

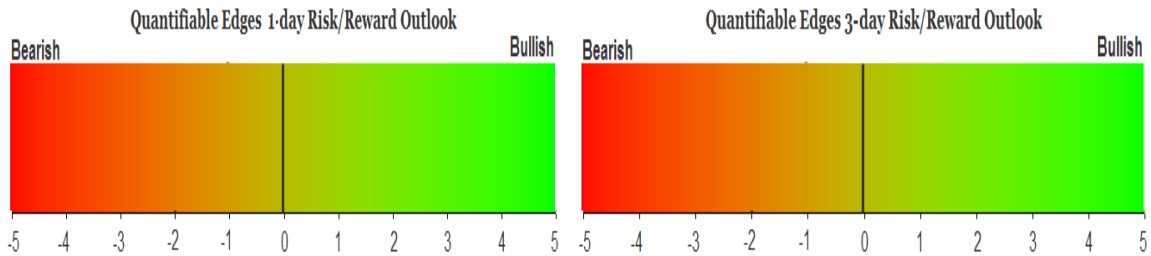
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2016

Volume 9 Issue 61

Market Overview



Signals Overview

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

Tonight's Research Points

- The intraday high, unfilled gap, and weak close imply short-term strength.

Short-term Outlook

The Bottom Line

Evidence is still pointing up but the market is again overbought. This leaves me neutral on the short-term.

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						
March 31, 2016	20-high. Unfil gap up. Close < open > 200	1-3 days	Bullish			
March 28, 2016	1st close < 10ma in 25 days	1-4 days	Bullish	1.70%	-0.50%	-1.30%
March 28, 2016	2 unfilled gaps dn. 5 low. Close > 200ma	1-6 days	Bullish	1.90%	-1.30%	-2.40%
Active - Long Term						
March 28, 2016	1st close < 10ma in 25 days	1-19 days	Bullish	4.10%	-0.90%	-2.25%
March 28, 2016	2 unfilled gaps dn. 5 low. Close > 200ma	1-10 days	Bullish	2.50%	-1.70%	-3.40%
March 24, 2016	1st 5-low in 10 days, but > 10ma	1-10 days	Bullish			
March 2, 2016	FTD & 20-day high	int term	Bullish			
February 18, 2016	Up Issue % > 70% 3x	1-85 days	Bullish	10.70%	-5.10%	-12.10%
February 1, 2016	2 90% up days in 1 week	1-9 months	Bullish	23.10%	-6.60%	-15.10%
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			
Dropped Tonight						
March 24, 2016	1st 5-low in 10 days, but > 10ma	1-4 days	Bullish			
March 22, 2016	NASDAQ up 4 < 200ma	1-6 days	Bearish			
March 28, 2016	Dn 3 days from 20-high.	1-3 days	Bullish	1.70%	-0.80%	-1.80%

The Evidence

Wednesday started strong but gains were mild by the end of the day. The SPX rose 0.4%, the NASDAQ rallied 0.5%, and the Russell 2000 gained 0.1%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 67%. NYSE volume declined some from Tuesday's level.

Looking at price action, the 1-day SPY pattern hinted at a bullish edge. In the 11/24/14 Letter I ran a test of performance following unfilled upside gaps that make a 20-day high. I broke out the results by times the SPY closed above the open versus times where it closed below the open. I updated those studies below.

First let's look at times (unlike Wednesday) where the finish was relatively strong:

