

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 21, 2015

Volume 8 Issue 97

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Long	100% Long XIV	Short

## Tonight's Research Points

- No strong edges emerged on Wednesday.

### *Short-term Outlook*

#### *The Bottom Line*

Expectations have turned bullish and the market is mildly oversold with regards to the Differential Line. But the evidence is fairly weak as is the oversold reading. So I am going to give it at least one more day before I start scaling in.

*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 20, 2015	3 up high,low, close. Dn close others up	1-4 days	Bullish			
May 18, 2015	SPY low vol. VIX low close. OpEx Fri.	1-5 days	Bearish			
May 18, 2015	QE Buying Power Index short	1-4 days	Bearish			
May 15, 2015	Low volume breakout to 50-high	1-5 days	Bullish			
<b>Active - Long Term</b>						
May 18, 2015	NASDAQ leading SPX	int term	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			
<b>Dropped Tonight</b>						
May 15, 2015	Top of range close Opex Thursday	1-4 days	Bearish			
May 19, 2015	SPX up VIX up Monday.	1-2 days	Bearish			

***The Evidence***

The market barely budged on Wednesday. The SPX fell 0.1% while the NASDAQ rose 0.03% and the Russell 2000 closed up 0.2%. Breadth was near breakeven as the NYSE Up Issues % came in at 51% and the Up Volume % was 50%. Total NYSE volume declined a little from Tuesday's level.

The market has done very little the last 2 days, leaving me with very little to discuss. I examined a few things tonight, including the old study shown in the Quantifinder that looked at the lower new highs on Wednesday vs Tuesday. But the results have not been consistent over the years and the setup barely qualified on multiple fronts. So it did not seem worth discussion.

It is notable that 2 bearish studies expired on Wednesday, and a 3<sup>rd</sup> is set to expire on Thursday. So the list now shows 2 bullish and 2 bearish, and the projections tilt the favor to the bulls.

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



With 2 bearish studies expiring tonight the green Aggregator Line moved above 0. Positive readings mean net expectations from the Active List are for upside 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 positive and the SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal turned long at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. This could change if more bearish evidence emerges. The Differential Pivot will be 2128.38 on Thursday. That is just 0.1% above Wednesday's close. So for SPX to move from oversold to overbought on Thursday it will only need to close up 0.1%.

So the Aggregator is suggesting an upside edge over the next few days. But I believe it is a pretty weak bullish setup. The evidence remains mixed. And with the Differential Pivot so close by there is not much room to the upside. If the signal is right, it will likely be closed out on Thursday afternoon. So I don't yet see this as a strong opportunity. If Thursday is another down day, then things could get more compelling. It would mark the 3<sup>rd</sup> lower close – which often brings about some bullish studies. And it might provide more room between a potential entry and the Differential Pivot. So I won't rush into anything here. I'll give it another day to see if potential reward/risk improves a bit and then reconsider tomorrow night.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 5/18– slightly bullish**

The intermediate-term outlook was last updated in the 5/18 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	\$44.93	39.32%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$44.97	-2.98%		Catapult
<b>SPY(1/4)</b>	<b>5/18/2015</b>	<b>\$212.44</b>	<b>\$213.00</b>	<b>-0.26%</b>		<b>covered @ limit</b>

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