

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 13, 2014

Volume 7 Issue 151

Market Overview



Signals Overview

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

Tonight's Research Points

- Tuesday's "pause" day did not trigger strong evidence.

Short-term Outlook

The Bottom Line

My market outlook last night was neutral and nothing that conspired on Tuesday changed that. I am awaiting the next favorable trading opportunity before putting additional capital to work.

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

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 12, 2014	SPY closes up but in bottom 10% range	1-3 days	Bullish	1.30%	-0.50%	-0.90%
August 11, 2014	4-high after 20-low > 200ma	1-8 days	Bullish	2.40%	-1.30%	-2.50%
August 8, 2014	Outside day. Bottom 10% 10-day rng.	1-6 days	Bullish	2.40%		
August 6, 2014	20 low. Up day. 20 low. Close > 200ma	1-6 days	Bullish			
Active - Long Term						
August 11, 2014	4-high after 20-low > 200ma	1-19 days	Bullish	3.80%	-1.90%	-4.20%
August 4, 2014	CBI >= 11.	1-20 days	Bullish	4.00%		
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						
August 1, 2014	System 110524 for SPY	1-7 days	Bullish			

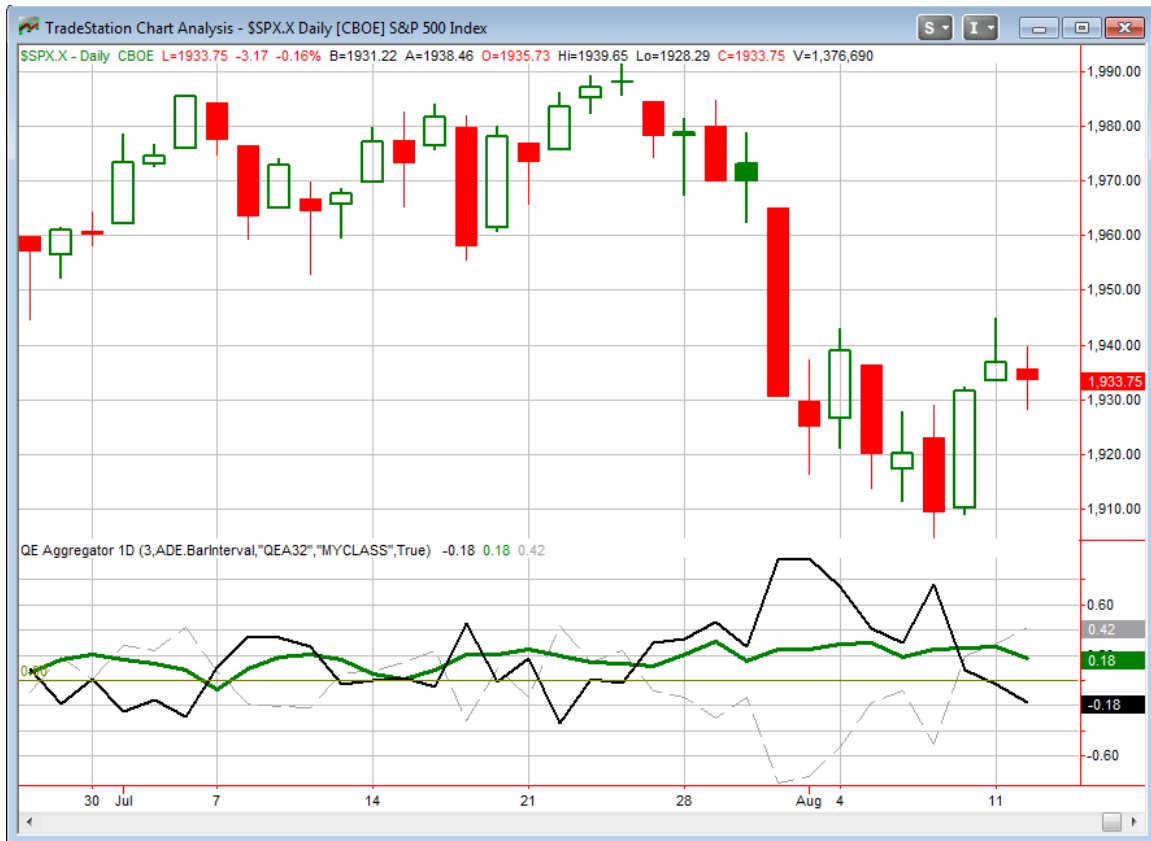
The Evidence

Tuesday seemed to be a bit of a pause after the strong swings of the last couple of weeks. Some of the gains of the last 2 days were given back as well. The SPX lost 0.2%, the NASDAQ fell 0.3% and the Russell 2000 declined 0.8%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 37%. Total NYSE volume declined for the 5th day in a row.

The market's small decline on Tuesday did nothing to trigger any Quantifinder studies. Nor did it inspire me to uncover any fruitful new ideas. At this point it does not appear Tuesday's action was worth trying to read into too much. So I will keep it short tonight.

There are still a number of short-term studies pointing higher, and there was no change in the Active List tonight.

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



The green Aggregator Line again remained above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line fell further below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is now 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 stayed flat at the close.

Without any short-term bearish studies active, expectations are again set to remain positive on Wednesday. This is highly unlikely to change. The Differential Pivot will be *inverted* at 1944.74 on Wednesday. That is 0.6% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.6% in order to remain "overbought" versus expectations. Otherwise it will be considered oversold.

Nothing has really changed for me from last night, except that I took off a good amount of market exposure on Tuesday. My overall outlook remains the same – neutral. A long opportunity could easily emerge with the Aggregator already bullish and the Differential Pivot inverted. But don't plan to jump the gun. I intend to see what studies emerge in the next day or so before looking to take advantage of the next opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/11 – slightly bullish

The intermediate-term outlook was last updated in the 8/11 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

MDLZ – 1/3 @ \$36.97 (bought @ \$36.62)

MDLZ – 1/3 @ \$36.02 (bought @ limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 2/1(MDLZ-2)

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)	7/29/2014	\$196.95	\$193.61	-1.70%		<i>sold on open</i>
SPY(1/4)	7/31/2014	\$193.09	\$193.79	0.36%		<i>sold @ limit</i>
MDLZ(1/3)	7/31/2014	\$36.62	\$35.67	-2.59%		Catapult
MDLZ(1/3)	8/1/2014	\$36.02	\$35.67	-0.97%		sell on close >= \$35.86
SPY(1/4)	8/4/2014	\$192.25	\$194.15	0.99%		<i>sold @ limit</i>
MCD(1/3)	8/6/2014	\$93.39	\$93.43	0.04%		<i>sold on open</i>

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