

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 3, 2012

Volume 5 Issue 127

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Flat	50% Long XIV	Flat	Flat

Tonight's Research Points

- Nothing substantial triggered on Monday.

Short-term Outlook

The Bottom Line

The market remains strongly overbought but lacking short-term bearish evidence. The Aggregator is neutral and so am I.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
June 29, 2012	SPY closes month at a high	1-5 days	Bullish	2.35%
Active - Long Term				
June 18, 2012	POMO modestly bullish	int term	slight bull	
June 13, 2012	FTD with modest breadth & vol	int term	Bearish	
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.

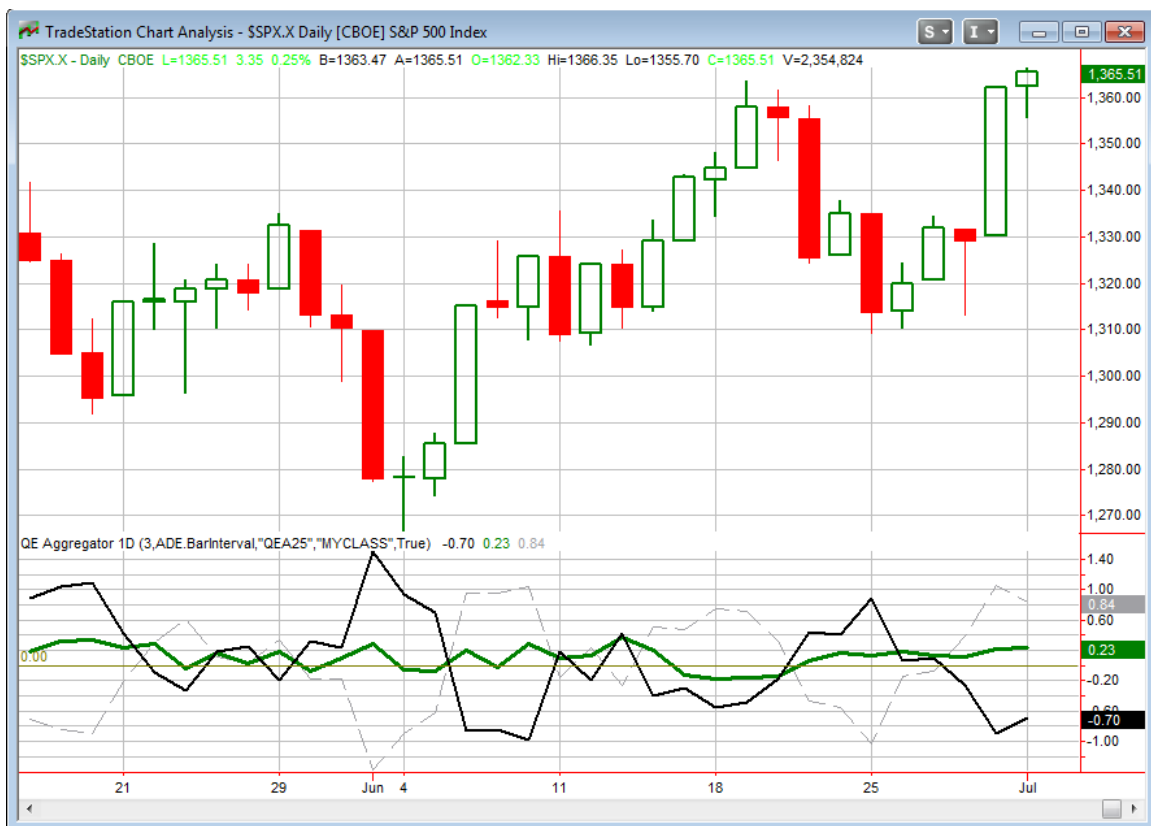
The Evidence

A gap up got sold off and turned negative just after 10am. The market then climbed back slowly the rest of the day and finished near where it opened. The SPX rose 0.2%, the Nasdaq gained 0.6%, and the Russell 2000 rallied 1.2%. Breadth was solidly positive as

the NYSE Up Issues % came in at 69% and the Up Volume % was 65%. Total NYSE volume came in lighter than the last couple of days.

I warned that while I was on vacation there may be some short letters – today is one. Nothing substantial appeared in the Quantifinder, which I was happy to see. I've spent the last couple of days on a boat – something I haven't done in over 10 years, and I am completely wobbly with sea legs and having trouble looking at the laptop screen. Hopefully Tuesday's action will give me something interesting to discuss. The next letter likely won't be until Wednesday though since the market is closed for Independence Day.

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



No change as the green Aggregator line remained positive. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is still strongly below zero. This means the SPX is short-term overbought versus expectations. So net expectations are bullish but the SPX is very overbought versus recent expectations. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. This meant the Aggregator System remained flat at the close.

Based on the current active studies, expectations are set to remain positive Tuesday. Of course this could easily change if bearish studies emerge. Meanwhile, the Differential Pivot will be 1,333.86 on Tuesday. So a close at or below this level would flip the Differential line and move the SPX back to short-term oversold. That would take a drop of over 2.3% on Tuesday – an unlikely scenario. More likely is that the overbought condition is worn off with a multi-day pullback or consolidation.

I have no interest in buying here and nothing is compelling me to sell. I am flat and will remain that way until after the 4th of July.

Intermediate-term Outlook (2 weeks – 2 months)– updated 7/2 – slightly bullish

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

[2012-07-02 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

None

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