

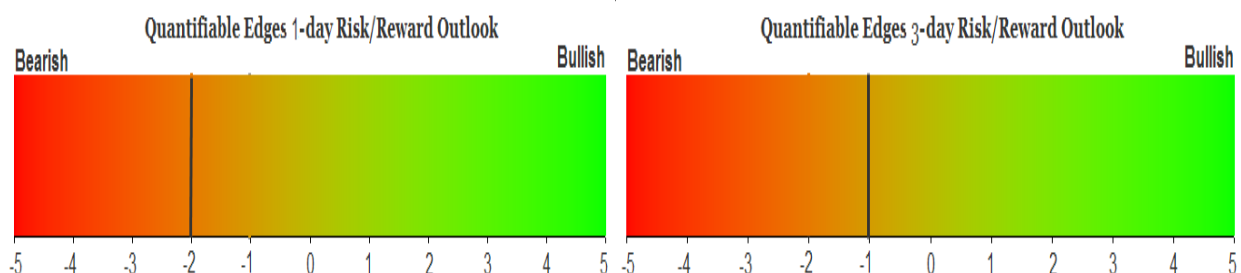
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 28, 2025

Volume 18 Issue 79

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- When the QQQ has closed higher 4 days in a row and under its 200ma it has consistently been followed by a pullback – both in QQQ and in SPX.
- Low 3/10 Offset HV and a strongly overbought RSI(2) during a long-term downtrend has almost always seen the market lower 2 days later.
- The narrow range and relatively weak rally on Friday combined with the overbought condition suggest a downside edge.
- The NASDAQ has taken the lead vs the SPX, which is an intermediate-term positive.
- Breadth thrust signals triggered on Thursday suggesting positive intermediate / long term upside.
- The Fed seems to remain neutral.
- We are heading into a challenging seasonal period.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish. While there appears to be a short-term downside edge, upward momentum is strong and I am not inclined to fight it following the recent breadth thrusts.

*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
<b>Active - Short Term</b>						
April 28, 2025	Volume 5-low. SPX 10-high < 200ma	1-2 days	Bearish			
April 28, 2025	QQQ up 4x in row < 200ma	1-2 days	Bearish			
April 28, 2025	3/10 Offset Low & RSI2 > 90	1-2 days	Bearish			
April 25, 2025	Zweig Breadth Thrust	1-7 days	Bullish			
April 25, 2025	Triple 70 Breadth Thrust	1-2 days	Bullish			
April 23, 2025	SPX up 2.5% - 3.5% on lower than avg volm	1-2 days	Bearish			
<b>Active - Long Term</b>						
April 28, 2025	NASDAQ Leading	int term	Bullish			
April 25, 2025	Zweig Breadth Thrust	1-12 months	Bullish	29.50%	-2.90%	-6.55%
April 25, 2025	Triple 70 Breadth Thrust	1-80 days	Bullish	9.46%	-4.59%	-9.50%
April 23, 2025	Up Issue % & Up Vol % > 86% 2x in 9 days	1-12 months	Bullish			
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			

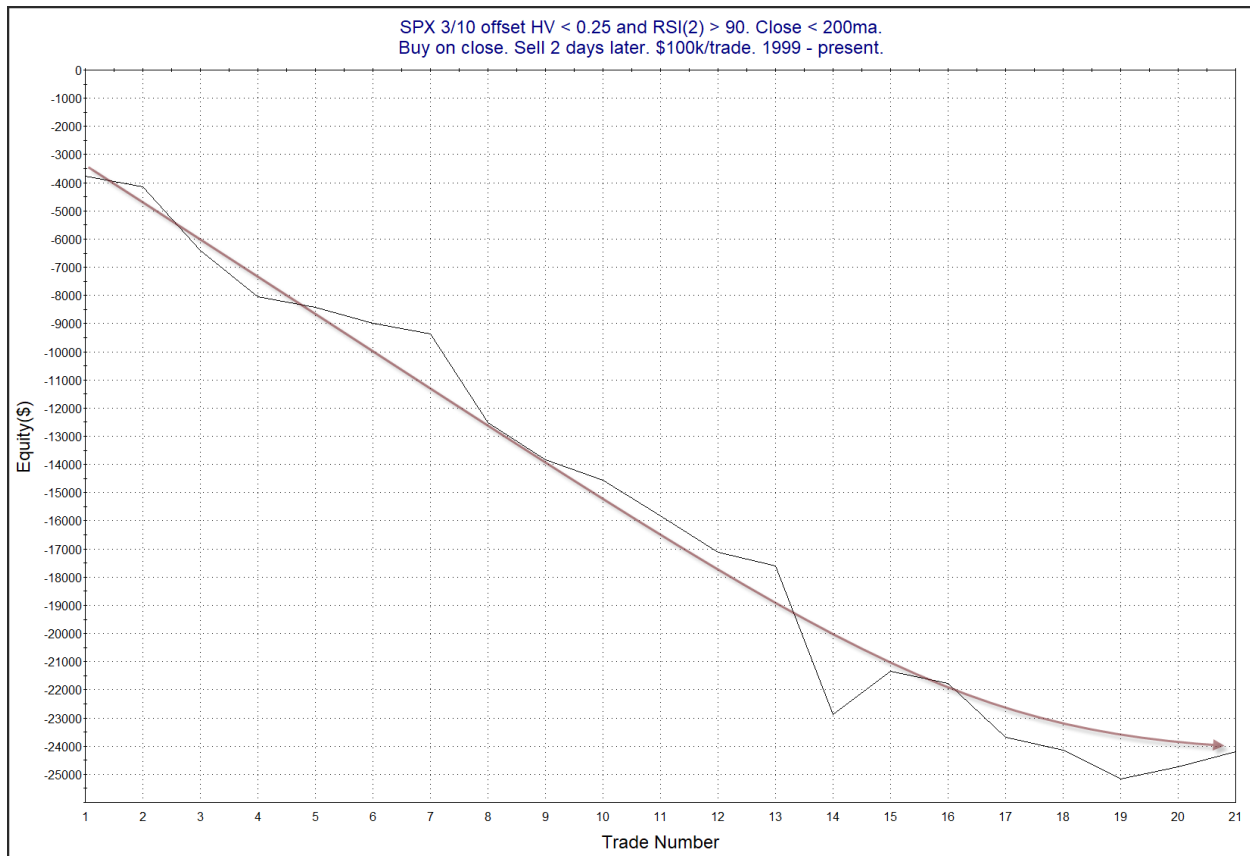
**The Evidence**

Friday was another good day for the market. The SPX gained 0.7%, the NASDAQ rallied 1.3%, and the Russell 2000 rose, but less than 0.01%. Breadth was mixed as the NYSE Up Issues % closed at 53% and the NYSE Up Volume % posted a 48% reading. NYSE total volume came in at the lowest level in quite a while.

