

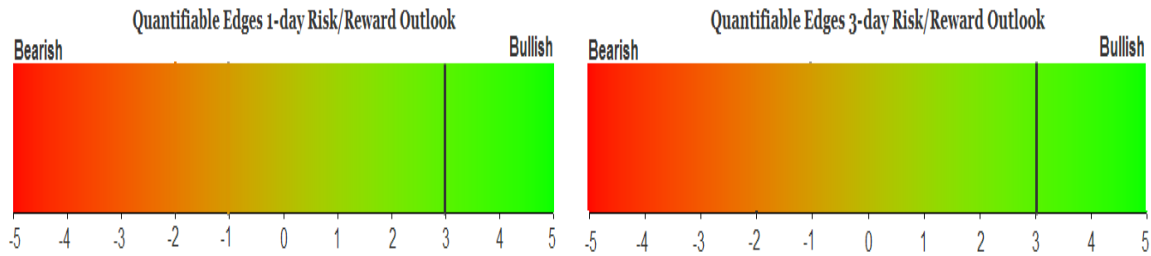
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 29, 2016

Volume 9 Issue 125

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Strong bounces of the magnitude we saw on Tuesday have often been followed by more gains in the short-term.

### *Short-term Outlook*

#### *The Bottom Line*

Tuesday's bounce was strong, and that appears to be a good thing. There is a good chance the market will continue to rise in the next few days.

*Summary of Recent Active Studies (see Letters from listed dates for details)* - not updated tonight

**The Evidence**

The market put in a strong bounce on Tuesday. The SPX rose 1.8%, the NASDAQ gained 2.1%, and the Russell 2000 rallied 1.6%. Breadth was strongly positive as the NYSE Up Issues % was 83% and the Up Volume % came in at 83%. NYSE volume declined some from Monday’s level.

The first day of a bounce will often provide us clues as to the likelihood that the bounce will be successful. The fact that the rebound on Tuesday was strong appears to be a positive. Back in the 4/29/10 letter I looked at rebounds after big down days. I have updated that series of studies below. The first one calls for a 1.75% or greater drop to be followed by a gain the next day that makes up for less than ¼ of yesterday’s drop.

SPX falls at least 1.75% yesterday. Today it rises but makes up less than 75% of yesterday's loss. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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	-3,400.22	28	13	15	46.43	2,832.25	6,309.90	-2,681.30	-5,842.90	1.06	0.92	-121.44
9	-5,866.13	30	15	15	50.00	2,261.35	4,807.00	-2,652.43	-4,452.66	0.85	0.85	-195.54
8	-5,749.86	31	15	16	48.39	2,105.10	4,664.22	-2,332.90	-5,166.06	0.90	0.85	-185.48
7	-5,501.33	31	15	16	48.39	2,159.74	5,284.85	-2,368.59	-6,002.13	0.91	0.85	-177.46
6	-14,473.38	31	13	18	41.94	1,738.55	4,762.35	-2,059.70	-5,473.17	0.84	0.61	-466.88
5	-17,471.95	31	12	19	38.71	1,556.07	4,769.00	-1,902.36	-5,506.23	0.82	0.52	-563.61
4	-19,364.40	31	12	19	38.71	1,555.64	2,587.95	-2,001.69	-4,284.75	0.78	0.49	-624.66
3	-24,462.60	31	10	21	32.26	1,343.36	3,939.79	-1,804.58	-5,685.45	0.74	0.35	-789.12
2	-18,418.51	32	14	18	43.75	661.91	2,794.56	-1,538.07	-3,844.10	0.43	0.33	-575.58
1	-13,969.31	32	12	20	37.50	595.75	1,669.20	-1,055.91	-2,302.95	0.56	0.34	-436.54

So here we see that a weak bounce would suggest a downside edge. Fortunately, Tuesday’s bounce was strong. I showed 2 levels of strong bounces. Those that made up 25%-75% of the previous day’s loss, and those that made up more than 75%. Tuesday fell into the 75%+ category. Below I have updated both.

