

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 19, 2019

Volume 12 Issue 138

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- As expected, SOMA numbers from the Fed came in lower this past week.

Short-term Outlook

The Bottom Line

The Aggregator is still suggesting an upside edge. I am holding a small long index position. I may look to take profits if Friday closes much higher.

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						
July 18, 2019	Bottom 10% daily, 5-low > 200	1-4 days	Bullish			
July 17, 2019	5-up to 50-high and then 1 down	1-4 days	Bullish			
Active - Long Term						
July 8, 2019	5-up to 50-high and then 1 down	1-10 days	Bullish			
July 8, 2019	NASDAQ Leading	int term	Bullish			
June 21, 2019	SPX RSI2 crosses over 99.	1-15 days	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			
October 1, 2018	Quantitative Tightening	int term	Bearish			

The Evidence

Thursday started weak, but a good late move put the indices in the positive. The SPX finished up 0.4%, the NASDAQ gained 0.3%, and the Russell 2000 rose 0.3%. Breadth was positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 53%. NYSE volume rose some from Wednesday's level.

The Quantifinder was light on studies and there was nothing with compelling directional evidence. One notable from Thursday, though was that the Fed updated the SOMA balances (as of Wednesday) as they typically do each Thursday afternoon. Below is a screenshot from the Fed's website.

« As of 07/10/2019

DOMESTIC SECURITIES HOLDINGS AS OF
July 17, 2019

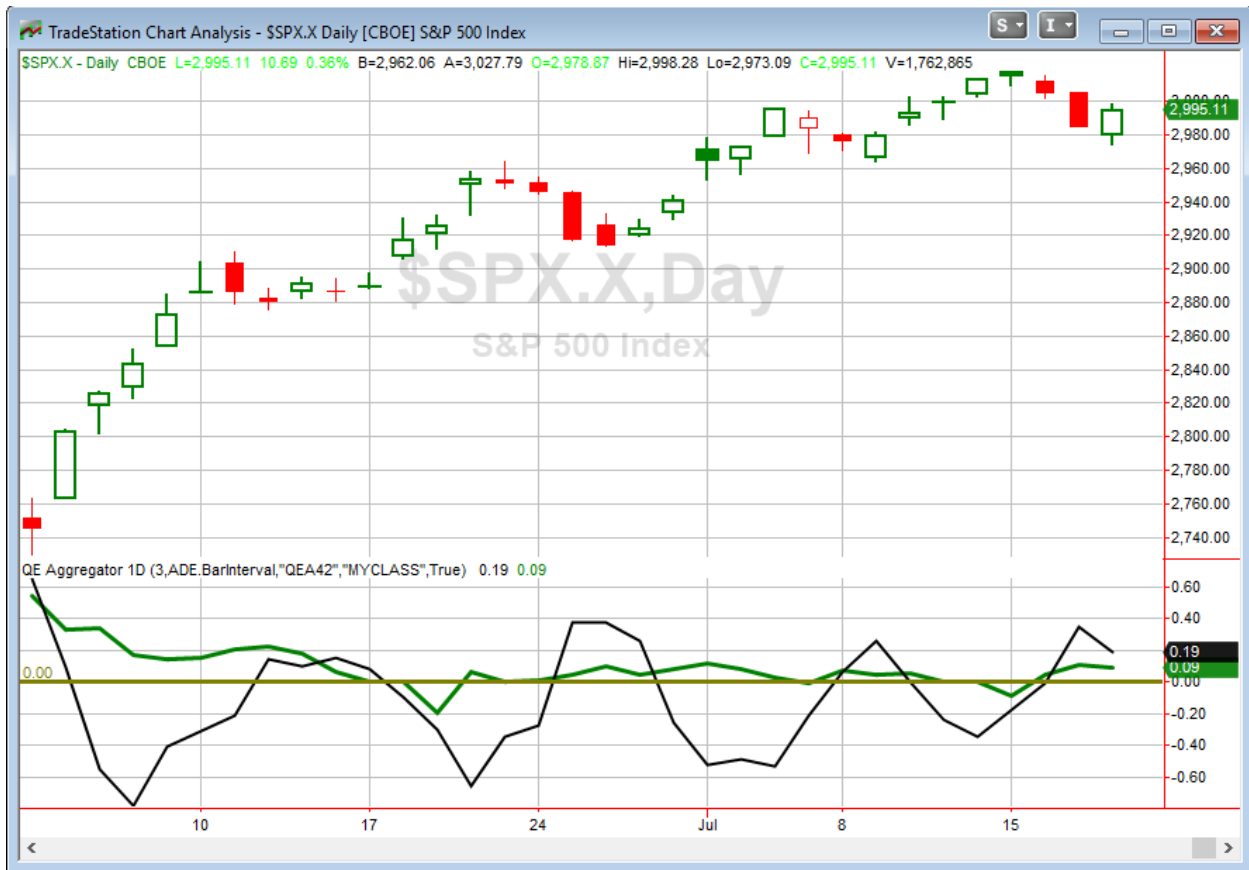
Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	2,333.3
US Treasury Notes and Bonds (Notes/Bonds)	1,939,551,334.8
US Treasury Floating Rate Notes (FRN)	14,819,524.4
US Treasury Inflation-Protected Securities (TIPS)*	115,988,509.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,527,093,335.1
Total SOMA Holdings	3,599,802,036.7
Change From Prior Week	-7,059,899.9

*Does not reflect inflation compensation of 23,621,962.9
 **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 07/18/2019 4:30pm.

This past week saw about a \$7.1 billion reduction, pushing total SOMA holdings just below \$3.6 trillion. That was in line with what we were expecting, since there were treasuries that matured and did not roll on Monday. The market closed down about 0.3% over the course of the week, which is not unusual during a QT week. I expect to see a further reduction this week as well. I will discuss this in further detail in this weekend's subscriber letter.

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



Without any new studies being added tonight, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line also finished 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 stayed long at the close.

Based on the current active list of studies, expectations are currently slated to remain positive on Friday. Of course, this could change if new bearish studies emerge. The Differential Pivot will be

3003.18 on Friday. That is 0.3% above Thursday's close. Therefore, SPX will need to close up at least 0.3% on Friday in order to move from oversold to overbought.

Last night's outlook suggested a bullish edge, and we got a bounce on Thursday. Tonight evidence remains bullish, and the bounce appears that it still has more to go. I have a small long index position. I will look to hold that through Friday, but I will take profits at the close if SPX closes above the Differential Pivot, since that would turn the Aggregator formation to either bearish or neutral.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 7/15 – bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

ORCL – 1/3 @ \$57.99 (bought @ limit)

New

LMT – 1/3 @ \$356.21 (buy @ limit)

Broad Market Large Cap CBI – 2(ORCL, LMT)

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.

LMT – Buy 1/3 Catapult position @ \$356.21 LIMIT. From the Catapult section above. This is the 1st of 3 possible lots for LMT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	7/18/2019	\$297.19	\$298.83	0.55%	see note below
ORCL(1/3)	7/18/2019	\$57.69	\$58.12	0.75%	Catapult

I will to sell SPY at the close if SPX closes \geq 3003.18 (the Differential Pivot).

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 © 2019 Quantifiable Edges, LLC.