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July 18, 2024

Market Structure EDGE

You Can and Should Be A Quant Investor: How To Do Less and Make More

Tim Quast

Founder & CEO
Market Structure EDGE

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As with all investments, your capital is at risk

You Can and Should Be a Quant Trader

Do Less, Earn More

**Tim Quast, founder and CEO of
Market Structure EDGE
July 18, 2024**

- **Tim Quast – Almost 20 years in Market Structure Analytics**
- **Market Structure EDGE – Only quantitative Supply and Demand data for traders**
- *My market education will necessarily emphasize what I know.*



Session description:

Nearly all the prices are set by machines. And there you are, studying charts, scrutinizing financial performance. Surely there's a better way! Yes, there is. You must realize that there are times you should trade, times you should golf (or whatever).

“Tim, I don’t like math. Quant investing isn’t for me.”

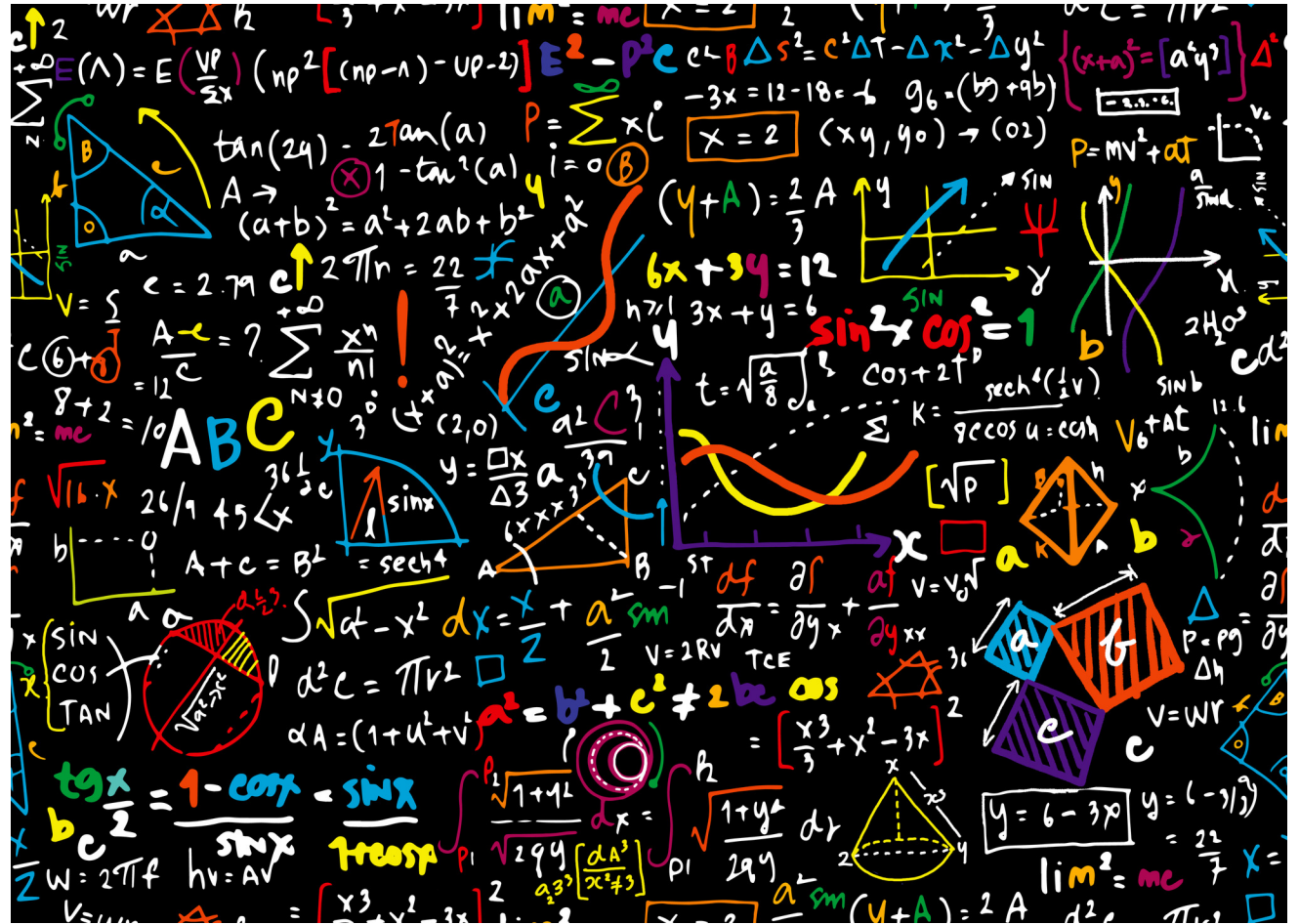


Illustration [96290055](#) © [9george](#) | [Dreamstime.com](#)

