

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 12, 2023

Volume 16 Issue 91

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- No compelling new evidence emerged on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too.

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						
None						
Active - Long Term						
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	QE Triple 70 Thrust	1-80 days	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
October 31, 2022	Best 6 Months 3rd Yr. Pres Cycle	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

The Evidence

Thursday did not accomplish much. The SPX closed down 0.2%, the NASDAQ gained 0.2%, and the Russell 2000 fell 0.8%. Breadth was weak with the NYSE Up Issues % coming in at 31% and the Up Volume % at 29%. NYSE total volume declined some from Wednesday’s level.

This has to be the most boring week from a research standpoint that I can recall in years. The market has barely budged. And it hasn’t been just the last few days. It has hardly moved since the start of April. We are locked into a fairly tight range, and at this point is might take a move out of that range to generate any compelling directional edges.

I will note that the Fed released their latest SOMA holdings data after the close on Thursday. I have copied it below from the Fed’s site.

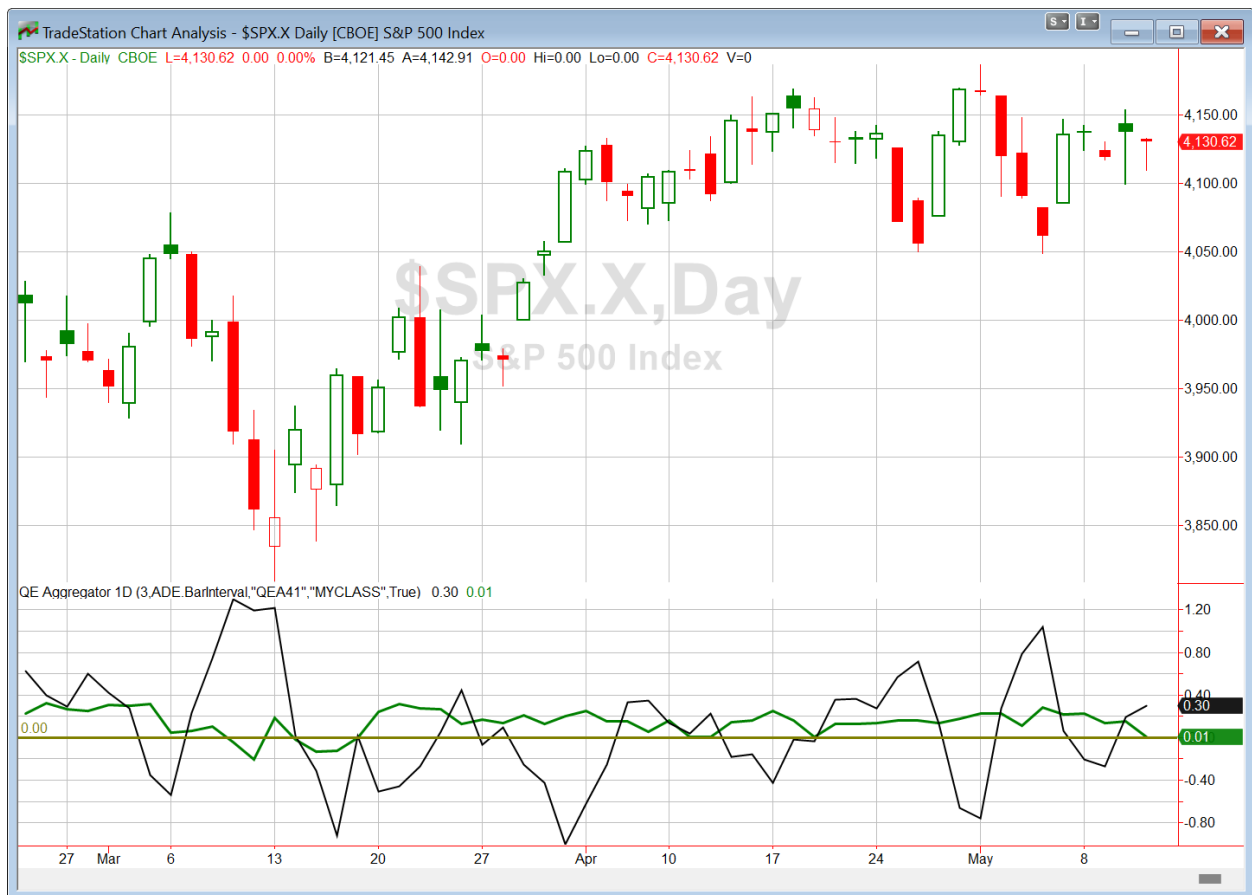
Export current release to: CSV | XML

Domestic Security Holdings as of
[◀ Previous](#) **May 10, 2023**
Posted May 11, 2023 at 4:30 PM

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	281,041,361.0
US Treasury Notes and Bonds (Notes/Bonds)	4,451,443,124.1
US Treasury Floating Rate Notes (FRNs)	20,426,754.0
US Treasury Inflation-Protected Securities (TIPS)*	365,436,327.6
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,567,371,272.4
Agency Commercial Mortgage-Backed Securities***	8,408,888.4
Total SOMA Holdings	7,696,474,727.5
Change From Prior Week	100,000.0

Interestingly, the SOMA actually saw a small rise over the last week. That is quite unusual in the current QT environment. I do not believe this as a policy shift. I believe it is instead a calendar quirk, and the upcoming week should show a strong reduction the size of the SOMA. I'll discuss the SOMA and the Fed more in this weekend's letter.

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



With short-term evidence lacking, the green Aggregator Line remained slightly above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line held above zero. 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 stayed long at the close.

The short-term list is now bare. But the intermediate-term evidence is keeping positive expectations afloat for now. This could easily change if new bearish evidence emerges. Meanwhile, the Differential Pivot will 4142.89 on Friday. That is 0.3% above Thursday's close. Therefore, SPX will need to close up at least 0.3% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is again neutral. And again nothing has changed for me. Evidence has been lacking the last several days. I'm happy to wait and see how Friday plays out before perhaps putting on new positions next week.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 5/8 – slightly 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

None

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