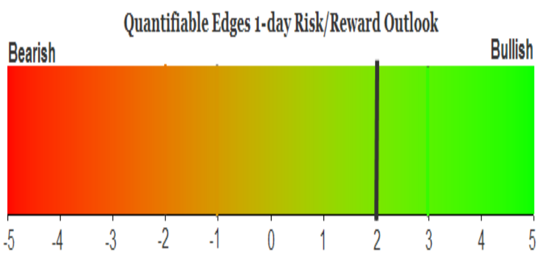
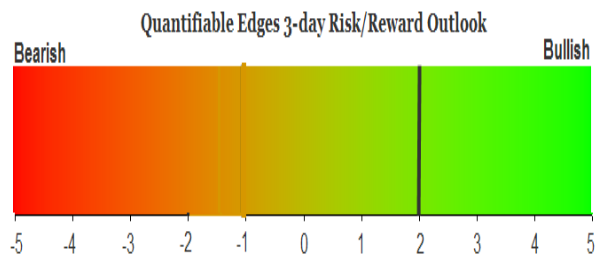
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 29, 2011 Volume 4 Issue 230

Market Overview





Signals Overview

Aggregator	Aggressive VIX	Conservative VIX	NDX Trend Timer
Long	100% Long XIV	100% Long XIV	Flat

Tonight's Research Points

- The strong volume on the big day of a 20-day low is short-term bullish.
- Extremely strong breadth off a low like today is often followed by a brief pullback.
- Unfilled gaps from a low are also subject to brief pullbacks.

Short-term Outlook
The Bottom Line

The market bounce finally arrived. I have taken part of my long position off the table. I will look to take more off on Tuesday if the market continues to rise. Unless the SPX sells off hard it should finish Tuesday short-term overbought.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
November 29, 2011	2.5% rise from 20-low on 5-hi vol	1-5 days	Bullish	4.20%
November 29, 2011	99% Up Vol % Rank after 20-day low	1 day	Bearish	
November 29, 2011	Aft 20low SPY low > 1% abv yest close.	1-2 days	Bearish	
Active - Long Term				
November 22, 2011	1.75 drops sandwich a lesser one	1-10 days	Bullish	
November 22, 2011	SPX sell off hard, but VIX doesn't spike	1-10 days	Bearish	
November 18, 2011	Triangle breakdown	int term	Bullish	
October 30, 2011	SPX & bond yields hit 50-day highs	1-50 days	Bearish	
October 19, 2011	50-day high on 90% up vol	1-50 days	Bullish	
October 19, 2011	FTD on strong breadth/20day high	int term	Bullish	
Dropped Tonight				
November 28, 2011	***RAMO up while market still down***	***1-2 days***	***Bullish***	***3.20%***
November 28, 2011	Monday after Thanksgiving bearish	1 day	Bearish	
November 25, 2011	***Oversold and accelerating south***	***1-2 days***	***Bullish***	
November 25, 2011	SPX sell off hard, but VIX doesn't spike	1-2 days	Bearish	
November 22, 2011	1.75 drops sandwich a lesser one	1-4 days	Bullish	

If the avg max move is achieved the study will appear in ***bold italic blue*** and no longer be active.

The Evidence

Monday was a huge up day from the start. The SPX gained 2.9%, the Nasdaq rallied 3.5%, and the Russell 2000 rose a whopping 4.8%. Breadth was historically strong as the NYSE Up Issues % came in at 83% and the Up Volume % was 97.5%. Total NYSE volume rose to the highest level of the last 5 days.

I ran the Quantifinder several times this afternoon. Each instance showed studies that pointed to the relatively low volume that was accompanying the move throughout much of the day. But that changed in the last 15 minutes or so as volume increased substantially and the NYSE total volume jumped to the highest level since 11/18. Studies from 1/22/09 were referenced in the intraday and final Quantifinders. They looked at strong moves and broke them out by whether volume was at a 5-day high or not. I've updated both of those studies below.

This 1st one shows results when volume does not come in at a 5-day high. (As appeared was likely throughout most of the day.)

