

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 27, 2013

Volume 6 Issue 123

Market Overview



Signals Overview

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

Tonight's Research Points

- The unfilled gap up and close higher would be bullish from a short-term low, but from an intermediate-term low bullish inclinations are no longer apparent.

Short-term Outlook

The Bottom Line

The 2-day bounce has been good enough to work off the oversold condition. While the bounce may have further to go, I see this as a profit-taking opportunity, and will look to get back to flat.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
June 25, 2013	Failed reversal.	1-4 days	Bullish	2.70%
June 25, 2013	4 lower lows. 20-low. Close > 200.	1-8 days	Bullish	2.40%
June 21, 2013	System 110524	1-7 days	Bullish	
June 21, 2013	1% drop. Bad breadth.	1-5 days	Bullish	
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	

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

The Evidence

The market bounce continued on Wednesday. SPX gained 1.0%, the NASDAQ closed up 0.9% and the Russell 2000 rose 0.3%. Breadth was squarely positive as the NYSE Up Issues % was 73% and the Up Volume % was also 73%. Total NYSE volume declined for the 3rd day in a row.

After being stretched to the downside a couple of days ago, the bounce over the last 2 has largely worked off the oversold condition. The Quantifinder identified a couple of studies that examined conditions like unfilled gaps higher and strong moves up that failed to result in a close above the 10ma. Neither one suggested a compelling edge. And after a bit more slicing and dicing tonight it still did not appear as though the market was providing reliable hints. So without compelling new evidence, I am going to keep it short and sweet tonight.

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



With all the short-term studies still bullish and not quite at their targets 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, with the strong move higher the last 2 days caused the black Differential Line to slip down below 0. The negative Differential Line reading means the SPX is now overbought versus recent expectations. So expectations are positive but the SPX is 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 to turn flat at the close.

Based on the current studies expectations are slated to remain positive on Thursday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 1,580.09 on Thursday. This is about 1.4% below Wednesday's close. So it will take a big move down on Thursday to move the SPX back from bought to oversold.

The active studies all suggest there may still be some room left to the upside for this bounce. But with the oversold condition now worn off, I am not inclined to try and squeeze every drop. This appears to be a reasonable place to take profits, and that is my intention for Thursday. The Aggregator never stays neutral for long, and I'm sure the next opportunity is not far away. But for now, I'll look to get flat.

Intermediate-term Outlook (2 weeks – 2 months)– updated 6/24 – somewhat bullish

The intermediate-term outlook was last updated in the 6/24 letter. Link below:

[2013-06-24 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
SPY(1/4)	6/20/2013	\$158.56	\$160.14	1.00%		sell @ \$160.14

I will look to get out at a limit price equal to Wednesday's close. In the case of a gap down, I will give it some time to fill. If it fails to fill, I may institute a stop after the first 30 minutes or so of trading.

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