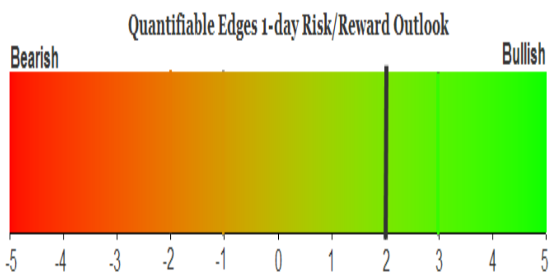
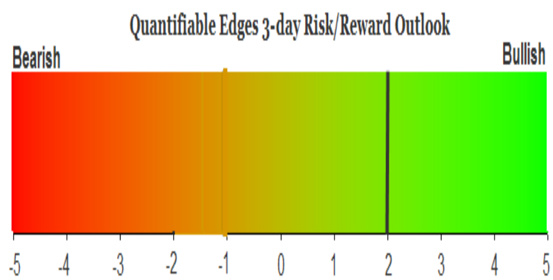
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 5, 2013 Volume 6 Issue 65

Market Overview





Signals Overview

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

Tonight's Research Points

- The employment report could bring some interesting action tomorrow but it does not provide the kind of edge it once did.

Short-term Outlook
The Bottom Line

The market is extremely choppy. I have some long exposure, and while I expect to see more upside over the next few days, edges just are not compelling enough to take on more exposure yet.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
April 4, 2013	Big drop from 50-day high	1-4 days	Bullish	1.20%
Active - Long Term				
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				
April 1, 2013	Early April strong	1-4 days	Bullish	2.00%

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

The Evidence

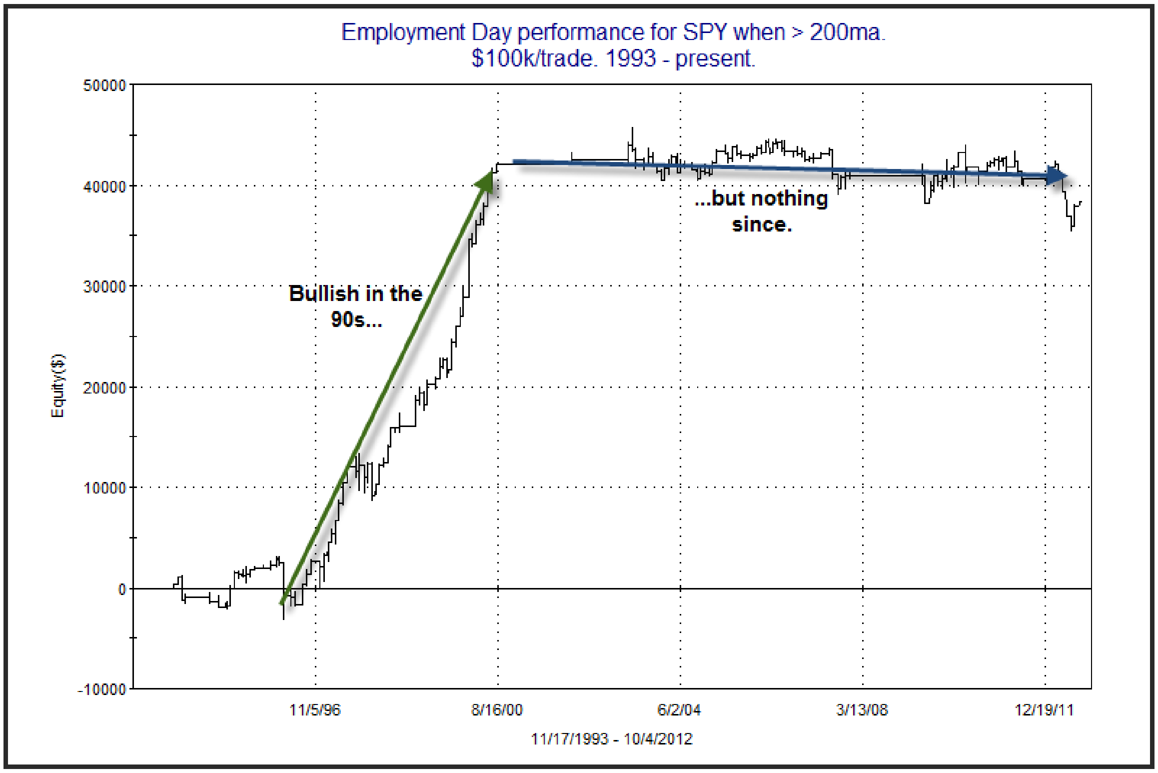
The market bounced back a little on Thursday. The SPX rose 0.4%, the Nasdaq gained 0.2% and the Russell 2000 rallied 0.8%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 69%. Total NYSE volume sank a bit from Wednesday's level.

