

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 28, 2016

Volume 9 Issue 81

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Long	100% Long XIV	Short

Tonight's Research Points

- When SOX has rallied despite the NDX falling a fair amount it has typically led to an NDX bounce the next day.

Short-term Outlook

The Bottom Line

Evidence continues to point higher and SPX is again a little oversold. This again has me somewhat bullish and looking to profit from a further move upwards.

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 28, 2016	SOX up 0.75%. NDX down 0.75%.	1 day	Bullish			
April 27, 2016	SPX 3-day high. NDX down 3 days.	1-2 days	Bullish			
April 25, 2016	1st 5 low in 10 days. Close > 10ma	1-4 days	Bullish	1.40%	-1.00%	-2.10%
Active - Long Term						
April 26, 2016	Golden Cross	int term	Bullish			
April 25, 2016	1st 5 low in 10 days. Close > 10ma	1-10 days	Bullish	2.20%	-1.30%	-2.70%
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 27, 2016	Fed Day	1 day	Bullish			
April 22, 2016	Big drop from 50-high	1-4 days	Bullish			

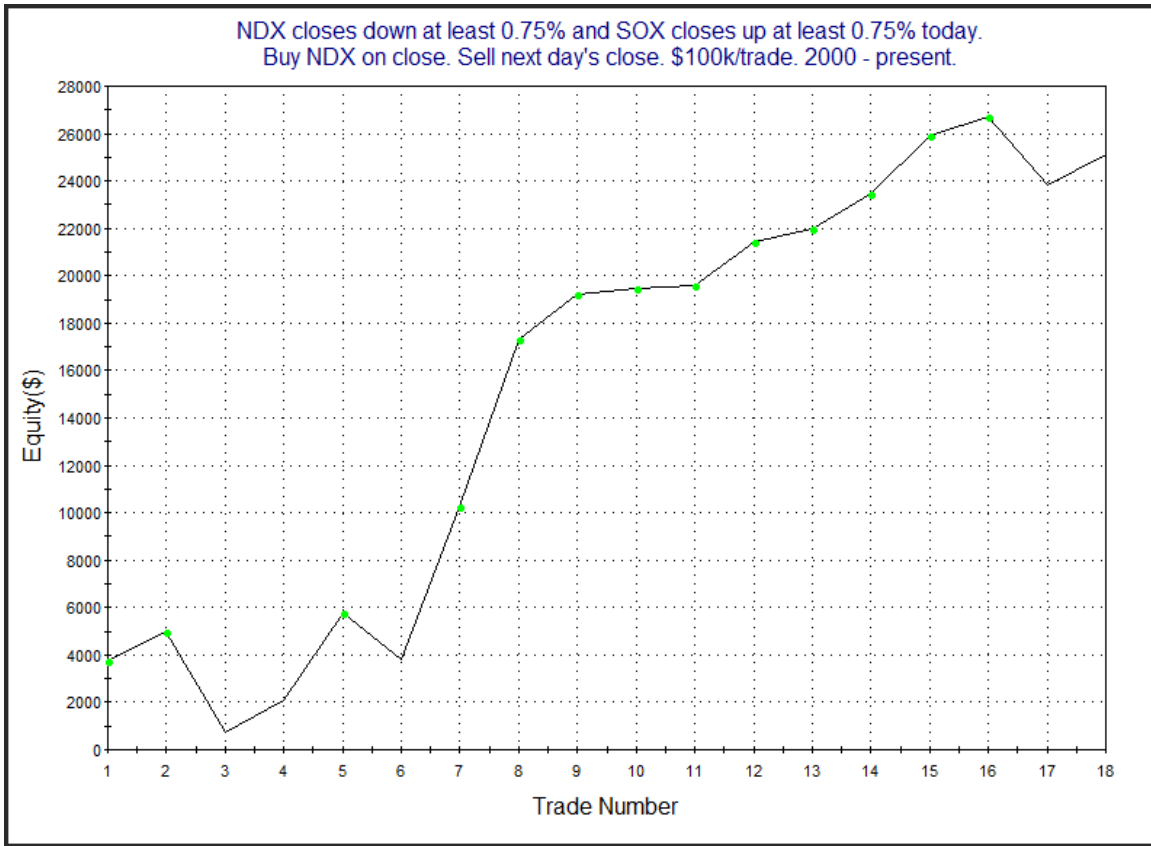
The Evidence

Results were mixed on Wednesday. The SPX rose 0.2%, the NASDAQ sold off 0.5%, and the Russell 2000 rallied 0.3%. Breadth was positive as the NYSE Up Issues % was 68% and the Up Volume % came in at 75%. NYSE volume rose some from Tuesday's level.

Interesting about Wednesday's action is that the SOX moved up nicely even though the NDX suffered a sizable decline. Since SOX stocks make up a decent portion of the NDX, this is unusual action. In fact, Wednesday was the 1st time since 2009 that the study below triggered. I last discussed it in the 12/10/08 letter. I have updated the results tonight.

