

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 30, 2015

Volume 8 Issue 82

Market Overview



Signals Overview

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

Tonight's Research Points

- Narrow range Fed Days are unusual...to unusual to suggest a reliable edge.

Short-term Outlook

The Bottom Line

The market remains overbought, but evidence has turned mildly bearish for the time being. No strong edge is apparent. Along with the Aggregator, I am neutral.

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						
April 28, 2015	20-high poor close	1-10 days	Bullish	2.10%	-1.35%	-2.70%
April 27, 2015	NDX up 1% & SOX down.	1-6 days	Bearish	-3.20%	1.90%	4.10%
April 27, 2015	Breakout. 3up & Low vol.	1-5 days	Bullish	1.90%	-0.90%	-2.00%
April 20, 2015	1% drop on 2:1 negative breadth	1-9 days	Bullish	3.00%	-2.50%	-5.40%
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			

The Evidence

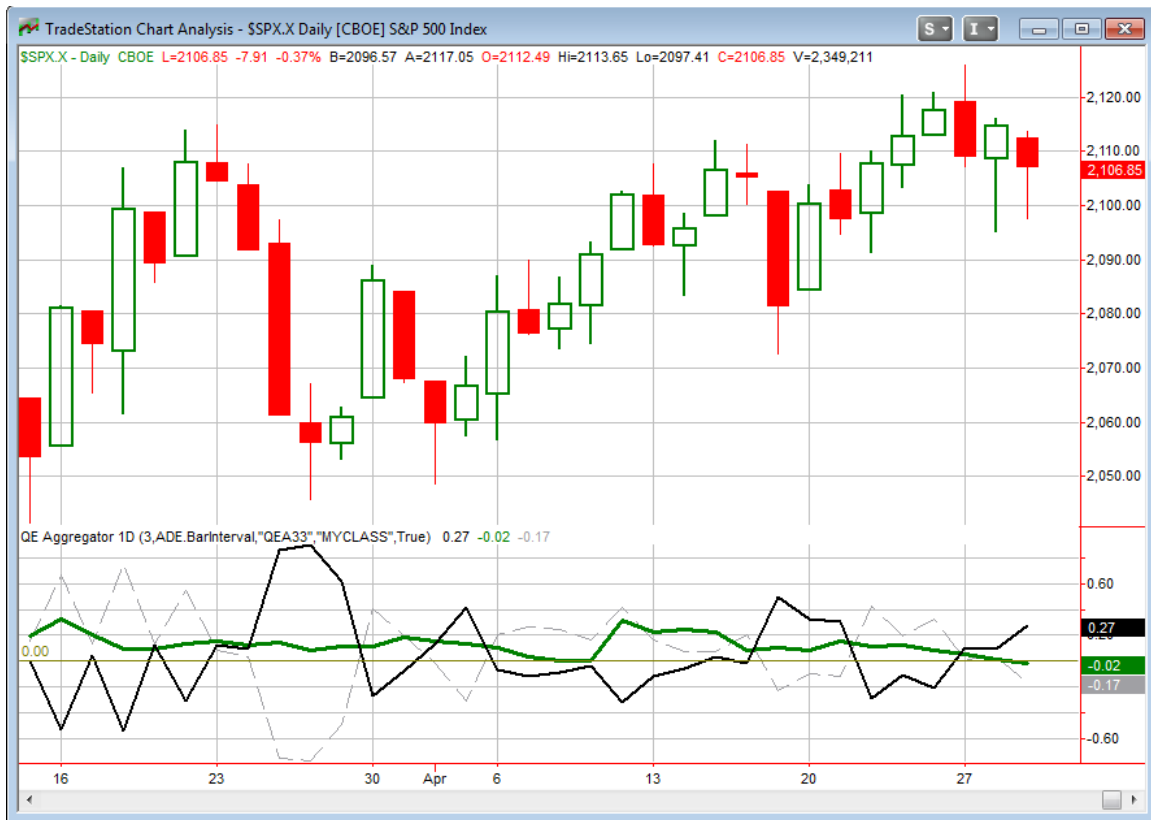
Wednesday the market gapped down and never managed to get positive. The Fed finished its 2-day meeting but reaction to the announcement was muted. The SPX closed down 0.4%, the NASDAQ fell 0.6%, and the Russell 2000 lost 1.0%. Breadth was positive as the NYSE Up Issues % came in at 33% and the Up Volume % was 43%. Total NYSE volume rose some from Tuesday's level.

Fed Days are typically volatile. (And typically bullish, but we saw last night that this one did not appear as enticing as most.) Wednesday was interesting in the fact that not only did we see narrow range action, but SPY actually posted an inside day. That is pretty rare on a Fed Day. In fact this is only the 10th time since 1993 that SPY managed to post an inside day on a Fed Day. Unfortunately, while the other 9 times leaned a little bullish over the next few days, the consensus was not overwhelming and the instances were too low to try and read anything into it.

SPY also closed at a 5-day low. If it had managed to close at a 10-day low (along with it being a Fed Day), then that would have triggered a fairly compelling study. But just being a 5-day low the results are much less impressive.

So while there was some interesting and unusual action on Wednesday, it did not appear terribly predictive. Therefore, no new studies were added to the Active List tonight.

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



The green Aggregator Line tonight dipped a little below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile, the black Differential Line held above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are negative but the SPX is oversold. 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 changed to flat at the close.

Based on the current active studies, expectations are set to turn back to bullish on Thursday. Of course that could change if additional bearish evidence emerges. The Differential Pivot will be 2114.22 on Thursday. That is 0.35% above Wednesday's close. So SPX will need to close up at least 0.35% in order to flip to overbought on Thursday.

While expectations are now negative, that is unlikely to last. So unless the market rallies above the Differential Pivot it could be setting up for another bullish signal here on Thursday. Except for my XIV position, I am currently flat. If Thursday finishes down then there is a good chance I'll be looking to start scaling long on Friday. But I'll be examining all evidence tomorrow night before making that decision.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/27– somewhat bullish

The intermediate-term outlook was last updated in the 4/27/14 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
XIV(1/2)	3/9/2015	\$32.25	\$41.02	27.19%	\$32.69	Aggressive VIX
SPY(1/4)	4/28/2015	\$210.25	\$211.25	0.48%		sold @ limit

SPY was sold @ \$211.25 per the instructions in last night's letter.

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