

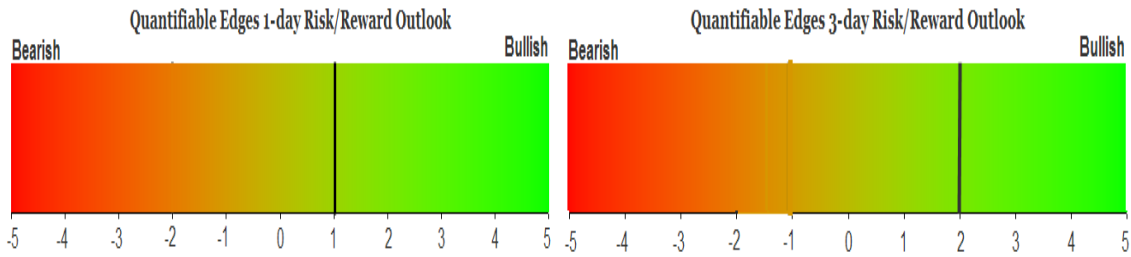
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 8, 2018

Volume 12 Issue 27

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 0 |

Tonight's Research Points

- No QT is expected for the next few days.

Short-term Outlook

The Bottom Line

The Aggregator has flipped to bullish, but the signal appears weak.

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 | | | | | | |
| February 7, 2019 | Low Range Low Volm Inside SPY <200 | 1-8 days | Bullish | 3.40% | -2.55% | -5.90% |
| February 6, 2019 | SPX up 3+. NR7 < 200ma | 1-3 days | Bearish | | | |
| Active - Long Term | | | | | | |
| January 9, 2019 | Up Issues > 70% for 3 days | 1-85 days | Bullish | | | |
| January 9, 2019 | SPY up 3 < 200. SPY volume dn 3. | 1-20 days | Bearish | | | |
| January 8, 2019 | Zweig Thrust | 1-20 days | Bullish | 7.50% | -1.45% | -2.50% |
| January 2, 2019 | NASDAQ leading | int term | Bullish | | | |
| November 1, 2018 | Best 6 Month During Pres Yr 3 | 1-6 months | Bullish | 17.70% | -3.10% | -7.20% |
| October 1, 2018 | Quantitative Tightening \$50billion/mo | int term | Bearish | | | |
| Dropped Tonight | | | | | | |
| February 4, 2019 | SPY up 3 < 200. low range & small up. | 1-3 days | Bearish | | | |

The Evidence

Thursday saw a bit of a pullback for the major indices. The SPX lost 0.9%, the NASDAQ fell 1.2%, and the Russell 2000 declined 0.8%. Breadth was negative as the NYSE Up Issues % was 31% and the Up Volume % came in at 24%. NYSE volume rose some from Wednesday's level.

Since the Christmas Eve bottom there has yet to be a pullback of 3 consecutive days. Thursday marked the 2nd down day in a row. This has happened 2 other times during the rally. It will be interesting to see if Friday can break the drought of 3-day pullbacks. Interestingly, looking back to 1978, I can only find 9 other instances where the SPX has gone 30 or more trading days without a 3-day pullback and closed under the 200ma. Unfortunately, with instances so low, results were not compelling enough to discuss.

On Thursday the Fed released its SOMA changes through Wednesday. I have copied it below.

« As of 01/30/2019

DOMESTIC SECURITIES HOLDINGS AS OF
February 6, 2019

| Security Type | Total (in Thousands) |
|--|----------------------|
| US Treasury Bills (T-Bills) | |
| US Treasury Notes and Bonds (Notes/Bonds) | 2,053,095,124.3 |
| US Treasury Floating Rate Notes (FRN) | 16,300,804.9 |
| US Treasury Inflation-Protected Securities (TIPS)* | 114,768,909.8 |
| Federal Agency Securities** | 2,409,000.0 |
| Agency Mortgage-Backed Securities*** | 1,621,808,659.7 |
| Total SOMA Holdings | 3,808,382,498.7 |
| Change From Prior Week | -14,190,556.4 |

