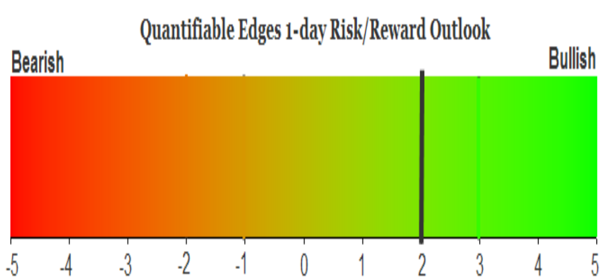
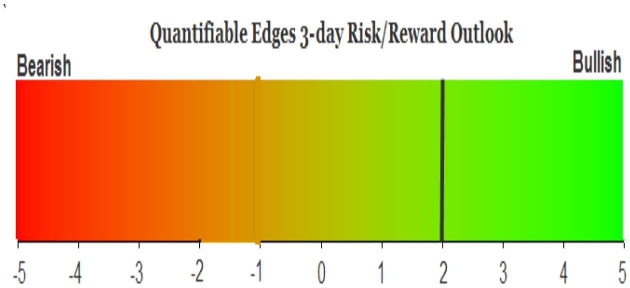
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2025 Volume 18 Issue 60

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- The week after the 4th Friday in March has historically shown bullish tendencies.
- The 1st 5-day low in at least 2 weeks during a downtrend is often followed by a short-term bounce.
- SOMA and reverse repo action caused a liquidity drain this past week. We could see a liquidity infusion in early April.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. The market is short-term oversold and there appear to be some upside edges.

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 31, 2025	1st 5-low in 10 days < 200	1-3 days	Bullish	2.40%	-1.40%	-3.20%
March 31, 2025	Week after 4th Fri in March bullish	1-5 days	Bullish	2.10%	-1.00%	-2.20%
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

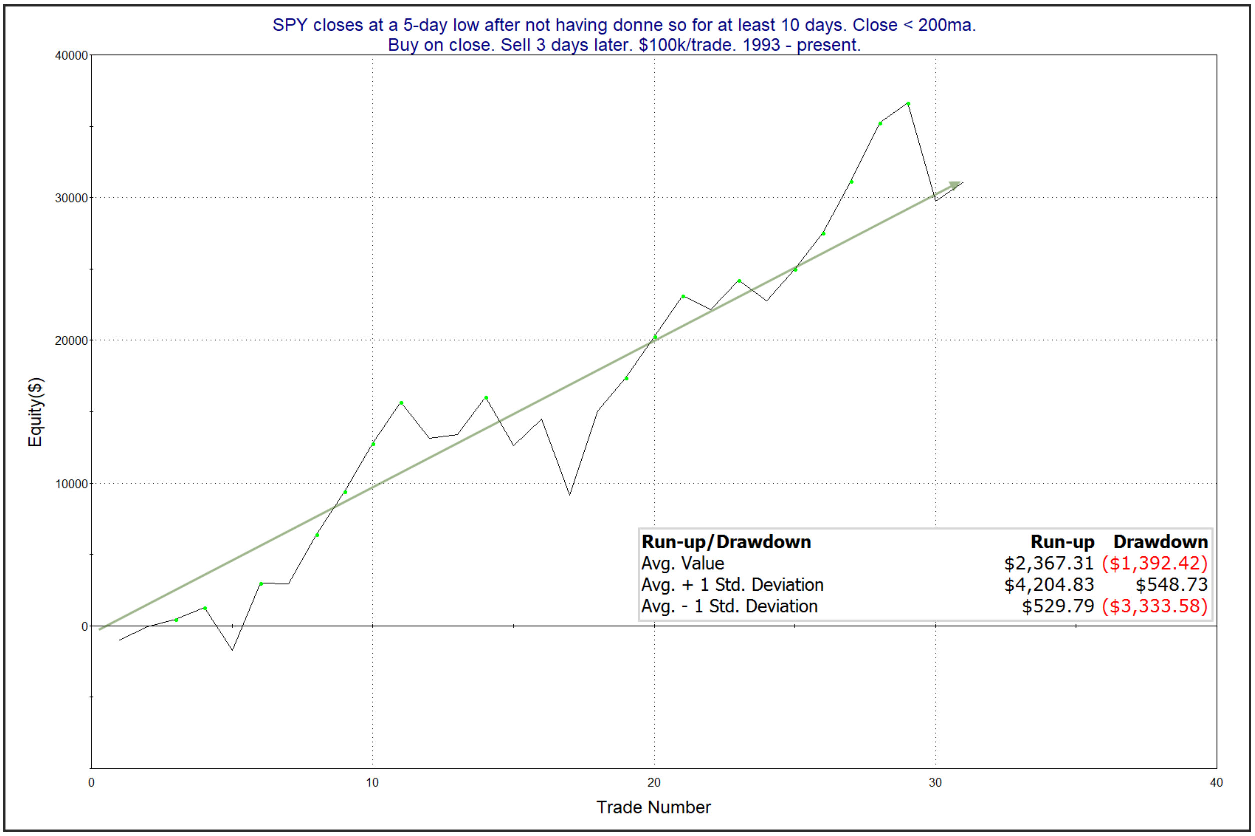
Friday saw some sizable selling. SPX finished down 2.0%, the NASDAQ dropped 2.7%, and the Russell 2000 lost 2.05%. Breadth was weak as the NYSE Up Issues % closed at 21% and the NYSE Up Volume % posted a 15% reading. NYSE total volume rose some from Thursday's level.

