

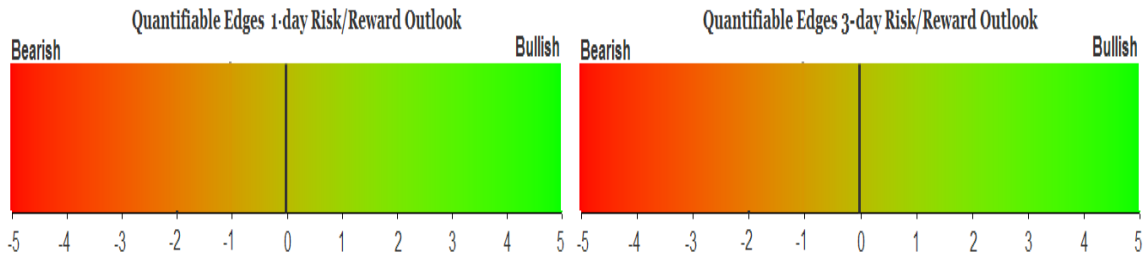
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 24, 2018

Volume 11 Issue 164

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- QT came in light this past week, but it is about to pick up again, which should provide a hurdle for the bulls over the next couple of weeks.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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 1, 2018	SOMA reduction intensifies to \$40billion	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			

The Evidence

Thursday was a quiet summer trading day with mild pullbacks seen across the board. The SPX finished the day down 0.2%, the NASDAQ lost 0.1%, and the Russell 2000 fell 0.3%. Breadth was negative as the NYSE Up Issues % was 32% and the Up Volume % came in at 29%. NYSE volume rose a little from Wednesday’s level.

Thursday the Fed released the SOMA flows for the week ending Wednesday. Below is the table that was published to the Fed’s site.

« As of 08/15/2018

SECURITIES HOLDINGS AS OF
August 22, 2018

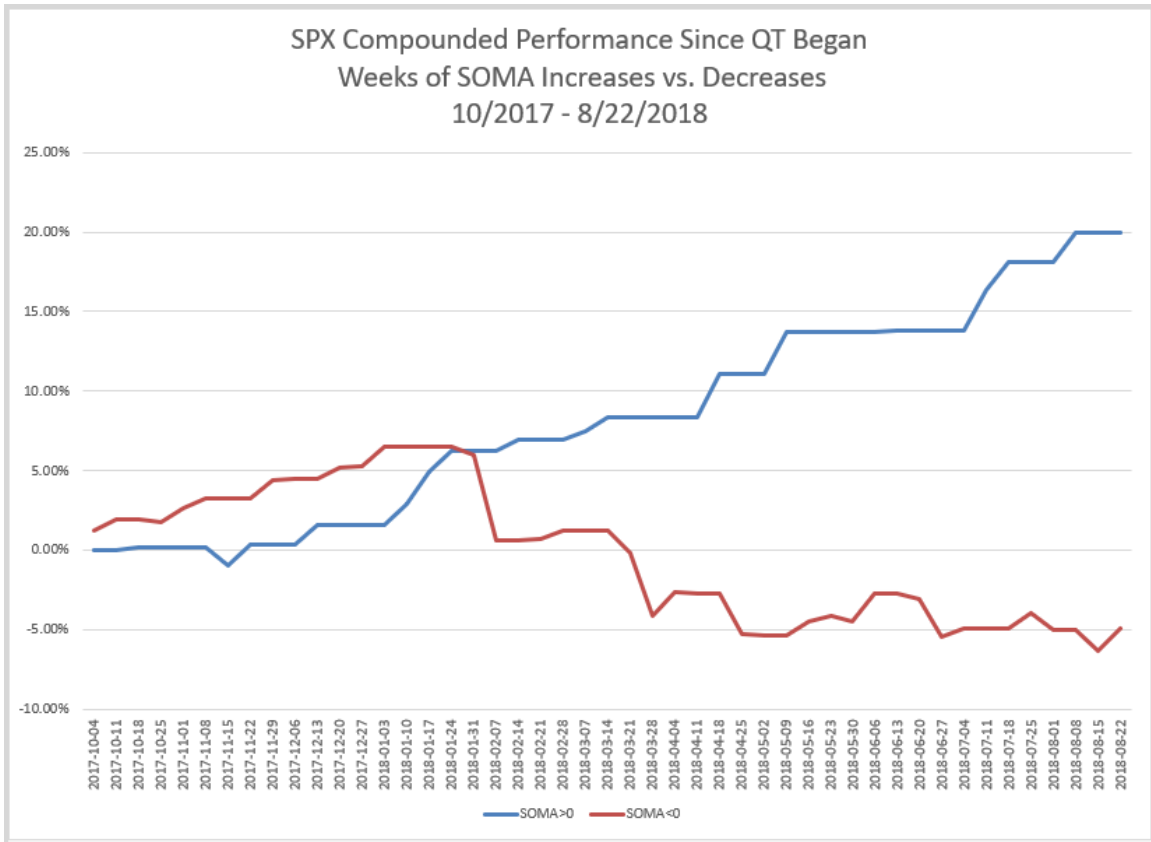
Summary T-Bills T-Notes and T-Bonds FRN TIPS Agencies

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	100,000.0
US Treasury Notes and Bonds (Notes/Bonds)	2,171,052,008.6
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***	1,706,730,642.4
Total SOMA Holdings	4,011,837,474.5
Change From Prior Week	-1,356,822.6

*Does not reflect inflation compensation of 21,842,116.7
 **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 08/23/2018 4:30pm.

As I have been saying was likely, the SOMA suffered a mild contraction this past week. This was entirely due to the reduction in AMBS. While I do not know if it is significant, I will also note that there was a purchase of \$100,000,000 in T-Bills. There have not been any T-Bills in the SOMA since July of 2012. Therefore, I thought it was notable. Below is an updated look at performance of SPX during weeks of SOMA increases vs decreases since QT began last October.



The rise in the market over the last week did not do much to close the gap between the two strategies. Since last October the blue “expansion week” strategy would have posted a 20% gain while the red “contraction week” strategy would now have lost 4.9%. For the current week, which will end on Wednesday, August 29th, I anticipate a sizable decline, with a large amount of AMBS rolling off the books. The following week will likely see an even greater QT reading, with about \$11.4 billion in treasuries likely to come off the books. I will discuss this in more detail over the weekend, and also update some of our other SOMA-related charts.

There were no new studies added to the Active List tonight.

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



Once again tonight the green Aggregator Line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal stayed flat at the close.

The last short-term study came off the Active List on Thursday. While the intermediate-term outlook is keeping expectations negative for now, expectations over the next few days will be largely dependent on new evidence that emerges. The Differential Pivot will be 2863.66 on Friday. That is 0.2% above Thursday's close. So SPX would only need to close up a little over 0.2% in order to flip from oversold to overbought versus expectations on Friday.

My overall outlook is basically the same as last night. I don't see a very strong edge at the moment. While some overall expectations are pointing slightly lower, SPX is mildly oversold. Reward/risk again appears poor. I will continue to exercise patience while remaining alert for the next favorable opportunity. The market never goes too long without an edge appearing. I'll be liquid and ready when it does.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/20– slightly bearish

The intermediate-term outlook was last updated in the 8/20 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](#). **It was updated this afternoon.***

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2018 Quantifiable Edges, LLC.