

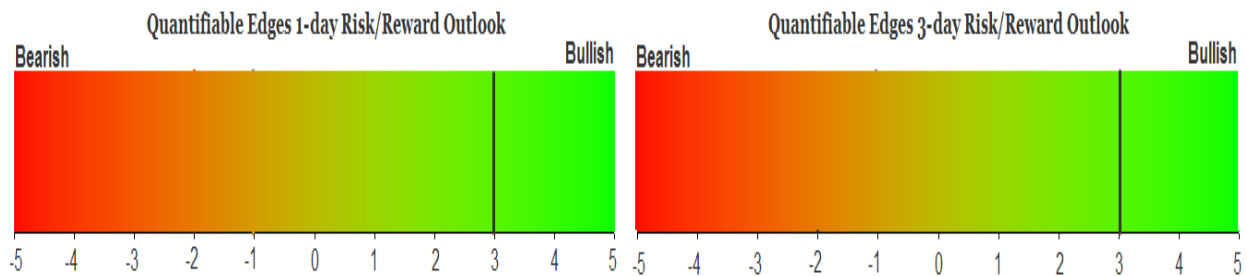
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 25, 2025

Volume 18 Issue 36

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.
- 3 down days to a 20-day low on a Monday above the 200ma have typically been followed by a bounce.
- Weak intraday closes at a 5-day low on a Monday are typically followed by a short-term move higher.

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
Active - Short Term						
February 25, 2025	Btm 10% range, 50-low on Monday	1-5 days	Bullish	2.00%	-1.00%	-2.10%
February 25, 2025	Dn 3 to 20-low on Monday > 200ma	1-4 days	Bullish	1.90%	-1.15%	-2.80%
February 25, 2025	Dn 3 from 50-high to 10-low.	1-8 days	Bullish	2.40%	-1.40%	-3.40%
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%
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			

