

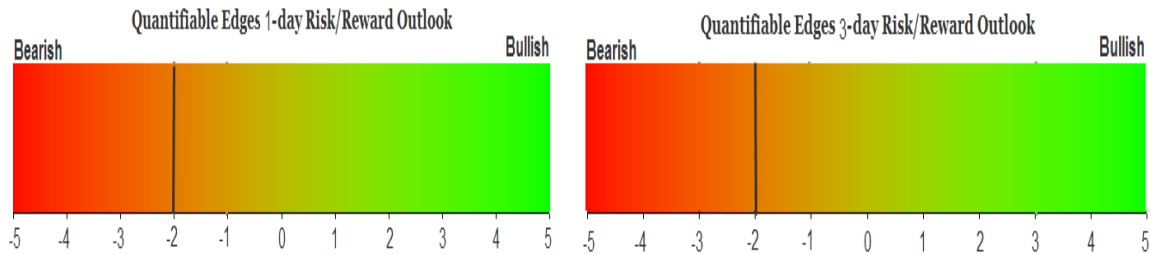
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 14, 2016

Volume 9 Issue 71

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Short SPY	Short

Tonight's Research Points

- The QE Buying Power Swing System triggered short.

Short-term Outlook

The Bottom Line

Evidence is now pointing a little South and the market is overbought. This suggests a short-term bearish edge. It is not quite compelling enough of an edge to get me interested in shorting the market just yet.

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						
April 14, 2016	QE Buying Power Short	1-6 days	Bearish			
Active - Long Term						
March 28, 2016	1st close < 10ma in 25 days	1-19 days	Bullish	4.10%	-0.90%	-2.25%
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						
April 11, 2016	April Opex Week Bullish	1-3 days	Bullish	1.80%	-0.90%	-2.00%

The Evidence

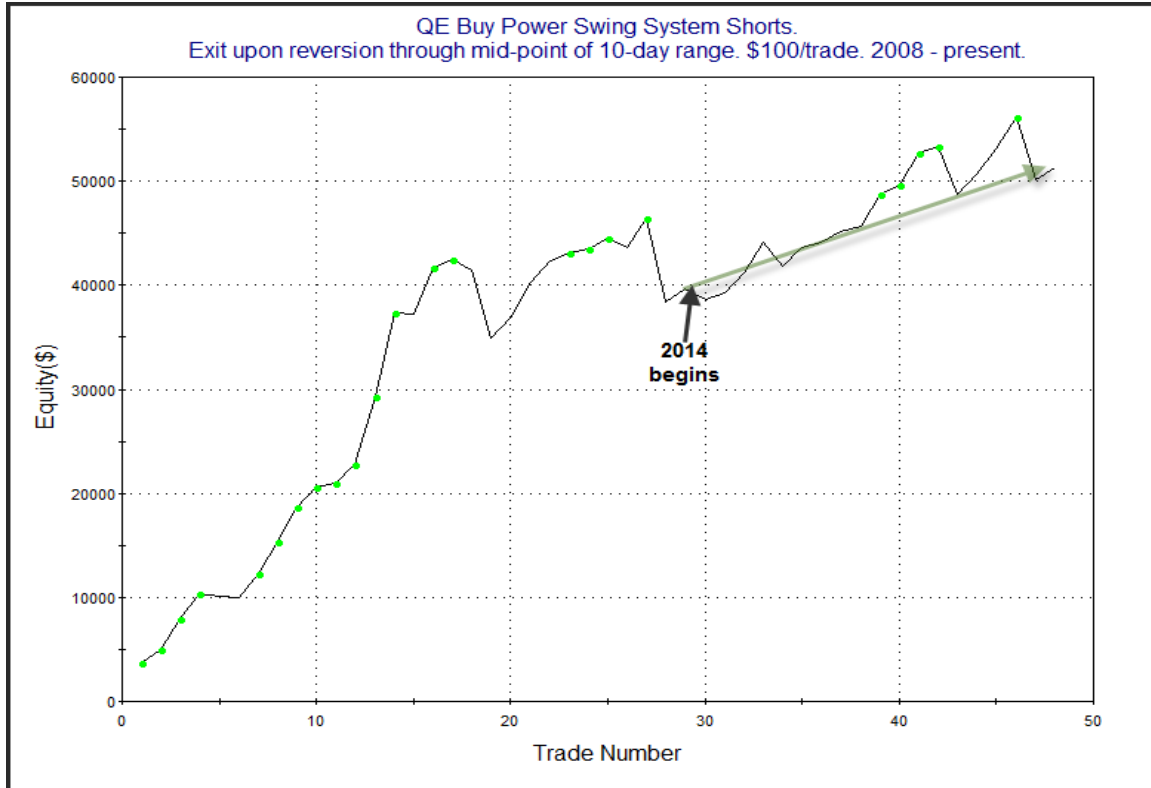
The market put in a strong rally on Wednesday. The SPX rose 1.0%, the NASDAQ rallied 1.6% and the Russell 2000 gained 2.2%. Breadth was positive as the NYSE Up Issues % was 73% and the Up Volume % came in at 77%. NYSE volume rose for the 3rd day in a row.

