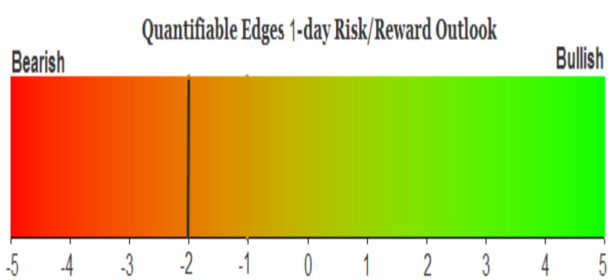
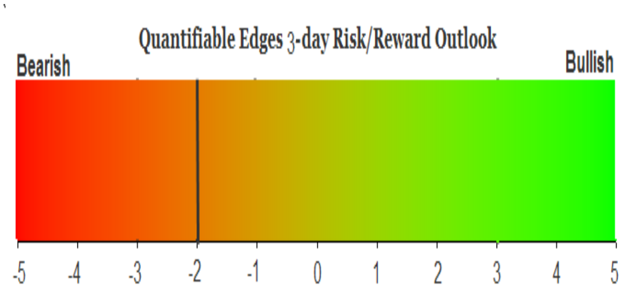
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 1, 2022 Volume 15 Issue 144

Market Overview





Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Overbought in a downtrend does not appear to be as reliable of a short setup as it once did.
- 3 strong up days like we have seen in the NASDAQ have often seen NASDAQ follow through over the next week – but not SPX follow through.
- When the last day of the month marks the highest close of the month, then the momentum often carries through into the 1st week of the new month.
- 3 up days into month-end during a long-term downtrend has been rare, but always meant lower prices since the mid-80s.
- The strong breadth the last few days may be a good intermediate-term sign.
- The SOMA declined some this past week, and we should see a larger decline this upcoming week.

Short-term Outlook

The Bottom Line

The Aggregator is short. The market is strongly overbought and evidence is leaning bearish, but we will need to see more bearish evidence emerge to maintain the short signal.

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 1, 2022	Close month on hig of month.	1-5 days	Bullish	2.10%	-1.30%	-2.75%
August 1, 2022	Up 3 days into EOM. Close < 200	1-2 days	Bearish	-3.20%	1.20%	2.20%
July 29, 2022	Gap up. Top 10% 1-day, 10-day range	1-2 days	Bearish			
July 29, 2022	SPY up 1% 2x 10-high < 200ma	1-4 days	Bearish	-3.20%	1.20%	2.20%
July 26, 2022	SPX up.VIX up. Monday. Close < 200ma	1-5 days	Bearish	-3.40%	1.95%	3.80%
Active - Long Term						
August 1, 2022	NYSE Up Issues % > 70% 3 straight days	1-80 days	Bullish	9.85%	-4.72%	-11.90%
July 11, 2022	NASDAQ Leading	int term	Bullish			
June 13, 2022	Inverse Zweig Breadth Collapse	1-3 months	Bearish			
May 2, 2022	Worst 6 Months with Jan-April selling	1-6 months	Bearish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

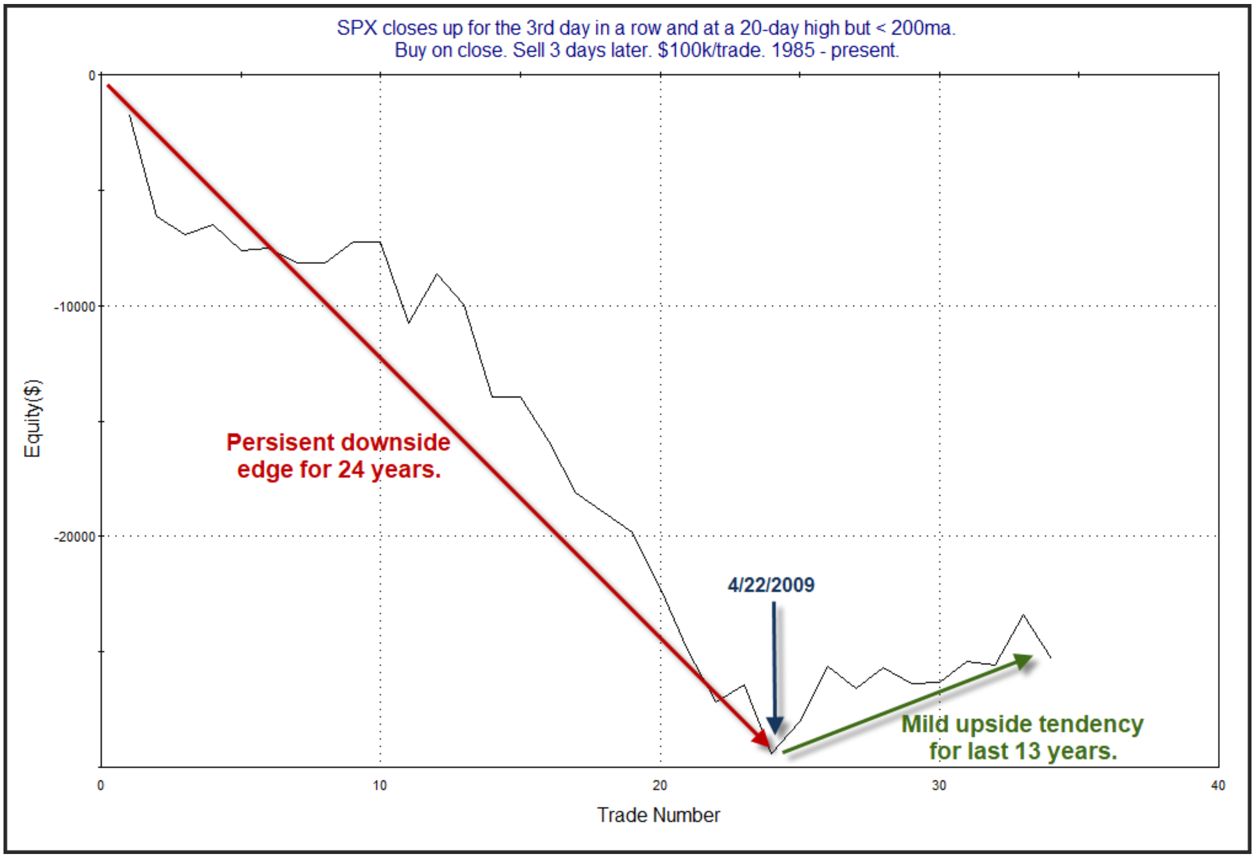
Friday was another strong up day. SPX finished rose 1.4%, the NASDAQ gained 1.9%, and the Russell 2000 climbed 0.65%. Breadth was positive with the NYSE Up Issues % coming in at 71% and the Up Volume % at 69%. NYSE total volume came in higher than the last few days.

