

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 26, 2025

Volume 18 Issue 37

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- The gap down and weak close following a 20-day low suggest an upside edge.
- 4-day pullbacks going into a Wednesday have been strongly prone to upside reversals.

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 26, 2025	Down 4th day on Tuesday	1-6 days	Bullish	2.40%	-1.40%	-3.10%
February 26, 2025	20-Lo then Gap Dn and C < O and > 200	1-5 days	Bullish	2.55%	-1.05%	-2.15%
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

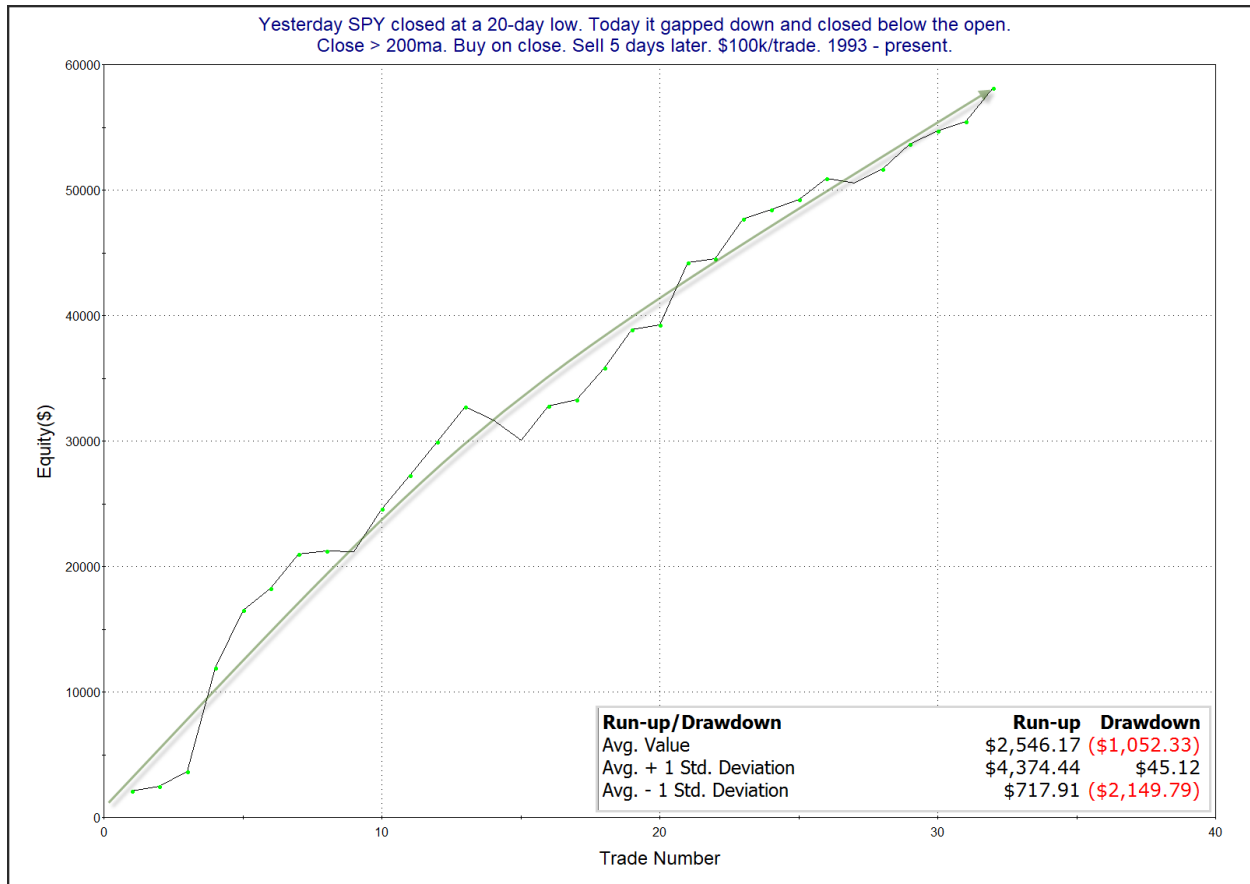
Tuesday struggled. SPX lost 0.5%, the NASDAQ fell 1.35%, and the Russell 2000 dropped 0.4%. Breadth was mixed as the NYSE Up Issues % closed at 59% and the NYSE Up Volume % posted a 46% reading. NYSE total volume declined some from Monday’s level.