An indicator that is providing a notable reading is the 3/10 Offset HV for the SPX. I first introduced this indicator in the 7/13/2009 blog. It looks for periods where short-term historical volatility is contracting sharply. When that happens it is often soon followed by a volatility expansion. This volatility expansion can occur in either direction. The indicator does not predict direction. But when combined with other indicators it can provide some powerful signals. The study below looks at the combination of low a 3/10 Offset HV, a short-term overbought market, and a long-term downtrend. It was last seen in the 1/10/19 subscriber letter. I have updated all results.

SPX 3/10 offset HV < 0.25 and RSI(2) > 90. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - 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	-35,003.59	20	7	13	35.00	1,183.32	-7,519.22	753.21	-3,098.16	0.24	0.13	-1,750.18
4	-29,677.36	20	4	16	20.00	1,209.90	-5,663.22	994.19	-2,103.38	0.47	0.12	-1,483.87
3	-20,213.25	20	5	15	25.00	1,631.16	-6,445.61	971.26	-1,671.30	0.58	0.19	-1,010.66
2	-24,207.83	21	3	18	14.29	1,510.64	-5,264.73	824.52	-1,482.30	0.56	0.09	-1,152.75
1	-16,801.77	25	8	17	32.00	2,286.84	-8,883.33	758.32	-1,345.20	0.56	0.27	-672.07

As you can see, the results are overwhelmingly bearish over the next couple of days. Below is a profit curve.



Despite the last 2 instances not working out, results are strongly negative and consistent. The move from upper right to lower left serve as some confirmation of the bearish edge.

Another study that provided some interesting results is the one below. It was also last seen in the 1/10/19 subscriber letter. It looks at other instances in which the QQQ rose exactly 4 days in a row and closed under the 200ma. All results have been updated.

QQQ closes higher for exactly 4th day in a row. It did not close at a 50-day low 4 days ago.  
Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2002 - 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	-23,868.63	24	8	15	33.33	4,951.04	-7,762.86	1,816.24	-2,559.90	0.71	0.38	-994.53
4	-23,103.12	24	10	14	41.67	4,989.72	-6,897.24	1,505.11	-2,725.30	0.55	0.39	-962.63
3	-27,712.78	24	11	13	45.83	3,479.56	-8,344.08	1,196.95	-3,144.55	0.38	0.32	-1,154.70
2	-27,631.25	24	9	15	37.50	3,101.55	-5,408.20	1,228.65	-2,579.27	0.48	0.29	-1,151.30
1	-14,119.43	24	12	12	50.00	2,668.00	-5,486.88	475.09	-1,651.71	0.29	0.29	-588.31

23 of 24 instances (96%) closed below the entry price at some point in the next week.

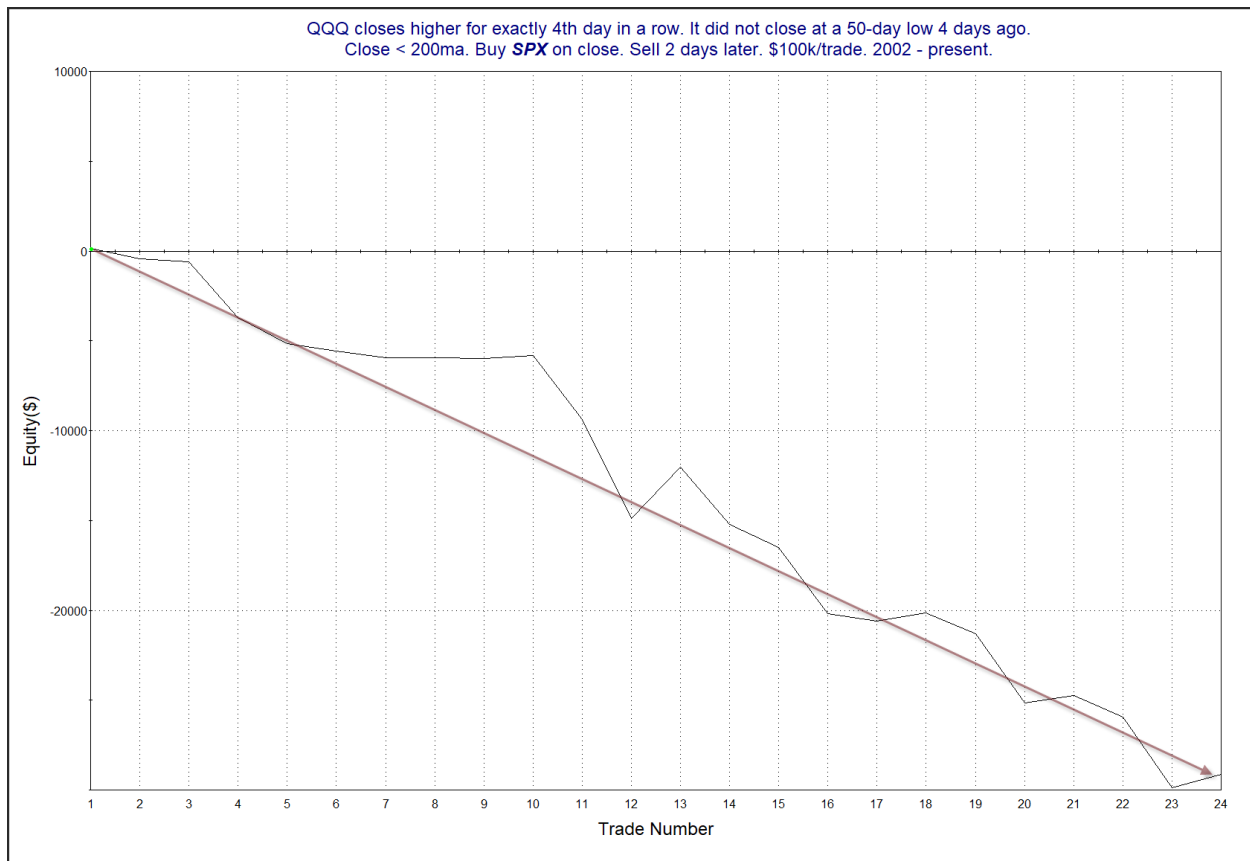
Results here appear to be solidly bearish. I also examined how the SPX might have performed when QQQ had set up this way. The updated results below show this.

