

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 11, 2013

Volume 6 Issue 69

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- While some interesting studies are triggering in the Quantifinder, they are all neutral. There is a lack of compelling short-term directional evidence.

## Short-term Outlook

### The Bottom Line

Similar to yesterday, there is very little to go on, and nothing that seems worthy of a big bet. I am now mostly sidelined and awaiting more favorable risk/reward to jump back in.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
none				
<b>Active - Long Term</b>				
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	

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

### *The Evidence*

The market popped strongly higher on Wednesday. The SPX gained 1.2%, while the Nasdaq and the Russell 2000 each rose 1.8%. Breadth was strongly positive as the NYSE Up Issues % was 76% and the Up Volume % came in at 78%. Total NYSE volume rose for the 2<sup>nd</sup> day in a row.

The rally is at an interesting point here. There were 4 Quantifinder studies that triggered today, and every one of them was neutral. The market is overbought, but with new highs being reached there is just as much of a chance of a continuation higher as there is a pullback. The Quantifinder studies cited both volume and price action in their assessments. And I looked further.

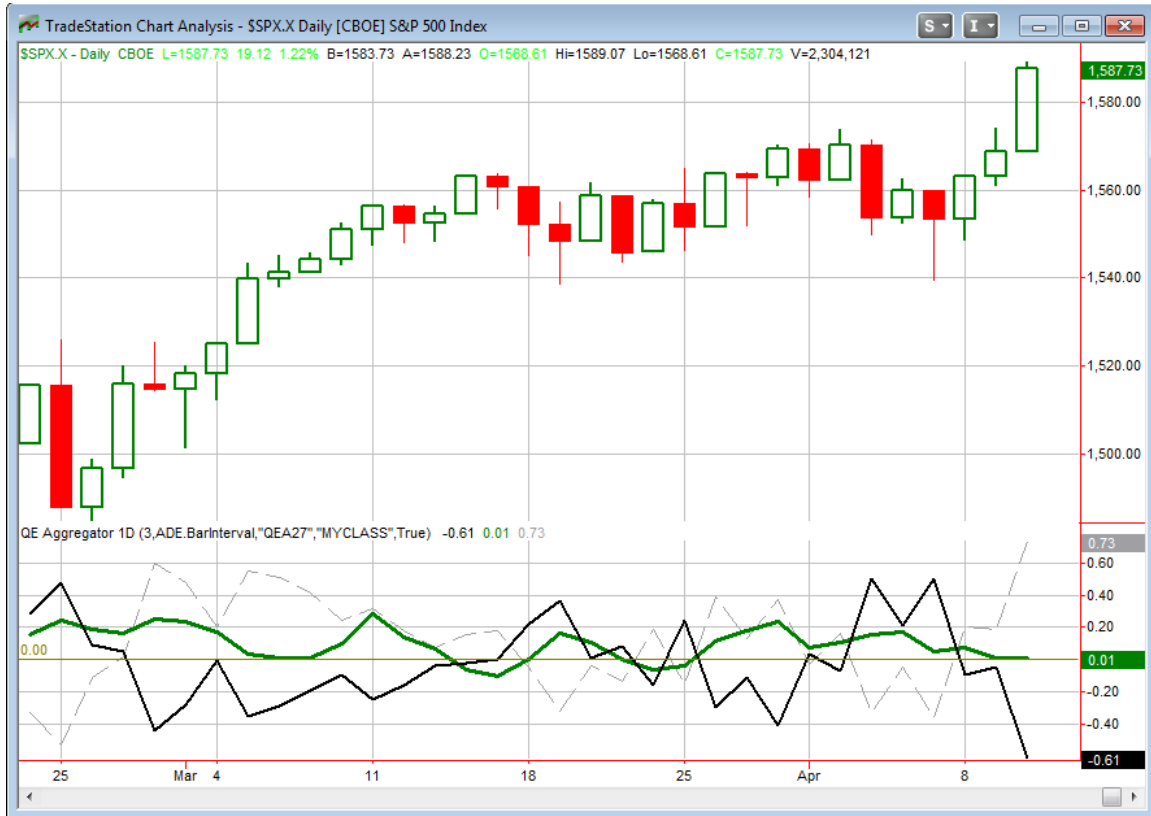
The Nasdaq volume %'s were especially strong. Both the Nasdaq Up Issues % and Up Volume % came in the top 2% of all days in the last year. When combined with a new high, such strong readings failed to generate compelling results.

