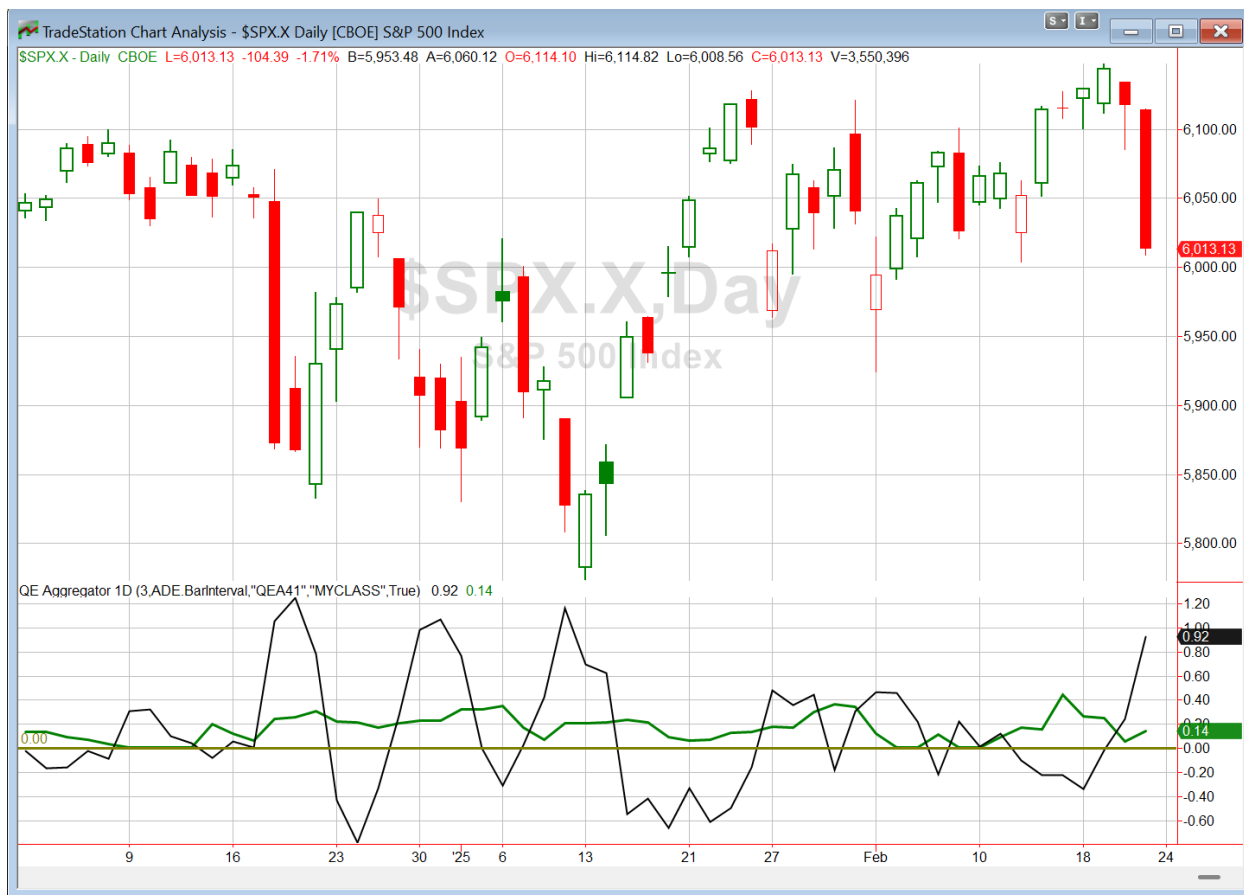
That is an impressive streak. I have included this study on the Active List.

So we have a few studies suggesting the selling has quickly become overdone and we are likely to see a bounce in the next few days. Unfortunately, the Seasonality Calendar will not be helping. This can be seen below.

| <b>Quantifiable Edges Seasonality Calendar</b> |              |                      |                  |
|--|--------------|----------------------|------------------|
| <b>\$SPX S&amp;P 500 Index</b>                 |              |                      |                  |
| <b>Date</b>                                    | <b>Win%</b>  | <b>Profit Factor</b> | <b>Avg % Chg</b> |
| 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           |
| <b>2/26/2025</b>                               | <b>49.96</b> | <b>0.950</b>         | <b>-0.055</b>    |
| 2/27/2025                                      | 51.56        | 1.031                | -0.034           |
| <b>2/28/2025</b>                               | <b>49.82</b> | <b>0.824</b>         | <b>-0.097</b>    |
| <b>Baseline</b>                                | <b>53.81</b> | <b>1.144</b>         | <b>0.049</b>     |

This upcoming week is showing very weak numbers. Of course that doesn't mean the market won't be able to bounce. But its sailing against the wind, rather than with it.

