

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 19, 2020

Volume 13 Issue 119

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The Fed pumped huge this past week. The market is still flush with liquidity.

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						
June 17, 2020	Up 2% + in 3 days. 3/10 HV < 0.25	1-6 days	Bullish			
Active - Long Term						
June 15, 2020	Anti-Zweig Breadth Collapse	1-21 days	Bearish			
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
June 4, 2020	SPX RSI2 crosses 99	1-18 days	Bullish			
April 30, 2020	3 7 0% Up Issues Days	1-85 days	Bullish	10.40%	-4.30%	-11.00%
April 29, 2020	Sell in May after 5% drop Jan-Apr	6 months	Bearish			
March 23, 2020	QE4	int term	Bullish			
October 28, 2019	NASDAQ Leading	int term	Bullish			

The Evidence

Thursday was mostly up and mild. The SPX closed up 0.1%, the NASDAQ rose 0.3%, and the Russell 2000 gained 0.04%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 47%. NYSE total volume declined some from Wednesday’s level.

The mild action did not trigger compelling new studies in the Quantifinder. But the Fed did release the latest SOMA changes, and that proved quite interesting. I have pasted the updated numbers below (from the NY Fed website).

« As of 06/10/2020

DOMESTIC SECURITIES HOLDINGS AS OF
June 17, 2020

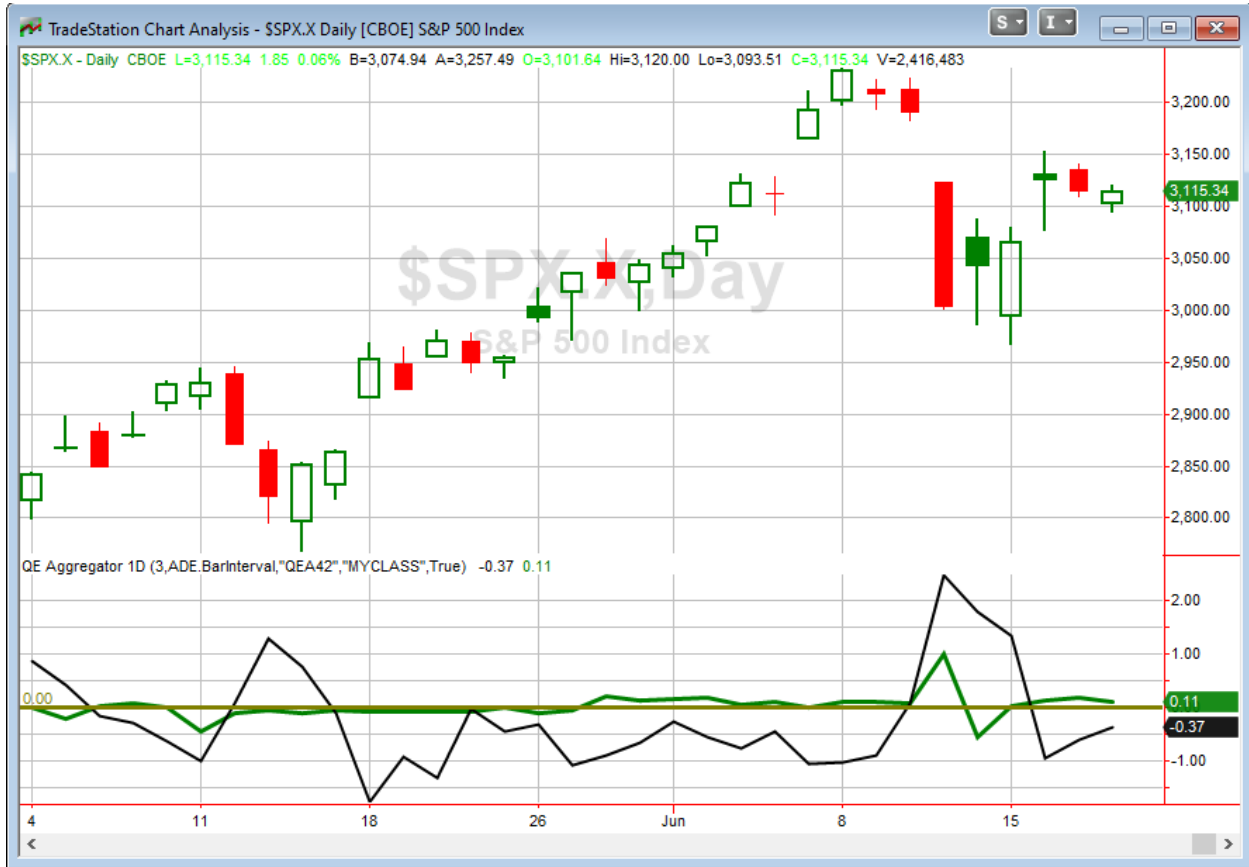
Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	3,526,843,049.6
US Treasury Floating Rate Notes (FRN)	15,545,746.1
US Treasury Inflation-Protected Securities (TIPS)*	264,551,919.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,909,627,876.5
Agency Commercial Mortgage-Backed Securities***	9,113,330.5
Total SOMA Holdings	6,054,072,921.7
Change From Prior Week	102,162,032.9

*Does not reflect inflation compensation of 36,355,567.9
 **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 06/18/2020 4:30pm.

After seeing an average rise of just \$11 billion over the previous 3 weeks, the Fed did a tremendous amount of buying this past week, and the SOMA rose over \$100 billion. It appears the Fed is determined to continue pumping strongly. This means a bullish liquidity environment for the market.

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



Without any new studies being added tonight, the green Aggregator remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is again below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Friday. This could easily change if compelling new bearish evidence emerges. Meanwhile, the Differential

Pivot will be 3113.03 on Friday. That is just 0.1% below Thursday's close. So SPX would only need to close 0.1% on Friday in order to flip from overbought to oversold vs recent expectations.

The Aggregator is neutral and evidence is light. As I detailed last night, seasonality is negative next week. I'll also note we have had 2 days inside Tuesday's big bar. So there has been a sharp contraction in volatility the last couple of days, and that could be followed by a pop. I think we'll see the contraction reflected more in the 3/10 Offset HV on Friday if Friday is quiet like the last couple of days. Either way, I don't see a compelling setup right here, and I'll continue to exercise patience until I do.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/15 - neutral

The intermediate-term outlook was last updated in the 6/15 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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