

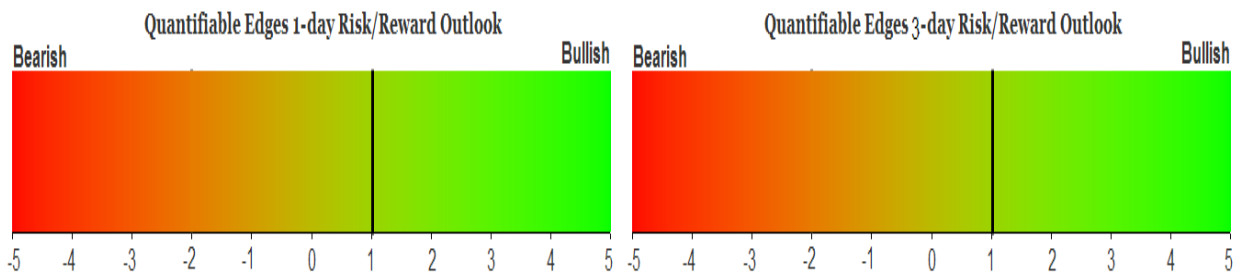
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 21, 2020

Volume 13 Issue 35

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- The SOMA expansion (and SPX rally) continued this past week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is weakly and tenuously bullish. I'm not biting.

**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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
February 3, 2020	Hindenburg cluster 4+ (triggered Feb 3)	1-35 days	Bearish			
January 27, 2020	1st close < 10ma in over 25 days	1-19 days	Bullish	3.90%	-1.60%	-4.20%
January 17, 2020	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.20%	-7.90%
November 11, 2019	"not QE"	int term	Bullish			
November 4, 2019	Presidential cycle + Best 6 mos bullish	6 months	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
April 2, 2019	Golden Cross	int term	Bullish			

**The Evidence**

While there was a sharp selloff in the middle of the day, the market finished mixed on Thursday. The SPX closed down 0.4%, the NASDAQ lost 0.7% and the Russell 2000 gained 0.2%. Breadth was positive as the NYSE Up Issues % was 60% and the Up Volume % came in at 51%. NYSE volume rose some from Wednesday's level.

We have had a lack of compelling short-term evidence emerging lately. And that lack of evidence has been "correct". SPX flipped its closing direction for the 5<sup>th</sup> day in a row on Thursday. So no strong edge has been exhibited over the last week, and no short-term evidence is suggesting a strong edge at the moment.

Thursday did see the latest release from the Fed on their SOMA holdings, and it was interesting. Below are the holdings and changes for the latest week through Wednesday.