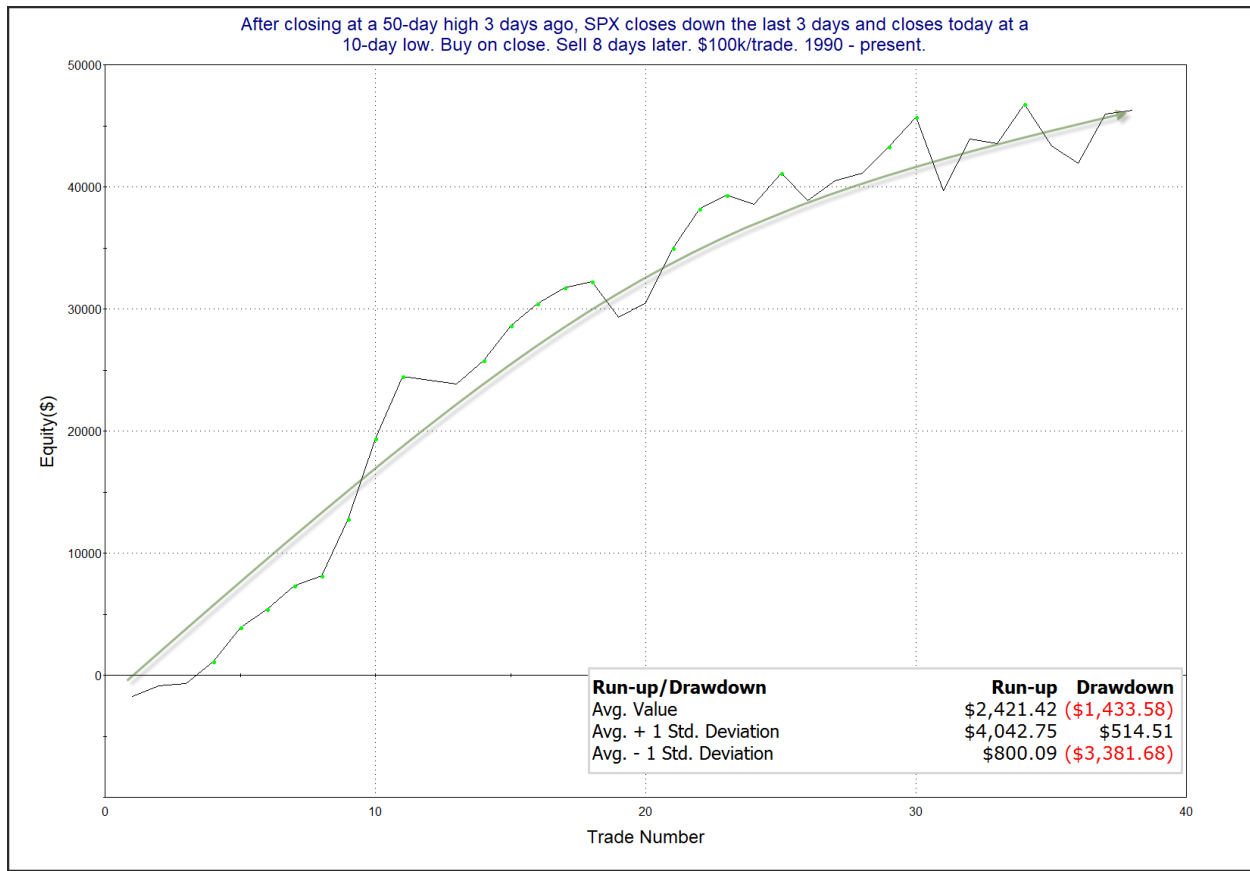
The Evidence

Monday started strong, and flirted with gains for much of the day, but a weak afternoon saw the major indices finish lower. SPX lost 0.5%, the NASDAQ fell 1.2%, and the Russell 2000 dropped 0.8%. Breadth was weak as the NYSE Up Issues % closed at 45.4% and the NYSE Up Volume % posted a 45.3% reading. NYSE total volume declined some from Friday's high level.

The decline in SPX was the 3rd day in a row in which it closed lower. Often 3-day pullbacks will trigger some bullish studies. In the 12/7/23 letter I showed a study that noted 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. I have updated that study below.

After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 - 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	23,101.54	38	23	15	60.53	7,183.08	-14,379.90	2,868.28	-2,857.92	1.00	1.54	607.94
9	34,149.34	38	25	13	65.79	6,197.04	-7,605.60	2,577.98	-2,330.79	1.11	2.13	898.67
8	46,268.46	38	28	10	73.68	6,562.98	-6,058.50	2,350.15	-1,953.58	1.20	3.37	1,217.59
7	39,254.66	38	26	12	68.42	4,736.88	-2,873.10	2,110.65	-1,301.86	1.62	3.51	1,033.02
6	29,561.57	38	23	15	60.53	3,768.08	-6,675.60	2,061.53	-1,190.25	1.73	2.66	777.94
5	29,625.05	38	23	15	60.53	3,892.40	-4,069.80	2,006.86	-1,102.18	1.82	2.79	779.61
4	24,018.69	38	26	12	68.42	3,834.96	-8,150.10	1,741.33	-1,771.32	0.98	2.13	632.07
3	18,401.41	38	27	11	71.05	4,047.12	-7,413.90	1,340.29	-1,616.96	0.83	2.03	484.25
2	17,188.31	38	26	12	68.42	2,659.44	-3,285.00	1,158.59	-1,077.91	1.07	2.33	452.32
1	11,433.40	38	25	13	65.79	2,013.60	-2,930.40	821.22	-699.77	1.17	2.26	300.88

We see here that the odds favor a bounce, and that it has often persisted up to 8 days out. Below is a look at the 8-day profit curve.