After closing at a 20-day low yesterday, SPX closes up > 2.5% today. Volume is NOT the highest of the last 5 days. 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: Avg Winning Trade	All: Avg Losing Trade	All: Max Winning Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-21,963.20	18	7	11	38.89	4,716.41	-4,998.01	8,721.35	-14,309.75	0.94	0.60	-1,220.18
9	-45,799.58	19	5	14	26.32	6,239.23	-5,499.70	9,514.20	-13,855.85	1.13	0.41	-2,410.50
8	-56,582.04	19	5	14	26.32	5,571.48	-6,031.39	8,645.60	-22,706.90	0.92	0.33	-2,978.00
7	-52,277.53	19	7	12	36.84	3,825.44	-6,587.97	8,044.65	-21,797.40	0.58	0.34	-2,751.45
6	-33,114.63	19	9	10	47.37	3,098.58	-6,100.18	7,888.10	-15,420.70	0.51	0.46	-1,742.88
5	-15,961.06	19	9	10	47.37	3,794.54	-5,011.19	7,282.10	-14,461.05	0.76	0.68	-840.06
4	-21,525.18	19	9	10	47.37	2,729.36	-4,608.94	6,383.20	-9,329.28	0.59	0.53	-1,132.90
3	-20,545.86	20	8	12	40.00	1,788.81	-2,904.69	2,993.44	-5,706.05	0.62	0.41	-1,027.29
2	-28,406.56	20	8	12	40.00	999.97	-3,033.86	1,841.74	-9,455.49	0.33	0.22	-1,420.33
1	-9,523.51	20	8	12	40.00	1,027.63	-1,478.71	2,842.84	-4,400.45	0.69	0.46	-476.18

Returns here appear bearish over the next couple of weeks.

But now let's look and see how drastically the setup changed with the late surge in volume.

After closing at a 20-day low yesterday, SPX closes up > 2.5% today. NYSE volume is the highest in 5 days. Buy SPX 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: Avg Winning Trade	All: Avg Losing Trade	All: Max Winning Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	44,440.18	16	10	6	62.50	5,646.97	-2,004.92	13,599.08	-7,562.86	2.82	4.69	2,777.51
9	50,339.11	16	10	6	62.50	5,826.85	-1,321.56	14,258.16	-3,726.90	4.41	7.35	3,146.19
8	34,801.32	16	11	5	68.75	3,884.02	-1,584.58	10,693.76	-3,292.30	2.45	5.39	2,175.08
7	33,436.97	16	11	5	68.75	4,099.76	-2,332.08	11,879.20	-8,207.38	1.76	3.87	2,089.81
6	30,733.80	16	11	5	68.75	3,385.63	-1,301.62	10,315.50	-1,660.50	2.60	5.72	1,920.86
5	37,646.04	16	15	1	93.75	2,612.14	-1,536.08	9,334.72	-1,536.08	1.70	25.51	2,352.88
4	32,925.72	16	13	3	81.25	3,213.80	-2,951.22	11,930.04	-3,869.74	1.09	4.72	2,057.86
3	31,617.87	16	10	6	62.50	4,011.08	-1,415.49	10,868.60	-2,437.50	2.83	4.72	1,976.12
2	14,953.44	16	9	7	56.25	2,588.58	-1,191.96	7,112.64	-3,081.26	2.17	2.79	934.59
1	18,818.18	16	8	8	50.00	3,117.65	-765.38	9,089.88	-1,516.06	4.07	4.07	1,176.14

All 16 instances posted a close above the entry price at some point in the next week.

Risk/reward favors the upside from day one, but the % profitable is a tossup the first couple of days. Once you get out 4-5 days the continuation to the upside has been incredibly reliable. And the upside strength is also quite impressive. Below I have listed all 16 instances along with their 5-day results.