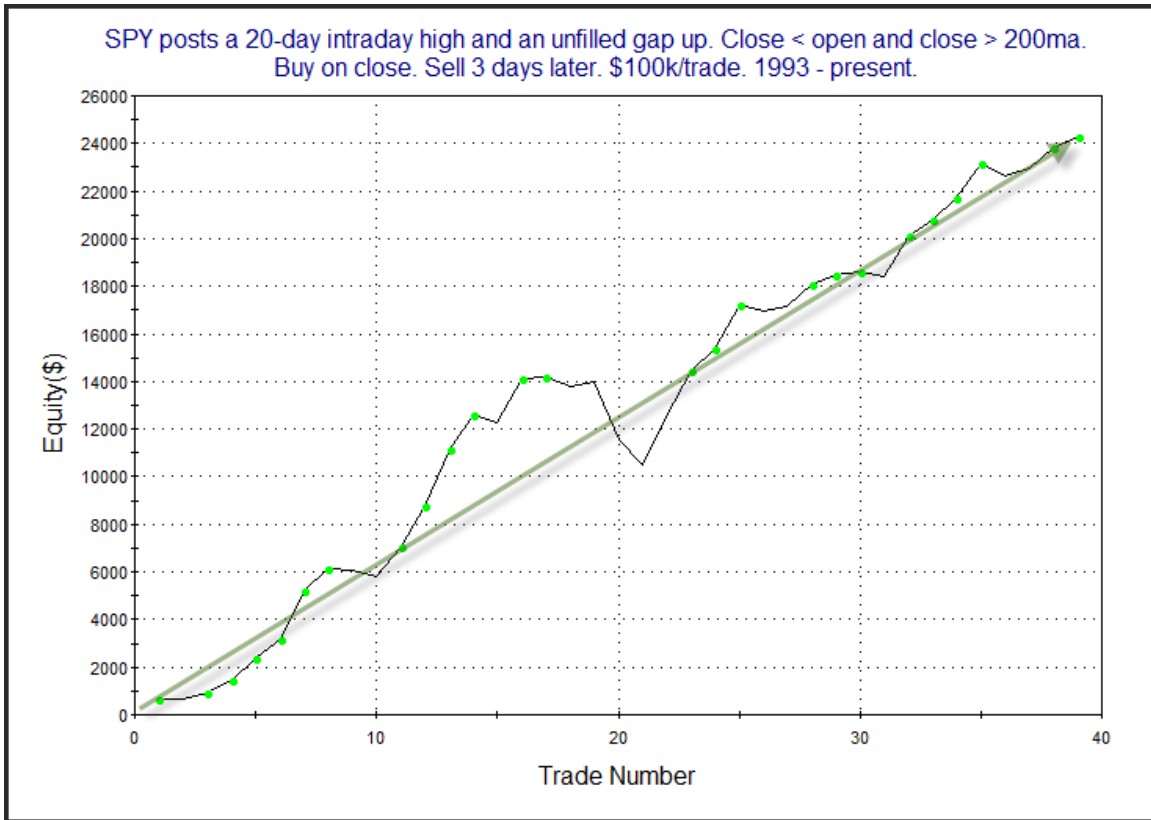
SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	11,852.13	143	83	58	58.04	1,565.18	6,056.96	-2,035.47	-6,391.84	0.77	1.10	82.88
9	16,987.43	151	89	61	58.94	1,482.75	5,404.74	-1,884.87	-4,800.38	0.79	1.15	112.50
8	9,529.86	160	94	64	58.75	1,293.64	5,456.48	-1,751.14	-6,071.52	0.74	1.09	59.56
7	2,754.77	166	95	69	57.23	1,233.76	5,145.60	-1,658.74	-5,839.16	0.74	1.02	16.59
6	8,552.49	176	94	80	53.41	1,076.36	4,931.26	-1,157.81	-4,876.48	0.93	1.09	48.59
5	5,747.27	184	100	82	54.35	956.46	4,539.48	-1,096.32	-3,561.24	0.87	1.06	31.24
4	11,754.44	197	107	89	54.31	933.27	4,627.26	-989.95	-3,532.12	0.94	1.13	59.67
3	-8,332.57	212	121	89	57.08	677.15	2,659.03	-1,014.24	-5,080.34	0.67	0.91	-39.30
2	-2,736.11	228	126	101	55.26	530.37	2,545.92	-688.74	-3,016.48	0.77	0.96	-12.00
1	2,654.34	245	125	118	51.02	388.39	2,380.38	-388.94	-2,817.32	1.00	1.06	10.83

There doesn't appear to be any edge in either direction here. Now let's examine times like the present where SPY closed below the open.

SPY posts a 20-day intraday high and an unfilled gap up. Close < open and close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
10	30,093.96	34	20	14	58.82	2,328.68	4,838.35	-1,177.11	-4,810.68	1.98	2.83	885.12
9	24,751.00	35	25	10	71.43	1,634.50	3,741.10	-1,611.15	-5,564.16	1.01	2.54	707.17
8	23,050.89	35	24	10	68.57	1,621.63	3,352.48	-1,586.82	-6,021.40	1.02	2.45	658.60
7	21,554.74	35	22	13	62.86	1,734.59	3,751.55	-1,277.41	-4,952.36	1.36	2.30	615.85
6	21,654.59	35	23	12	65.71	1,659.04	4,159.10	-1,375.27	-6,414.24	1.21	2.31	618.70
5	16,907.61	35	20	15	57.14	1,477.05	3,754.17	-842.23	-4,540.20	1.75	2.34	483.07
4	19,720.91	36	27	9	75.00	983.44	3,436.02	-759.11	-2,228.24	1.30	3.89	547.80
3	24,269.67	39	29	9	74.36	1,029.51	2,362.10	-620.68	-2,427.88	1.66	5.34	622.30
2	17,501.84	40	26	14	65.00	930.87	1,998.70	-478.63	-926.12	1.94	3.61	437.55
1	8,250.13	41	29	12	70.73	466.72	1,708.92	-440.39	-1,015.84	1.06	2.56	201.22