QQQ closes higher for exactly 4th day in a row. It did not close at a 50-day low 4 days ago.  
Close < 200ma. Buy **SPX** on close. Sell X days later. \$100k/trade. 2002 - 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	-31,779.32	24	8	16	33.33	2,258.48	-6,775.44	1,198.75	-2,585.58	0.46	0.23	-1,324.14
4	-28,146.24	24	9	15	37.50	2,608.37	-5,689.92	1,009.70	-2,482.24	0.41	0.24	-1,172.76
3	-29,787.72	24	12	12	50.00	1,319.00	-5,547.24	530.16	-3,012.47	0.18	0.18	-1,241.16
2	-29,145.73	24	7	17	29.17	2,836.72	-5,495.94	673.23	-1,991.67	0.34	0.14	-1,214.41
1	-15,535.01	24	6	18	25.00	2,684.50	-4,265.28	860.84	-1,150.00	0.75	0.25	-647.29

All 24 instances closed below the entry price  
at some point in the next week.

These results appear just as consistently bearish as the QQQ results. Below is an equity curve that assumes a 2-day holding period.

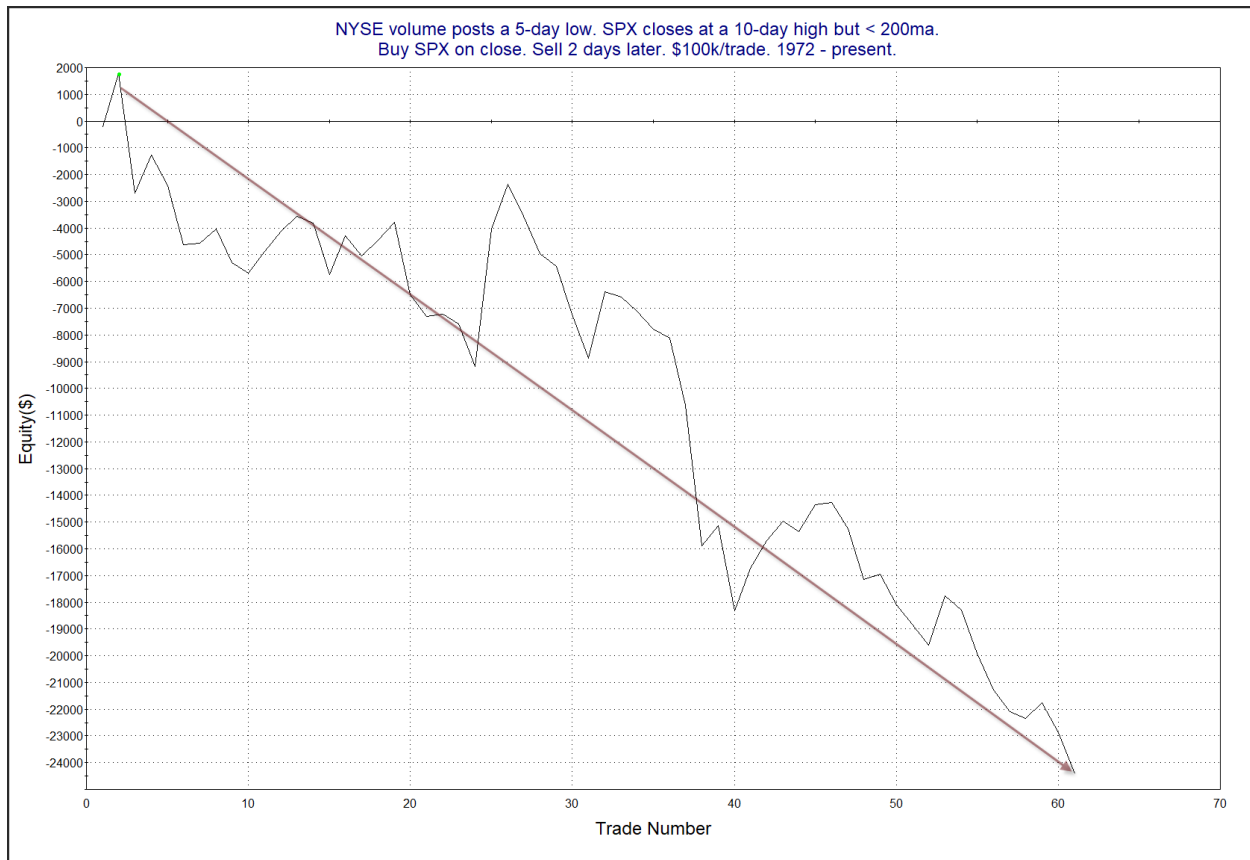


That is a pretty straight move from upper left to lower right, serving as some confirmation of the downside edge.

Another study took the low volume and short-term high into account. It required a 5-day low in volume, a 10-day high in price, and a close below the 200ma. When those have all occurred, there has been a tendency for the market to pull back over the next couple of days. Last seen in the 10/31/22 letter, I have updated the results table below.

NYSE volume posts a 5-day low. SPX closes at a 10-day high but < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1972 - 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	-39,397.82	59	28	31	47.46	4,166.46	-6,523.10	1,251.67	-2,401.44	0.52	0.47	-667.76
4	-27,868.82	60	30	30	50.00	5,734.40	-5,663.22	1,284.51	-2,213.47	0.58	0.58	-464.48
3	-25,123.18	60	23	37	38.33	4,243.79	-5,681.40	1,018.76	-1,312.29	0.78	0.48	-418.72
2	-24,399.71	61	23	38	37.70	5,136.87	-5,264.73	1,130.73	-1,326.48	0.85	0.52	-400.00
1	-15,511.40	68	31	36	45.59	3,850.37	-8,883.33	613.65	-959.29	0.64	0.55	-228.11