After closing at a 20-day low yesterday, SPX closes up > 2.5% today. NYSE volume is the highest in 5 days.
Buy SPX on close. Sell X days later. $100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
07/12/74	Buy	$83.15	0.47%	$757.26
07/19/74	Sell	$83.54		($408.68)
03/27/80	Buy	$101.23	0.90%	$2,072.70
04/03/80	Sell	$102.14		($3,464.37)
09/22/87	Buy	$319.50	0.68%	$1,818.96
09/29/87	Sell	$321.68		($436.80)
10/20/87	Buy	$236.83	(1.54%)	$9,465.46
10/27/87	Sell	$233.19		($4,042.76)
10/16/89	Buy	$342.85	0.58%	$1,737.27
10/23/89	Sell	$344.83		($2,086.47)
09/02/97	Buy	$927.57	0.65%	$1,369.60
09/09/97	Sell	$933.63		($376.64)
10/28/97	Buy	$921.86	2.05%	$2,110.32
11/04/97	Sell	$940.76		($1,963.44)
09/01/98	Buy	$994.25	1.20%	$3,345.00
09/09/98	Sell	$1,006.20		($3,775.00)
05/08/02	Buy	$1,088.85	0.20%	$1,399.58
05/15/02	Sell	$1,091.07		($3,180.45)
07/24/02	Buy	$843.43	8.08%	$8,048.78
07/31/02	Sell	$911.62		($3,223.76)
10/10/02	Buy	$803.92	9.36%	$10,097.32
10/17/02	Sell	$879.20		$0.00
03/11/08	Buy	$1,320.65	0.76%	$945.75
03/18/08	Sell	$1,330.71		($4,775.25)
09/18/08	Buy	$1,206.51	0.23%	$4,806.02
09/25/08	Sell	$1,209.27		($2,191.04)
11/21/08	Buy	$800.03	2.02%	$11,931.28
12/01/08	Sell	$816.21		$0.00
01/21/09	Buy	$840.24	4.03%	$4,476.78
01/28/09	Sell	$874.09		($4,066.23)
03/10/09	Buy	$719.60	8.13%	$8,075.76
03/17/09	Sell	$778.12		($793.50)

Avg Run-up: 4.5% Avg Drawdown: -2.2%

Even the lone failure saw a huge run-up as pointed out above.

The obvious caveat with this study is that while Monday was the highest volume of the past 5 days, all 4 days last week were during a holiday week. Still, other than Friday's ½ day, volume last week showed no drop from the week before.

But while volume is providing strong bullish evidence, breadth and gap action are suggesting a pullback in the next couple of days. The Up Volume % on Monday came very close to the highest of all time. It was only exceeded on 8/17/82 and 6/10/10 according to my database. I decided to look at other breadth surges immediately following 20-day lows. Rather than using the raw Up Volume % I elected to the 1-yr. % Rank. This adjusts for the changes in breadth (and increased extremes) over the years. The calculation for the Breadth % Rank is part of the QE Indicators & Functions package and is available at no charge for all gold subscribers on the website.

SPX closed at 20-day low yesterday. Today the NYSE Up Vol % 1-yr Rank >= 99%.
Buy SPX on close. Sell X days later. $100k/trade. 1988 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Max Winning Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	5,791.09	16	6	10	37.50	4,163.86	-1,919.21	8,075.76	-4,171.20	2.17	1.30	361.94
4	-1,672.58	16	9	7	56.25	2,023.97	-2,841.18	4,732.02	-6,217.20	0.71	0.92	-104.54
3	-4,711.70	16	7	9	43.75	1,769.24	-1,899.60	5,099.10	-5,635.08	0.93	0.72	-294.48
2	-15,268.37	16	8	8	50.00	1,056.86	-2,965.40	4,297.32	-9,455.49	0.36	0.36	-954.27
1	-12,145.52	16	4	12	25.00	345.61	-1,127.33	873.18	-4,400.45	0.31	0.10	-759.10

14 of 16 instances (87.5%) posted a close below the entry price at some point in the next week.
The 2 that didn't occured on 9/24/01 and 3/10/09 and both were followed by long-term rallies.

There appears to be a downside edge, but it exhausts itself after just one day. I found it quite interesting that the 2 instances that failed to pull back over the next few days were both followed by large rallies. Something to keep in mind over the next few days. Below I have listed all instances along with their 1-day results.

