

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 27, 2013

Volume 6 Issue 165

Market Overview



Signals Overview

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

Tonight's Research Points

- Summer chop is not providing any short-term clarity.

Short-term Outlook

The Bottom Line

Choppy, low-volume, news-driven markets can be especially tricky, and that is what we seem to be looking at. I intend to keep it light until a more compelling edge emerges.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
August 20, 2013	3 lower H-L-C > 200ma	1-6 days	Bullish	2.20%
August 16, 2013	Unfill gap > 200. Close low 25% range.	1-8 days	Bullish	3.30%
Active - Long Term				
August 12, 2013	Hindenburg Omen cluster	1-50 days	Bearish	-8.60%
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
June 28, 2013	70% Advancing Issues 3 Days In Row	1-85 days	Bullish	10.60%
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	
Dropped Tonight				
August 16, 2013	System 1100524	1-7 days	Bullish	

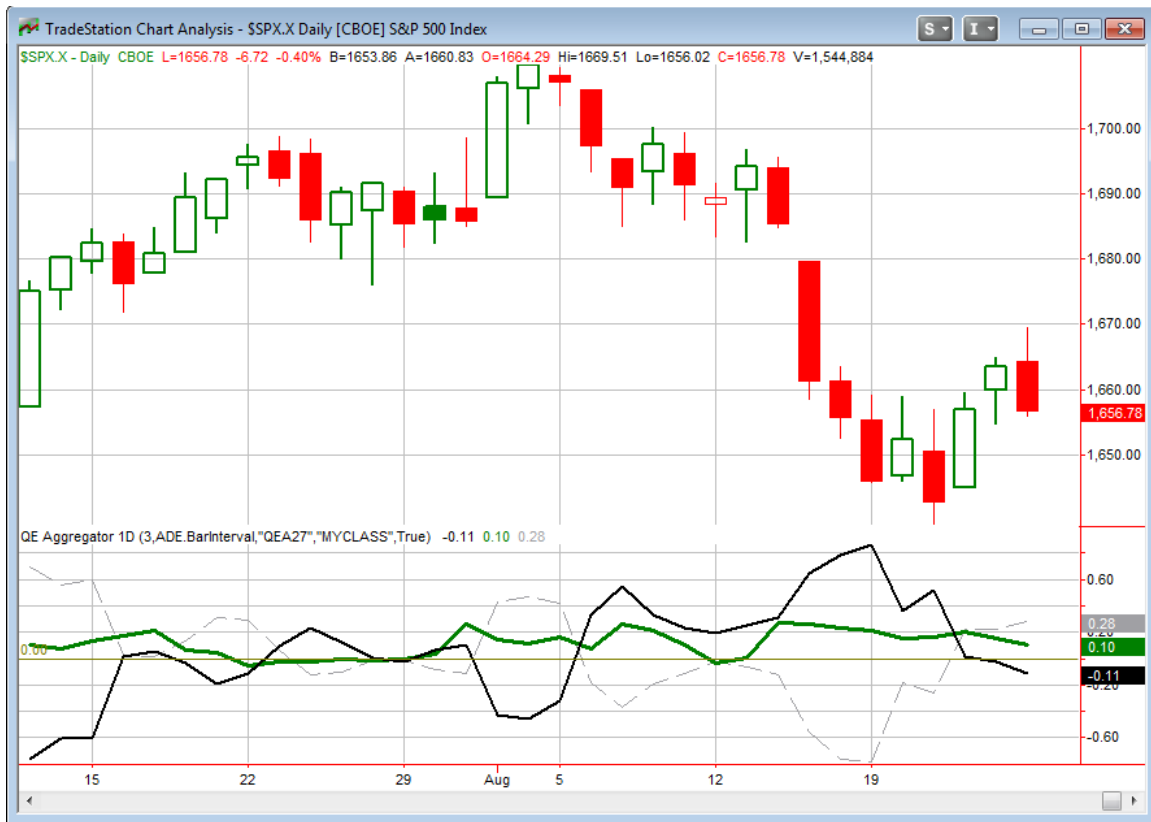
If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

The Evidence

The market moved quietly and gently higher for much of the day, but it got spooked in the last 45 minutes after news of chemical weapon use in Syria was broadcast, and green turned to red for most of the major indices. The SPX closed down 0.4%, while the NASDAQ and the Russell 2000 were near breakeven, with the NASDAQ finishing down 0.01% and the Russell 2000 up 0.03%. Breadth was fairly negative as the NYSE Up Issues % was 42% and the Up Volume % was 35%. Despite the last hour of action, total NYSE volume still came in at the lightest level in months. This does not concern me much. I expect we will see light volume for much of the week, as we often do the last week of the Summer.

