

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 6, 2016

Volume 9 Issue 3

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- No new & compelling evidence emerged on Tuesday.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is bullish and the market is strongly oversold. I believe there is an upside edge and am looking for more of a bounce than we saw on Tuesday.

*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>						
January 5, 2016	Down 3 < 200 but > 20-low. 1% drop	1-4 days	Bullish			
January 5, 2016	3 Lower high, low, close. Monday.	1-6 days	Bullish			
January 4, 2016	2 unfilled gaps down	1-5 days	Bullish			
January 4, 2016	Down last 2 days of positive quarter	1-5 days	Bullish			
December 23, 2015	Twos 3 Nights Before Christmas	1-8 days	Bullish			
<b>Active - Long Term</b>						
January 5, 2016	Down 3 < 200 but > 20-low. 1% drop	1-17 days	Bullish			
January 4, 2016	Down last 2 days of positive quarter	1-15 days	Bullish			
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			
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			

***The Evidence***

Tuesday was mixed and mild. The SPX and the Russell 2000 rose 0.2% while the NASDAQ fell 0.2%. Breadth was mildly positive as the NYSE Up Issues % came in at 57% and the Up Volume % was 52%. Total NYSE volume declined some from Monday's big selloff.

For the first time in a while the mild action left us without any new substantial short-term evidence. So I will not be showing any new studies tonight. But there are already a good number of studies active from the past few days suggesting an upside edge. And Tuesday's bounce came well shy of meeting any of the studies objectives. So they all still remain active.

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



Without any new studies being added tonight the green Aggregator Line remained well above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also far above zero. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is still strongly 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.

With all the short-term studies now bullish, evidence is set to remain positive on Wednesday. This could change if strong bearish evidence emerges. The Differential Pivot will be 2054.89 on Wednesday. That is 1.9% above Tuesday's close. So for SPX to move from oversold to overbought versus expectations on Tuesday it will need to close up at least 1.9%. That is a pretty unlikely gain for just 1 day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

While nothing new emerged on Tuesday as far as short-term evidence, everything we saw over the last few days is suggesting Tuesday's bounce should have further to go. The market is still oversold. There is decent room to the upside. This still appears to be a favorable setup for bulls over the short-term. I am already long 2 lots of SPY. I will not look to add to my position here, but I will continue to hold all of it through Wednesday in anticipation of more upside. I will of course reevaluate Wednesday night base on any new evidence that emerges.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 1/4 – bullish**

The intermediate-term outlook was last updated in the 1/4 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
SPY(1/4)	12/31/2015	\$203.87	\$201.36	-1.23%		Aggregator
SPY(1/4)	1/4/2016	\$201.02	\$201.36	0.17%		Aggregator

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