Another way I looked at the market was taken from Overnight Edges. In the Overnight Edges blog on Wednesday I showed that times following a 3<sup>rd</sup> higher close and a 200-day high there has been a moderate downside edge for the overnight period. I ran that same test out over the next 10 days and have pasted those results below.

SPX closes up for exactly the 3rd day in a row and at a 200-day high. Buy on close. Sell X days later. \$100k/trade. 2001 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	5,265.09	37	20	17	54.05	1,412.44	4,090.20	-1,351.99	-5,987.20	1.04	1.23	142.30
9	5,633.11	39	23	16	58.97	1,226.40	3,996.36	-1,410.88	-4,469.76	0.87	1.25	144.44
8	6,826.63	39	21	18	53.85	1,171.73	2,068.43	-987.76	-3,399.32	1.19	1.38	175.04
7	-4,727.71	41	21	20	51.22	1,137.02	2,748.90	-1,430.25	-3,921.56	0.79	0.83	-115.31
6	3,812.94	43	27	16	62.79	901.57	2,643.84	-1,283.09	-2,714.32	0.70	1.19	88.67
5	6,149.62	45	28	17	62.22	805.87	1,502.10	-965.57	-2,663.04	0.83	1.37	136.66
4	4,251.10	50	31	19	62.00	643.55	1,614.60	-826.26	-3,478.08	0.78	1.27	85.02
3	3,871.87	50	32	18	64.00	644.14	1,652.40	-930.03	-3,162.24	0.69	1.23	77.44
2	1,371.96	50	27	23	54.00	573.22	1,895.16	-613.26	-2,635.14	0.93	1.10	27.44
1	-213.00	50	25	25	50.00	358.17	1,497.36	-366.69	-2,040.18	0.98	0.98	-4.26

Odds don't often get much more breakeven than this. There just isn't anything here to base a trade on. So despite my efforts, there is nothing new being added to the Active List tonight.

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



With only intermediate-term studies in play, the green Aggregator Line is again just 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 now very far below 0. The negative Differential Line reading means the SPX is strongly overbought versus recent expectations. So expectations are bullish but the SPX is very overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. This caused the Aggregator system stay flat at the close.

Expectations over the next few days will be largely dependent on the new studies that will emerge. Should nothing compelling trigger on Thursday, then expectations would be very slightly bullish based on the intermediate-term outlook. The Differential Pivot will be 1,567.46 on Thursday. This is 1.3% below Wednesday's close. So for SPX to move from overbought to oversold will take a decline of at least this much. It is fairly unlikely we will see that happen in 1 day. A more likely scenario would be a multi-day pullback or consolidation to work off the overbought condition.

Expectations are so narrowly bullish and the SPX is so strongly overbought that I would lean slightly bearish if I had to pick a side. Buy I don't have to pick. I won't be surprised if we pull back here in the next few days, but betting on a pullback is a different story. The rally in 2013 has been relentless and those that have tried to trade counter to it have been run over. Thanks to my work with the QE Buying Power Index I have been able to avoid that fate. So even if we had some bearish evidence it is very unlikely that I would try a short position in this market. I'll just continue to wait for a more favorable entry point.

***Intermediate-term Outlook (2 weeks – 2 months)– updated 4/8 – somewhat bullish***

The intermediate-term outlook was last updated in the 4/8 letter. Link below:

[2013-04-08 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
FDX(1/3)	4/9/2013	\$95.25	\$97.95	2.83%		<i>sell on open</i>

*FDX reached its target price and will be exited at the open on Thursday.*

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