The Quantifinder did identify some interesting studies. The one below looked at times SPY closed at a 5-day low for the 1st time in over 2 weeks. It is updated from the 2/14/22 letter.

SPY closes at a 5-day low after not having donne so for at least 10 days. Close < 200ma.
Buy on close. Sell X days later. $100k/trade. 1993 - present.

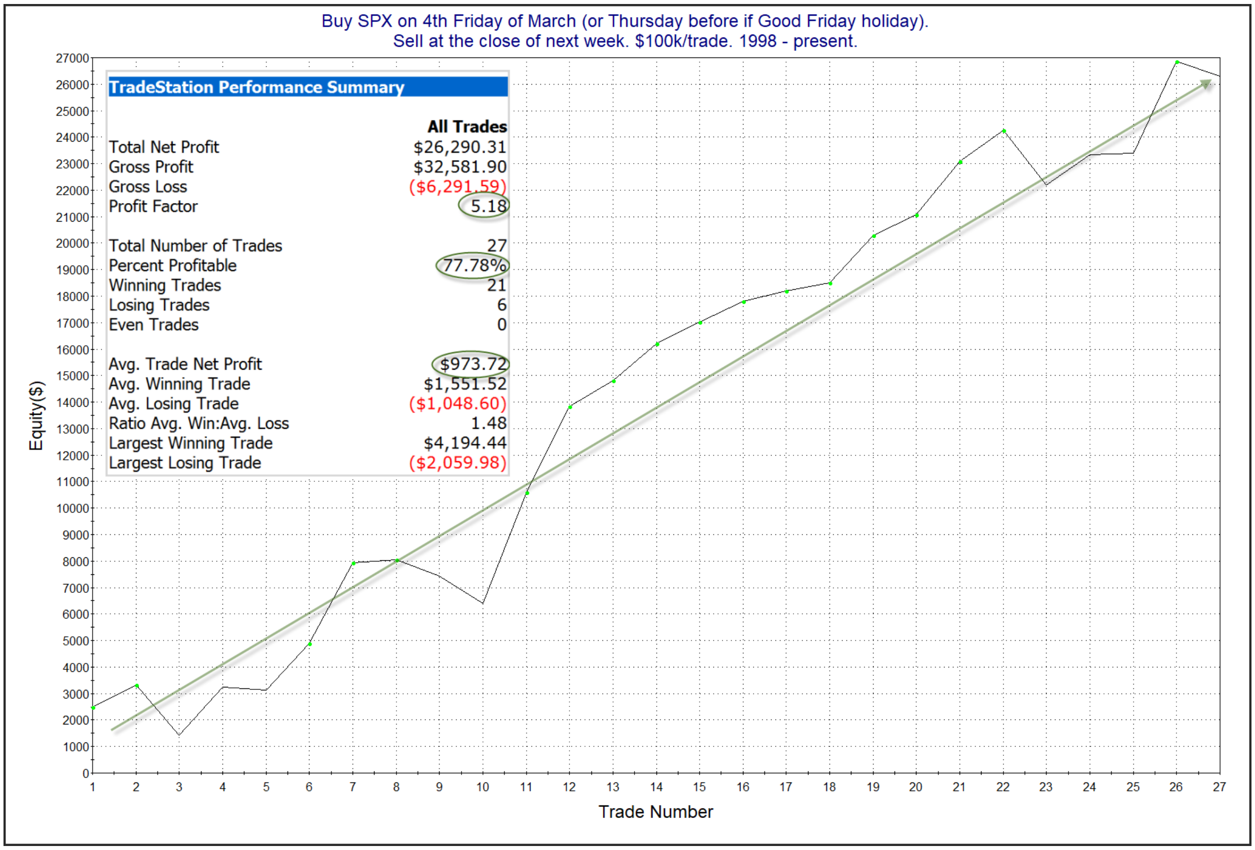
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	20,635.30	31	19	12	61.29	6,103.89	-8,662.71	2,821.29	-2,747.44	1.03	1.63	665.65
4	25,837.46	31	21	10	67.74	6,941.43	-6,244.56	2,718.14	-3,124.36	0.87	1.83	833.47
3	31,114.73	31	22	9	70.97	5,888.16	-6,864.93	2,529.63	-2,726.35	0.93	2.27	1,003.70
2	22,600.88	31	23	8	74.19	3,809.72	-6,583.56	1,680.97	-2,007.68	0.84	2.41	729.06
1	14,401.79	31	22	9	70.97	2,812.20	-2,898.36	1,306.17	-1,592.66	0.82	2.00	464.57