There were many studies that triggered in the Quantifinder that noted the market is now overbought in a long-term downtrend. They looked at things like the 3-day rally and the 20-day high to indicate overbought. The one below looked at both of these criteria. It was last featured in the 1/18/19 letter. Stats are updated.

SPX closes up for the 3rd day in a row and at a 20-day high but < 200ma.
Buy on close. Sell X days later. $100k/trade. 1985 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-14,405.90	32	16	16	50.00	2,639.42	-5,048.88	1,154.04	-2,054.41	0.56	0.56	-450.18
4	-17,418.87	34	16	18	47.06	2,440.31	-5,199.42	1,001.66	-1,858.08	0.54	0.48	-512.32
3	-25,322.38	34	12	22	35.29	2,401.60	-4,396.54	1,028.25	-1,711.88	0.60	0.33	-744.78
2	-18,907.11	34	12	22	35.29	1,122.12	-5,979.14	662.41	-1,220.73	0.54	0.30	-556.09
1	-8,473.43	34	14	20	41.18	1,288.00	-4,241.94	726.00	-931.87	0.78	0.55	-249.22

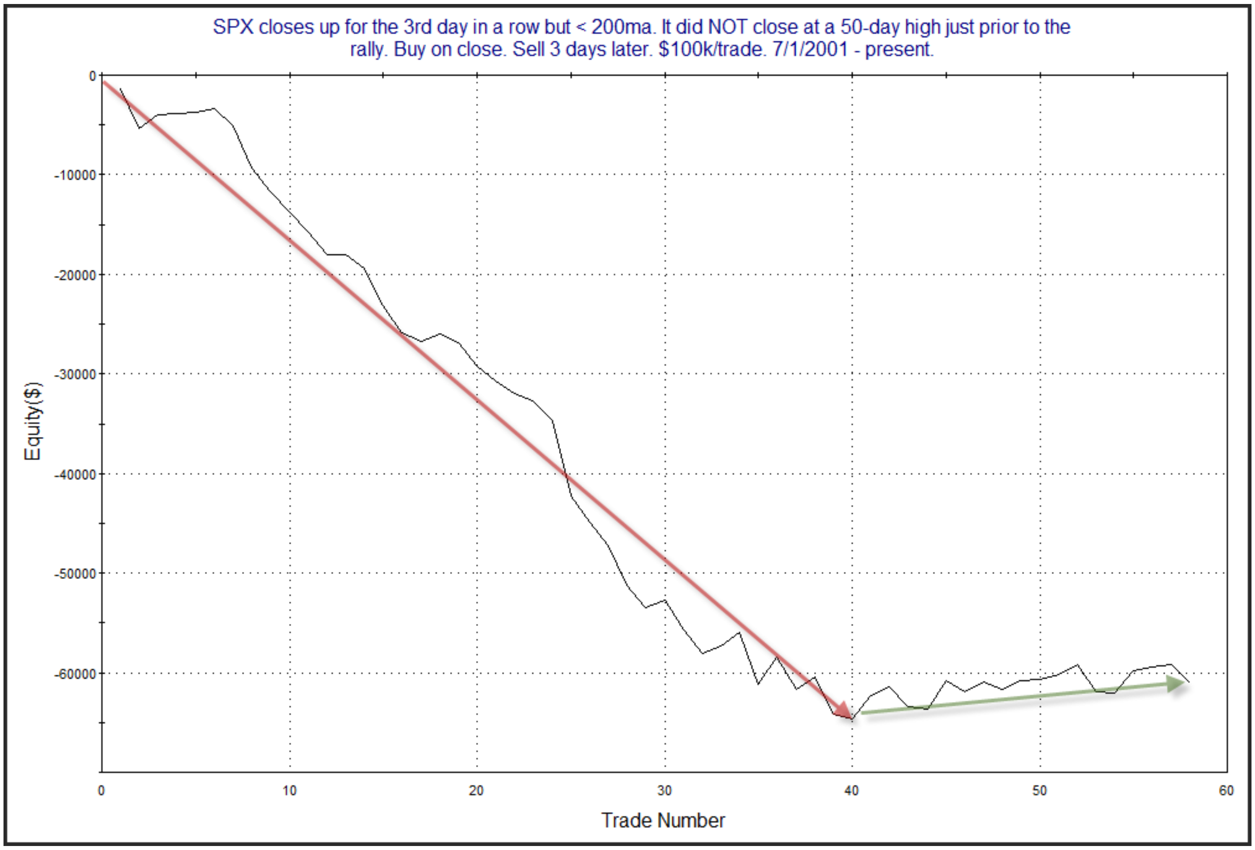
The stats look quite bearish. But the profit curves told a different story. Below is the 3-day profit curve.



This just has not played out for the last 13 years. I have seen a lot of bearish studies like this in the last few months that have faltered and no longer appear to suggest a bearish edge. Here is the 2nd example from the 7/22/22 letter.

