

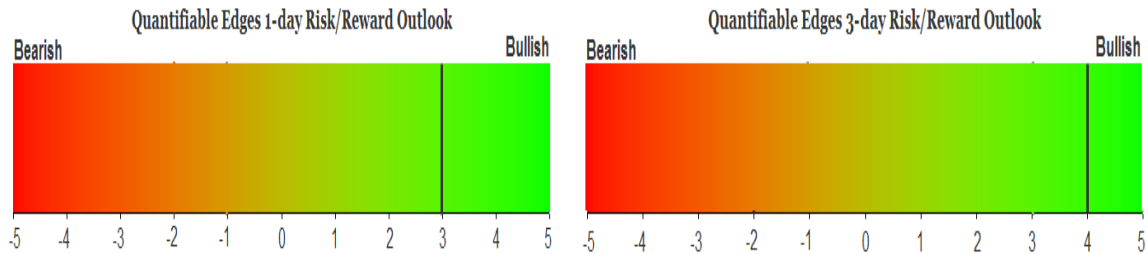
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 15, 2016

Volume 9 Issue 114

Market Overview



Signals Overview

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

Tonight's Research Points

- 4-day pullbacks going into a Wednesday have been strongly prone to upside reversals.
- Since 1982, 3+ down days combined with a Fed Day has resulted in consistent gains over the next 3 days.

Short-term Outlook

The Bottom Line

Bullish evidence continues to mount and the market is solidly oversold. There appears to be a sizable upside edge over the next few days.

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						
June 15, 2016	Fed tomorrow. SPX down 3+ days	1-3 days	Bullish	2.10%	-0.40%	-0.80%
June 15, 2016	SPX down 4. Tuesday.	1-8 days	Bullish	3.00%	-1.25%	-2.35%
June 14, 2016	SPY gap down & close < open 3 days	1-2 days	Bullish			
June 14, 2016	3 lower highs, lows, closes. Monday	1-3 days	Bullish			
June 13, 2016	2 unfilled gaps down. 5-day low	1-6 days	Bullish	1.90%	-1.20%	-2.30%
June 13, 2016	50-high to 8-low	1-5 days	Bullish	1.80%	-1.20%	-2.20%
Active - Long Term						
June 13, 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%
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			

