

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 19, 2015

Volume 8 Issue 159

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Short SPY	Short

Tonight's Research Points

- The moderate decline did not inspire any compelling studies

Short-term Outlook

The Bottom Line

The Aggregator is now bearish, but the signal is weak and needs help to last even beyond one day. I do not view this as a strong bearish setup, but perhaps there is a small downside edge.

Summary of Recent Active Studies (see Letters from listed dates for details)

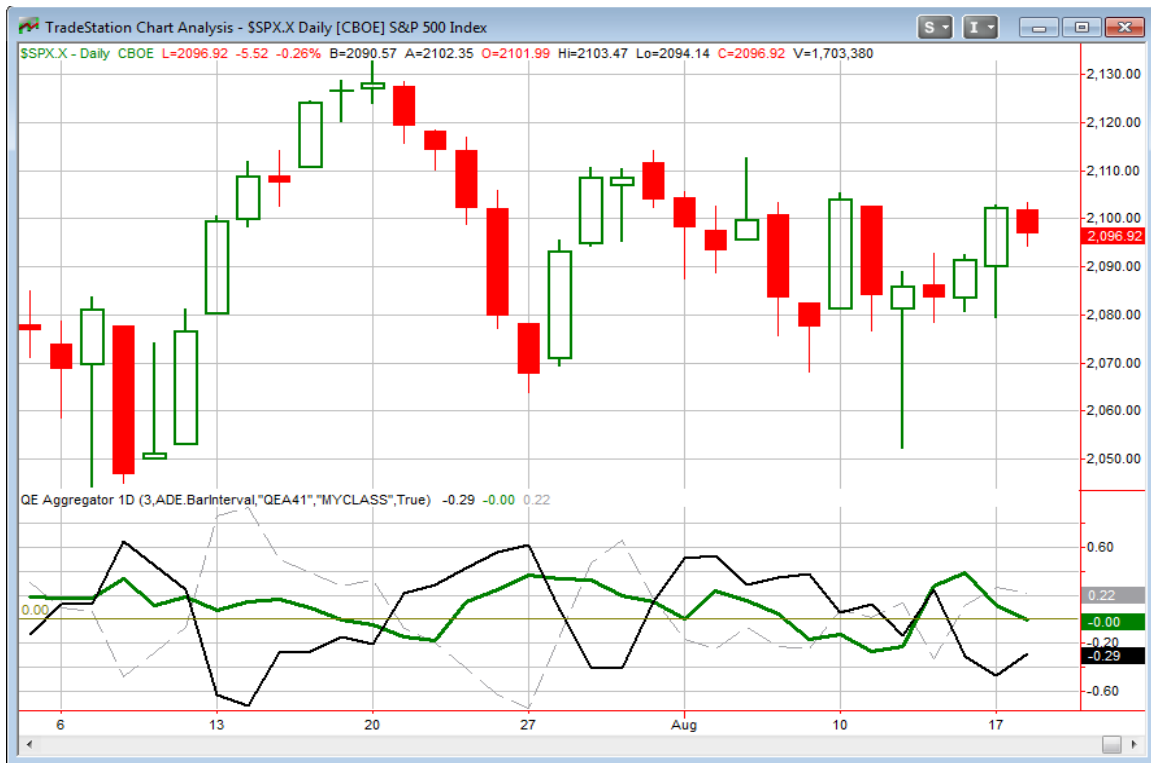
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 18, 2015	QE Buying Power Swing Short Signal	1-6 days	Bearish			
August 18, 2015	5 gap down opens	1-3 days	Bullish			
August 14, 2015	SPY 1% reversal from 20-low. Then dn.	1-4 days	Bullish	2.50%	-0.90%	-1.80%
Active - Long Term						
July 27, 2015	CBI reaches 11+	1-20 days	Bullish	6.60%	-3.70%	-7.60%
July 22, 2015	4th Hindenburg Signal	1-35 days	Bearish	-6.40%	2.70%	4.80%
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

The chop continues. After 2 up days the market headed lower on Tuesday. The SPX fell 0.3%, the NASDAQ declined 0.6%, and the Russell 2000 dropped 0.8%. Breadth was negative as the NYSE Up Issues % came in at 34% and the Up Volume % was 38%. Total NYSE volume rose a little from Monday's low level.

The market continues to trade in a tight range. As I have often discussed, strong trading edges rarely emerge in the middle of a tight sideways consolidation. And the current chop is just the kind of environment where we will often see a dearth of studies. So it is not much of a surprise that the Quantifinder came up blank. And my brief additional looks at market metrics failed to generate anything either. So no new studies will be added to the Active List tonight.

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



Without any new studies emerging tonight the green Aggregator Line dipped just slightly below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and the SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore the Aggregator signal turned short at the close.

Expectations are currently set to remain bearish on Wednesday. Of course this could change if new bullish evidence emerges. The Differential Pivot will be *inverted* at 2100.62 on Wednesday. That is 0.2% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX will need to close up at least 0.2% in order to remain overbought. Otherwise it will be considered short-term "oversold" versus expectations as of Wednesday's close.

So there may be a small bearish edge at this point. But the inverted pivot has me wary of trying to take advantage of it. I rarely take on new positions when there is an inverted pivot. This is because reward/risk potential is not very good. Any move in the direction of my trade would close out the signal by the end of the day. But a move against my position could keep the signal active. The low potential reward is not worth the risk – especially with the bearish evidence so light. So I will again sit idle and wait for a better reward/risk scenario to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/17 – neutral

The intermediate-term outlook was last updated in the 8/17/15 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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
DD(1/3)	7/27/2015	\$56.83	\$53.99	-5.00%		<i>sold on open</i>
DD(1/3)	7/28/2015	\$53.38	\$53.99	1.14%		<i>sold on open</i>
DD(1/3)	7/29/2015	\$55.90	\$53.99	-3.42%		<i>sold on open</i>

Note: A full history of closed out trade ideas published in the Subscriber Letter since inception in 2008 can be found on the [QE Trade Ideas Results Sheet](#). It can be downloaded from the website at any time.

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