

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 24, 2025

Volume 18 Issue 55

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	5

Tonight's Research Points

- Such negative breadth on an up day has been rare but has normally led to at least a brief pullback in the past.
- Seasonality should improve the next several weeks.
- The SOMA declined, but QT will be less of a factor starting in April.

Short-term Outlook

The Bottom Line

The Aggregator is has changed to neutral with short-term evidence pointing lower and the SPX currently short-term oversold.

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						
March 24, 2025	SPX up < 200. Up vol % and Up Iss % < 40.	1-4 days	Bearish	-3.20%	1.40%	2.30%
Active - Long Term						
March 3, 2025	21-day low close yest. Up close on a Friday.	1-25 days	Bullish	5.40%	-3.80%	-8.80%
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

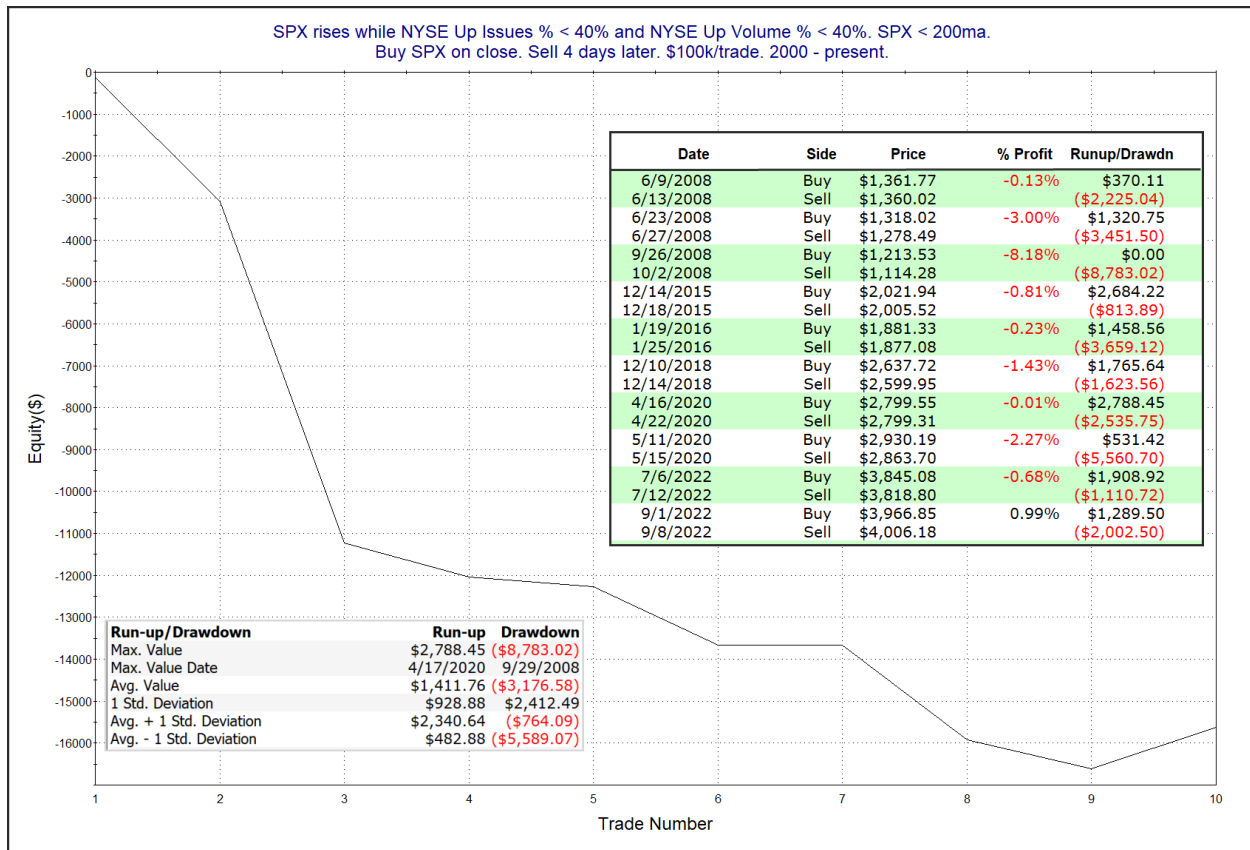
The market gapped down to start the day on Friday, but by the end of the day, the indices were mixed. SPX gained 0.1%, the NASDAQ rose 0.5%, and the Russell 2000 declined 0.6%. Breadth was weak as the NYSE Up Issues % closed at 34.8% and the NYSE Up Volume % posted a 35.4% reading. NYSE total volume spiked very high with quarterly options expiration occurring.