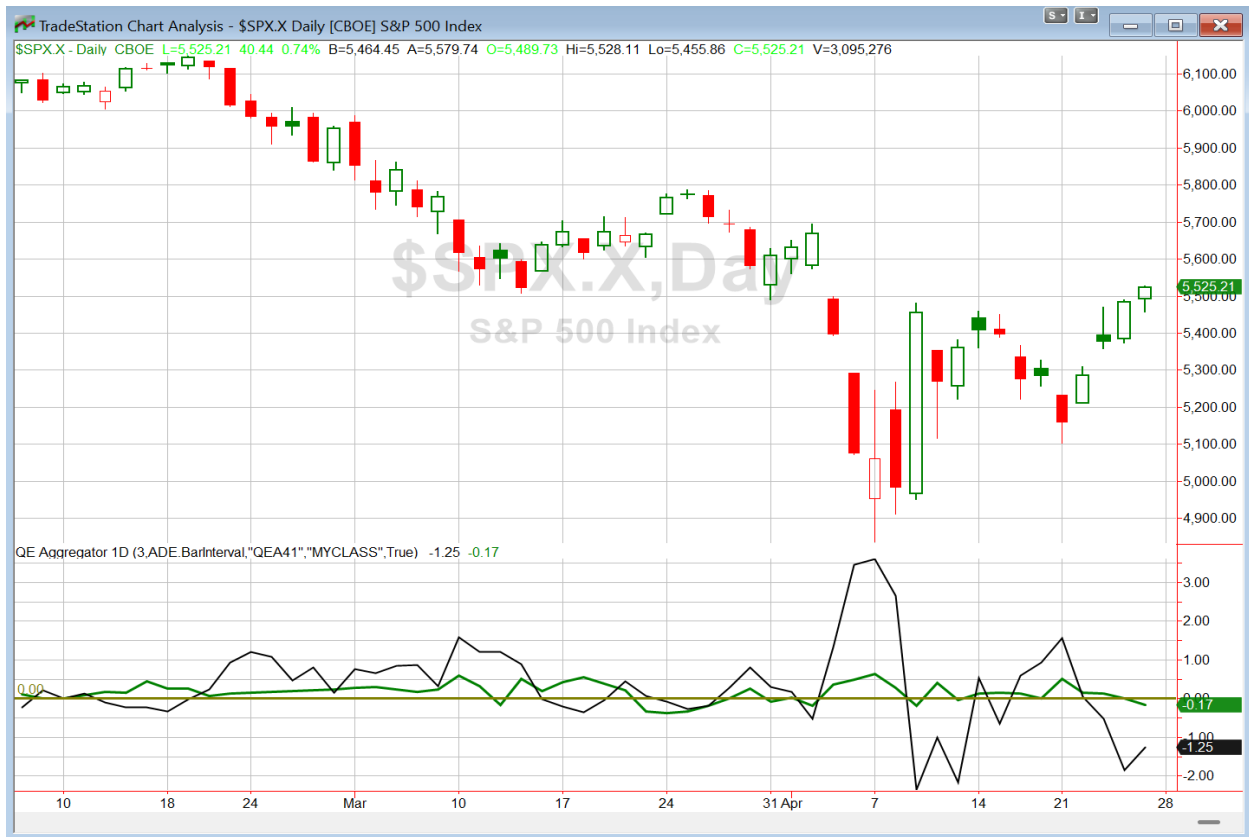
The stats suggest a bit of a downside edge over the next week, with most of the losses occurring in the 1<sup>st</sup> two days. Below is a look at the 2-day profit curve.



The strong and persistent move from upper left to lower right serves as some confirmation of the downside edge. I also have included this study on the active list tonight.

So the decline in volatility, the streak of days higher, and the low volume and short-term market high all suggest a pullback when the market has been in a long-term downtrend.

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



With this weekend's evidence considered the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned short at the close.

Based on the current list of active studies, expectations are set to flip to slightly positive on Monday. Of course this could change if additional bearish evidence emerges. Meanwhile, the Differential Pivot will be 5418.30 on Monday. That is 1.9% below Friday's close. So SPX will need to close down over 1.9% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. SPX is definitely short-term overbought. And in most cases similar to the current setup, that means a pullback. But we do have a rare Zweig Breadth Thrust that triggered on Thursday. And those have seen momentum carry nicely forward. (More on that setup in the intermediate-term section below.) So this really is a tricky market. And with expectations set to turn back to positive on Monday afternoon, I'm not overly excited about shorting here. So I'll play it conservatively, and just remain flat the index, rather than try to time the next dip.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/28 – somewhat bullish**

<b>Combo #1</b>	<b>Combo #2</b>	<b>Combo #3</b>	<b>Combo #4</b>
Long QQQ	Long QQQ	Flat	Long QQQ

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. *Several Combo Models flipped to Long QQQ on Friday afternoon, but they will all flip back to “FLAT” at the close on Wednesday, when Seasonality switches back to the “Worst 6 Months”.*

This was a big up week for stock indices. The SPX jumped 4.6%, and the NASDAQ rallied 6.7%, and the Russell 2000 rose 4.1%. Bonds also rose. The US Aggregate Bond ETF (AGG) gained 0.75%. TLT, the 20-year Treasury Bond ETF, climbed 1.55%. The long-term trend is still not encouraging, with the major averages all well below their long-term averages. But we did have some studies emerge with bullish intermediate-term implications. The excerpt below is from the Thursday night letter.

*The move has been so strong and so broad lately that some breadth-thrust studies triggered on Thursday.*

*The strong breadth we have seen recently has caused the 10-day exponential moving average of the Up Issues % to rise up to 63.15%. A move through 61.5% after being below 40% within the last 2 weeks is considered a Zweig Breadth Thrust trigger. This is a signal created by Martin Zweig. I last discussed it in the 11/6/23 letter. Over the long haul Zweig Breadth Thrusts have been rare but powerful. Below is a stats table showing results of all signals since 1957 and summarizing them.*