When the market chops back and forth over several days it will often lead to a dearth of studies. This is because very choppy markets rarely contain substantial edges. And in case you haven't been paying attention, over the last 2 weeks the market has been VERY choppy. In fact, Thursday marked the 11th day in a row that SPX has closed in a different direction. Looking back to 1961, there have only been 3 other instances of 11 consecutive days of chop. They occurred on 6/26/81, 7/20/94, and 8/28/95. The '94 instance was the only one to extend the streak to 12 days, but it was halted there. A down close on Friday would tie the '94 streak.

Some of Friday's move will be dependent on the Employment Report. The Employment Report is typically issued on the 1st Friday of the month. Subscribers that would like to study Employment Days on their own can find functions for them in the QE Indicators & Functions for Tradestation code available in the members section.

http://www.quantifiableedges.com/members/qeindicators.php

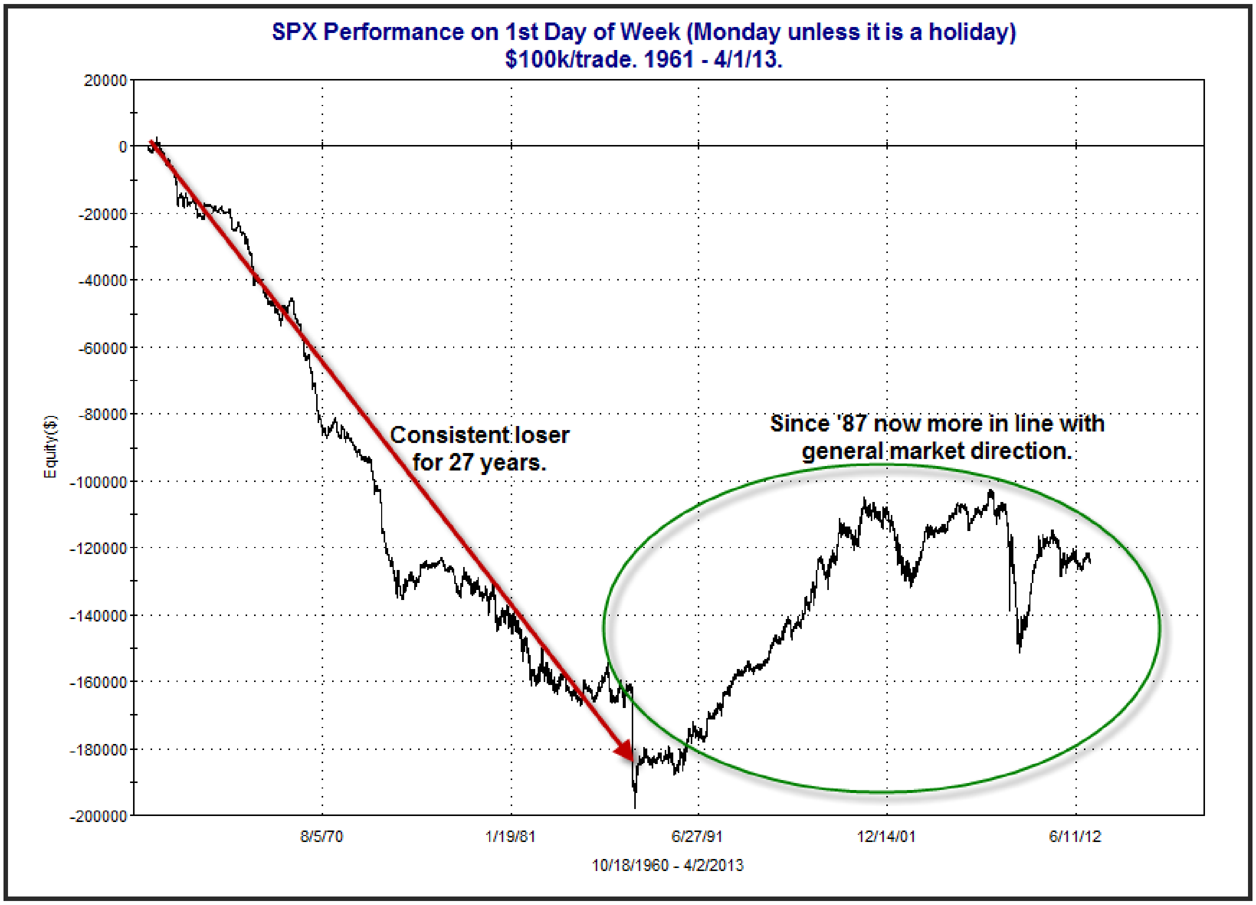
Employment days have an interesting history and they have contributed to some worthwhile studies over the years. Below is a chart of SPY performance on Employment Days. I posted this chart in the 10/5/12 subscriber letter. For this equity curve I filtered to only include days where SPY was > its 200ma. Each trade was a fictional $100k. (Data is NOT updated tonight.)



