

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 3, 2013

Volume 6 Issue 191

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 chop over the last few days has failed to generate compelling new edges.

Short-term Outlook

The Bottom Line

Chop the last few days is wearing off the oversold condition, but not triggering new edges. I am long but will be looking to sell on Thursday if the market closes up much.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
October 1, 2013	2 unfilled down gaps & 5-low	1-6 days	Bullish	
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				
September 25, 2013	Turn Tues Fail	1-6 days	Bullish	2.60%

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

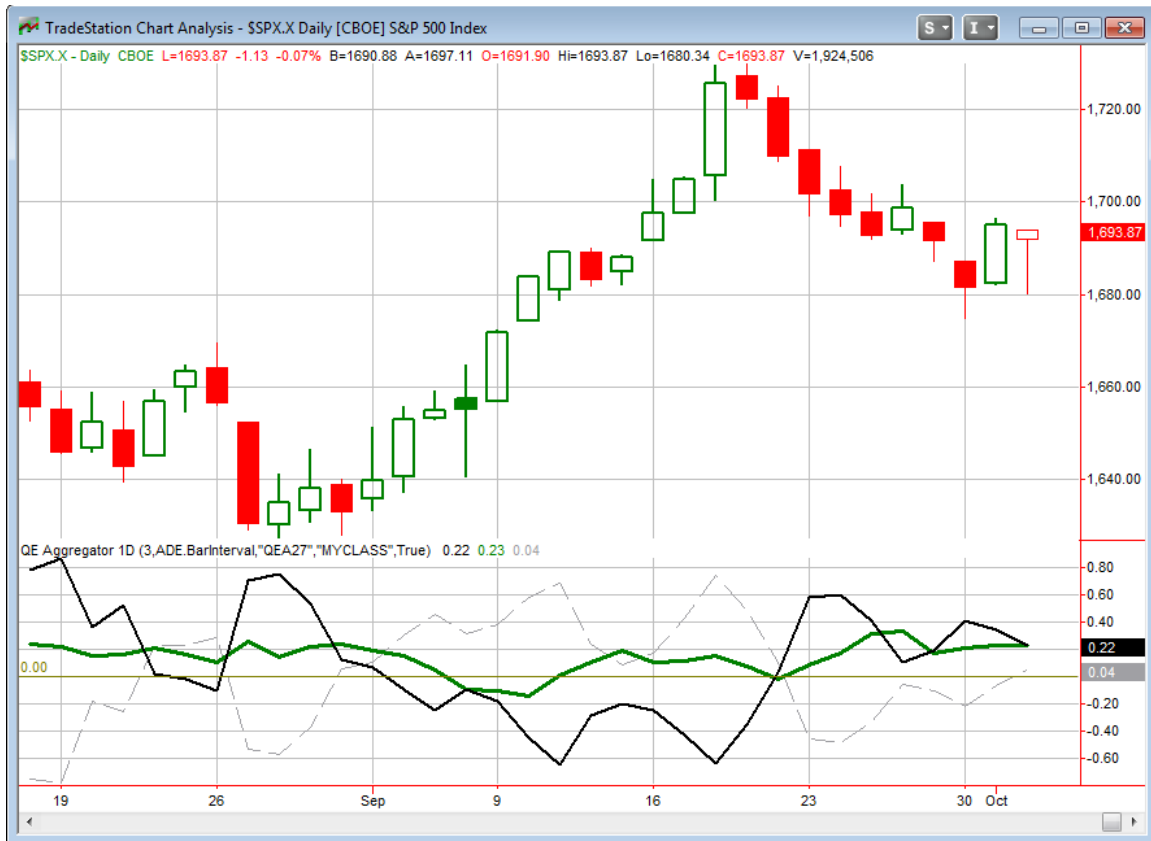
The Evidence

The market gapped down big overnight, but it rebounded pretty well and almost got back to breakeven before the close. The SPX and Nasdaq each finished down less than 0.1%, and the Russell 2000 fell 0.4%. Breadth was positive as the NYSE Up Issues % was 43% and the Up Volume % was 56%. Total NYSE volume declined for the 2nd day in a row.

For the 2nd day in a row the Quantifinder failed to identify anything strongly compelling. The VIX moved back more than 10% above its 10ma, which triggered 1 old study. I decided to break this down a number of ways tonight, and did not find the current setup to be terribly predictive. Without SPX also making at least short-term lows, the moderate stretch in the VIX did not mean much.

The Quantifinder has over 1000 studies, so it is unusual that there is so little to discuss 2 nights in a row. But this is more likely to happen when the market is chopping back and forth on a daily basis – and that has certainly been the case over the last few days. I don't believe in data mining to find results that on the surface appear interesting. I have found a better approach is to simply wait until strongly compelling edges emerge, and not get worked up about chop.

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.

Last remaining active short-term study is bullish, and expectations are slated to remain bullish on Thursday. Of course this could easily change if new bearish evidence emerges. The Differential Pivot will be 1,694.87 on Thursday. That's exactly 1 SPX point above Wednesday's close. With the sideways consolidation over the last couple of days, it will not take much to work off the short-term oversold condition on Thursday.

Evidence is light, but it does seem to be pointing up. I am long. With the edge fairly moderate I am not looking to add more exposure here. In fact, with the sideways action over the last couple of days, SPX is not far from "short-term overbought". So with this in mind I'll be looking to exit my long index exposure near the close tomorrow if SPX closes up much.

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	\$169.18	-0.42%		sell SPX close > 1,694.87
SPY (1/4)	9/25/2013	\$169.53	\$169.18	-0.21%		sell SPX close > 1,694.87

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