SPX Performance Following Zweig Breadth Thrusts																			
Forward Returns Shown (21 days is about 1 month) 1957 - present.																			
Ticker	Date/Time	SPX Close	Next Day % Chg	2-Day % Chg	3-Day % Chg	4-Day % Chg	5-Day % Chg	6-Day % Chg	7-Day % Chg	8-Day % Chg	9-Day % Chg	10-Day % Chg	21-Day % Chg	42-Day % Chg	63-Day % Chg	126-Day % Chg	252-Day % Chg	20-Day Drawdown	20-Day Run-up
SPX	7/11/1962	57.73	0.52	0.17	0.17	-1.65	-2.65	-2.27	-1.59	-1.61	-2.37	-2.2	-0.28	1.25	-0.92	12.09	20.84	-3.38%	1.63%
SPX	11/5/1962	58.35	0.62	-0.05	0.74	2.13	1.9	3.1	2.78	3.1	2.52	3.6	7.85	10.95	13.8	19.98	24.78	-1.01%	8.83%
SPX	12/3/1971	97.06	-0.57	-0.2	-0.14	-0.1	0.65	0.94	0.63	1.52	2.76	3.3	5.18	7.85	11.21	13.05	20.94	-1.71%	5.97%
SPX	10/10/1974	69.79	1.93	4.23	2.36	0.77	1.98	3.57	5.32	4.79	1.78	0.62	7.34	-3.6	4.04	20.62	26.62	-1.42%	10.92%
SPX	1/3/1975	70.71	0.51	0.44	-0.95	0.65	2.69	2.26	1.37	2.02	1.9	0.35	10.06	18.65	14.38	33.45	28.55	-2.36%	11.23%
SPX	8/20/1982	113.02	2.73	2.06	4.03	4.89	3.62	4.11	5.74	4.63	6.43	8.55	10.49	23.19	22.4	30.45	44.71	-0.33%	10.49%
SPX	8/3/1984	162.35	0.15	0.23	-0.37	1.96	1.89	1.9	1.28	0.28	0.87	1.1	1.56	0.06	3.17	10.03	17.94	-0.95%	3.97%
SPX	3/18/2009	794.35	-1.3	-3.25	3.6	1.48	2.46	4.85	2.72	-0.86	0.44	2.11	9.47	14.52	14.65	34.55	46.77	-3.54%	9.57%
SPX	10/14/2011	1224.58	-1.94	0.07	-1.2	-0.75	1.12	2.42	0.37	1.42	4.9	4.94	2.22	-1.04	5.64	13.57	17.6	-2.70%	5.56%
SPX	10/18/2013	1744.5	0.01	0.58	0.11	0.43	0.88	1.01	1.57	1.08	0.69	0.98	2.7	3.79	5.69	7.74	9.14	-0.23%	3.08%
SPX	10/8/2015	2013.43	0.07	0.2	-0.48	-0.95	0.52	0.98	1	0.86	0.27	1.94	4.26	2.49	-4.54	1.42	6.97	-1.13%	5.12%
SPX	1/7/2019	2549.69	0.97	1.38	1.84	1.83	1.29	2.38	2.6	3.38	4.75	3.26	7.13	7.58	13.57	16.86	26.96	-0.08%	7.42%
SPX	11/3/2023	4358.34	0.18	0.46	0.56	-0.25	1.31	1.22	3.15	3.32	3.44	3.57	4.79	7.78	13.67	19.03	32.68	-0.33%	5.53%
SPX	4/24/2025	5484.77	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Average	0.30	0.49	0.79	0.80	1.36	2.04	2.07	1.84	2.18	2.47	5.60	7.19	8.98	17.91	24.96	-1.47%	6.88%
		Median	0.18	0.23	0.17	0.65	1.31	2.26	1.57	1.52	1.9	2.11	5.18	7.58	11.21	16.86	24.78		
		Win %	76.92%	76.92%	61.54%	61.54%	92.31%	92.31%	92.31%	84.62%	92.31%	92.31%	92.31%	84.62%	84.62%	100.00%	100.00%		

Over the short, intermediate, and long-term there have been strong gains on a consistent basis. The AVG run-up over the next 20 days has been 6.79%. This is double the MAX drawdown, and over triple the average drawdown. Average gains over the next 7 days are 2.1%, 21-days average 5.6%, and the average gain over the next year has been 25%. Those are impressive moves. So yes, the market is overbought. But this implies the move has been so strong and so broad that strength is likely to beget more strength.

Another breadth thrust study is the one below, which was last seen in the 9/17/24 letter. It looks at other times that breadth came in strong for 3 days in a row. I have shown this study many times over the years. I often refer to it as a Triple-70 Thrust, because it requires the NYSE Up Issues % to close at 70% or greater for 3 days in a row. Stats are updated.

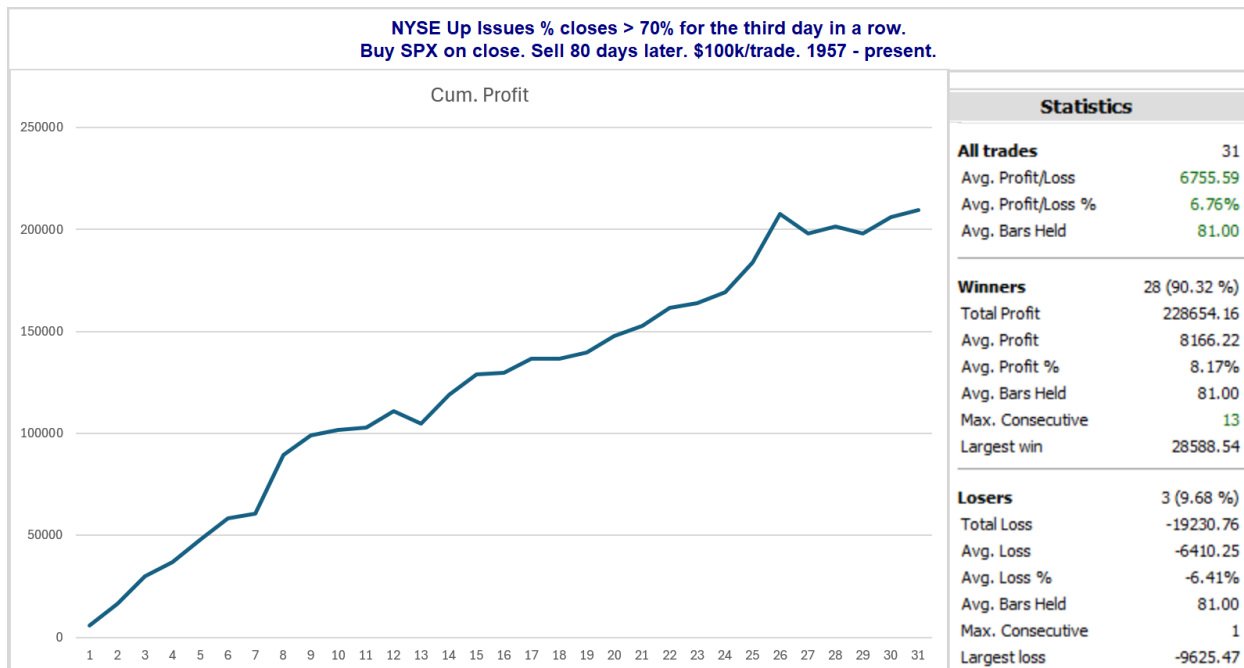
NYSE Up Issues % closes > 70% for the third day in a row. Buy SPX on close. Sell 80 days later. \$100k/trade. 1957 - present.									
Days In	# Trades	# of winners	# of losers	% of Winners	W. Avg % Profit	L. Avg % Loss	Profit Factor	Avg Profit/Loss	
100	29	24	5	82.76	10.28	-6.89	7.16	\$7,320.80	
95	29	24	5	82.76	9.37	-6.93	6.5	\$6,563.41	
90	30	27	3	90	8.7	-5.36	14.6	\$7,294.89	
85	30	26	4	86.67	8.56	-4.5	12.35	\$6,818.54	
80	31	28	3	90.32	8.17	-6.41	11.89	\$6,755.59	
75	32	28	4	87.5	7.99	-7.02	7.97	\$6,114.37	
70	32	28	4	87.5	7.17	-4.87	10.3	\$5,663.60	
65	32	26	6	81.25	7.41	-4.36	7.38	\$5,207.29	
60	33	27	6	81.82	7.65	-4.93	6.98	\$5,361.68	
55	34	28	6	82.35	7.27	-4.65	7.3	\$5,164.64	
50	35	28	7	80	7.53	-5.25	5.74	\$4,977.51	
45	38	30	8	78.95	6.72	-5.04	5	\$4,243.85	
40	40	29	11	72.5	6.34	-5.36	3.12	\$3,121.16	
35	42	34	8	80.95	4.68	-4.48	4.44	\$2,932.03	
30	42	30	12	71.43	5.34	-3.26	4.09	\$2,880.30	
25	42	30	12	71.43	4.76	-2.85	4.18	\$2,589.79	
20	43	32	11	74.42	4.29	-3.25	3.84	\$2,363.75	
15	43	33	10	76.74	3.56	-3.76	3.12	\$1,854.93	
10	46	33	13	71.74	2.87	-3.54	2.06	\$1,056.01	
5	48	32	16	66.67	1.81	-2.34	1.54	\$424.08	