SPX closed at 20-day low yesterday. Today the NYSE Up Vol % 1-yr Rank >= 99%. Buy SPX on close. Sell 1 day later. $100k/trade. 1988 - present.				
Date/Time	**Signal**	**Price**	**% Profit**	**Run-up Drawdown**
04/05/94	Buy	$448.29	(0.05%)	$298.82
04/06/94	Sell	$448.05		($738.13)
10/28/97	Buy	$921.86	(0.29%)	$1,445.04
10/29/97	Sell	$919.16		($861.84)
02/26/01	Buy	$1,267.61	(0.76%)	$401.70
02/27/01	Sell	$1,257.94		($1,197.30)
03/19/01	Buy	$1,170.85	(2.41%)	$825.35
03/20/01	Sell	$1,142.62		($2,436.10)
04/05/01	Buy	$1,151.46	(2.00%)	$0.00
04/06/01	Sell	$1,128.42		($2,766.62)
09/24/01	Buy	$1,003.45	0.88%	$1,355.31
09/25/01	Sell	$1,012.27		($506.88)
04/16/02	Buy	$1,128.37	(0.20%)	$407.44
04/17/02	Sell	$1,126.07		($440.00)
06/17/02	Buy	$1,036.17	0.09%	$447.36
06/18/02	Sell	$1,037.14		($504.00)
04/18/06	Buy	$1,307.65	0.17%	$208.24
04/19/06	Sell	$1,309.93		($369.36)
03/06/07	Buy	$1,395.41	(0.25%)	$408.25
03/07/07	Sell	$1,391.97		($338.67)
10/13/08	Buy	$1,003.35	(0.53%)	$4,055.04
10/14/08	Sell	$998.01		($3,096.72)
10/28/08	Buy	$940.51	(1.11%)	$3,105.80
10/29/08	Sell	$930.09		($1,934.50)
03/10/09	Buy	$719.60	0.24%	$1,700.16
03/11/09	Sell	$721.36		($793.50)
05/10/10	Buy	$1,159.73	(0.34%)	$924.50
05/11/10	Sell	$1,155.79		($1,033.72)
05/27/10	Buy	$1,103.06	(1.24%)	$0.00
05/28/10	Sell	$1,089.41		($1,645.20)
08/09/11	Buy	$1,172.53	(4.42%)	$0.00
08/10/11	Sell	$1,120.76		($4,634.20)

With instances just a little low here I also decided to lower the % Rank requirement to 98%. While doing so I made sure the price move was fairly strong and required a 1% up day. Those results are below.

SPX closed at 20-day low yesterday. Today it closed up > 1% and the NYSE Up Vol % 1-yr Rank >= 98%. Buy SPX on close. Sell X days later. $100k/trade. 1988 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Max Winning Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-4,272.39	24	10	14	41.67	3,006.12	-2,452.40	8,075.76	-9,908.49	1.23	0.88	-178.02
4	-14,068.33	25	14	11	56.00	1,546.80	-3,247.60	4,732.02	-9,329.28	0.48	0.61	-562.73
3	-10,375.40	25	12	13	48.00	1,400.31	-2,090.70	5,099.10	-5,635.08	0.67	0.62	-415.02
2	-18,471.57	25	12	13	48.00	1,092.65	-2,429.49	4,297.32	-9,455.49	0.45	0.42	-738.86
1	-14,145.64	25	7	18	28.00	933.43	-1,148.87	3,982.74	-4,400.45	0.81	0.32	-565.83

Results here are much the same. There doesn't appear to be much lost by broadening the sample.

Unfilled gaps up in downtrends will often act as a magnet for prices to pull back towards. The study below looks at other times there was a large unfilled gap immediately following a 20-day low.

After closing at a 20-day low yesterday SPY posts a low > 1% above yesterday's close. Close > open. Buy on close. Sell X days later. $100k/trade. 1994 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Max Winning Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,558.82	10	4	6	40.00	3,355.26	-4,329.98	8,323.85	-13,757.52	0.77	0.52	-1,255.88
4	-15,131.50	10	3	7	30.00	3,311.35	-3,580.79	5,110.65	-9,714.74	0.92	0.40	-1,513.15
3	-11,363.90	10	2	8	20.00	3,494.10	-2,294.01	5,429.20	-7,473.88	1.52	0.38	-1,136.39
2	-17,687.98	10	3	7	30.00	2,135.54	-3,442.09	4,612.05	-11,171.38	0.62	0.27	-1,768.80
1	-1,470.02	10	5	5	50.00	595.75	-889.75	1,042.65	-1,479.00	0.67	0.67	-147.00

Instances here are fairly low, but the early indication is a 2-3 day downside edge. Below I have listed all instances along with their 3-day results.