The divergence between breadth and the big-cap indices was the most remarkable thing about Wednesday’s action. It is very rare to see such negative breadth numbers on a day where the SPX rises. This triggered a plethora of studies related to breadth divergences. The most compelling of these studies was from the 5/19/16 subscriber letter. It looked at times when the SPX was in a long-term downtrend and it closed higher on a day that both the NYSE Up Issues % and Up Volume % closed < 40%. I have updated the results below.

SPX rises while NYSE Up Issues % < 40% and NYSE Up Volume % < 40%. SPX < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - 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	-32,290.34	10	5	5	50.00	3,950.80	-25,773.42	2,588.90	-9,046.97	0.29	0.29	-3,229.03
9	-29,941.49	10	5	5	50.00	4,898.60	-24,896.02	2,581.88	-8,570.18	0.30	0.30	-2,994.15
8	-23,560.12	10	4	6	40.00	3,122.23	-18,744.38	1,973.24	-5,242.18	0.38	0.25	-2,356.01
7	-22,140.71	10	5	5	50.00	2,762.55	-17,818.60	1,470.73	-5,898.87	0.25	0.25	-2,214.07
6	-15,363.74	10	4	6	40.00	3,589.00	-12,844.48	1,452.74	-3,529.12	0.41	0.27	-1,536.37
5	-12,463.58	10	3	7	30.00	2,512.75	-9,372.60	1,500.38	-2,423.53	0.62	0.27	-1,246.36
4	-15,627.41	10	1	9	10.00	983.25	-8,138.50	983.25	-1,845.63	0.53	0.06	-1,562.74
3	-9,981.65	10	5	5	50.00	1,355.21	-4,302.54	675.14	-2,671.47	0.25	0.25	-998.17
2	-6,119.64	10	5	5	50.00	2,505.37	-3,867.94	1,106.74	-2,330.67	0.47	0.47	-611.96
1	-8,440.35	10	3	7	30.00	2,625.35	-8,783.02	1,724.47	-1,944.82	0.89	0.38	-844.04

All 10 instances closed below the entry price at some point in the next 4 days.

Results appear quite bearish. Below is a profit curve assuming a 4-day holding period.



The curve here has headed lower on a persistent basis. And reward/risk stats are especially notable. The Average Drawdown is 2.25x the size of the Avg Run-Up. Also, the *Avg Drawdown* is larger than the *largest* run-up. So despite the low number of instances, this study seems worthy of consideration. I'll also note that this was not the only study that looked at the bad breadth on the move higher. There were others that had broader criteria and more instances that also suggested bearish implications. This was simply the most compelling and best represented the current situation. So it is the one I featured and added to the active list.

Next let's take a look at the Seasonality Calendar for the rest of the month.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
3/3/2025	57.49	1.585	0.161
3/4/2025	50.03	1.043	0.016
3/5/2025	55.14	1.305	0.094
3/6/2025	51.23	1.050	0.024
3/7/2025	52.68	1.170	0.066
3/10/2025	52.19	0.929	-0.076
3/11/2025	51.19	1.046	-0.038
3/12/2025	52.40	0.925	-0.071
3/13/2025	51.54	0.891	-0.084
3/14/2025	52.01	1.123	-0.020
3/17/2025	56.85	1.096	0.020
3/18/2025	52.13	1.285	0.061
3/19/2025	48.75	0.903	-0.042
3/20/2025	49.83	0.941	-0.028
3/21/2025	46.74	0.828	-0.074
3/24/2025	51.84	1.163	0.063
3/25/2025	50.60	1.139	0.058
3/26/2025	50.87	1.200	0.078
3/27/2025	51.73	1.231	0.086
3/28/2025	50.52	1.075	0.039
3/31/2025	55.72	1.200	0.061
Baseline	53.85	1.139	0.047