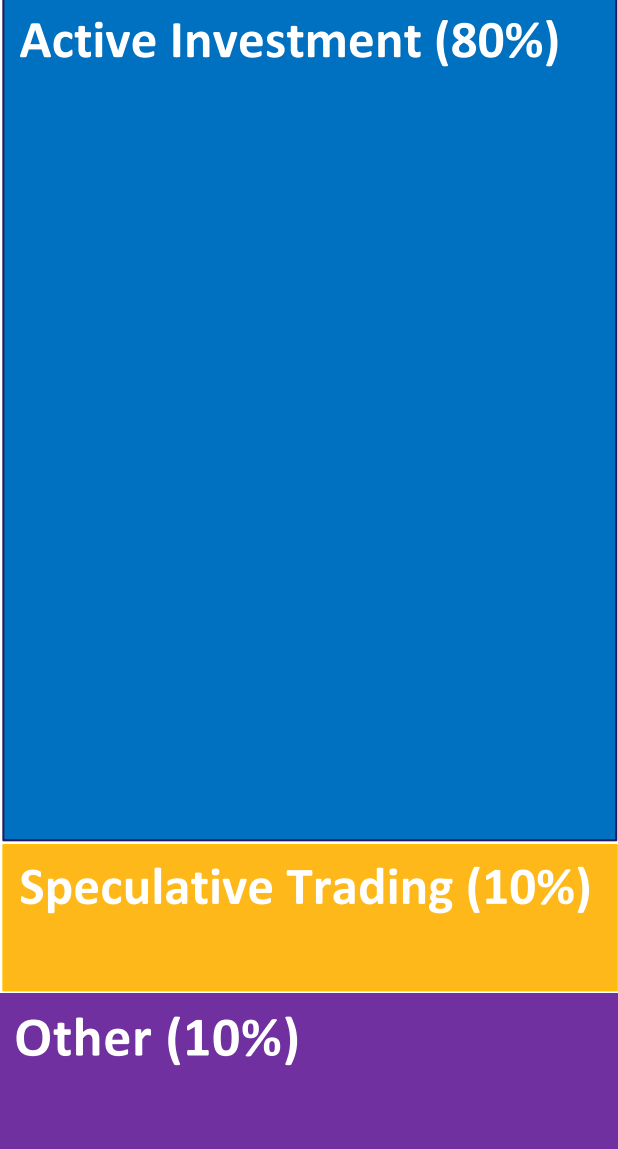
How do you know
this is correct? Is
this better than
math?

No! Let machines
do the work.



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Because most of the money follows models, not charts, financials.



circa 2000 volume:
Winning stocks: The ones the best stock-pickers buy.



2024 S&P 500 volume:
The ones the best stock-pickers buy have a 1-in-10 chance of winning.

Sources: 2000 data are estimated based on firms making markets at the time, Investment Co Institute data on fund assets. 2024 data from ModernIR models, 200-day averages.



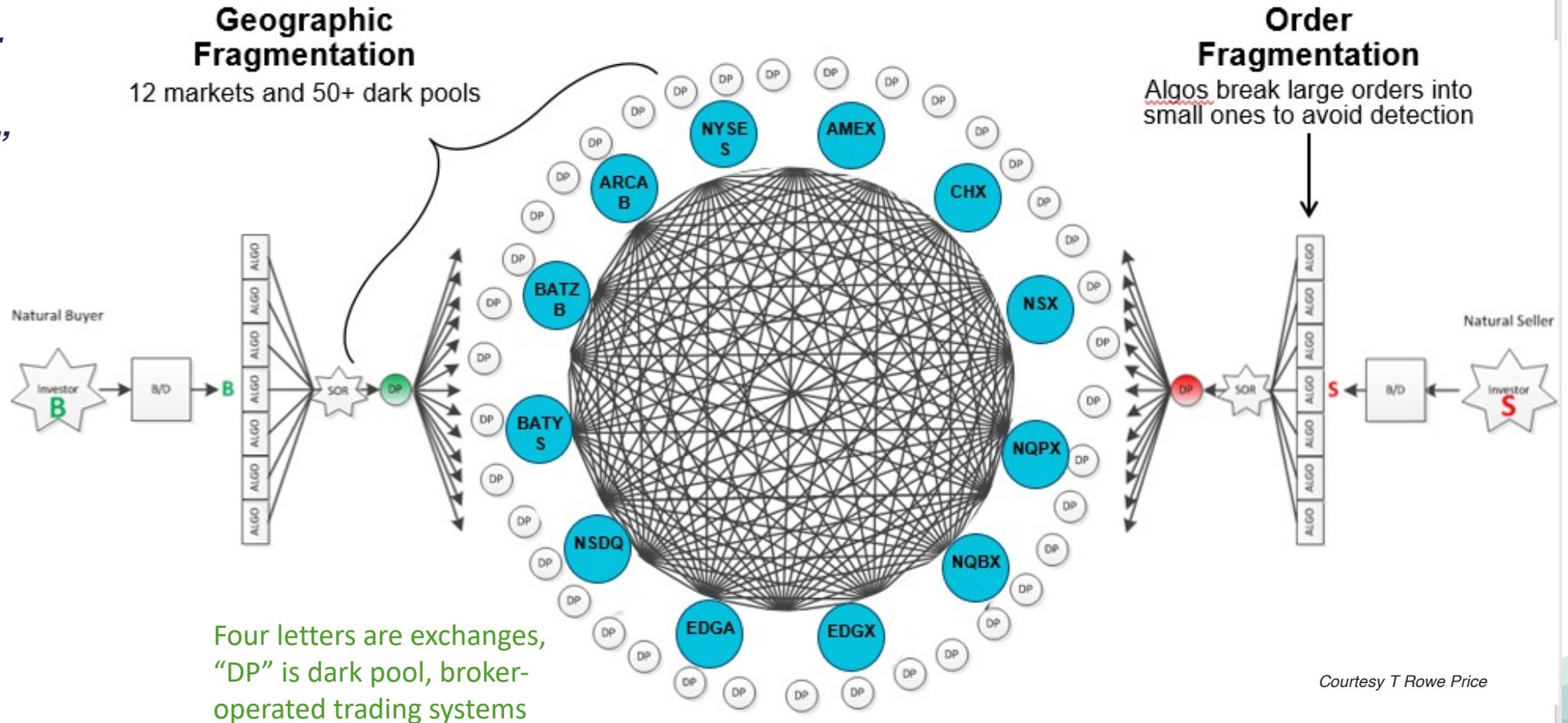
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And this is how prices are set – so how could technical signals be accurate?