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



With this weekend'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 is now far above zero. The positive Differential Line reading means that SPX is strongly 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 stayed long at the close.

Based on the current active list, expectations are set to remain positive on Monday. This could possibly change if strongly bearish new evidence emerges. Meanwhile, the Differential Pivot will be 6199.94. That is a whopping 3.1% above Friday's close. I really don't think we will see that kind of a rally on Monday. It will likely take a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator is bullish. I like the long side. Reward/risk appears quite favorable for the bulls. I have a small amount of long exposure that was taken near the close on Friday. If SPX does *not* bounce on Monday, we will likely see some Turnaround Tuesday studies emerge. In that case, I will likely add to my position.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 2/24 – 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.*

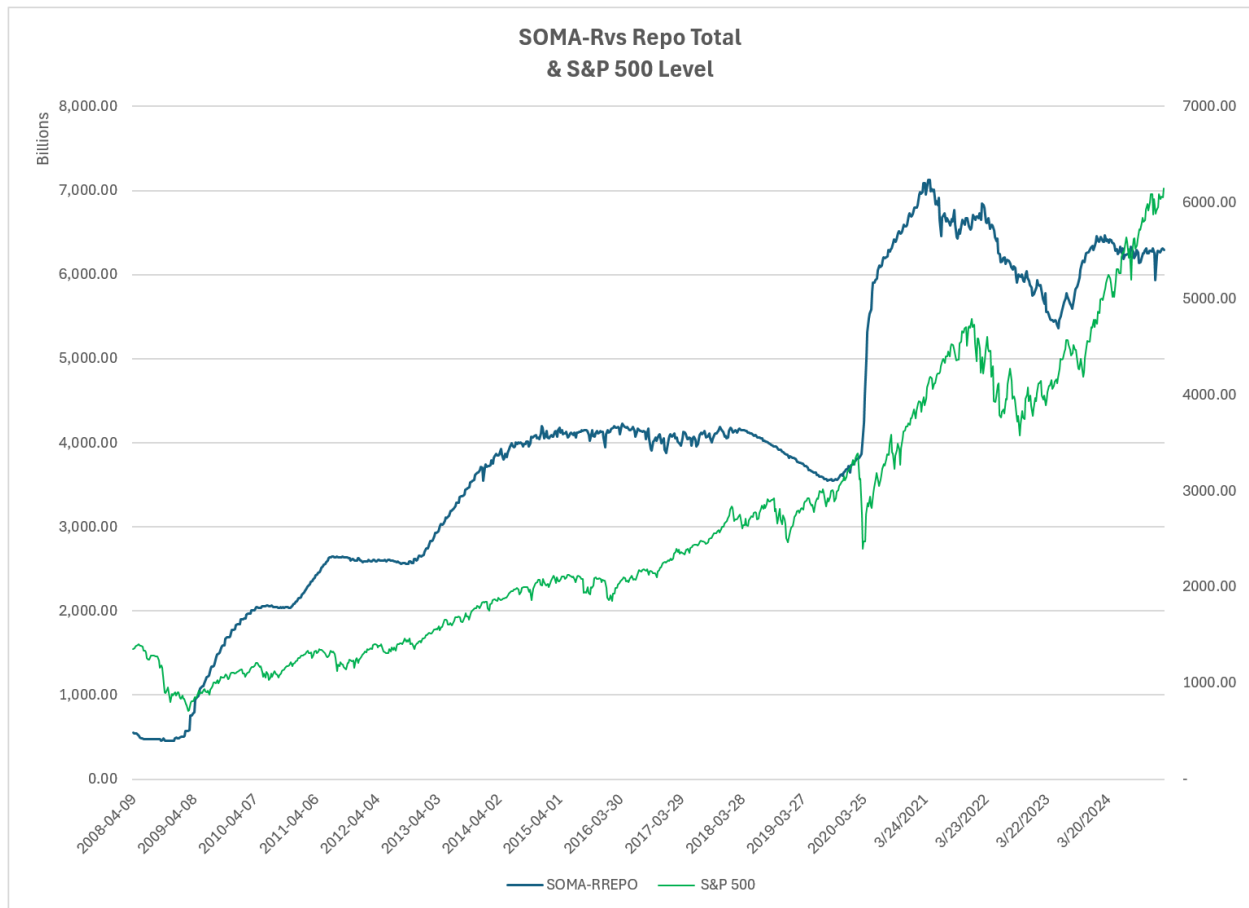
Stocks made new highs early in the week, but the last two days left the full-week numbers solidly negative. The SPX declined 1.7%, the NASDAQ dropped 2.5%, and the Russell 2000 (RUT) tumbled 3.7%. Bonds rose. The US Aggregate Bond ETF (AGG) gained 0.3%. TLT, the 20-year Treasury Bond ETF, climbed 0.5%. SPX confirmed its long-term uptrend early in the week by closing at new all-time highs. But the selloff the last two days left it right near its 50-day moving average. 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  |                          |
|---|--------------------------|
| <a href="#">Previous</a>  | <b>February 19, 2025</b> |
| Posted February 20, 2025 at 4:30 PM   |                          |
| <a href="#">SUMMARY</a>   <a href="#">T-BILLS</a>   <a href="#">T-NOTES AND T-BONDS</a>   <a href="#">FRNS</a>   <a href="#">TIPS</a>   <a href="#">AGENCY DEBTS</a>   <a href="#">MBS</a>   <a href="#">CMBS</a> |                          |
| SECURITY TYPE   | TOTAL (\$Thousands)      |
| US Treasury Bills (T-Bills)   | 195,342,926.7            |
| US Treasury Notes and Bonds (Notes/Bonds)   | 3,621,178,192.0          |
| 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***  | 2,209,548,459.1          |
| Agency Commercial Mortgage-Backed Securities***   | 8,023,428.8              |
| Total SOMA Holdings   | 6,364,443,093.4          |
| Change From Prior Week  | -14,756,514.2            |