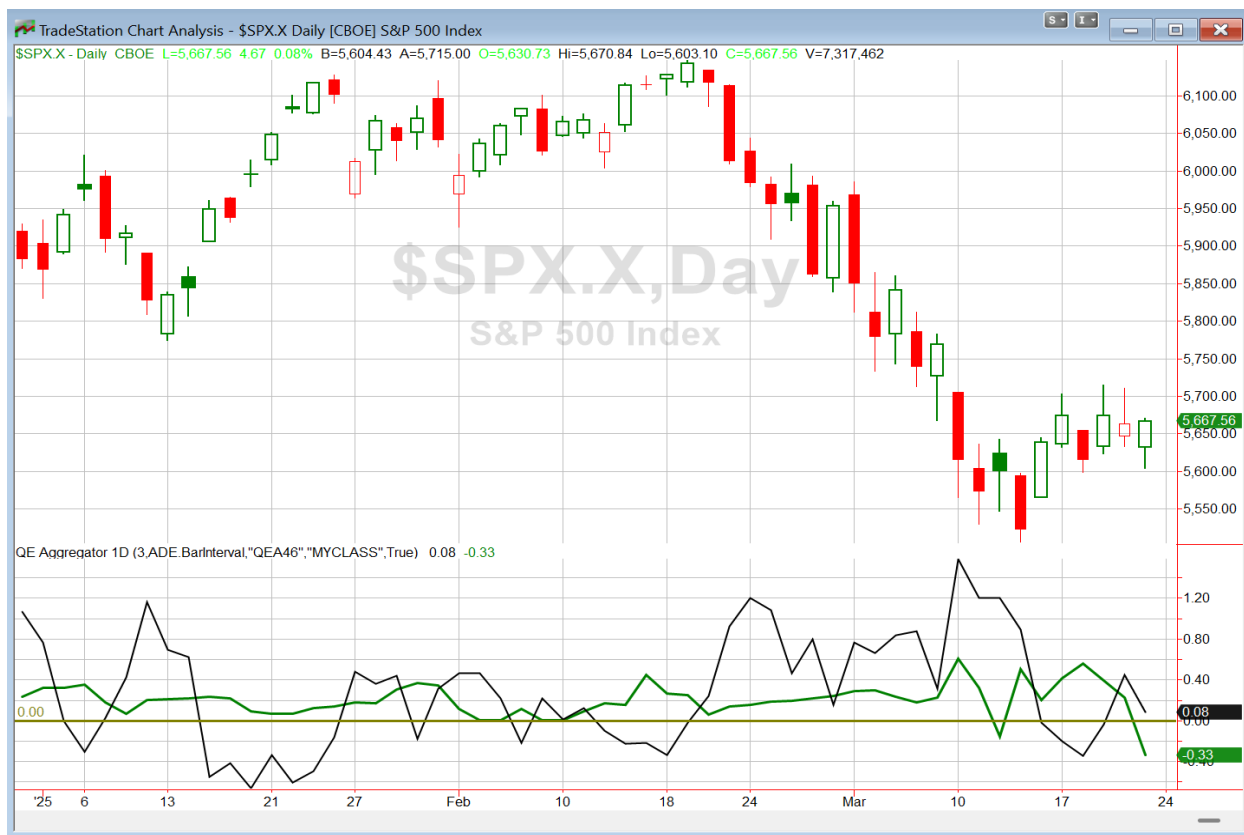
We have made it through the tough patch during the middle two weeks of March. This upcoming week does appear seasonally bullish and could provide bulls an opportunity to make a move higher.

I also ran the preliminary numbers for April.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
4/1/2025	56.57	1.326	0.079
4/2/2025	59.32	1.412	0.120
4/3/2025	54.25	1.097	0.031
4/4/2025	56.79	1.283	0.094
4/7/2025	57.46	1.682	0.181
4/8/2025	54.50	1.572	0.140
4/9/2025	56.46	1.460	0.111
4/10/2025	54.45	1.378	0.080
4/11/2025	56.00	1.689	0.170
4/14/2025	51.75	1.012	-0.003
4/15/2025	53.18	1.455	0.114
4/16/2025	53.06	1.167	0.037
4/17/2025	50.63	1.171	0.025
4/18/2025	49.21	1.093	-0.008
4/21/2025	57.34	1.130	0.043
4/22/2025	52.34	1.106	0.035
4/23/2025	52.44	1.201	0.064
4/24/2025	55.98	1.220	0.068
4/25/2025	55.29	1.094	0.031
4/28/2025	53.01	1.013	-0.004
4/29/2025	51.67	1.000	-0.007
4/30/2025	52.62	1.078	0.019
Baseline	53.89	1.134	0.046

April numbers look quite a bit more bullish than March overall. Early April has historically shown especially strong returns. So the next few weeks look seasonally positive for the bulls.

