

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 18, 2016

Volume 9 Issue 95

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- No new compelling evidence emerged on Tuesday.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence is bullish, and SPX remains oversold. So there still appears to be a bit of an upside edge.

*Summary of Recent Active Studies (see Letters from listed dates for details)*

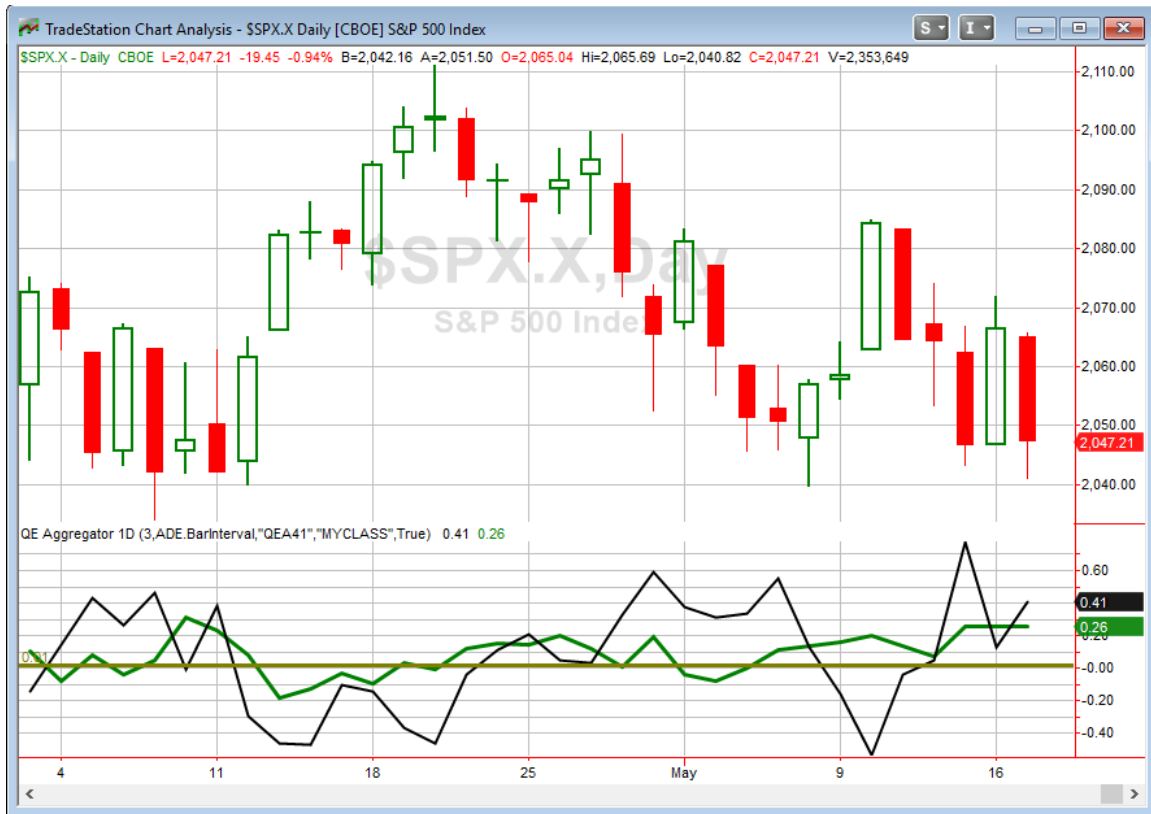
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
May 17, 2016	20-low to 4-high	1-8 days	Bullish	2.40%	-1.50%	-3.10%
May 16, 2016	Down 3 going into opex week	1-5 days	Bullish	1.90%	-1.20%	-2.20%
<b>Active - Long Term</b>						
May 17, 2016	20-low to 4-high	1-20 days	Bullish	3.80%	-2.10%	-4.55%
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			

***The Evidence***

The DOW 30 reversed direction for the 7<sup>th</sup> day in a row on Tuesday. The market has been very choppy with a downward tilt. But most indices did avoid a new short-term closing low. The Russell 2000 on the other hand, made a new 20-day low. The SPX finished down 0.9%, the NASDAQ fell 1.25%, and the Russell 2000 lost 1.7%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 40%. NYSE volume rose some from Monday's level.

As I have noted many times in the past, choppy action does not often beget strong edges. And another reversal on Tuesday kept any new and compelling studies from emerging. We still have some studies active from the last few days, and they suggest up is more likely than down. But we don't have anything tonight either confirming or refuting that. So I will keep commentary a bit short.

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



Without any new studies tonight the green Aggregator Line again 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 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.

With the current list of active studies, evidence is poised to remain bullish on Wednesday's close. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2056.09 on Wednesday. That is 0.4% above Tuesday's close. So SPX would need to close up at least 0.4% in order to move from oversold to overbought versus expectations on Wednesday.

So the Aggregator is again bullish. I like a potential entry here better than I did last night. While evidence is not overwhelming, I think reward/risk is good enough to start scaling into an index position, and I will look to do so on Wednesday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 5/16 – slightly bullish**

The intermediate-term outlook was last updated in the 12/15 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) – 2<sup>nd</sup> lot

GILD @ \$88.21 (bought @ limit)

ABT @ \$38.85 (bought @ limit) – 3<sup>rd</sup> lot

**Broad Market Large Cap CBI – 4 (ABT-3, GILD)**

**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 – buy ¼ index position @ \$204.85 LIMIT.** Based on the short-term outlook above, I will look to start scaling into an index position.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ABT(1/3)	4/29/2016	\$40.37	\$37.71	-6.59%		Catapult
ABT(1/3)	5/2/2016	\$38.85	\$37.71	-2.93%		Catapult
GILD(1/3)	5/2/2016	\$88.21	\$82.76	-6.18%		Catapult
ABT(1/3)	5/3/2016	\$38.80	\$37.71	-2.81%		Catapult
XIV(1/2)	5/5/2016	\$26.20	\$27.67	5.61%		Aggressive VIX
<b>AAPL(1/3)</b>	<b>5/6/2016</b>	<b>\$93.21</b>	<b>\$94.55</b>	<b>1.44%</b>		<b><i>sold on open</i></b>

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