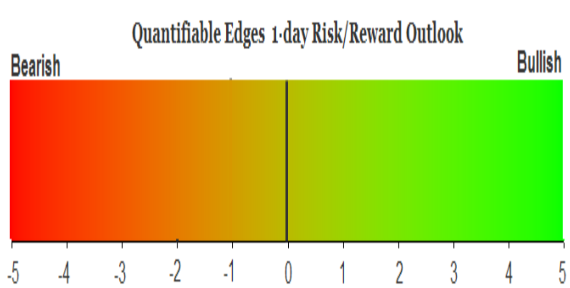
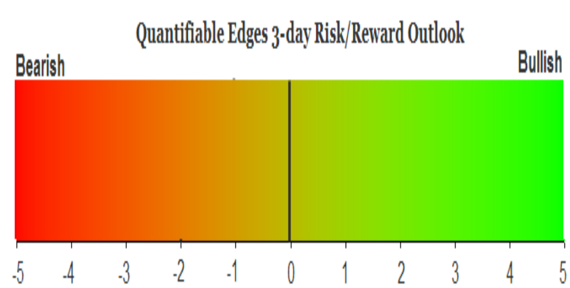
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 20, 2015 Volume 8 Issue 160

Market Overview





Signals Overview

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

Tonight's Research Points

- No new compelling evidence emerged on Wednesday.

Short-term Outlook
The Bottom Line
The Aggregator is now neutral and so am I.

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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						
August 18, 2015	QE Buying Power Swing Short Signal	1-6 days	Bearish			
August 18, 2015	5 gap down opens	1-3 days	Bullish			
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			
Dropped Tonight						
August 14, 2015	SPY 1% reversal from 20-low. Then dn.	1-4 days	Bullish	2.50%	-0.90%	-1.80%

The Evidence

The market posted losses on Wednesday. The SPX and NASDAQ each declined 0.8%, and the Russell 2000 dropped 1.0%. Breadth was negative as the NYSE Up Issues % came in at 24% and the Up Volume % was 19%. Total NYSE volume rose some from Tuesday's level.

Wednesday's close seemed "almost" significant on a number of counts – but none of them actually played out. One reason I say this is that the QE Buying Power Swing System would have triggered an exit if SPX closed in the bottom half of its 10-day range. Instead it closed in the 52nd percentile of the 10-day range. So that signal remains active. Another "almost" is that SPX moved below the 200-day moving average during the day, but ended up again closing above it. With the market still near the middle of its recent range, substantial Quantifinder evidence failed to emerge.

I did find it interesting that the SPX was in the top half of its 10-day range while the VIX closed at a 10-day high. I looked at other instances of this occurring above the 200ma. I did not find the setup to provide compelling results. So nothing new will be added to the Active List tonight.

I have updated the Aggregator chart below.

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With one of the short-term bullish studies expiring tonight the green Aggregator Line dipped further below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line shot above 0. The positive Differential Line reading means SPX is now 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 turned flat at the close.

Expectations are currently set to remain bearish on Thursday. Of course this could change if new bullish evidence emerges. The Differential Pivot will be 2118.48 on Thursday. That is a whopping 1.9% above Wednesday's close. So for SPX to move from oversold to overbought on Thursday it will need to close at least 1.9% higher. That's a big move and pretty unlikely to be accomplished in just one day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

As I discussed last night was likely to happen, the bearish Aggregator formation did not last long. And though I was somewhat wary of getting short, the bearish inclinations did play out. But now the Aggregator is back to neutral. Overall bearish evidence is somewhat weak, and with the market strongly oversold I do not find current reward/risk appealing. I am neutral and awaiting a more favorable setup before considering new positions.

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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 tonight.

Current Open Trade Ideas

None

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.