*Does not reflect inflation compensation of 21,547,967.7

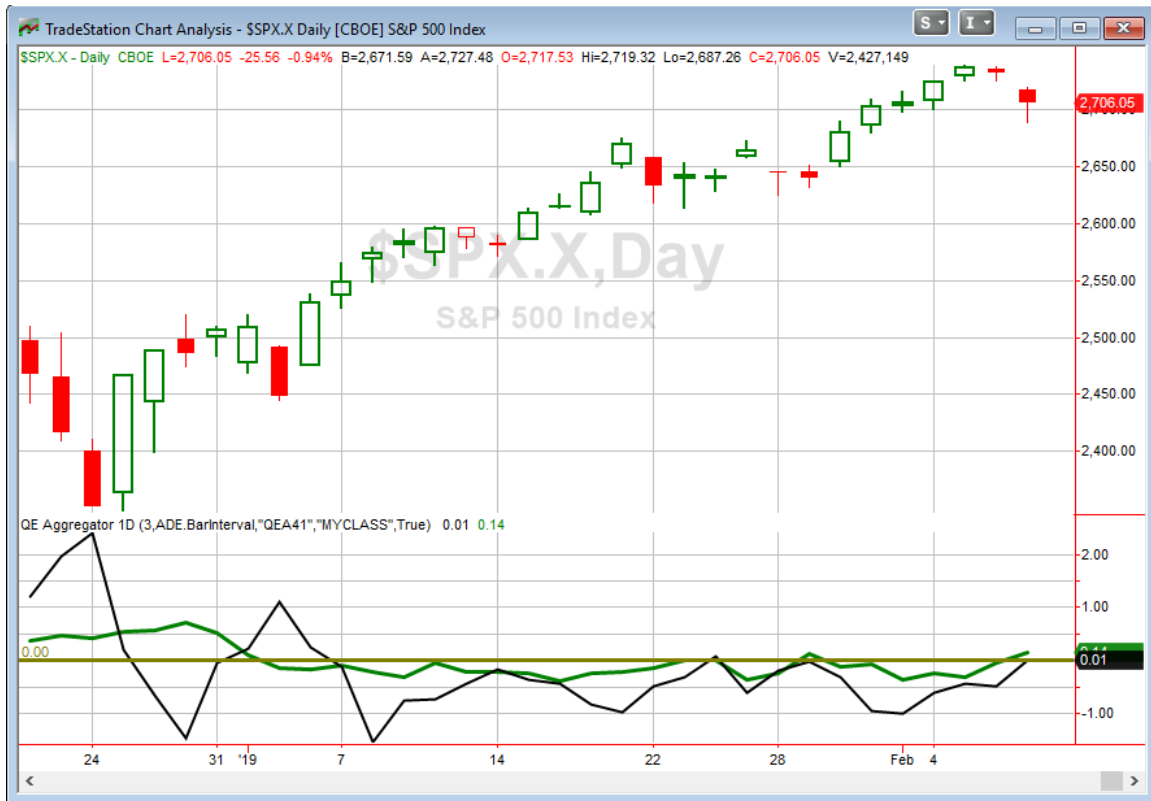
**Fannie Mae, Freddie Mac and Federal Home Loan Bank

***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 02/07/2019 4:30pm.

As anticipated over the last few weeks, this past week saw fairly sizable Quantitative Tightening (QT). This was in large part due to treasury expirations on Jan. 31st. While QT will often serve as a headwind, it has not slowed the market during this current rally. This upcoming week I do not expect to see any QT, and we could even see a mild rise in the SOMA. So the headwind could become a mild tailwind through Wednesday, 2/13. I'll discuss this more in this weekend's letter. No new studies are being added to the Active List tonight.

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



Without any new compelling evidence emerging, the green Aggregator Line moved a little above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line moved just barely above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal flipped from short to long at the close.

The last short-term bearish study is set to expire on Friday. So expectations are currently set up to remain bullish unless compelling new bearish evidence emerges. The Differential Pivot will be 2712.45 on Friday. That is just 0.2% above Thursday's close. Therefore, SPX will only need to close up about 0.2% in order to flip from oversold to overbought vs recent expectations.

The Aggregator is suggesting an upside edge. But the evidence is quite limited and the opportunity potential appears small. I don't see this as a strong reward/risk setup. I exited my short position as of the close on Thursday. I am not eager to jump back into a new position until I see a more favorable reward/risk setup. So I will sit out on Friday and re-evaluate over the weekend.

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

The intermediate-term outlook was last updated in the 2/4 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

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|--------------------|------------------|-----------------|-----------------|---------------|------|-------------------------|
| <i>SPY(s)(1/4)</i> | <i>1/31/2019</i> | <i>\$267.58</i> | <i>\$270.14</i> | <i>-0.96%</i> | | <i>covered on close</i> |
| | | | | | | |
| | | | | | | |

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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