SPX closes up for the 3rd day in a row but < 200ma. It did NOT close at a 50-day high just prior to the rally. Buy on close. Sell X days later. $100k/trade. 7/1/2001 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-34,926.27	55	29	26	52.73	4,570.11	-9,202.08	1,387.06	-2,890.43	0.48	0.54	-635.02
4	-54,830.80	58	26	32	44.83	3,672.51	-7,499.80	1,162.13	-2,657.70	0.44	0.36	-945.36
3	-61,094.85	58	21	37	36.21	2,861.10	-7,527.12	1,049.79	-2,247.04	0.47	0.27	-1,053.36
2	-35,512.34	58	17	41	29.31	3,224.73	-4,121.10	1,090.50	-1,318.31	0.83	0.34	-612.28
1	-21,614.55	58	24	34	41.38	3,348.84	-4,871.22	967.35	-1,318.55	0.73	0.52	-372.66

Stats here are even more bearish. This study is interesting because if the setup WAS coming off a 50-day low it would suggest a bullish edge. But again, the bearish inclination is not apparent when we look at the profit curves. Here is the 3-day.



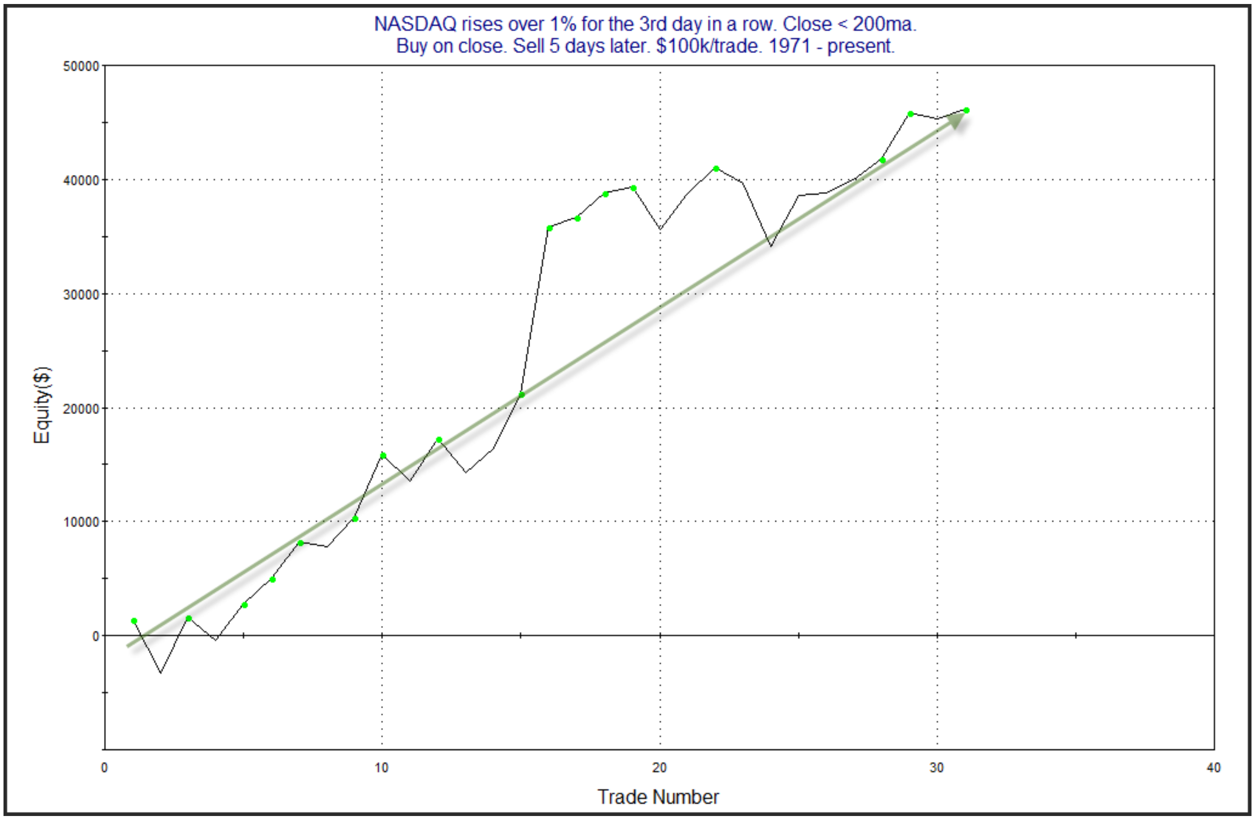
Very similar to the last one. So I am not inclined to utilize most of the “overbought in a downtrend” studies that appeared on Thursday. I’ll note that while I have seen the market evolve like this and so many bearish studies have gone by the wayside over the last several years, I’ve thought that perhaps part of the reason was all the Fed QE that we have seen since 2008. There is no QE right now. In fact, the Fed is embarking on QT. So if QE is a contributor to the disappearing bearish edges, the edges may start to reappear. But I am not relying on that.

I will also note that the NASDAQ rise the last 3 days has been especially strong. In fact, all 3 days saw the NASDAQ rise at least 1%. So I concocted the study below to look at other times the NASDAQ had three 1% up days while below its 200ma.

NASDAQ rises over 1% for the 3rd day in a row. Close < 200ma.
Buy on close. Sell X days later. $100k/trade. 1971 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	46,114.32	31	22	9	70.97	14,540.76	-5,538.39	3,171.80	-2,629.47	1.21	2.95	1,487.56
4	29,568.89	31	20	11	64.52	9,205.56	-8,229.00	2,479.45	-1,820.01	1.36	2.48	953.84
3	9,209.77	31	19	12	61.29	4,013.10	-5,125.77	1,882.49	-2,213.13	0.85	1.35	297.09
2	12,373.71	31	16	14	51.61	4,396.60	-2,918.37	1,827.61	-1,204.86	1.52	1.73	399.15
1	9,719.78	31	15	15	48.39	3,623.26	-2,310.40	1,692.56	-1,044.57	1.62	1.62	313.54

Stats here are quite bullish. It seems that the momentum is strong enough in most cases that you'll continue to see follow through over the next week. Below is a look at the 5-day profit curve.



That is a good looking rise.

Often when we see NASDAQ studies like this the directional edge works for the SPX as well. So I looked at how SPX has performed when this NASDAQ setup triggered in the past.