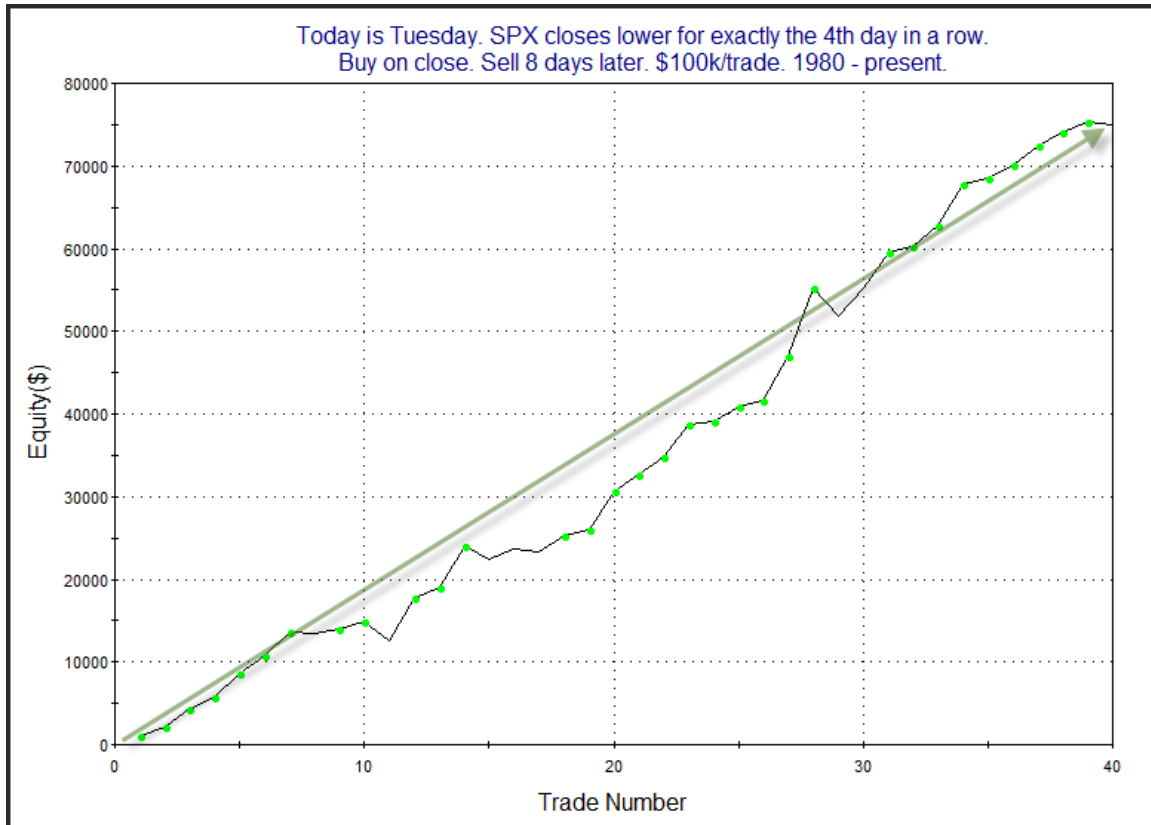
The Evidence

Tuesday saw some additional selling in the market. The SPX dropped 0.2%, the NASDAQ fell 0.1%, and the Russell 2000 declined 0.25%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 28%. NYSE volume rose some from Monday's level.

Last night I showed a Turnaround Tuesday study that suggested a bounce was likely to start on Tuesday. It didn't. Historically, when there hasn't been a bounce on Tuesday after a 3-day pullback, what does that mean for Wednesday and beyond? The test below is updated from the 9/25/13 Letter and it answers that question.

Today is Tuesday. SPX closes lower for exactly the 4th day in a row. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	62,006.10	40	31	9	77.50	2,475.01	7,733.75	-1,635.47	-4,415.04	1.51	5.21	1,550.15
9	67,396.99	40	35	5	87.50	2,178.24	5,490.33	-1,768.30	-3,566.25	1.23	8.62	1,684.92
8	74,929.05	40	34	6	85.00	2,449.14	8,317.50	-1,390.28	-3,575.04	1.76	9.98	1,873.23
7	66,953.11	40	33	7	82.50	2,375.46	10,870.00	-1,633.88	-4,817.12	1.45	6.85	1,673.83
6	66,177.05	40	32	8	80.00	2,376.85	14,240.00	-1,235.28	-2,605.12	1.92	7.70	1,654.43
5	55,178.89	40	30	10	75.00	2,240.26	13,135.00	-1,202.89	-3,256.96	1.86	5.59	1,379.47
4	50,139.13	40	29	11	72.50	2,218.30	12,657.50	-1,290.14	-4,495.68	1.72	4.53	1,253.48
3	35,461.03	40	30	10	75.00	1,595.16	6,892.50	-1,239.37	-2,936.64	1.29	3.86	886.53
2	20,424.55	40	25	15	62.50	1,197.68	5,122.50	-634.50	-1,667.42	1.89	3.15	510.61
1	14,777.37	40	26	14	65.00	863.98	5,716.25	-549.01	-1,721.25	1.57	2.92	369.43
35 of 40 instances (88%) closed above the entry price at some point in the next week.												

Results here have been very strong over a long period. Below is a profit curve using an 8-day exit strategy.



It seems the “Turnaround Tuesday Failure” is likely a temporary setback.

Of course Wednesday is a Fed Day. And on Tuesday a very interesting Fed Day-related study emerged. It examined other times that SPX was in a long-term uptrend, but closed down for at least the third day in a row going into the Fed Day. I last showed this study in the 9/25/13 subscriber letter, and have updated the results below.

