

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 27, 2012

Volume 5 Issue 123

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Long	100% Long XIV	Flat	Long

## Tonight's Research Points

- QE Buying Power Index is scheduled to hit 3 on Wednesday and a down close would trigger a long signal from the QE Buying power Swing System.

## Short-term Outlook

### The Bottom Line

The moderate bounce Tuesday left the Aggregator long signal intact. I have a small long position that I am looking to maintain. The QE Buying Power Swing System could give a quick buy signal Wednesday if the SPX closes down.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
June 26, 2012	1.5% loss 2x in week > 200ma	1-3 days	Bullish	2.25%
June 26, 2012	Gap down < 2ago. Gap up yest. > 200	1-3 days	Bearish	-1.80%
June 25, 2012	Sweet spot bounce from 1.75% drop	1-5 days	Bullish	3.00%
June 22, 2012	SPY closes at 5-day low 1st time > 2 wks	1-4 days	Bullish	1.60%
<b>Active - Long Term</b>				
June 25, 2012	Nasdaq leading SPX	int term	Bullish	
June 18, 2012	POMO modestly bullish	int term	slight bull	
June 13, 2012	FTD with modest breadth & vol	int term	Bearish	
June 7, 2012	90% up day on 3rd day of rally	1-14 days	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	

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

### ***The Evidence***

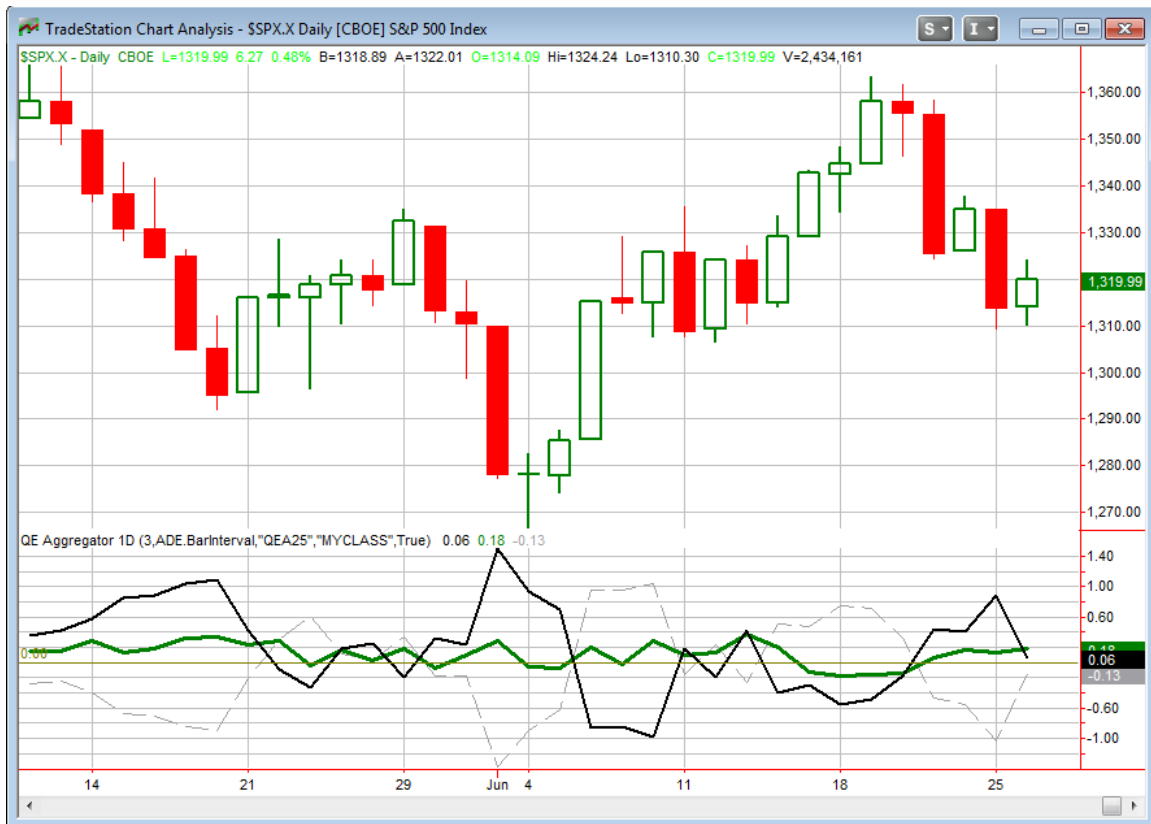
Tuesday saw moderate gains in the market. The SPX rose 0.5%, the Nasdaq gained 0.6%, and the Russell 2000 closed up 0.4%. Breadth was positive as the NYSE Up Issues % came in at 64% and the Up Volume % was 66%. Total NYSE volume declined again on Tuesday.

