

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 15, 2014

Volume 7 Issue 131

Market Overview



Signals Overview

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

Tonight's Research Points

- Moderate action in the middle of the recent range is failing to spark substantial new evidence.

Short-term Outlook

The Bottom Line

Same as last night. Evidence is moderately positive and the market is slightly overbought. This leaves me with a neutral short-term outlook.

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

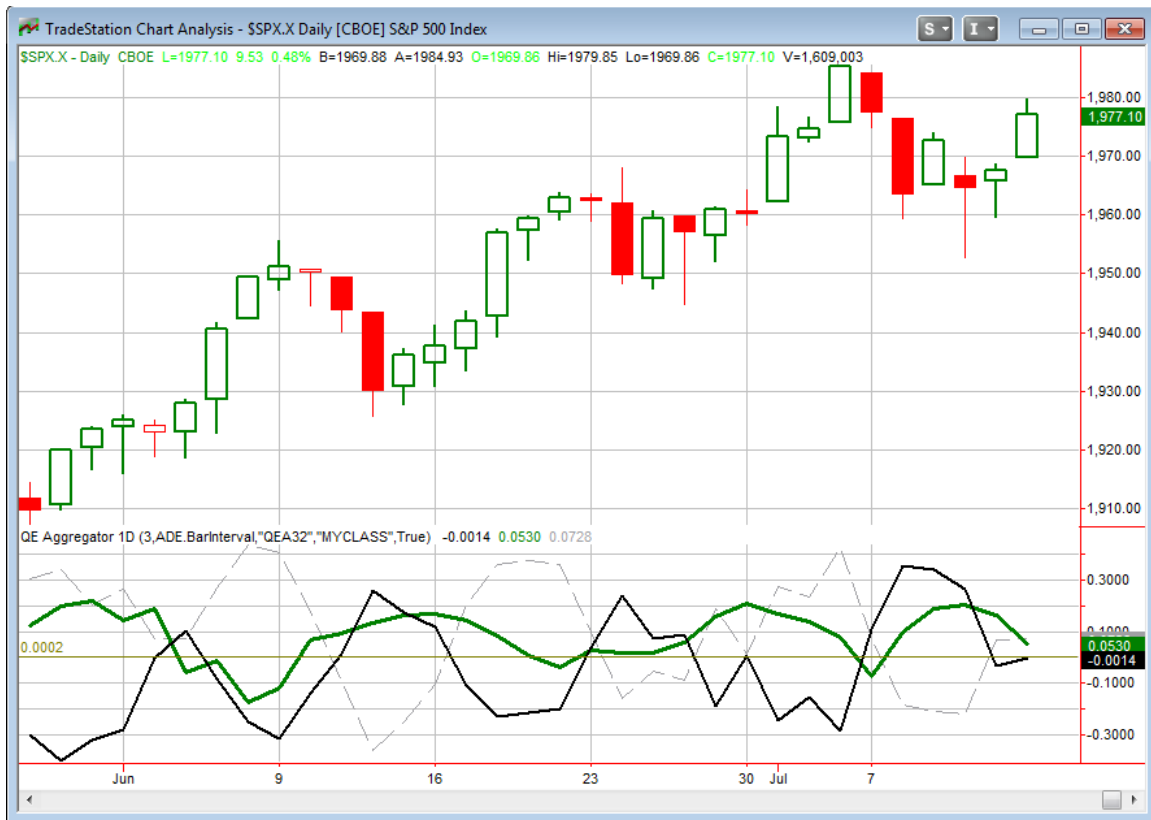
Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
July 9, 2014	2 unfilled gaps dn > 200ma	1-5 days	Bullish	1.70%
Active - Long Term				
July 9, 2014	2 unfilled gaps dn > 200ma	1-10 days	Bullish	2.50%
June 2, 2014	NASDAQ leading SPX	int term	Bullish	
April 28, 2014	Sell in May	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	

The Evidence

Monday saw the market gap up and then trade sideways for the rest of the day. The SPX rose 0.5%, the NASDAQ gained 0.6% and the Russell 2000 closed up 0.5%. Breadth was solidly positive as the NYSE Up Issues % came in at 64% and the Up Volume % was 66%. Total NYSE volume rose a little from Friday but was still very light.

The move up on Monday still has the market in the middle of its recent range. The sideways action after the gap up failed to trigger any of the 1100+ Quantifinder studies. So we saw a rare blank there. I am out of the office this week and the letter may be briefer than usual. So on a day like today, with action seemingly not very meaningful, I am not going to expend a lot of energy on prose. Perhaps tomorrow we will have more interesting action to discuss.

Without anything new tonight, I have updated the [Aggregator](#) chart below.



The green Aggregator Line held squarely above 0 on Monday. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line managed to close just below 0. The negative Differential Line reading means the SPX is still marginally overbought versus recent expectations. So expectations are positive but the SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore the Aggregator signal remained flat at the close.

Based on the current active studies, expectations are slated to stay positive on Tuesday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 1974.26 on Tuesday. That is just 0.1% below Monday's close. So SPX will only need to close down a small amount in order to move from overbought to oversold versus expectations on Tuesday.

The setup is very similar to last night. The market is slightly overbought, and we have very mild evidence suggesting an upside edge. So probabilities suggest more upside, but risk is fairly high. Therefore the overall reward/risk is near neutral and the market does not appear to be in a very good position for new entries. I am mostly sidelined, and do not intend to take on any new exposure until a more favorable reward/risk setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/14 – slightly bullish

The intermediate-term outlook was last updated in the 7/14/14 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
SLB	7/11/2014	\$115.40	\$115.94	0.47%		System 11111

SLB should be sold at the close on Tuesday if it meets the exit criteria for System 11111. This should only take a small gain on the day to accomplish.

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