

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 15, 2022

Volume 15 Issue 154

## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat       | 0           |

## Tonight's Research Points

- An unfilled gap up and close near the top of the 2-week and 1-day ranges also suggests a pullback.
- SPX closing above its 50-day Bollinger Band suggests momentum is strong enough that further intermediate-term gains appear likely.
- The SOMA actually rose slightly this past week. QT has only caused the SOMA to meander slowly lower to this point.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am also.

**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>   |  |            |         |            |            |                        |
| August 15, 2022  | Gap up. Close top 10% 1-day & 10-day   | 1-2 days   | Bearish |            |            |                        |
| August 12, 2022  | 10-high up 1% intraday, down close     | 1-4 days   | Bullish | 2.20%      | -1.70%     | -3.30%                 |
| <b>Active - Long Term</b>  |  |            |         |            |            |                        |
| August 15, 2022  | SPX 50-day %b crosses over 100         | 1-50 days  | Bullish | 4.90%      | -4.35%     | -8.80%                 |
| August 11, 2022  | 50-day high breakout on 90% Up Vol     | 1-40 days  | Bullish | 8.00%      | -1.80%     | -4.40%                 |
| 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 |            |            |                        |
| <b>Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)</b> |  |            |         |            |            |                        |
| August 11, 2022  | Breakaway Gap                          | 1-5 days   | Bullish | 1.40%      | -1.00%     | -1.90%                 |

**The Evidence**

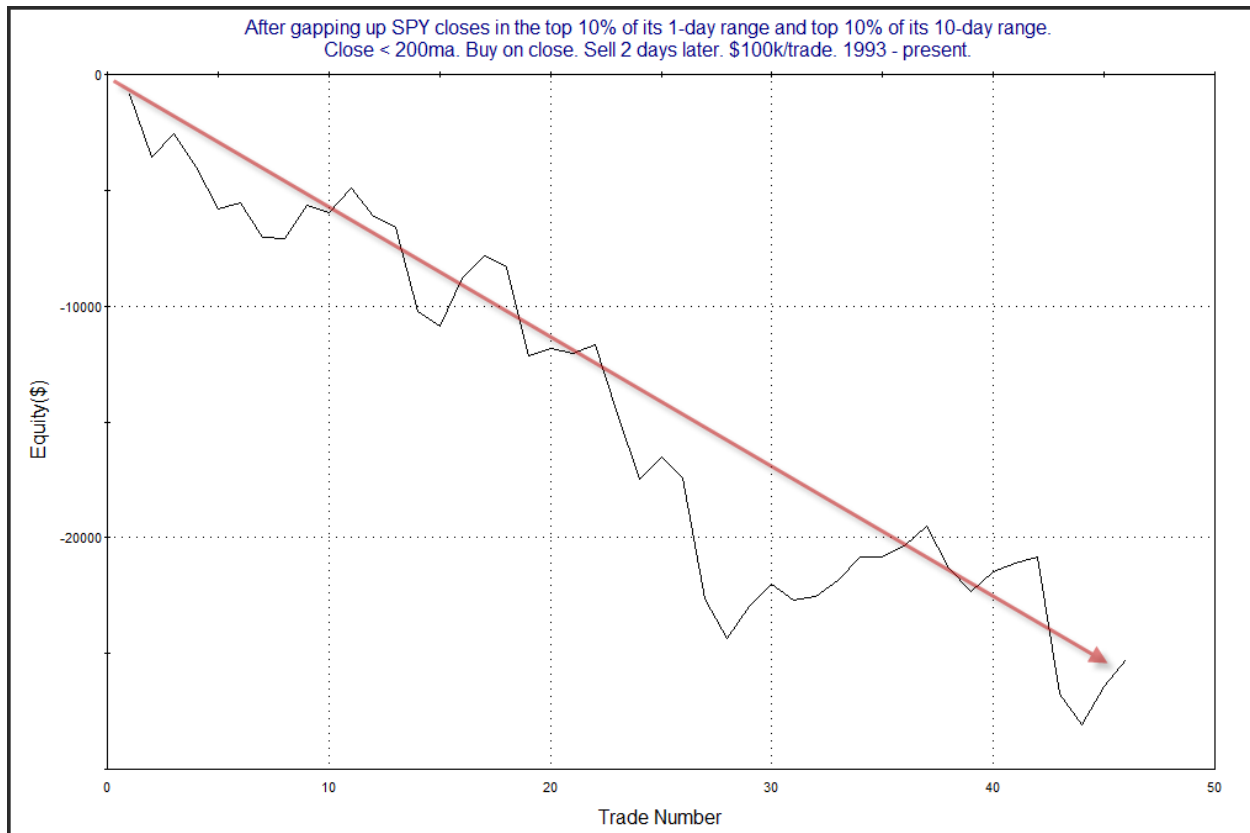
Friday saw the market rally hard. The SPX gained 1.7% while the NASDAQ and Russell 2000 each jumped 2.1%. Breadth was strongly positive with the NYSE Up Issues % coming in at 78.5% and the Up Volume % at 85%. NYSE total volume came in very light.