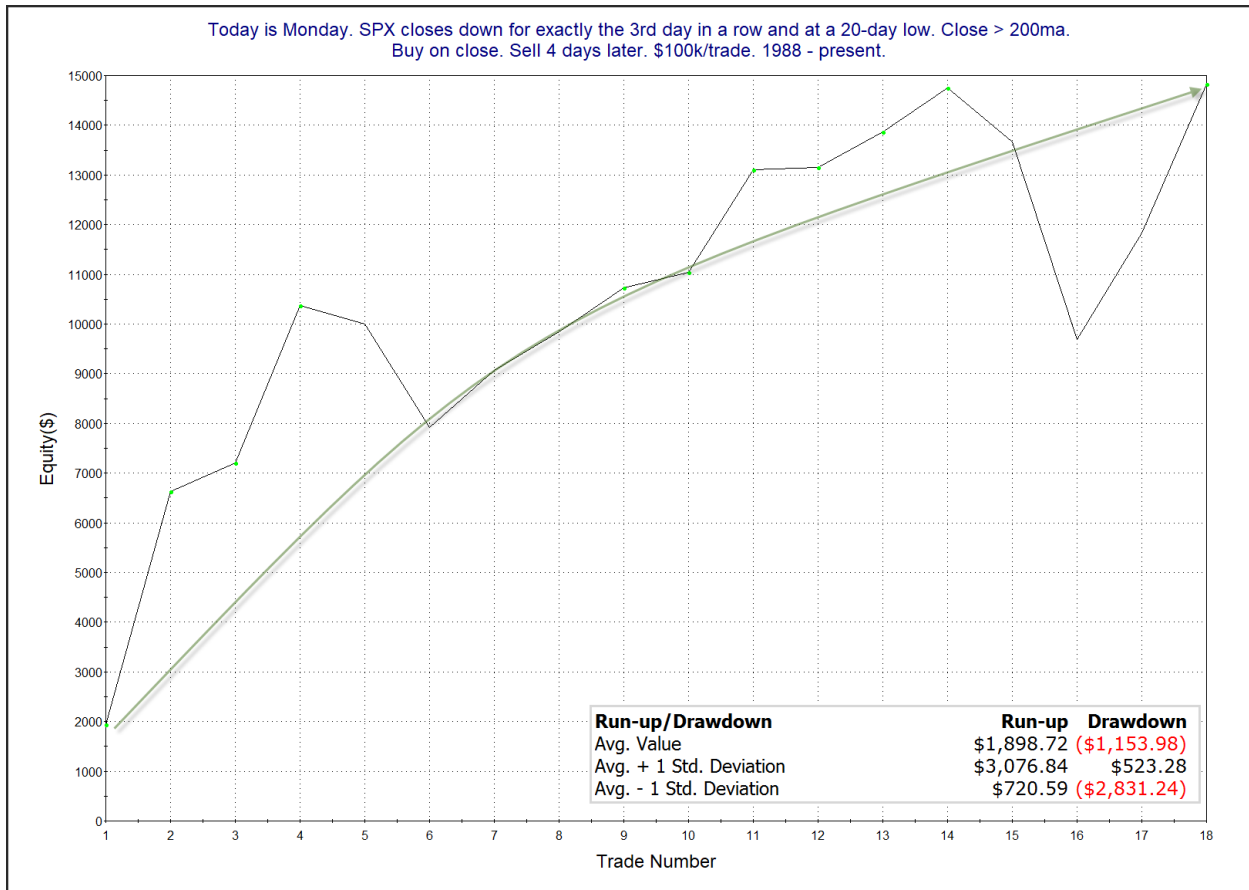
Here we see a persistent upslope. This study seems worth consideration and has been added to the short-term active list.

I've shown many times in the past that Tuesdays have a well-earned reputation for being a day when the market will often halt a decline. The next couple of studies take the Turnaround Tuesday tendency into consideration. This first one was from the 10/9/18 Letter. It combined 3 down days with a 20-day low and the Turnaround Tuesday. Results are updated.

Today is Monday. SPX closes down for exactly the 3rd day in a row and at a 20-day low. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1988 - 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	29,457.02	17	15	2	88.24	8,016.48	-4,370.70	2,339.18	-2,815.32	0.83	6.23	1,732.77
9	30,289.14	17	14	3	82.35	6,990.48	-3,966.10	2,449.87	-1,336.34	1.83	8.56	1,781.71
8	22,303.14	17	13	4	76.47	6,780.91	-3,932.10	2,310.50	-1,933.33	1.20	3.88	1,311.95
7	16,747.52	17	13	4	76.47	5,345.05	-2,557.48	1,805.85	-1,682.14	1.07	3.49	985.15
6	12,305.50	17	12	5	70.59	4,713.90	-3,496.50	1,735.30	-1,703.61	1.02	2.44	723.85
5	14,319.66	18	13	5	72.22	4,608.35	-4,543.76	1,890.15	-2,050.46	0.92	2.40	795.54
4	14,832.87	18	14	4	77.78	4,690.50	-3,988.20	1,596.97	-1,881.18	0.85	2.97	824.05
3	9,627.62	18	14	4	77.78	3,940.55	-5,306.04	1,460.08	-2,703.39	0.54	1.89	534.87
2	8,156.67	18	13	5	72.22	3,744.45	-3,357.50	1,088.38	-1,198.44	0.91	2.36	453.15
1	6,340.32	18	11	7	61.11	1,709.40	-1,692.52	856.71	-440.50	1.94	3.06	352.24

The numbers here look solid for the next couple of weeks. Below is a profit curve for the 4-day exit strategy.

