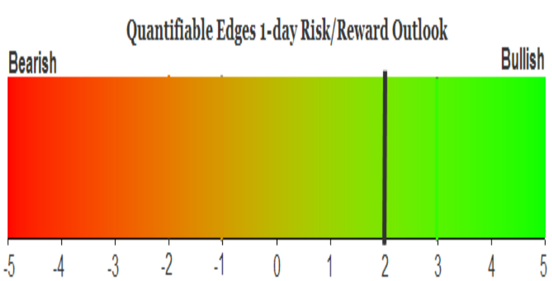
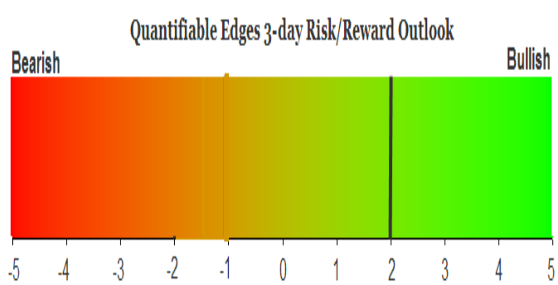
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 8, 2015 Volume 8 Issue 129

Market Overview





Signals Overview

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

Tonight's Research Points

- The last 5 days have now closed within the previous day's range. After a 1% selloff in an uptrend this type of consolidation has often been followed by a pop.

Short-term Outlook
The Bottom Line
The Aggregator is remains bullish. There appears to be a moderate upside edge. It is not strong enough to get me excited about new long positions just yet.

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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						
July 6, 2015	20-low then 3-day consolidation	1-5 days	Bullish	1.90%	-1.40%	-2.80%
July 2, 2015	2-day bounce from big drop	1-5 days	Bullish			
July 1, 2015	20 low reversal bar	1-5 days	Bullish	2.10%	-1.40%	-2.50%
June 30, 2015	4 Lower Lows. 20-day low.	1-8 days	Bullish			
Active - Long Term						
July 1, 2015	20 low reversal bar	1-10 days	Bullish	2.90%	-1.85%	-3.40%
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			

The Evidence

A big dip in the morning was followed by a big rebound in the afternoon and the indices went from deep red into the green for the close. The SPX finished up 0.6%, while the NASDAQ and the Russell 2000 each rose 0.1%. Breadth was positive as the NYSE Up Issues % came in at 55% and the Up Volume % was 63%. Total NYSE volume rose for the 2nd day in a row.

The intraday reversal was impressive. I tried looking at similar reversals and found one of this magnitude to be quite rare. After making a 20-day intraday low, SPY managed to close at a 5-day high. That is something that SPY has only done twice before: 12/18/13 & 12/31/12. In both cases the market added on to those gains and posted intermediate-term highs in the following days and weeks. Not that we can really learn anything from just 2 instances.

But after the big down day last Tuesday the market has not done a lot. In fact, it has closed within the true range of that 1 bar every day for the last week. The bears failed to follow through on that selloff, but the bulls have not managed to move the SPX back out of the range either. This triggered the study below, which I last discussed in the 6/3/15 Letter.

After closing down over 1% 5 days ago the SPX has closed between the high and the low of that day ever since. Close > 200ma. Buy on close. Sell X days later. $100k/trade. 1989 - present.

QE Finder Tester: daysin	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-4,214.91	27	13	14	48.15	2,017.30	3,757.60	-2,174.28	-5,937.53	0.93	0.86	-156.11
4	-792.33	27	16	11	59.26	1,263.45	3,706.56	-1,909.78	-3,003.89	0.66	0.96	-29.35
3	15,048.58	27	19	8	70.37	1,135.19	3,552.64	-815.01	-1,683.76	1.39	3.31	557.35
2	11,718.94	27	17	10	62.96	1,059.15	2,111.20	-628.67	-2,003.25	1.68	2.86	434.03
1	10,287.65	27	21	6	77.78	668.57	1,760.80	-625.38	-937.30	1.07	3.74	381.02