The Quantifinder came up blank. The EdgeFinder over at Overnight Edges came up blank. And I did too. There does not seem to be anything about the action in the last few days that suggest a strong possibility for the next few. SPY has now reversed direction 4 times in the last 5 days. And though it fell today, its 10ma is also creeping lower. SPY will only need to rise about \$0.07 tomorrow in order to move above it. From a trading and evaluation standpoint, there is not much to do. From an end-of-summer standpoint, that's not such a bad thing.

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



Without anything new triggering, the green Aggregator Line remained above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line fell a little further below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is a little 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 signal to remain flat at the close.

Both short-term studies on the Active List are set to expire on Tuesday. So expectations will be largely dependent on what new studies emerge. If nothing new emerges, then the intermediate-term studies and outlook will prevail and expectations will remain positive. The Differential Pivot will be *inverted* at 1,665.48 on Tuesday. That is about 0.5% *above* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, to remain overbought SPX is going to need to close up about 0.5% on Tuesday. Otherwise, it will be deemed "oversold" versus expectations.

New evidence remains lacking. I have no interest in new trades tonight without a clear edge. It will be interesting to see how things unfold over the next few days. Between the lack of evidence, the choppy action, the light volume we are likely to see this week, and the inverted Differential Pivot, the overall short-term outlook is a bit of a mess.

I may have made a mistake in holding on to XIV, especially since it gapped up nicely at the open on Monday when I sold everything else. John Kerry's rhetoric towards Syria seemed to put a scare in the market, and so the VIX spiked late in conjunction with the market decline. After being down for much of the day, the VIX finished up nearly 8%, and XIV felt some of that sting. I still like XIV, but when you get into news-driven environments, then options premium can build quickly. So I'll continue to hold my XIV position, but I will put in a stop below the swing low of a few days ago.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/26 – somewhat bullish

The intermediate-term outlook was last updated in the 8/26 letter. Link below:

[2013-08-26 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

KO – 1/3 @ \$38.28 limit (filled)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(KO)

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>8/7/2013</i>	<i>\$169.19</i>	<i>\$166.79</i>	<i>-1.42%</i>		<i>sold on open</i>
<i>SPY(2/4)</i>	<i>8/15/2013</i>	<i>\$167.41</i>	<i>\$166.79</i>	<i>-0.37%</i>		<i>sold on open</i>
XIV(1/2)	8/15/2013	\$26.99	\$26.28	-2.63%	\$25.45	Aggressive VIX
<i>SPY(3/4)</i>	<i>8/19/2013</i>	<i>\$164.77</i>	<i>\$166.79</i>	<i>1.23%</i>		<i>sold on open</i>
<i>DD(1/3)</i>	<i>8/19/2013</i>	<i>\$58.15</i>	<i>\$57.77</i>	<i>-0.65%</i>		<i>sold on open</i>
<i>DD(2/3)</i>	<i>8/20/2013</i>	<i>\$57.42</i>	<i>\$57.77</i>	<i>0.61%</i>		<i>sold on open</i>
<i>MO(1/3)</i>	<i>8/20/2013</i>	<i>\$33.93</i>	<i>\$34.37</i>	<i>1.30%</i>		<i>sold on open</i>
<i>MO(2/3)</i>	<i>8/21/2013</i>	<i>\$33.74</i>	<i>\$34.37</i>	<i>1.87%</i>		<i>sold on open</i>
<i>DD(3/3)</i>	<i>8/21/2013</i>	<i>\$57.40</i>	<i>\$57.77</i>	<i>0.64%</i>		<i>sold on open</i>
<i>MO(3/3)</i>	<i>8/22/2013</i>	<i>\$33.47</i>	<i>\$34.37</i>	<i>2.69%</i>		<i>sold on open</i>
KO(1/3)	8/22/2013	\$38.28	\$38.12	-0.42%		Catapult

Note the stop I placed on XIV.

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