

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 4, 2025

Volume 18 Issue 64

Market Overview



Signals Overview

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

Tonight's Research Points

- Sharp drops that close poorly have often seen a reversal the next day – even when they do not follow a short-term low.
- A VIX crossing over 35% above its 10ma and with a reading over 30 suggests strong reward/risk for the bulls.
- Similar employment days have had a bit of a rough go.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is light, volatility is high, and visibility is poor. I am content to remain sidelined.

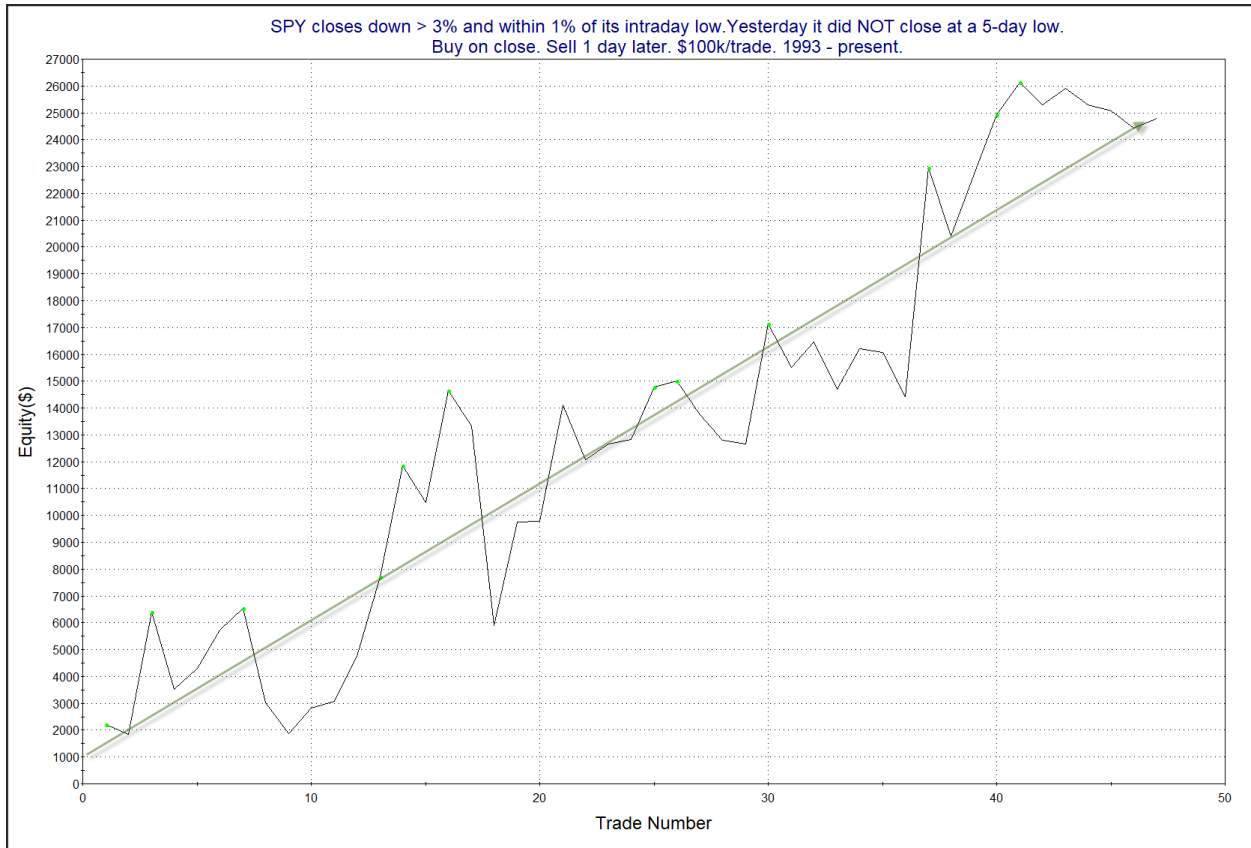
The Evidence

Thursday we found out what happens to the stock market when the US pisses off every other country in the world all at once. SPX fell 4.8%, the NASDAQ dropped 6.0%, and the Russell 2000 tumbled 6.6%. It was the worst day for SPX and NASDAQ since 2020. Breadth was weak as the NYSE Up Issues % closed at 13% and the NYSE Up Volume % posted a 12% reading. NYSE total volume rose some from Wednesday's level.