The odds here point to an upside edge over the next few days. Below is a look at the 3-day profit curve.



The push higher seems to serve as some confirmation of the upside edge. I have included this study on the active list today.

We are moving into a strong seasonal period right now. The week after the 4th Friday in March has been a strong one over the last 27 years. (Not as much before that.) We can see this in the study below, updated from the 3/25/24 letter.

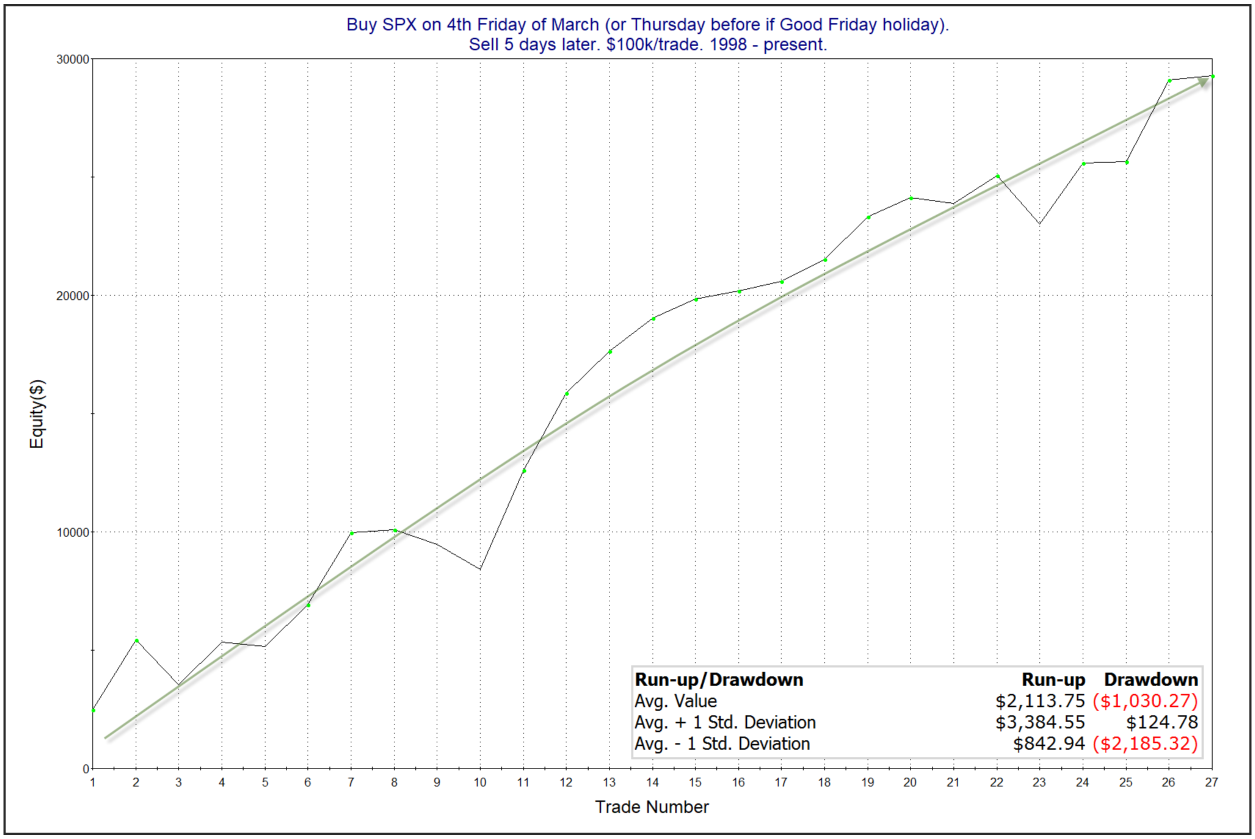


That is an encouraging looking curve and bullish stats. Let's see how it has broken down on a daily basis.

Buy SPX on 4th Friday of March (or Thursday before if Good Friday holiday). Sell X days later. $100k/trade. 1998 - 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	29,285.02	27	21	6	77.78	4,194.44	-2,059.98	1,682.19	-1,006.84	1.67	5.85	1,084.63