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For an Active “Natural” Buyer (left) to find an Active “Natural” Seller (right), orders must navigate the “Death Star” and compete with other behaviors.



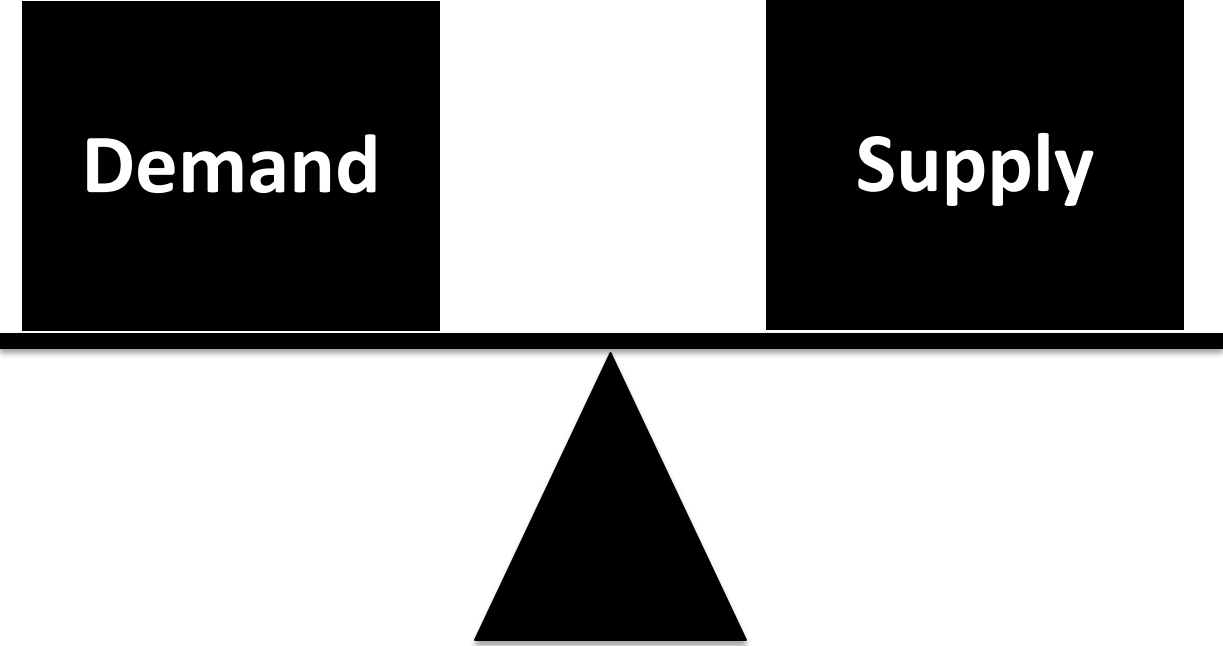
Courtesy T Rowe Price

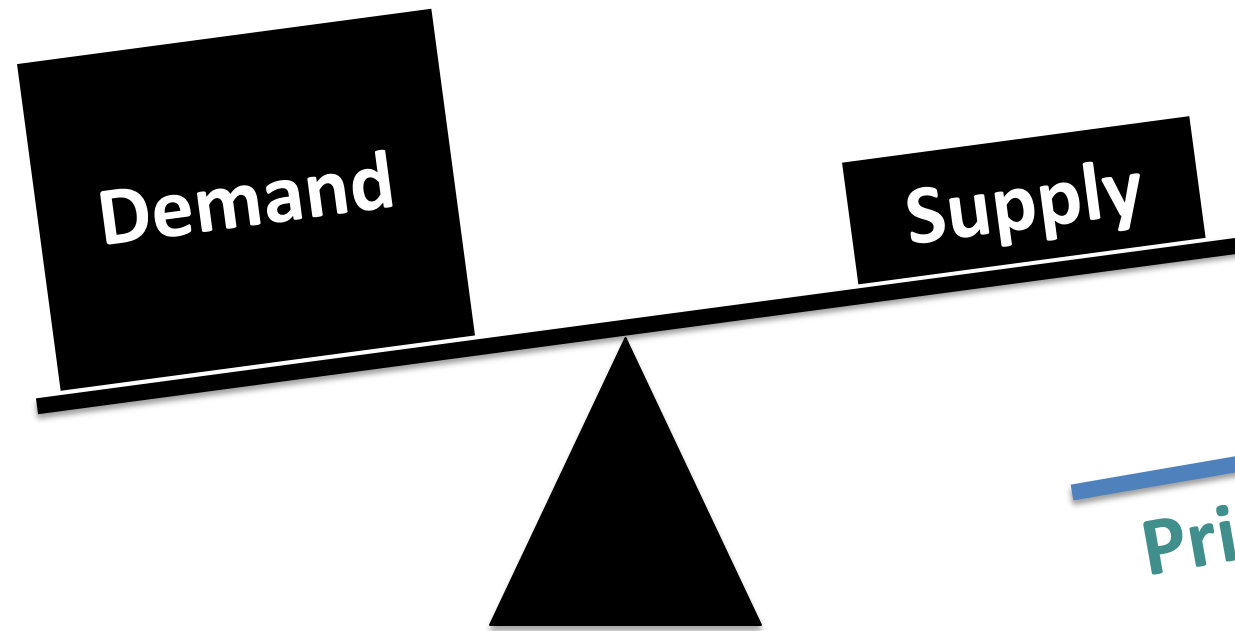
Note: 2024 figures differ some versus these 2017 data from T Rowe Price: 16 Exchanges, 30 dark pools

= Complexity and Excessive Intermediation

