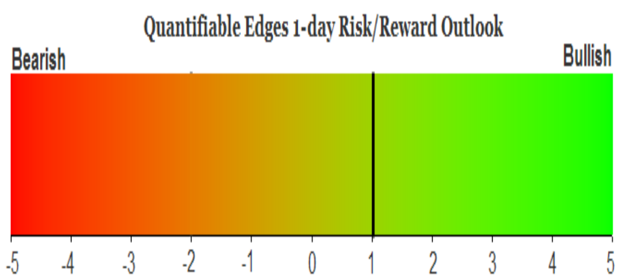
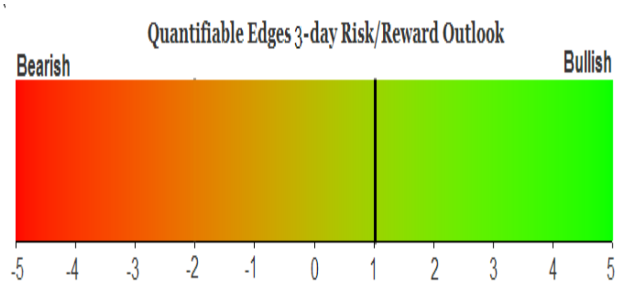
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 23, 2019 | Volume 12 Issue 163

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- SPY's gap and reverse pattern may be bullish, but it has not generated much upside recently.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But evidence is lacking and the Differential Pivot is inverted, so potential reward is low. I have no interest in this setup.

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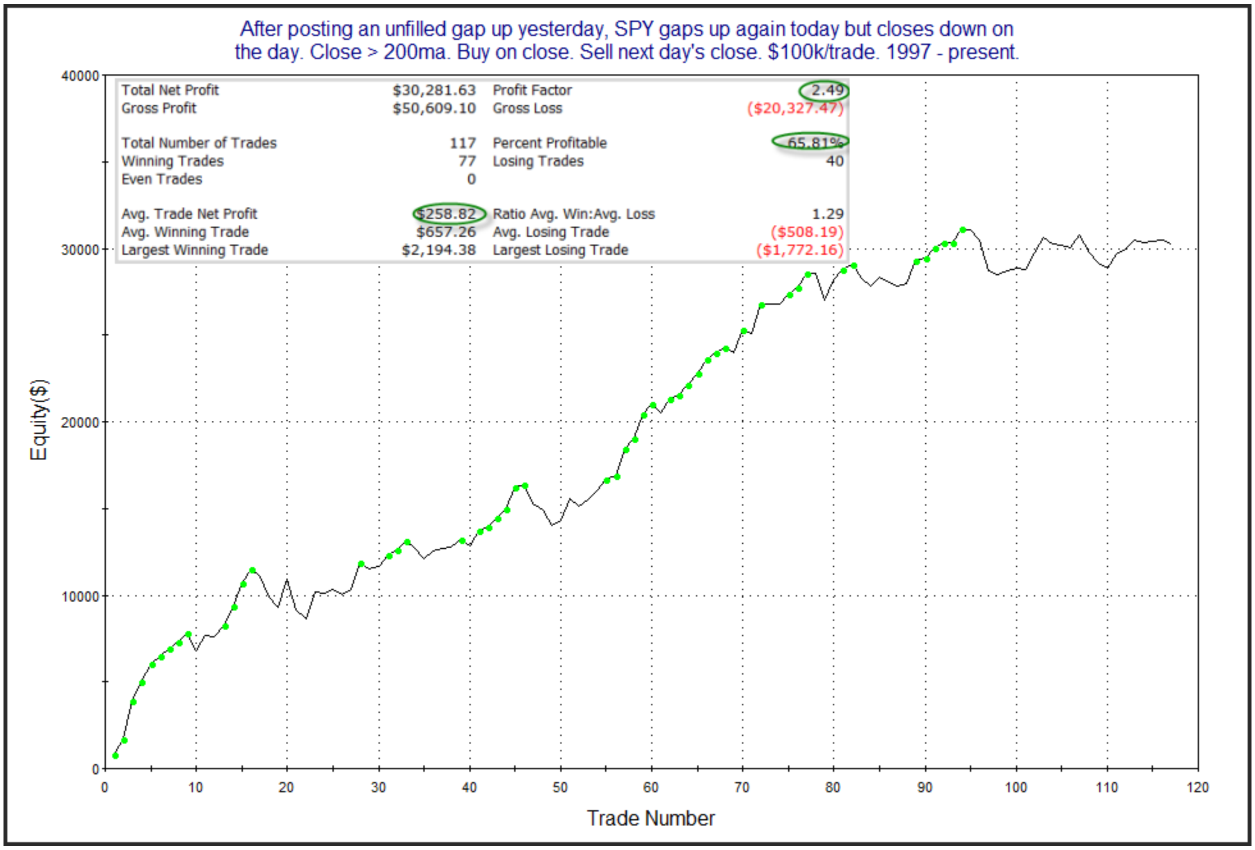
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
August 13, 2019	3rd 1% dn day in last 10. Close > 200ma	1-20 days	Bullish			
August 7, 2019	SPX < lower Bollinger Band 4 days	1-18 days	Bullish	6.30%	-3.80%	-7.75%
August 5, 2019	4+ Hindenburg Omen Signals	1-35 days	Bearish			
August 5, 2019	QQQ down 5. Today biggest drop.	1-20 days	Bullish	10.60%	-4.40%	-7.70%
August 2, 2019	1st 10-low close in 30+ days	1-6 days	Bullish			
August 1, 2019	QT over.	int term	Neutral			
July 8, 2019	NASDAQ Leading	int term	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			