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



With this weekend's evidence considered, the green Aggregator Line dropped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line remained above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain negative on Monday. This could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be 5753.22. That is 1.5% above Friday's close. So SPX will need to close up at least 1.5% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is neutral. The negative breadth that accompanied the weak bounce on Friday could be an issue. Meanwhile, the CBI has not yet made it back to fully neutral, so there could still be further for this bounce to go. But it has been a full week since it peaked at 10. So the oversold breadth condition that was present then is no longer present and is losing impact. I still have some long index exposure, but I will be looking to exit that if I can get a favorable fill on Monday. I will then look to see what new evidence emerges and how the market sets up before considering my next position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/24 – neutral

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.*

After closing down four weeks in a row, the stock indices had very mild bounces this past week. The SPX gained 0.5%, the NASDAQ rose 0.2%, and the Russell 2000 climbed 0.6%. Bonds rose. The US Aggregate Bond ETF (AGG) gained 0.5%. TLT, the 20-year Treasury Bond ETF, rallied 0.6%. The long-term trend is not encouraging. The major indices remain below their long-term moving averages. Also notable, but not necessarily a negative, was that the Russell 2000 had a death cross on Thursday. I spoke about this in Thursday night's letter and have copied that commentary below.

A Russell "Death Cross" occurred on Thursday. A "Death Cross" is a catchy (though not terribly accurate) term for when the 50-day moving average of a security cross below its 200-day moving average. It is sometimes promoted as a warning of a potential bear market. Of course all bear markets will see this happen at some point, because a bear market is an extended decline. But the real question when considering the implications of the Death Cross are whether it serves any value in predicting a more substantial decline. In the past I did an examination of previous Russell Death Crosses, and what they meant for the S&P 500. I have updated that study from the 10/16/23 letter below.

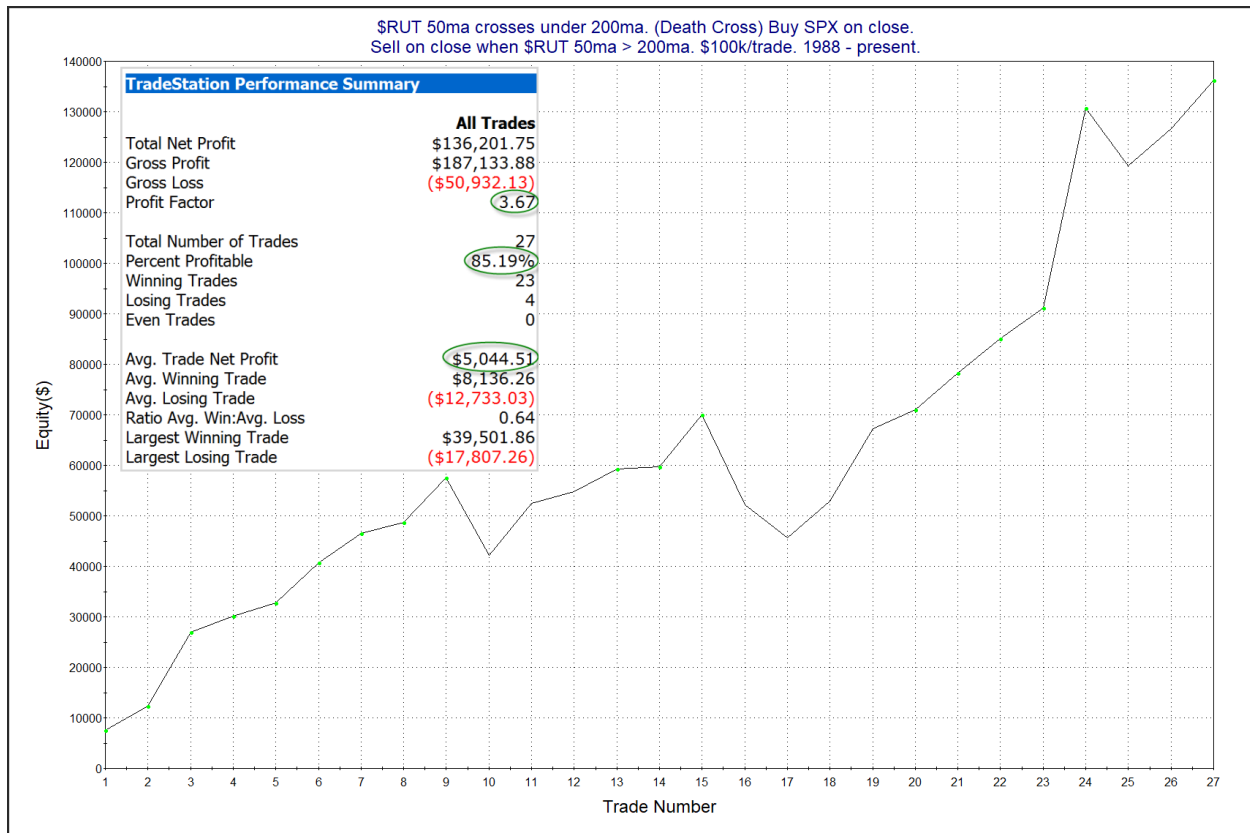
Both of my data sources show Russell data back to late 1987. And since I need 200 days to calculate a 200-day moving average, the earliest the study could look back to was 1988.