The low volume triggered several old studies. Lately I have found that many of those low-volume / overbought studies simply have not played out in recent years. I again examined the ones that triggered on Friday, and again was not impressed with recent results.

One (non-volume) study that does seem worth considering was last seen just recently in the 8/11/22 letter. It examined performance after days in which SPY gapped up and then closed in the top 10% of both the 1-day and 10-day range but below the 200ma. Results are updated.

| After gapping up SPY closes in the top 10% of its 1-day range and top 10% of its 10-day range. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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  | -14,820.61      | 39                | 21                  | 18                 | 53.85             | 3,095.18               | -6,223.36             | 1,327.70               | -2,372.35             | 0.56                | 0.65              | -380.02        |
| 4  | -17,200.95      | 42                | 19                  | 23                 | 45.24             | 5,167.16               | -5,244.16             | 1,499.97               | -1,986.97             | 0.75                | 0.62              | -409.55        |
| 3  | -23,559.55      | 44                | 18                  | 26                 | 40.91             | 3,447.12               | -5,133.72             | 1,221.37               | -1,751.70             | 0.70                | 0.48              | -535.44        |
| 2  | -25,284.07      | 46                | 22                  | 24                 | 47.83             | 2,075.22               | -5,921.00             | 834.23                 | -1,818.22             | 0.46                | 0.42              | -549.65        |
| 1  | -9,916.25       | 48                | 23                  | 25                 | 47.92             | 2,238.25               | -3,187.90             | 662.99                 | -1,006.60             | 0.66                | 0.61              | -206.59        |

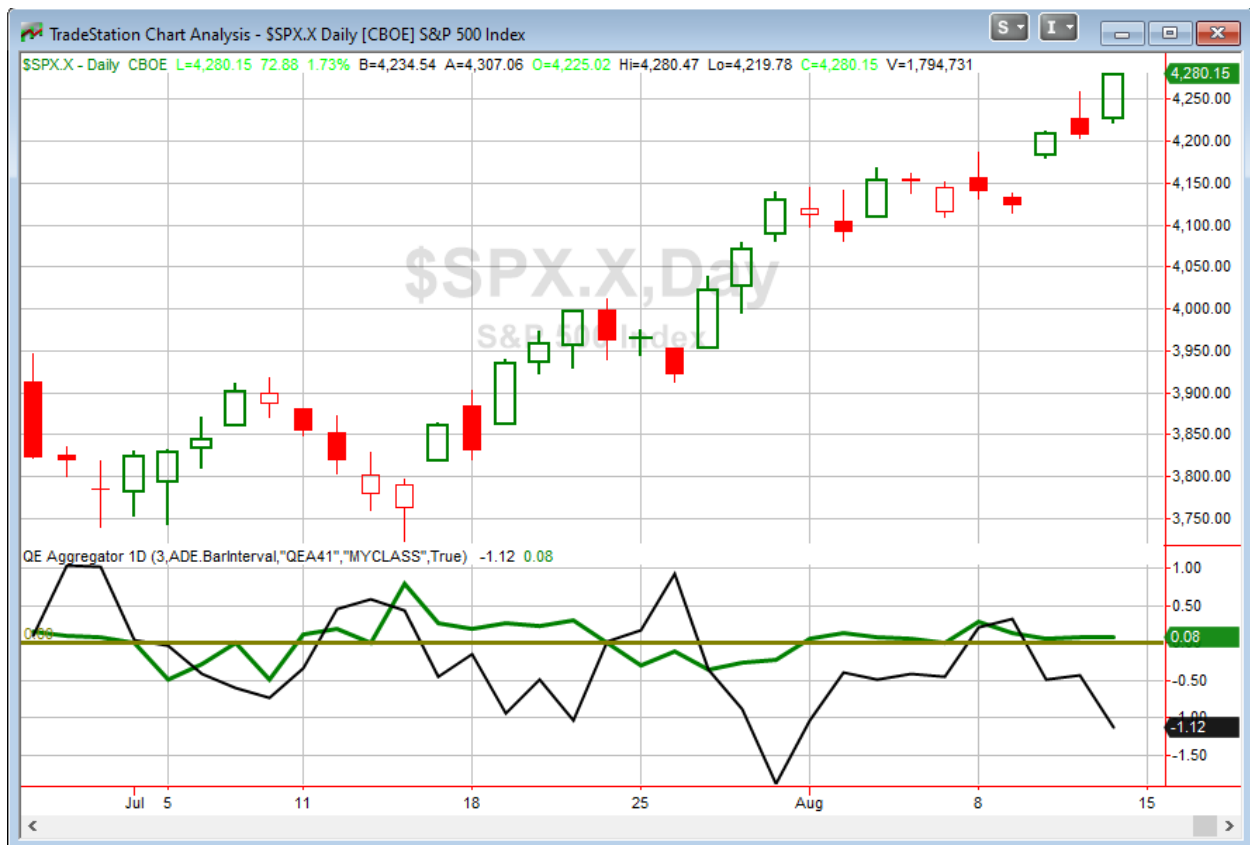
Numbers look bearish over the 1<sup>st</sup> couple of days. Below is a 2-day profit curve.



