

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 30, 2025

Volume 18 Issue 81

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>0</b>

## Tonight's Research Points

- More evidence emerged suggesting a short-term pullback appears likely.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish. I believe there is a downside edge, but am only inclined to take a small position and only if I can get a favorable fill.

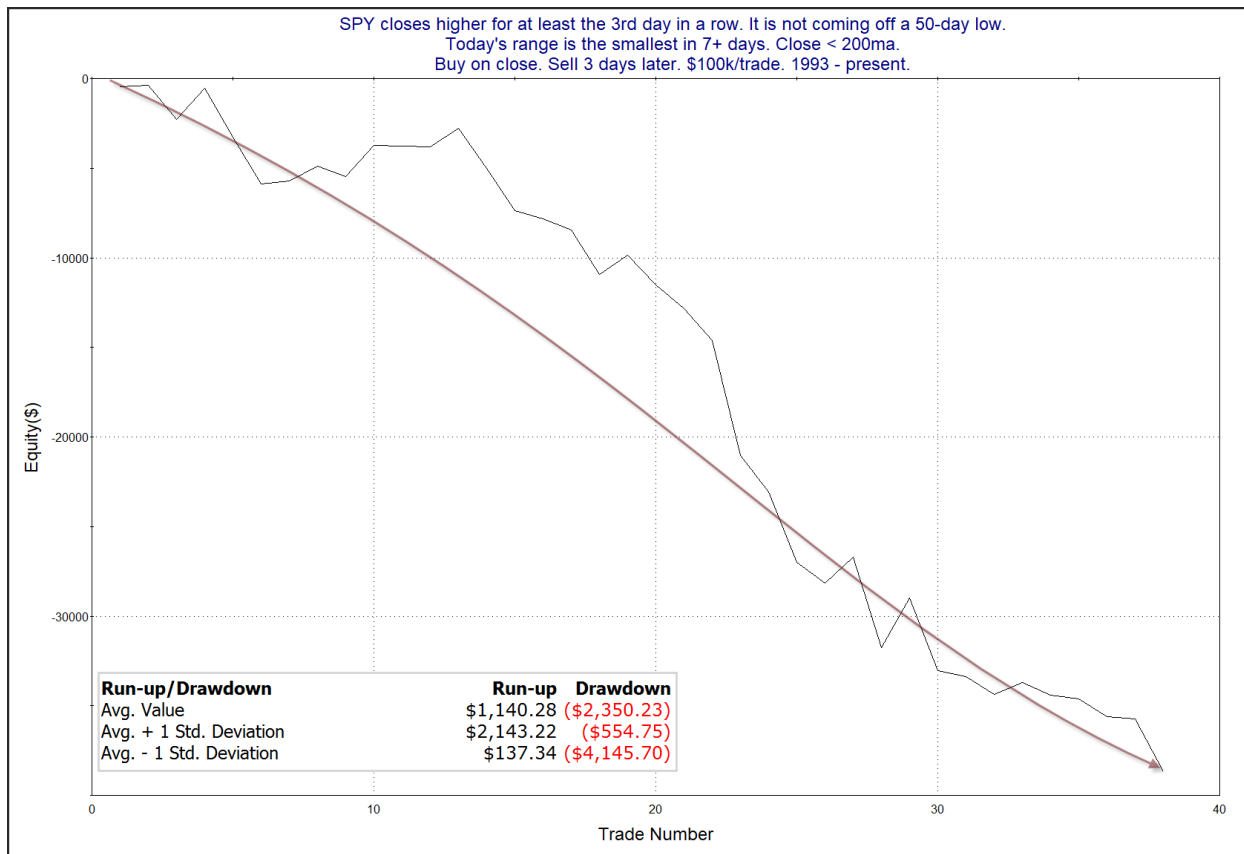
## The Evidence

Tuesday saw the market advance again. The SPX , NASDAQ and the Russell 2000 all gained 0.6%. Breadth was positive as the NYSE Up Issues % closed at 65% and the NYSE Up Volume % posted a 62% reading. NYSE total volume rose some from Monday's level.

I am continuing to see many of the same kind of studies appear. SPX is strongly overbought but still below its 200ma. Nothing is suggesting this is a bullish setup. And several studies again point lower. The study below is from the 2/6/19 letter. It considers that the recent rally has not originated from an intermediate-term low, a long-term downtrend is in place, and that Tuesday was an NR7 day. An NR7 day is a day that shows the narrowest range of the last 7 days. I have updated all results.