After closing at a 20-day low yesterday SPY posts a low > 1% above yesterday's close. Close > open. Buy on close. Sell 3 days later. $100k/trade. 1994 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
01/07/00	Buy	$145.75	(1.85%)	$795.76
01/12/00	Sell	$143.06		($1,968.82)
11/24/00	Buy	$134.84	(1.04%)	$1,370.85
11/29/00	Sell	$133.44		($1,178.19)
09/24/01	Buy	$100.70	1.56%	$1,688.10
09/27/01	Sell	$102.27		($794.40)
05/08/02	Buy	$109.01	(1.05%)	$82.53
05/13/02	Sell	$107.87		($3,126.97)
11/13/07	Buy	$148.08	(1.55%)	$891.00
11/16/07	Sell	$145.79		($2,403.00)
09/30/08	Buy	$115.99	(4.87%)	$603.40
10/03/08	Sell	$110.34		($5,439.22)
10/13/08	Buy	$101.35	(7.48%)	$4,121.48
10/16/08	Sell	$93.77		($14,602.66)
03/10/09	Buy	$72.17	5.43%	$6,661.85
03/13/09	Sell	$76.09		($470.90)
05/10/10	Buy	$116.16	(0.15%)	$1,307.20
05/13/10	Sell	$115.99		($1,075.00)
05/27/10	Buy	$110.76	(0.39%)	$0.00
06/02/10	Sell	$110.33		($3,057.78)

Recognize the two dates that are trading higher 3 days later? They are the same ones from the previous study that led to strong rallies over the intermediate-term. Breadth and gap action are suggesting a quick pullback. But if it doesn't come in the next few days that could be a very good sign for the bulls.

The next couple of days really aren't very clear. It appears a consolidation or partial retracement of Monday's gains may occur. But if the volume study proves out we could get some nice follow through within a week. Patient traders with an optimistic view may be better off sitting through a day or two of weakness to assure themselves they will not miss out on the bigger move up. More agile traders may prefer to step aside and look for a lower entry.

I have updated the Aggregator chart below.

Based on tonight's studies the green Aggregator Line is now just barely in positive territory. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line is also just above 0. A positive Differential reading means the SPX has underperformed expectations over the last few days. So net expectations are modestly bullish and the SPX is slightly oversold versus recent expectations. While the edge is now reduced, historically this configuration has been followed by upside in the following days. The bullish configuration can be seen on the chart whenever both lines close above 0. Tonight's movement caused the Aggregator System to remain long at the close. It did not appear that this was likely near the close. When I realized the volume study was going to change things I did send out a tweet a little before 5pm.

The short-term active studies are currently set up to remain net positive on Tuesday. Of course this could change if bearish evidence emerges. With the low number of studies currently active, expectations will be largely dependent on action over the next few days. The Differential Pivot will be inverted at 1,168.76 on Tuesday. This is *2.0% below* Monday's close. This means that unless the SPX closes down at least 2% tomorrow the Differential Line will drop below 0. This would also mean the end of the long Aggregator System signal.

So with the Differential Pivot inverted that would typically be a time when I would look to take some of my position off the table. In fact, before volume came in today I sent out the intraday update and notified gold subscribers that I would exit 2 of the 3 SPY lots at the close on Monday. I considered tonight whether I might look to buy them back in the morning if there were a gap down or an early pullback. Ultimately, I decided not to. Instead I will only re-enter if the SPX closes below the Differential Pivot tomorrow.

With the upside potential over the next few days I also considered holding a part of the position. Instead of holding my SPY I will likely hold on to at least ½ of the XIV position. I feel with the current futures term structure and the seasonal decline in volatility XIV has some strong potential over the next several weeks. A market rally should provide a real boost to the position, but even if the SPX chops around sideways I believe XIV could appreciate. I have not put in a sell point in the trade ideas section but I will likely exit ½ if we get some more upside in the next day or so, and then trail a stop on the 2nd half.

Intermediate-term Outlook (2 weeks – 2 months)– updated 11/28 – moderately bullish

Selling intensified this past week despite the bullish seasonality. The triangle breakdown from about a week and a half ago shows no sign of being a "false" breakdown (as 70% of them are) and instead is very close to the 1,150 projection target already. The move up, which was so strong in October, will soon be in jeopardy of failing unless the market can get its act together soon.

A couple of studies with intermediate-term consequences triggered this past week. Both appeared in the 11/22 letter and I have copied both of their results tables below. The 1st one was bullish. It looked at instances where drops of 1.75% or more surrounded a smaller SPX decline.