There are a lot of positive numbers and the edge generally appears to be to the upside. Results between 70 and 90 days appear especially strong and consistent. Below is the full list with an 80-day exit. (Overlapping instances removed.)

**NYSE Up Issues % closes > 70% for the third day in a row.  
Buy SPX on close. Sell 80 days later. \$100k/trade. 1957 - present.**

Symbol	Entry Date	Entry Price	Exit Date	Exit Price	Profit	% Profit	Cum. Profit	Drawdown	Runup
\$\$PX	1/3/1958	40.87	4/28/1958	43.22	5749.94	5.75%	5749.94	-1.22%	6.09%
\$\$PX	11/5/1962	58.35	3/4/1963	64.72	10916.88	10.92%	16666.82	-1.13%	14.76%
\$\$PX	1/9/1967	82.81	5/3/1967	93.91	13404.18	13.40%	30071	-1.74%	14.44%
\$\$PX	5/29/1970	76.55	9/22/1970	81.86	6936.64	6.94%	37007.64	-7.66%	9.44%
\$\$PX	10/11/1974	71.14	2/5/1975	78.95	10978.35	10.98%	47985.99	-9.85%	10.98%
\$\$PX	1/5/1976	92.58	4/28/1976	102.13	10315.4	10.32%	58301.4	-1.87%	13.02%
\$\$PX	1/5/1979	99.13	5/1/1979	101.68	2572.38	2.57%	60873.78	-3.78%	4.86%
\$\$PX	8/18/1982	108.54	12/10/1982	139.57	28588.54	28.59%	89462.31	-0.18%	33.00%
\$\$PX	3/3/1983	153.48	6/27/1983	168.46	9760.23	9.76%	99222.54	-2.84%	11.81%
\$\$PX	8/3/1984	162.35	11/27/1984	166.29	2426.86	2.43%	101649.4	-2.68%	4.96%
\$\$PX	12/26/1991	404.84	4/21/1992	410.26	1338.8	1.34%	102988.2	-3.07%	4.04%
\$\$PX	3/21/2007	1435.04	7/16/2007	1549.52	7977.48	7.98%	110965.68	-1.82%	8.37%
\$\$PX	1/2/2009	931.8	4/29/2009	873.64	-6241.68	-6.24%	104724	-28.44%	1.29%
\$\$PX	7/15/2009	932.68	11/5/2009	1066.63	14361.84	14.36%	119085.83	-2.42%	18.09%
\$\$PX	7/9/2010	1077.96	11/1/2010	1184.38	9872.35	9.87%	128958.19	-3.55%	10.96%
\$\$PX	3/21/2011	1298.38	7/14/2011	1308.87	807.93	0.81%	129766.12	-3.10%	5.56%
\$\$PX	9/15/2011	1209.11	1/10/2012	1292.08	6862.07	6.86%	136628.19	-11.11%	6.91%
\$\$PX	3/9/2012	1370.87	7/3/2012	1374.02	229.78	0.23%	136857.97	-7.60%	3.76%
\$\$PX	7/3/2012	1374.02	10/25/2012	1412.97	2834.75	2.83%	139692.72	-3.54%	7.31%
\$\$PX	6/27/2013	1613.2	10/21/2013	1744.66	8149.02	8.15%	147841.74	-0.75%	8.19%
\$\$PX	4/1/2014	1885.52	7/25/2014	1978.34	4922.78	4.92%	152764.52	-3.77%	5.61%
\$\$PX	2/17/2016	1926.82	6/10/2016	2096.07	8783.9	8.78%	161548.42	-1.86%	10.05%
\$\$PX	6/30/2016	2098.86	10/24/2016	2151.33	2499.93	2.50%	164048.35	-1.38%	4.52%
\$\$PX	12/7/2016	2241.35	4/4/2017	2360.16	5300.82	5.30%	169349.17	-1.45%	7.12%
\$\$PX	1/8/2019	2574.41	5/3/2019	2945.64	14420	14.42%	183769.18	-1.04%	14.75%
\$\$PX	3/26/2020	2630.07	7/21/2020	3257.3	23848.41	23.85%	207617.59	-6.94%	24.28%
\$\$PX	5/27/2022	4158.24	9/22/2022	3757.99	-9625.47	-9.63%	197992.12	-12.54%	4.02%
\$\$PX	1/12/2023	3983.17	5/9/2023	4119.17	3414.37	3.41%	201406.49	-4.38%	5.33%
\$\$PX	7/13/2023	4510.04	11/3/2023	4358.34	-3363.61	-3.36%	198042.88	-9.01%	2.15%
\$\$PX	5/6/2024	5180.74	8/29/2024	5591.96	7937.48	7.94%	205980.36	-1.19%	9.44%
\$\$PX	9/16/2024	5633.09	1/10/2025	5827.04	3443.05	3.44%	209423.41	-0.51%	8.29%
<b>Average</b>								<b>-4.59%</b>	<b>9.46%</b>

*Lots of strong rallies seen here. Drawdowns > 10% are highlighted in red and run-ups of > 10% are highlighted in green. Next is the curve and the stats.*



*Impressive looking curve and stats. I've included this study on the intermediate-term active list.*

Another notable indicator that changed position is our NASDAQ/SPX Relative Leadership indicator. After lagging the SPX since late January, the NASDAQ has now moved into a leading position. This can be seen in the chart below.



The movement of the red line (which is about to turn green) above the blue dotted line is our indication that the NASDAQ is in a leading position. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. This can be seen in the table below.

