

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 17, 2016

Volume 9 Issue 31

Market Overview



Signals Overview

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

Tonight's Research Points

- Unfilled gaps up on low volume have seen the market struggle in the following days under similar market conditions.

Short-term Outlook

The Bottom Line

The Aggregator is now bearish and I will look to tiptoe in with some short exposure.

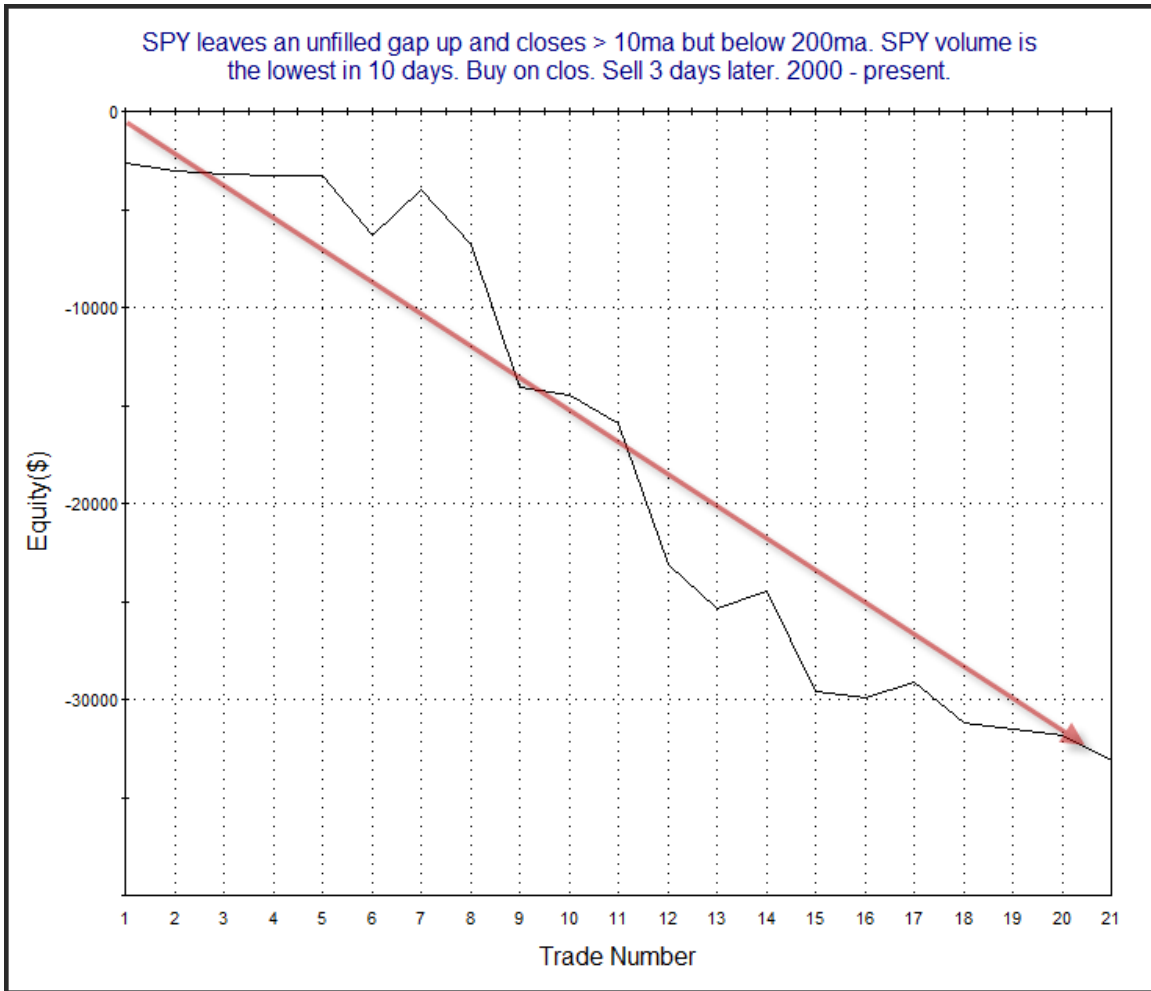
The Evidence

Tuesday was a 2nd strong up day for the market. The SPX rallied 1.7%, the NASDAQ gained 2.3%, and the Russell 2000 rose 2.5%. Breadth was positive as the NYSE Up Issues % was 80% and the Up Volume % came in at 85%. Total NYSE volume rose some from Friday’s level, but SPY volume came in at the lowest level in a while.

There were a few studies that triggered in the Quantifinder that looked at things like the unfilled gap up, the low SPY volume and the long-term downtrend. I combined a few parameters and saw the following results.