4	23,183.05	27	21	6	77.78	4,111.60	-2,575.30	1,326.72	-779.67	1.70	5.96	858.63
3	14,684.29	27	19	8	70.37	3,977.08	-2,767.83	1,108.11	-796.23	1.39	3.31	543.86
2	14,903.10	27	18	9	66.67	4,175.44	-2,204.54	1,256.27	-856.63	1.47	2.93	551.97
1	7,925.47	27	15	12	55.56	3,322.02	-3,466.02	1,087.40	-698.80	1.56	1.95	293.54

Numbers here are very good. Though they are slightly different than those above. That is because Easter will occasionally fall during this period, so sometimes the following week is 4 days and sometimes it is 5 days. Below is a look at the 5-day profit curve.



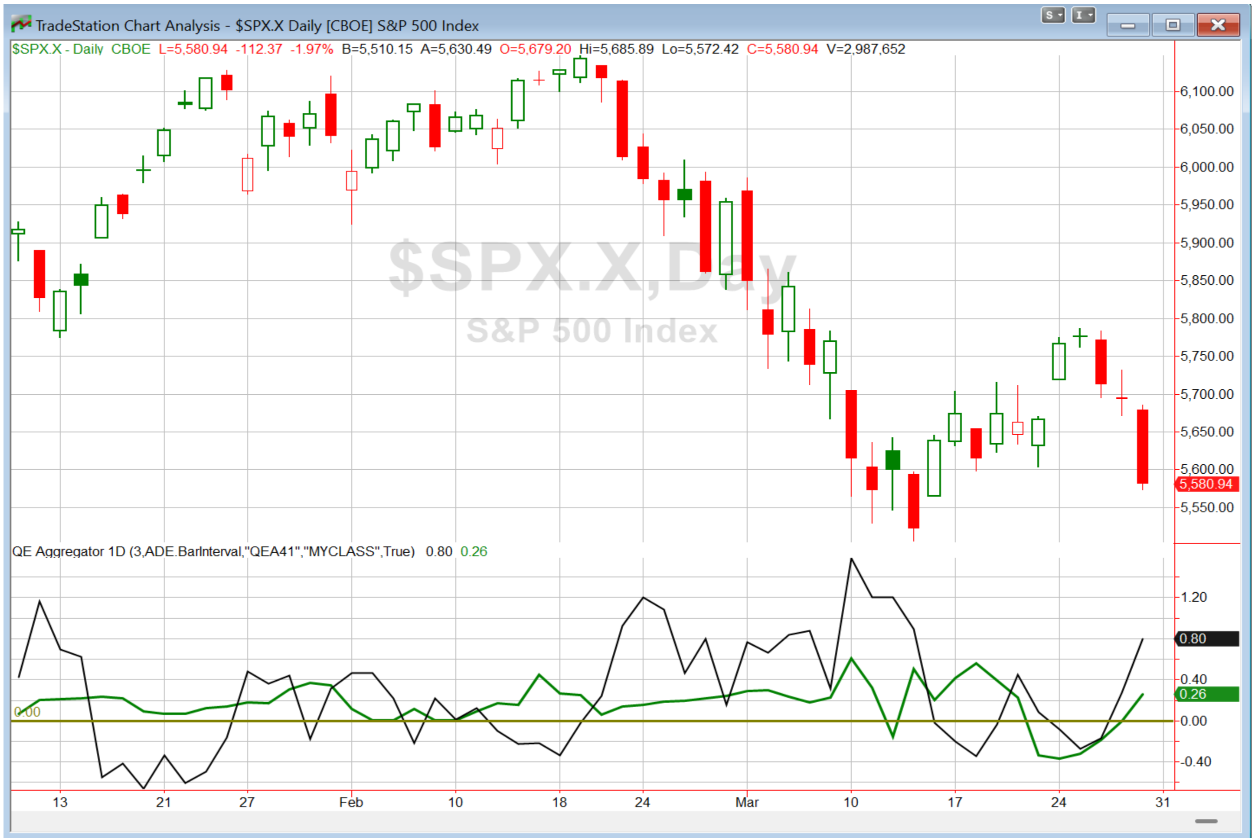
Again, no red flags based on the curve. There appears to be a good chance the market will have a seasonal wind at its back this upcoming week.

