

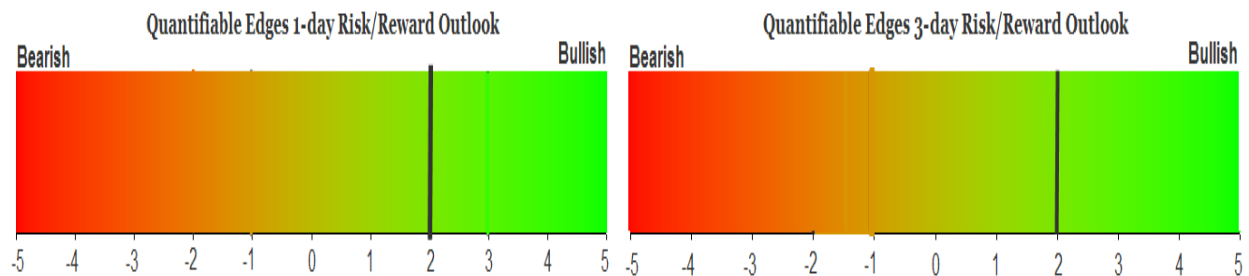
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 27, 2019

Volume 12 Issue 187

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- No new compelling research emerged tonight, but the short-term bearish evidence has expired, leaving the remaining short-term studies all bullish.

Short-term Outlook

The Bottom Line

The Aggregator is still bullish, but the Differential Pivot is inverted. This has me looking to take profits if there is a rally during the day.

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						
September 26, 2019	HigherThnDn. Lower then Up. < 10ma	1-5 days	Bullish			
September 25, 2019	Down3.Big today. 10-low not frm 20-hi	1-5 days	Bullish			
September 23, 2019	SPX < 10ma after 15 days above	1-5 days	Bullish			
Active - Long Term						
September 20, 2019	RUT down 3. SPX 3-day high.	1-10 days	Bullish	3.60%	-0.90%	-1.95%
September 13, 2019	DJI up 7 days in a row	1-19 days	Bullish			
September 13, 2019	SPX RSI(2) > 99	1-15 days	Bullish			
September 9, 2019	NYSE Advance/Decline Line breakout	1-40 days	Bullish			
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 23, 2019	Weakest week seasonality	1-4 days	Bearish			

The Evidence

Thursday saw some selling. The SPX lost 0.2%, the NASDAQ declined 0.6%, and the Russell 2000 dropped 1.1%. Breadth was negative as the NYSE Up Issues % was 43% and the Up Volume % came in at 36%. NYSE volume came in at the lowest level since late August.

The trading range Thursday was fairly small and was entirely inside Wednesday's range. The volume was light, and the price action was a partial reversal of the previous day. The quiet action led to a quiet Quantifinder, with no compelling studies emerging suggesting a substantial edge.

On Thursday the Fed released the latest SOMA balance sheet as it does every Thursday. I have pasted the holdings below, from the Fed website.

« As of 09/18/2019

DOMESTIC SECURITIES HOLDINGS AS OF
September 25, 2019

Summary		T-Bills	T-Notes and T-Bonds	FRN	TIPS	Agencies
Security Type	Total (in Thousands)					
US Treasury Bills (T-Bills)	6,002,000.0					
US Treasury Notes and Bonds (Notes/Bonds)	1,944,665,397.6					
US Treasury Floating Rate Notes (FRN)	14,539,913.6					
US Treasury Inflation-Protected Securities (TIPS)*	118,145,665.0					
Federal Agency Securities**	2,347,000.0					
Agency Mortgage-Backed Securities***	1,467,257,199.9					
Total SOMA Holdings	3,552,957,176.1					
Change From Prior Week	-15,375,598.5					