SPY closes higher for at least the 3rd day in a row. It is not coming off a 50-day low. Today's range is the smallest in 7+ 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	-35,671.10	38	19	18	50.00	3,702.72	-9,046.24	1,362.81	-3,420.25	0.40	0.42	-938.71
4	-41,594.01	38	14	24	36.84	3,045.60	-7,118.52	1,228.58	-2,449.76	0.50	0.29	-1,094.58
3	-38,689.60	38	10	28	26.32	2,774.88	-6,431.25	1,150.41	-1,792.63	0.64	0.23	-1,018.15
2	-27,611.97	39	11	28	28.21	2,006.81	-4,018.00	802.14	-1,301.27	0.62	0.24	-708.00
1	-6,804.85	41	15	26	36.59	3,395.70	-4,580.52	1,106.72	-900.22	1.23	0.71	-165.97

As you can see the results table suggests a substantial downside edge over the next 1-3 days. Below is an equity curve using a 3-day exit strategy that shows how the edge has played out over time.



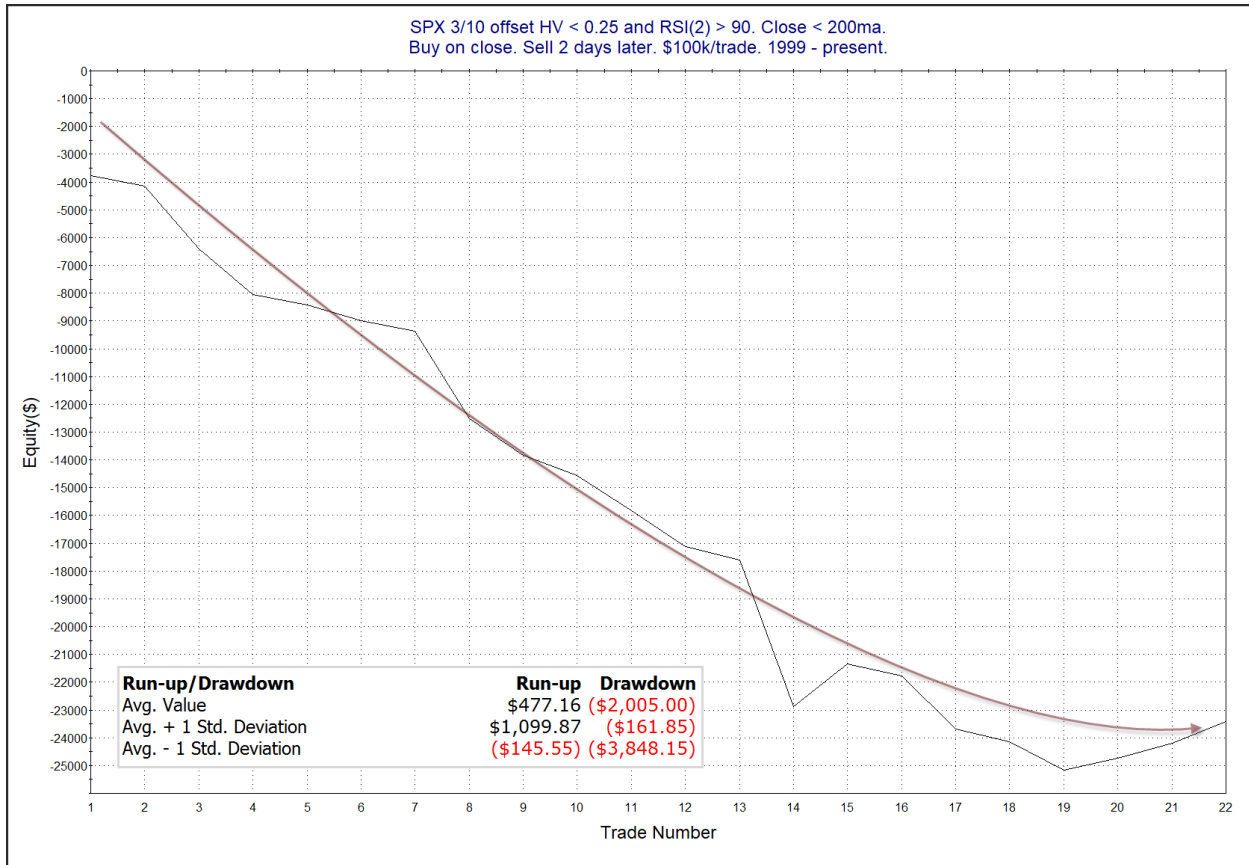
The strong, steady downslope supports the idea of a bearish inclination.