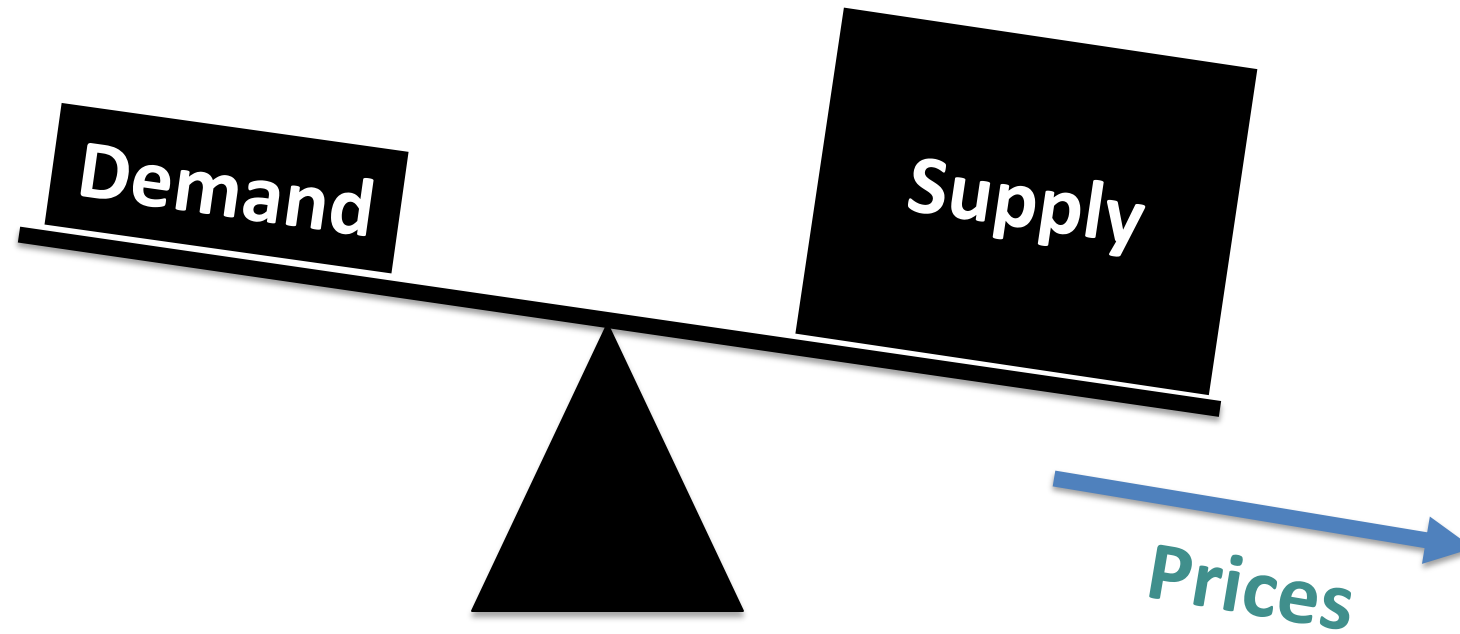
“In 2017, Optiver revealed that a good wire-to wire time was around 2.5 microseconds (2.5 microseconds is about the time it takes for light to travel from the spire of the Burj Khalifa to the ground). The paper goes on to say it's down to 10 nanoseconds, or the time it takes for light to travel from a lectern on a stage to the first row of audience seats.” – TABB Forum White Paper, June 3, 2024, Systematic Longshort