Of further note, below is the preliminary version of the SPX QE Seasonality Calendar 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***

As I noted last week, April looks quite a bit better than March. The 1st through the 11th appear especially strong. Bulls should have a seasonal tailwind for the next couple of weeks. Of course there will be plenty of other forces at work, but short-term seasonality is set to make moves higher easier on the bulls and make moves lower more difficult for bears.

I have updated the Aggregator chart below.



With this weekend's evidence considered, the green Aggregator Line closed above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are long 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.

Based on the current list of active studies, expectations are set to remain bullish on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5660.81. That is 1.4% above Friday's close. So SPX will need to close up at least 1.4% in order to flip from oversold to overbought on Monday.

So the Aggregator is bullish. Expectations are for a bounce in the coming days and there is ample room to the upside before SPX would be considered "overbought" versus recent expectations. So it appears reasonable to start scaling into a short-term index trade, despite the uncertain intermediate-term environment. If the market closes down again on Monday, then we will almost certainly see some bullish Turnaround Tuesday studies emerge. We will also likely see bullish turn-of-month studies trigger, especially if SPY closes in the lower half of its intraday range. So I won't chase an early move higher, but I will look to take on some index exposure on Monday if I can get a favorable entry.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/31 – 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.*

This past week was a rough one for the major indices. The SPX lost 1.5%, the NASDAQ dropped 2.6%, and the Russell 2000 fell 1.6%. Bonds also struggled some. The US Aggregate Bond ETF (AGG) was just under breakeven with a 0.01% decline. TLT, the 20-year Treasury Bond ETF, lost 0.6%. The long-term trend is not encouraging. The major indices remain below their long-term moving averages. The SPX is a little more than 1% above closing at a new low for 2025. The NASDAQ is much closer than that to a new low, and could easily get there with a down close early this week. No new studies with intermediate-term implications triggered in the last few days.

