

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 5, 2015

Volume 8 Issue 24

Market Overview



Signals Overview

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

Tonight's Research Points

- No new studies emerged tonight.

Short-term Outlook

The Bottom Line

Evidence is still leaning slightly bullish but the SPX is overbought. I am waiting for a better entry opportunity before putting new 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						
none						
Active - Long Term						
January 26, 2015	NASDAQ leading SPX	int term	Bullish			
November 3, 2014	Best 6 Months	6 months	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
February 1, 2012	Golden Cross	int term	Bullish			
Dropped Tonight						
February 3, 2015	False breakdown 20-low	1-2 days	Bullish			

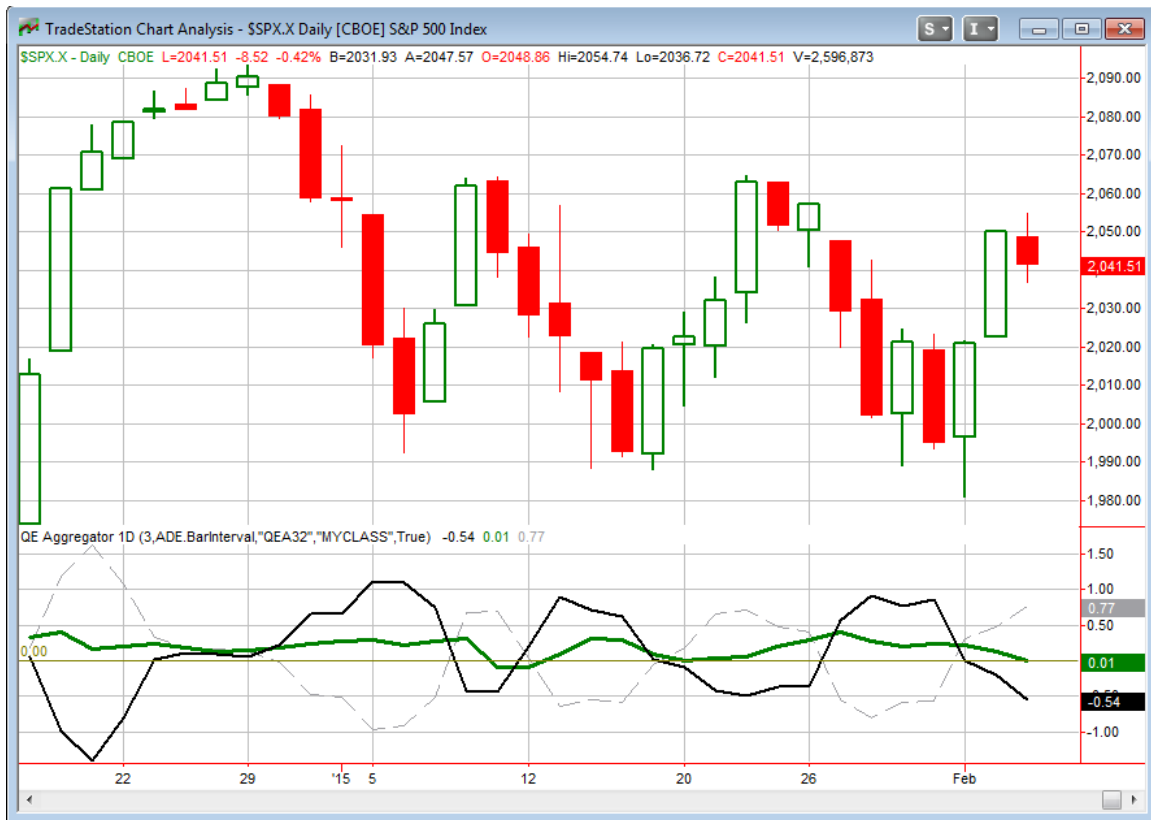
The Evidence

The market had a nice rally going until news out of Greece spooked it badly about ½ hr before the close. A sharp selloff ensued and the major indices all finished lower. The SPX dropped 0.4%, the NASDAQ lost 0.2%, and the Russell 2000 fell 0.5%. Breadth was negative as the NYSE Up Issues % came in at 35% and the Up Volume % was 34%. Total NYSE volume declined from Tuesday’s level.

The moderately lower close did nothing to inspire studies in the Quantifinder. It posted a rare blank at Wednesday’s close. The news from Greece, which was that the European Central Bank decided to block banks from using junk-rated Greek debt as collateral, came very late in the day. The immediate reaction was one of fear from market, but there was not time to see anything more than an immediate reaction. The European action during overnight US hours will be interesting and could help set up the next swing.

From a studies standpoint, there is nothing left on the Short-Term Active List, meaning the entire Aggregator expectation calculation is based on the intermediate-term outlook.

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



With a somewhat bullish intermediate-term outlook the green Aggregator Line held a little above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line stayed below 0. The negative Differential Line reading means the SPX is 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.

With no short-term studies active, any new ones that emerge on Thursday will have a substantial impact on expectations. The Differential Pivot will be 2033.67 on Thursday. That is 0.4% below Wednesday's close. So for SPX to move from overbought to oversold on Thursday it is going to need to close down at least 0.4%.

The Aggregator is neutral and so am I. I am not seeing anything suggesting a strong short-term directional edge. The market is overbought and risk appears elevated as we wait to see how the Greek news will play out. A strong move could provide some strong hints. But will nothing clear at the moment I am content to sit and wait for more clarity before taking on new index positions.

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

The intermediate-term outlook was last updated in the 1/26 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
XIV(1/2)	12/11/2014	\$34.03	\$26.91	-20.92%		Aggressive VIX
SPY(1/4)	1/29/2015	\$200.14	\$204.50	2.18%		<i>sold @ limit</i>

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