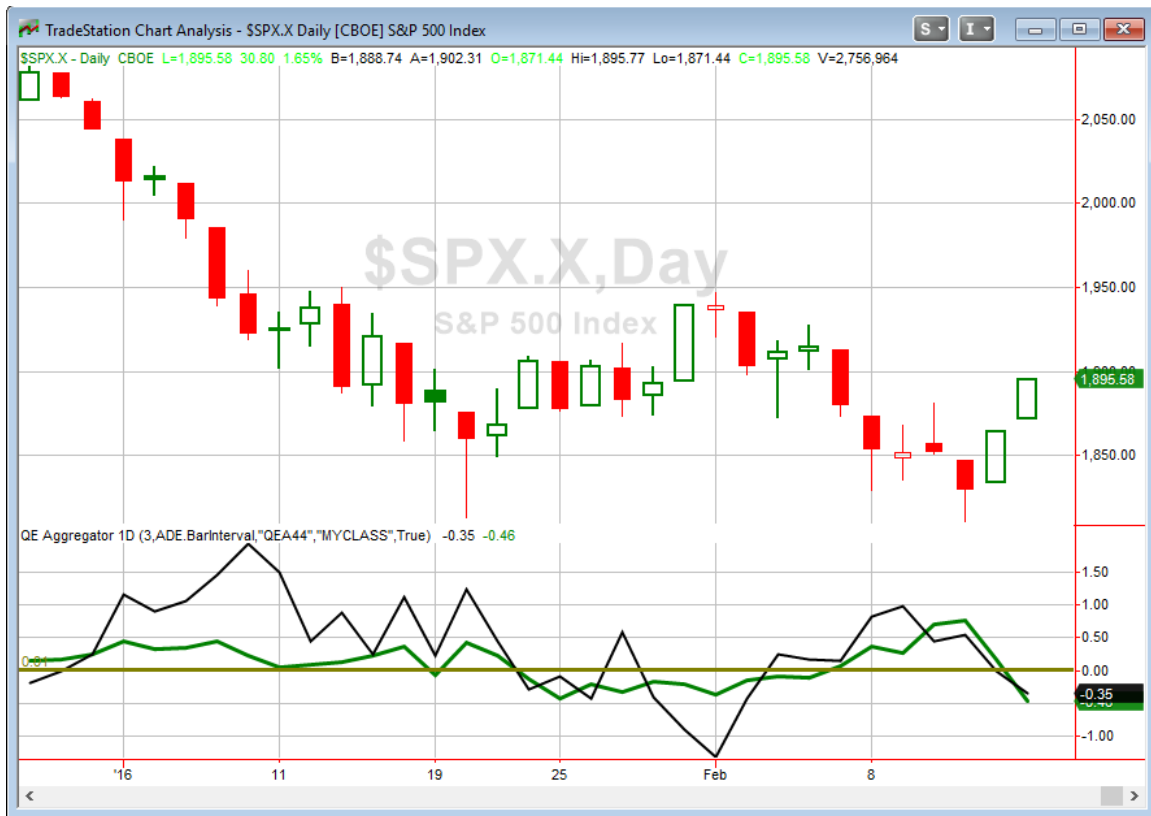
SPY leaves an unfilled gap up and closes > 10ma but below 200ma. SPY volume is the lowest in 10 days. Buy on clos. Sell X days later. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-43,847.93	20	10	10	50.00	1,078.41	3,702.72	-5,463.21	-15,038.32	0.20	0.20	-2,192.40
4	-39,629.77	21	8	13	38.10	1,370.79	2,808.81	-3,892.01	-11,911.24	0.35	0.22	-1,887.13
3	-33,124.68	21	3	18	14.29	1,314.64	2,308.23	-2,059.37	-7,233.14	0.64	0.11	-1,577.37
2	-19,949.60	21	6	15	28.57	812.26	1,779.84	-1,654.88	-8,268.04	0.49	0.20	-949.98
1	-2,294.89	21	11	10	52.38	838.72	2,178.45	-1,152.08	-2,985.40	0.73	0.80	-109.28

Over the first few days there certainly appears to be a downside edge. Below is a look at a 3-day profit curve.



The consistent downslope is quite impressive. I have added this to the Active List tonight.

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



With tonight's studies being considered the green Aggregator Line dropped below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line is also below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal changed from long to short at the close.

Expectations on Wednesday are primed to remain bearish. Of course this could change if new bullish evidence emerges. The Differential Pivot will be 1860.14 on Wednesday. That is 1.9% below Tuesday's close. So for SPX to move from overbought to oversold on Wednesday it will need to close down at least 1.9%.

Evidence now appears to be pointing bearish. Combined with the short-term overbought condition this seems to be suggesting a short-term downside edge. This seems like an edge worth taking a chance on – if I can get a favorable fill price.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/16 – neutral

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

BA – 1/3 @ \$108.44 (bought @ limit)

BAC – 1/3 @ \$11.16 (buy @ limit) – not filled – cancel for now

GS– 1/3 @ \$140.69 (buy @ limit) not filled – cancel for now

Broad Market Large Cap CBI – 3(BA, BAC, GS)

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.

SPY – sell short ¼ index position @ \$191.00 LIMIT ON OPEN. If not filled on open, cancel order and look to enter @ \$189.79 LIMIT ON CLOSE. Based on the short-term outlook above I will look to start scaling in to a short position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	2/11/2016	\$182.34	\$188.77	3.53%		<i>sold on open</i>
BA(1/3)	2/12/2016	\$105.12	\$112.60	7.12%		Catapult

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