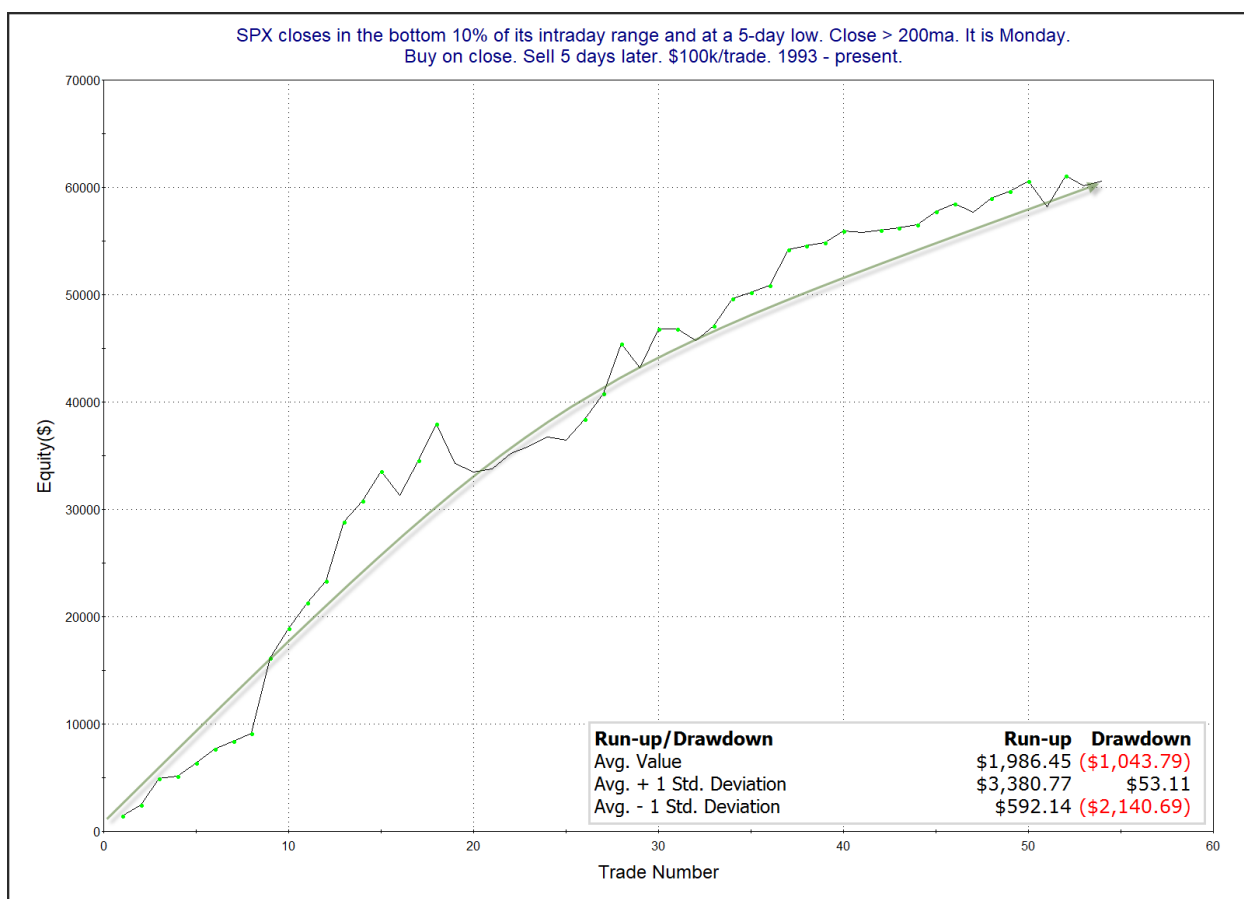


The curve is choppy, but both drawdowns were recovered quite quickly. I have added this study to the active list.

The below study looked at times SPX closed near the bottom of its intraday range and at a short-term low going into a potential Turnaround Tuesday. It is updated from the 6/25/24 letter.