Wednesday's close in the upper part of the 10-day range triggered a new short signal in the QE Buying Power System. The performance table below shows updated hypothetical results of having taken all short signals since 2008, and then exiting upon a reversion to the lower half of the recent range. (A short signal simply requires the QE Buying Power Index <= 0 and the SPX closes in the top 20% of its 10-day range.) With no active Fed QE purchase plans currently the Buying Power Index has been locked at 0 since early November 2014.

QE Buy Power Swing System Shorts. Exit upon reversion through mid-point of 10-day range. \$100/trade. 2008 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$51,307.10	Profit Factor	2.66
Gross Profit	\$82,287.85	Gross Loss	(\$30,980.75)
Total Number of Trades	48	Percent Profitable	77.08%
Winning Trades	37	Losing Trades	11
Even Trades	0		
Avg. Trade Net Profit	\$1,068.90	Ratio Avg. Win:Avg. Loss	0.79
Avg. Winning Trade	\$2,224.00	Avg. Losing Trade	(\$2,816.43)
Largest Winning Trade	\$8,004.64	Largest Losing Trade	(\$8,003.49)
Max. Consecutive Winning Trades	8	Max. Consecutive Losing Trades	2

Results here are strong.

Below is a look at the profit curve, with a demarcation where QE3 ended and the 2014 - 2016 trades began.



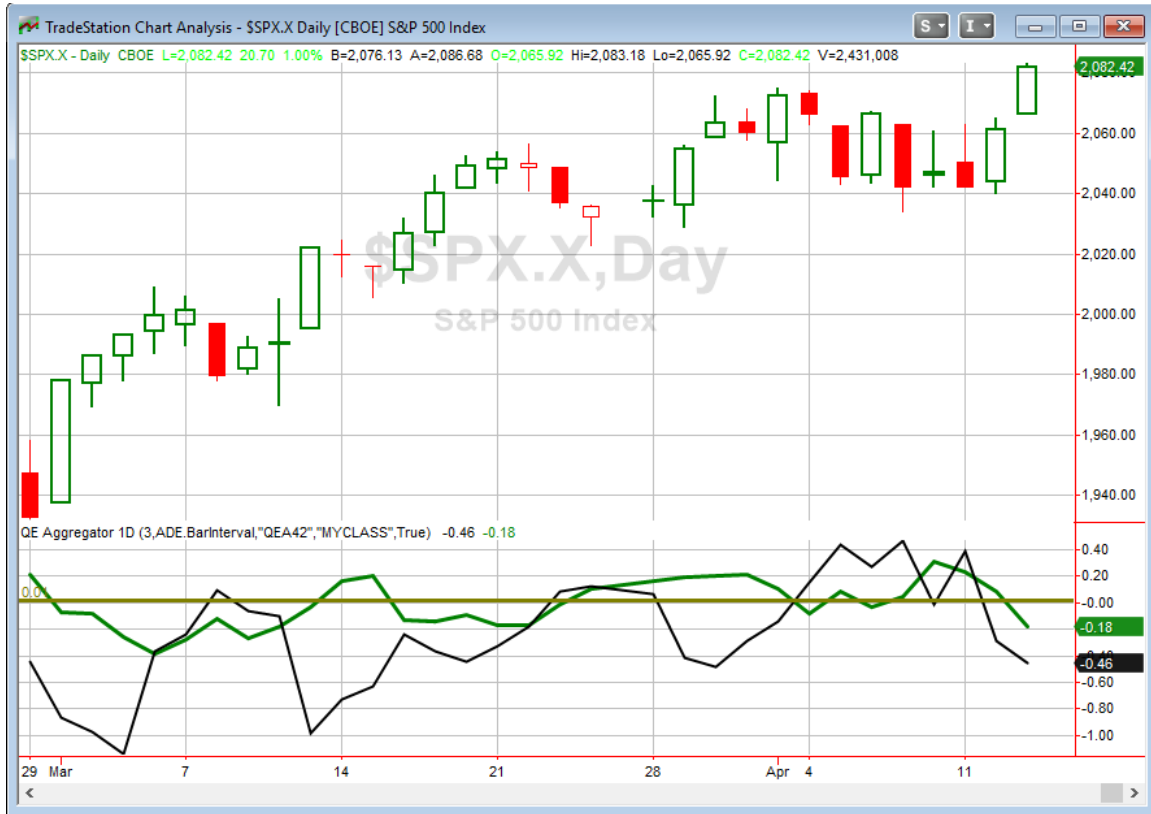
Not as steep as it was during bear market environments, but still nice results for the shorts. The instance prior to the most recent one saw a sizable pullback. Below is the list of individual triggers since 2014.

