

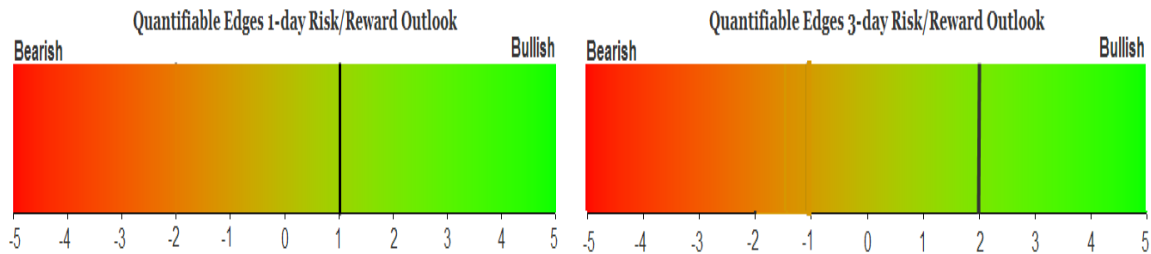
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 17, 2015

Volume 8 Issue 222

Market Overview



Signals Overview

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

Tonight's Research Points

- Strong outside days following a 10-day low have often seen a decline the next day.

Short-term Outlook

The Bottom Line

Evidence emerged suggesting Tuesday could be a down day, but overall short-term evidence remains bullish. I still believe odds favor the bulls over the next few dys.

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						
November 17, 2015	Outside day strong close after low	1 day	Bearish			
November 16, 2015	Dn 3. 1% drop. >20-low. < 200ma	1-4 days	Bullish			
November 16, 2015	Unfilled gap down 2x. Close <200ma	1-5 days	Bullish			
November 16, 2015	Down 3 & opex next week	1-2 days	Bullish			
November 13, 2015	Unfilled gap down. Low close in ranges	1-5 days	Bullish			
November 11, 2015	1st close 10-low in 30days	1-4 days	Bullish			
Active - Long Term						
November 10, 2015	1st close < 10ma in 25 days	1-20 days	Bullish			
November 2, 2015	Best 6 months	Nov-Apr	Bullish			
October 26, 2015	NASDAQ leading SPX	int term	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			
Dropped Tonight						
November 16, 2015	VIX crosses over 25% above 10ma	1 day	Bullish			

The Evidence

Monday was a bounce-back day for the market. The SPX rallied 1.5%, the NASDAQ gained 1.2% and the Russell 2000 rose 0.8%. Breadth was negative as the NYSE Up Issues % came in at 71% and the Up Volume % was 83%. Total NYSE volume declined some from Friday's level

There were a few studies that looked at outside day reversals like we saw on Monday that suggested possible bearish inclinations. I borrowed ideas from some of them and decided to look at instances that showed outside reversal days following 10-day lows that also closed high in the intraday range. Below are the results.

After closing at a 10-day low yesterday SPY posts an outside day and closes in the top 10% of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$10,212.85)	Profit Factor	0.20
Gross Profit	\$2,562.30	Gross Loss	(\$12,775.15)
Total Number of Trades	11	Percent Profitable	9.09%
Winning Trades	1	Losing Trades	10
Even Trades	0		
Avg. Trade Net Profit	(\$928.44)	Ratio Avg. Win:Avg. Loss	2.01
Avg. Winning Trade	\$2,562.30	Avg. Losing Trade	(\$1,277.52)
Largest Winning Trade	\$2,562.30	Largest Losing Trade	(\$4,986.80)