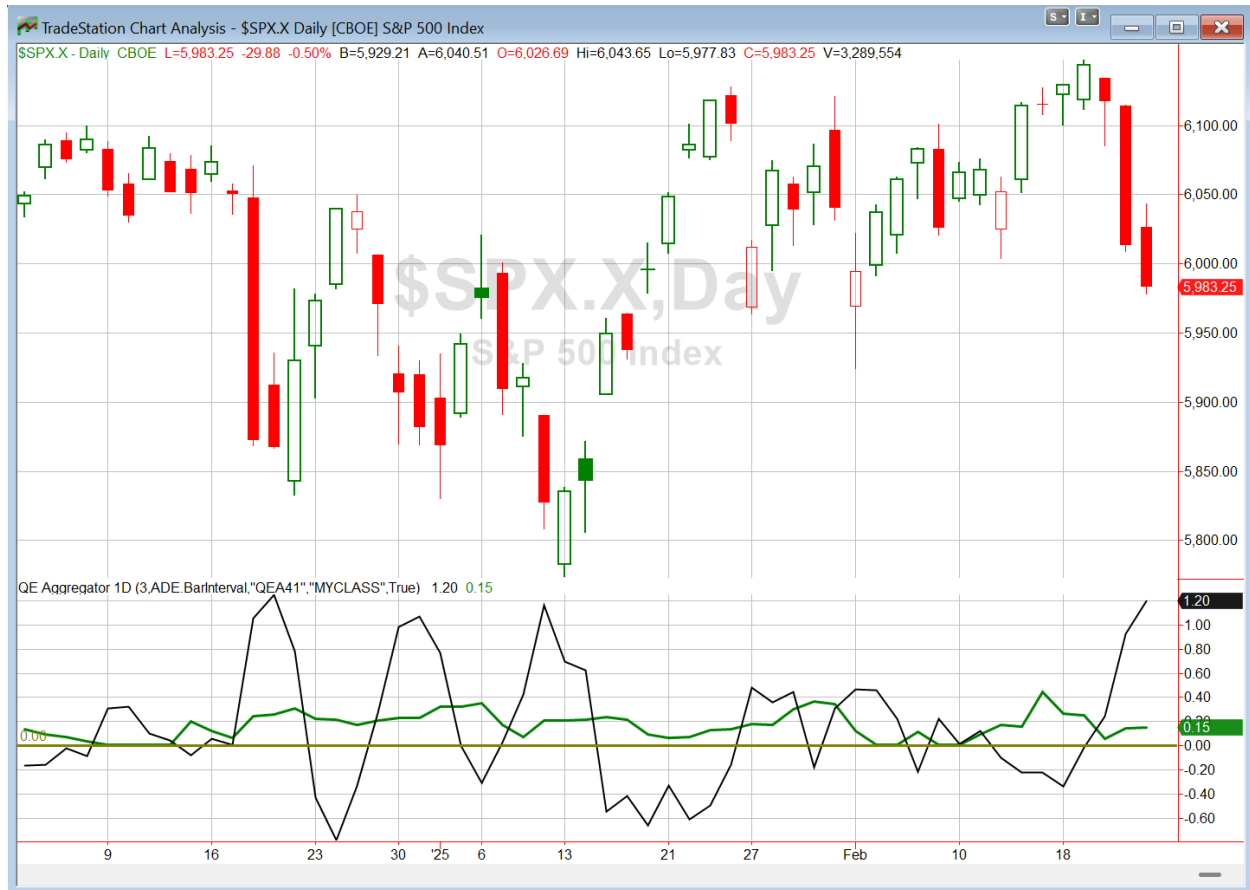
SPX closes in the bottom 10% of its intraday range and at a 5-day low. Close > 200ma. It is Monday. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	60,604.00	54	44	10	81.48	7,070.28	-3,720.99	1,712.24	-1,473.44	1.16	5.11	1,122.30
4	45,444.30	54	43	11	79.63	5,187.49	-3,019.20	1,449.39	-1,534.51	0.94	3.69	841.56
3	33,705.59	54	37	17	68.52	5,339.18	-3,515.67	1,402.30	-1,069.38	1.31	2.85	624.18
2	29,726.41	54	37	17	68.52	4,809.66	-2,261.76	1,153.18	-761.24	1.51	3.30	550.49
1	29,237.53	54	41	13	75.93	5,117.46	-1,611.03	861.34	-467.49	1.84	5.81	541.44

These numbers are quite impressive from day one. And a week out they are very strong. Below is a look at a profit curve that assumes a 5-day hold.



The strong upslope and persistent new highs serve as confirmation of the bullish edge suggested by the stats table. I have included this study on the Active List tonight.

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



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 is 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 Tuesday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 6149.90. That is a whopping 2.8% above Monday's close. I don't think we will see that large of a rally on Tuesday. It will likely take a multi-day rally or consolidation to work off the oversold condition.

So the Aggregator is again bullish. I like the long side. Reward/risk appears quite favorable for the bulls. I have a decent amount of long exposure that was taken near the close the last 2 days. Having just taken my 2nd lot at the close on Monday, I will only add to my position on Tuesday if we see another sizable drop below my last entry.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/24 – somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

META – 1/3 @ \$668.13 (buy @ limit)

Broad Market Large Cap CBI – 1(META)

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 @ \$590.00 LIMIT ON CLOSE. I will look to increase my position on Tuesday only if there is a sizable down day. Otherwise, I will see what new evidence emerges and then consider another entry on Wednesday.

META – Buy 1/3 Catapult position @ \$668.13 LIMIT. From the Catapult section above, this would be the 1st of up to 3 possible lots of META.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	2/21/2025	\$599.94	\$597.21	-0.46%	Aggregator
SPY(1/4)	2/24/2025	\$597.21	\$597.21	0.00%	Aggregator

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