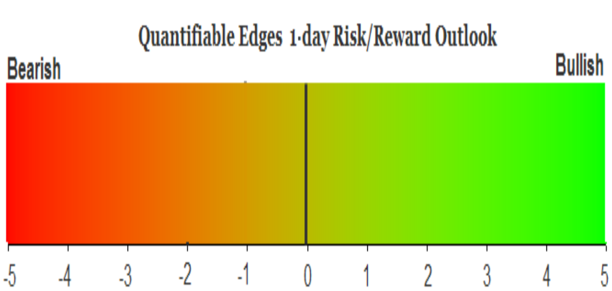
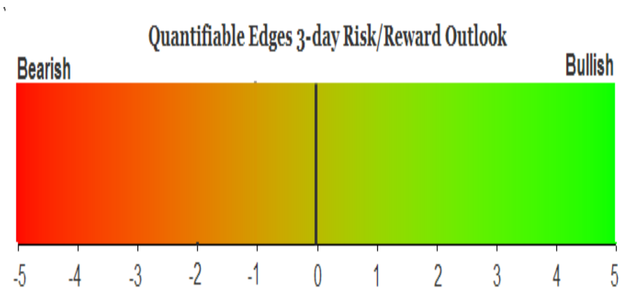
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 6, 2019 Volume 12 Issue 172

**Market Overview**




**Signals Overview**

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

***Tonight's Research Points***

- The employment report could bring some interesting action Friday, but it has not provided a consistent edge over the years.

***Short-term Outlook***

***The Bottom Line***

The Aggregator is back to neutral. I believe a better entry opportunity will emerge before long. I am not inclined to attempt any index trades here.

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

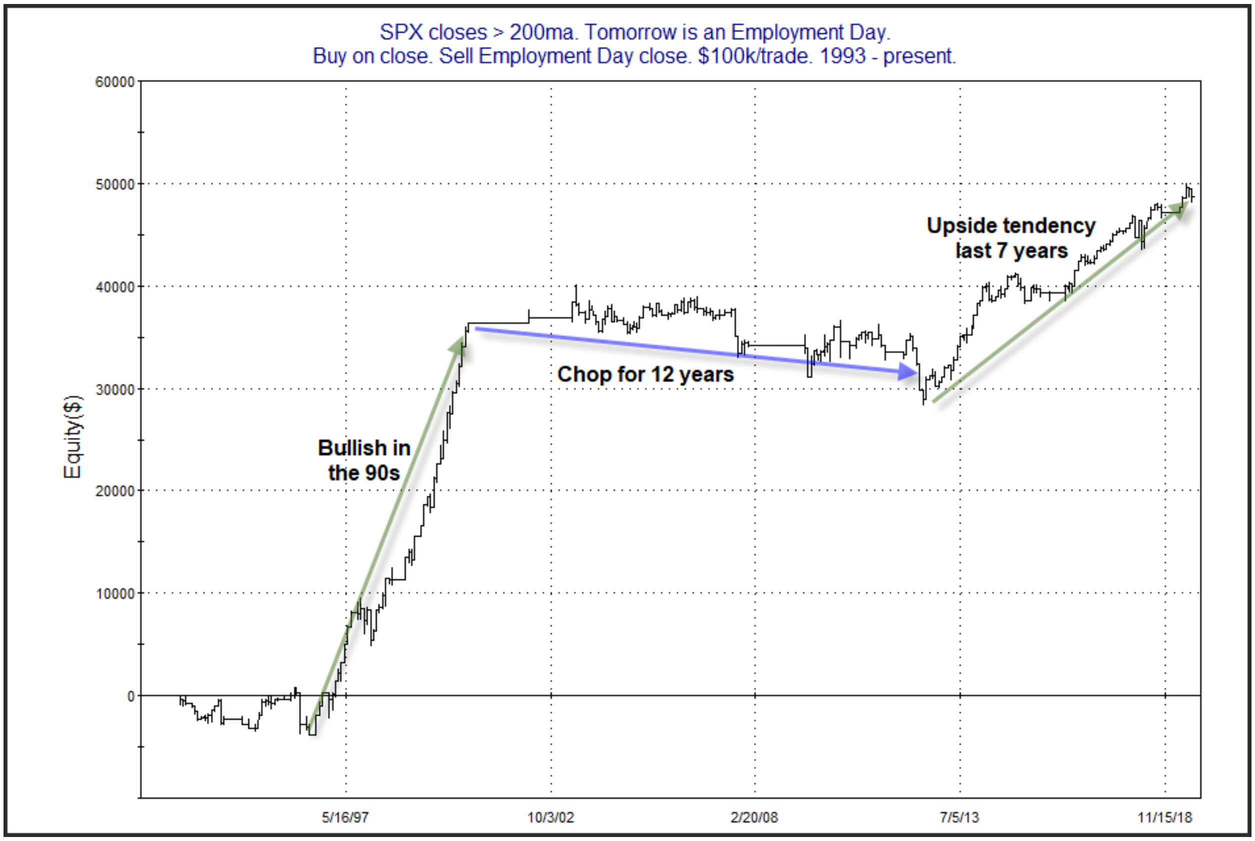
| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|---|---|---|---|---|---|---|
| Active - Short Term | | | | | | |
| None | | | | | | |
| Active - Long Term | | | | | | |
| August 26, 2019 | SPX down 4 weeks but > 40-week ma | 1-10 weeks | Bullish | 8.65% | -3.30% | -7.70% |
| August 13, 2019 | 3rd 1% dn day in last 10. Close > 200ma | 1-20 days | Bullish | | | |
| August 5, 2019 | 4+ Hindenburg Omen Signals | 1-35 days | Bearish | | | |
| August 1, 2019 | QT over. | int term | Neutral | | | |
| April 2, 2019 | Golden Cross | int term | Bullish | | | |
| Dropped Tonight | | | | | | |
| September 3, 2019 | 1% drop then 5-day consolidation | 1-3 days | Bullish | 1.25% | -0.80% | -1.70% |
| August 29, 2019 | Reverse dn. Reverse up. Close >200 <10 | 1-5 days | Bullish | 1.80% | -1.10% | -2.30% |

