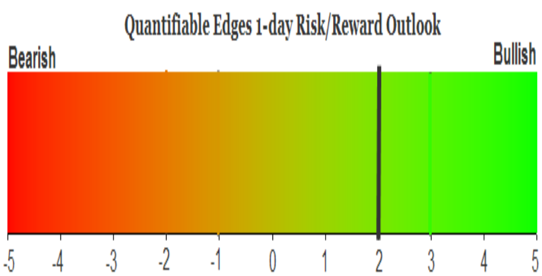
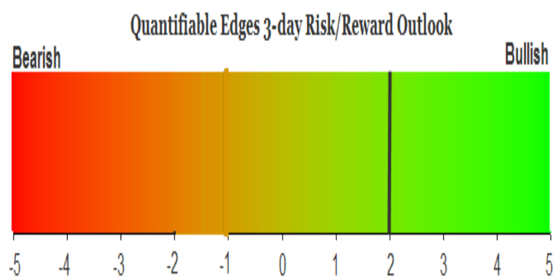
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 4, 2013 Volume 6 Issue 192

Market Overview





Signals Overview

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

Tonight's Research Points

- Nothing new emerged on Thursday. Evidence remains light but pointing upwards.

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Short-term Outlook

The Bottom Line

SPX is oversold and evidence is moderately positive. I am looking for a bounce, but not getting too heavily invested .

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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	

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

The Evidence

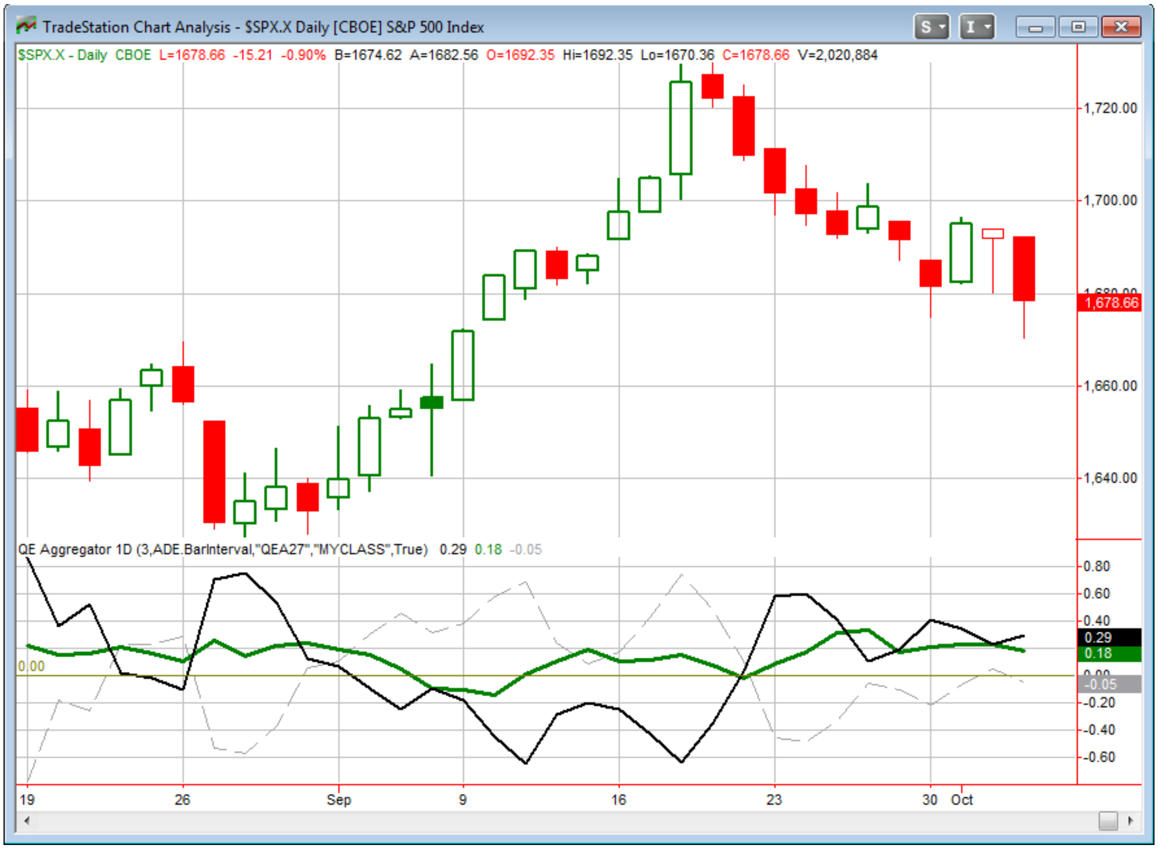
A strong selloff right after the open set the tone for the day and the major indices suffered losses again on Thursday. The SPX finished down 0.9%, and the Nasdaq and Russell 2000 each fell 1.1%. Breadth was strongly negative as the NYSE Up Issues % was 18% and the Up Volume % was 21%. Total NYSE volume rose a little from the last couple of days.