NASDAQ rises over 1% for the 3rd day in a row. Close < 200ma.
Buy **SPX** on close. Sell X days later. $100k/trade. 1971 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	11,522.11	31	20	11	64.52	7,414.55	-5,304.00	2,240.36	-3,025.92	0.74	1.35	371.68
4	3,171.49	31	17	14	54.84	6,097.05	-6,472.75	1,860.71	-2,032.90	0.92	1.11	102.31
3	-9,564.86	31	16	15	51.61	2,598.45	-5,681.40	1,297.70	-2,021.87	0.64	0.68	-308.54
2	629.46	31	14	17	45.16	4,224.40	-4,467.60	1,377.09	-1,097.05	1.26	1.03	20.31
1	-32.07	31	14	17	45.16	3,535.65	-2,067.20	1,197.18	-987.80	1.21	1.00	-1.03

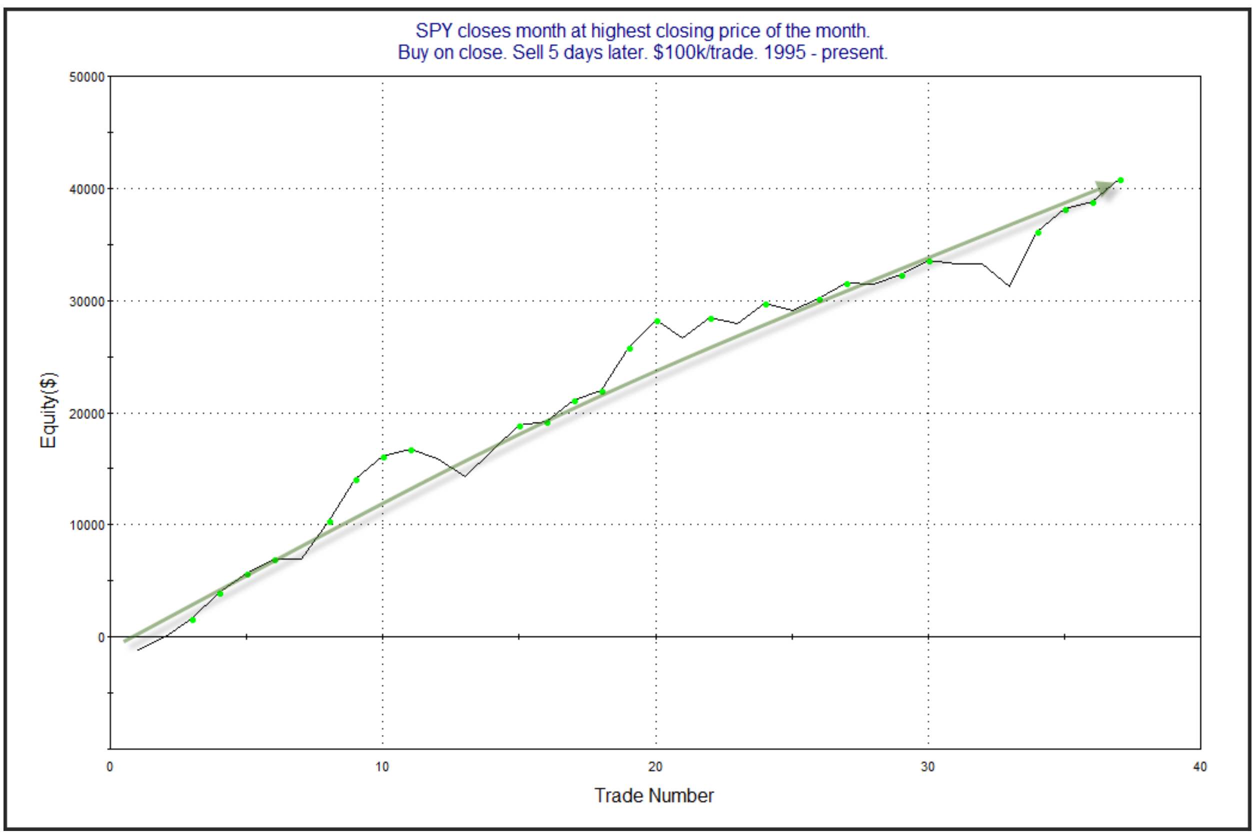
Interestingly, the upside momentum did not help carry the SPX higher. It seems to just apply to the NASDAQ. So traders may look to the NASDAQ for some additional strength in the coming days. But I did not include this study for Aggregator purposes since the Aggregator measures SPX expectations and there is no edge apparent for SPX.

I'll also note there is a compelling new-month study suggesting that we could see further rallying in the next few days. Results are updated from the 11/1/21 letter. They suggest strong end of month momentum has typically carried through into the following month. This can be seen below.

SPY closes month at highest closing price of the month.
Buy on close. Sell X days later. $100k/trade. 1995 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	40,804.06	37	27	9	72.97	4,926.56	-2,070.60	1,841.64	-991.14	1.86	5.57	1,102.81
4	34,787.21	37	26	11	70.27	5,394.96	-4,338.40	1,777.64	-1,039.23	1.71	4.04	940.19
3	22,233.61	37	25	12	67.57	4,105.92	-4,678.40	1,411.88	-1,088.61	1.30	2.70	600.91
2	13,040.13	37	21	16	56.76	3,954.78	-4,848.40	1,244.81	-818.81	1.52	2.00	352.44
1	3,813.78	37	20	17	54.05	1,850.94	-1,359.03	691.15	-588.77	1.17	1.38	103.08

The numbers across the board are quite compelling. Below is an equity curve showing results assuming a 5-day holding period.



The steady upslope is comforting. I have added this study to the active list tonight. Of course this study does not utilize a 200ma filter like many other studies. So I added one to see how the results would change.

SPY closes month at highest closing price of the month ***but < 200ma***.
Buy on close. Sell X days later. $100k/trade. 1995 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	4,009.62	2	2	0	100.00	3,931.92	0.00	2,004.81	0.00	100.00	100.00	2,004.81
4	6,434.66	2	2	0	100.00	5,394.96	0.00	3,217.33	0.00	100.00	100.00	3,217.33
3	4,773.35	2	2	0	100.00	3,600.45	0.00	2,386.68	0.00	100.00	100.00	2,386.68
2	4,705.88	2	2	0	100.00	3,954.78	0.00	2,352.94	0.00	100.00	100.00	2,352.94
1	585.31	2	2	0	100.00	537.21	0.00	292.65	0.00	100.00	100.00	292.65

Only 2 instances, so not enough to draw any conclusions about. But so far, they leave no reason to think the setup would not work below he 200ma.