SPX closes down > 1.75% today and 2 days ago. Yesterday it was down but < 1.75%.
Buy on close. Sell X days later. $100k/trade. 1961 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	69,714.98	20	17	3	85.00	4,958.12	-4,857.67	1.02	5.78	3,485.75
9	57,843.58	20	15	5	75.00	5,003.34	-3,441.29	1.45	4.36	2,892.18
8	55,882.82	20	15	5	75.00	4,838.73	-3,339.62	1.45	4.35	2,794.14
7	48,627.22	20	16	4	80.00	4,441.95	-5,610.98	0.79	3.17	2,431.36
6	51,365.59	20	16	4	80.00	3,933.71	-2,893.46	1.36	5.44	2,568.28
5	57,064.27	20	15	5	75.00	4,344.18	-1,619.70	2.68	8.05	2,853.21
4	40,353.37	20	18	2	90.00	3,089.24	-7,626.43	0.41	3.65	2,017.67
3	35,545.85	21	18	3	85.71	3,063.90	-6,534.80	0.47	2.81	1,692.66
2	28,025.00	21	15	6	71.43	2,585.03	-1,791.74	1.44	3.61	1,334.52
1	16,728.82	21	14	7	66.67	2,023.24	-1,656.65	1.22	2.44	796.61

The only instance that failed to close above the entry price at some point in the next 4 days triggered on 10/6/08.

The short-term is not playing out well for this study but it still could provide an intermediate-term influence.

The 2nd study considered the lackadaisical VIX that accompanied the strong selling. In contrast to the 1st study this one suggested bearish implications.

SPX closes under lower Bollinger Band. VIX closes < 5% above its 10ma.
Buy on close. Sell X days later. $100k/trade. 1993 - present.

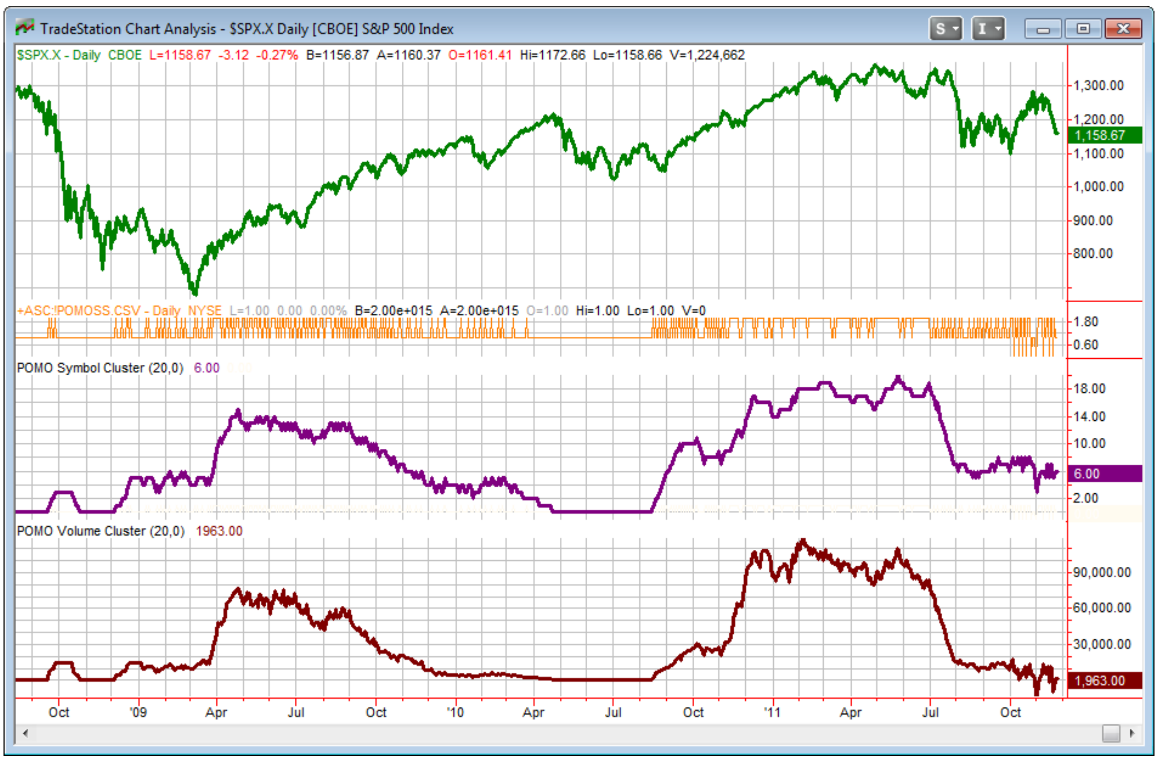
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-27,756.96	13	3	10	23.08	3,980.17	-3,969.75	1.00	0.30	-2,135.15
9	-17,483.61	13	3	10	23.08	4,289.90	-3,035.33	1.41	0.42	-1,344.89
8	-18,035.78	13	5	8	38.46	2,405.37	-3,757.83	0.64	0.40	-1,387.37
7	-11,937.07	13	5	8	38.46	2,799.08	-3,241.56	0.86	0.54	-918.24
6	-11,355.32	13	4	9	30.77	2,527.03	-2,384.83	1.06	0.47	-873.49
5	-11,337.35	13	4	9	30.77	2,485.77	-2,364.49	1.05	0.47	-872.10
4	-8,856.23	13	5	8	38.46	1,663.96	-2,147.00	0.78	0.48	-681.25
3	-6,991.57	14	7	7	50.00	954.52	-1,953.31	0.49	0.49	-499.40
2	-11,444.51	15	5	10	33.33	770.48	-1,529.69	0.50	0.25	-762.97
1	-4,673.56	17	6	11	35.29	970.08	-954.01	1.02	0.55	-274.92

