

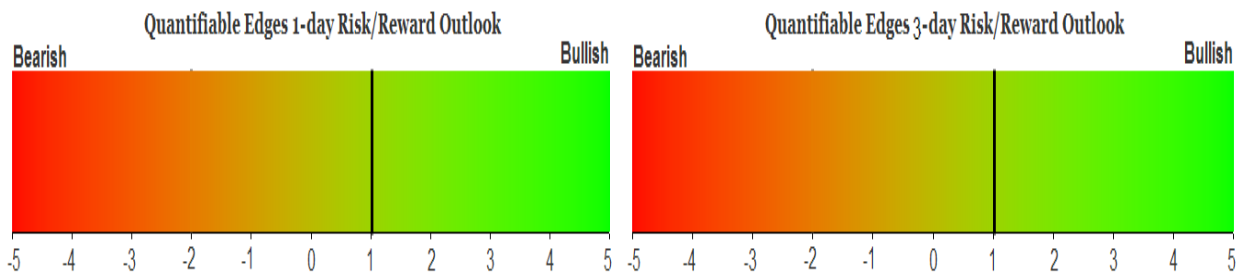
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 9, 2021

Volume 14 Issue 151

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The high SPX, low VIX and low volume seen on Friday are a combination that has often led to a dip the next day.
- This week and next are not strong weeks on the QE SPX Seasonality Calendar.
- The SOMA continues to rise, with the Fed supportive of the market.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but evidence is mixed and SPX is primed to flip from oversold to overbought vs expectations unless we see a selloff on Monday. Overall, this does not appear to be a great setup.

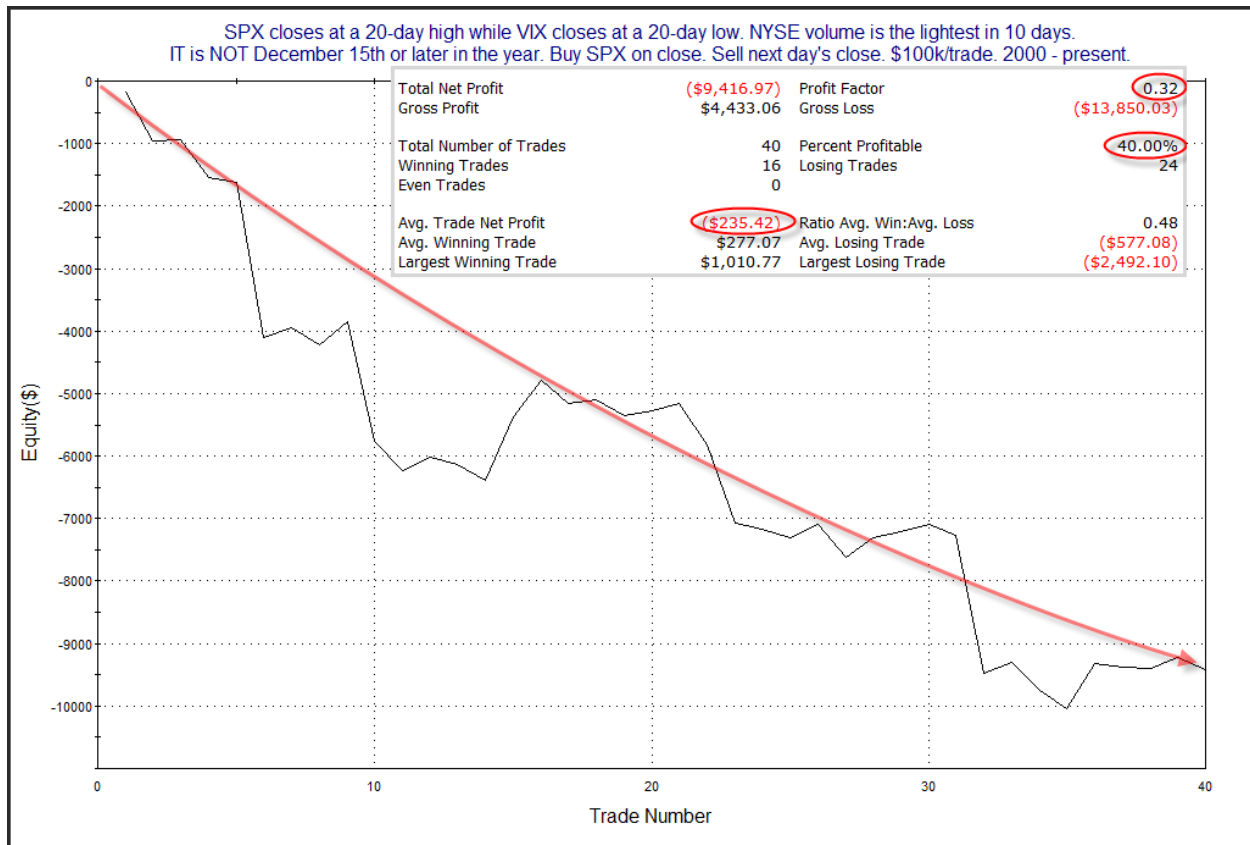
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 9, 2021	SPX high. VIX & volume low.	1 day	Bearish			
August 4, 2021	5 intraday low and 5-hi close	1-5 days	Bullish			
August 4, 2021	Today and yest outside days	1-4 days	Bullish			
August 3, 2021	5-low bottom range on Monday > 200	1-5 days	Bullish	2.10%	-1.05%	-2.15%
Active - Long Term						
July 8, 2021	Russell btm 25% 20-day rng. SPX top 25%	1- 40 days	Bullish			
July 6, 2021	SPX 200 hi. Mc Osc < 0 12 days in row	1-45 days	Bearish	-6.50%	2.45%	4.50%
June 28, 2021	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.80%
June 14, 2021	NASDAQ leading	int term	Bullish			
May 3, 2021	Worst 6 Months	1-6 months	Bearish			
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
August 6, 2021	Employment days on a hot streak	1 day	Bullish			