On the other hand, a different month-end study did show some bearish inclinations. Last seen way back in the 11/30/11 letter, I have updated the results.

SPX closes higher for at least the 3rd day in a row to finish the month. Close < 200ma.
Buy on close. Sell X days later. $100k/trade. 1986 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,644.71	9	3	6	33.33	1,577.18	-3,798.65	957.66	-2,586.28	0.37	0.19	-1,404.97
4	-10,690.70	9	5	4	55.56	1,757.41	-5,673.45	839.98	-3,722.65	0.23	0.28	-1,187.86
3	-17,992.50	9	2	7	22.22	809.60	-8,395.18	535.11	-2,723.25	0.20	0.06	-1,999.17
2	-17,803.07	9	0	9	0.00	0.00	-5,264.73	0.00	-1,978.12	0.00	0.00	-1,978.12
1	-13,370.02	9	2	7	22.22	1,576.09	-8,883.33	1,008.54	-2,198.16	0.46	0.13	-1,485.56

Low instances, but a perfectly bad record 2 days out. Below is the full list of instances.

SPX closes higher for at least the 3rd day in a row to finish the month. Close < 200ma.Buy on close. Sell 2 days later. $100k/trade. 1986 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
10/30/1987	Buy	$251.78	-0.38%	$1,576.09
11/3/1987	Sell	$250.82		($3,576.97)
10/31/2000	Buy	$1,429.39	-0.07%	$267.72
11/2/2000	Sell	$1,428.32		($1,306.86)
7/31/2002	Buy	$911.62	-5.20%	$0.00
8/2/2002	Sell	$864.24		($6,286.03)
7/30/2004	Buy	$1,101.72	-0.18%	$619.20
8/3/2004	Sell	$1,099.69		($394.20)
11/30/2007	Buy	$1,481.11	-1.24%	$3.35
12/4/2007	Sell	$1,462.79		($1,370.15)
5/30/2008	Buy	$1,400.35	-1.62%	$0.00
6/3/2008	Sell	$1,377.66		($2,146.33)
11/28/2008	Buy	$896.24	-5.29%	$0.00
12/2/2008	Sell	$848.81		($8,941.05)
8/31/2011	Buy	$1,218.89	-3.69%	$852.80
9/2/2011	Sell	$1,173.97		($3,963.06)
11/30/2011	Buy	$1,246.96	-0.21%	$1,049.60
12/2/2011	Sell	$1,244.28		($578.40)
7/29/2022	Buy	$4,130.29	n/a	$0.00
Open	n/a	$4,130.29		$0.00

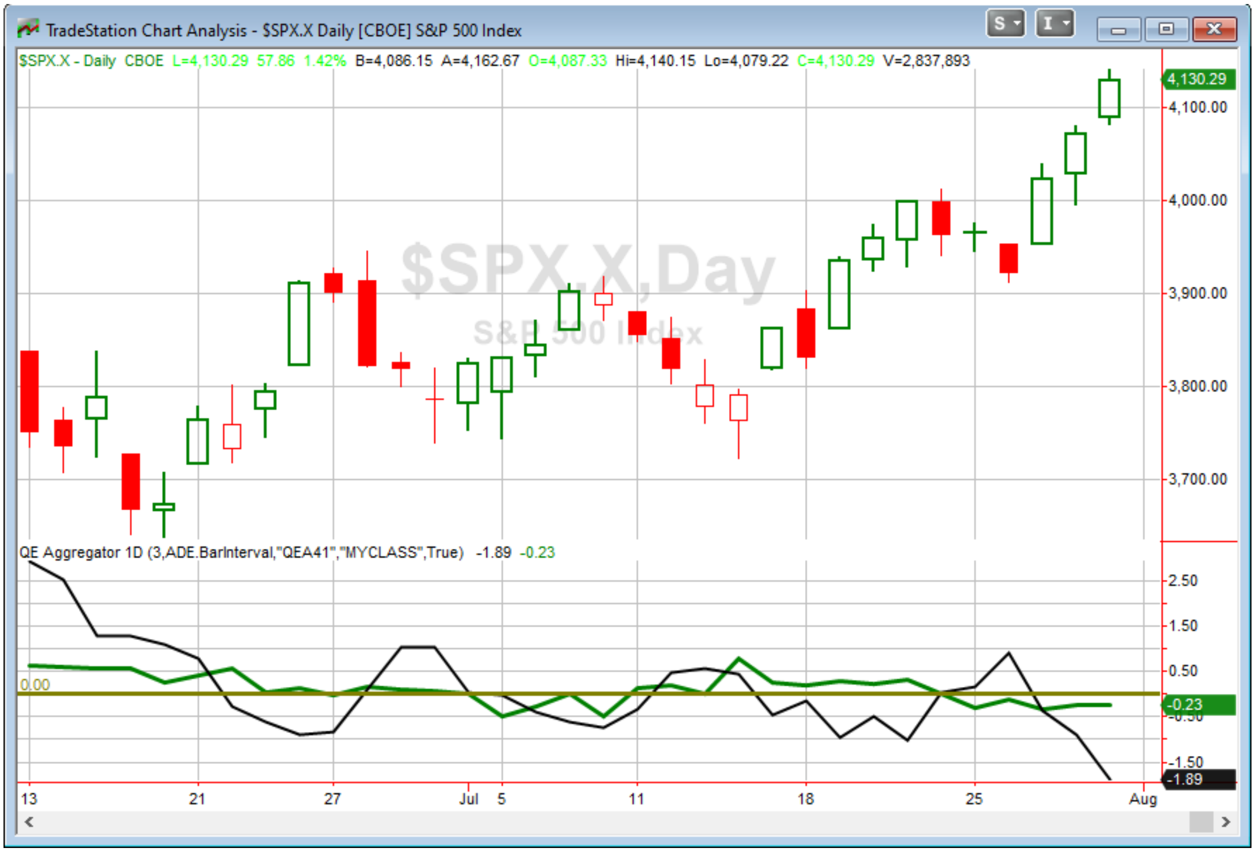
As you can see here, the reason I have not featured this study since 2011 is because it has not triggered since then. The setup is rare, but times it has occurred have always led to a 2-day pullback, and in several cases they were substantial pullbacks. I have added both of these end-of-month seasonality studies to the active list tonight.