This one played out short-term, and it could continue to exert some influence.

I've been updating the POMO chart most weekends in the letter. For those who may not recall below is a brief refresher on POMO. Beneath that I have updated our POMO indicator chart.

POMO stands for Permanent Open Market Operations and it is how the Fed goes into the open market to buy securities. The net effect of this buying is an influx of cash into the system. It appears a portion of that cash makes its way to the stock market and works as a bullish influence. A "POMO Day" is simply a day where these operations take place… The chart below (shows a couple of POMO indicators). The top pane is the S&P 500. The middle (purple) pane is the net rolling number of days in the last 20 that have been POMO days. In other words, a day the Fed buys on the market will add +1 while a day of selling will count as -1. The bottom pane is the total amount of money infused into (or taken out of) the system over the previous 20 days. Information on acquiring the data and constructing the chart can be found in the January 3rd POMO presentation linked below. (Not available for trial users.)

http://www.quantifiableedges.com/members/pomo.php



This week the Fed withdrew a net $9.6 billion from the system with sales swamping purchases. As you can see the net volume over the last 20 days is now just $1.9 billion injected, and earlier this week that number actually dipped into negative territory for the 2nd time in recent weeks.

The next operations schedule is set to be released on Wednesday the 30th, so we will see then how December shapes up for liquidity support (or resistance) from the Fed. Currently there is buying scheduled for Monday and Tuesday, and then selling on

Wednesday. The schedule suggests Wednesday's selling will likely exceed the buying total of Monday and Tuesday.

There was a strong thrust in the market that began at basically the same time as Operation Twist. Perhaps that was initial excitement over the Fed's new plan. As it became clear that Operation Twist would not provide the kind of liquidity support that QE1 and QE2 did the market seems to have floundered.

The intermediate-term is somewhat mixed. I'm still optimistic that the strong breadth and price thrusts that accompanied the rally in October were not false signals. It is unusual to see such early strength quickly dissipate and lead to another leg down for the market. Although seasonalities have not played out well recently, December is typically a strong month for the market. I'm inclined to maintain a bullish posture at this point, though I have reduced the strength of my outlook some.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

AVP – buy 1/3 @ $16.09 limit (not filled)

Catapult for ETF's Trades

None.

***Broad Market Large Cap CBI* – 1(AVP)**

Additional New Trade Ideas

A full listing of system triggers can be found at the system triggers 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.

AVP – buy 1/3 @ $16.09 (still open from last night) This is a catapult trigger as listed above. Traders unfamiliar with the Catapults are encouraged to view the Catapult & CBI presentation on the videos page. Exit signals are posted in the subscriber letter (and sometimes via intraday update). Traders that would like to backtest their own exit criteria may use the Catapult Exit Designer package, which can be found on the "Downloads" page.

SPY – buy ¼ index position on SPX close <= 1,168.76. A close below the Differential Pivot would likely keep the long signal in place. I will look to re-enter part of my position if this should happen.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	*11/17/2011*	*$123.85*	*$119.71*	*-3.34%*		*sold on close*
XIV(1/2)	11/17/2011	$5.21	$5.13	-1.54%		VIX-based ETF systems
SPY(1/4)	*11/18/2011*	*$122.11*	*$119.71*	*-1.97%*		*sold on close*
XIV(1/2)	11/21/2011	$4.91	$5.13	4.48%		VIX-based ETF systems
SPY(1/4)	11/21/2011	$119.66	$119.71	0.04%		sell @ $119.71 limit on close

The 2 SPY lots were sold on the close as per the intraday update.