There were several studies tonight that looked at strong moves lower. A couple of aspects of large selloffs that have influenced the odds of a strong bounce the next day (or several days) are 1) whether the drop occurred from a point that was already low (such as a 5-day low close the day before, and 2) whether the market closed near the low end of its range. (Within 1% of its intraday low was used in a few studies.) In the 4/2/20 letter I looked at the combination that we saw on Thursday, which was a close within 1% of the intraday low, but without a 5-day low occurring the day before. I have updated that study below.

| SPY closes down > 3% and within 1% of its intraday low. Yesterday it did NOT close at a 5-day low. 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 | 15,154.75 | 42 | 22 | 20 | 52.38 | 11,319.28 | -17,935.50 | 4,152.82 | -3,810.37 | 1.09 | 1.20 | 360.83 |
| 4 | 32,642.94 | 43 | 23 | 20 | 53.49 | 14,158.80 | -12,890.18 | 4,224.54 | -3,226.07 | 1.31 | 1.51 | 759.14 |
| 3 | 38,350.50 | 46 | 28 | 18 | 60.87 | 9,756.90 | -10,567.08 | 3,422.94 | -3,193.99 | 1.07 | 1.67 | 833.71 |
| 2 | 6,760.65 | 47 | 25 | 22 | 53.19 | 6,436.07 | -9,315.90 | 2,779.56 | -2,851.29 | 0.97 | 1.11 | 143.84 |
| 1 | 24,803.00 | 47 | 27 | 20 | 57.45 | 8,547.63 | -7,417.30 | 2,119.34 | -1,620.96 | 1.31 | 1.77 | 527.72 |

We see here what appears to be a moderate 1-day upside edge. A profit curve using a 1-day holding period is below.



The chart here is quite choppy. Still, it does appear to have demonstrated an upslope over longer periods. Overall this study appears worthy of 1 day of consideration.

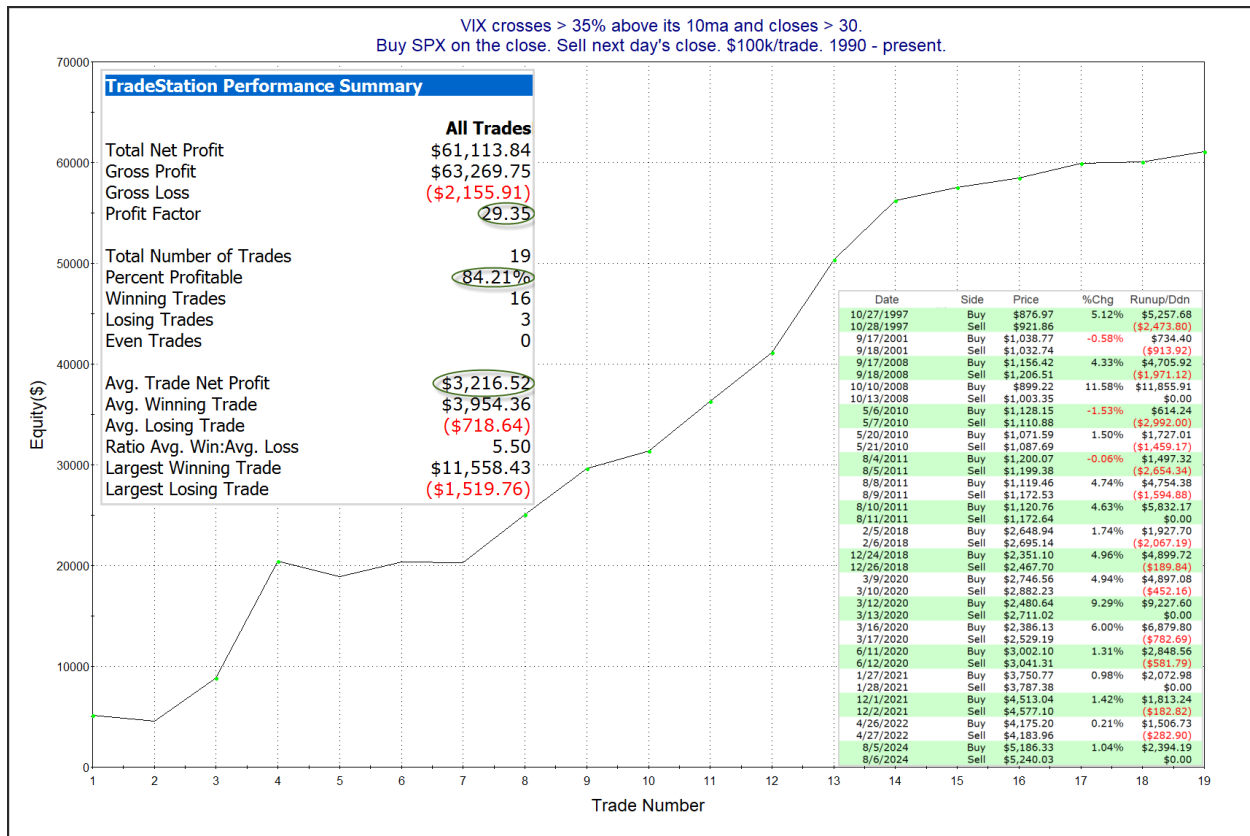
In that 4/2/20 letter I also looked at the low close when it did follow a 5-day low. You can see those updated results below.