Also notable from a seasonal standpoint is that the August QE Seasonality Calendars were posted to the website. Below is a look at the SPX Calendar.

Quantifiable Edges Seasonality Calendar			
$SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
8/1/2022	53.37	1.194	-0.007
8/2/2022	50.11	1.424	0.172
8/3/2022	54.05	1.311	0.074
8/4/2022	55.29	1.137	0.026
8/5/2022	57.12	1.505	0.174
8/8/2022	51.95	0.732	-0.200
8/9/2022	50.35	1.348	0.155
8/10/2022	51.52	0.964	-0.017
8/11/2022	55.76	0.920	-0.041
8/12/2022	57.47	1.452	0.160
8/15/2022	54.21	0.717	-0.204
8/16/2022	52.46	1.583	0.178
8/17/2022	52.52	0.946	-0.029
8/18/2022	53.15	0.830	-0.068
8/19/2022	52.42	1.017	0.029
8/22/2022	52.67	1.007	-0.113
8/23/2022	53.09	1.437	0.179
8/24/2022	52.93	1.274	0.072
8/25/2022	58.01	1.373	0.090
8/26/2022	57.39	1.352	0.135
8/29/2022	51.71	0.905	-0.142
8/30/2022	52.13	1.335	0.149
8/31/2022	51.38	1.273	0.090
Baseline	*54.64*	*1.158*	*0.051*

The 1st week look positive, although not terribly strong compared to the baseline. After that we see a couple of weeks of mixed/weak seasonality.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator line remained below zero. Negative readings mean expectations are for downside over the next few days. Meanwhile the black Differential Line is as far below zero as we have seen in a long time. The negative Differential Line reading means that SPX is strongly overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation stayed short at the close.

Based on the current active list, expectations are set to flip to positive on Monday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3990.11 on Monday. That is a whopping 3.4% below Friday's close. In other words, not likely. This overbought condition will almost certainly take at least a few days to get worked off.

So the Aggregator is bearish. Evidence is mixed, but leaning lower, and the market is very strongly overbought on a short-term basis. So I like the short side better than the long side. But we could easily see expectations turn positive on Monday, which would likely leave the Aggregator neutral. I have a small amount of short index exposure already. I will look to hold onto it one more day. I may exit on Tuesday if more bearish evidence does not emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/1 – improving but still neutral

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

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 all 3 combo systems remained "flat".*

The rally the last few days turned this into a big week for the market. The SPX gained 4.3%, the NASDAQ rose 4.7%, and the Russell 2000 rallied 4.3% on the week. Bonds were mixed. The US Aggregate Bond ETF (AGG) rose 0.7%, while TLT, the 20-year Treasury Bond ETF declined 0.9%. Both stocks and bonds still appear to be in long-term downtrends, but a series of higher highs and higher lows since mid-June show an intermediate-term uptrend. The rally over the last few days also brought about an intriguing breadth study.

The study below was last seen in the 5/31/22 letter. It looks at other times that breadth came in strong for 3 days in a row. Stats are updated.

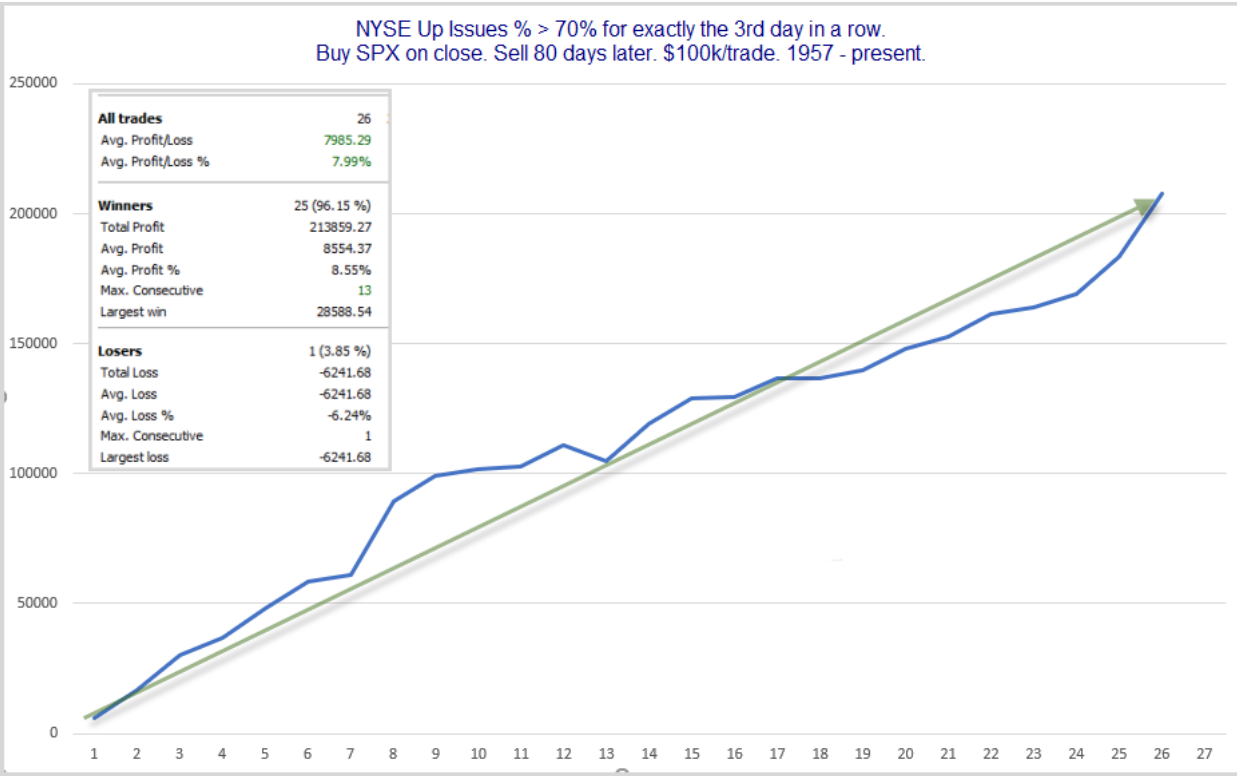
NYSE Up Issues % closes > 70% for the 3rd day in a row.
Buy SPX on close. Sell "Days In" days later. $100k/trade. 1957 - present.

