

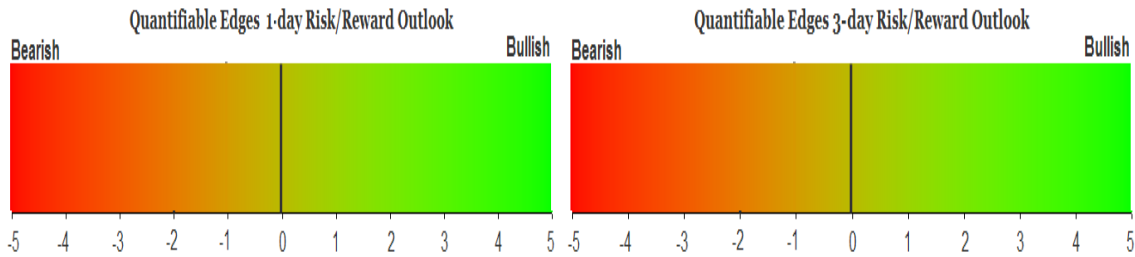
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 10, 2018

Volume 11 Issue 154

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 0 |

Tonight's Research Points

- SOMA expanded for the week ending Wednesday. Some large declines are on tap in the next few weeks, which will make things more difficult for the bulls.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and I am too.

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 | | | | | | |
| None | | | | | | |
| Active - Long Term | | | | | | |
| July 10, 2018 | SPX up 2% in 3 days. HV Off < 0.25 | 1-19 days | Bullish | 4.20% | -2.20% | -4.80% |
| July 1, 2018 | SOMA reduction intensifies to \$40billion | int term | Bearish | | | |
| June 7, 2018 | SPX > 50-day Bollinger Band | 1-50 days | Bullish | 5.00% | -4.10% | -7.80% |
| February 15, 2018 | FTD with moderate breadth & volume | int term | Bearish | | | |
| January 8, 2018 | 1st 4 days of year close higher | 1-250 days | Bullish | 15.90% | -5.70% | -11.10% |
| April 26, 2016 | Golden Cross | int term | Bullish | | | |
| July 22, 2013 | New High Divergence (Study of Tops) | int term | Bearish | | | |
| Dropped Tonight | | | | | | |
| July 31, 2018 | SPX down 3 days. Today is Monday | 1-8 days | Bullish | 2.10% | -1.30% | -2.50% |

The Evidence

Thursday was another mixed and mild day. The SPX closed down 0.1%, the NASDAQ rose 0.04%, and the Russell 2000 gained 0.24%. Breadth was negative as the NYSE Up Issues % was 49.7% and the Up Volume % came in at 40.8%. NYSE volume rose a little from Wednesday’s level.

The continued mild action did nothing to generate compelling new evidence of a short-term directional edge. But this afternoon the Fed released the SOMA flows for the week ending Wednesday. Below is the table that was published to their site.

« As of 08/01/2018

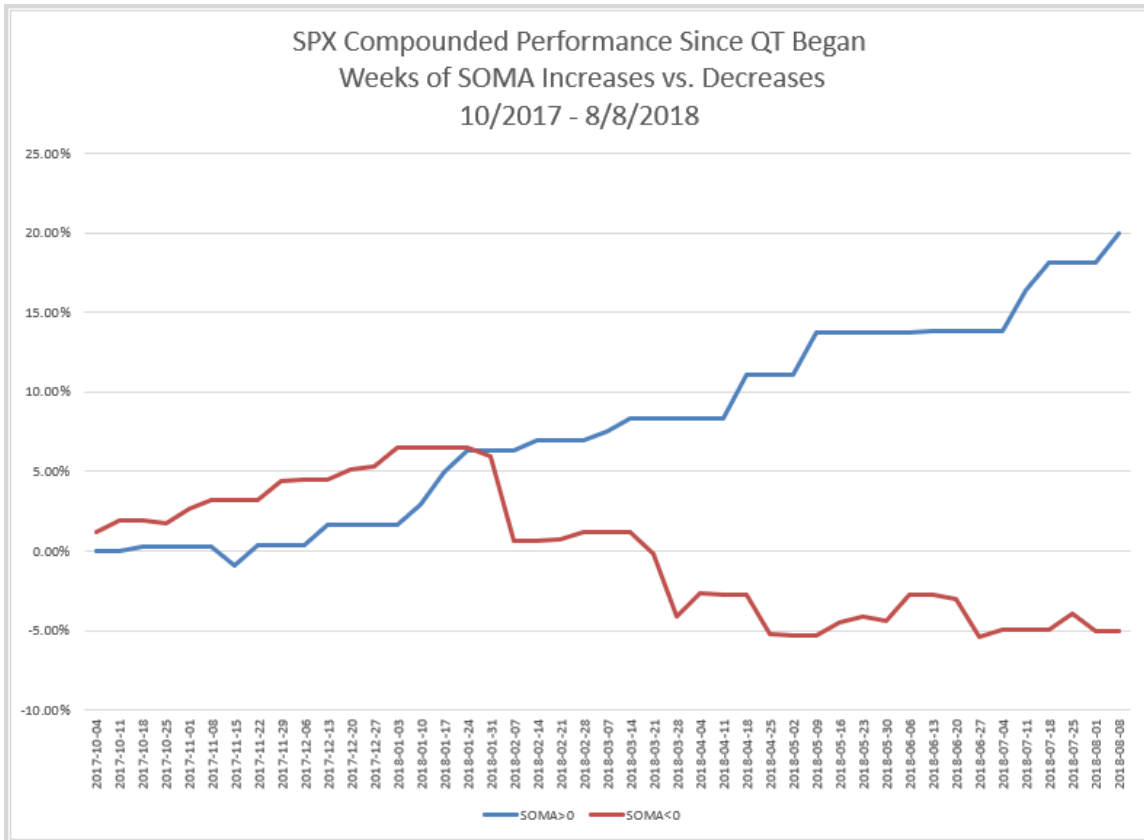
SECURITIES HOLDINGS AS OF
August 8, 2018