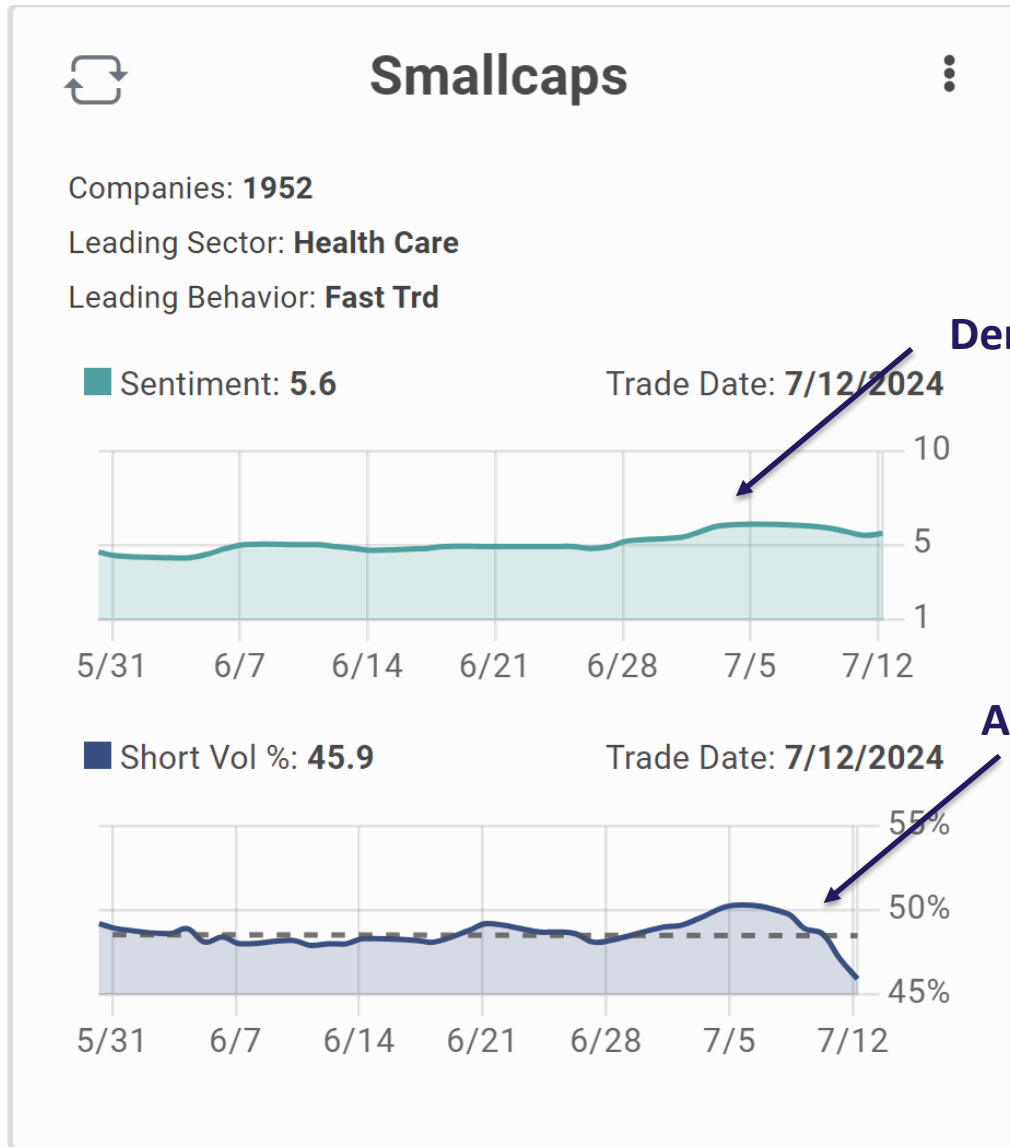
Prices are
Set by
Machines,
not Humans.





Prices





Demand rose in July.

And Supply fell.

