

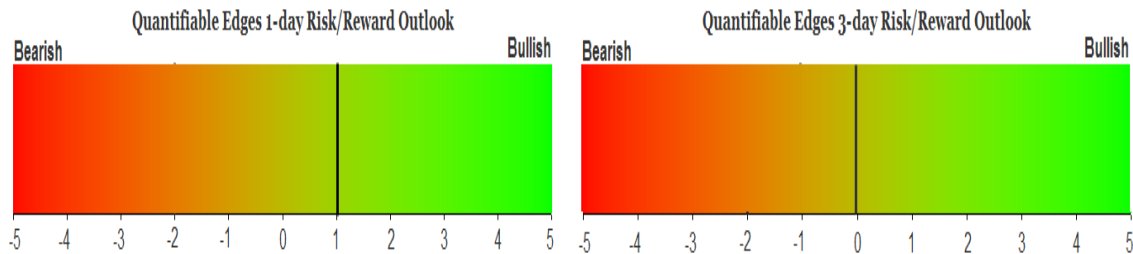
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 29, 2015

Volume 8 Issue 250

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- “Turnaround Tuesday” is a possibility after two down days.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is bullish, but the market is still relatively overbought. This leaves me fairly neutral.

*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>						
December 29, 2015	Turnaround Tuesday	1 day	Bullish			
December 24, 2015	QE Buying Power Short	1-6 days	Bearish			
December 24, 2015	Up 2% frm 3 ago. 3/10 HV < 0.25	1-6 days	Bullish	1.95%	-1.20%	-2.50%
December 23, 2015	Twass 3 Nights Before Christmas	1-8 days	Bullish			
<b>Active - Long Term</b>						
December 24, 2015	Up 3 days. 90% up vol today	1-14 days	Bullish	3.40%	-2.15%	-3.80%
December 24, 2015	Up 2% frm 3 ago. 3/10 HV < 0.25	1-19 days	Bullish	4.50%	-1.80%	-3.60%
December 22, 2015	Golden Cross	int term	Bullish			
December 14, 2015	Santa Rally	thru Jan 2	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			
<b>Dropped Tonight</b>						
December 21, 2015	Gap -n- crap to bottom of 2-week range	1-5 days	Bullish			
December 24, 2015	Up 3. Low range. <200	1-2 days	Bearish			

**The Evidence**

Monday was typical holiday-week slow trading. The SPX lost 0.2%, the NASDAQ fell 0.15% and the Russell 2000 declined 0.6%. Breadth was mixed as the NYSE Up Issues % came in at 37% and the Up Volume % was 28%. Total NYSE volume was very light and that is not likely to change until 2016.

The action did not trigger much in the way of Quantifinder studies, but as I have discussed many times before, Tuesday has generally been the best day of the week to see a turnaround. The study below is updated from the 8/4/15 letter. It looks at Tuesday performance when SPX has closed down exactly 2 days in a row going into Tuesday.

SPX closes down for exactly the 2nd day in a row. Today is Monday. Close < 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 2000 - present.

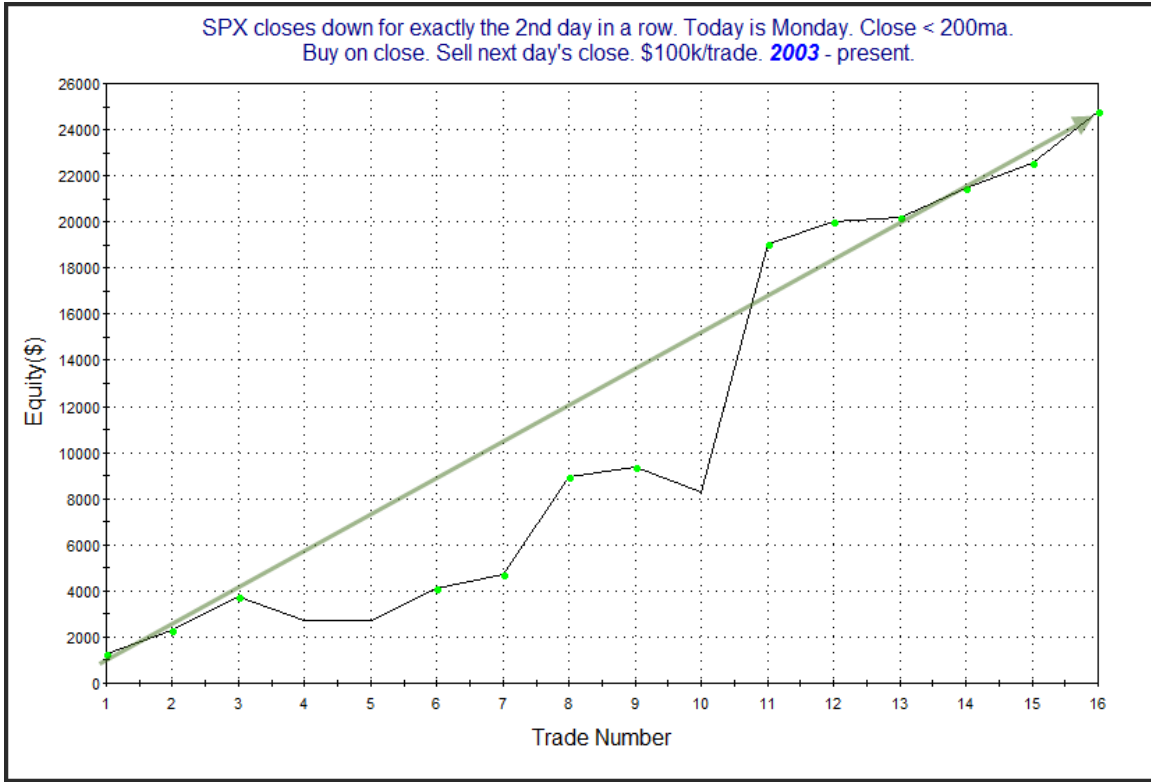
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$23,315.03	Profit Factor	2.83	
Gross Profit	\$36,050.39	Gross Loss	(\$12,735.36)	
Total Number of Trades	33	Percent Profitable	63.64%	
Winning Trades	21	Losing Trades	12	
Even Trades	0			
Avg. Trade Net Profit	\$706.52	Ratio Avg. Win:Avg. Loss	1.62	
Avg. Winning Trade	\$1,716.69	Avg. Losing Trade	(\$1,061.28)	
Largest Winning Trade	\$10,716.03	Largest Losing Trade	(\$2,117.68)	