| Security Type | Total (in Thousands) |
|--|----------------------|
| US Treasury Bills (T-Bills) | |
| US Treasury Notes and Bonds (Notes/Bonds) | 2,183,634,816.9 |
| US Treasury Floating Rate Notes (FRN) | 16,953,842.3 |
| US Treasury Inflation-Protected Securities (TIPS)* | 114,591,981.2 |
| Federal Agency Securities** | 2,409,000.0 |
| Agency Mortgage-Backed Securities*** | 1,709,545,022.3 |
| Total SOMA Holdings | 4,027,134,662.7 |
| Change From Prior Week | 999.9 |

*Does not reflect inflation compensation of 21,744,060.3
 **Fannie Mae, Freddie Mac and Federal Home Loan Bank
 ***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

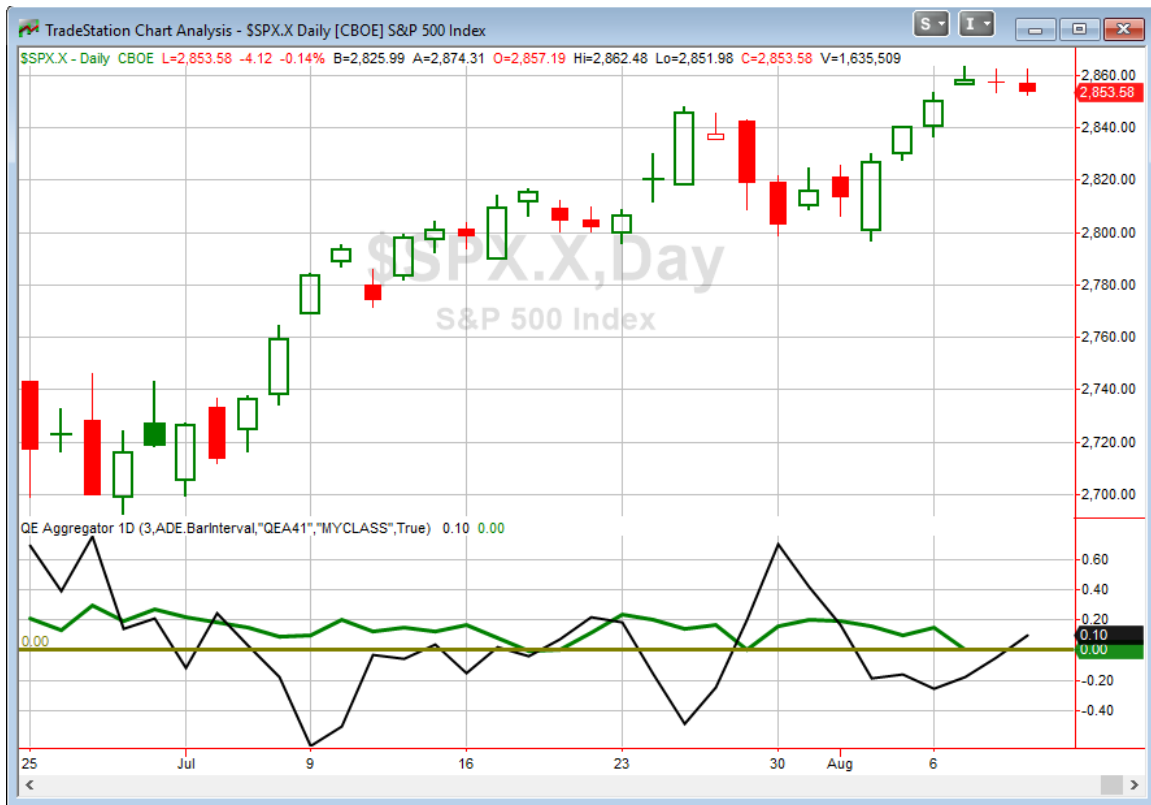
Data posted on 08/09/2018 4:30pm.

As I have been saying was likely, the SOMA did see an expansion this past week. It was very mild, but it was enough to allow the bulls to keep their expansion week hot streak intact.



The gap continues to widen here. With the slight liquidity tailwind this past week the SPX managed to gain 1.6%. Since last October the blue “expansion week” strategy would have posted a 20% gain while the red “contraction week” strategy would have lost 5%. We are now faced with the prospect of several contraction weeks – including big ones with treasuries expiring on the 15th and 31st. I will discuss this in more detail over the weekend, but for bullish momentum to continue it is going to have to overcome some very tight liquidity. That seems a risky bet.

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



With nothing new being added tonight, the green Aggregator Line again closed right at zero. This means expectations are flat. Meanwhile the black Differential Line rose above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are flat and SPX is oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of 0. Therefore, the Aggregator signal stayed flat at the close.

With the intermediate-term outlook neutral and no active short-term studies, expectations for the next few days will be highly dependent on any new studies that emerge. Differential Pivot will be 2865.57 on Friday. That is 0.4% above Thursday's close. Therefore, SPX would need to close up at least 0.4% on Friday in order to flip from oversold to overbought versus recent expectations.

The summer doldrums continue and reward/risk just is not compelling. I will continue to remain patient and await the next strongly favorable opportunity before putting new capital to work.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/6– neutral, but approaching mildly bearish

The intermediate-term outlook was last updated in the 8/6 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

OpenCatapult 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

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).

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