

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 31, 2020

Volume 13 Issue 148

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- There was a decline in the SOMA this past week, but I expect a large gain next week.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but evidence is weak and the Differential Pivot is inverted. I am not excited about the long side.

**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
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
July 24, 2020	NDX big dn day. SPX new high.	1-50 days	Bullish	6.00%	-2.85%	-5.50%
July 9, 2020	Golden Cross	int term	Bullish			
July 7, 2020	5 up < 50-high. > 3% gain.	1-15 days	Bullish	3.20%	-1.80%	-3.10%
June 8, 2020	3 Breadth Sigs (BAM/90%Day/A-D Hi)	1-63 days	Bullish			
April 30, 2020	3 70% 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 started weak, but finished mixed. The SPX lost 0.4%, the NASDAQ climbed 0.4%, and the Russell 2000 declined 0.4%. Breadth was negative as the NYSE Up Issues % was 34% and the Up Volume % came in at 23%. NYSE total volume rose a good bit from Tuesday's level.

All four days this week so far have seen SPX reverse direction from the day before. That is not the kind of behavior that typically generates strong edges. And the Quantifinder tonight is again showing a lack of compelling evidence.

I will note that the Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

« As of 07/22/2020

DOMESTIC SECURITIES HOLDINGS AS OF  
**July 29, 2020** 📅

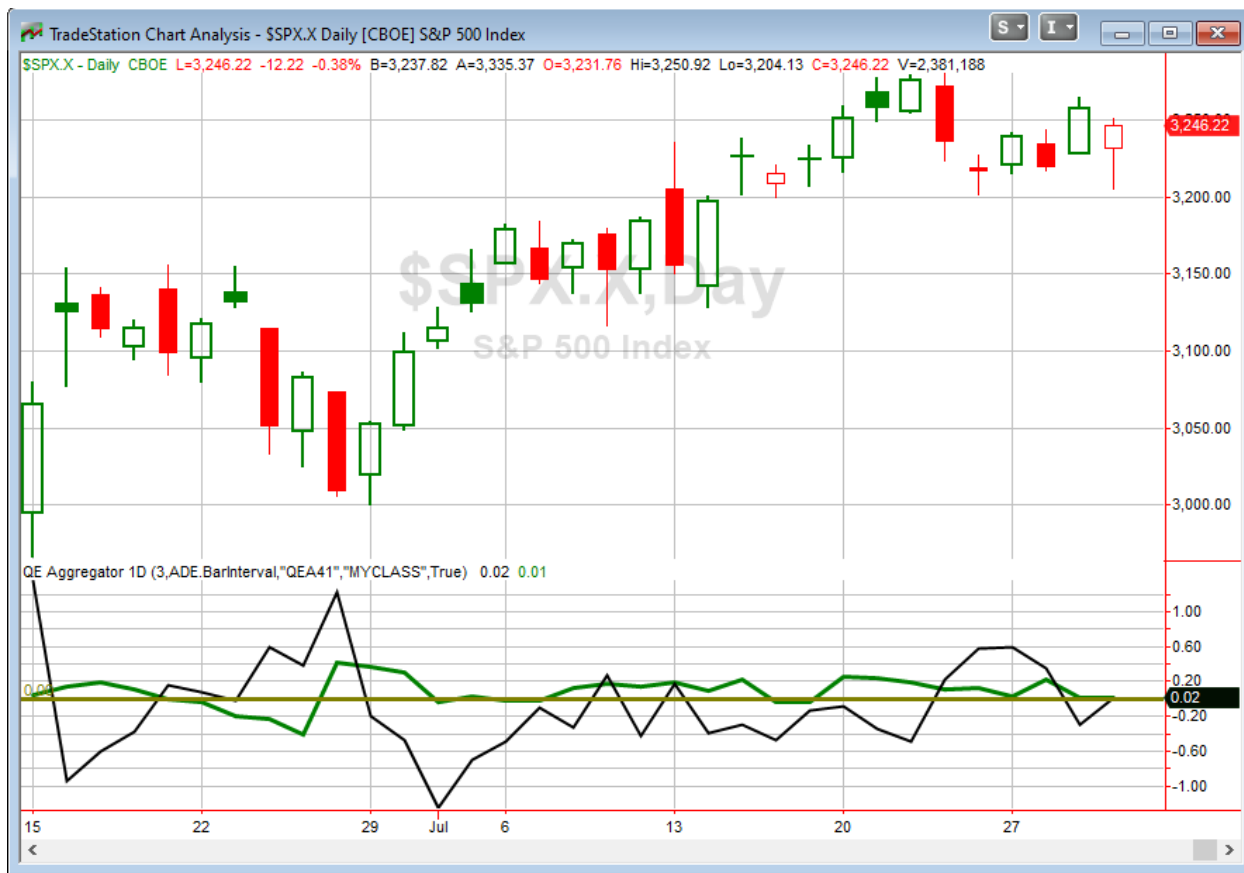
Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	3,645,946,347.0
US Treasury Floating Rate Notes (FRN)	15,545,746.1
US Treasury Inflation-Protected Securities (TIPS)*	270,513,770.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	1,924,203,060.9
Commercial Agency Mortgage-Backed Securities***	9,177,314.2
Total SOMA Holdings	6,193,777,238.3
Change From Prior Week	-9,751,271.8

\*Does not reflect inflation compensation of 35,513,382.5  
\*\*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 07/30/2020 4:30pm.

This past week saw the SOMA contract by nearly \$10 billion. That is a sizable contraction, but it is not of great concern to me. It is calendar-induced, rather than a policy change. We also saw contractions at the end of May and the end of June. The Fed is still pumping, and we should see a big rise this upcoming week.

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



With tonight's evidence considered, 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 moved slightly 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.

The short-term active list is still void of studies. With the intermediate-term outlook slightly bullish, this left expectations slightly bullish. Of course, any new evidence that emerges over the next few days will have a large impact on expectations moving forward. Meanwhile, the Differential Pivot will be *inverted* at 3230.04 on Friday. That is 0.5% *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 0.5% in order to remain oversold. Anything other than that and it will flip to "overbought" vs expectations as of Friday's close.

So the Aggregator is bullish. But the evidence is weak and the Differential Pivot is inverted. I don't typically look to take on new positions with an inverted pivot. And I am certainly not excited about it with the current lack of short-term evidence. So I will see how Friday plays out, and then I will take a fresh look at new evidence over the weekend.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/27 – slightly bullish*

## **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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