SPX closes down for at least the 3rd day in a row but > 200ma. Tomorrow is a Fed Day.
Buy on close. Sell X days later. \$100k/trade. 1982 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	27,454.17	17	14	3	82.35	2,401.77	5,471.50	-2,056.86	-3,270.96	1.17	5.45	1,614.95
4	28,319.64	17	15	2	88.24	2,042.06	5,290.00	-1,155.67	-1,433.11	1.77	13.25	1,665.86
3	28,740.70	17	17	0	100.00	1,690.63	4,895.50	0.00	0.00	100.00	100.00	1,690.63
2	19,346.66	17	13	4	76.47	1,536.78	4,424.50	-157.87	-243.60	9.73	31.64	1,138.04
1	10,163.77	17	14	3	82.35	813.18	2,007.50	-406.90	-462.09	2.00	9.33	597.87

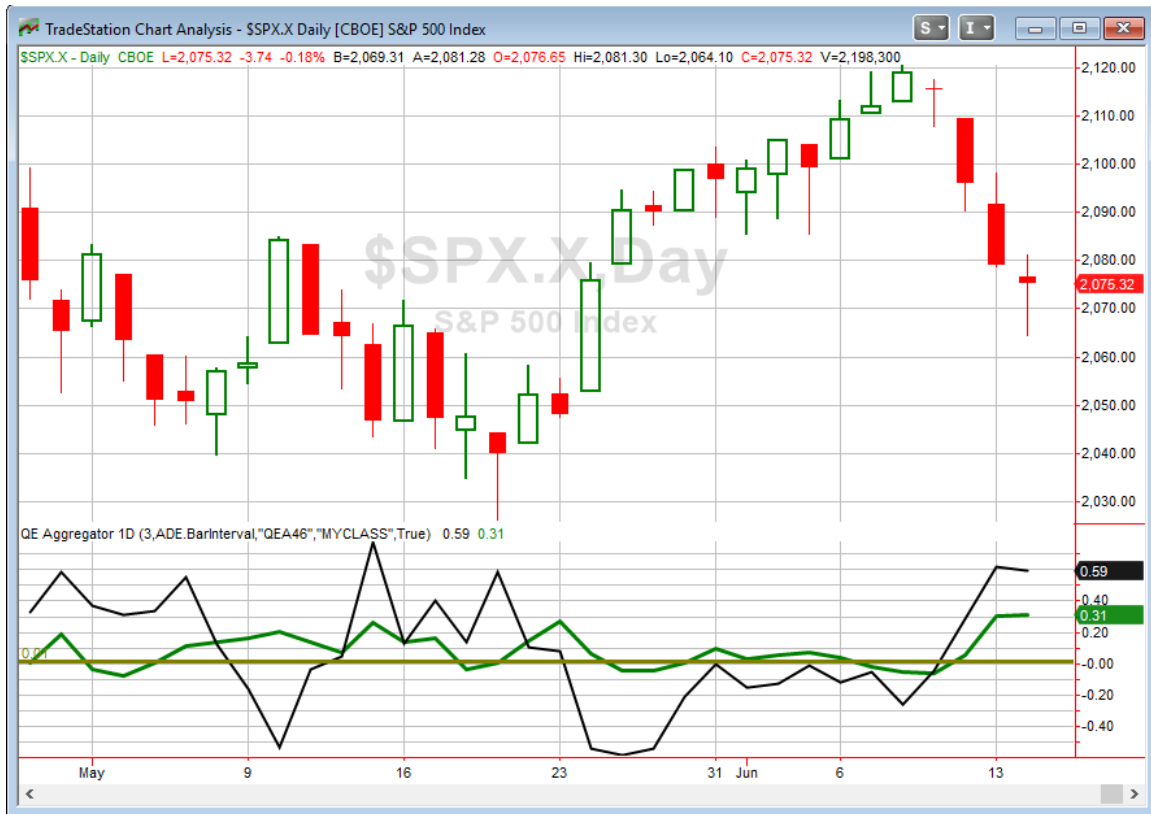
All of the 17 instances saw the market higher 3 days later. These are some very encouraging numbers for the bulls. Below is the list of instances.