***The Evidence***

A meeting was set for early October for the US to discuss tariffs with China. Which sounds to me like there is no way a deal gets done before early October. But the market deemed that really good news. The SPX gained 1.3%, while the NASDAQ and the Russell 2000 each rose 1.75%. Breadth was positive as the NYSE Up Issues % was 66% and the Up Volume % came in at 76%. NYSE volume declined some from Tuesday's level.

The gap up and rally also generated a breakout of the August range. The market is now quickly back up to its levels in early July. And new all-time SPX highs are less than 2% away. But breakouts of short-term ranges don't necessarily generate a lot of compelling evidence. And unfortunately, that seems to be the case tonight.

It is notable that tomorrow will be the release of the BLS Employment Report. Employment days have an interesting history and they have contributed to some worthwhile studies over the years. Below is a chart of SPX performance on Employment Days. I posted this chart in the 7/5/19 subscriber letter. For this equity curve, which is updated, I filtered to only include days where SPX was > its 200ma. Each trade was a fictional $100k.




What I find interesting about the chart is that Employment Days in uptrends have shown such streaky performance – and the streaks lasted a long time. Friday's employment report may be suggesting an upside edge, but the history has not been consistent enough for me to factor it into the Aggregator. While it's a bit unusual to see such abrupt changes in market dynamics, it does serve as a nice reminder that such changes are always possible.

Also notable about Thursday is that the Fed released the most recent SOMA balances after the close. The screenshot below is from the Fed's site.
https://www.newyorkfed.org/markets/soma/sysopen_accholdings.html

« As of 08/28/2019

DOMESTIC SECURITIES HOLDINGS AS OF

**September 4, 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) | 1,937,663,397.6 |
| 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*** | 1,489,605,276.5 |
| Total SOMA Holdings | 3,563,300,252.7 |
| Change From Prior Week | 76.9 |