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What the machines doing the work say:

Why is the Russell 2000 outperforming large caps? Math.

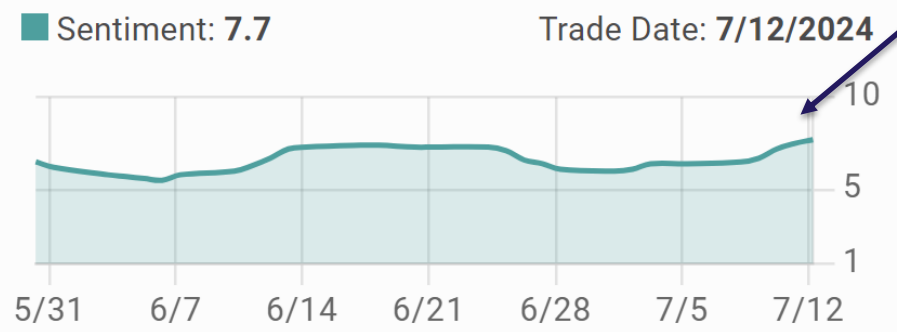
When it changes, the run is over.

Source: MarketStructureEDGE.com dynamic portfolio, criteria, "small caps."

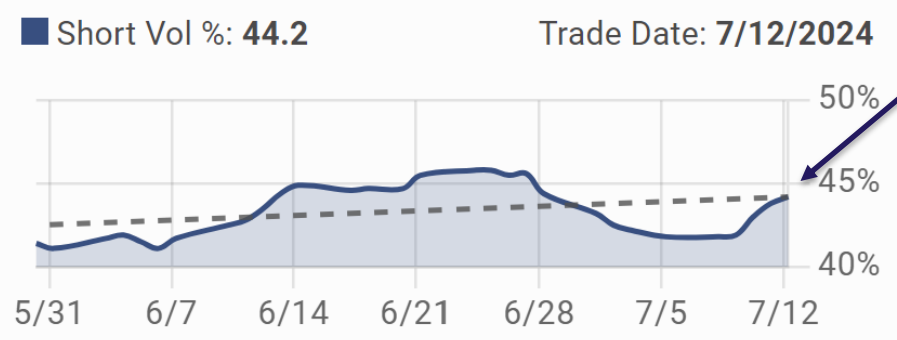
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Big Tech

Companies: 11
Leading Sector: **Information Technology**
Leading Behavior: **Active**



Demand is solid.



But Supply is rising – no divergence.

How about Big Tech (Mag 7-ish)?

Source: MarketStructureEDGE.com static portfolio, META, MSFT, AAPL, AMZN, GOOG/L, NVDA, TSLA, NFLX, AMD, SHOP

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Financials - Big Cos

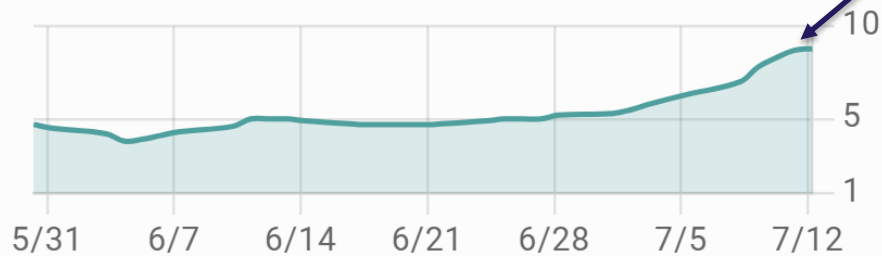
Companies: 6

Leading Sector: **Financials**

Leading Behavior: **Fast Trd**

■ Sentiment: **8.8**

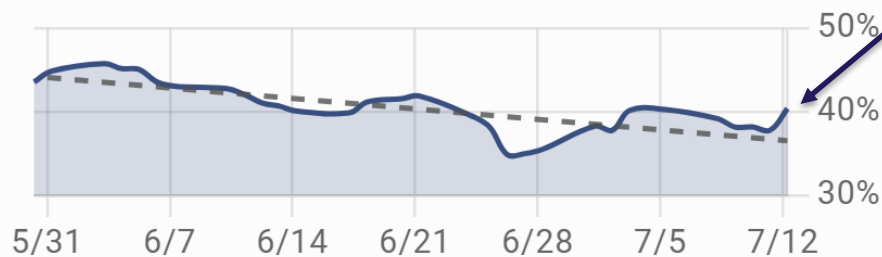
Trade Date: 7/12/2024



Demand and Supply DIVERGED until now. Demand is peaked.

■ Short Vol %: **40.4**

Trade Date: 7/12/2024



And Supply jumped Jul 12 – right before the banks reported earnings.

Big banks
have been
great – until
earnings.
Why?