What I find so interesting about the chart is that for a long time Employment Days in uptrends showed a strong propensity for gains. But in 2000 this edge vanished. Since then there has been no apparent advantage – bullish or bearish. While it's unusual to see such an abrupt change in market dynamics, it does serve as a nice reminder that such changes are always possible.

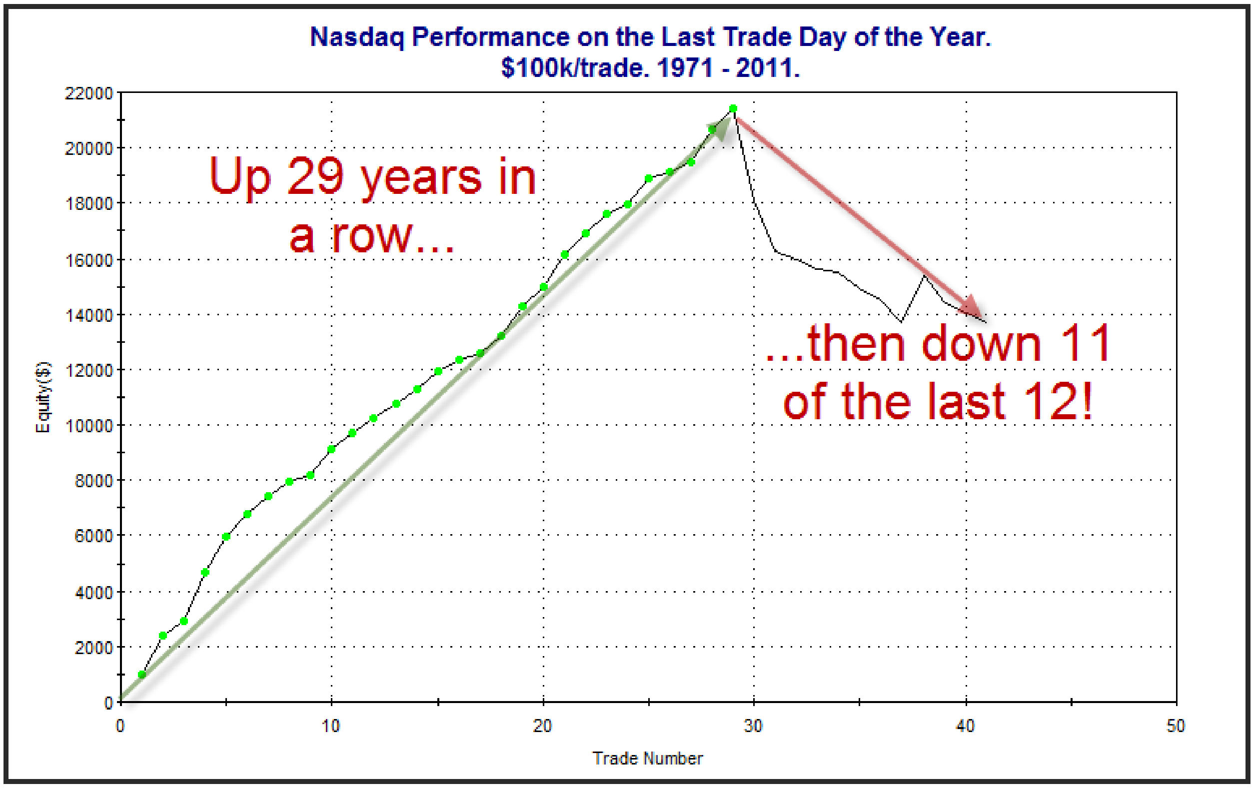
I am speaking at the MTA Symposium in New York again on Friday. One of the themes of my talk is market change, and how simple studies like this can be used to identify such changes. So while not applicable to the current market I thought I would share a couple of slides from the presentation that also relate to seasonal changes, just like the Employment Day study above.

This first one examines Mondays.



The point here is that while Mondays used to be bearish, they stopped exhibiting that behavior after the worst Monday of all time – the crash of '87.