The Evidence

Thursday was generally quiet, and the market finished mostly lower. The SPX lost 0.05%, the NASDAQ declined 0.4%, and the Russell 2000 fell 0.25%. Breadth was mixed as the NYSE Up Issues % was 46% and the Up Volume % came in at 51%. NYSE volume rose a little from Wednesday's level.

The continued chop is failing to generate much in the way of compelling evidence. The pattern of the last few days is somewhat notable, though. SPY gapped up and closed lower on Thursday after posting an unfilled gap up on Wednesday. In the 4/16/19 letter I examined similar action in SPY with regards to how it gapped and finished. I have updated that study below.



This one has struggled to make gains lately, though it is still not far from new highs. I won't be including it tonight, but if it gets back to new highs soon, I may start including this study again.

Of some other interest, the Fed released its SOMA holdings on Thursday afternoon. Here are the latest balances:

« As of 08/14/2019

DOMESTIC SECURITIES HOLDINGS AS OF

August 21, 2019

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

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	3,001,000.0
US Treasury Notes and Bonds (Notes/Bonds)	1,931,460,397.6
US Treasury Floating Rate Notes (FRN)	14,138,913.6
US Treasury Inflation-Protected Securities (TIPS)*	116,544,665.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,500,669,579.4
Total SOMA Holdings	3,568,161,555.6
Change From Prior Week	-5,300,198.1