So there was some decent movement on Thursday, but it failed to generate any meaningful Aggregator studies. And though I examined several concepts tonight (the cross below the 50ma, the VIX spike, etc) there was nothing suggesting a substantial edge. The market simply is not giving out strong clues.

The indicator I keep getting asked about is the CBI. And at this point, it remains locked at 0. I showed a few nights ago that a CBI of zero when the market is short-term oversold in a long-term uptrend has been a setup without an edge. But the same criteria with a high CBI makes for a strongly bullish setup. I ran some similar studies tonight based on the current setup and got the same message.

So we are once again left with just the one short-term study, which is bullish, and the intermediate-term outlook, which is mixed with a bullish lean. In other words, evidence appears to favor a bounce, but not strongly.

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



The green Aggregator Line still remains 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.

There is still just 1 active short-term study. And it is bullish. This combined with the bullish intermediate-term studies means expectations are slated to remain positive again on Friday. Of course this could easily change if new bearish evidence emerges. The Differential Pivot will be 1,706.39 on Friday. That is a sizable 1.7% above Thursday's close. It's unlikely we'll see that accomplished in just 1 day. A more likely scenario is that it will take a multi-day rally or consolidation to work off the oversold condition.

So the market is clearly oversold. And there appears to be a moderate upside edge. I am already partially long, and do not intend to add any more index exposure until more compelling evidence emerges. But there were several stocks that appeared on the numbered systems spreadsheet tonight. I went through a few of them and decided I would look to take on a small system-sized position tomorrow if I could get a favorable fill. Details are in the Trade Ideas section down below.

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.

EMC – buy @ $25.16 LIMIT. This is based on System 80402 of the Quantifiable Edges Numbered Systems. System 80402 has been pretty good over the years, and the times EMC has triggered it has done quite nicely as well. Below is a performance report showing results for EMC from 2000 – present.

System 80402 Performance for EMC.
$100k/trade. $0.01/share commission. 2000 - present.

TradeStation Performance Summary Collapse

All Trades

Total Net Profit	$19,975.85	Profit Factor	5.55
Gross Profit	$24,370.73	Gross Loss	($4,394.88)
Total Number of Trades	9	Percent Profitable	88.89%
Winning Trades	8	Losing Trades	1
Even Trades	0		
Avg. Trade Net Profit	$2,219.54	Ratio Avg. Win:Avg. Loss	0.69
Avg. Winning Trade	$3,046.34	Avg. Losing Trade	($4,394.88)
Largest Winning Trade	$5,660.10	Largest Losing Trade	($4,394.88)

The numbers here are all very impressive. I've circled a few that really stood out to me and appeared compelling. I also generated a list of trade dates.

System 80402 Performance for EMC.
$100k/trade. $0.01/share commission. 2000 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
03/11/03	MA StretchRev	$6.96	4.89%	$7,039.83
03/13/03	Sell	$7.30		($6,034.14)
06/24/03	MA StretchRev	$9.65	6.11%	$6,156.60
06/26/03	Sell	$10.24		($496.50)
06/28/05	MA StretchRev	$13.68	3.58%	$4,312.31
07/01/05	Sell	$14.17		($1,900.34)
08/08/05	MA StretchRev	$13.68	0.95%	$1,169.44
08/11/05	Sell	$13.81		($1,534.89)
03/12/07	MA StretchRev	$13.05	1.61%	$2,375.22
03/21/07	Sell	$13.26		($2,375.22)
11/21/07	MA StretchRev	$18.44	3.63%	$5,153.61
11/28/07	Sell	$19.11		($5,738.04)
11/03/09	MA StretchRev	$16.34	2.88%	$3,773.32
11/05/09	Sell	$16.81		($1,338.92)
06/17/11	MA StretchRev	$26.05	2.30%	$3,684.48
06/21/11	Sell	$26.65		($1,803.86)
05/18/12	MA StretchRev	$25.48	(4.32%)	$2,315.16
06/06/12	Sell	$24.38		($10,634.04)

These individual results appear encouraging as well. Note that the trades have been quite volatile, though. Gold subscribers may access the System 80402 detail page using the link below:
http://www.quantifiableedges.com/members/80402.php

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY (1/4)	9/24/2013	$169.90	$167.62	-1.34%		sell SPX close > 1,706.39
SPY (1/4)	9/25/2013	$169.53	$167.62	-1.13%		sell SPX close > 1,706.39