SPY was also already oversold before Friday’s action. Friday saw it gap down from a 20- day low the day before and then continue the selling. This triggered the below study, from the 4/22/24 letter. Results are updated.

Yesterday SPY closed at a 20-day low. Today it gapped down and closed below the open. 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	58,119.93	32	28	4	87.50	8,239.74	-1,594.30	2,183.10	-751.75	2.90	20.33	1,816.25
4	45,171.19	32	26	6	81.25	5,581.02	-3,255.65	1,953.33	-935.90	2.09	9.04	1,411.60
3	36,970.81	32	22	10	68.75	4,348.05	-2,421.25	2,068.66	-853.98	2.42	5.33	1,155.34
2	27,727.68	33	19	14	57.58	5,477.88	-1,643.62	1,947.04	-661.86	2.94	3.99	840.23
1	19,814.24	38	25	13	65.79	5,764.38	-3,000.80	1,206.95	-796.89	1.51	2.91	521.43

The only instance NOT to close above the entry price at some point in the next week triggered on 5/14/12.

Results here appear consistent and powerful. Below is a look at the profit curve assuming a 5-day holding period.



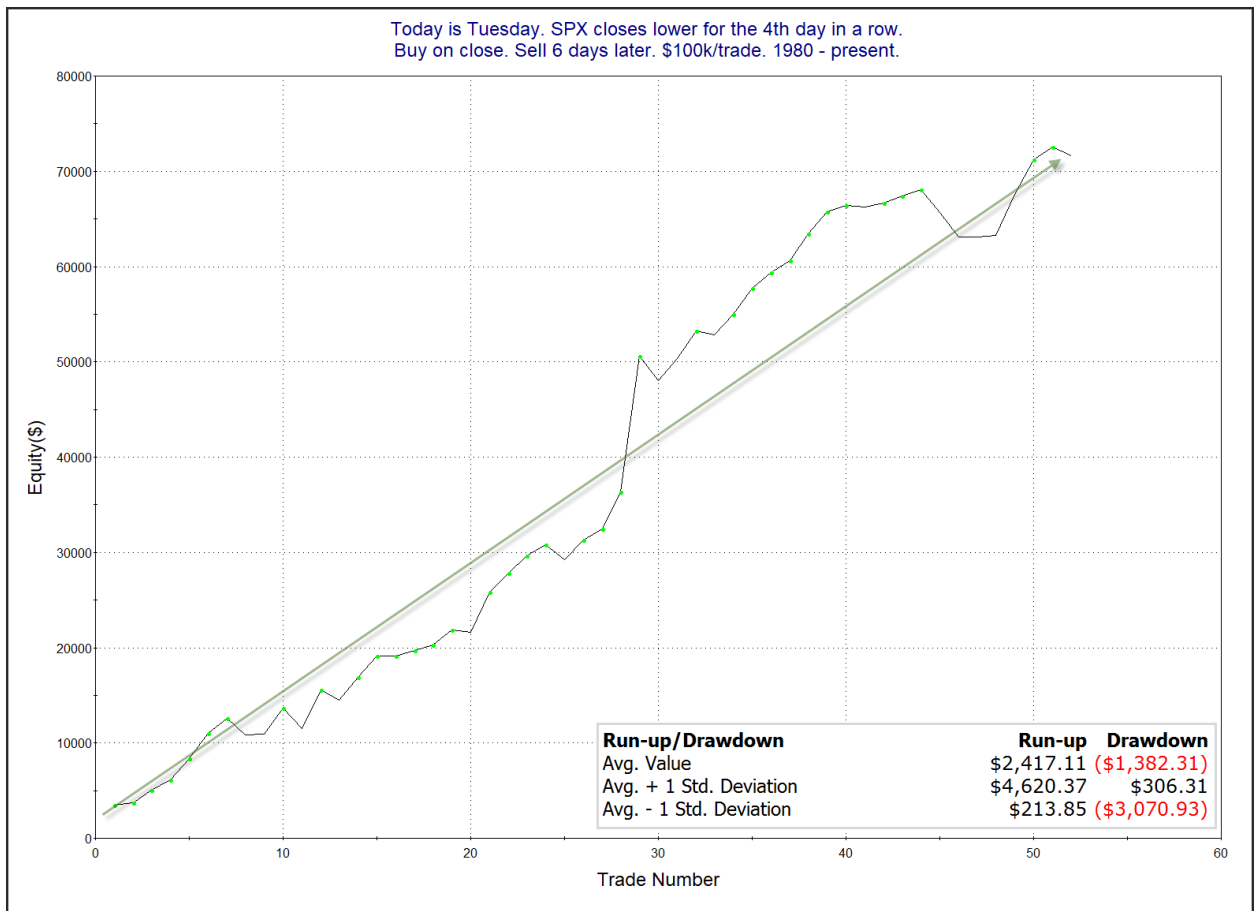
The strong, steady upslope is impressive. It serves as some confirmation of the bullish edge. I have included this study on the Active List tonight.

