

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 3, 2020

Volume 13 Issue 65

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The increase in the Fed's SOMA was by far the largest on record. They are doing a tremendous amount of pumping in order to maintain liquid markets.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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						
March 27, 2020	370% Up Issues Days	1-85 days	Bullish			
March 23, 2020	QE4	int term	Bullish			
November 4, 2019	Presidential cycle + Best 6 mos bullish	6 months	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			
Dropped Tonight (expired or Avg move + 1 std dev exceeded)						
April 2, 2020	3% drop, NOT from low, closes poorly	1 day	Bullish			

The Evidence

The market gapped down after 6.65 million people filed for unemployment last week. Then later in the morning an announcement was made that the US was negotiating with Saudi Arabia to get them to curb oil production. This caused energy companies to rally hard, and the general market went along with it. So to summarize, a record amount of workers lost their jobs, but on news it will likely cost them more now to filled their cars and heat their homes, the market rallied. The SPX closed up 2.3%, the NASDAQ gained 1.7%, and the Russell 2000 rose 1.3%. Breadth was positive as the NYSE Up Issues % was 57% and the Up Volume % came in at 61%. NYSE volume rose some for the 3rd day in a row.

There were a few studies that triggered in the Quantifinder tonight, but on closer inspection, none of them appeared to suggest a reliable edge at the present. And the chop has failed to inspire anything new from me tonight. So I am not going to share any new short-term studies.

I will note that the Fed released this past week's SOMA numbers after the close. You can see them in the graphic below, taken from [the Fed's website](#).

« As of 03/25/2020

DOMESTIC SECURITIES HOLDINGS AS OF
April 1, 2020 📅

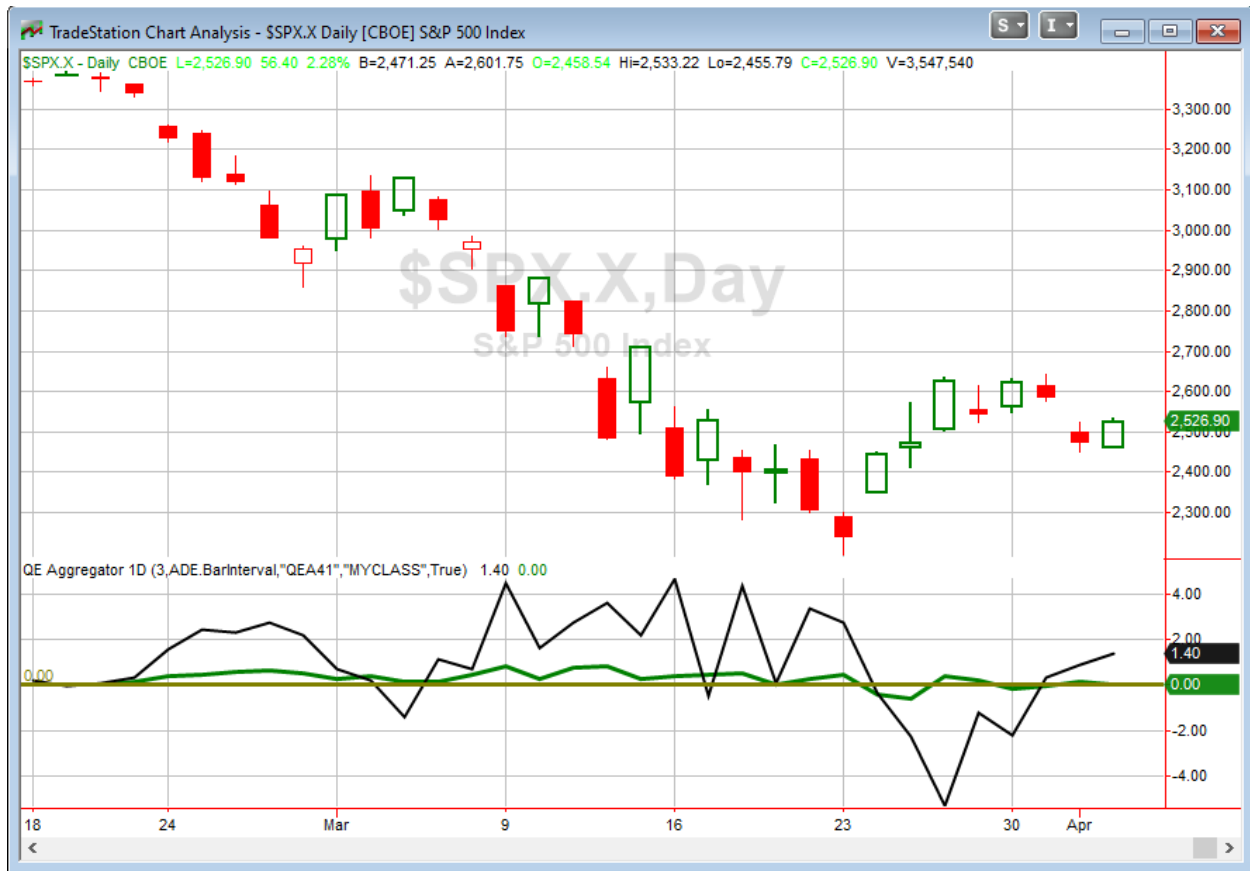
Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	2,776,041,522.7
US Treasury Floating Rate Notes (FRN)	15,817,998.3
US Treasury Inflation-Protected Securities (TIPS)*	191,725,411.7
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,456,262,773.4
Total SOMA Holdings	4,768,238,706.1
Change From Prior Week	432,227,323.1

*Does not reflect inflation compensation of 31,203,560.4
**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 04/02/2020 4:30pm.

The \$432 billion increase is the largest 1-week gain of all-time, easily surpassing the previous record from last week of \$353 billion. Prior to last week, the largest 1-week inflow was \$171 billion in 2009. Large parts of the economy have been shut down. But the Fed is throwing unheard of amounts of money at the problem in many different ways to keep liquidity flowing. Such stimulus in the past has always provided a huge boost for the market. Of course the battle that is being fought now is different than any we have seen since Fed SOMA data has been available (2003). I'll discuss my thoughts in more detail in this weekend's intermediate-term section. But the point that is being made with the info above is that the market certainly has the Fed on its side.

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



With the Short-Term Active List now blank and the Intermediate-Term outlook neutral, the green Aggregator Line finished right at zero. This means expectations are flat over the next few days. Meanwhile the black Differential Line held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are flat and SPX is oversold. This is considered a neutral configuration. Therefore, the Aggregator signal turned flat at the close.

Based on the current list of studies, expectations are set to remain neutral on Friday. So any directional edge would be thanks to new evidence that emerges. Meanwhile, the Differential Pivot will be 2581.27 on Friday. That is 2.15% above Thursday's close. So for SPX to flip from oversold to overbought versus expectations on Friday it will need to close up 2.15%.

Without compelling evidence, in a market as volatile and choppy as this one, I am not inclined to take on new positions Friday. I'll instead wait for the next favorable reward/risk opportunity to emerge. Of course, anyone that wanted to take an aggressive approach similar to the "2 Days In Chop" system in last night's letter, could be looking to short if SPX closes higher (for the 2nd day in a row) on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/30 – neutral

The intermediate-term outlook was last updated in the 3/30/20 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

None

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