

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 8, 2014

Volume 7 Issue 88

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Long	100% Long XIV	Flat

## Tonight's Research Points

- Sideways chop is not triggering new studies.

## *Short-term Outlook*

### *The Bottom Line*

Evidence still leans bullish and there appears to be more room to the upside. I plan to hold my current long position for the time being.

**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>				
May 7, 2014	5 lower gaps	1-3 days	Bullish	
May 7, 2014	Up < 0.25% but top 10% of range	1-3 days	Bearish	
May 5, 2014	3 Higher Hi, Low, Close, then down close	1-4 days	Bullish	1.50%
April 29, 2014	High-volume up day	1-10 days	Bullish	2.50%
<b>Active - Long Term</b>				
May 1, 2014	3 of 4 Market Timing Indicators weak	int term	Bearish	
April 28, 2014	Sell in May	6 months	Bearish	
April 22, 2014	5 Days Higher < 50 but > 200	1-15 days	Bullish	
April 17, 2014	3 days up gain 2%. 3/10 Offset HV < 0.25	1-19 days	Bullish	
April 7, 2014	SPX new high while NDX huge drop	1-50 days	Bullish	
December 23, 2013	QE Tapering	int term	Neutral	
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	
<b>Dropped Tonight</b>				
May 5, 2014	SPX down. Up issue % > 55%	1-3 days	Bullish	1.10%

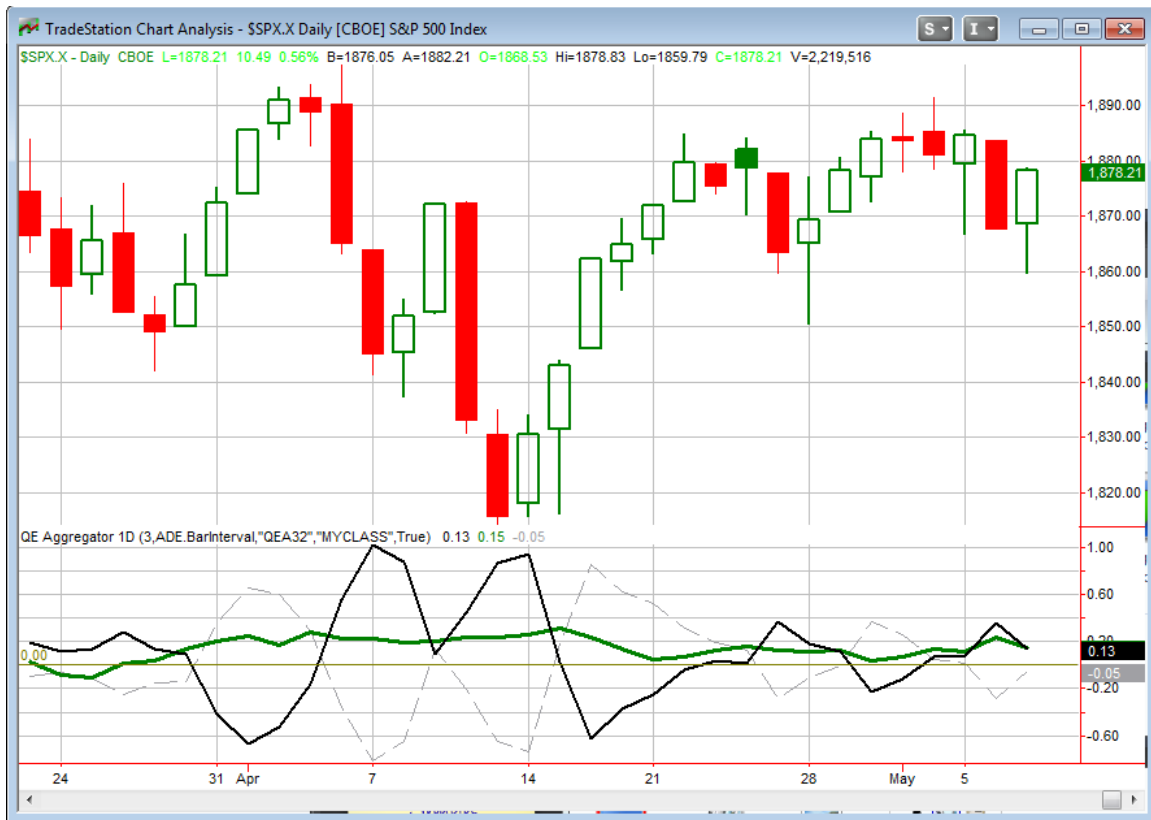
**The Evidence**

The market put in mixed results on Wednesday. The SPX rose 0.5%, while the NASDAQ dropped 0.3%, and the Russell 2000 nearly broke even with a 0.05% gain. Breadth was positive as the NYSE Up Issues % came in at 64% and the Up Volume % was 65%. Total NYSE volume rose for the 2<sup>nd</sup> day in a row.

The split and somewhat muted market movement failed to generate any Quantifinder studies. It's unusual not to have anything trigger, but it is most common when action gets choppy, and SPX has flipped flopped from positive to negative the last 4 days. So it is not terribly surprising that nothing showed up. I am traveling tonight and frankly I'm ok with not having to run a bunch of studies.

The market is highly divergent right now. SPX is within 1% of a new all-time closing high, while the Russell 2000 is below its 200ma. You won't often see large divergences like this remain for too long. One of them is going to turn out "right" about the direction. So it will certainly be interesting to observe and examine for clues in the upcoming days and weeks.

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



Without any new studies 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 also stayed 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. Therefore the Aggregator signal stayed long at the close.

Based on the current active studies, expectations are slated to remain positive on Thursday. This could change if strong bearish evidence emerges. The Differential Pivot will be 1890.50 on Thursday. That is 0.7% above Wednesday's close. So for SPX to move to an overbought state, it will take a strong close higher on Thursday.

Evidence has pointed to an upside edge over the last few days, and I used the opportunity Wednesday morning to take on some long exposure. Though we did not see additional confirming evidence tonight, the past studies suggest a decent chance that the move has further to go. So I will not be adding to my current position, but I will look to let it ride another day or so here.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 5/5– slightly bearish***

The intermediate-term outlook was last updated in the 5/5/14 Letter. It can be found in the most recent weekly letter on the website.

<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.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	5/7/2014	\$186.78	\$187.88	0.59%		bought @ limit

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