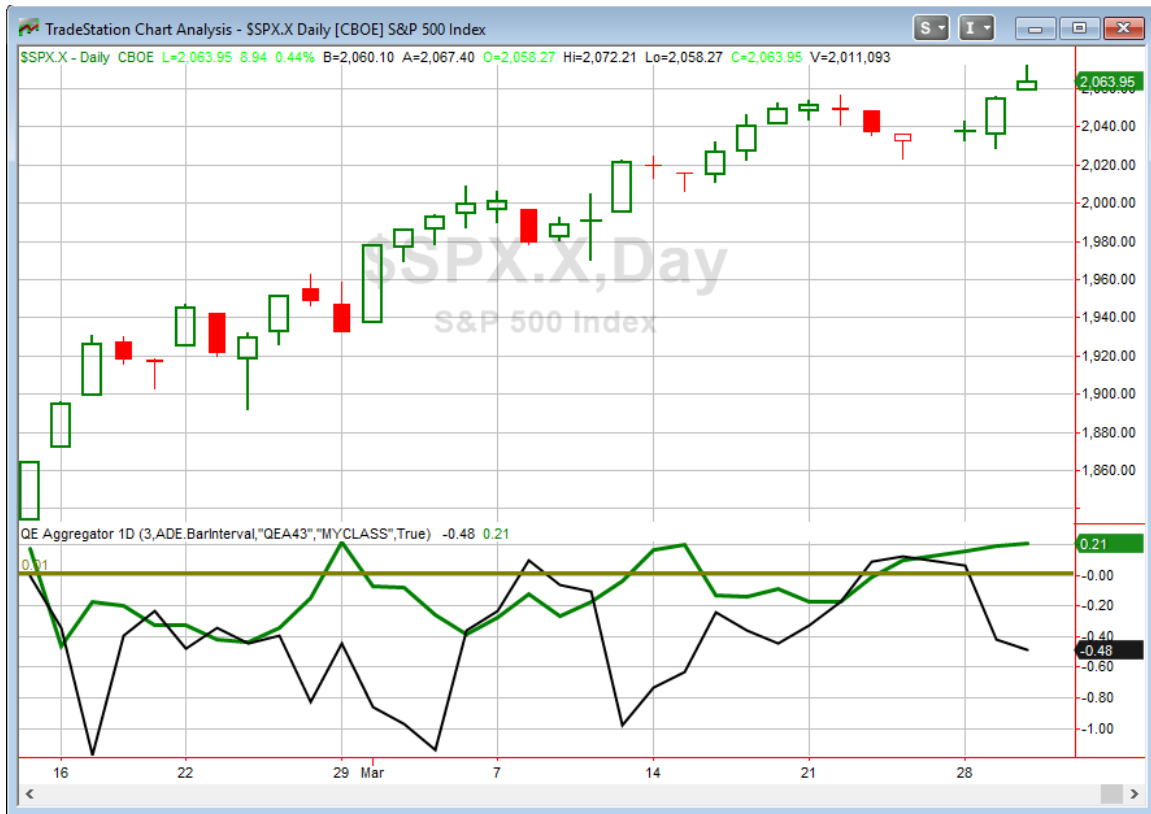
37 of 41 instances (90%) closed above the entry price at some point in the next 3 days.

These results are substantially better than earlier where the finish was above the open. The weak finish should not concern bulls, in fact it appears they should be excited by it. Below is an equity curve that shows how the edge has played out over time.



The upslope here is persistent and rather impressive. I have included this study on the Short-Term Active List.

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



With tonight's study included the green Aggregator Line remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is 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 list of studies, expectations on Thursday are set to remain positive. But this could change if strong bearish evidence emerges. The Differential Pivot will be 2041.97 on Thursday. That is 1.1% below Wednesday's close. So for SPX to move from overbought to oversold versus expectations on Thursday it will need to close down at least 1.1%.

While more bullish evidence emerged, the overall picture did not change much from last night. With the SPX still overbought reward/risk is not very good. The Aggregator is neutral, and I am also. I remain flat and I intend to wait for the next favorable opportunity before putting money back to work.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/28 – slightly bullish

The intermediate-term outlook was last updated in the 3/28 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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