

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 10, 2014

Volume 7 Issue 128

Market Overview



Signals Overview

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

Tonight's Research Points

- No new evidence emerged on Wednesday.

Short-term Outlook

The Bottom Line

Tuesday's bullish evidence was followed by a bump higher on Wednesday, but the bump did not inspire any new evidence to emerge. At this point it appears that the bounce likely has further to go.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
July 9, 2014	2 unfilled gaps dn > 200ma	1-5 days	Bullish	1.70%
Active - Long Term				
July 9, 2014	2 unfilled gaps dn > 200ma	1-10 days	Bullish	2.50%
June 24, 2014	5 up to 50-high then down	1-10 days	Bullish	
June 2, 2014	NASDAQ leading SPX	int term	Bullish	
April 28, 2014	Sell in May	6 months	Bearish	
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	
Dropped Tonight				
July 8, 2014	Weak drop on very poor breadth fr 50h	1-2 days	Bearish	
July 2, 2014	Low vol breakout	1-5 days	Bullish	1.40%

The Evidence

The bounce arrived as expected on Wednesday and the major averages all saw gains. The SPX rose 0.5%, the NASDAQ rallied 0.6% and the Russell 2000 closed up 0.1%. Breadth was solidly positive as the NYSE Up Issues % came in at 57% and the Up Volume % was 68%. Total NYSE volume came in very light.

As we will often see happen on the first bounce day after a mild decline, the Quantifinder failed to produce anything compelling. The back and forth over the last few days leaves the market looking choppy and somewhat range-bound. That is normally not the kind of situation that generates strong edges. So there is nothing new to add to the Active List tonight.

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



The Aggregator Line held squarely above 0 on Wednesday. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also remained 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 stay positive on Wednesday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 1980.41 on Thursday. That is 0.4% above Wednesday's close. So SPX will need to close up at least this much in order to move from oversold to overbought versus expectations.

The Aggregator is still suggesting more upside is likely. If I would have received a fill on the long trade idea I listed last night, I would be looking to hold that idea another day. Unfortunately, the unfilled gap up left me without a fill. Without any new evidence tonight, and risk/reward not as appealing as it was last night, I am going to back off for now. If Thursday pulls back, then I may look to get long on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/7 – slightly bullish

The intermediate-term outlook was last updated in the 7/7/14 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

None

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