SPY closes down > 3% and within 1% of its intraday low. Yesterday closed at a 5-day low.
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 | 90,451.88 | 33 | 26 | 7 | 78.79 | 19,398.00 | -12,514.32 | 4,374.22 | -3,325.40 | 1.32 | 4.89 | 2,740.97 |
| 4 | 60,670.78 | 35 | 22 | 13 | 62.86 | 17,914.00 | -8,109.60 | 4,279.08 | -2,574.53 | 1.66 | 2.81 | 1,733.45 |
| 3 | 33,831.77 | 36 | 20 | 16 | 55.56 | 14,708.85 | -11,518.47 | 4,010.42 | -2,898.54 | 1.38 | 1.73 | 939.77 |
| 2 | 60,148.80 | 37 | 28 | 9 | 75.68 | 12,693.50 | -9,320.67 | 3,129.30 | -3,052.39 | 1.03 | 3.19 | 1,625.64 |
| 1 | 53,279.73 | 38 | 26 | 12 | 68.42 | 11,683.71 | -4,080.40 | 2,846.90 | -1,728.31 | 1.65 | 3.57 | 1,402.10 |

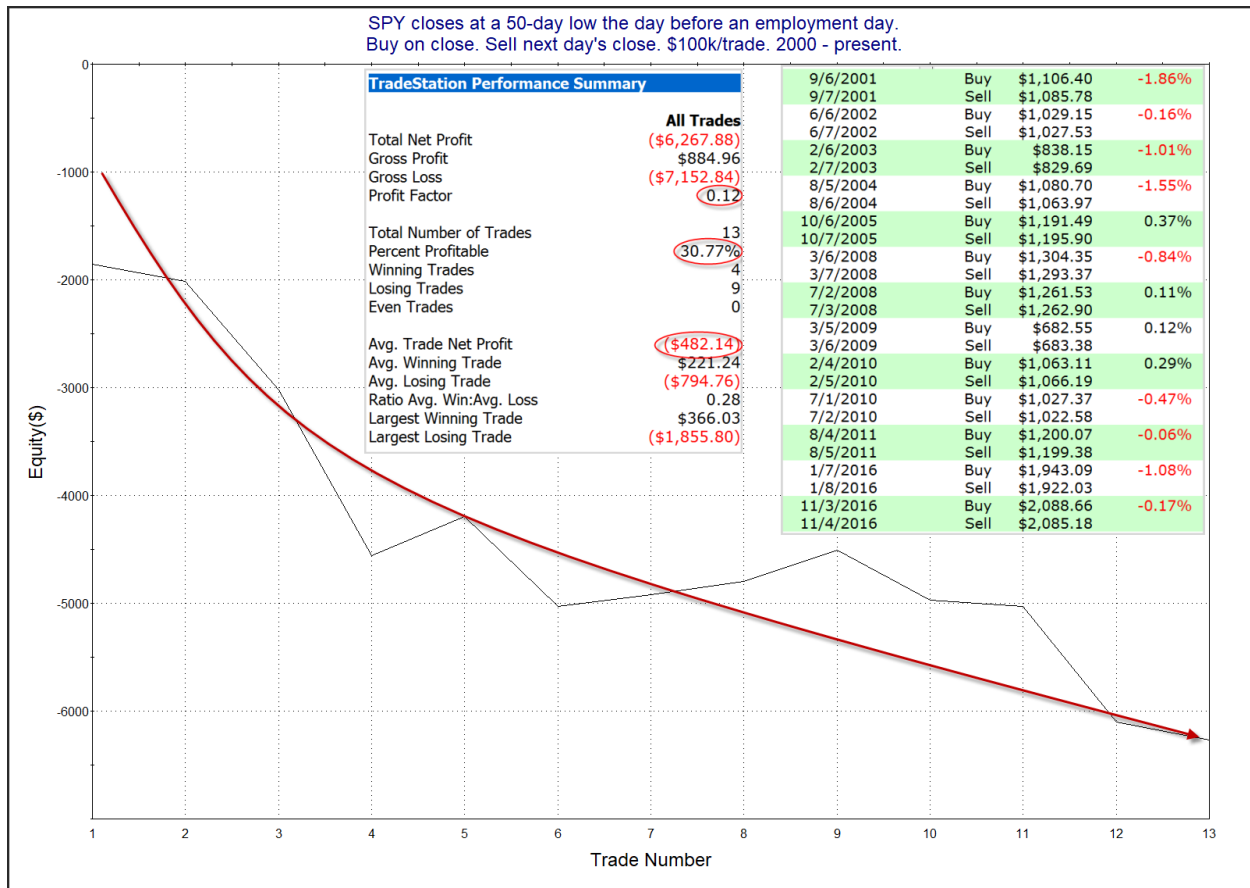
Quite a contrast. These numbers are much stronger. Not only is the 1-day about 3x better on average, but the edge has persisted out to 5 days as well.

Also notable was the action in the VIX, which rose nearly 40% on Thursday. An interesting study from the Quantifinder was from the 8/6/24 letter. It notes not only that the VIX is relatively stretched on a short-term basis, but that the VIX reading is also somewhat high on an absolute basis. Over the years I have found that short-term stretches are not as impactful when the stretch is coming from a very low level. This is the reason the $VIX > 30$ is also included as a filter. Of course with the VIX closing at 30.02 on Thursday, current action just barely qualified. Results are updated.



Instances are just a little lower than I'd prefer, but the stats are very strong. The average performance the day after the setup has been a 3.2% gain. That is a huge average for just a 1-day trade.

This next study looked to see what happened when SPX closed at a 50-day low right before an Employment Day. It is updated from the 3/7/25 letter.

