

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 22, 2014

Volume 7 Issue 14

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Mild, choppy action over the last few days has failed to trigger new, compelling studies.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I. I see no good reason to get involved just yet, and intend to wait for the next favorable opportunity before looking to take on new trades.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active - Short Term</b>				
January 21, 2014	MLK week bearish	1-4 days	Bearish	-1.90%
January 17, 2014	SPX down. Up Issues % > 55%. SPX>200	1-3 days	Bullish	1.10%
January 14, 2014	1% drop bad breadth	1-9 days	Bullish	3.10%
<b>Active - Long Term</b>				
December 23, 2014	QE Tapering	int term	Neutral	
December 18, 2013	4 Hindenburg Triggers	1 - 35 days	Bearish	-7.00%
December 2, 2013	Nasdaq leading SPX	int term	Bullish	
October 21, 2013	70% Advancing Issues 3 Days In Row	1-7 5 days	Bullish	10.60%
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	
<b>Dropped Tonight</b>				
January 16, 2014	SPY 2 unfilled up gaps & 50-high	1-3 days	Bullish	

***The Evidence***

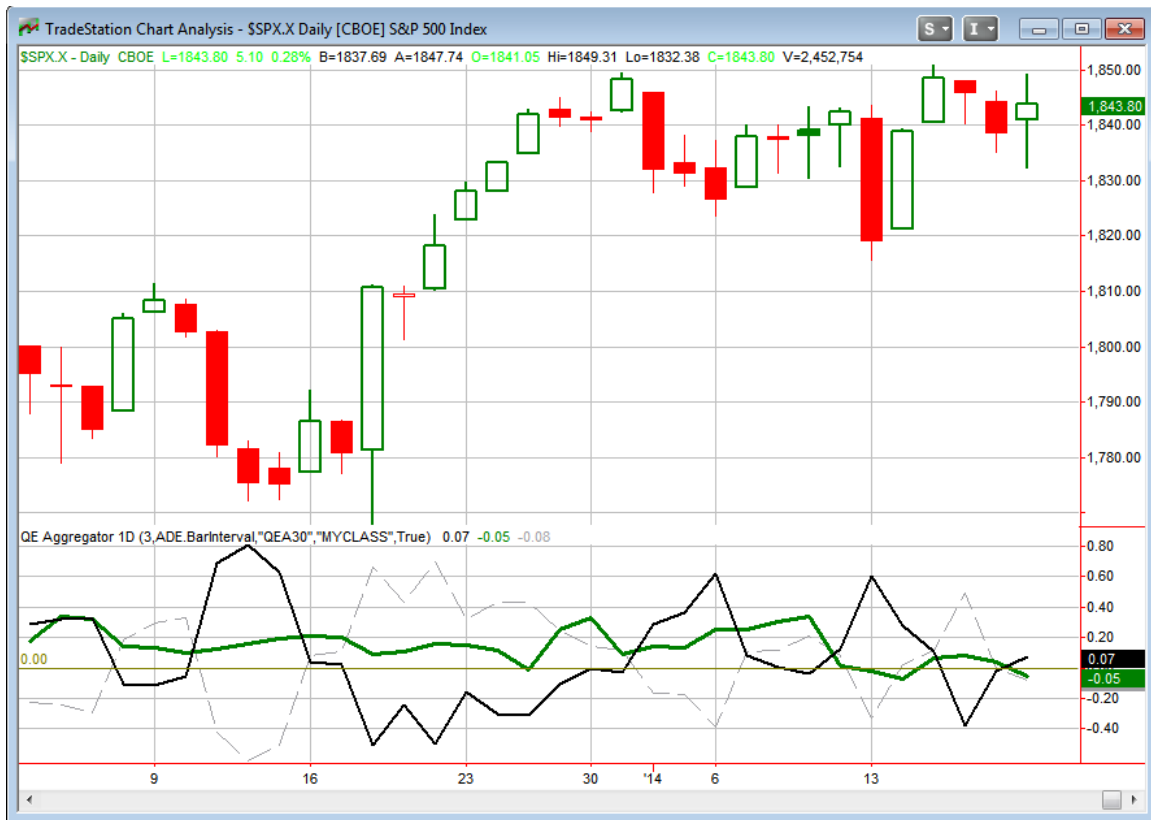
The market was all over the place on Tuesday, but most of the indices finished higher. The SPX gained 0.3%, the Nasdaq rallied 0.7% and the Russell 2000 rose 0.6%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % was 58%. Total NYSE volume fell from Friday's high opex level.

One condition that will often fail to generate compelling edges is when the market experiences sideways chop. The last 4 four days have been mild up, mild down, mild down, and now mild up. This leaves us near the middle of that 4-day range and without much new to go on from either the Quantifinder or my own imagination. The fact that both SPX and VIX closed up today is a little unusual, but the Quantifinder studies that triggered showed under current circumstances "unusual" has not equaled "predictive".

Of course ranges don't last forever. It is only a matter of time until a strong edge will emerge. And I'd prefer to have my capital ready for when that happens, rather than tying it up with marginal trades in the hopes of small gains.

There are still a few short-term studies left on the Active List. A couple of bullish ones were related to price action and breadth, while the seasonality study from last night suggested a bearish inclination. Sorting out the mix of studies is the job of the Aggregator.

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



As I anticipated would happen last night if we did not see new studies emerge, the green Aggregator Line dipped down a little below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line rose to slightly above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are now negative but the SPX has turned oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. And it does not get much more neutral than seeing both right near 0. This caused the Aggregator signal to remain flat.

If the current open studies remain as-is then expectations would remain bearish on Wednesday. Of course this could change if more bullish evidence emerges. The Differential Pivot will be 1847.26 on Wednesday. That is just 0.2% above Tuesday's close. So it won't take much of a rally in order to move the SPX back into an overbought state.

There is really nothing for me to do at this point except wait for the market to tip its hand. Those with stronger opinions of the market than me could certainly look to the Daily Triggers Spreadsheet on the [Numbered Systems page](#) for inspiration. There were a fairly sizable number of stocks and ETFs triggering numbered systems Tuesday afternoon.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 1/13 – somewhat bullish***

The intermediate-term outlook was last updated in the 1/21 letter. You may check out the current weekly letter to view it.

<http://quantifiableedges.com/current-weekly-letter/>

**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 [numbered systems 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. I'll wait another day. Aggressive traders could certainly consider some signals from the [Numbered Systems Page](#).**

**Current Open Trade Ideas**

*None.*

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