

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 22, 2015

Volume 8 Issue 204

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- No new evidence emerged – but some bearish evidence did expire.

### *Short-term Outlook*

#### *The Bottom Line*

Expectations have turned slightly bullish and the pullback left the SPX a little oversold. This suggests a bullish edge – but not a big one.

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

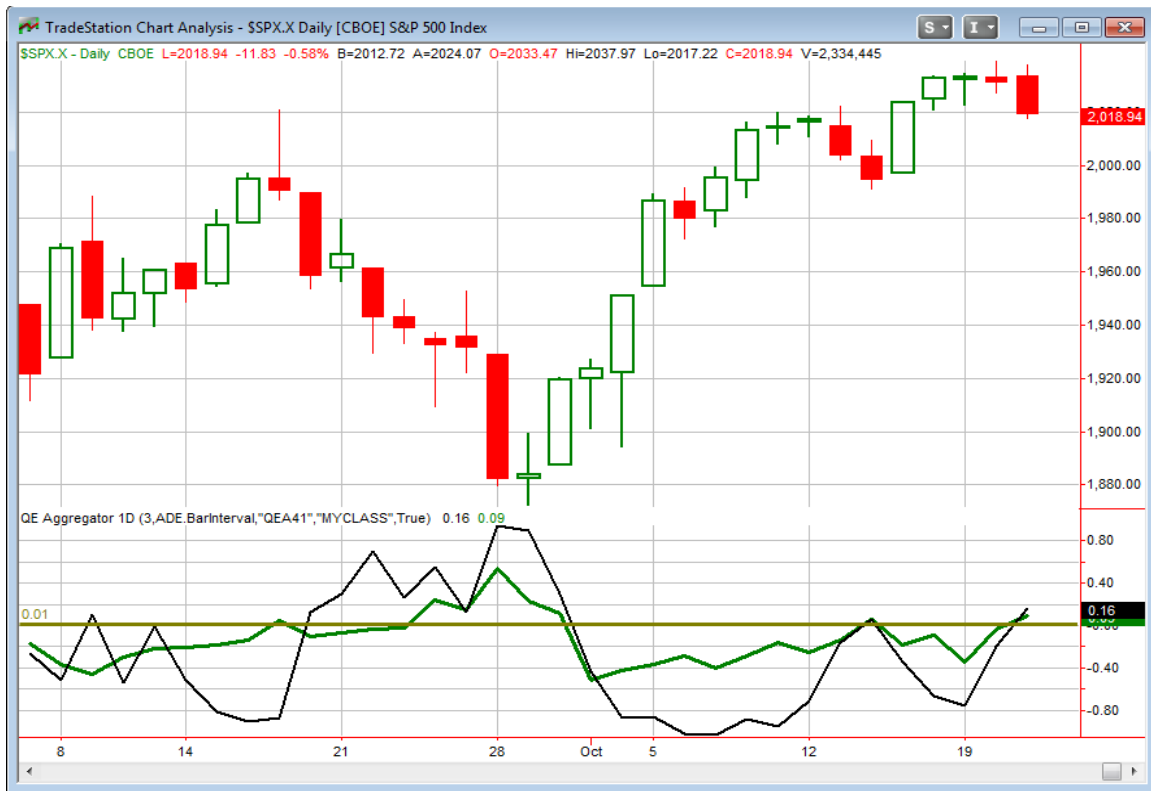
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
October 21, 2015	Up Issue > 60%. SPX down & < 200ma	1-2 days	Bullish			
<b>Active - Long Term</b>						
October 9, 2015	Zweig Breadth Thrust	1-20 days	Bullish			
October 6, 2015	SPX up 3+ days. Up Vol % > 90%	1-14 days	Bullish			
September 29, 2015	CBI >= 11	1-20 days	Bullish			
September 9, 2015	FTD on mild breadth & volume	int term	Bearish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
<b>Dropped Tonight</b>						
October 20, 2015	Up 3 < 200. smallest rise	1-2 days	Bearish			
October 20, 2015	Up Vol % < 45%. SPX up < 200ma	1-2 days	Bearish			

**The Evidence**

A strong start did not hold and the market suffered some losses on Wednesday. The SPX fell 0.6%, the NASDAQ lost 0.8%, and the Russell 2000 declined 1.6%. Breadth was negative as the NYSE Up Issues % came in at 31% and the Up Volume % was 23%. Total NYSE volume rose some from Tuesday's level.

The pullback on Wednesday did not do anything to inspire new studies. SPX and NDX are both approaching their 10-day moving averages. They have both closed above them for 14 days in a row now. That is an unusually long time when the market is below its 200ma. In fact, since 1960 SPX has only managed to do this 20 other times, with the most recent being in 2011. Performance looking forward over the next couple of weeks was inconsistent with those 20 instances. So there is nothing new to add tonight as far as Active List studies.

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



With some bearish studies expiring the green Aggregator Line inched above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also rose 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 flipped from short to long at the close.

With the lone short-term study expiring on Thursday, and the intermediate-term outlook neutral, expectations will be largely dependent on any new evidence that emerges. The Differential Pivot will be 2021.18 on Thursday. That is just 2 points (0.1%) above Wednesday's close. This means that for SPX to turn from oversold to overbought versus expectations on Thursday it will only need to close up 2 points.

So the Aggregator is bullish, but it is about as weak a bullish signal as you will get. Evidence is mild and will need help to remain bullish beyond just the one day. And the SPX is so close to the Differential Pivot that it will be considered oversold on any down close and overbought on almost any up close. I am now flat the market. The current setup it not one I find appealing. I am therefore in "wait and be ready" mode. When the next favorable reward/risk setup emerges I'll look to pounce. But this does not seem to be a real opportune setup at the moment.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/19 – neutral***

The intermediate-term outlook was last updated in the 10/12 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*

***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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)(s)</i>	<i>10/16/2015</i>	<i>\$202.83</i>	<i>\$201.85</i>	<i>0.48%</i>		<i>covered on close</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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