

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 12, 2016

Volume 9 Issue 91

Market Overview



Signals Overview

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

Tonight's Research Points

- Mid-range chop is not helping to generate strong edges. No new compelling evidence emerged tonight.

Short-term Outlook

The Bottom Line

Evidence remains bullish, but the SPX is overbought. Once again, this leaves me neutral on the indices.

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						
May 9, 2016	CBI >= 7. SPX < 200.	1-5 days	Bullish			
May 6, 2016	3 day pullback	1-5 days	Bullish			
May 5, 2016	Unfilled gap 2x. 5-low > 200ma	1-6 days	Bullish	1.90%	-1.30%	-2.40%
Active - Long Term						
May 9, 2016	CBI >= 7. SPX < 200.	1-15 days	Bullish			
May 5, 2016	Unfilled gap 2x. 5-low > 200ma	1-10 days	Bullish	2.50%	-1.70%	-3.35%
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 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 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Wednesday was a tough day for the market, as it reversed much of the gains from Tuesday. The SPX lost 0.96%, the NASDAQ fell 1.02%, and the Russell 2000 dropped 1.25%. Breadth was negative as the NYSE Up Issues % was 34% and the Up Volume % came in at 36%. NYSE volume rose a little from Tuesday's level.

The daily chart looks very choppy and the SPX is now almost exactly mid-range and at its 10-day moving average. This is the kind of situation that is rarely conducive to generating substantial edges. And that seems to be the case tonight. There is simply nothing I am seeing that is suggestive of a strong edge. So I will keep it short tonight.

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



Without anything new being added 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 is still 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.

Without a whole lot of evidence emerging in the last few days, expectations are slated to remain positive on Thursday. Of course this could change very easily if compelling bearish studies emerge. The Differential Pivot will be *slightly inverted at 2067.09* on Thursday. That is 0.1% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX is going to need to gain at least 0.1% on Thursday in order to remain "overbought". Anything less than that and it will flip to "oversold" versus expectations as of Thursday's close.

Evidence is weak, the Aggregator is neutral, the Differential Pivot is inverted, and I am just not seeing anything that would get me excited about taking on new positions here. I still like the positions I am in and will look to hold them another day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/9 – slightly bullish

The intermediate-term outlook was last updated in the 5/9 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

ABT @ \$40.42 (bought 1/3)

ABT @ \$38.90 (bought @ limit) – 2nd lot

GILD @ \$88.21 (bought @ limit)

ABT @ \$38.85 (bought @ limit) – 3rd lot

AAPL @ \$93.64 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 5 (ABT-3, GILD, AAPL)

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
ABT(1/3)	4/29/2016	\$40.37	\$38.01	-5.85%		Catapult
ABT(1/3)	5/2/2016	\$38.85	\$38.01	-2.16%		Catapult
AMGN(1/3)	5/2/2016	\$158.30	\$157.73	-0.36%		<i>sold on open</i>
GILD(1/3)	5/2/2016	\$88.21	\$83.90	-4.89%		<i>sell on close >= \$86.46</i>
ABT(1/3)	5/3/2016	\$38.80	\$38.01	-2.04%		Catapult
XIV(1/2)	5/5/2016	\$26.20	\$28.40	8.40%		Aggressive VIX
AAPL(1/3)	5/6/2016	\$93.21	\$92.51	-0.75%		<i>sell on close >= \$93.59</i>

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