The Evidence

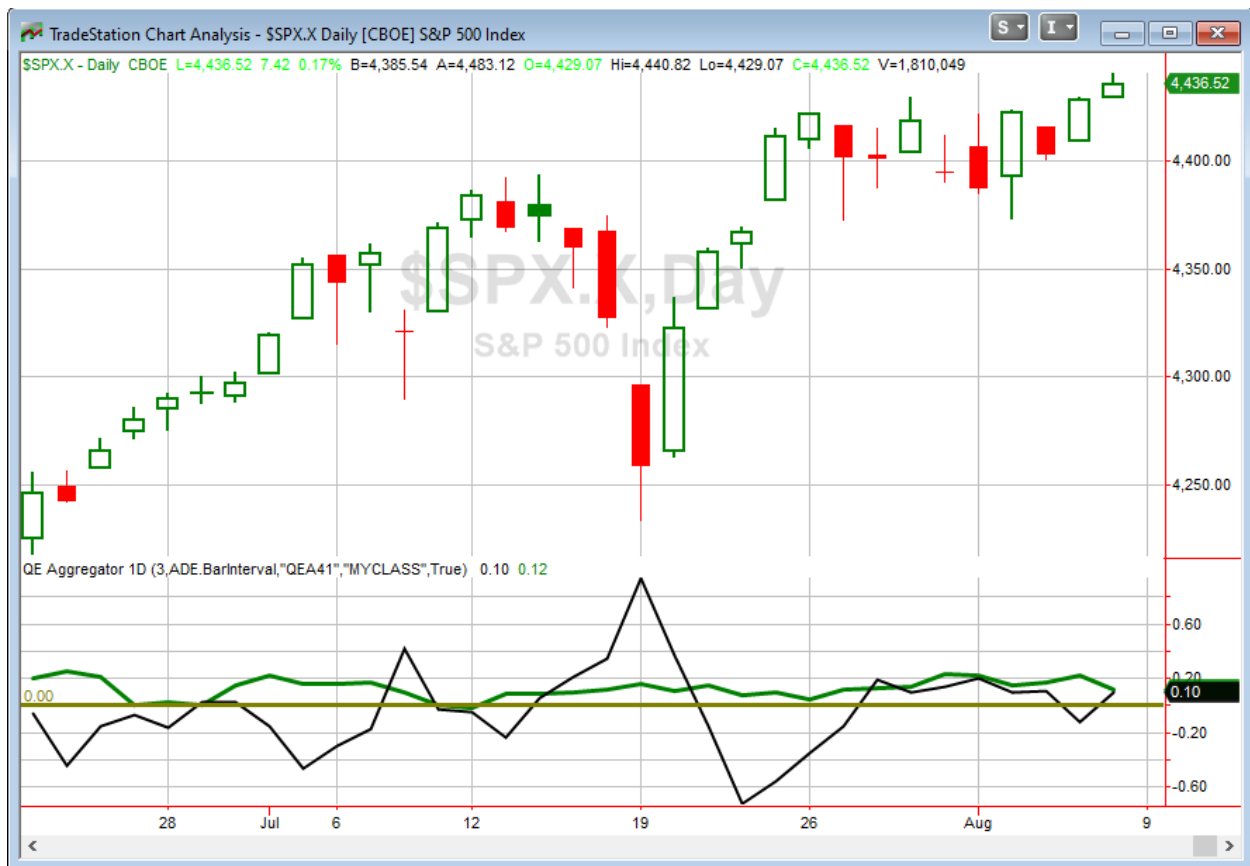
Friday finished mixed and mild. The SPX rose 0.2%, the NASDAQ declined 0.4%, and the Russell 2000 gained 0.5%. Breadth was positive with the NYSE Up Issues % coming in at 60% and the Up Volume % at 61%. NYSE total volume came in at the lightest level in a few weeks.

