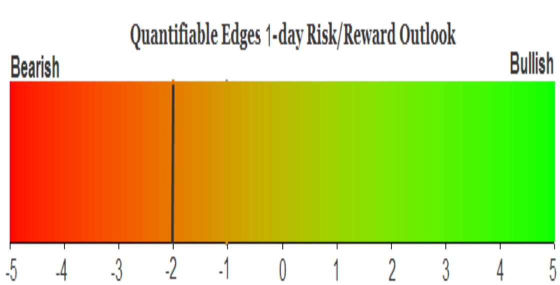
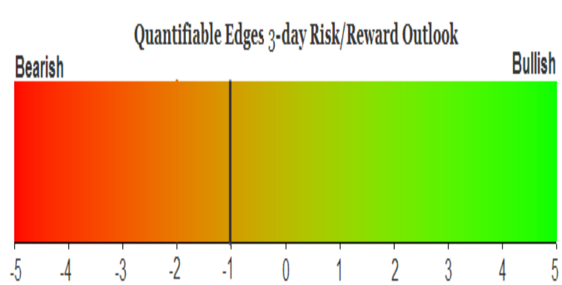
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 18, 2013 Volume 6 Issue 116

Market Overview





Signals Overview

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

Tonight's Research Points

- The weaker the close on Tuesday, the more bullish the setup for Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is bearish but that is not anticipated to continue past Tuesday. And with a Fed Day on Wednesday it could easily turn bullish at the close on Tuesday.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
June 14, 2013	Gap & Reverse 2x	1-4 days	Bearish	-1.25%
Active - Long Term				
June 4, 2013	Hindenburg Omen cluster	1-50 days	Bearish	-8.60%
May 9, 2013	Breadth Confirms Rally (Study of Tops)	int term	Bullish	
May 6, 2013	Nasdaq leading SPX	int term	Bullish	
April 29, 2013	Sell in May unless Jan-April strong	1-6 months	Bullish	6.80%
April 29, 2013	6 months higher in a row	1-10 months	Bullish	14.30%
September 17, 2012	QE3	int term	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
June 12, 2013	1% drop. Decliners 2x advancers.	1-5 days	Bullish	2.30%
June 6, 2013	Unfill Gap Dn, Poor Close, Over 200	1-8 days	Bullish	2.90%

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

The Evidence

Monday saw the market put in some solid gains. The SPX and NASDAQ each gained 0.8%, while the Russell 2000 rose 0.7%. Breadth was positive as the NYSE Up Issues % was 66% and the Up Volume % was 73%. Total NYSE volume rose from Friday's level.

One thing to keep in mind as we approach the close on Tuesday is that Wednesday is a Fed Day. One of the more compelling studies I featured in The Quantifiable Edges Guide to Fed Days examined Fed Day performance based on the quartile that the SPY closed in of the daily range. The basic finding was that the worse the close, the better the Fed Day edge. I last updated the studies by quartile in the 10/23/12 letter. Below are the 4 quartiles from highest to lowest in the daily range (all updated).

Tomorrow is a Fed Day. SPY closes in top 25% of daily range.
Buy on close. Sell Fed Day close.$100k/trade. 3/1/93 - 6/14/13.

TradeStation Performance Summary Collapse

All Trades

Total Net Profit	$9,401.13	Profit Factor	1.50
Gross Profit	$28,181.69	Gross Loss	($18,780.56)
Total Number of Trades	63	Percent Profitable	49.21%
Winning Trades	31	Losing Trades	30
Even Trades	2		
Avg. Trade Net Profit	$149.22	Ratio Avg. Win:Avg. Loss	1.45
Avg. Winning Trade	$909.09	Avg. Losing Trade	($626.02)
Largest Winning Trade	$2,238.25	Largest Losing Trade	($2,739.69)

Tomorrow is a Fed Day. SPY closes > 50 and <=75% of daily range.
Buy on close. Sell Fed Day close.$100k/trade. 3/1/93 - 6/14/13.

TradeStation Performance Summary Collapse

All Trades

Total Net Profit	$13,590.58	Profit Factor	2.06
Gross Profit	$26,412.57	Gross Loss	($12,821.99)
Total Number of Trades	37	Percent Profitable	56.76%
Winning Trades	21	Losing Trades	15
Even Trades	1		
Avg. Trade Net Profit	$367.31	Ratio Avg. Win:Avg. Loss	1.47
Avg. Winning Trade	$1,257.74	Avg. Losing Trade	($854.80)
Largest Winning Trade	$4,704.07	Largest Losing Trade	($2,246.40)

Tomorrow is a Fed Day. SPY closes > 25 and <=50% of daily range.
Buy on close. Sell Fed Day close.$100k/trade. 3/1/93 - 6/14/13.

TradeStation Performance Summary Collapse

All Trades

Total Net Profit	$10,267.79	Profit Factor	2.50
Gross Profit	$17,119.75	Gross Loss	($6,851.96)
Total Number of Trades	27	Percent Profitable	70.37%
Winning Trades	19	Losing Trades	8
Even Trades	0		
Avg. Trade Net Profit	$380.29	Ratio Avg. Win:Avg. Loss	1.05
Avg. Winning Trade	$901.04	Avg. Losing Trade	($856.50)
Largest Winning Trade	$2,943.00	Largest Losing Trade	($2,066.62)

SPY closes in bottom 25% of daily range. Tomorrow is a Fed Day.
Buy on close. Sell Fed Day close. $100k/trade. 2003 - 9/30/2012