DaysIn	# Trades	# of winners	# of losers	% of Winners	W. Avg. Profit	L. Avg. Loss	Profit Factor	Avg Profit/Loss
100	24	21	3	87.50	10,834.32	-4,128.10	18.37	8,964.02
95	24	21	3	87.50	9,955.33	-4,339.29	16.06	8,168.50
90	25	23	2	92.00	9,367.01	-3,068.57	35.10	8,372.16
85	25	23	2	92.00	9,067.05	-1,731.44	60.22	8,203.17
80	26	25	1	96.15	8,554.37	-6,241.68	34.26	7,985.29
75	27	25	2	92.59	8,343.85	-6,591.21	15.82	7,237.54
70	27	25	2	92.59	7,371.48	-4,748.95	19.40	6,473.67
65	27	23	4	85.19	7,755.08	-4,300.48	10.37	5,969.07
60	28	24	4	85.71	7,961.90	-6,171.37	7.74	5,942.86
55	29	24	5	82.76	7,730.55	-4,592.51	8.08	5,605.88
50	29	24	5	82.76	8,128.74	-6,481.28	6.02	5,609.77
45	31	26	5	83.87	7,260.39	-7,633.56	4.95	4,858.14
40	33	26	7	78.79	6,538.27	-5,791.29	4.19	3,922.91
35	35	29	6	82.86	5,153.59	-5,034.76	4.95	3,407.02
30	35	27	8	77.14	5,574.09	-4,126.99	4.56	3,356.70
25	35	27	8	77.14	4,920.70	-2,876.88	5.77	3,138.40
20	36	28	8	77.78	4,558.90	-3,529.98	4.52	2,761.37
15	36	28	8	77.78	3,803.55	-4,073.37	3.27	2,053.12
10	38	27	11	71.05	3,058.11	-3,731.94	2.01	1,092.57
5	40	27	13	67.50	1,981.93	-2,525.63	1.63	516.97

There are a lot of green numbers and the edge generally appears to be to the upside. Results between 70 and 90 days appear especially strong and consistent. Below is the full list.

NYSE Up Issues % closes > 70% for the 3rd day in a row. Buy SPX on close. Sell 80 days later. $100k/trade. 1957 - present.								
Symbol	Date	Price	Ex. date	Ex. Price	Profit	Cum. Profit	% chg	% Profit
$SPX	1/3/1958	40.87	4/28/1958	43.22	5,749.94	5,749.94	5.75%	5.75%
$SPX	11/5/1962	58.35	3/4/1963	64.72	10,916.88	16,666.82	10.92%	10.92%
$SPX	1/9/1967	82.81	5/3/1967	93.91	13,404.18	30,071.00	13.40%	13.40%
$SPX	5/29/1970	76.55	9/22/1970	81.86	6,936.64	37,007.64	6.94%	6.94%
$SPX	10/11/1974	71.14	2/5/1975	78.95	10,978.35	47,985.99	10.98%	10.98%
$SPX	1/5/1976	92.58	4/28/1976	102.13	10,315.40	58,301.40	10.32%	10.32%
$SPX	1/5/1979	99.13	5/1/1979	101.68	2,572.38	60,873.78	2.57%	2.57%
$SPX	8/18/1982	108.54	12/10/1982	139.57	28,588.54	89,462.31	28.59%	28.59%
$SPX	3/3/1983	153.48	6/27/1983	168.46	9,760.23	99,222.54	9.76%	9.76%
$SPX	8/3/1984	162.35	11/27/1984	166.29	2,426.86	101,649.40	2.43%	2.43%
$SPX	12/26/1991	404.84	4/21/1992	410.26	1,338.80	102,988.20	1.34%	1.34%
$SPX	3/21/2007	1,435.04	7/16/2007	1,549.52	7,977.48	110,965.68	7.98%	7.98%
$SPX	1/2/2009	931.8	4/29/2009	873.64	-6,241.68	104,724.00	-6.24%	-6.24%
$SPX	7/15/2009	932.68	11/5/2009	1,066.63	14,361.84	119,085.83	14.36%	14.36%
$SPX	7/9/2010	1,077.96	11/1/2010	1,184.38	9,872.35	128,958.19	9.87%	9.87%
$SPX	3/21/2011	1,298.38	7/14/2011	1,308.87	807.93	129,766.12	0.81%	0.81%
$SPX	9/15/2011	1,209.11	1/10/2012	1,292.08	6,862.07	136,628.19	6.86%	6.86%
$SPX	3/9/2012	1,370.87	7/3/2012	1,374.02	229.78	136,857.97	0.23%	0.23%
$SPX	7/3/2012	1,374.02	10/25/2012	1,412.97	2,834.75	139,692.72	2.83%	2.83%
$SPX	6/27/2013	1,613.2	10/21/2013	1,744.66	8,149.02	147,841.74	8.15%	8.15%
$SPX	4/1/2014	1,885.52	7/25/2014	1,978.34	4,922.78	152,764.52	4.92%	4.92%
$SPX	2/17/2016	1,926.82	6/10/2016	2,096.07	8,783.90	161,548.42	8.78%	8.78%
$SPX	6/30/2016	2,098.86	10/24/2016	2,151.33	2,499.93	164,048.35	2.50%	2.50%
$SPX	12/7/2016	2,241.35	4/4/2017	2,360.16	5,300.82	169,349.17	5.30%	5.30%
$SPX	1/8/2019	2,574.41	5/3/2019	2,945.64	14,420.00	183,769.18	14.42%	14.42%
$SPX	3/26/2020	2,630.07	7/21/2020	3,257.3	23,848.41	207,617.59	23.85%	23.85%
$SPX	5/27/2022	4,158.24	8/1/2022	4,130.29	-672.16	206,945.43	-0.67%	-0.67%
Note the 5/27/2022 trade is less than 45 days old, so it is still an "open" trade on this sheet.								