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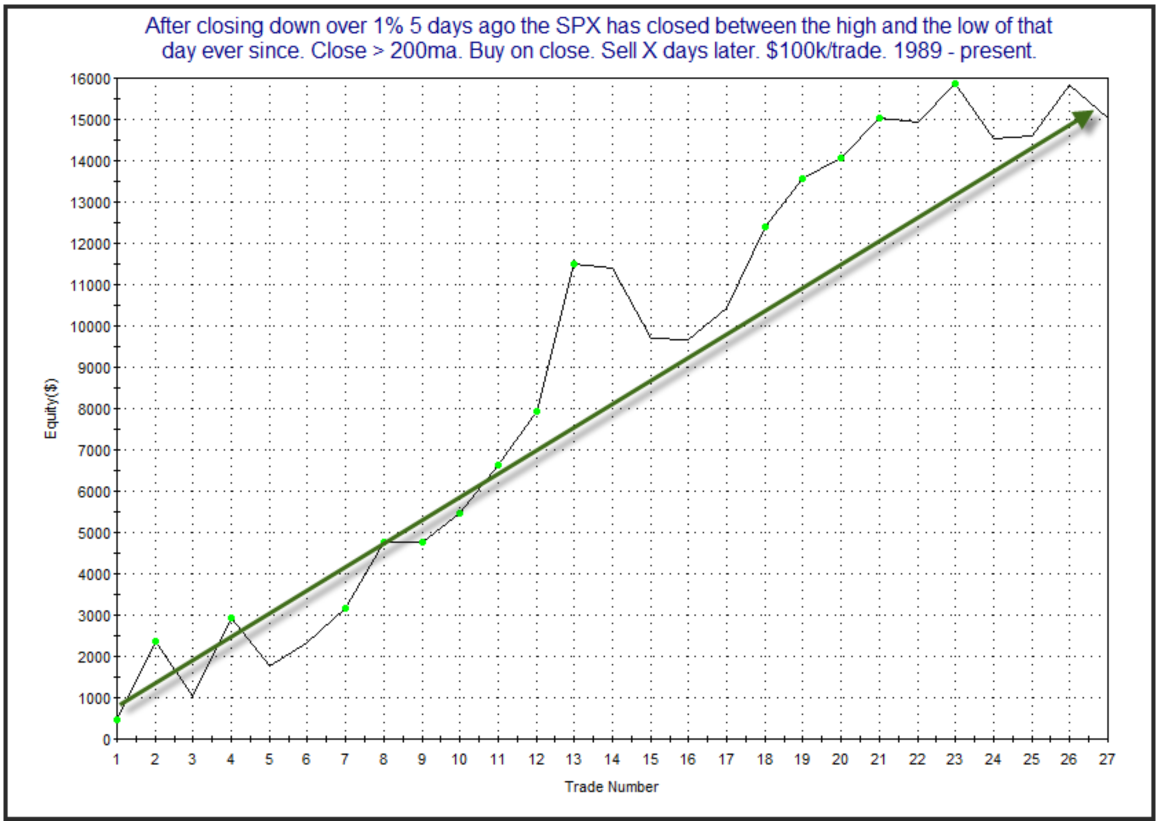
Over the last 25 ½ years or so the SPX has burst higher out of this "failed selloff" and consolidation on a consistent basis. But the implications are only bullish for a few short days. After that there does not appear to be a decided edge for either the bulls or the bears.

Below I have produced an equity curve using a 3-day exit strategy.



This is a pretty steady equity curve and it appears to serve as confirmation of the edge. Of course this is very similar to the "20-day low & 3-day consolidation" study we saw two nights ago. With the studies so similar I have decided not to duplicate it on the Active List tonight.

I have updated the Aggregator chart below.

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The green Aggregator line held steady above 0 tonight. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also remained above 0. The positive Differential Line reading means 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 stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. Of course that can change if compelling bearish evidence emerges. The Differential Pivot will be 2086.92 on Wednesday. That is 0.3% above Tuesday's close. So for SPX to move from oversold to overbought it will need to close up just 0.3% on Wednesday.

There appears to be an upside edge. Evidence favors a further rally in the coming days. And with SPX not yet overbought, reward/risk appears favorable. So a long entry could be a reasonable play here. I was conservative with a possible entry in last night's letter. Tonight I don't view evidence as any better than last night. And potential reward is a bit worse. So while I may miss out on an opportunity here, I will again play it conservative. I would prefer to see additional compelling evidence or a larger distance to the Differential Pivot before possibly considering taking on new exposure. So I am in "wait and observe" mode for Wednesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/6– slightly bullish

The intermediate-term outlook was last updated in the 7/6 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

CVX - $94.77 (bought 1/3 @ limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(CVX)

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
RTN(1/3)	6/29/2015	$96.52	$97.95	1.48%		sell on open
RTN(1/3)	6/30/2015	$95.92	$97.95	2.12%		sell on open
CVX(1/3)	7/7/2015	$94.41	$95.27	0.91%		Catapult

RTN reached its sell trigger and it will be exited at the open on Wednesday.

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