SPX closes down for at least the 3rd day in a row but > 200ma. Tomorrow is a Fed Day. Buy on close. Sell 3 days later. \$100k/trade. 1982 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/16/1982	Buy	\$135.41	1.19%	\$3,217.68
11/19/1982	Sell	\$137.02		\$0.00
10/3/1983	Buy	\$165.80	2.70%	\$3,069.27
10/6/1983	Sell	\$170.27		(\$615.06)
7/8/1986	Buy	\$241.58	0.26%	\$780.57
7/11/1986	Sell	\$242.22		(\$792.96)
2/10/1987	Buy	\$275.07	1.68%	\$2,116.29
2/13/1987	Sell	\$279.69		(\$431.97)
12/18/1989	Buy	\$343.68	0.32%	\$391.50
12/21/1989	Sell	\$344.78		(\$1,177.40)
8/19/1991	Buy	\$376.46	3.95%	\$4,110.15
8/22/1991	Sell	\$391.33		\$0.00
11/4/1991	Buy	\$390.27	0.88%	\$880.64
11/7/1991	Sell	\$393.71		(\$688.64)
7/6/1993	Buy	\$441.43	1.52%	\$1,697.26
7/9/1993	Sell	\$448.13		(\$6.78)
9/20/1993	Buy	\$455.05	0.59%	\$797.16
9/23/1993	Sell	\$457.74		(\$1,186.98)
11/14/1995	Buy	\$589.29	1.83%	\$1,833.65
11/17/1995	Sell	\$600.07		(\$157.17)
12/18/1995	Buy	\$606.82	0.60%	\$1,221.80
12/21/1995	Sell	\$610.49		(\$290.28)
12/16/1996	Buy	\$720.99	3.44%	\$3,459.66
12/19/1996	Sell	\$745.77		(\$593.40)
3/30/1998	Buy	\$1,093.60	2.41%	\$2,494.31
4/2/1998	Sell	\$1,120.01		(\$4.55)
5/18/1998	Buy	\$1,105.82	0.80%	\$1,676.70
5/21/1998	Sell	\$1,114.64		\$0.00
8/8/2005	Buy	\$1,223.13	1.20%	\$1,584.36
8/11/2005	Sell	\$1,237.81		\$0.00
3/19/2013	Buy	\$1,548.34	0.55%	\$846.08
3/22/2013	Sell	\$1,556.89		(\$306.56)
12/16/2014	Buy	\$1,972.74	4.96%	\$5,255.50
12/19/2014	Sell	\$2,070.65		\$0.00

One possible concern is that there have only been 3 instances in the last 17 years. The setup has certainly been potent over a long period of time. But I am less enthused about it than I would be if all these instances would have taken place over the last 10 years. Still, with an undefeated record I think it is worth consideration. And combined with the other study, we seem to have ample evidence of a bullish inclination.

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



With tonight's studies included the green Aggregator Line remained well above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also held far 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 all of the current short-term studies bullish, expectations are poised to remain positive on Wednesday. It would take very strong bearish evidence to change this. The Differential Pivot will be 2094.74 on Wednesday. That is 0.9% above Tuesday's close. So for SPX to move from oversold to overbought on Wednesday it will need to close up at least 0.9%.

Both of tonight's studies are very compelling. And when combined with the bullish evidence that was already on the Active List, there appears to be a good chance of a bounce in the next few days. Additionally, the oversold condition of the market suggests reward/risk is favorable. I already have some long exposure, but I will look to add a bit more on Wednesday if I can get a favorable fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/13 – slightly bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

New

EMC @ \$27.61 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 1(EMC)

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 @ \$208.00 limit. Based on the short-term outlook above. The market appears primed for a bounce and I will look to add to my long position in order to take advantage of it.

EMC – buy 1/3 Catapult position @ \$27.61 limit. From the Catapult section above. This would be the 1st of 3 possible lots of EMC.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	5/5/2016	\$26.20	\$25.69	-1.95%		Aggressive VIX
SPY(1/4)	6/13/2016	\$209.36	\$208.04	-0.63%		Aggregator
XIV(1/2)	6/14/2016	\$24.70	\$25.69	4.01%		Aggressive VIX

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