The back and forth action over the last few days has left us with a rare “blank” Quantifinder tonight. Annoying to me usually, but since I am in “vacation mode”, I’ll take it. A quick look at some of my indicators came up without anything substantial as well. But a down close on Wednesday could give us a notable signal for the QE Buying Power Index.

The QE Buying Power Index is slated to close at 3 tomorrow, assuming the Fed purchases securities as planned. (They have yet to fail to buy when scheduled.) Three is considered a bullish reading and indicates the POMO liquidity infusion over the last week should be enough to provide short-term support or even a possible boost to the market. The QE Buying Power Swing System looks for a SPX close in the low end of the SPX’s short-term range along with a strong QE Buying Power Index reading. Today closed right near where the market would need to in order to trigger such a signal. So if we close flat or down on Wednesday then the QE Buying Power Swing System will trigger long. It would be about as weak of a long signal as you can get, since the “3” reading is only going to last 1 day. Thursday and Friday it is scheduled to drop down to “1”, and the POMO volume reading those days is actually going to be negative. Additionally, the July schedule is not out yet, so we do not know what early July has in store. That schedule will be released on Friday. So like I said, a QE Buying Power Swing System long signal could trigger Wednesday, but it would be a weak one thanks to the fleeting nature of the “3” reading.

Still, this would be the 1<sup>st</sup> time this year that the Aggregator, the QE Buying Power Swing System, and the NDX Trend Timer (which is closely related to the Nasdaq/SPX relative strength indicator) would all close long at the same time. Three largely unrelated signals all firing long could make a fairly compelling case to add more long exposure.

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



The green Aggregator line remained positive again tonight. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held barely above zero. This means the SPX is still short-term oversold versus expectations. So net expectations are bullish and the SPX is oversold versus recent expectations. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. This meant the Aggregator System remained long at the close. This was indicated as likely on the systems page before the bell.

Based on the current active studies, expectations are set to remain positive Wednesday. Of course this could change if more bearish evidence emerges. Meanwhile, the Differential Pivot will be 1,336.04 on Wednesday. A close at or above this level would cause the Differential Line to flip back below 0, indicating the SPX has moved from oversold to overbought. It would require a gain of about 1.2% to get there.

The rise in the Differential Pivot is thanks to Thursday's big down day falling out of the equation tomorrow. This will give the long position a bit more room to follow through to the upside before we look to take profits. Of course with no new studies tonight evidence has not gotten any more compelling. So I'm content to remain with the small amount of exposure I currently have. As I mentioned above, the QE Buying Power Swing System

would trigger long Wednesday if the SPX closes flat or down. Under these circumstances there is a good chance I will look to add more long exposure Thursday morning. Aggressive traders could consider adding exposure prior to Wednesday's close. I won't be near the computer for most, if not all, the trading day Wednesday. Therefore I will wait until after the close before making my decision for Thursday's open.

***Intermediate-term Outlook (2 weeks – 2 months)– updated 6/25 – slightly bullish***

Intermediate-term outlook was last updated in the 6/25 letter. A link is below:

[2012-06-25 QE Subscriber Letter.pdf](#)

**Catapult and Capitulative Breadth Statistics**

*Catapult & CBI Presentation Link*

***Open Catapult Triggers***

*None*

***Catapult for ETF's Trades***

*None*

***Broad Market Large Cap CBI – 0***

**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.*

*None tonight.*

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	6/26/2012	\$131.50	\$131.98	0.37%		bought @ limit

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