*Does not reflect inflation compensation of 23,775,496.8

**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.

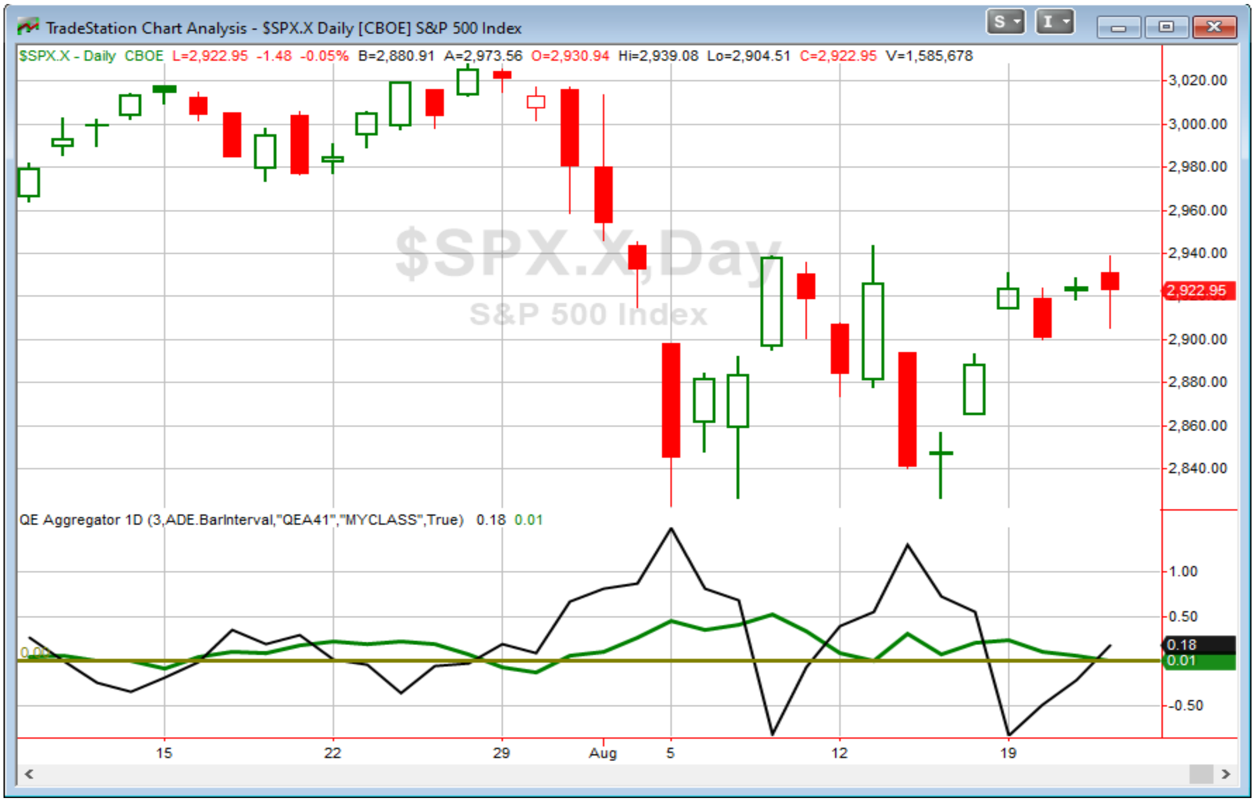
Data posted on 08/22/2019 4:30pm.

Despite the end of the QT program, the SOMA still saw a drop of $5.3 billion last week. There are going to be oscillations. This is likely a fairly large one. You'll note I highlighted the T-bills and Notes/Bonds in green, since they both rose on the week, while the (red) AMBS declined. That is what we will continue to see under the current program, as AMBS rolloffs are replaced (or partially replaced) with treasury instruments.

I'll also note that the market is keeping a close eye on the Fed right now. The Fed is having its annual Jackson Hole summit, and Chairman Powell is expected to give a speech on Friday around 10am EST. So we could see the market react strongly on Friday based on his comments.

No new studies are being added to the Active List tonight. This leaves the Short-Term Active List now barren, which is unusual. But it does happen in choppy environments from time to time.

I have updated the Aggregator chart below.



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

Without any studies on the Short-Term Active List right now, expectations are positive simply due to the intermediate-term evidence. Of course, expectations over the next few days will be heavily influenced by any new studies that emerge. The Differential Pivot will be *inverted at* 2916.50 on Friday. That is 0.2% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down at least 0.2% in order to remain oversold. Anything less than that and it will be considered overbought versus recent expectations as of Friday's close.

I don't typically look to take on new index positions when there are inverted pivots, because any trade that goes in my direction only has 1-day potential. And with evidence so lacking right now, I really see no reason to get involved in a new trade just yet. So I will continue to exercise patience and remain alert for the next favorable opportunity. A strong reaction one way or another to Powell's speech on Friday could help to create that opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/19– slightly bullish

The intermediate-term outlook was last updated in the 8/19/19 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

KHC @ $25.96 (bought 1/3 @ limit)

KHC @ $25.52 (bought 1/3 @ limit)

KHC @ $25.06 (buy 1/3 @ limit) – *Not filled. Cancel for now.*

Broad Market Large Cap CBI – 3(KHC-3)

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	Notes
KHC(1/3)	8/14/2019	$25.85	$26.02	0.66%	*div adjusted
KHC(1/3)	8/15/2019	$25.50	$26.02	2.04%	*div adjusted

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