Here is the list of all Russell Death Crosses and how the SPX performed from the time of the initial cross until the Russell Death Cross was no longer in effect (meaning the 50-day moving average closed back above the 200-day moving average).

\$RUT 50ma crosses under 200ma. (Death Cross) Buy SPX on close.
 Sell on close when \$RUT 50ma > 200ma. \$100k/trade. 1988 - present.

Date	Side	Price	% Profit	Runup/Drawn
12/13/1988	Buy	\$276.31	7.52%	\$7,949.22
2/1/1989	Sell	\$297.09		(\$902.50)
12/18/1989	Buy	\$343.68	4.79%	\$7,279.00
7/3/1990	Sell	\$360.15		(\$6,916.50)
8/17/1990	Buy	\$327.83	14.66%	\$15,805.10
3/7/1991	Sell	\$375.89		(\$10,162.60)
7/17/1992	Buy	\$415.62	3.26%	\$3,307.20
11/25/1992	Sell	\$429.18		(\$4,516.80)
5/23/1994	Buy	\$453.20	2.58%	\$5,365.80
10/21/1994	Sell	\$464.89		(\$2,941.40)
11/25/1994	Buy	\$452.29	7.95%	\$8,154.90
2/24/1995	Sell	\$488.26		(\$2,079.61)
9/3/1996	Buy	\$654.73	5.81%	\$6,093.68
10/3/1996	Sell	\$692.78		(\$887.68)
5/16/1997	Buy	\$829.75	2.23%	\$2,654.40
5/30/1997	Sell	\$848.28		(\$400.80)
7/30/1998	Buy	\$1,142.86	8.83%	\$12,247.86
2/8/1999	Sell	\$1,243.77		(\$19,101.72)
9/29/2000	Buy	\$1,436.48	-15.46%	\$1,265.46
6/15/2001	Sell	\$1,214.36		(\$24,515.01)
9/17/2001	Buy	\$1,038.77	10.28%	\$13,267.20
1/11/2002	Sell	\$1,145.60		(\$9,025.92)
7/15/2002	Buy	\$917.93	2.33%	\$5,083.56
5/14/2003	Sell	\$939.28		(\$16,120.08)
8/5/2004	Buy	\$1,080.70	4.61%	\$5,644.20
11/2/2004	Sell	\$1,130.56		(\$1,838.16)
5/25/2005	Buy	\$1,190.01	0.37%	\$2,484.72
7/1/2005	Sell	\$1,194.44		(\$143.64)
7/21/2006	Buy	\$1,240.29	10.35%	\$10,606.40
10/20/2006	Sell	\$1,368.60		\$0.00
9/5/2007	Buy	\$1,472.29	-18.05%	\$6,954.60
9/18/2008	Sell	\$1,206.51		(\$22,698.93)
10/8/2008	Buy	\$984.94	-6.47%	\$5,996.37
6/19/2009	Sell	\$921.23		(\$32,133.15)
7/28/2010	Buy	\$1,106.13	7.19%	\$8,100.90
10/25/2010	Sell	\$1,185.62		(\$5,978.70)
8/12/2011	Buy	\$1,178.81	14.52%	\$14,463.96
2/8/2012	Sell	\$1,349.96		(\$8,739.36)
9/22/2014	Buy	\$1,994.29	3.83%	\$4,259.00
12/19/2014	Sell	\$2,070.65		(\$8,681.50)
9/2/2015	Buy	\$1,948.86	7.25%	\$8,548.62
5/26/2016	Sell	\$2,090.10		(\$7,076.76)
11/14/2018	Buy	\$2,701.58	6.75%	\$9,344.35
5/7/2019	Sell	\$2,884.05		(\$13,135.00)
10/3/2019	Buy	\$2,910.63	6.23%	\$6,527.32
11/12/2019	Sell	\$3,091.84		(\$610.98)
3/19/2020	Buy	\$2,409.39	39.99%	\$40,118.50
8/14/2020	Sell	\$3,372.85		(\$8,918.73)
1/19/2022	Buy	\$4,532.76	-11.40%	\$2,299.88
1/25/2023	Sell	\$4,016.22		(\$22,905.96)
4/21/2023	Buy	\$4,133.52	7.40%	\$7,799.04
7/11/2023	Sell	\$4,439.26		(\$2,045.76)
10/13/2023	Buy	\$4,327.78	9.59%	\$10,706.96
1/2/2024	Sell	\$4,742.83		(\$5,152.00)

Twenty-three winners. Only four losers. So 85% of the “predictions” were wrong. The biggest winner of the group came in 2020. The most recent instance, from late 2023, saw a nice rally to close out that year. Here is a look at the summary stats and a profit curve for this setup.



