

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 8, 2013

Volume 6 Issue 152

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- 3 down days from a 50-day high that closes < 10ma but above 10-day low suggest an upside edge.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is still bullish. And after 3 days of selling the SPX is looking more short-term oversold. I am partially long, and may add more long exposure on Thursday.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
August 8, 2013	3 dn from 50-high < 10ma, > 10-low	1-4 days	Bullish	1.90%
August 2, 2013	Breakout from short base. Vol lower.	1-5 days	Bullish	1.50%
August 1, 2013	End of Month < 10ma and > 200ma	1-5 days	Bullish	2.20%
<b>Active - Long Term</b>				
July 22, 2013	New High Divergence (Study of Tops)	int term	<b>Bearish</b>	
July 11, 2013	5 up > 200 but < 50-high	1-15 days	Bullish	
June 28, 2013	70% Advancing Issues 3 Days In Row	1-85 days	Bullish	10.60%
June 4, 2013	Hindenburg Omen cluster	1-50 days	<b>Bearish</b>	<b>-8.60%</b>
May 6, 2013	Nasdaq leading SPX	int term	Bullish	
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.

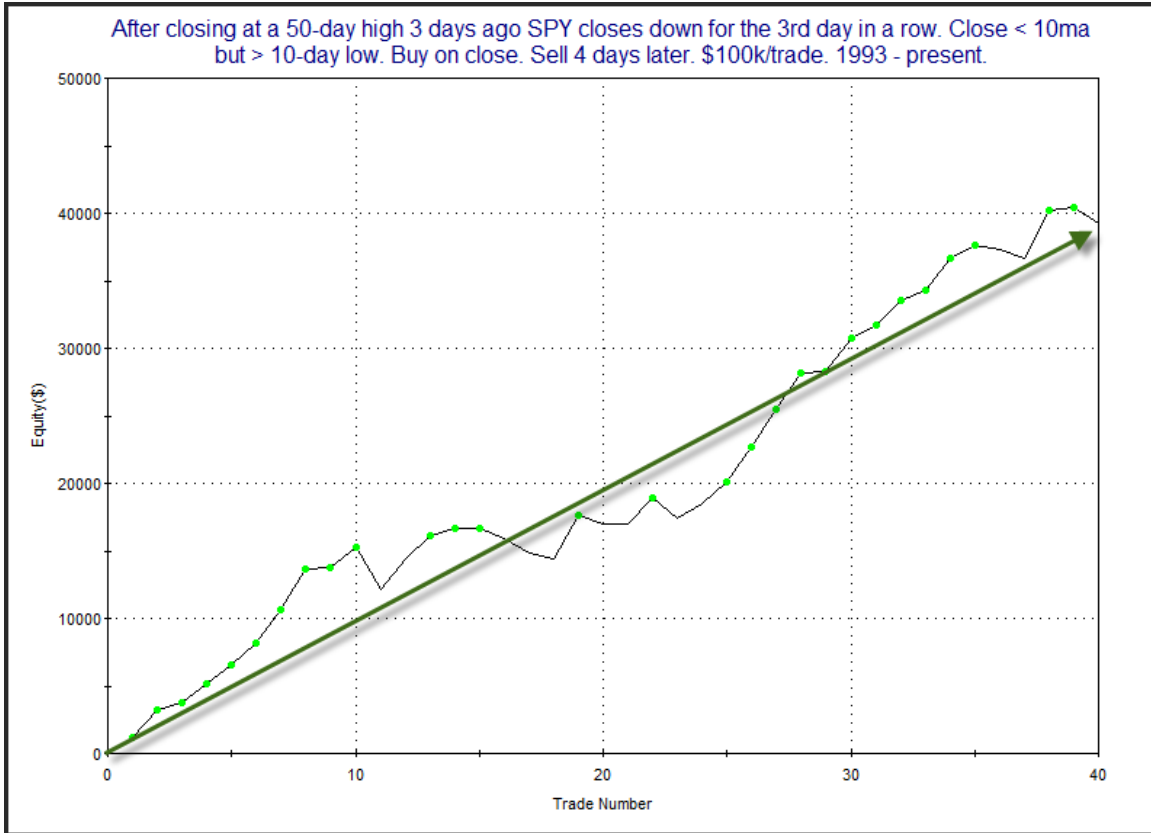
**The Evidence**

The selling continued on Wednesday. The SPX fell 0.4%, the Nasdaq dropped 0.3%, and the Russell 2000 declined 0.7%. Breadth was squarely negative as the NYSE Up Issues % was 30% and the Up Volume % was 29%. Total NYSE volume fell a little from Tuesday's level.

Wednesday marked the 3<sup>rd</sup> close lower in a row for SPY. Three-day pullbacks will often trigger a few bullish studies. The one below is the one I found most interesting. It was from the 5/28/13 letter. It looked at other times that SPY had a 3-day pullback from a 50-day high, and that pullback was deep enough to put it below the 10ma, but *not* deep enough to see it at a 10-day closing low. I have updated the stats table below.