« As of 02/12/2020

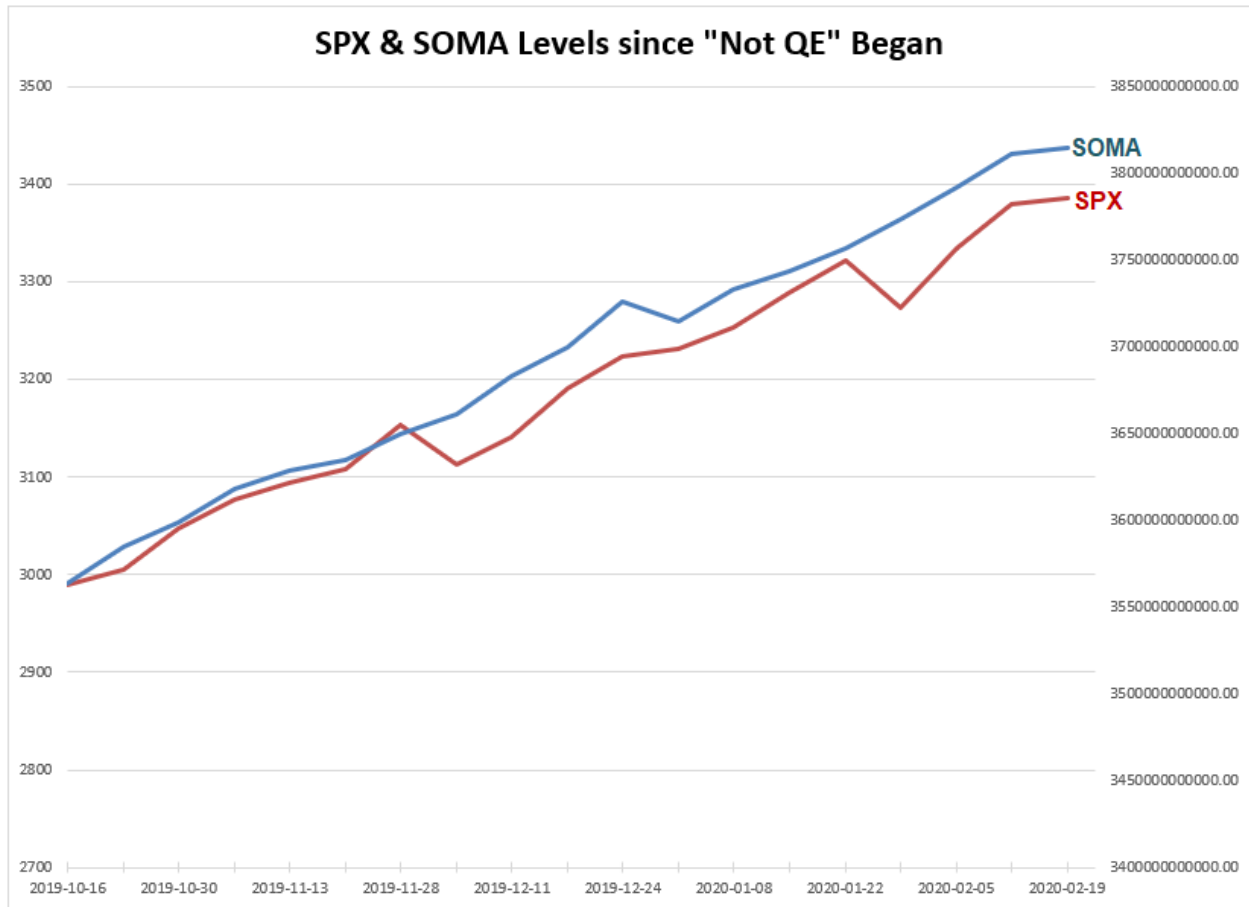
DOMESTIC SECURITIES HOLDINGS AS OF  
**February 19, 2020**

Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	265,539,000.0
US Treasury Notes and Bonds (Notes/Bonds)	2,014,260,871.2
US Treasury Floating Rate Notes (FRN)	15,416,998.3
US Treasury Inflation-Protected Securities (TIPS)*	131,052,063.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,385,784,076.4
Total SOMA Holdings	3,814,400,009.1
Change From Prior Week	3,360,288.1

\*Does not reflect inflation compensation of 25,419,436.3  
\*\*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.