I am having a hard time seeing the Russell 2000 Death Cross as a bearish indication. You would have a much easier time convincing me this is a bullish indication for the intermediate-term. (I don't really view it as bullish though. Drawdowns were generally sizable, even for a good portion of the “winners”.)

The Fed posted the latest update to the SOMA holdings on Thursday. It can be found below.

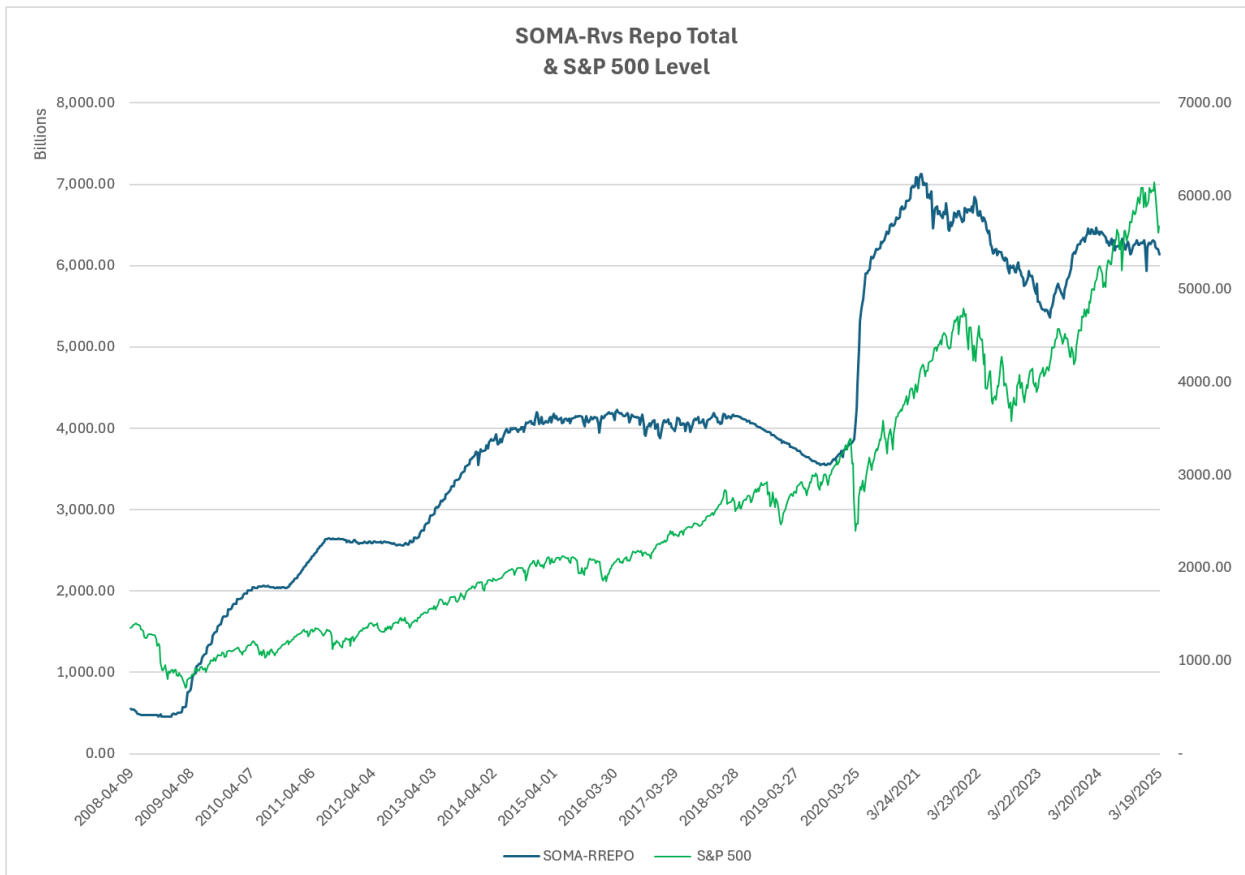
Domestic Security Holdings as of

◀ Previous **March 19, 2025** 📅
 Posted March 20, 2025 at 4:30 PM

SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

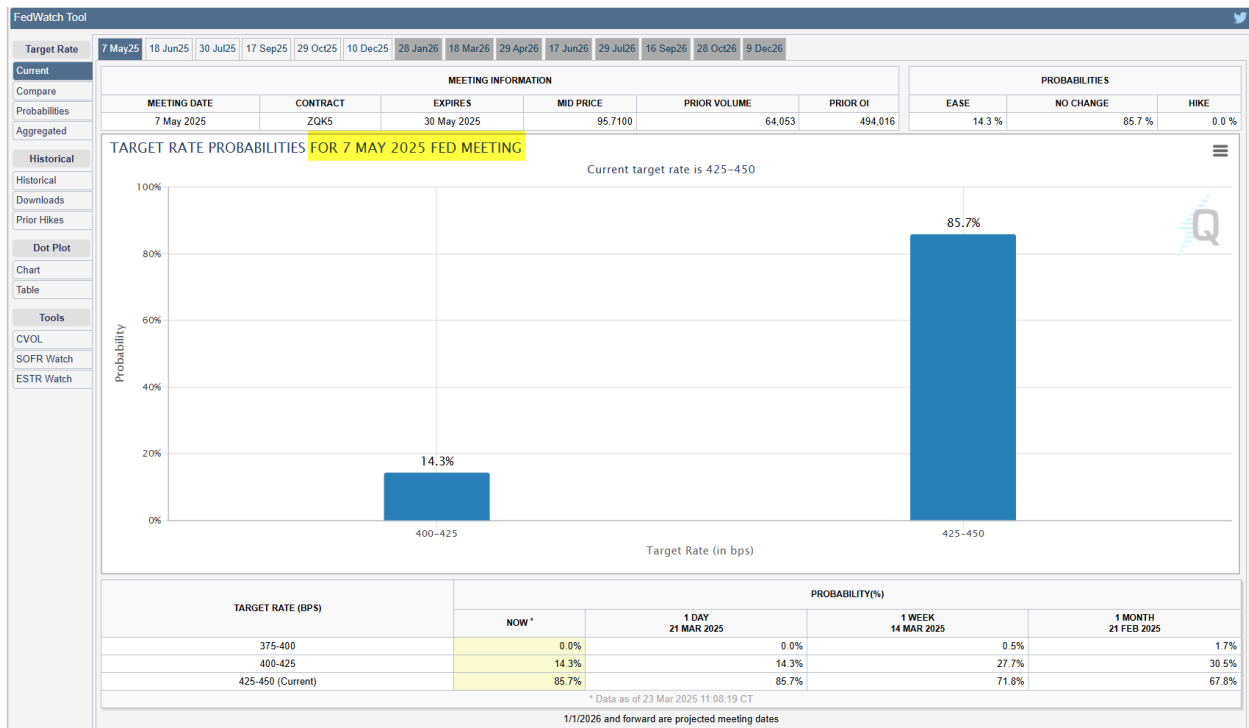
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,342,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,601,220,405.9
US Treasury Floating Rate Notes (FRNs)	10,820,651.2
US Treasury Inflation-Protected Securities (TIPS)*	320,911,678.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,195,243,072.9
Agency Commercial Mortgage-Backed Securities***	8,014,397.9
Total SOMA Holdings	6,333,900,132.7
Change From Prior Week	-6,099,117.8