SPX falls at least 1.75% yesterday. Today makes up between 25% - 75% of yesterday's loss.  
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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	57,420.68	26	22	4	84.62	2,850.69	9,774.70	-1,323.65	-2,263.98	2.15	11.85	2,208.49
9	56,549.28	26	21	5	80.77	3,150.63	9,278.30	-1,922.80	-2,952.31	1.64	6.88	2,174.97
8	55,235.75	26	21	5	80.77	2,929.48	6,567.81	-1,256.65	-2,625.29	2.33	9.79	2,124.45
7	59,020.70	26	22	4	84.62	3,066.97	7,135.75	-2,113.14	-6,679.84	1.45	7.98	2,270.03
6	62,105.79	26	24	2	92.31	2,825.03	6,697.75	-2,847.42	-5,246.43	0.99	11.91	2,388.68
5	57,213.95	27	25	2	92.59	2,449.40	5,396.71	-2,010.49	-2,115.67	1.22	15.23	2,119.04
4	38,445.04	28	23	5	82.14	1,912.89	4,121.48	-1,110.29	-2,322.56	1.72	7.93	1,373.04
3	35,785.19	28	24	4	85.71	1,734.22	3,876.62	-1,459.02	-3,602.40	1.19	7.13	1,278.04
2	23,295.32	28	17	11	60.71	2,040.36	4,001.40	-1,035.53	-2,136.90	1.97	3.05	831.98
1	21,346.18	28	19	9	67.86	1,414.45	2,937.71	-614.27	-1,576.20	2.30	4.86	762.36

Study results here are strongly bullish.

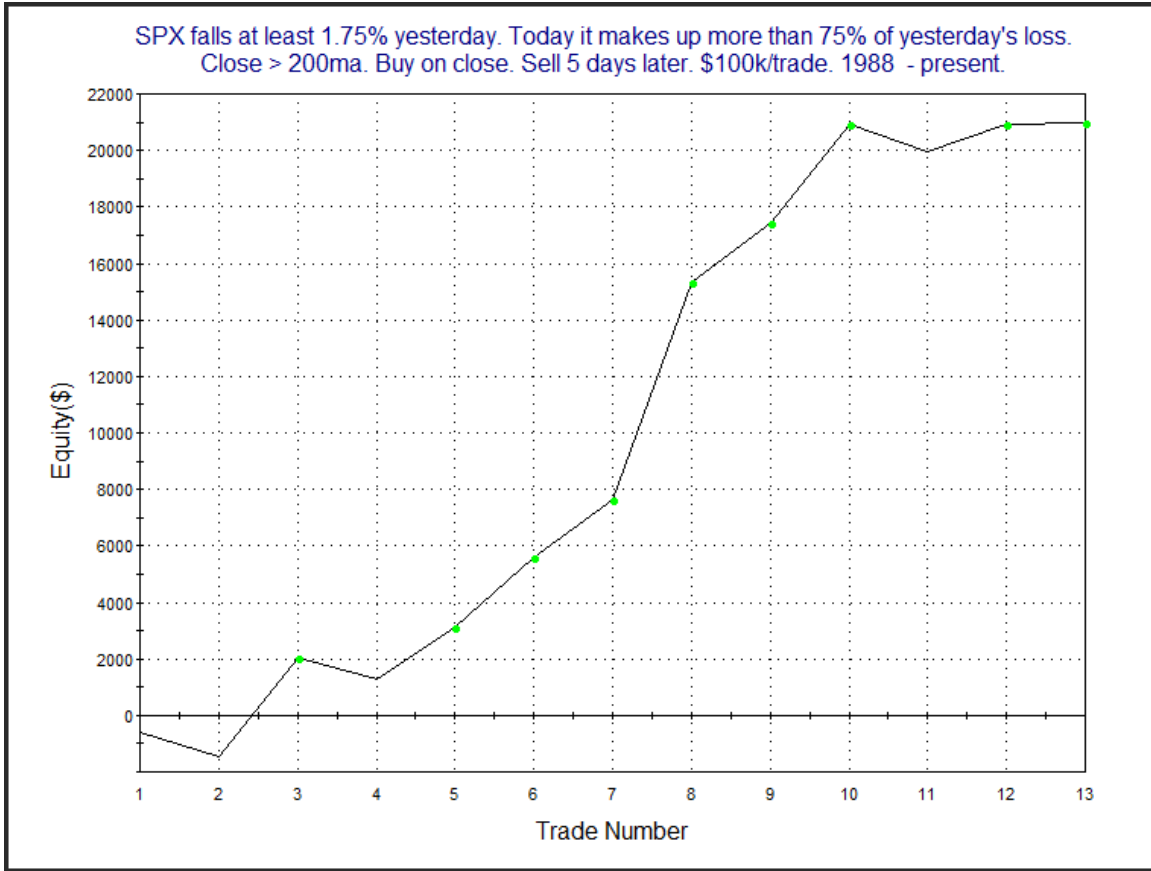
And how do prospects look when the SPX has managed to make up even more than 75% like we saw on Tuesday?