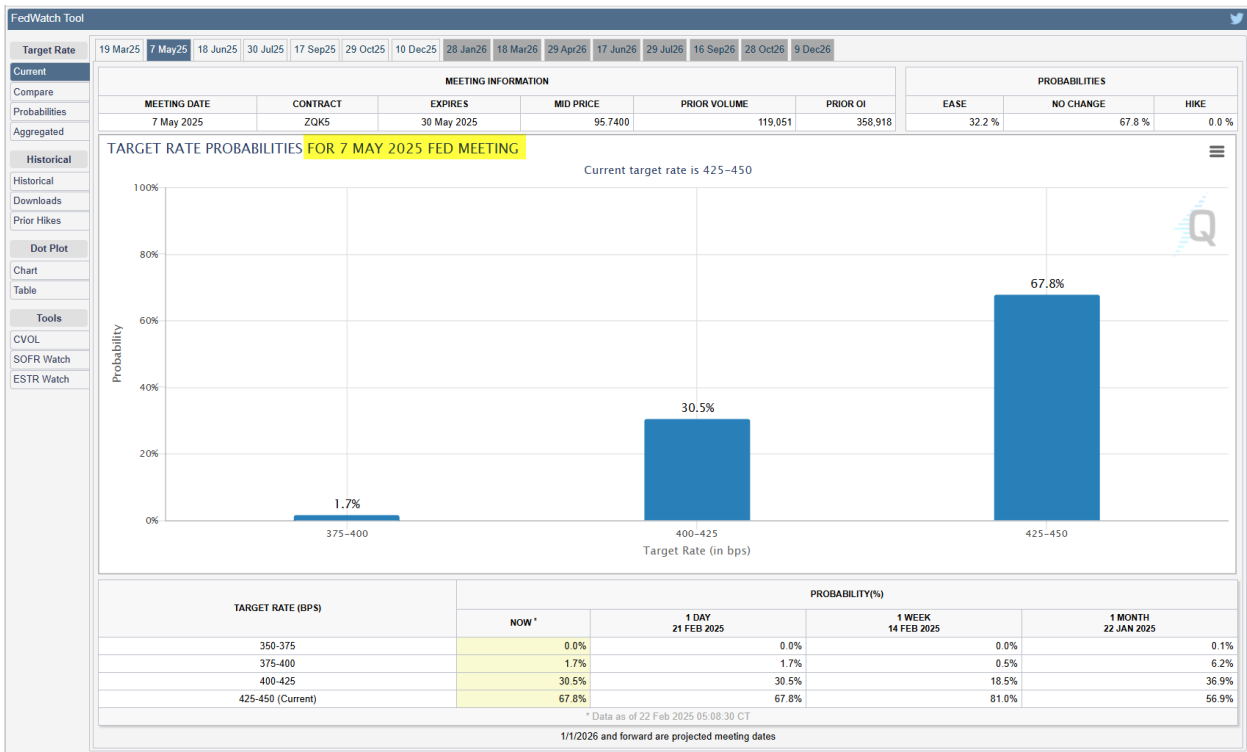
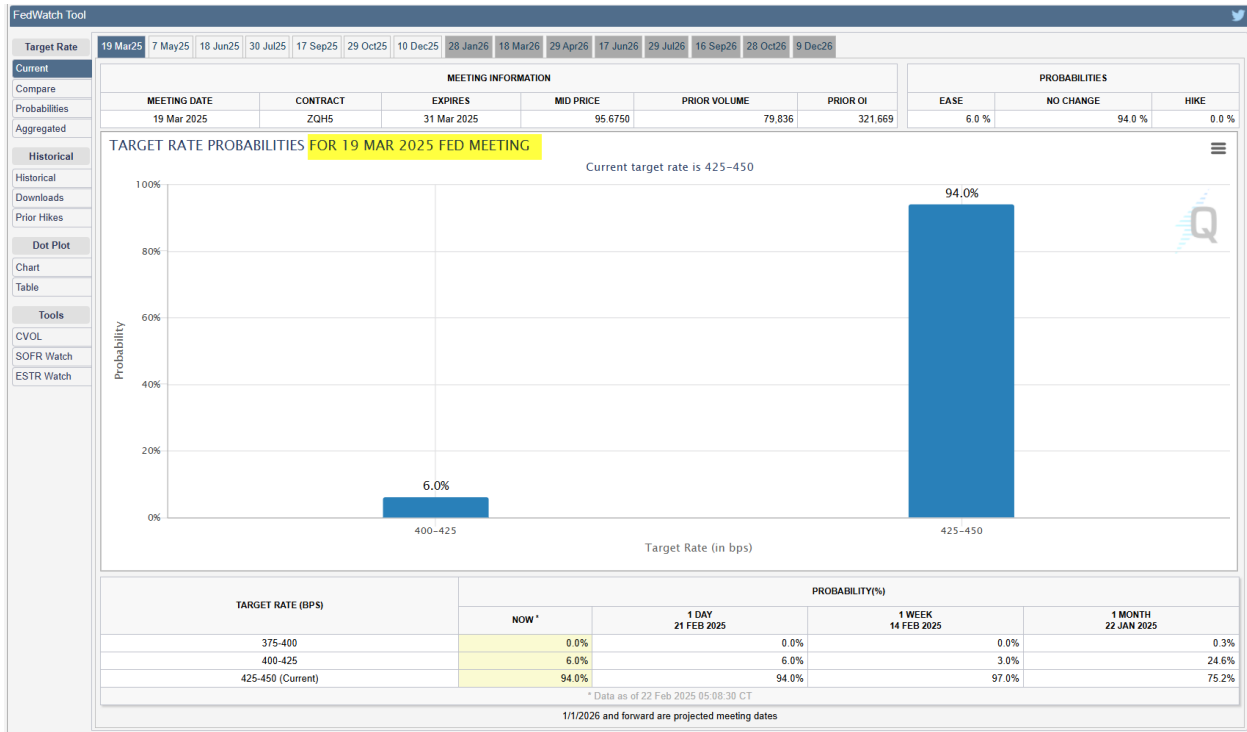
The SOMA account holdings declined by nearly \$15 billion this past week. Meanwhile, reverse repos rose by about \$5.5 billion for the week ending 2/19. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a \$20.3

billion liquidity drain. The amount of liquidity left in reverse repos is just \$73 billion as of 2/19/25. 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 just 6%. Meanwhile, May odds rose from a 16% chance that rates are lower than they are now to a 32% chance. 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 still appears 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***

**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 @ \$599.00 LIMIT ON CLOSE.** I will look to increase my position on Monday if SPY closes down a bit lower.

### **Current Open Trade Ideas**

| Symbol   | Entry Date | Entry Price | Current Price | % Gain/Loss | Notes           |
|----------|------------|-------------|---------------|-------------|-----------------|
| SPY(1/4) | 2/21/2025  | \$599.94    | \$599.94      | 0.00%       | bought on close |
|          |            |             |               |             |                 |
|          |            |             |               |             |                 |

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