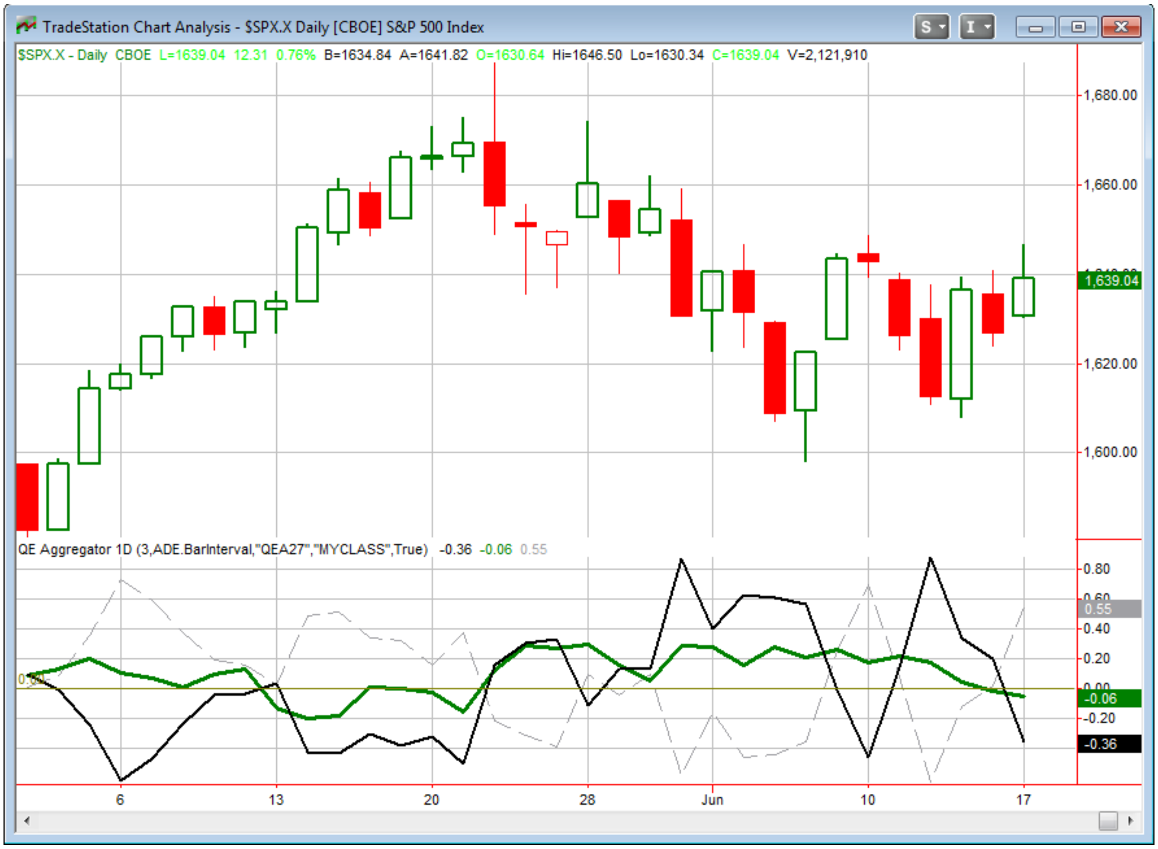
TradeStation Performance Summary Collapse

All Trades

Total Net Profit	$20,552.27	Profit Factor	4.08
Gross Profit	$27,234.96	Gross Loss	($6,682.69)
Total Number of Trades	35	Percent Profitable	74.29%
Winning Trades	26	Losing Trades	9
Even Trades	0		
Avg. Trade Net Profit	$587.21	Ratio Avg. Win:Avg. Loss	1.41
Avg. Winning Trade	$1,047.50	Avg. Losing Trade	($742.52)
Largest Winning Trade	$4,645.80	Largest Losing Trade	($2,945.28)

What was true 3 years ago when I first devised this study holds true today: the worse the close, the better the edge. It should also be noted that the bullish inclinations of Fed Days have basically played out prior to the actual Fed announcement. Traders that may look to trade the Fed Day edge could consider taking an exit ahead of the Wednesday afternoon announcement.

I have updated the Aggregator chart below.



Without new short-term evidence emerging on Monday afternoon the green Aggregator Line remained below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line is now also below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are negative and the SPX is short-term overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close below 0. This caused the Aggregator system to turn short at the close.

With the Fed Day coming up Wednesday, expectations will probably turn positive on Tuesday. Of course this will depend on what new evidence emerges. The Differential Pivot will be *inverted at* 1,643.43 on Tuesday. This is about 0.3% *above* Monday's close. An inverted Pivot means the Differential Line will cross 0 if SPX closes flat. In this case, SPX will need to close up at least 0.3% in order to remain overbought. Otherwise it will be considered oversold versus recent expectations.

So while Tuesday seems to hold a mild downside edge, that will likely flip if SPX does close down on the day. With my intermediate-term outlook somewhat bullish I have no interest in trying to take advantage of this short signal. But I will look to go long at

Tuesday's close if it turns out to be a weak day. Details in the Trade Ideas Section below.

Intermediate-term Outlook (2 weeks – 2 months)– updated 6/17 – somewhat bullish
I last updated the intermediate-term outlook in the 6/17 letter. Link below:

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link
Open Catapult Triggers
EXC – buy 1/3 @ $30.40 (filled)

Catapult for ETF's Trades
None

Broad Market Large Cap CBI – 1(EXC)

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.

SPY – buy ¼ index position @ $164.43 LIMIT ON CLOSE IF IT CLOSES IN BOTTOM ½ OF DAILY RANGE. Based on the short-term outlook above. A weak day on Tuesday could set up for a bullish Fed Day Wednesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Pric	Current Pric	% Gain/Loss	Stop	Notes
EXC(1/3)	6/13/2013	$30.40	$30.73	1.09%		Catapult