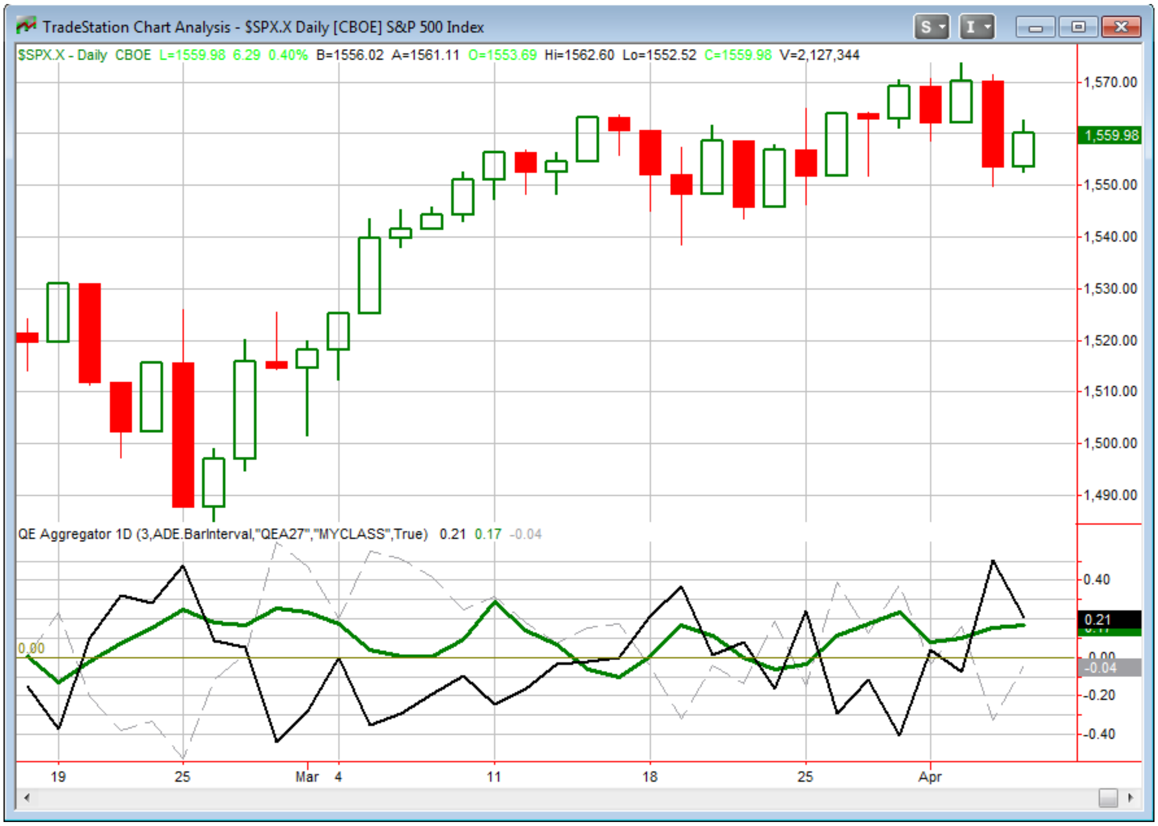
Another slide looks at the Nasdaq performance on the last day of the year.



What once appeared to be a very strong seasonal day for the Nasdaq no longer appears so.

Unfortunately, none of this really helps us tonight, and studies are now thin.

I have updated the Aggregator chart below.



With studies thin the green Aggregator Line is still above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also remained above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are bullish and the SPX is 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.

Based on the current studies, expectations are slated to remain bullish on Friday. Of course that could very easily change if bearish evidence emerges. The Differential Pivot will be 1,576.5 on Friday. This is 1.1% above Thursday's close. That is a bit of a stretch for a 1-day move. A more likely scenario is that we see a multi-day bounce or consolidation to work off the oversold condition.

I'm a little long. And I still think long is favorable. But with the market this choppy I am not inclined to add more exposure right now. Instead I will just manage my open positions.

Intermediate-term Outlook (2 weeks – 2 months)– updated 4/1 – bullish

The intermediate-term outlook was last updated in the 4/1 letter. Link below:

2013-04-01 QE Subscriber Letter.pdf

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

New

CAT – 1/3 @ $84.12 (bought at limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(CAT)

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 Pric	Current Pric	% Gain/Loss	Stop	Notes
BRF	3/22/2013	$40.38	$39.43	-2.35%		sell @ $39.97 limit on CLS
SPY(1/4)	4/4/2013	$155.23	$155.86	0.41%		bought @ limit
CAT(1/3)	4/4/2013	$84.12	$84.83	0.84%		bought @ limit

BRF will trigger an exit on a close >= $39.97.