**Historical Compound Returns of \$100,000 Starting Portfolio Using the NASDAQ/SPX Relative Leadership Indicator as a Filter. 12/31/71 - 4/25/25.**

	Compound Annual Growth Rate	Max Drawdown	End Value of \$100,000
S&P 500 Index	7.77%	-56.78%	\$5,412,097.31
SPX when NASDAQ lags	-0.05%	-67.21%	\$97,618.96
SPX when NASDAQ leads	7.82%	-33.92%	\$5,544,104.50
NASDAQ Composite	9.88%	-77.93%	\$15,232,158.72
NASDAQ when lagging	-1.47%	-85.53%	\$45,338.09
NASDAQ when leading	11.52%	-40.62%	\$33,596,827.95
NASDAQ when leading (with interest when in cash)*	14.02%	-37.64%	\$109,703,194.90

\*interest on cash calculated at historical 30-day Fed Funds rate

More on this indicator can be found in the Market Timing Course. (Free for all annual subscribers. If you are an annual subscriber and have any trouble accessing it, please let me know.)

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

Domestic Security Holdings as of

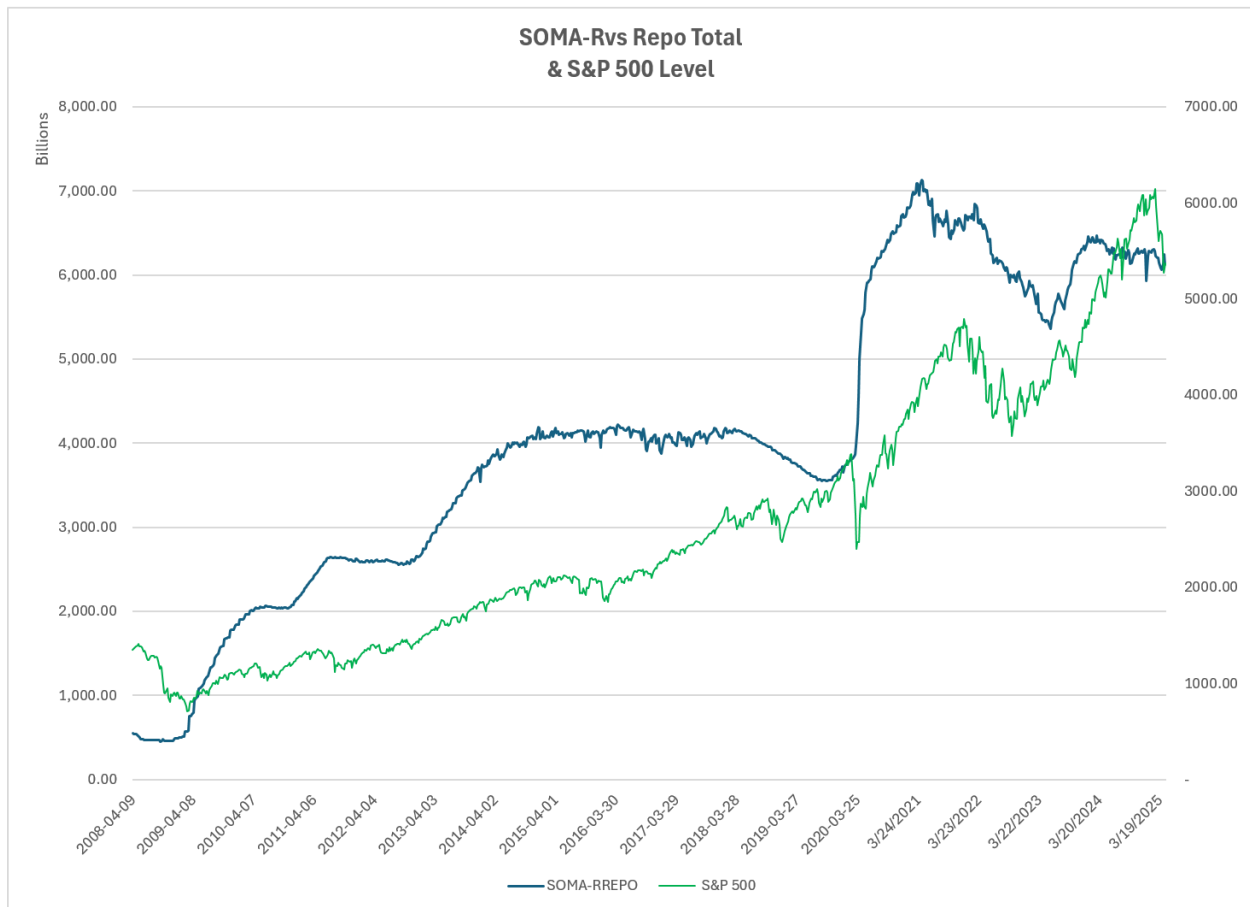
◀ Previous **April 23, 2025** 📅  
Posted April 24, 2025 at 4:30 PM