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

Domestic Security Holdings as of

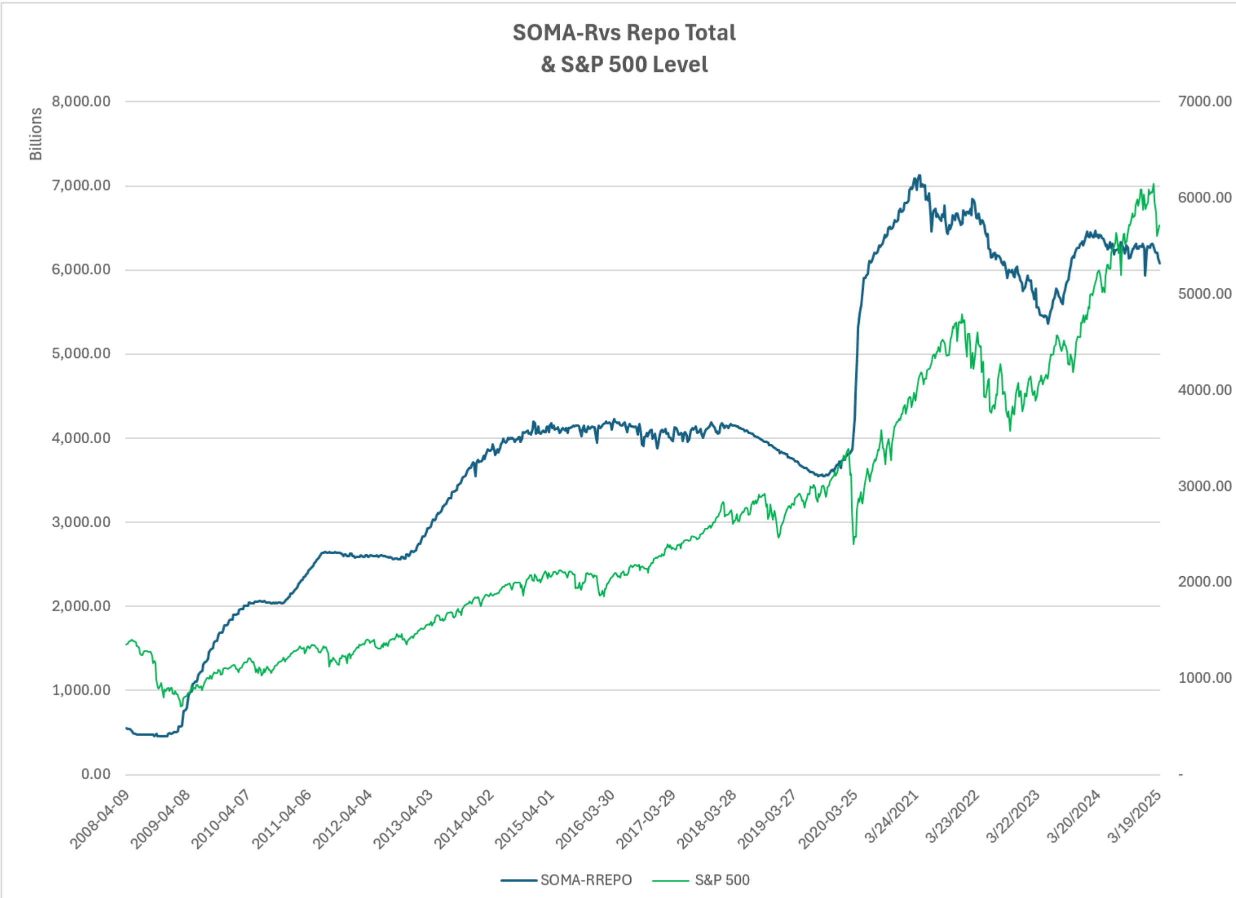
Previous **March 26, 2025**

Posted March 27, 2025 at 4:30 PM

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

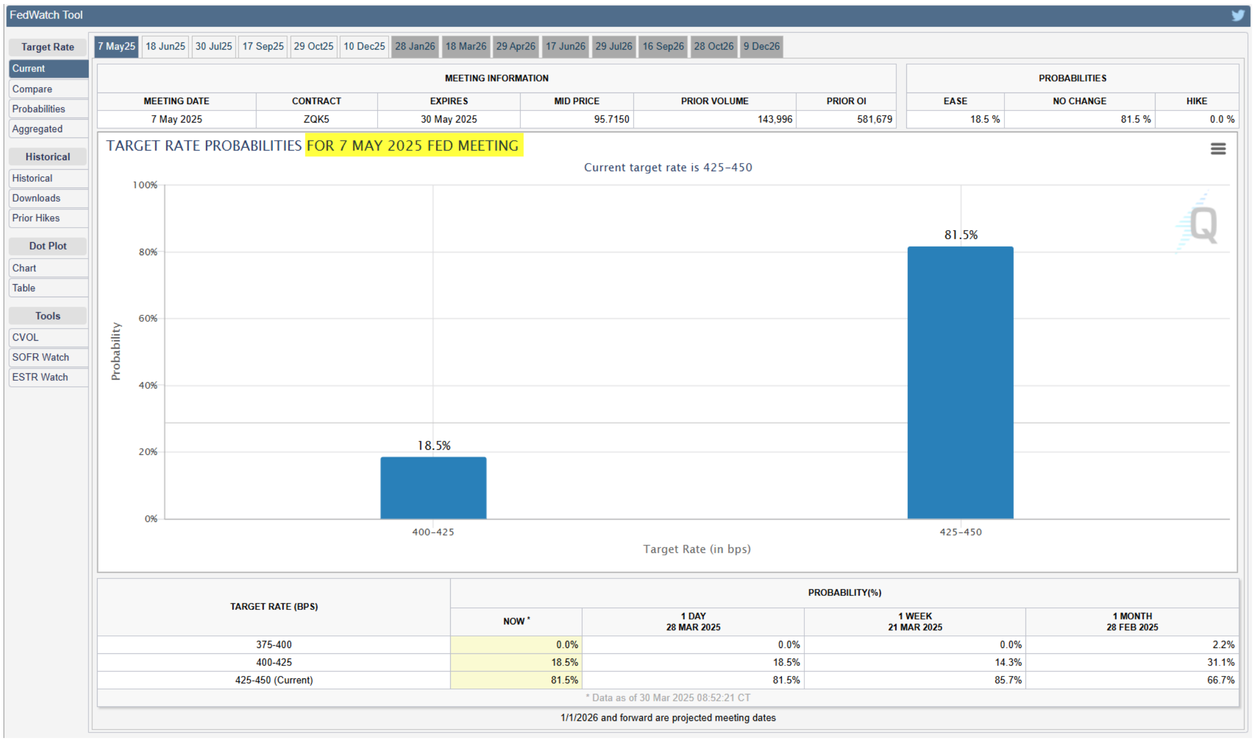
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	195,342,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,601,220,405.9
US Treasury Floating Rate Notes (FRNs)	10,820,651.2
US Treasury Inflation-Protected Securities (TIPS)*	320,911,678.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,180,991,299.4
Agency Commercial Mortgage-Backed Securities***	8,007,383.2
Total SOMA Holdings	6,319,641,344.5
Change From Prior Week	-14,258,788.2

The SOMA account holdings declined $14 billion this past week. Meanwhile, reverse repos increased by a very sizable $48 billion for the week ending 3/26. A rise in reverse repos can act as a liquidity reduction. Combined for the week, SOMA and reverse repo action accounted for a $62 billion liquidity drain. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



