

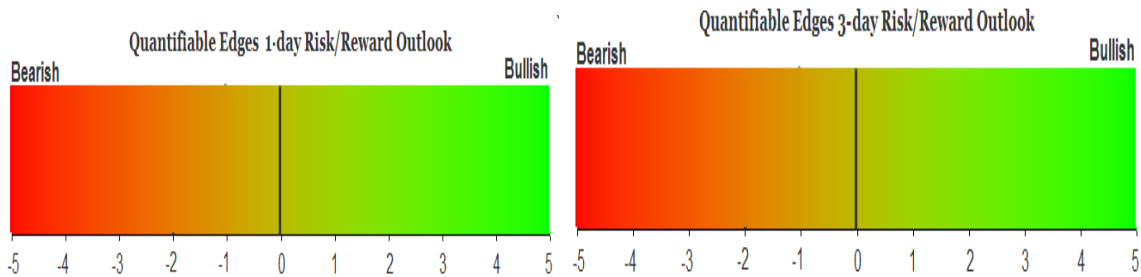
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 13, 2015

Volume 8 Issue 91

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The incredibly choppy environment is not generating strong edges.

### *Short-term Outlook*

#### *The Bottom Line*

Again evidence is mildly bullish but the market remains overbought. It will switch to oversold at the close on Wednesday if the market does not rally some. Further declines would likely lead to a bullish setup. But reward/risk does not appear strongly favorable just yet.

*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
<b>Active - Short Term</b>						
May 6, 2015	1% drop on 2:1 negative breadth > 200	1-9 days	Bullish	3.00%	-2.50%	-5.40%
<b>Active - Long Term</b>						
May 1, 2015	2 unfilled gaps down > 200. 5-day low	1-10 days	Bullish	2.50%	-1.70%	-3.40%
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***

Tuesday saw the market sell off a bit more. The SPX lost 0.3%, the NASDAQ fell 0.35%, and the Russell 2000 dropped 0.2%. Breadth was negative as the NYSE Up Issues % came in at 43% and the Up Volume % was 42%. Total NYSE volume rose a little from Monday's level.

The Quantifinder came up blank tonight. With over 1200 studies that doesn't happen very often. But it will happen when the market is chopping back and forth and mid-range. That is exactly what is happening now. Just how choppy is the current environment? SPY closed down on Tuesday for the 2<sup>nd</sup> day in a row. This was preceded by 2 up days, which was preceded by 2 down days, which was preceded by 2 up days, which was preceded by 2 down days. In the history of SPY that has never happened before. So the chop is pretty epic at this point.

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



With nothing being added tonight the green Aggregator Line held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line remained 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain bullish on Wednesday. This could easily change if new bearish evidence emerges. The Differential Pivot will be *strongly inverted* at 2119.80 on Wednesday. That is 1.0% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross zero if SPX closes flat. In this case, for SPX to remain "overbought", it is going to need to close at least 1% higher. Otherwise it will be considered "oversold" versus expectations as of Wednesday's close.

With the Differential Pivot inverted and expectations positive there is a decent chance the Aggregator turns bullish on Wednesday – especially if SPX closes down. That would mark the 3<sup>rd</sup> down day in a row, and 3 down days during a long-term uptrend often trigger a few bullish studies. Traders that would like to be aggressive could look to get long if the market declines again on Wednesday. I am not going to anticipate bullish evidence just yet. With a neutral intermediate-term outlook I want to be confident in the edge before I jump into a trade. So I do not plan to take on new exposure Wednesday. But if Wednesday is a down day, there is a good chance I look to do some buying on Thursday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 5/11– neutral**

The intermediate-term outlook was last updated in the 5/11 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**

HAL @ \$46.35 (bought 1/3 @ limit)

**Catapult for ETF's Trades**

None

**Broad Market Large Cap CBI – 1(HAL)**

**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	\$41.06	27.32%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$47.49	2.46%		Catapult

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