Next is the curve and the stats, not including the current "open" trade.



You don't get curves that look much better than that. I've included this study on the intermediate-term active list.

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

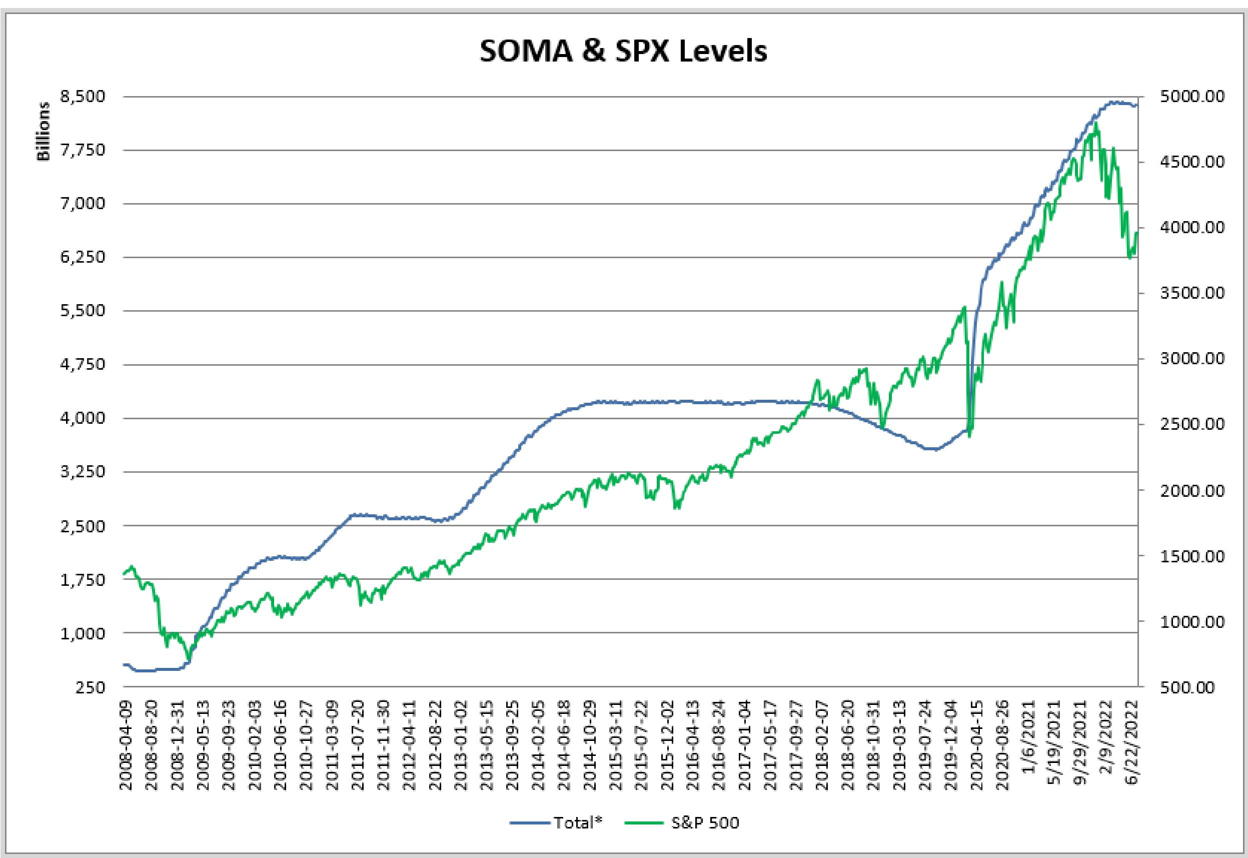
Previous **July 27, 2022**

Posted July 28, 2022 at 4:30 PM

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)	4,909,888,955.2
US Treasury Floating Rate Notes (FRNs)	30,569,681.8
US Treasury Inflation-Protected Securities (TIPS)*	374,719,153.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,708,655,013.0
Agency Commercial Mortgage-Backed Securities***	8,724,209.9
Total SOMA Holdings	8,360,948,013.1
Change From Prior Week	-8,882,239.6

This week the SOMA saw a decline of $8.9 billion. Below is an updated SOMA/SPX chart looking back to 2008.



The largest expansion in the history of the SOMA is over. The blue line has begun to head lower. We will continue to see that happen over the next several weeks and months. I expect this upcoming week to see a sizable decline, with about $18 billion in treasuries set to mature over the weekend. A sizable liquidity drain is upon us. The Fed is no friend to the market, and they won't be for as long as they are fighting inflation and the economy appears stable. More rates hikes and more QT are on the way. Powell may have sounded optimistic to some on Wednesday that rates might not need to go much higher. Even if rate hikes slow, QT is just getting going. I expect low liquidity will be causing some further shocks in the coming months.

So the strong breadth over the last few days gives some hope to the bulls. A few more days of strong breadth could lead to some additional breadth-thrust signals. We also have a strong intermediate-term move higher at hand and a leading NASDAQ. So bullish evidence is starting to build. But I am still not inclined to hop on board. Seasonal cycles have a few more months of weakness, and I don't believe the Fed is nearly done fighting inflation. Mid-term elections could also cause some instability in the coming months as they will create uncertainty until election day. (At least until election day. Perhaps beyond. Who knows how many races will be disputed these days?) So while things look better for the bulls than they did a few weeks ago, I am still not inclined to take a bullish bias. I will remain neutral and conservative with entries for both longs and shorts.

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	Notes
SPY(s)(1/4)	7/28/2022	$406.07	$411.99	-1.46%	Aggregator