SPX falls at least 1.75% yesterday. Today it makes up more than 75% of yesterday's loss.  
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	10,065.10	11	6	5	54.55	2,695.45	-1,221.52	2.21	2.65	915.01
9	18,347.76	12	7	5	58.33	3,222.39	-841.79	3.83	5.36	1,528.98
8	13,458.35	12	8	4	66.67	2,717.76	-2,070.94	1.31	2.62	1,121.53
7	20,267.80	13	7	6	53.85	3,881.73	-1,150.72	3.37	3.94	1,559.06
6	21,024.09	13	9	4	69.23	3,062.40	-1,634.39	1.87	4.22	1,617.24
5	20,983.30	13	9	4	69.23	2,686.85	-799.58	3.36	7.56	1,614.10
4	15,131.28	13	8	5	61.54	2,696.96	-1,288.88	2.09	3.35	1,163.94
3	11,326.45	13	7	6	53.85	2,398.77	-910.83	2.63	3.07	871.27
2	8,507.74	13	8	5	61.54	1,872.31	-1,294.15	1.45	2.31	654.44
1	993.58	13	6	7	46.15	1,473.27	-1,120.87	1.31	1.13	76.43

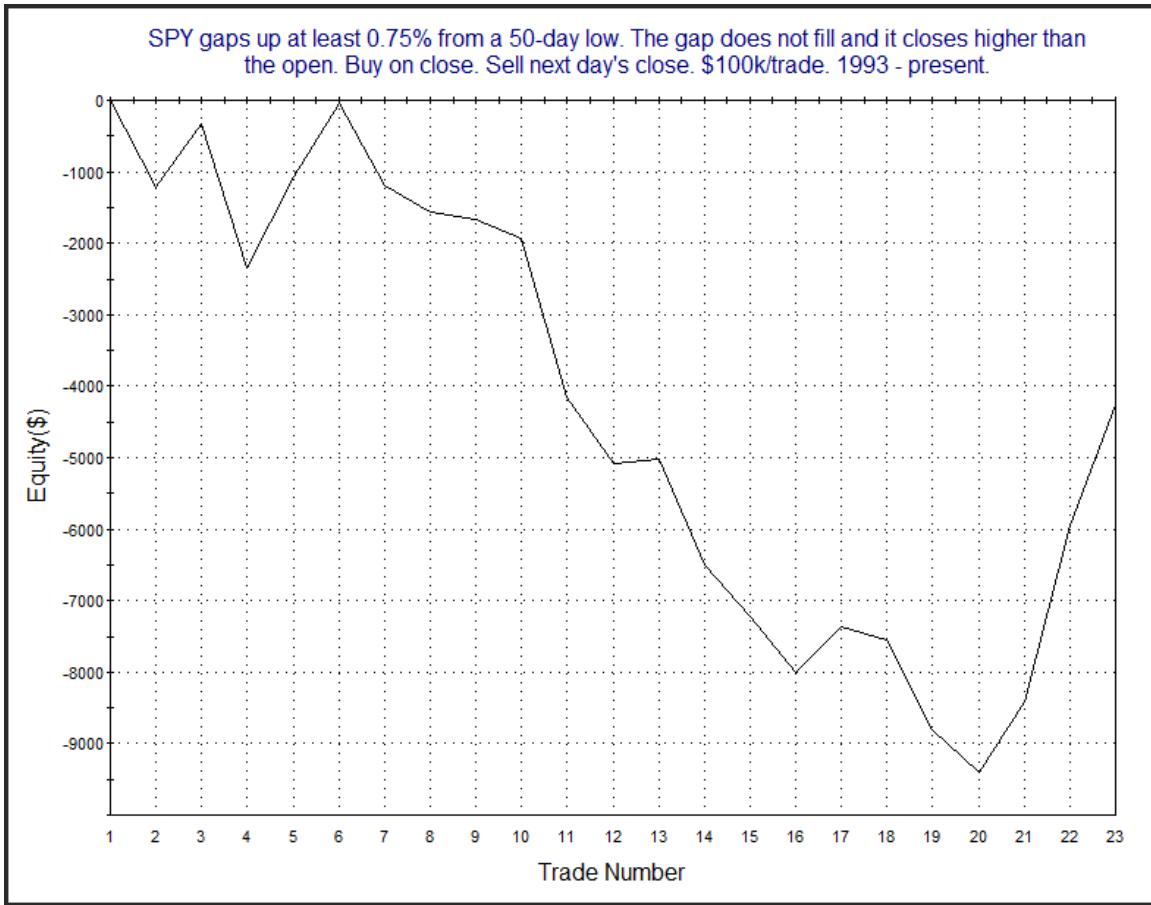
12 of 13 instances closed above the entry price at some point in the next week. All of them did so within 6 days.