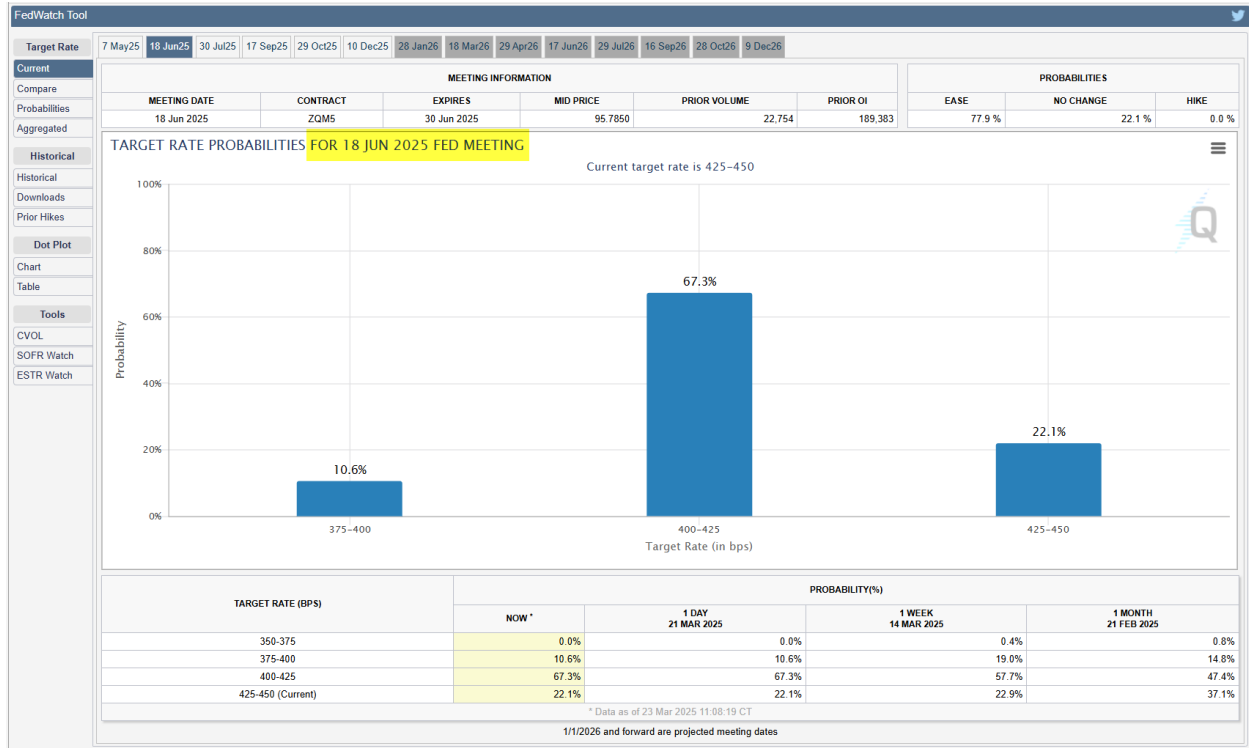
The SOMA account holdings declined \$6 billion this past week. Meanwhile, reverse repos increased by a very sizable \$62 billion for the week ending 3/19. A rise in reverse repos can act as a liquidity reduction. Combined for the week, SOMA and reverse repo action accounted for an \$68 billion liquidity drain. 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. And the Fed announced on Wednesday that QT will be lowered substantially starting in April. So the headwind may not be more than just a gentle breeze. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this helped provide fuel for that 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 May dropped to just 14%. Meanwhile, June odds suggest a sizable 78% chance that rates will be lower than current. 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.

I am still not seeing strongly bullish intermediate-term evidence. There are a few intermediate-term studies that give some hope. The long-term trend is in doubt with the indices all below their long-term moving averages. We are still in the best 6 months of the year from a Seasonality standpoint. Fed policy is basically neutral. There are plenty of potential triggers that could cause a market shock and lots of economic and government policy uncertainty. At this point, I remain unenthused by either the bull or bear case for the intermediate-term. I will continue approaching both long and short trades somewhat conservatively.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

SBUX – 1/3 @ \$101.13 (bought @ limit)

SBUX – 1/3 @ \$96.04 (buy @ limit) – not filled – cancel for now

ACN – 1/3 @ \$324.33 (bought @ limit)

ACN – 1/3 @ \$324.33 (bought @ limit)

ABT – 1/3 @ \$126.71(bought @ limit)

Broad Market Large Cap CBI – 5(SBUX-2, ACN-2, ABT)

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 tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	3/4/2025	\$579.71	\$565.68	-2.42%	<i>*div adjusted - see note below</i>
SBUX(1/3)	3/11/2025	\$101.13	\$97.07	-4.01%	Catapult
ACN(1/3)	3/13/2025	\$323.69	\$305.32	-5.68%	Catapult
ACN(1/3)	3/14/2025	\$316.41	\$305.32	-3.50%	Catapult
META(1/3)	3/14/2025	\$600.00	\$596.25	-0.63%	<i>sell on open</i>
META(1/3)	3/14/2025	\$600.00	\$596.25	-0.63%	<i>sell on open</i>
ABT(1/3)	3/17/2025	\$126.71	\$126.34	-0.29%	Catapult

The actual close for SPY was \$563.98, but it went ex-div for \$1.70. I will look to exit my SPY position @ \$564.00 LIMIT – so basically any tick higher than Friday’s close.

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