Though the last couple of instances have not worked out, it is generally a strong move from upper left to lower right. I have included this study on the active list tonight.

I will also note that the Breakaway Gap study I featured in the letter on Wednesday night already reached its upside objective. I have therefore removed it from the Active List.

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



Even with today's bearish study considered, the green Aggregator line remained above zero. Positive readings mean expectations are for upside over the next over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that 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 formation stayed flat at the close.

Based on the current active list, expectations are slated to remain positive on Monday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4229.97. That is 1.2% below Friday's close. Therefore, SPX will need to close down at least 1.2% on Monday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is neutral. Evidence is mixed but leaning bullish. But with the SPX so overbought, this does not appear to be a very favorable entry point. I will wait for a more favorable reward/risk setup before considering new index positions.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 8/15 – slightly bullish**

| 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”.*

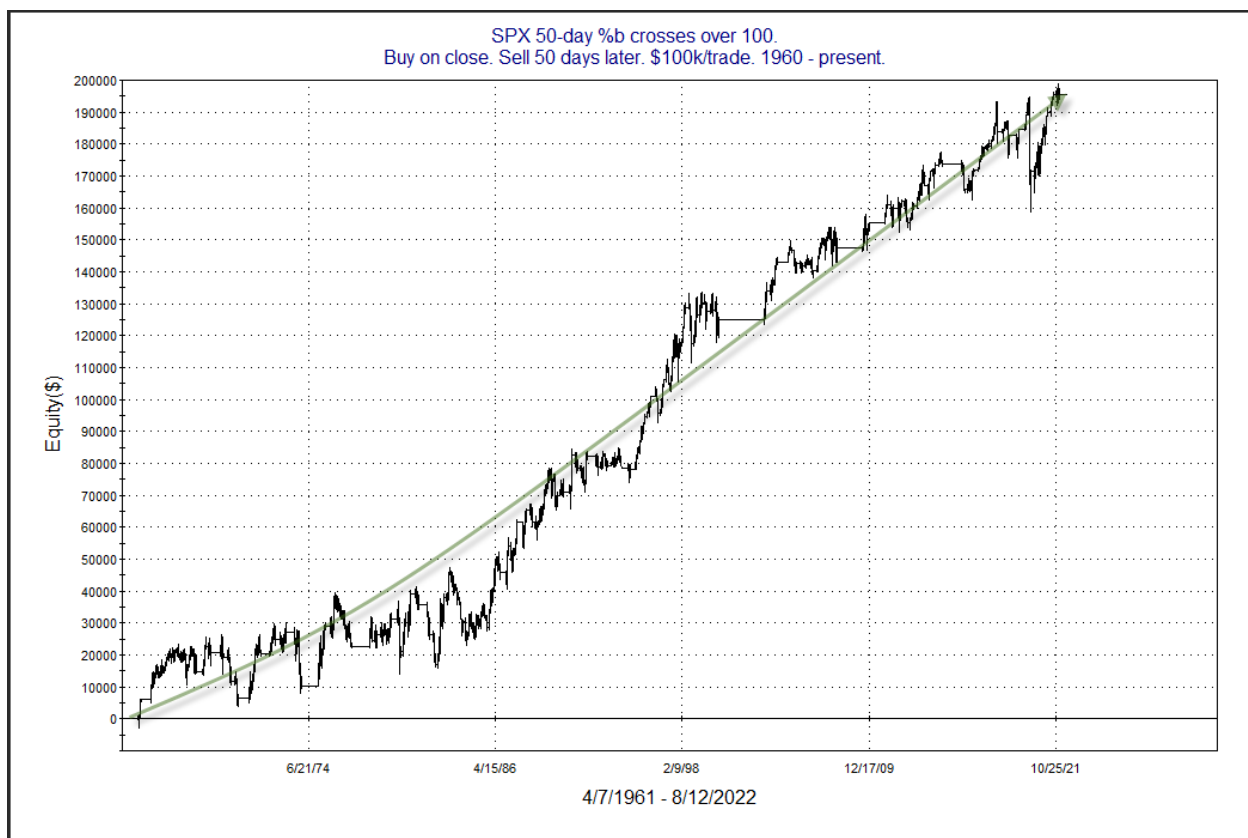
The stock indices put in gains this week. The SPX climbed 3.3%, the NASDAQ rose 3.1%, and the Russell 2000 rallied 4.9% on the week. Bonds were mixed. The US Aggregate Bond ETF (AGG) rose 0.4%, while TLT, the 20-year Treasury Bond ETF lost 0.8%. The intermediate-term trend has been strongly positive. Long-term trends are questionable.

One interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 6/28/21 letter. Updated results are below.

| SPX 50-day %b crosses over 100.<br>Buy on close. Sell X days later. \$100k/trade. 1960 - 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 |
| 50  | 195,572.69      | 145               | 90                  | 55                 | 62.07             | 18,408.18              | -20,704.80            | 4,803.37               | -4,304.19             | 1.12                | 1.83              | 1,348.78       |
| 45  | 152,833.59      | 151               | 88                  | 63                 | 58.28             | 15,816.57              | -32,382.30            | 5,004.05               | -4,563.86             | 1.10                | 1.53              | 1,012.14       |
| 40  | 160,958.19      | 157               | 96                  | 61                 | 61.15             | 17,624.67              | -27,920.40            | 4,408.23               | -4,298.88             | 1.03                | 1.61              | 1,025.21       |
| 35  | 155,532.75      | 166               | 101                 | 65                 | 60.84             | 15,782.13              | -13,617.00            | 3,953.70               | -3,750.63             | 1.05                | 1.64              | 936.94         |
| 30  | 101,481.34      | 173               | 104                 | 69                 | 60.12             | 11,920.74              | -10,485.00            | 3,238.86               | -3,411.01             | 0.95                | 1.43              | 586.60         |
| 25  | 68,394.34       | 181               | 104                 | 77                 | 57.46             | 10,859.94              | -8,732.16             | 2,929.82               | -3,068.92             | 0.95                | 1.29              | 377.87         |
| 20  | 60,141.55       | 194               | 111                 | 83                 | 57.22             | 9,501.30               | -10,205.38            | 2,611.13               | -2,767.40             | 0.94                | 1.26              | 310.01         |
| 15  | 52,525.94       | 214               | 124                 | 90                 | 57.94             | 7,843.46               | -9,763.44             | 2,310.74               | -2,600.06             | 0.89                | 1.22              | 245.45         |
| 10  | 41,974.53       | 238               | 145                 | 93                 | 60.92             | 8,239.16               | -9,133.53             | 1,674.06               | -2,158.76             | 0.78                | 1.21              | 176.36         |
| 5   | 13,270.70       | 291               | 162                 | 129                | 55.67             | 5,030.81               | -6,524.55             | 1,133.19               | -1,320.21             | 0.86                | 1.08              | 45.60          |

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside over

a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That’s a pretty steady upslope for a study without a very high “% Profitable”. Overall, I like this study enough to add it to the intermediate-term active list.

Another study with potential intermediate-term implications triggered in Wednesday night’s subscriber letter. I have copied that study below.