Source: MarketStructureEDGE.com static portfolio, criteria:
JPM, WFC, BAC, GS, MS, C

Quant Investing is responsive to conditions:

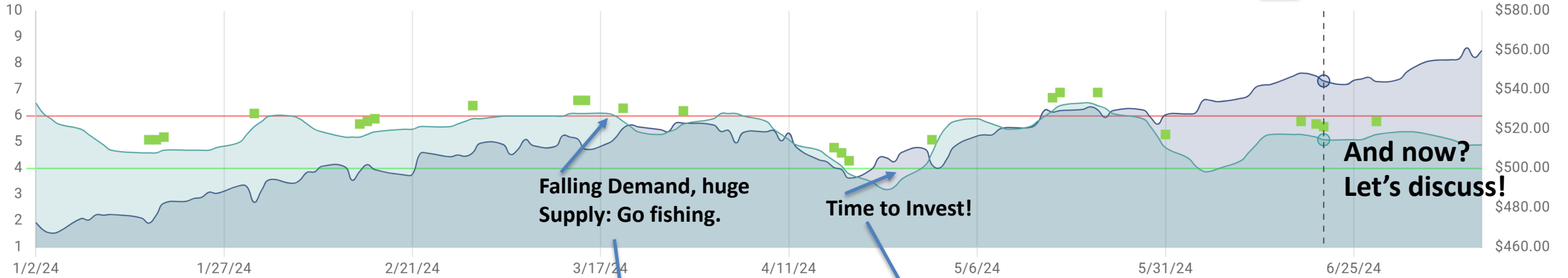
1. **Broad Sentiment** – *Market demand rising or falling?*
2. **Context** – *Options expiring? Jay Powell speaking? Economic data hitting the wires?*
3. **Divergence** – *The PROBABILITY machines will raise or lower prices?*

Broad Sentiment, the EDGE risk-management tool, reflects average Market Structure Sentiment™ (Demand) for composite S&P 500 stocks versus the price of S&P 500 ETF. Green squares show monthly options and futures expirations.

To Invest, or Not to Invest:

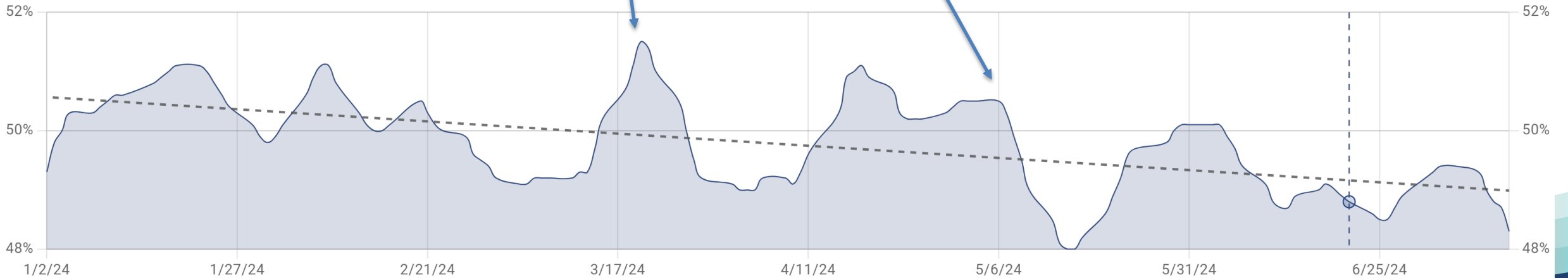
January 1, 2024 - July 12, 2024

Options Broad Sentiment: 5.1 ETF: 544.51 Trade Date: 6/21/2024



Short Volume (Supply) is the average percentage of daily volume in S&P 500 stocks that's short (borrowed, created by market-makers).

Short Vol %: 48.8 Trade Date: 6/21/2024



Source: Marketstructureedge.com, available via IBKR Discover

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MARKET STRUCTURE EDGE Daily Trading Ideas

Market Structure EDGE uses analytics built on the rules and mechanics of the US equity market to identify high-probability (50%-100%) **Momentum** (volatility of 3% or more) or **Low Volatility** (volatility of 2.2% or less) Daily Trading Ideas among liquid stocks, with entry and exit ranges for 1-5 days. We look for certain recurring conditions in the trailing 90 days to predict what might be possible ahead. **performance is no guarantee! This is not advice.** But it's actionable, validated data. If total choices across both portfolios are 30 or more, that's a lot. At times, there may be few or none in one or two portfolios, a signal to wait for better conditions.