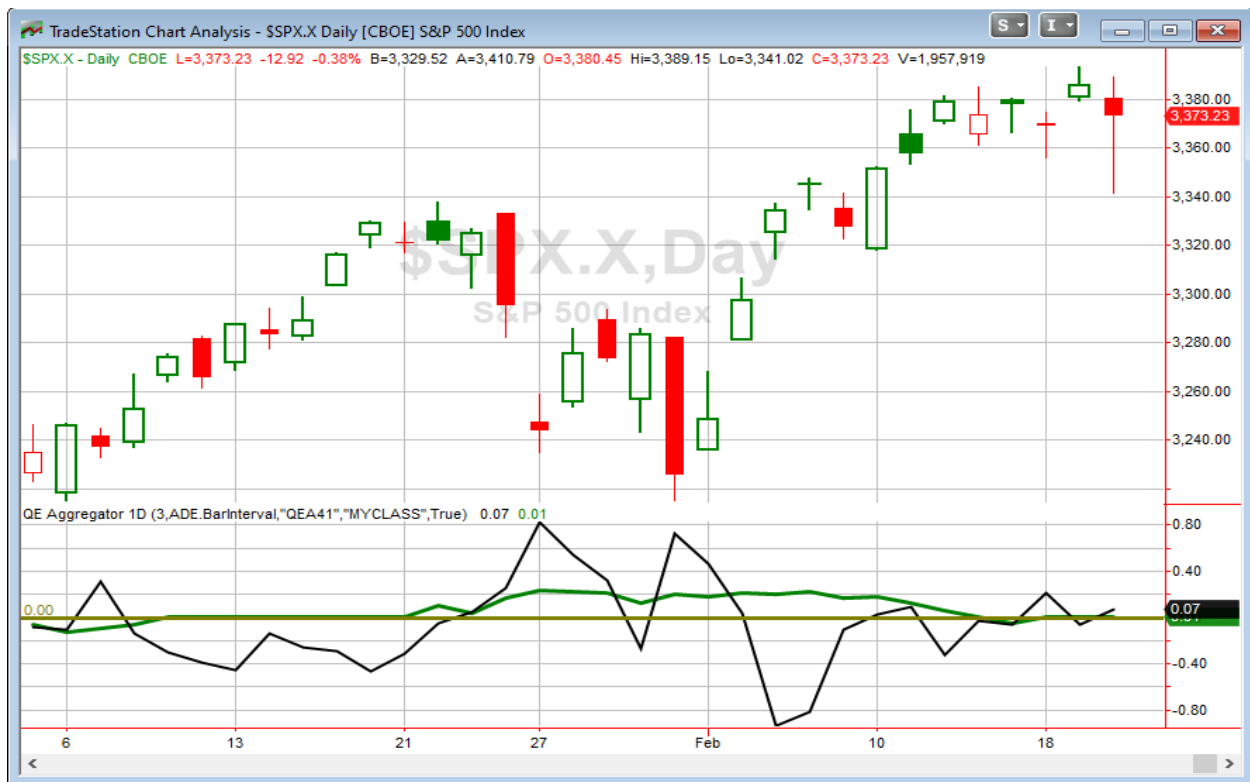
Data posted on 02/20/2020 4:30pm.

Although a \$3.4 billion increase would be a massive gain in my account, it is quite small for the Fed. Other than the week of December 20<sup>th</sup>, where the SOMA actually declined, the \$3.4 billion increase was the smallest since “not QE” began at the beginning of October. Of course, it is coming on the heels of two large weeks, so there is a good chance this is just a reversion to the mean. But I’ll of course keep watch to see if the rate of SOMA expansion does slow. Below is the chart I show each weekend in the letter showing SPX and SOMA performance since “not QE” began.



“Not QE” has now been in place for 17 weeks. And amazingly, 15 of those 17 weeks SPX has risen. This past week it was a mild 0.2% gain, bringing the total SPX gain for the 17 weeks to 13.3%. Like past QE policies, “not QE” has had a very favorable impact on the market. As usual, I’ll cover it a little more indepth in this weekend’s letter.

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



Without any new studies being added tonight, the green Aggregator Line held just a little above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line inched back 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.

With the short-term active list blank, intermediate-term evidence has expectations leaning slightly bullish. Of course, expectations over the next few days will be greatly impacted by any new evidence that emerges. Meanwhile, the Differential Pivot will be *slightly inverted* at 3368.96 on Friday. That is 0.1% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down a little over 3 points in order to remain oversold. Anything other than that and it will flip to "overbought" vs recent expectations as of Friday's close.

So the Aggregator is now bullish. But it is about as weak of a bullish setup as you are going to find. Short-term evidence is completely lacking. And the Differential Pivot is inverted. I generally view an inverted pivot as a good time to take profits if I am in a trade. I don't view it as a good time to enter a new position. This is because reward is limited to 1 day at best, since any move in the direction of the signal would mean the end of the signal. I'm intent on waiting out this choppy period and being ready to pounce when the next favorable reward/risk opportunity emerges.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 2/18 – bullish**

The intermediate-term outlook was last updated in the 2/18/20 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
LLY(1/3)	2/19/2020	\$141.01	\$142.00	0.70%		<i>sell on open</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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