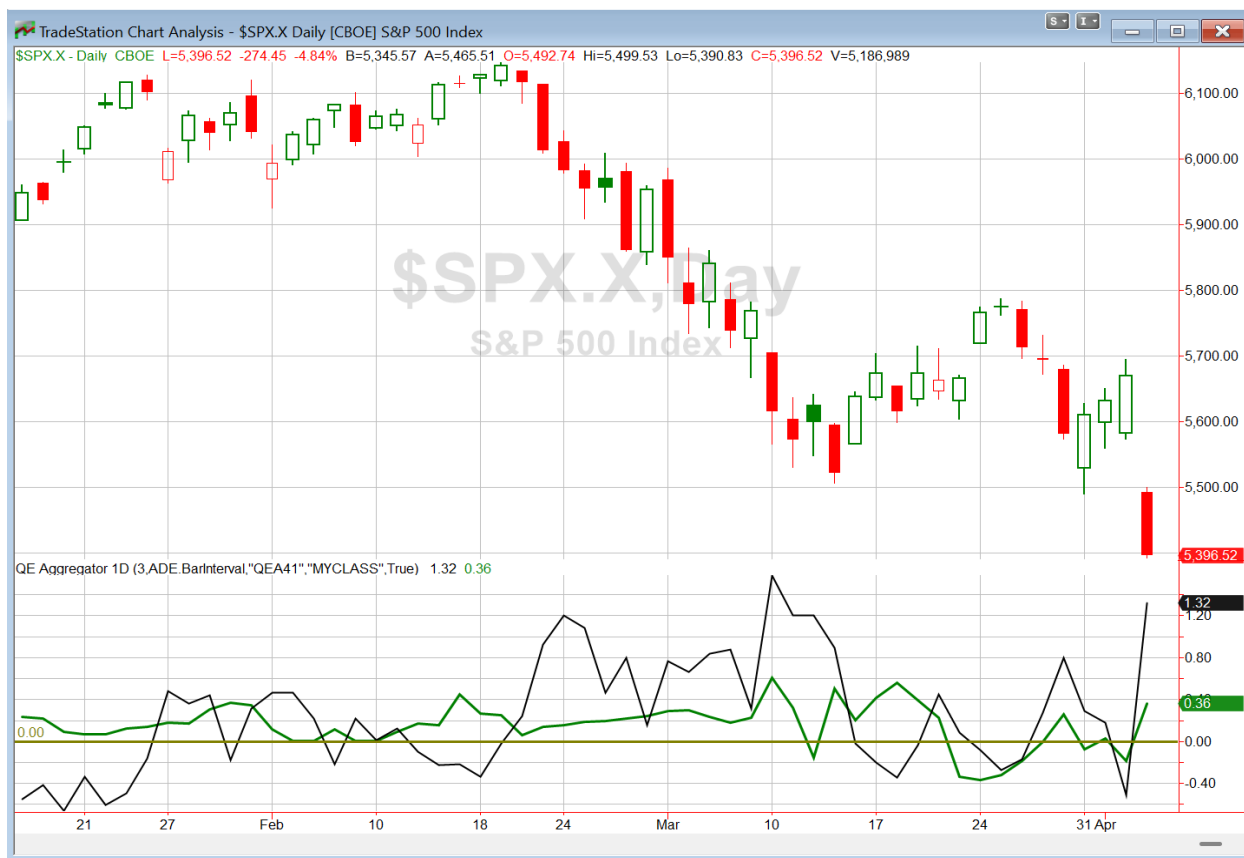


Instances are low, but this is not encouraging for the bulls. I did add it to the active list tonight.

I will also note that all of the other studies on the Short-Term Active List tonight were removed. The strong move Thursday caused them to either reach their targets, or go more than a standard deviation beyond a typical max drawdown. In volatile markets like we are in, it is fairly common to see studies being removed early for these reasons. Among other benefits, it allows for a more flexible mindset when considering the evidence on a day to day basis.

Perhaps most notable to me about the studies that triggered tonight was that none of them showed a strong edge exhibited beyond just one day. Evidence is leaning towards a bounce on Friday, but there is no substantial visibility into even next week. You'll also notice below that the CBI is sitting at zero. So despite the strong selloff, a large multi-day bounce is not necessarily imminent.

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



With tonight's evidence considered, the green Aggregator Line rose above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also rose above zero. The positive Differential Line reading means that SPX is 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 flipped to long at the close.

Based on the current list of active studies, expectations are set to turn flat on Friday. This could easily change if additional evidence emerges. Meanwhile, the Differential Pivot will be 5632.66. That is 4.4% above Thursday's close. So for SPX to flip from oversold to overbought versus expectations it will need to close up at least 4.4% on Friday.

So the Aggregator is bullish. But as I noted above, visibility is very short-term. And with volatility extremely high, I am not feeling compelled to jump into a new position. And while odds suggest a bounce on Friday, the employment report could easily change the mood and the outcome for the day. As a trader it is not my job to catch every swing. I try and preserve capital while I wait for the most compelling setups to emerge in order to give myself favorable odds to profit. In an environment like this, I am content standing aside until I have more conviction and a better reward/risk setup.

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

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.

None tonight.

Current Open Trade Ideas

None

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