QE Buy Power Swing System Shorts.
Exit upon reversion through mid-point of 10-day range. \$100/trade. 2014 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/7/2014	Short	\$2,031.92	-1.06%	\$85.75
12/1/2014	Cover	\$2,053.44		(\$2,148.16)
12/3/2014	Short	\$2,074.33	0.68%	\$962.88
12/8/2014	Cover	\$2,060.31		(\$246.72)
12/18/2014	Short	\$2,061.23	1.97%	\$2,106.72
1/5/2015	Cover	\$2,020.58		(\$1,551.36)
1/22/2015	Short	\$2,063.15	2.96%	\$2,959.68
1/28/2015	Cover	\$2,002.16		\$0.00
2/3/2015	Short	\$2,050.03	-2.37%	\$638.88
3/4/2015	Cover	\$2,098.53		(\$3,338.88)
3/18/2015	Short	\$2,099.42	1.83%	\$1,803.39
3/25/2015	Cover	\$2,061.05		(\$725.68)
4/9/2015	Short	\$2,091.18	0.48%	\$884.07
4/17/2015	Cover	\$2,081.18		(\$974.31)
4/22/2015	Short	\$2,107.96	1.07%	\$1,427.39
4/30/2015	Cover	\$2,085.51		(\$844.12)
5/8/2015	Short	\$2,116.10	0.56%	\$1,434.91
5/26/2015	Cover	\$2,104.20		(\$875.14)
6/18/2015	Short	\$2,121.24	3.00%	\$3,036.20
6/29/2015	Cover	\$2,057.64		(\$405.61)
7/13/2015	Short	\$2,099.60	0.95%	\$1,057.97
7/24/2015	Cover	\$2,079.65		(\$1,561.34)
8/17/2015	Short	\$2,102.44	3.17%	\$3,135.37
8/20/2015	Cover	\$2,035.73		(\$48.41)
9/8/2015	Short	\$1,969.41	0.58%	\$1,611.00
9/18/2015	Cover	\$1,958.08		(\$2,572.50)
10/5/2015	Short	\$1,987.05	-4.61%	\$753.00
11/9/2015	Cover	\$2,078.58		(\$6,471.50)
11/20/2015	Short	\$2,089.17	1.89%	\$2,200.54
12/3/2015	Cover	\$2,049.62		(\$709.70)
12/23/2015	Short	\$2,064.29	2.50%	\$3,581.28
1/4/2016	Cover	\$2,012.66		(\$828.96)
1/29/2016	Short	\$1,940.24	3.10%	\$3,468.51
2/5/2016	Cover	\$1,880.02		(\$354.96)
2/17/2016	Short	\$1,926.82	-6.14%	\$1,826.82
4/5/2016	Cover	\$2,045.17		(\$7,560.75)
4/6/2016	Short	\$2,066.66	1.20%	\$1,577.28
4/7/2016	Cover	\$2,041.91		\$0.00

We have seen a couple of instances in the last 6 months that went very strongly against the short position. The trades overall have done quite well. I still believe the system signals deserve some consideration within the Active List. Of course I will keep an eye on this to see if these runaway up moves continue to happen, and perhaps whether the system signals should be reconsidered.

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



With the QE Buying Power Swing System short signal triggering tonight 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 remained 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 turned short at the close.

Based on the current active studies, expectations are slated to remain negative on Thursday. This could easily change if new bullish evidence emerges. The Differential Pivot will be 2053.70 on Thursday. That is 1.4% below Wednesday's close. So for SPX to move from overbought to oversold versus recent expectations it will need to close down 1.4% on Thursday.

The Aggregator is bearish, and the SPX is squarely overbought. So there certainly appears to be a downside edge. But my intermediate-term outlook is bullish, which means this would be a counter-trend trade. If I am going to take a counter-trend trade I would prefer to see more than just the one study firing. So after some deliberation, I intend to sit out on Thursday. Though if more bearish evidence emerges, or the SPX gets even more stretched to the upside, there is a good chance I will look to take on some short exposure in the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/11 – bullish

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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