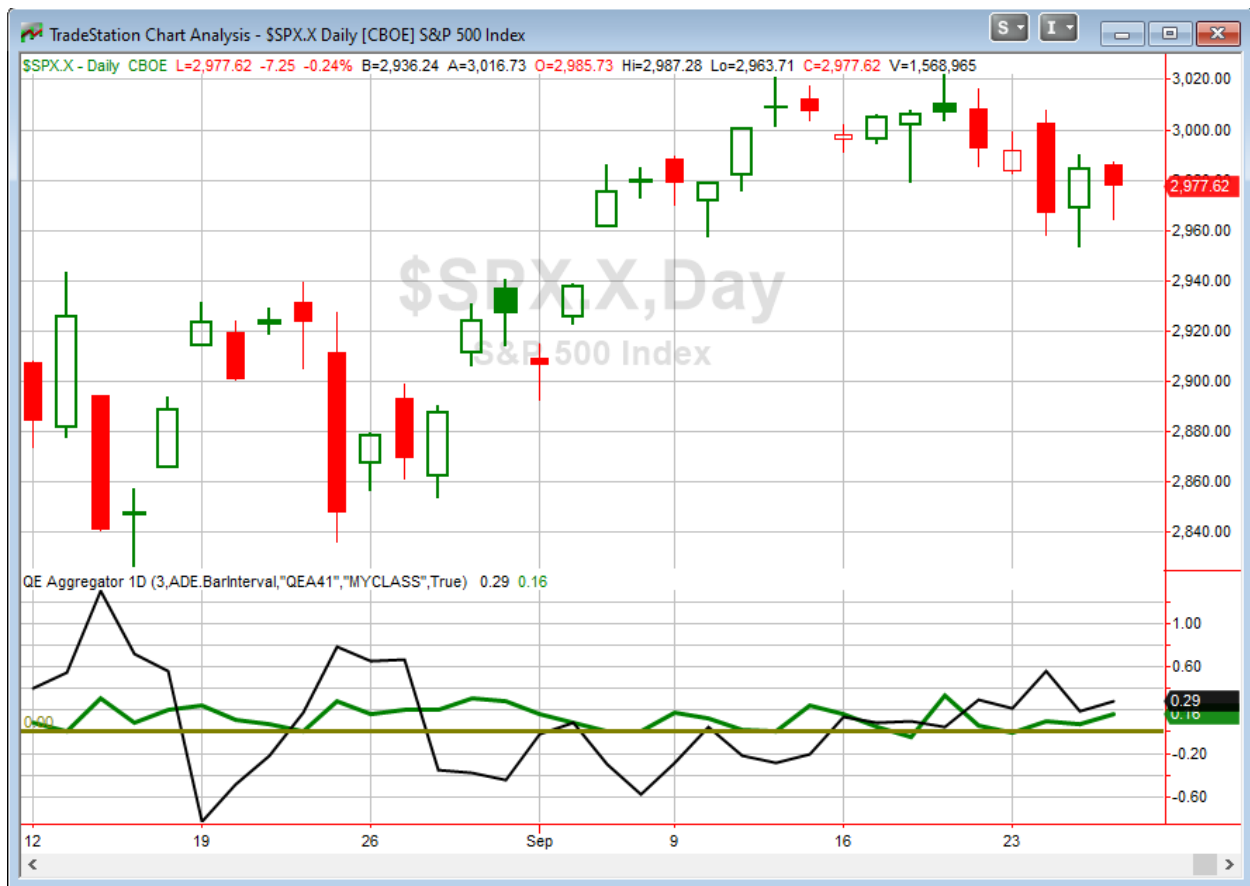
*Does not reflect inflation compensation of 24,329,526.1
 **Fannie Mae, Freddie Mac and Federal Home Loan Bank
 ***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

Data posted on 09/26/2019 4:30pm.

The \$15 billion decline is quite large, especially considering the QT program finished at the end of July. In fact, the last week that saw a decline that large was the one that ended on June 26th. The decline this past week also leaves the SOMA down about \$10 billion for September. So I would not be surprised if we got a little rise in the next few weeks to balance it off some. Without an established QT or QE program right now, it is more difficult anticipating flows and using them to help time market action.

No new studies are 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 above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line also held 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 list of active studies, expectations are set to remain bullish on Friday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 2971.03 on Friday. That is 0.2% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX finishes flat. In this case, SPX is going to need to close down at least 0.2% in order to remain oversold. Unless that happens, it will be considered "overbought" vs expectations as of Friday's close.

So the bullish Aggregator formation remains. And the "weakest week" seasonality period is basically played out. (The study showed days 1-4 were bearish. Friday is seasonally neutral.) So effectively all the remaining short-term evidence is now bullish. Unfortunately, we are also now faced with an inverted Differential Pivot. That means if the bullish expectations play out on Friday,

then the market will finish overbought. This basically limits upside potential, since there is only 1 day left to profit before the Aggregator formation would turn neutral or bearish. Under such circumstances, I will often look to take profits if the market moves in my direction during the day. And that is what I will be looking to do on Friday if the opportunity is there.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/23– moderately bullish

The intermediate-term outlook was last updated in the 9/23/19 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

New

UNH @ \$215.48 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 1(UNH)

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.

UNH – Buy 1/3 Catapult position @ \$215.48 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of UNH.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	9/25/2019	\$295.87	\$297.00	0.38%	see note below

I will look to sell my SPY position at @ \$297.50 LIMIT. If not filled during the day, I will look to sell on close if SPX closes >= 2971.03 (the Differential Pivot).

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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