Stats above are obviously bullish. But upon closer inspection I found that the edge really has only been prominent since 2003 or so. So I zoomed in on this more recent time-frame and re-ran the results. Here they are.

SPX closes down for exactly the 2nd day in a row. Today is Monday. Close < 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 2003 - present.

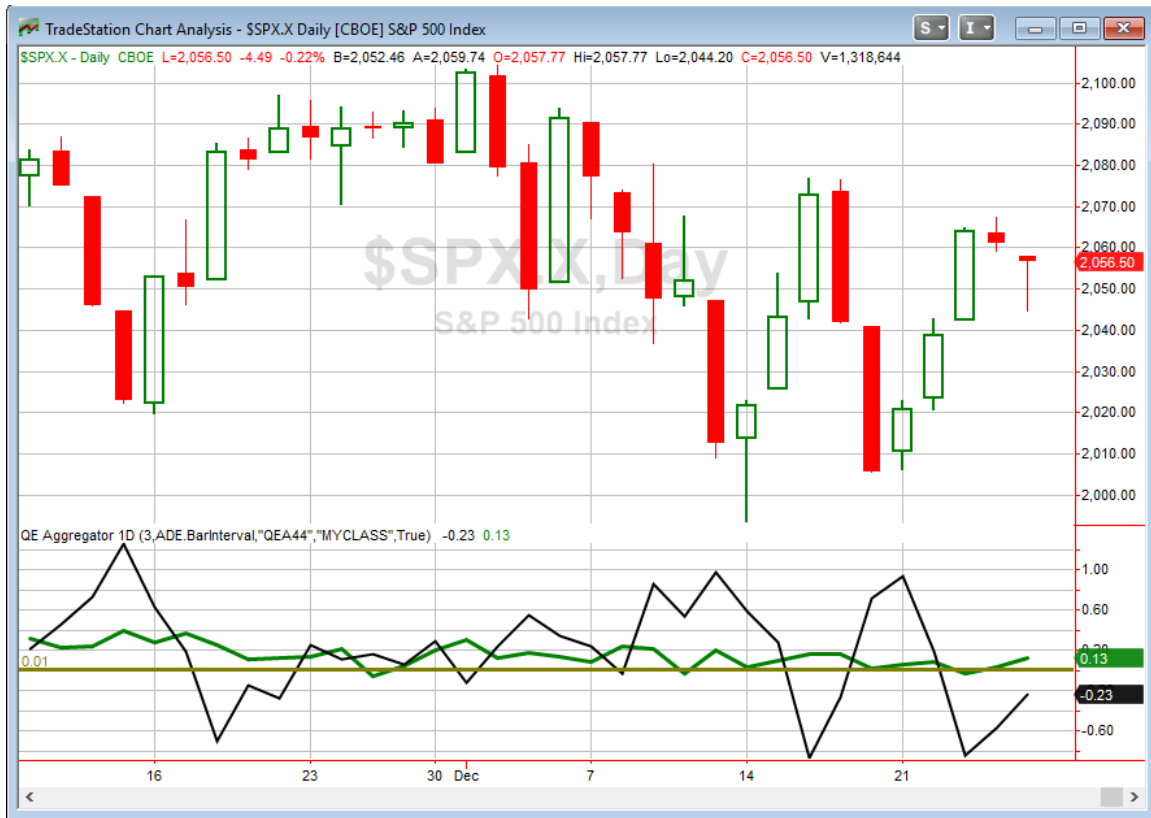
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	\$24,804.96	Profit Factor	12.79
Gross Profit	\$26,908.75	Gross Loss	(\$2,103.79)
Total Number of Trades	16	Percent Profitable	81.25%
Winning Trades	13	Losing Trades	3
Even Trades	0		
Avg. Trade Net Profit	\$1,550.31	Ratio Avg. Win:Avg. Loss	2.95
Avg. Winning Trade	\$2,069.90	Avg. Losing Trade	(\$701.26)
Largest Winning Trade	\$10,716.03	Largest Losing Trade	(\$1,084.59)

As you can see, all the gains have occurred in this condensed period. And the few losses that occurred were very small compared to the many gains. Below is a profit curve for this study.



The strong upslope acts as some confirmation of the upside edge.

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



With tonight's Turnaround Tuesday being considered the green Aggregator Line moved a little further above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is short-term overbought. 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 stayed flat at the close.

Based on the current studies, evidence is set to remain positive on Tuesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be *inverted at* 2066.96 on Tuesday. That is 0.5% *above* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX is going to need to close up at least 0.5% if it is going to remain overbought. Anything short of that and it will be considered "oversold" versus expectations on Tuesday.

Tuesday shows a decent probability of a rise. But with the market overbought by some measures, including the Aggregator, reward/risk does not appear strongly favorable. I intend to remain patient. If Turnaround Tuesday fails to take hold, then there is a good chance I will be looking to get long on Wednesday. But I am not going to commit to anything just yet.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 12/28 – bullish***

The intermediate-term outlook was last updated in the 12/28/15 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

***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.*

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