*The strong breadth was also a plus with regards to Wednesday’s breakout. The study below is updated from the 5/19/20 subscriber letter.*

SPX closes at a 50-day high after not having done so for at least 10 days.  
 NYSE Up Vol % > 90%. Buy on close. Sell X days later. \$100k/trade. 1970 - 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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 55     | 99,775.27       | 13                | 12                  | 1                  | 92.31             | 24,239.28              | -2,289.42             | 8,505.39               | -2,289.42             | 3.72                | 44.58             | 7,675.02       |
| 50     | 80,479.90       | 13                | 12                  | 1                  | 92.31             | 19,845.80              | -3,120.87             | 6,966.73               | -3,120.87             | 2.23                | 26.79             | 6,190.76       |
| 45     | 80,969.64       | 13                | 12                  | 1                  | 92.31             | 17,945.20              | -3,596.28             | 7,047.16               | -3,596.28             | 1.96                | 23.51             | 6,228.43       |
| 40     | 79,846.41       | 13                | 12                  | 1                  | 92.31             | 20,959.64              | -1,025.34             | 6,739.31               | -1,025.34             | 6.57                | 78.87             | 6,142.03       |
| 35     | 75,711.20       | 13                | 12                  | 1                  | 92.31             | 18,961.80              | -1,321.35             | 6,419.38               | -1,321.35             | 4.86                | 58.30             | 5,823.94       |
| 30     | 68,226.75       | 15                | 14                  | 1                  | 93.33             | 11,920.74              | -418.88               | 4,903.26               | -418.88               | 11.71               | 163.88            | 4,548.45       |
| 25     | 62,485.68       | 16                | 14                  | 2                  | 87.50             | 12,045.67              | -2,993.76             | 4,867.65               | -2,830.68             | 1.72                | 12.04             | 3,905.35       |
| 20     | 55,310.85       | 16                | 12                  | 4                  | 75.00             | 13,401.70              | -6,770.72             | 5,516.80               | -2,722.68             | 2.03                | 6.08              | 3,456.93       |
| 15     | 49,140.24       | 16                | 12                  | 4                  | 75.00             | 8,357.91               | -5,148.00             | 4,953.11               | -2,574.27             | 1.92                | 5.77              | 3,071.27       |
| 10     | 39,434.65       | 16                | 12                  | 4                  | 75.00             | 10,515.18              | -4,090.24             | 3,848.80               | -1,687.73             | 2.28                | 6.84              | 2,464.67       |
| 9      | 33,654.89       | 16                | 12                  | 3                  | 75.00             | 8,413.73               | -4,101.68             | 3,355.11               | -2,202.16             | 1.52                | 6.09              | 2,103.43       |
| 8      | 30,019.05       | 16                | 12                  | 4                  | 75.00             | 8,532.68               | -3,923.40             | 3,264.35               | -2,288.29             | 1.43                | 4.28              | 1,876.19       |
| 7      | 29,786.97       | 16                | 13                  | 3                  | 81.25             | 6,026.80               | -3,954.60             | 2,963.58               | -2,913.21             | 1.02                | 4.41              | 1,861.69       |
| 6      | 29,022.25       | 16                | 13                  | 3                  | 81.25             | 6,819.80               | -4,106.70             | 2,684.77               | -1,959.92             | 1.37                | 5.94              | 1,813.89       |
| 5      | 29,494.81       | 16                | 12                  | 4                  | 75.00             | 8,516.82               | -3,295.50             | 2,767.75               | -929.55               | 2.98                | 8.93              | 1,843.43       |
| 4      | 19,155.15       | 16                | 12                  | 4                  | 75.00             | 6,716.71               | -4,894.50             | 2,114.53               | -1,554.80             | 1.36                | 4.08              | 1,197.20       |
| 3      | 21,091.51       | 16                | 11                  | 5                  | 68.75             | 6,740.50               | -1,555.56             | 2,094.39               | -389.35               | 5.38                | 11.83             | 1,318.22       |
| 2      | 18,901.46       | 16                | 14                  | 2                  | 87.50             | 4,028.44               | -733.41               | 1,417.47               | -471.58               | 3.01                | 21.04             | 1,181.34       |
| 1      | 10,980.57       | 16                | 11                  | 5                  | 68.75             | 2,755.52               | -1,022.01             | 1,182.00               | -404.29               | 2.92                | 6.43              | 686.29         |

While such breakout action has been unusual, both short and long-term performance has been impressive. Below I have listed all instances for...(the) 40-day period.

Here are the 40-day results.