Momentum

Low Volatility



Table

Probabilities



Momentum Portfolio

Ticker	Probability	Close	Volatility	Entry	Entry	Exit	Exit	Avg	Market	Sector
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Summary for CAVA
6/6/2024

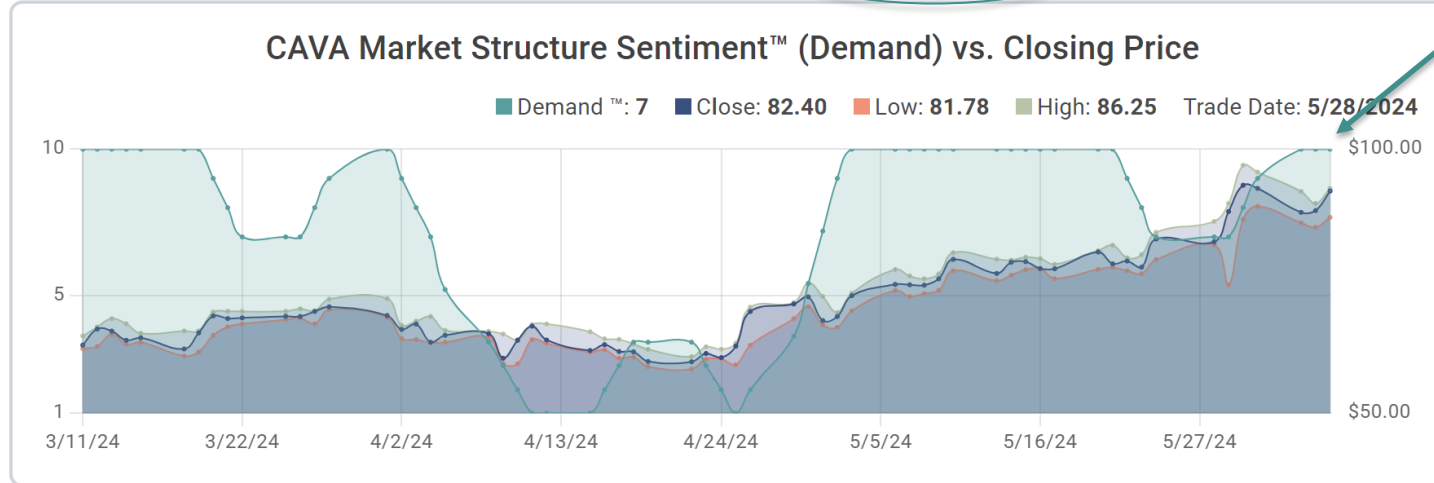


Probability: 89%

Last close: \$92.04

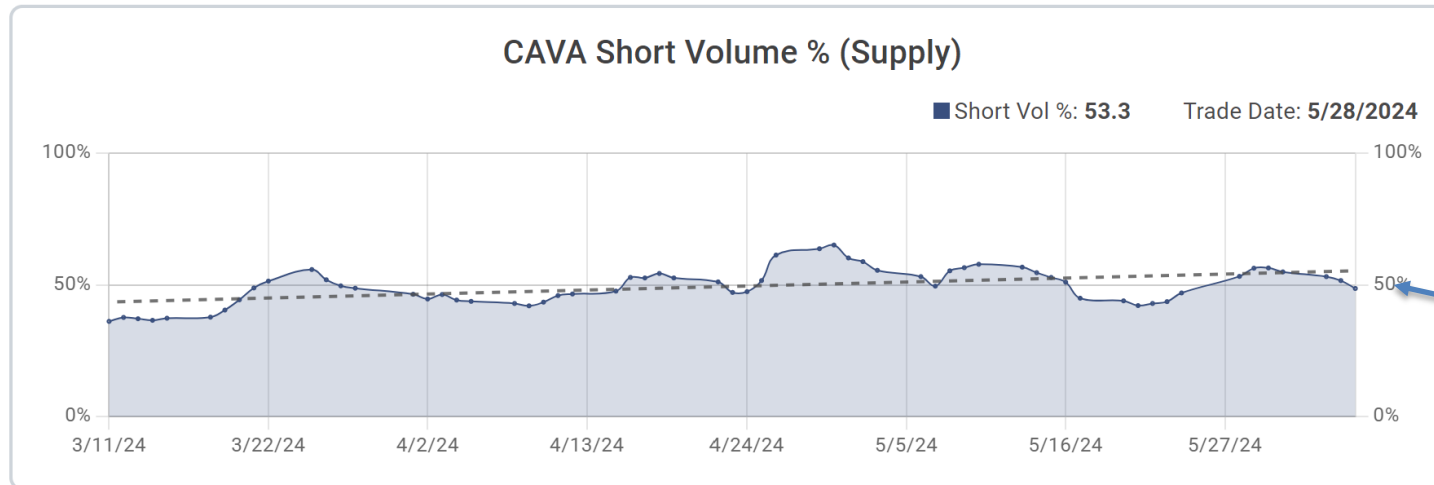
Entry: \$88.73 - \$94.24

Exit (1-5 days): \$90.51 - \$96.13



Demand

1. Demand/Supply Divergence
2. Broad Sentiment rising
3. Limit orders premarket
4. Stops 1% below
5. Limits 2% up
6. Go walk the dog



What happened with this trade?
Look up CAVA, 2% gains 3 of the
next 5 days.

Supply

Source: Marketstructureedge.com, available via IBKR Discover

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