An indicator that is again 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 a couple of days ago in the 4/28/25 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	-18,844.17	21	6	15	28.57	1,631.16	-6,445.61	1,037.57	-1,671.30	0.62	0.25	-897.34
2	-23,416.19	22	4	18	18.18	1,510.64	-5,264.73	816.30	-1,482.30	0.55	0.12	-1,064.37
1	-16,160.61	27	10	17	37.04	2,286.84	-8,883.33	670.77	-1,345.20	0.50	0.29	-598.54

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



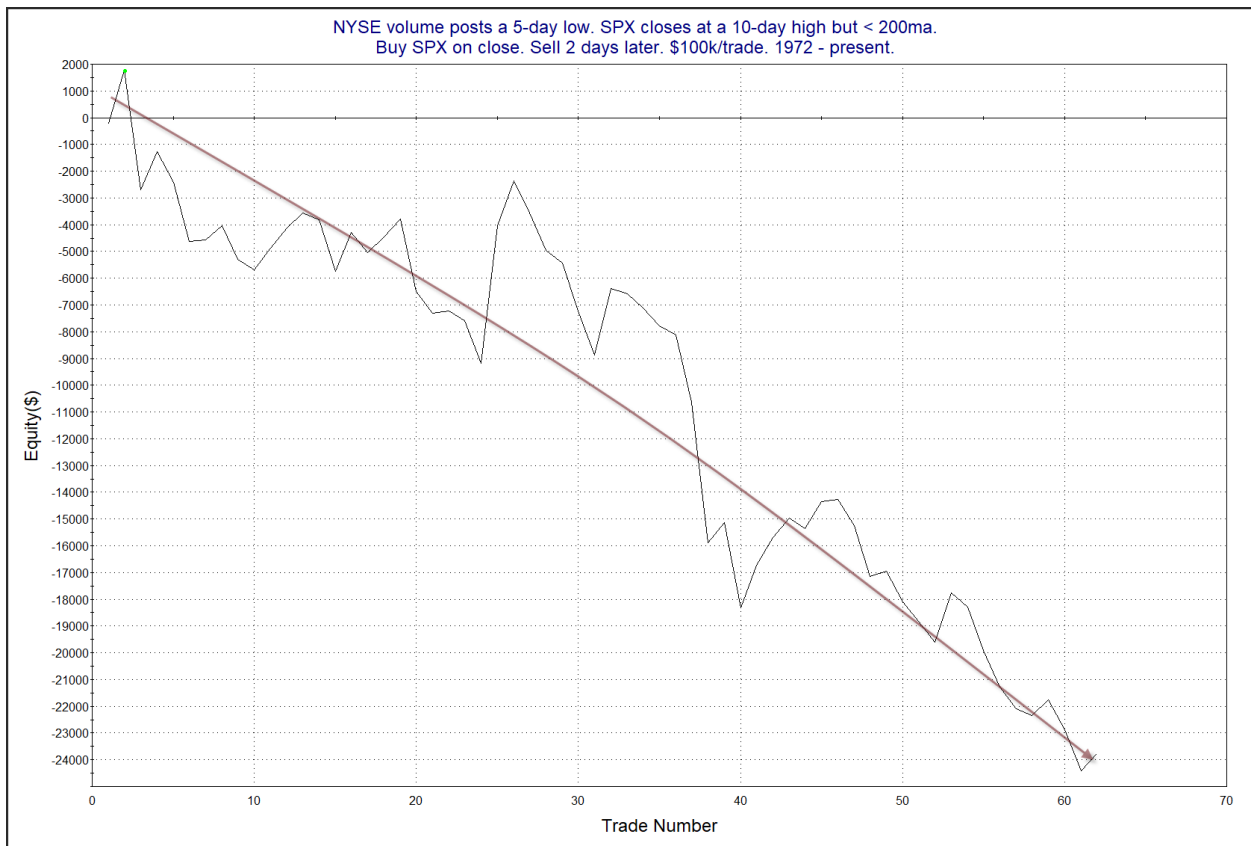
Despite the last few instances not working out, results are strongly negative and consistent. The move from upper right to lower left serve as some confirmation of the bearish edge.

Another study 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. Also last seen in the 4/28/25 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	-23,758.55	62	24	38	38.71	5,136.87	-5,264.73	1,110.33	-1,326.48	0.84	0.53	-383.20
1	-15,447.68	69	32	36	46.38	3,850.37	-8,883.33	596.47	-959.29	0.62	0.55	-223.88

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 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 tonight's evidence considered the green Aggregator Line remained 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 below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current list of active studies, expectations are set to remain negative on Wednesday. Of course this could change if additional bullish evidence emerges. Meanwhile, the Differential Pivot will be 5524.09 on Wednesday. That is 0.7% below Tuesday's close. So SPX will need to close down about 0.7% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. SPX is overbought, and bearish evidence continues to build. There is also ample room to the downside before SPX would turn oversold. So reward potential appears solid. This is a tough market to try and short, but I may take a small position on Wednesday if I can get a favorable fill near the open or near the close of trading. It is unlikely I will continue to scale into this position in the coming days. If filled, it will probably stay small until I close it out.

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

## **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.*

**SPY – Sell short ¼ index position @ \$554.50 LIMIT ON OPEN. If not filled on open, cancel order and look to sell short ¼ index position @ \$554.50 LIMIT ON CLOSE.** Based on the short-term outlook above, I may look for some short exposure if I can get a favorable fill near the open or the close. I am not inclined to try and short into an intraday rally, but I will take some exposure under the conditions above.

## **Current Open Trade Ideas**

*None*

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