SPX closes at a 50-day high after not having done so for at least 10 days.  
 NYSE Up Vol % > 90%. Buy on close. Sell 40 days later. \$100k/trade. 1970 - present.

| Date/Time  | Signal | Price      | % Profit | Run-up<br>Drawdown |
|------------|--------|------------|----------|--------------------|
| 11/30/1970 | Buy    | \$87.20    | 8.82%    | \$10,497.36        |
| 1/27/1971  | Sell   | \$94.89    |          | (\$1,249.14)       |
| 1/27/1975  | Buy    | \$75.37    | 8.88%    | \$15,527.46        |
| 3/25/1975  | Sell   | \$82.06    |          | (\$185.64)         |
| 1/5/1976   | Buy    | \$92.58    | 8.64%    | \$11,329.20        |
| 3/2/1976   | Sell   | \$100.58   |          | (\$226.80)         |
| 8/20/1982  | Buy    | \$113.02   | 20.98%   | \$22,055.80        |
| 10/18/1982 | Sell   | \$136.73   |          | (\$327.08)         |
| 1/6/1983   | Buy    | \$145.27   | 5.78%    | \$6,116.32         |
| 3/4/1983   | Sell   | \$153.67   |          | (\$4,244.96)       |
| 8/2/1984   | Buy    | \$157.99   | 5.13%    | \$7,369.12         |
| 9/28/1984  | Sell   | \$166.10   |          | \$0.00             |
| 1/4/1988   | Buy    | \$255.94   | 4.40%    | \$4,680.00         |
| 3/1/1988   | Sell   | \$267.21   |          | (\$6,154.20)       |
| 5/11/1990  | Buy    | \$352.00   | 1.27%    | \$4,765.52         |
| 7/10/1990  | Sell   | \$356.48   |          | (\$221.52)         |
| 8/2/2010   | Buy    | \$1,125.86 | 1.94%    | \$2,124.32         |
| 9/28/2010  | Sell   | \$1,147.70 |          | (\$7,582.08)       |
| 9/6/2012   | Buy    | \$1,432.12 | -1.04%   | \$2,924.91         |
| 11/5/2012  | Sell   | \$1,417.26 |          | (\$1,989.96)       |
| 1/2/2013   | Buy    | \$1,462.42 | 3.81%    | \$4,659.36         |
| 3/1/2013   | Sell   | \$1,518.20 |          | (\$733.04)         |
| 7/8/2016   | Buy    | \$2,129.90 | 2.35%    | \$2,939.86         |
| 9/2/2016   | Sell   | \$2,179.98 |          | \$0.00             |
| 5/18/2020  | Buy    | \$2,953.91 | 9.23%    | \$9,384.21         |
| 7/15/2020  | Sell   | \$3,226.56 |          | (\$1,041.48)       |

... here it was the September 2012 instance that struggled. But even that instance saw greater run-up during those 40 days than it saw drawdown. The 1<sup>st</sup> four instances saw outsized gains versus everything else. Most years posted solid gains. The average run-up was 8.0% and the average drawdown was just 1.8%. Overall, there seems to be a strong inclination for the market to rally after similar setups in the past.

And even if we ignore the fresh breakouts, and simply look at instances of SPX hitting a 50-day high on 90% up volume, the stats are still strong. The study below was also seen in the 5/19/20 subscriber letter and has been updated.

SPX closes at a 50-day high. NYSE Up Vol % > 90%.  
Buy on close. Sell X days later. \$100k/trade. 1970 - present.