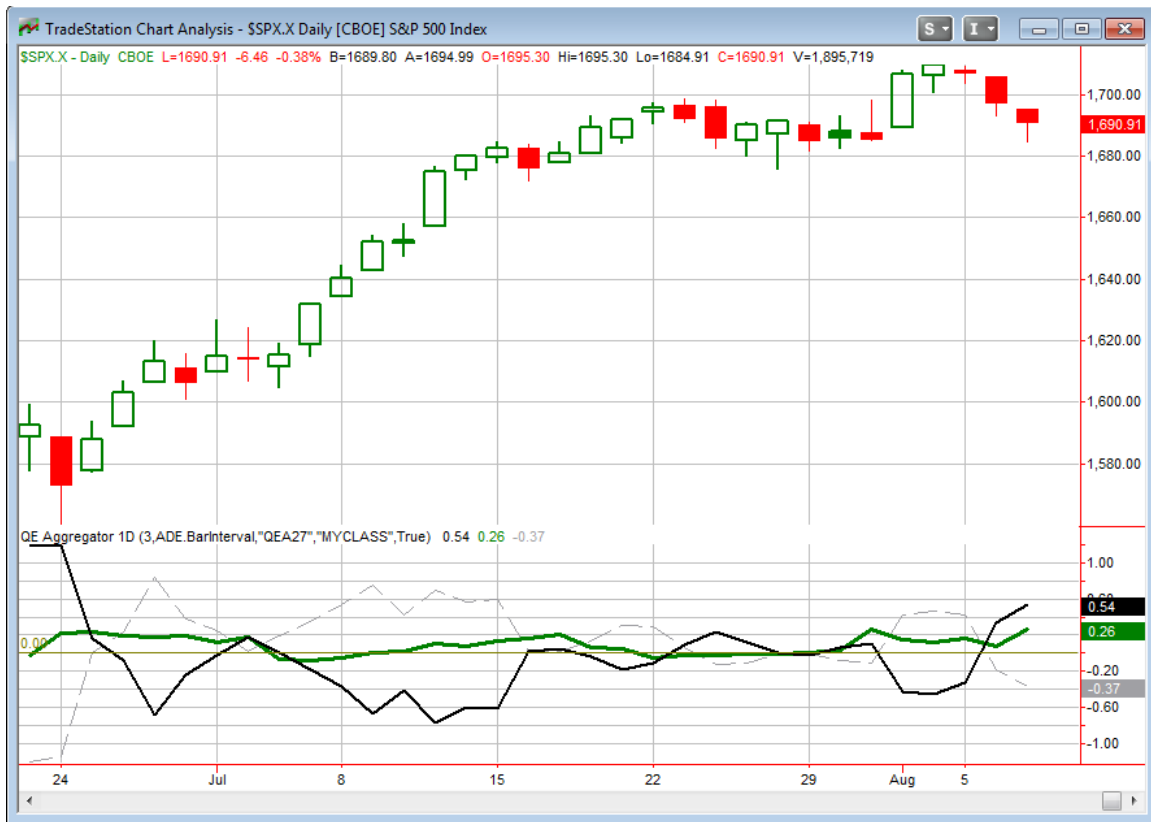
After closing at a 50-day high 3 days ago SPY closes down for the 3rd day in a row. Close < 10ma but > 10-day low. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	52,023.98	39	28	11	71.79	2,560.84	7,242.70	-1,789.05	-6,933.13	1.43	3.64	1,333.95
9	45,662.33	39	29	10	74.36	2,418.28	6,322.56	-2,446.79	-8,192.92	0.99	2.87	1,170.83
8	47,773.15	39	30	9	76.92	2,234.86	6,358.08	-2,141.42	-4,499.25	1.04	3.48	1,224.95
7	40,838.43	39	29	10	74.36	2,086.11	6,322.56	-1,965.88	-4,354.31	1.06	3.08	1,047.14
6	45,632.66	39	29	10	74.36	2,085.69	5,375.36	-1,485.23	-2,140.14	1.40	4.07	1,170.07
5	36,822.91	40	28	12	70.00	1,824.06	3,522.94	-1,204.24	-3,453.71	1.51	3.53	915.57
4	39,265.94	40	31	9	77.50	1,575.59	3,543.50	-1,064.14	-3,076.63	1.48	5.10	981.65
3	27,397.97	40	28	12	70.00	1,444.85	3,543.50	-1,088.16	-2,027.68	1.33	3.10	684.95
2	13,302.10	40	26	14	65.00	1,100.96	2,332.48	-1,094.49	-2,781.35	1.01	1.87	332.55
1	9,295.85	40	27	13	67.50	785.60	2,060.16	-916.56	-2,031.09	0.86	1.78	232.40

Under these circumstances, it appears bounces have been both reliable and powerful. Below is a look at the profit curve assuming a 4-day exit technique.



The curve appears to provide confirmation of the bullish tendency suggested by the stats table.

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



Tonight's study helped the green Aggregator Line rise further in positive territory. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, 3 days of selling has the black Differential Line further above 0 than it has been since June. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive 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 at the close.

Based on the current active studies expectations are set to remain positive on Thursday. Of course this could change if compelling bearish evidence emerges. The Differential Pivot will be 1,714.32 on Thursday. That is a hefty 1.4% above Wednesday's close. It will be a stretch to see that happen in 1 day. A more likely scenario would be a multi-day rally or consolidation to work off the oversold condition.

I like the addition of tonight's study to the already bullish outlook. I like the fact that the market has pulled back a few days here. And with the Differential Pivot fairly far above, potential reward on this trade is increased. I took some long exposure near the open on Wednesday, and I will look to add to that on Thursday. Details are in the Trade Ideas section near the bottom of letter.

**Intermediate-term Outlook (2 weeks – 2 months)– updated 8/5 – somewhat bullish**

The intermediate-term outlook was last updated in the 8/5/13 Letter. Link below:

[2013-08-05 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.*

*SPY – Buy ¼ index position @ \$168.50 LIMIT ON OPEN. If not filled on open, cancel order and wait until close, where I will look to purchase it @ \$168.50 LIMIT ON CLOSE.* Based on the short-term outlook above, I will look to take on a 2<sup>nd</sup> lot if either the open or the close provide a favorable entry opportunity.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Pric	Current Pric	% Gain/Loss	Stop	Notes
SPY(1/4)	8/7/2013	\$169.19	\$169.18	-0.01%		bought on open

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