*Does not reflect inflation compensation of 23,815,712.3

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

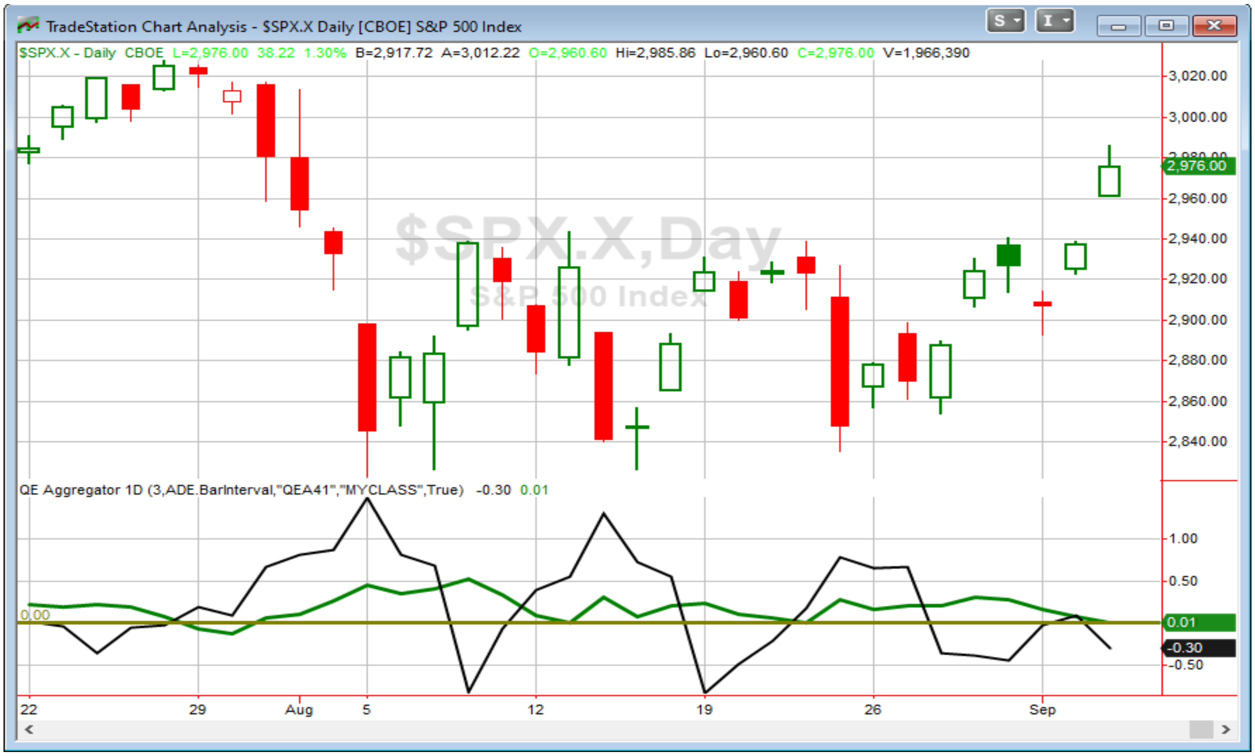
***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

*Data posted on 09/05/2019 4:30pm.*

After a couple of fairly sizable down weeks, there was an itty-bitty rise in the SOMA his past week. With QT over, that is not a surprise. In the next few weeks we can start to see if the Fed's published purchase days seem to provide any short-term edge.

There are no new studies being added to the Active List tonight.

I have updated the Aggregator chart below.




Without any new studies being added tonight, the green Aggregator Line remained just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line dropped back below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive and SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal turned flat at the close.

The last remaining short-term studies dropped off the Active List today. The positive expectations are due to the intermediate-term evidence. Of course any new short-term studies that emerge in the coming days will have a substantial impact on expectations. The Differential Pivot will be 2927.36 on Friday. That is 1.6% below Thursday's close. Therefore, SPX will need to close down at least 1.6% on Friday in order to flip from overbought to oversold vs recent expectations. That is a large 1-day decline. A more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

So the breakout finally arrived. It did not help to immediately trigger compelling evidence. But now that we are out of the chop, we could see some substantial short-term directional evidence start to emerge. Reaction to the employment report could also be a spark for new evidence. Overall, the Aggregator is neutral, the market is short-term overbought, and evidence is lacking. I'm confident a better entry opportunity than this will emerge at some point. I'll continue to wait until it does.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/3– slightly bullish***

The intermediate-term outlook was last updated in the 9/3/19 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***

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.