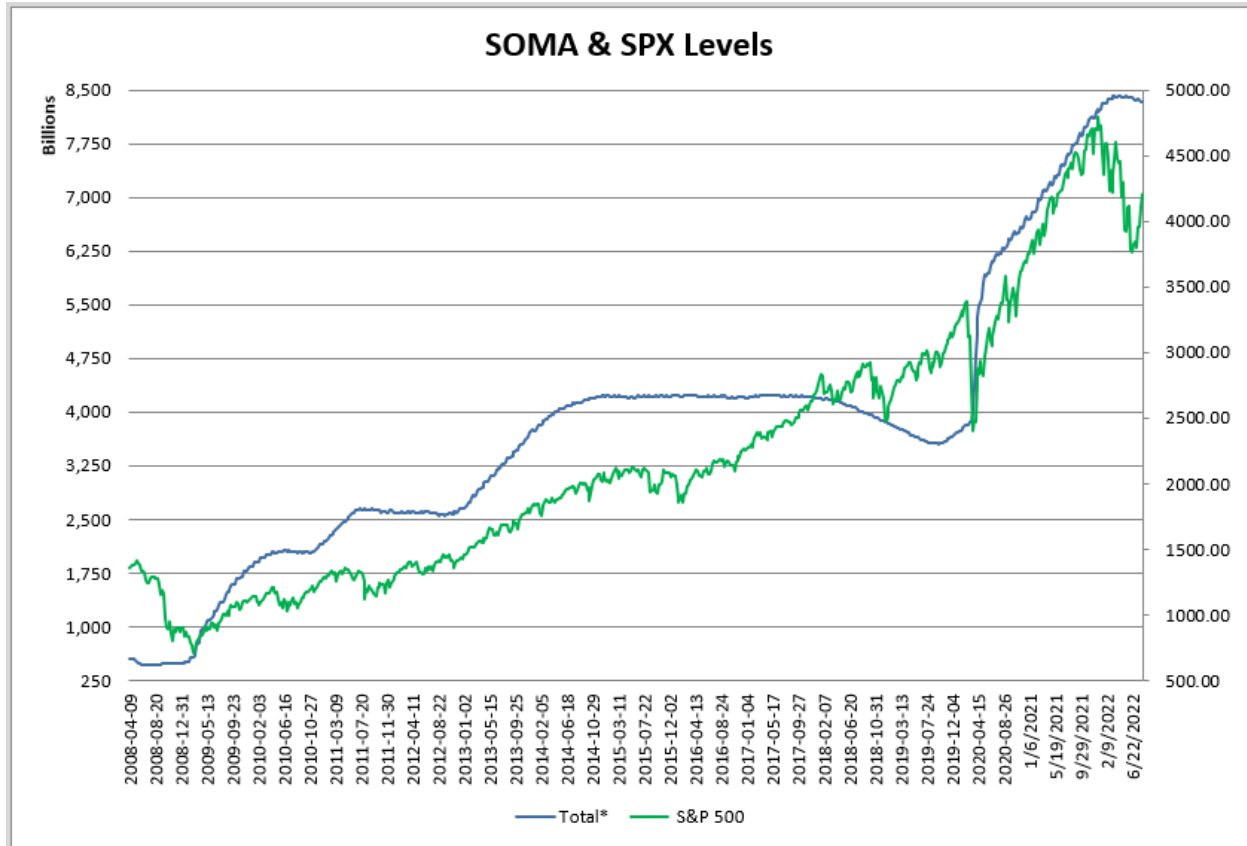
| X Days | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Max Winning Trade | All: Max Losing Trade | All: Avg Winning Trade | All: Avg Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 55     | 129,570.99      | 21                | 19                  | 2                  | 90.48             | 24,239.28              | -6,079.73             | 7,322.98               | -4,782.81             | 1.53                | 14.55             | 6,170.05       |
| 50     | 109,372.81      | 21                | 20                  | 1                  | 95.24             | 19,845.80              | -5,474.10             | 5,742.35               | -5,474.10             | 1.05                | 20.98             | 5,208.23       |
| 45     | 107,388.97      | 22                | 20                  | 2                  | 90.91             | 17,945.20              | -5,052.36             | 5,774.31               | -4,048.58             | 1.43                | 14.26             | 4,881.32       |
| 40     | 103,537.63      | 23                | 19                  | 4                  | 82.61             | 20,959.64              | -2,937.98             | 5,792.89               | -1,631.82             | 3.55                | 16.86             | 4,501.64       |
| 35     | 104,568.53      | 23                | 20                  | 3                  | 86.96             | 18,961.80              | -2,201.85             | 5,454.81               | -1,509.22             | 3.61                | 24.10             | 4,546.46       |
| 30     | 88,639.34       | 23                | 21                  | 2                  | 91.30             | 11,920.74              | -418.88               | 4,258.69               | -396.52               | 10.74               | 112.77            | 3,853.88       |
| 25     | 76,341.11       | 25                | 20                  | 5                  | 80.00             | 12,045.67              | -3,024.54             | 4,316.73               | -1,998.68             | 2.16                | 8.64              | 3,053.64       |
| 20     | 71,327.05       | 26                | 20                  | 6                  | 76.92             | 13,401.70              | -6,770.72             | 4,349.17               | -2,609.40             | 1.67                | 5.56              | 2,743.35       |
| 15     | 63,734.77       | 26                | 21                  | 5                  | 80.77             | 8,357.91               | -6,284.01             | 3,824.57               | -3,316.22             | 1.15                | 4.84              | 2,451.34       |
| 10     | 39,324.67       | 29                | 19                  | 10                 | 65.52             | 10,515.18              | -4,090.24             | 3,045.27               | -1,853.55             | 1.64                | 3.12              | 1,356.02       |
| 9      | 33,649.07       | 29                | 20                  | 8                  | 68.97             | 8,413.73               | -5,207.55             | 2,657.85               | -2,438.50             | 1.09                | 2.72              | 1,160.31       |
| 8      | 33,357.20       | 29                | 20                  | 9                  | 68.97             | 8,532.68               | -4,082.16             | 2,724.27               | -2,347.59             | 1.16                | 2.58              | 1,150.25       |
| 7      | 30,782.05       | 30                | 20                  | 10                 | 66.67             | 6,026.80               | -3,954.60             | 2,615.26               | -2,152.31             | 1.22                | 2.43              | 1,026.07       |
| 6      | 30,005.63       | 30                | 21                  | 9                  | 70.00             | 6,819.80               | -4,106.70             | 2,158.08               | -1,701.56             | 1.27                | 2.96              | 1,000.19       |
| 5      | 30,427.07       | 32                | 24                  | 8                  | 75.00             | 8,516.82               | -4,731.22             | 1,789.41               | -1,564.83             | 1.14                | 3.43              | 950.85         |
| 4      | 18,355.07       | 33                | 24                  | 9                  | 72.73             | 6,716.71               | -5,946.73             | 1,580.45               | -2,175.09             | 0.73                | 1.94              | 556.21         |
| 3      | 16,437.95       | 33                | 20                  | 13                 | 60.61             | 6,740.50               | -5,105.87             | 1,441.32               | -952.96               | 1.51                | 2.33              | 498.12         |
| 2      | 19,582.55       | 33                | 24                  | 9                  | 72.73             | 4,028.44               | -2,409.33             | 1,045.90               | -613.22               | 1.71                | 4.55              | 593.41         |
| 1      | 10,981.45       | 35                | 19                  | 16                 | 54.29             | 2,755.52               | -1,255.50             | 940.45                 | -430.44               | 2.18                | 2.59              | 313.76         |

