

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 28, 2013

Volume 6 Issue 40

Market Overview



Signals Overview

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

Tonight's Research Points

- No new studies emerged. The market is quickly working off its oversold condition.

Short-term Outlook

The Bottom Line

This bounce may go a little further, but I aim to lock in some profits from the last couple of days.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
February 27, 2013	Double reversal > 200ma < 10ma	1-5 days	Bullish	
February 27, 2013	1.75% drop then bounce 0.25%-0.75%	1-5 days	Bullish	2.90%
February 26, 2013	Big drop. 20-low. Close<200	1-6 days	Bullish	2.20%
February 22, 2013	2 unfilled dn gaps & 5-low > 200ma	1-5 days	Bullish	2.00%
February 21, 2013	Unfill gap dn after unfill gap up to 20-hi	1-7 days	Bearish	
Active - Long Term				
February 21, 2013	1st 5 low in 10 days. Yest 20-high.	1-11 days	Bullish	
February 14, 2013	SPX & TNX 50-day highs.	1-20 days	Bearish	
January 14, 2013	Breadth Divergence (from Tops Study)	int term	Bearish	
September 17, 2012	QE3	int term	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
February 26, 2013	Outside day bottom 10% 10-day ra	1-5 days	Bullish	2.10%
February 22, 2013	50-high to 8-low in 2 days	1-4 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

Tuesday's bounce gained even more steam on Wednesday. The SPX rose 1.3% the Nasdaq rallied 1.0%, and the Russell 2000 gained 1.1%. Breadth was strongly positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 86%. Total NYSE came in at the lowest level in over 2 weeks.

The last 2 days has moved SPX from a 1-month low to back above its 10 and 20-day moving averages. This has done a lot to wear off the oversold condition. But it did not do anything today to generate compelling studies. Of note, 2 studies did expire. One of them was taken off the Active List early since it reached its profit target. With the Differential Pivot still not reached we could see further upside on Thursday.

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



Despite a couple of bullish studies exiting the short-term active list, the green Aggregator line remains squarely above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also still above 0. The positive reading means the SPX is oversold versus recent expectations. So expectations are bullish and the SPX is currently oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. This caused the Aggregator system to remain long at the close.

Based on the current studies expectations are set remain bullish on Thursday. It would take strong bearish evidence to change this. The Differential Pivot will be *strongly inverted* at 1,494.68 on Thursday. This is 1.4% *below* Wednesday's close. An inverted pivot means that the Differential line will cross 0 on a flat close. And in this case it would take a decline of over 1.4% to keep SPX from turning overbought versus recent expectations.

When the Differential Pivot is this inverted it is time to start taking off some long exposure. The Catapults have not yet reached their exit targets. And with nearly a 2% gain in the SPY position and Thursday the likely end to the long signal, I see no need to press my luck too much. I'll be looking to exit as early as the open as long as SPY does not gap down.

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

The intermediate-term outlook was last updated in the 2/25 letter. Link below:

[2013-02-25 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MDT – bought 1/3 position @ \$44.76 limit

MDT – bought 1/3 position @ \$44.73 limit (2nd lot)

MDT – bought 1/3 position @ \$44.72 limit (3rd lot)

LOW – buy 1/3 position @ \$35.86 limit (not filled – cancel order for now)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 4/2(LOW, MDT-3)

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
MDT(1/3)	2/21/2013	\$44.76	\$44.54	-0.49%		Catapult
MDT(1/3)	2/22/2013	\$44.73	\$44.54	-0.42%		Catapult
MDT(1/3)	2/25/2013	\$44.72	\$44.54	-0.40%		Catapult
SPY(1/4)	2/26/2013	\$149.10	\$151.91	1.88%		sell @ \$151.91 limit

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