Last night I showed some Turnaround Tuesday studies that suggested a bounce was likely to start on Tuesday. That didn't happen. Historically, when there hasn't been a close higher on Tuesday after a 3-day pullback, what does that mean for Wednesday and beyond? The test below is updated from the 11/14/18 Letter and it answers that question.

Today is Tuesday. SPX closes lower for the 4th day in a row.
Buy on close. Sell X days later. \$100k/trade. 1980 - present.

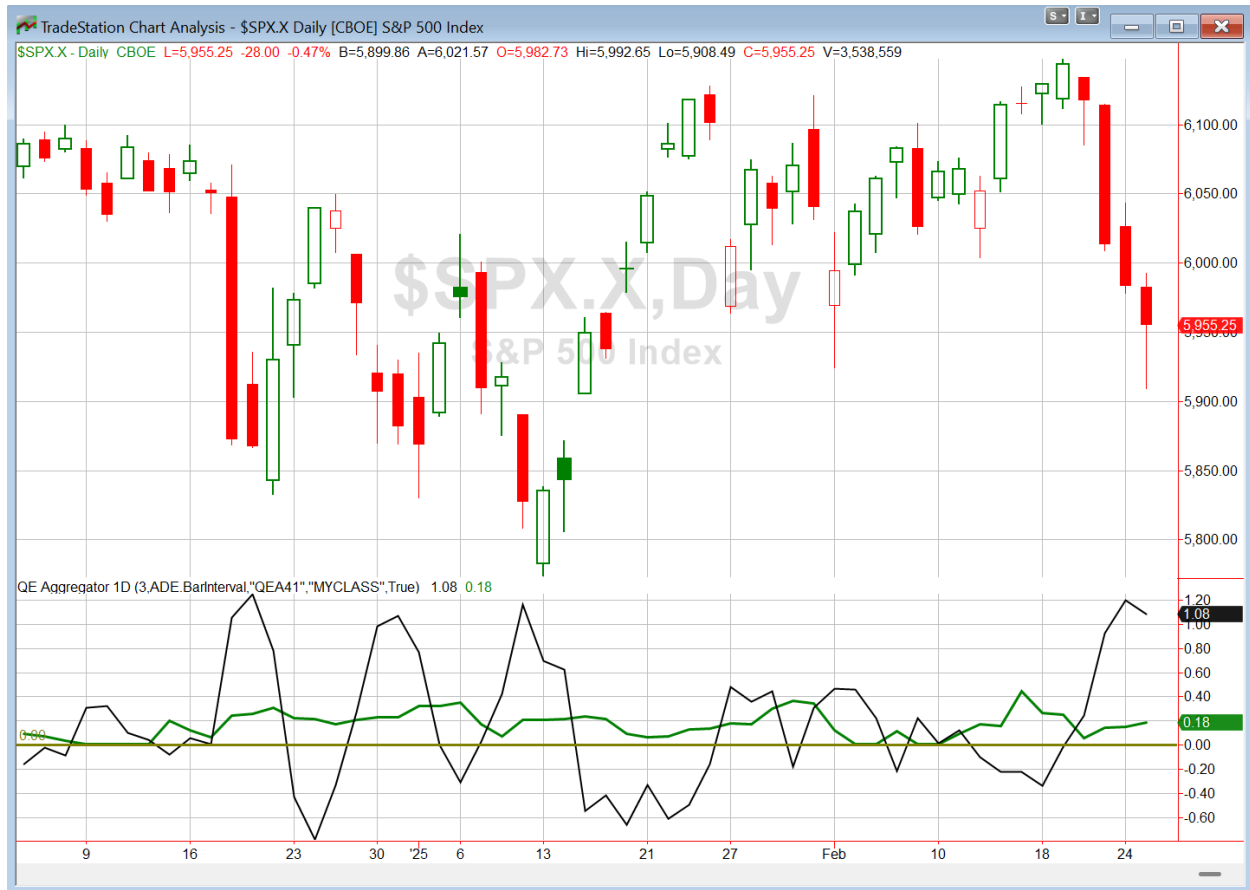
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	57,868.34	52	38	14	73.08	7,840.93	-7,625.38	2,368.97	-2,296.61	1.03	2.80	1,112.85
9	52,203.61	52	40	12	76.92	6,681.04	-11,831.15	2,180.22	-2,917.10	0.75	2.49	1,003.92
8	71,170.51	52	39	13	75.00	8,317.50	-4,831.04	2,435.46	-1,831.73	1.33	3.99	1,368.66
7	66,705.74	52	38	14	73.08	10,870.00	-4,817.12	2,418.09	-1,798.69	1.34	3.65	1,282.80
6	71,624.45	52	41	11	78.85	14,240.00	-2,605.12	2,133.03	-1,439.06	1.48	5.52	1,377.39
5	55,620.42	52	37	15	71.15	13,135.00	-3,870.04	2,112.16	-1,501.98	1.41	3.47	1,069.62
4	50,664.32	52	36	16	69.23	12,657.50	-4,495.68	2,033.29	-1,408.38	1.44	3.25	974.31
3	35,081.18	52	36	16	69.23	6,892.50	-5,393.69	1,594.24	-1,394.47	1.14	2.57	674.64
2	14,939.48	52	33	19	63.46	5,122.50	-5,166.98	1,068.11	-1,068.85	1.00	1.74	287.30
1	16,513.66	52	32	20	61.54	5,716.25	-3,218.44	905.18	-622.60	1.45	2.33	317.57

Results here have been very strong over a long period. Below is a profit curve using a 6-day exit strategy.



It seems the “Turnaround Tuesday Failure” is likely a temporary setback.

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 Wednesday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 6039.89. That is 1.4% above Tuesday's close. So SPX will need to close up over 1.4% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish. I like the long side. Reward/risk still appears favorable for the bulls. I have a decent amount of long exposure already. I may look to add to it if there is additional selling on Wednesday.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

META – 1/3 @ \$668.13 (bought @ limit)

New

META – 1/3 @ \$657.50 (buy @ limit)

JPM – 1/3 @ \$257.40 (buy @ limit)

Broad Market Large Cap CBI – 3(META-2, JPM)

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 @ \$592.00 LIMIT ON CLOSE. I will look to increase my position on Wednesday if there is a decent sized down day.

JPM – Buy 1/3 Catapult position @ \$257.40 LIMIT. From the Catapult section above, this would be the 1st of up to 3 possible lots of JPM.

META – Buy 1/3 Catapult position @ \$657.50 LIMIT. From the Catapult section above, this would be the 2nd 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	\$594.24	-0.95%	Aggregator
SPY(1/4)	2/24/2025	\$597.21	\$594.24	-0.50%	Aggregator
META(1/3)	2/25/2025	\$665.97	\$657.50	-1.27%	Catapult

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