

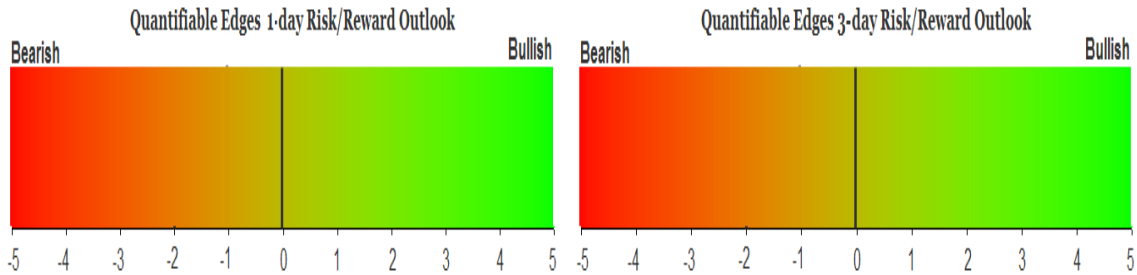
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 13, 2013

Volume 6 Issue 220

Market Overview



Signals Overview

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

Tonight's Research Points

- Chop near the top is not providing a strong edge.

Short-term Outlook

The Bottom Line

Evidence is favoring more upside, but there is not a whole lot of it. The market is overbought, and the Aggregator is neutral. This just doesn't appear to be a favorable entry point for a short-term trade. I'm waiting again.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
November 11, 2013	Gap dn reverse to 50-day high	1-3 days	Bearish	-2.50%
November 8, 2013	Outside reversal high to low	1-5 days	Bullish	2.10%
Active - Long Term				
October 25, 2013	SPX > 50,2 Bollinger Band	1-50 days	Bullish	
October 21, 2013	70% Advancing Issues 3 Days In Row	1-75 days	Bullish	10.60%
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
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	

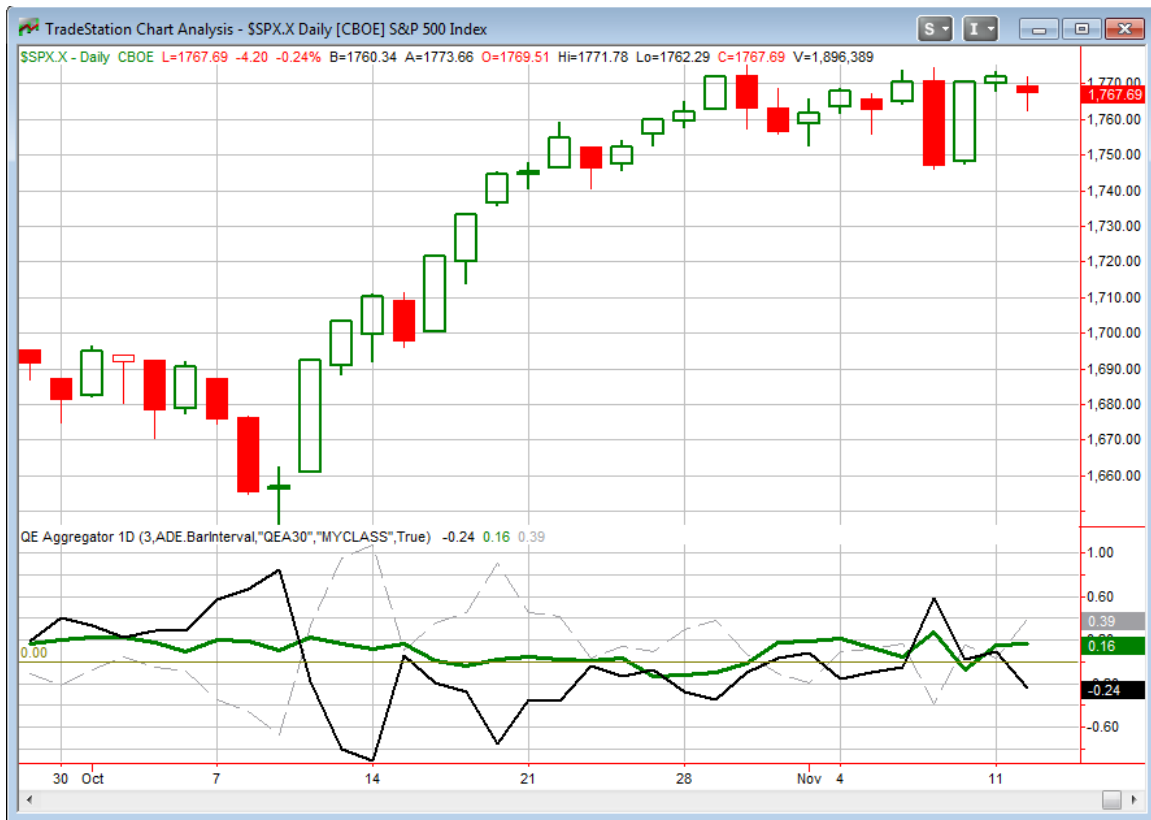
The Evidence

Tuesday was another day of pretty much nothing. The SPX was the big loser with a 0.2% drop, the Nasdaq finished up a mere 0.13 points, and the Russell 2000 was basically breakeven. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % was 40%. Total NYSE volume rose from Monday's holiday level, but was still light.

Back and forth chop near a long-term high is a setup that is typically devoid of strong short-term edges, and that seems to be what is happening here. So it is likely going to be a matter of patience, waiting for the next strong move to occur. And when it does, hopefully we will see a cascade of edges trigger like we saw last Thursday.

The Short-Term Active list remains the same with one bullish and one bearish study.

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



Tonight the green Aggregator Line held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dipped down below 0. The negative Differential Line reading means the SPX is now overbought versus recent expectations. So expectations are positive but the SPX is short-term 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 change to flat at the close.

With the current active studies, expectations are slated to remain bullish on Wednesday. Of course this could change if additional bearish evidence emerges. The Differential Pivot will be *inverted* at 1774.83 on Wednesday. That is *0.4% above* Tuesday's close. An inverted pivot means the Differential Line will cross 0 if SPX closes flat. In this case it is going to take a close higher of 0.4% in order to keep SPX overbought versus expectations. Anything short of that and SPX will be considered oversold at the close on Wednesday.

The Aggregator is neutral. New evidence is non-existent, and the short-term active list is pretty small. I'm not inclined to get involved without a more compelling setup. It feels like there has been a lot of "wait and see" lately. But I can't control that. All I can control as a trader is how I react to the market. And I will not be baited into taking

marginal setups or lowering my standards because I crave action. That is the kind of approach that cost me when I was just starting out. So - no new trade ideas tonight. (But volatility traders may want to keep an eye on XIV. Contango is getting steep. We could see a trade idea develop there if the market experiences a pullback.)

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/11 – somewhat bullish

The intermediate-term outlook was last updated in the 11/11/13 letter. Link below:

[2013-11-11 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

AMZN -1/3 @ \$343.56 (buy 1/3 @ limit) – not filled – cancel order for now

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(AMZN)

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

None.

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