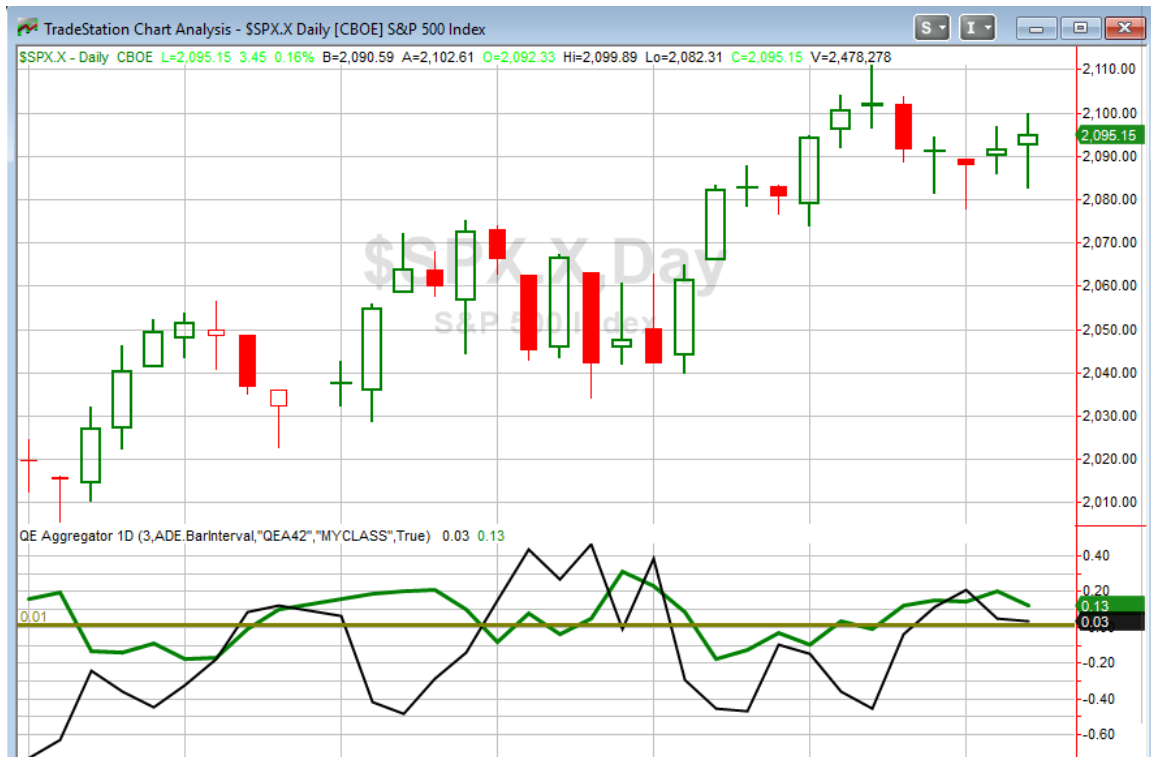
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$25,110.92	Profit Factor	3.75
Gross Profit	\$34,254.44	Gross Loss	(\$9,143.52)
Total Number of Trades	18	Percent Profitable	83.33%
Winning Trades	15	Losing Trades	3
Even Trades	0		
Avg. Trade Net Profit	\$1,395.05	Ratio Avg. Win:Avg. Loss	0.75
Avg. Winning Trade	\$2,283.63	Avg. Losing Trade	(\$3,047.84)
Largest Winning Trade	\$7,100.80	Largest Losing Trade	(\$4,249.28)

The numbers are quite impressive, with the NDX closing up about 1.4% on average the next day. Below is a look at the profit curve.



This curve certainly seems to support the idea of an upside edge.

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



Tonight's evidence helped the green Aggregator Line hold above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained slightly above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is 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.

All of the short-term studies are set to expire on Thursday, but expectations are slated to remain positive. This could change if more bearish evidence emerges. The Differential Pivot will be 2096.54 on Thursday. That is 0.1% above Wednesday's close. So for SPX to move from oversold to overbought versus expectations on Thursday it is going to have to close up at least 0.1%.

We have seen a split move the last few days, with SPX rising and the NASDAQ falling. Evidence is pointing higher again. And despite SPX being up slightly each of the last 2 days, there still appears to be more room to the upside. I am long and hoping to take advantage of a move up over the next few days. I won't overstay my welcome, though, and will take profits if SPX closes above the Differential Pivot on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/25 – slightly bullish

The intermediate-term outlook was last updated in the 4/25 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)	4/25/2016	\$208.26	\$209.35	0.52%		Aggregator

I will look to sell my SPY position at the close if SPX closes \geq the Differential Pivot of 2096.54 on Thursday.

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