

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 4, 2016

Volume 9 Issue 23

Market Overview



Signals Overview

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

Tonight's Research Points

- No new studies emerged tonight.

Short-term Outlook

The Bottom Line

While expectations remain negative, the market is now oversold. This leaves me overall neutral.

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

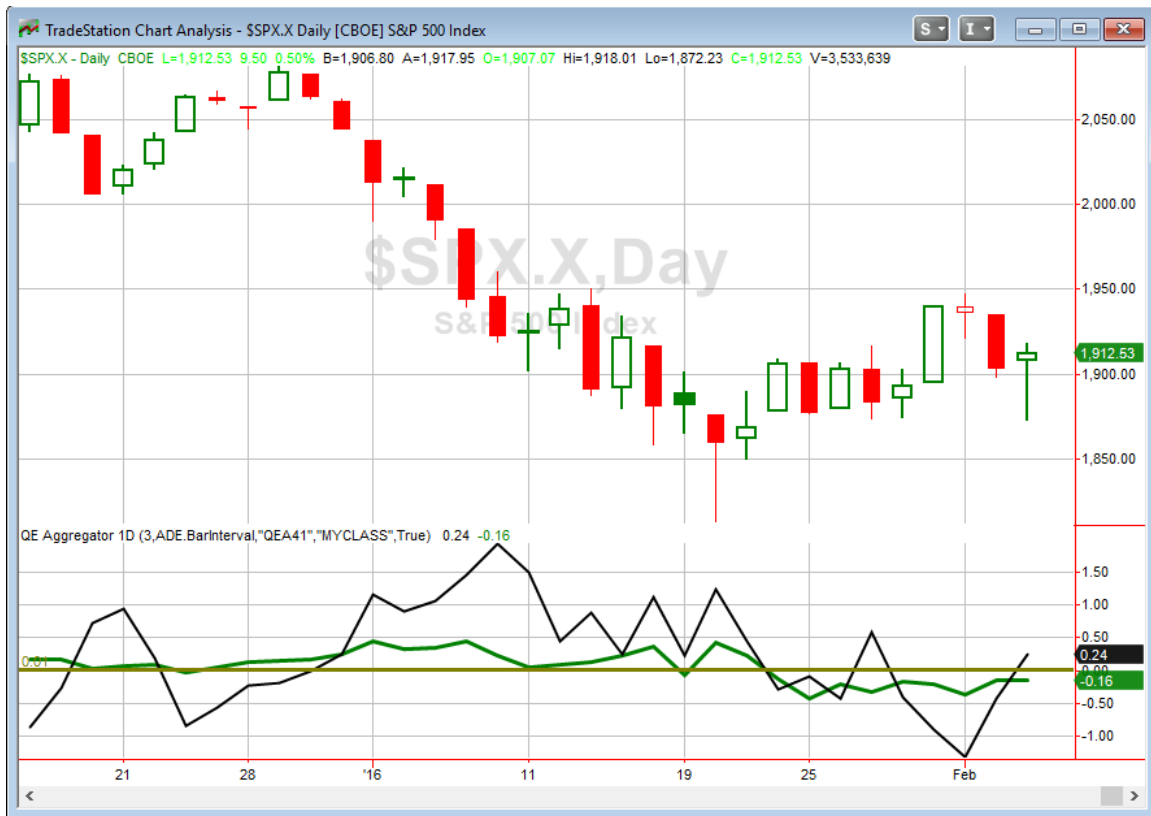
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 3, 2016	Dn 2 days > 1.5% to start month	1-3 days	Bullish			
February 2, 2016	SPY dn. RSI2 > 85. Close < 299ma.	1-3 days	Bearish			
February 1, 2016	QE Buying Power Short Signal	1-6 days	Bearish			
January 29, 2016	NDX up 1%. SOX down.	1-6 days	Bearish			
Active - Long Term						
February 1, 2016	2 90% up days in 1 week	1-9 months	Bullish	23.10%	-6.60%	-15.10%
February 1, 2016	FTD on strong breadth and weak vol	1-10 days	Bullish			
January 19, 2016	NASDAQ 100-day low. UpIss EMA < 37.5	1-19 days	Bullish			
November 2, 2015	Best 6 months	Nov-Apr	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Tuesday saw some big back and forth moves and ended with mixed results from the indices. SPX gained 0.5%, the NASDAQ fell 0.3%, and the Russell 2000 rose 0.1%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 65%. Total NYSE volume rose some from Tuesday's level.

The choppy action over the last few days has the charts in a sideways consolidation. And as often happens under these kinds of conditions, I am not seeing strong new edges emerge tonight. The Quantifinder came up blank for the first time in a while. Of course there are still several studies active from the last several days – and it rarely takes long before the market does something to tip its hand. So I'll be keeping it brief tonight.

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



Without any new studies emerging tonight the green Aggregator Line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line edged above 0. The positive Differential Line reading means SPX is now oversold versus recent expectations. So expectations are negative but 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 changed from short to flat at the close.

Expectations on Thursday are primed to remain negative if nothing new emerges. Of course this could change if strong new bullish evidence emerges. The Differential Pivot will be 1924.80 on Thursday. That is 0.65% above Wednesday's close. So for SPX to move from oversold to overbought versus expectations on Thursday it would need to close up at least 0.65%.

Evidence suggests we could still see more downside, but with the market now oversold risk/reward is no longer strongly favorable. I took profits on the SPY trade idea as indicated in last night's letter. I am not interested in taking on new exposure just yet. I will instead wait for the next favorable opportunity to emerge.

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

The intermediate-term outlook was last updated in the 2/2/16 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

AXP - 1/3 @ \$55.06 (buy @ limit) (filled)

AXP - 1/3 @ \$55.02 (buy @ limit) (filled)

AXP - 1/3 @ \$52.88 (buy @ limit) (not filled – cancel for now)

Broad Market Large Cap CBI – 3(AXP-3)

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.

Though they have done well over time, Catapults tend to be quite volatile and are traded without initial stops. Those new to Catapults should examine the information on the [Catapult System page](#).

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AXP(1/3)	1/25/2016	\$54.46	\$54.11	-0.64%		Catapult
AXP(1/3)	1/26/2016	\$55.02	\$54.11	-1.65%		Catapult
SPY(1/4)(s)	1/26/2016	\$193.72	\$190.00	1.92%		covered at limit

I will cover SPY if it moves down even a little at the open or during the day on Wednesday.

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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