*No matter how you look at it, the extremely strong breadth in conjunction with the 50-day high appears to suggest an upside edge.*

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  |                     |
|---|---------------------|
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| <a href="#">SUMMARY</a>   <a href="#">T-BILLS</a>   <a href="#">T-NOTES AND T-BONDS</a>   <a href="#">FRNS</a>   <a href="#">TIPS</a>   <a href="#">AGENCY DEBTS</a>   <a href="#">MBS</a>   <a href="#">CMBS</a> |                     |
| SECURITY TYPE   | TOTAL (\$Thousands) |
| US Treasury Bills (T-Bills)   | 326,044,000.0       |
| US Treasury Notes and Bonds (Notes/Bonds)   | 4,894,191,329.4     |
| US Treasury Floating Rate Notes (FRNs)  | 29,924,645.1        |
| US Treasury Inflation-Protected Securities (TIPS)*  | 374,719,153.2       |
| Federal Agency Securities**   | 2,347,000.0         |
| Agency Mortgage-Backed Securities***  | 2,708,843,998.5     |
| Agency Commercial Mortgage-Backed Securities***   | 8,724,209.9         |
| Total SOMA Holdings   | 8,344,794,336.1     |
| Change From Prior Week  | 15,998.6            |

This week the SOMA actually saw a small rise. 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. The pace of the decline is expected to increase starting in September. To this point, QT has been very mild. Overall, 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.

The bullish case continues to improve, and they have been in charge since mid-June. Breadth has been strong, and we saw another bullish breadth study trigger this week. We are also seeing strong upside momentum as evidenced by the 50-day %b study. The leading NASDAQ is also encouraging. We remain in a weak seasonal period. Rallies during this time of year – especially in the 2<sup>nd</sup> year of a presidential cycle, are highly unusual. The Fed remains aggressive in their inflation fight. Rates should continue to rise and QT will soon be ramping up further. Overall, the bulls appear to be in charge. But while the market can rally, it must do so without QE, and without a zero-interest-rate-policy. And that makes everything more challenging. I still expect the market is

susceptible to high volatility events over the next few months, and I expect them to be more common over the next several years than they were over the last 13 years. So I am begrudgingly starting to lean bullish, but not in an aggressive way. I'll still be somewhat cautious with long entries, but I intend to be extremely cautious with short entries unless I see the bears take back control.

## **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**

None

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