

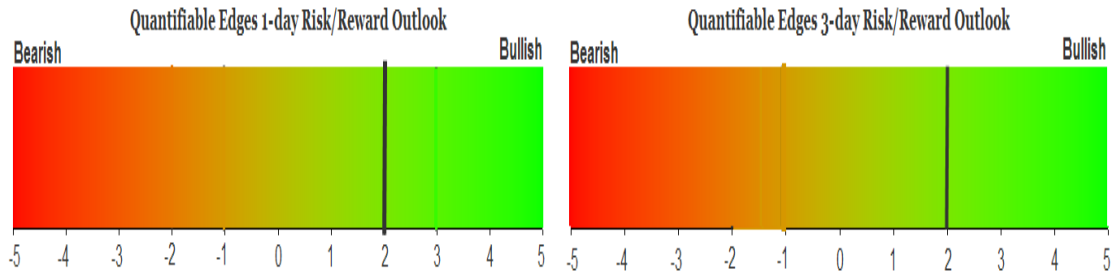
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 2, 2013

Volume 6 Issue 190

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The QE Buying Power Index projections for October are showing we are now in the strongest liquidity period of the month.

## *Short-term Outlook*

### *The Bottom Line*

The market bounced some on Tuesday, but remains short-term oversold. And evidence continues to suggest more upside. I am long and looking to ride this out a little longer.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
October 1, 2013	2 unfilled down gaps & 5-low	1-6 days	Bullish	
September 25, 2013	Turn Tues Fail	1-6 days	Bullish	2.60%
<b>Active - Long Term</b>				
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	
<b>Dropped Tonight</b>				
<b>October 1, 2013</b>	<b>10-low &gt; 200ma end of month</b>	<b>1 day</b>	<b>Bullish</b>	
October 1, 2013	Continuation Tuesday	1 day	Bearish	

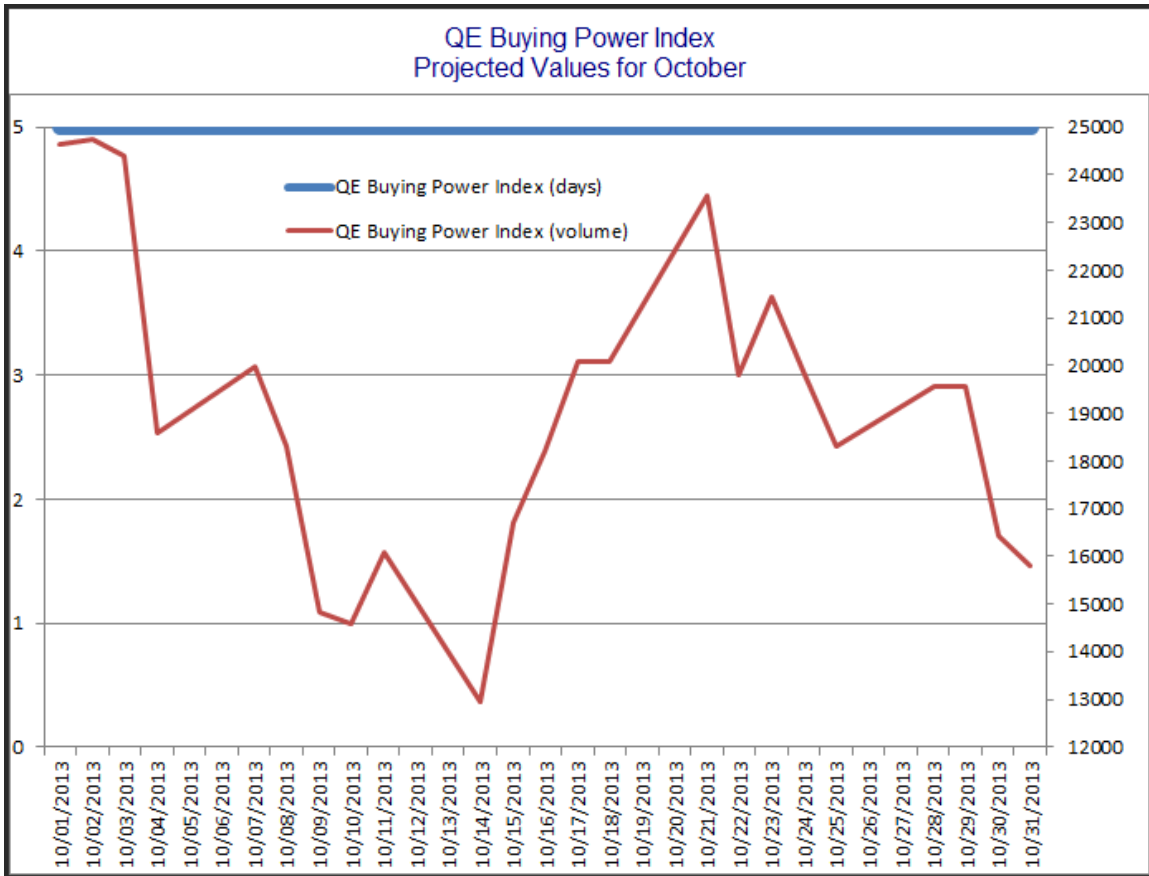
If the avg max move is achieved the study will appear in ***bold italic blue*** and no longer be active.