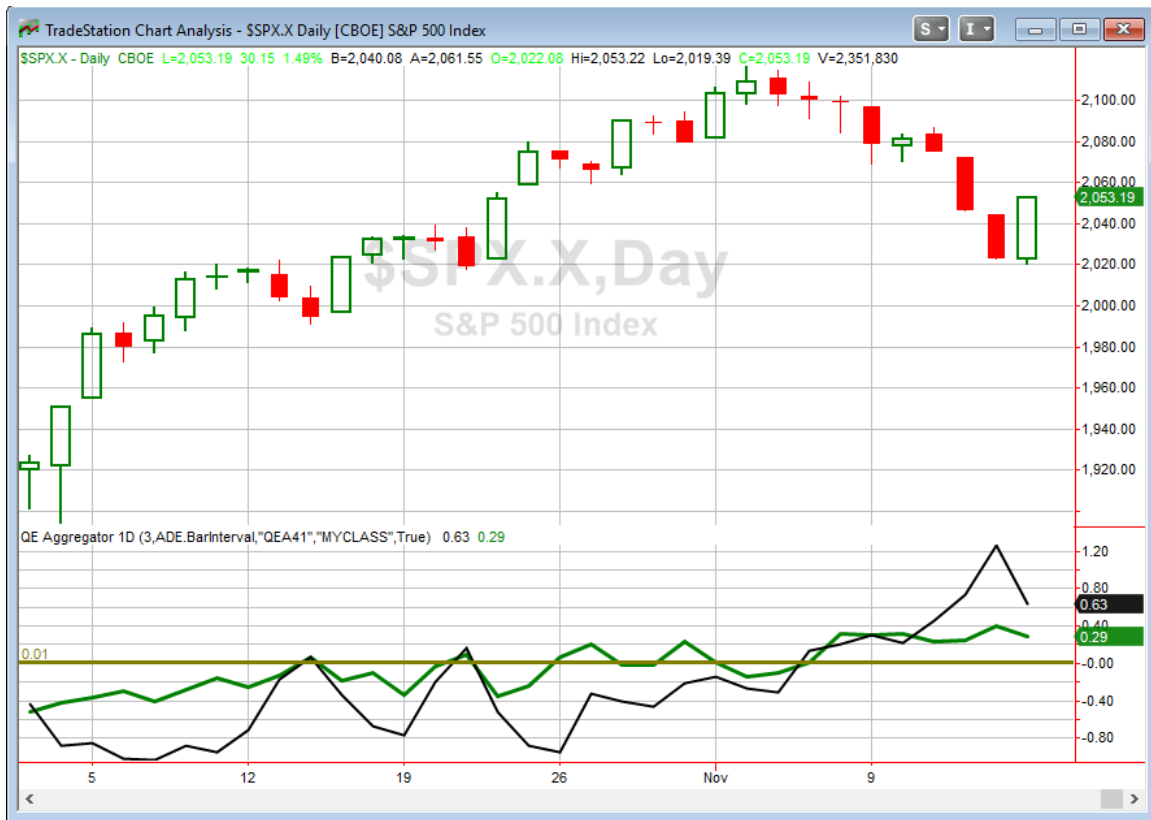
Instances have been rare but with 10 of 11 closing lower the next day I decided it was worth examining further. Below is the list of individual instances.

After closing at a 10-day low yesterday SPY posts an outside day and closes in the top 10% of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/19/1995	Buy	\$61.28	-0.29%	\$407.75
12/20/1995	Sell	\$61.10		(\$978.60)
5/8/1996	Buy	\$64.79	-0.09%	\$432.04
5/9/1996	Sell	\$64.73		(\$447.47)
7/24/2002	Buy	\$84.72	-0.85%	\$1,333.40
7/25/2002	Sell	\$84.00		(\$3,681.60)
9/29/2003	Buy	\$100.93	-0.97%	\$0.00
9/30/2003	Sell	\$99.95		(\$1,663.20)
8/29/2005	Buy	\$121.69	-0.53%	\$0.00
8/30/2005	Sell	\$121.05		(\$1,067.30)
6/27/2007	Buy	\$150.40	-0.01%	\$670.64
6/28/2007	Sell	\$150.38		(\$484.72)
11/13/2008	Buy	\$91.17	-4.99%	\$975.44
11/14/2008	Sell	\$86.62		(\$5,096.40)
8/27/2010	Buy	\$106.86	-1.45%	\$46.75
8/30/2010	Sell	\$105.31		(\$1,458.60)
12/31/2012	Buy	\$142.41	2.56%	\$2,625.48
1/2/2013	Sell	\$146.06		\$0.00
9/24/2014	Buy	\$199.56	-1.61%	\$0.00
9/25/2014	Sell	\$196.34		(\$1,648.29)
10/8/2014	Buy	\$196.64	-1.98%	\$0.00
10/9/2014	Sell	\$192.74		(\$2,062.48)
Avg Runup - 0.6% Avg Drawdown: -1.7%				

Not only have 10 of 11 closed lower but the average drawdown has been nearly 3x the size of the average run-up. This does seem to support the idea of a bearish edge for Tuesday.

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



With tonight's bearish study taken into account the green Aggregator Line still held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also still well above zero. 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.

Expectations are set to remain bullish on Tuesday based on the current active studies. This is unlikely to change. The Differential Pivot will be 2062.04 on Tuesday. That is 0.4% above Monday's close. This means that SPX would need to close up at least 0.4% in order to move from oversold to overbought on Tuesday.

Tuesday could be a difficult day for the market, but the next few days still appear more likely to see a rise rather than a decline. With Tuesday looking a little sketchy I am not inclined to add to my current long exposure. But I do intend to hang onto my longs a bit longer looking for more gains.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 11/16 –slightly bullish*

The intermediate-term outlook was last updated in the 11/16 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

SPG – 1/3 @ \$191.51 (buy @ limit)

CVS – 1/3 @ \$91.81 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 2(SP, CVS)

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
SPY(1/4)	11/9/2015	\$208.08	\$205.62	-1.18%		Aggregator
SPY(1/4)	11/14/2015	\$204.35	\$205.62	0.62%		Aggregator
SPG(1/3)	11/16/2015	\$185.39	\$187.64	1.21%		Catapult

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