Some notables about Friday are that 1) SPX closed at a long-term high, 2) VIX closed at an intermediate-term low, and 3) NYSE volume was light. Low volume and a low VIX can both be potential signs of complacency and suggest a short-term pullback. This triggered the study below, which was last seen recently in the 7/6/21 letter.



Beyond day 1 there did not appear to be a substantial edge. But the odds and curve for the 1-day hold suggest a downside edge. I have included this study on the Active List tonight.

We seem to be in a somewhat slow summer market right now. The last couple of weeks have been a lot of chop with a small amount of upward progress. And we are in a period on the QE Seasonality Calendar where odds are fairly neutral. The SPX Calendar is below, with this upcoming week shown in the blue box.



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line rose back above 0. The positive Differential Line reading means that 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 formation turned long at the close.

Based on the current active list, expectations are set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4426.61 on Monday*. That is 0.2% *below* Friday'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 at least 0.2% in order to remain "oversold" vs recent expectations. Anything less than that and it will be considered "overbought" as of Monday's close.

So the Aggregator is bullish. But it is not exactly a compelling setup. Today's evidence suggests a possible downside edge for Monday. And unless the market does sell off on Monday, SPX will be considered overbought. Not the kind of reward/risk I look for when considering new positions. I'll wait for a more compelling opportunity before jumping back in with a new index trade.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/9 – somewhat bullish

