

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 17, 2012

Volume 5 Issue 136

Market Overview



Signals Overview

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

Tonight's Research Points

- Choppy, range-bound market is leaving us low on edges.

Short-term Outlook

The Bottom Line

Evidence is suggesting a very mild upside edge. Meanwhile the market is slightly overbought. It's about as neutral as it gets right now. I'm waiting for a better opportunity to put capital back to work.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
July 16, 2012	Low vol bounce from RSI(2)<5.	1-2 days	Bullish	1.30%
Active - Long Term				
July 16, 2012	POMO modestly bullish	int term	neutral	
June 13, 2012	FTD with modest breadth & vol	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
July 12, 2012	5 dn. Close > 200ma and > 20-low.	1-3 days	Bullish	1.60%

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

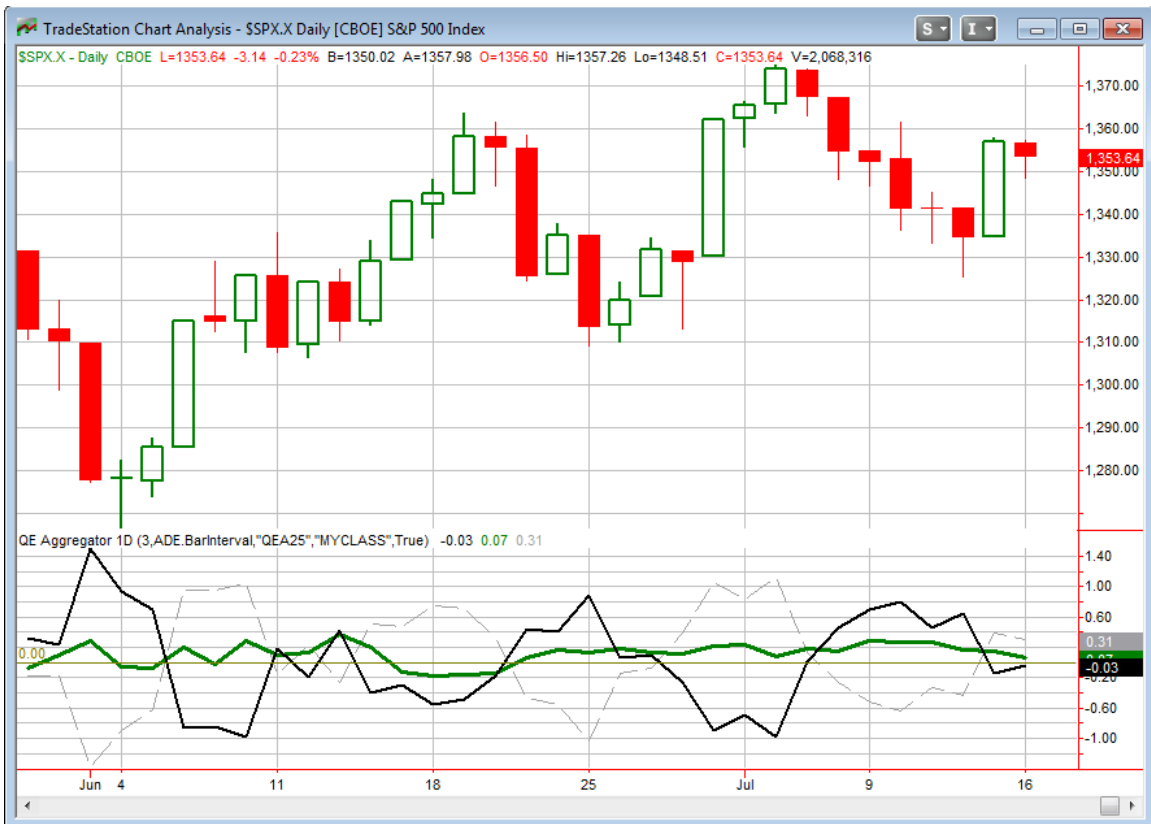
The Evidence

Trading on Monday was very subdued and mostly lower. The SPX fell 0.2%, the Nasdaq lost 0.4% and the Russell 2000 declined 0.5%. Breadth was negative as the NYSE Up Issues % came in at 45% and the Up Volume % was 38%. Total NYSE volume was very light.

The Quantifinder only noted one study tonight. It examined small range inside days. The finding was that although such days preceded a selloff when the SPY closed < 200ma, instances > 200ma showed no implication either way.

It isn't surprising that we are very light on studies at the moment. The market has chopped around the last few days and SPY closed Monday almost exactly on its 10ma. Mid-range in a choppy environment rarely provides compelling risk/reward for swing traders. It's time like this that patience is necessary. The market will tip its hand eventually.

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



The green Aggregator line dipped a bit but is still positive. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained just barely below 0. This means the SPX is slightly overbought versus expectations. So net expectations are bullish but the SPX is 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. This was indicated as likely on the systems page before the bell.

The last active short-term study is scheduled to expire on Tuesday. This means expectations on Tuesday will be largely dependent on what new studies emerge. Meanwhile, the Differential Pivot will be 1,344.01 on Tuesday. This is 0.7% below Monday's close. For the Differential Line to flip positive and the Aggregator System have a chance to signal long, the SPX would need to close down at least this much.

Very mild bullish evidence and a mildly overbought market are leaving the Aggregator about as neutral as it gets. I'm not inclined to get involved in a new position at this point. Instead I will wait and see what emerges in the next few days.

Intermediate-term Outlook (2 weeks – 2 months)– updated 7/16 – slightly bullish

The intermediate-term outlook was last updated in the 7/16/12 letter. You may use the link below to view it.

[2012-07-16 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
XIV(1/2)	7/11/2012	\$11.64	\$12.73	9.36%	\$11.70	Aggressive VIX

While I would not want to sit in a SPY trade without a clear directional edge, I have no problem sitting in this XIV trade without a clear directional edge. It is a contango play at this point, which allows it to profit even if the market (and the VIX) move sideways. If compelling bearish market evidence emerges I will likely look to take profits. No need yet.

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