

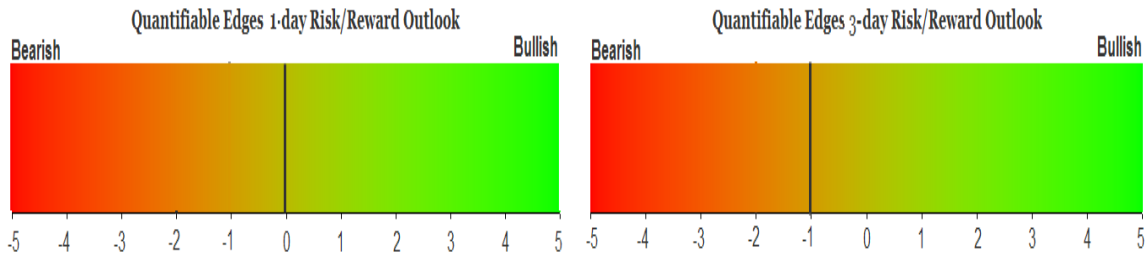
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 26, 2016

Volume 9 Issue 101

Market Overview



Signals Overview

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

Tonight's Research Points

- No new evidence emerged Wednesday.

Short-term Outlook

The Bottom Line

Evidence is slightly bearish and the market is now short-term overbought. This suggests a bit of a downside edge – though not one that is quite strong enough to get me excited about shorting 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						
May 25, 2016	QE Buying Power Short Signal	1-6 days	Bearish			
May 24, 2016	Bounce from 20-low then inside day dn.	1-3 days	Bullish	2.90%	-1.80%	-3.90%
May 17, 2016	20-low to 4-high	1-8 days	Bullish	2.40%	-1.50%	-3.10%
Active - Long Term						
May 24, 2016	Bounce from 20-low then inside day dn.	1-10 days	Bullish	5.00%	-2.85%	-6.75%
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			
April 26, 2016	Golden Cross	int term	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 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
May 19, 2016	20-low and 3-day consolidation	1-5 days	Bullish			

The Evidence

Wednesday was a 2nd day of strong solid buying. The SPX and the NASDAQ each gained 0.7% while the Russell 2000 rose 0.5%. Breadth was positive as the NYSE Up Issues % was 66% and the Up Volume % came in at 79%. NYSE volume rose for the 2nd day in a row.

Wednesday was the 2nd day in a row that SPY gapped up above the previous day's high and never moved down below it. This is only the 11th time since the inception of SPY in 1993 that this has occurred when it has been above the 200ma. I am not seeing any consistent inclinations following the other 10 instances. And while SPY also made new 20-day highs on Wednesday, I am not seeing any new strong edges emerge. So I will keep things brief tonight.

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



Without any new studies tonight the green Aggregator Line dipped a little below zero. Negative readings mean net expectations from the Active List are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close above 0. Therefore, the Aggregator signal turned short at the close.

With the current list of active studies, expectations are poised to remain negative on Thursday. Of course this could change if new bullish evidence emerges. The Differential Pivot will be 2056.13 on Thursday. That is 1.6% below Wednesday's close. So SPX would need to close down at least 1.6% on Thursday to flip from overbought to oversold versus expectations.

So the Aggregator is suggesting a bit of a downside edge. But with the intermediate-term outlook slightly bullish, and the short-term bearish evidence really only one active study, I am not inclined take a counter-trend position right here. If bearish evidence increases I will reconsider tomorrow night, but for now I am in "wait and see" mode.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/23 – slightly bullish

The intermediate-term outlook was last updated in the 5/23 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
ABT(1/3)	4/29/2016	\$40.37	\$38.06	-5.72%		<i>sold on open</i>
ABT(1/3)	5/2/2016	\$38.85	\$38.06	-2.03%		<i>sold on open</i>
ABT(1/3)	5/3/2016	\$38.80	\$38.06	-1.91%		<i>sold on open</i>
XIV(1/2)	5/5/2016	\$26.20	\$30.50	16.41%		Aggressive VIX

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