Combo #1	Combo #2	Combo #3
Flat	Long	Long

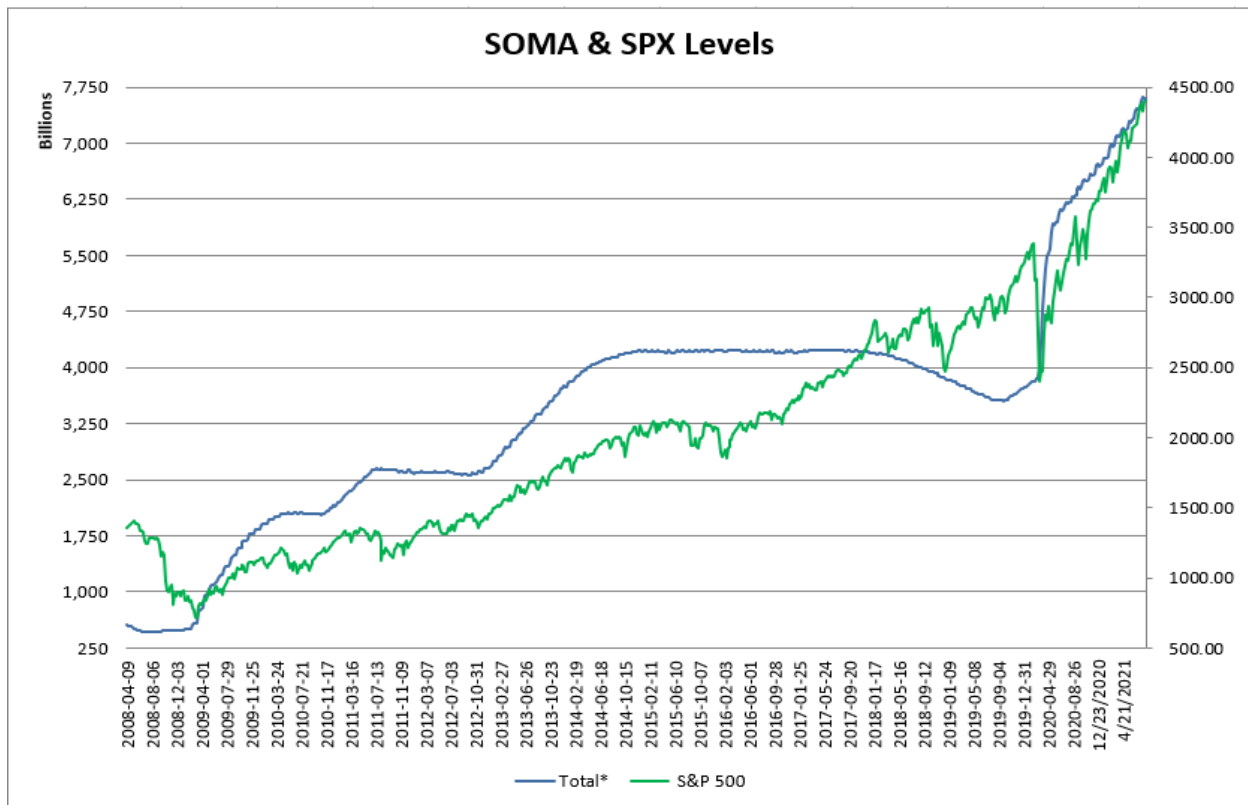
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches [can be found in Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week there was no change to the combo systems.*

The major averages all showed moderate gains this past week. The SPX rose 0.9%, the NASDAQ climbed 1.1%, and the Russell 2000 gained 1.0%. The SPX and NASDAQ both made new highs during the week, so the uptrend certainly appears to be in place. There were no compelling new studies that emerged with intermediate-term implications.

The Fed posted the latest update to the SOMA holdings after the close on Thursday. It can be found below.

Domestic Security Holdings as of	
◀ Previous	August 4, 2021 📅 <small>Posted August 5, 2021 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; font-size: small;"> SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	326,044,000.0
US Treasury Notes and Bonds (Notes/Bonds)	4,518,754,363.5
US Treasury Floating Rate Notes (FRNs)	24,879,545.9
US Treasury Inflation-Protected Securities (TIPS)*	350,141,694.8
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,375,072,782.3
Agency Commercial Mortgage-Backed Securities***	9,712,643.5
Total SOMA Holdings	7,606,952,029.9
Change From Prior Week	13,008,000.2

This past week saw the SOMA rise by about \$13 billion. That is a fairly typical amount for the current cycle. We should see the SOMA continue to rise substantially in the coming weeks. Below is an updated SOMA/SPX chart from 2008 – present.



The SOMA is in the midst of the largest expansion in history, and the expansion is expected to continue for a while longer. That should continue to benefit the market. But the Fed is now talking about when they will dial back the stimulus. That will first be in the form of reduced Quantitative Easing amounts. Then we could see a rise in short-term interest rates. It appears the QE taper could begin later this year and we might have a rise in interest rates at some point next year. These are aggressive estimates, as it may be even later than suggested. When the massive liquidity support is removed from the market, that would likely make it much more difficult for market advances. For now, the Fed is pumping at that is big positive for the SPX.

Not much changed this week from an intermediate-term perspective. Evidence is mixed but still seems to be leaning bullish. The trend is up and momentum is favorable. The leading NASDAQ is also a positive for the time being. Lastly for the bulls, the Fed's continued pumping should remain a massive plus for a while longer. Bears can point to the weak intermediate-term seasonality. Overall, I still give the bulls the edge for the time being. This means that I will remain more cautious with short-side trades than long trades.

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>8/3/2021</i>	<i>\$437.50</i>	<i>\$442.10</i>	<i>1.05%</i>		<i>sold on open</i>

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