***The Evidence***

Without a real government the stock market rallied nicely. The SPX rose 0.8%, the Nasdaq rallied 1.2%, and the Russell 2000 gained 1.3%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % was 79%. Total NYSE volume declined from Monday's level.

Sometimes the first day of a bounce gives us some nice indications of whether the bounce is likely to be successful or not. And sometimes it takes a few days before we get any substantial clues. This time it appears to be the latter case. The Quantifinder drew a rare blank on Tuesday and my few attempts to examine odds revealed nothing compelling.

This did leave me the chance to input the Fed's schedule for October and calculate the projected QE Buying Power Index. I've pasted the chart below, but you can also always find a copy on the QE Buying Power Index information page.



As a quick reminder, the red volume line is the expected 5-day total of AMBS and POMO purchases. High levels suggest strong liquidity flows that can help provide a bullish backdrop in the following week or so. Bears generally have an easier time gaining traction when liquidity flows are light. You'll note the lightest flows of the month occur leading up to mid-month. So just after that could be a possible opportune time for a selloff to occur. Interestingly, the end of the month also looks rather weak. Also notable is that the strongest readings for October are occurring now. In other words, the liquidity backdrop is stronger now than it is going to be for the rest of the month. This should help the market over the next several days and only enhances the chances of a continued bounce.

There are no new studies to add to the Active List tonight, but I have updated the [Aggregator](#) chart below.



Despite the lack of new studies the green Aggregator Line remains well above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also still above 0. 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 signal to remain long at the close.

The small number of active short-term studies is all bullish, so expectations are slated to remain bullish on Wednesday. Of course this could easily change if solid bearish evidence emerges. The Differential Pivot will be 1,706.93 on Wednesday. That's 0.7% above Tuesday's close. So SPX would need to close up at least this much in order to move from oversold to overbought versus expectations.

Tuesday was a start. And while nothing new emerged, the evidence we were already looking at suggested there should be more to go than this. And with strong liquidity backing, the market seems to have a good chance of adding to Tuesday's gains over the next few days. I intend to ride my current long position a bit more. I have not added any new trade ideas tonight, but there are several that are shown on the triggers spreadsheet for those that would like to add some exposure.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 9/30 – somewhat bullish**

The intermediate-term outlook was last updated in the 9/30/13 Letter. Link below:

[2013-09-30 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)	9/24/2013	\$169.90	\$169.34	-0.33%		sell SPX close > 1,706.82
SPY (1/4)	9/25/2013	\$169.53	\$169.34	-0.11%		sell SPX close > 1,706.82
APA	9/26/2013	\$86.63	\$86.47	-0.18%		sold on close

APA was sold at the close as per System 11111 rules.

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