

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 12, 2021

Volume 14 Issue 29

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	0

## Tonight's Research Points

- No compelling studies emerged tonight.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but evidence is somewhat weak and reward/risk is sub-par.

**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>						
February 11, 2021	SPX down 2 frm 50-high < 0.25%	1-2 days	Bullish			
February 10, 2021	5 up to 50-high then down 1	1-4 days	Bullish	1.70%	-0.80%	-1.60%
February 10, 2021	SPY 3 higher highs and lows, dn close	1-4 days	Bullish	1.05%	-0.90%	-1.70%
February 9, 2021	Up 2% > 3 ago. Offset HV < 0.5	1-5 days	Bullish	1.70%	-0.90%	-1.70%
February 5, 2021	SPX 50-day high. Lowest vol in 19	1-5 days	Bullish			
<b>Active - Long Term</b>						
February 10, 2021	5 up to 50-high then down 1	1-10 days	Bullish	1.90%	-1.00%	-2.20%
February 8, 2021	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
December 10, 2020	SPX 20 intra-high. NDX biggest dn 20	1-50 days	Bullish	6.20%	-2.80%	-5.40%
November 23, 2020	NASDAQ Leading	int term	Bullish			
November 2, 2020	Best 6 Months	1-6 months	Bullish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

**The Evidence**

Most of the indices edged higher on Thursday. The SPX rose 0.2%, the NASDAQ gained 0.4%, and the Russell 2000 climbed 0.1%. Breadth was negative with the NYSE Up Issues % coming in at 44% and the Up Volume % at 47%. NYSE total volume was very light.

The mild action did not do anything to generate compelling evidence tonight. But the move sideways over the last few days has kept the 3/10 Offset HV quite low. Low 3/10 Offset HV readings simply mean that there has been a sizable contraction in volatility over the last few days. That would be pretty obvious when you see that SPX closing prices have barely budged. Such contractions are often followed by volatility expansions. So it would not be surprising to see a sharp move occur in the next few days.

The Fed posted the latest SOMA update after the close. I have copied it below.

Domestic Security Holdings as of  
 ◀ Previous **February 10, 2021** 📅  
 Posted February 11, 2021 at 4:30 P.M

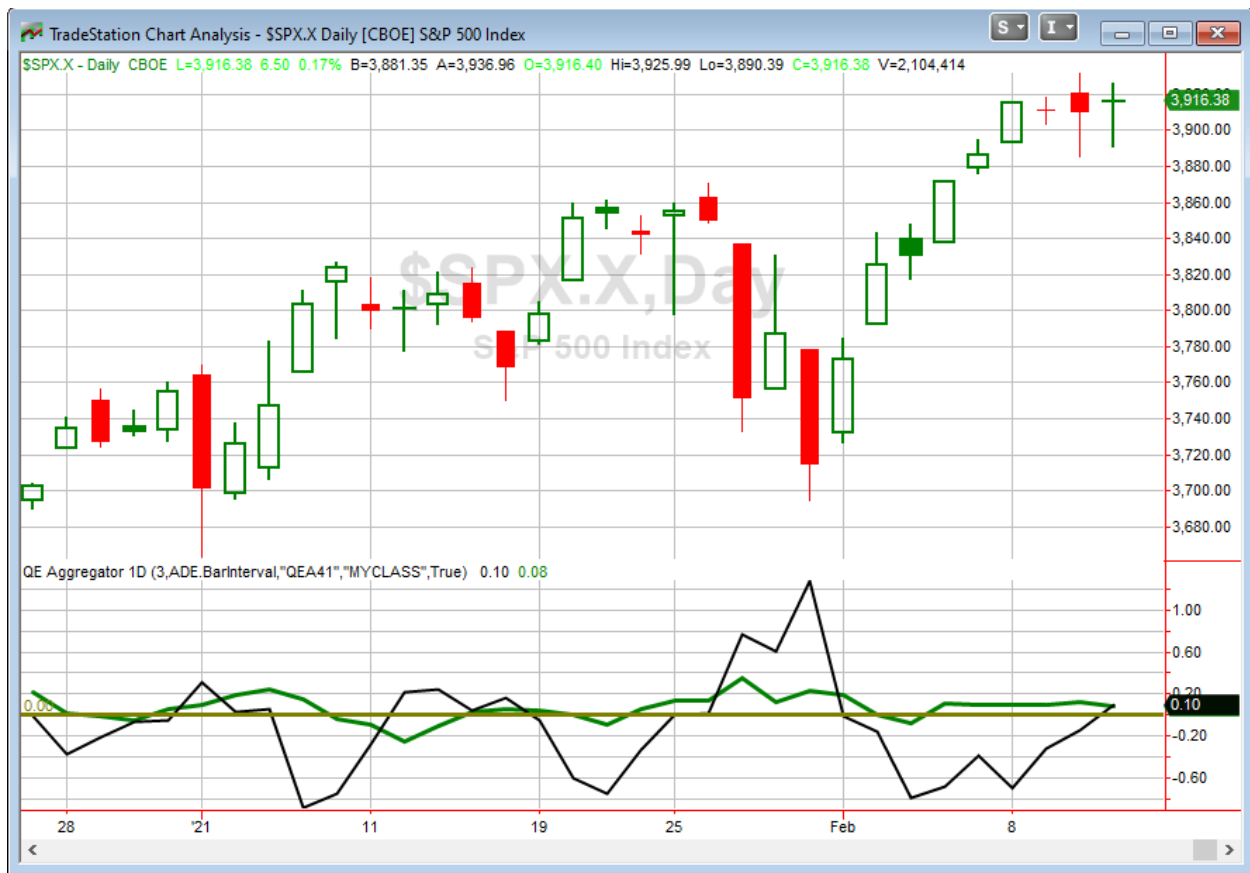
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS

Security Type	Total (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,088,132,932.0
US Treasury Floating Rate Notes (FRNs)	21,038,668.5
US Treasury Inflation-Protected Securities (TIPS)*	320,422,401.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,059,900,462.9
Agency Commercial Mortgage-Backed Securities***	9,889,406.6
Total SOMA Holdings	6,827,774,871.0
Change From Prior Week	26,536,999.9

About \$26.5 billion was added to the SOMA this past week. That is a big number, but fairly typical of what has been happening for the last several months. There is no sign yet that the Fed is taking its foot of the pedal.

No new studies were added to the active list tonight.

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



With tonight's evidence considered 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 rose above 0. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive but 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.

Based on the current active studies, expectations are set to remain positive on Friday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3923.02 on Friday. That is 0.2% above Thursday's close. Therefore, SPX would only need to close up 0.2% in order to flip from oversold to overbought versus expectations.

So the Aggregator is bullish. But I don't love the setup. "Oversold" is a strong word for SPX positioning right now. A more accurate description is that it has simply underperformed positive expectations over the last few days. Evidence is leaning bullish, but we did not see any compelling new studies tonight. And with the volatility contraction over the last few days, there is a risk of a big move in the next few days. In other words, while the formation is bullish, reward/risk is underwhelming. I'm not looking to get long just yet.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 2/8 – somewhat bullish*

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### *Open Catapult 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
AMGN(1/3)	2/5/2021	\$237.22	\$240.38	1.33%		<i>sold on open (div adjusted)</i>

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