

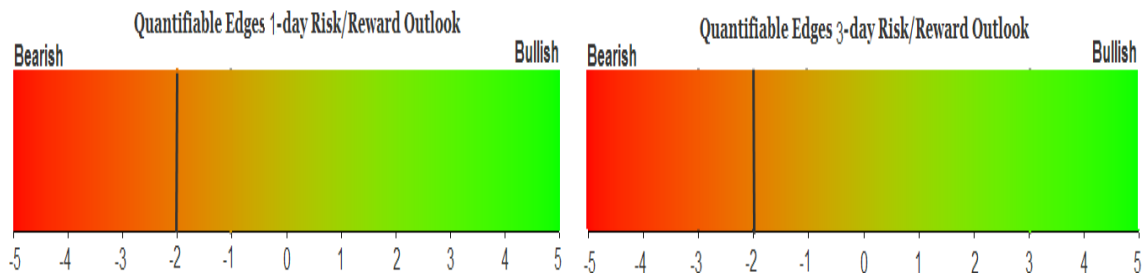
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 19, 2012

Volume 5 Issue 181

Market Overview



Signals Overview

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

Tonight's Research Points

- Nothing new triggering tonight.

Short-term Outlook

The Bottom Line

Tuesday's mild pullback wore off the overbought condition. Expectations still remain lower, setting up a neutral outlook.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
September 18, 2012	SPY unfilled gap up then down from 20h	1-7 days	Bearish	-2.40%
September 18, 2012	SPX < 1% lower. Decliners 2x advancers	1-2 days	Bearish	-1.70%
September 17, 2012	VIX up SPX up Fri	1-3 days	Bearish	
September 14, 2012	100 day high on Fed Day	1-8 days	Bullish	1.90%
Active - Long Term				
September 17, 2012	QE3	int term	Bullish	
September 17, 2012	SPX and TNX hit 50-day high	1-20 days	Bearish	
September 11, 2012	Key Reversal from high	1-12 days	Bullish	
August 20, 2012	Nasdaq leading SPX	int term	Bullish	
July 30, 2012	SPX 50-day high on 90% up vol	1-50 days	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
September 17, 2012	3up 3 volume up. 50-day high	1-2 days	Bullish	
September 14, 2012	20-high on 20-high vol	1-3 days	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 the market trade in a tight range and close mildly lower. The SPX declined 0.1%, the NASDAQ dropped 0.03%, and the Russell 2000 fell 0.2%. Breadth was weak as the NYSE Up Issues % was 44% and Up Volume % came in at 35%. Total NYSE volume dropped for the 2nd day in a row.

Tuesday's quiet action failed to trigger any of the 1000+ studies in the Aggregator, and my own attempts looking at a few things also came up bare. This happens from time to time, and a far better approach is to wait for some obvious edges to emerge rather than try and data-mine a questionable setup.

Yesterday we saw a couple of studies suggesting more downside was likely. We got a little drop on Tuesday, but not as much as one would expect based on those studies – so there could be more downward follow-through to come. With a couple of bullish studies expiring we now have 3 bearish and 1 bullish studies left on the Active List.

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



Without any new studies tonight the green Aggregator Line remained slightly below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line rose sharply and is now back above zero. This means the SPX is “oversold” versus recent expectations. So net expectations are bearish but the SPX is already oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. This led the Aggregator System to change from short to flat at the close, as was indicated as likely on the systems page before the bell.

Based on the current open studies, expectations are scheduled to remain just barely negative on Wednesday. Of course this could easily change if more bullish evidence emerges. The Differential Pivot will be 1,468.23 on Wednesday. That is about 0.6% above Tuesday’s close. So the market would need to close up this much in order for the SPX to be considered “overbought” versus expectations.

Yesterday’s Aggregator signal was right, but in about as small of a way as it could be. So I didn’t miss out on anything by ignoring it. There is a strong chance we’ll see some new studies emerge tomorrow. Another down day would likely trigger some kind of “3 days down in an uptrend” study. Or a move up to a 50-day high would also undoubtedly trigger some studies. So while there isn’t much to concern myself with tonight, I’m sure there will be soon. The next trade opportunity never takes too long to arrive.

Intermediate-term Outlook (2 weeks – 2 months)– updated 9/17– bullish

The intermediate-term outlook was last updated in the 9/17 letter. A link is below:

[2012-09-17 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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