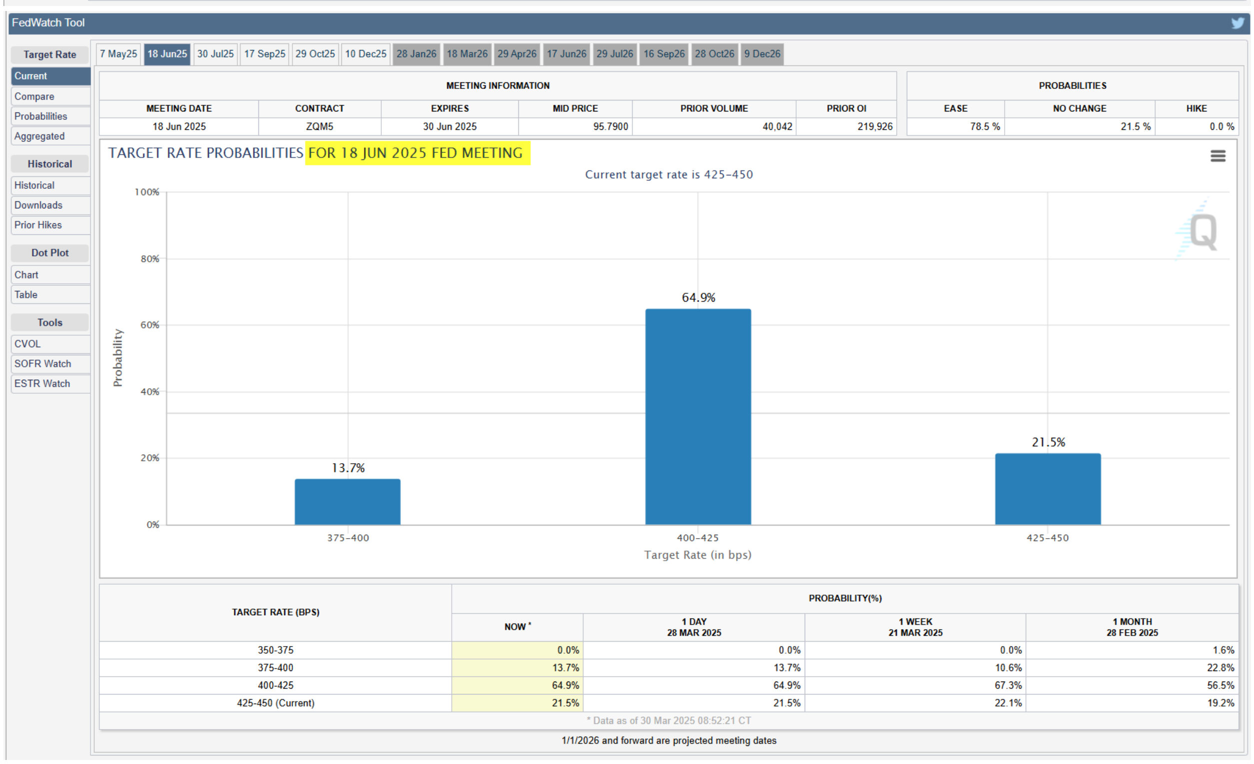
Quantitative Tightening (QT) can still be a headwind to the market, but it is not nearly as strong as it has been at times in the last few years. And QT will be lowered substantially starting in April. So the headwind may not be more than just a gentle breeze. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this helped provide fuel for that market rally. Reverse repos have tended to spike higher near the end of each quarter, and then they drop quickly to start a new quarter. There has been a spike in the last couple of weeks. We will see if a drop occurs as we switch from Q1 to Q2. If so, it could provide a liquidity boost in early April. 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 again heads lower in a meaningful way, then that could mean a liquidity headwind for the market.

With regards to rates, the chance of a 25 point cut in May is just 18.5%. Meanwhile, June odds suggest a sizable 78.5% chance that rates will be lower than current. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.



MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
7 May 2025	ZQK5	30 May 2025	95.7150	143,996	581,679	18.5 %	81.5 %	0.0 %

TARGET RATE (BPS)	NOW *	1 DAY 28 MAR 2025	1 WEEK 21 MAR 2025	1 MONTH 28 FEB 2025
375-400	0.0%	0.0%	0.0%	2.2%
400-425	18.5%	18.5%	14.3%	31.1%
425-450 (Current)	81.5%	81.5%	85.7%	66.7%



MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
18 Jun 2025	ZQM5	30 Jun 2025	95.7900	40,042	219,926	78.5 %	21.5 %	0.0 %

TARGET RATE (BPS)	NOW *	1 DAY 28 MAR 2025	1 WEEK 21 MAR 2025	1 MONTH 28 FEB 2025
350-375	0.0%	0.0%	0.0%	1.6%
375-400	13.7%	13.7%	10.6%	22.8%
400-425	64.9%	64.9%	67.3%	56.5%
425-450 (Current)	21.5%	21.5%	22.1%	19.2%

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, but that will end when April ends. 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

ABBV – 1/3 @ $201.34(bought @ limit)
ABBV – 1/3 @ $201.30(buy @ limit)

***Broad Market Large Cap CBI* – 2(ABBV-2)**

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 @ $552.00 LIMIT. If not filled during the day, switch to a $555.00 LIMIT ON CLOSE IF SPY CLOSES IN THE BOTTOM 50% OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look to start scaling into a long SPY position if I can get a favorable fill on Monday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
ACN(1/3)	*3/13/2025*	*$323.69*	*$308.38*	*-4.73%*	*sold on open*
ACN(1/3)	*3/14/2025*	*$316.41*	*$308.38*	*-2.54%*	*sold on open*
ABBV(1/3)	3/26/2025	$201.34	$205.29	1.96%	Catapult
ABBV(1/3)	3/27/2025	$201.30	$205.29	1.98%	Catapult