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

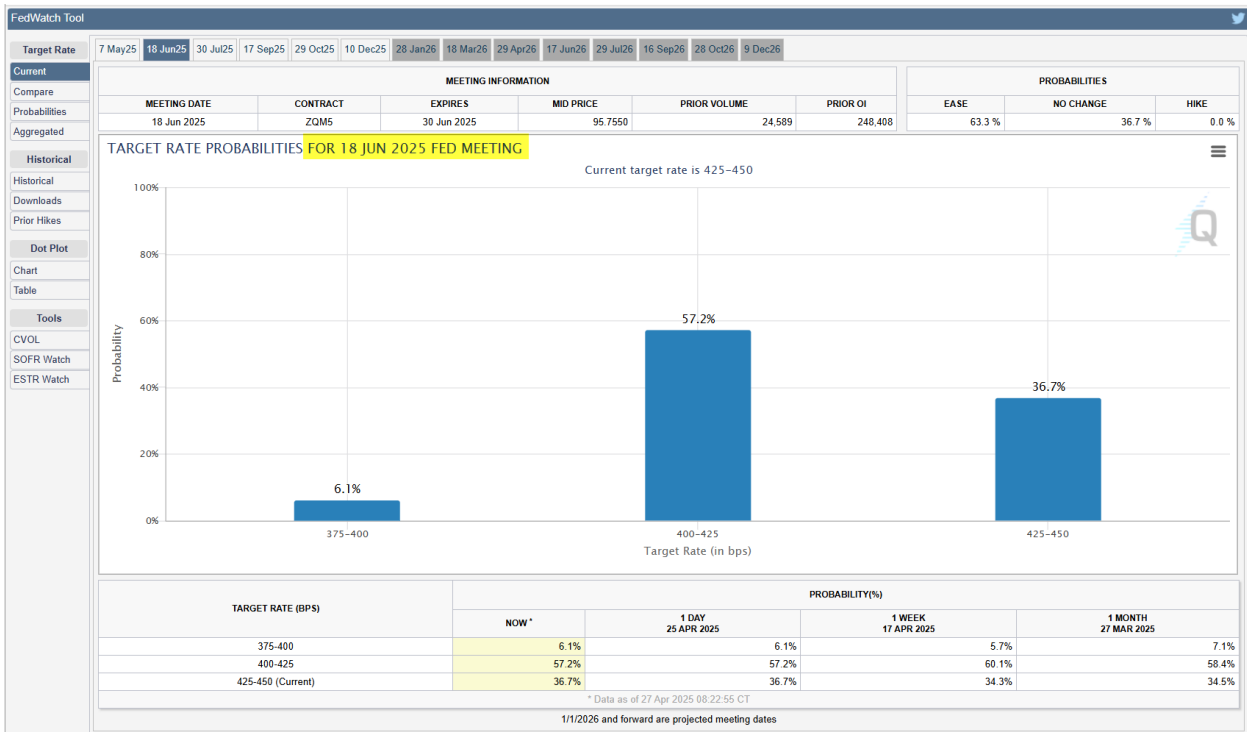
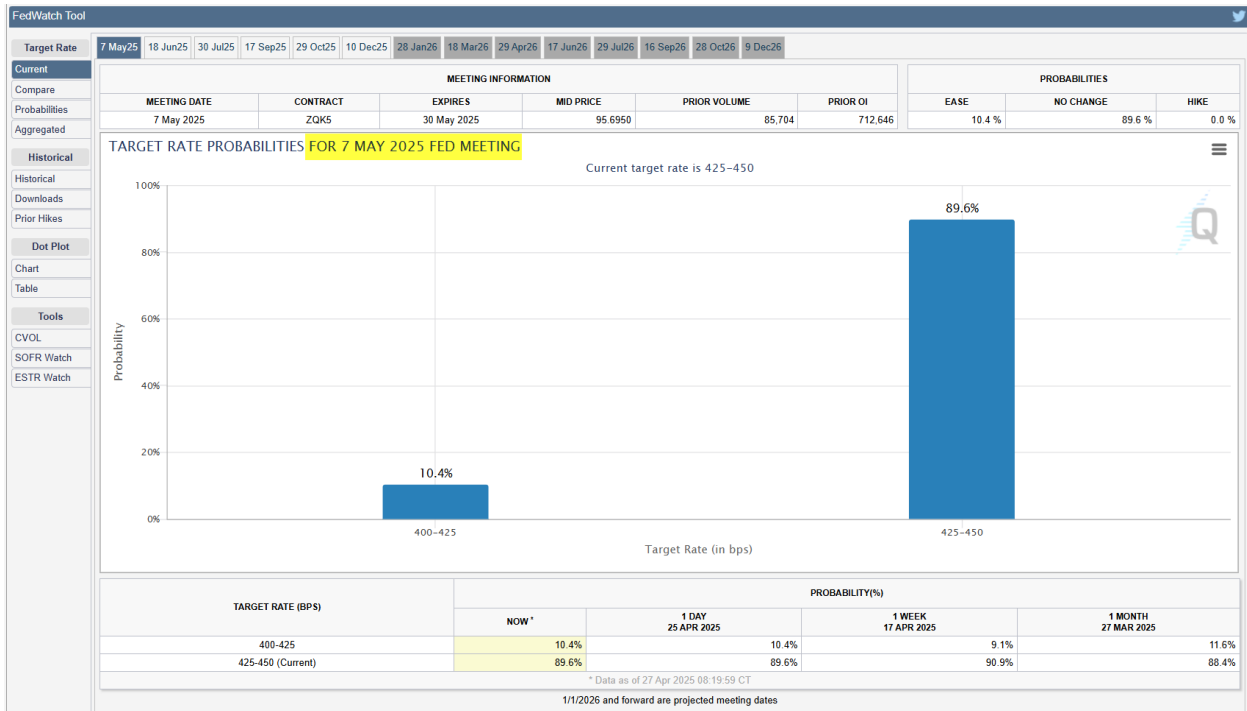
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,342,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,590,625,917.2
US Treasury Floating Rate Notes (FRNs)	10,820,651.2
US Treasury Inflation-Protected Securities (TIPS)*	312,055,391.7
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,177,405,602.2
Agency Commercial Mortgage-Backed Securities***	8,000,844.9
Total SOMA Holdings	6,296,598,333.9
Change From Prior Week	-3,471,318.3

The SOMA account holdings declined by a mild \$3.5 billion for the week ending 4/23/25. Meanwhile, reverse repos rose by a sizable \$117 billion for the week ending 4/23. That effectively tripled the amount of reverse repos that are outstanding. A rise in reverse repos can act as a liquidity outflow. Combined for the week, SOMA and reverse repo action accounted for a \$120 billion liquidity drain. But the higher amount of reverse repos means there is more fuel in the coming weeks to possibly inject liquidity as repos are closed out. 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. So the headwind now appears more like 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 really been chopping around lately, and so has 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 persistent and 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 only 10%. That has continued to drop over the last few weeks. Meanwhile, June odds did not change much from last week. There is now a 63% 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. With lots of uncertainty regarding global trade and the impact on the economy and certain industries, the Fed is weighing risks of inflation versus a recession. It may be challenging living up to their mandate of promoting both employment and low inflation. After having ripped Jerome Powell last weekend, Trump commented that he had no intention of

firing him early this past week. That seemed to ignite the rally the last few days after Monday had seen a sizable down day.

Overall, the market seems to be in a tricky spot. With the NASDAQ taking the lead vs the SPX and the compelling breadth thrust studies we saw trigger on Thursday, we are definitely seeing the kind of momentum and leadership move that would often suggest a new intermediate to long-term rally is in the making. And that may be the case. But concerns remain. From a seasonality perspective, the market will be entering the “Worst 6 Months” after the close on Wednesday. And we are in the 1<sup>st</sup> year of a presidential cycle. So neither of those are favorable. There is also plenty of uncertainty regarding global trade. That uncertainty makes forecasting for companies more challenging, since it is hard to predict costs. It has been a volatile few months since the new administration took office, and it may take a while longer for the market to understand and adjust to new rules. So we may continue to see sharp moves back and forth. And if this simply turns out to be a brief reprieve in a long trade war, then bad news could easily lead to more legs lower for the market. Still, breadth and leadership are coming back, and that is a dangerous thing to bet against. So I will be less inclined to take on short positions, and more willing to take long trades until evidence (and prices) appear to be faltering.

### **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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