These results aren't quite as good as the mid-sized bounce, but they still appear solidly bullish. Below is a profit curve.



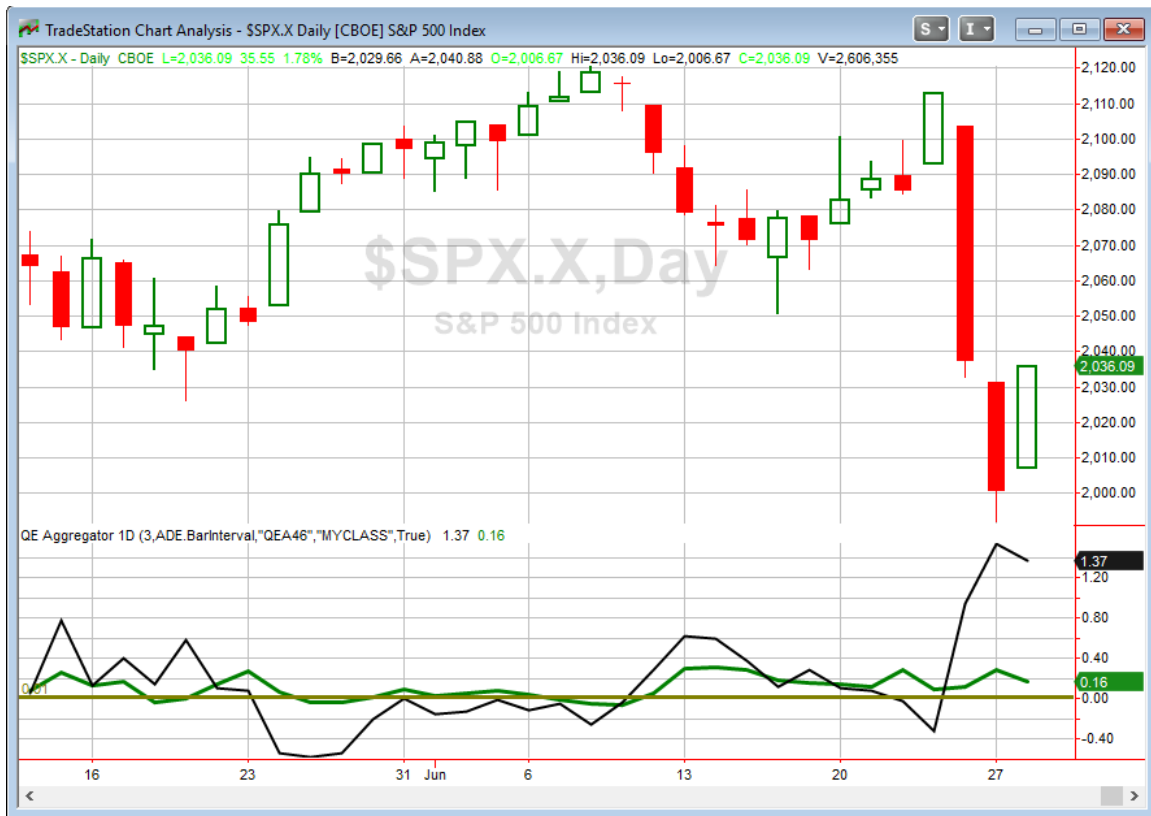
The move from lower left to upper right is encouraging and acts as some confirmation of the upside edge.

There was another study that triggered from the 10/20/14 letter that appeared to have somewhat bearish implications. But when I took an updated look, the curve had turned and the downside edge is now in doubt. You can see this below.



I decided not to include this study on the Active List tonight, though I will continue to watch and see how it performs in the future.

I have updated the Aggregator chart below.



With tonight's study included the green Aggregator Line held 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 high. The large Differential Line reading means SPX is strongly 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.

Based on the current active list, expectations are poised to remain positive on Wednesday. This is highly unlikely to change. The Differential Pivot will be 2046.89 on Wednesday. That is a 0.5% above Tuesday's close. So for SPX to move from oversold to overbought versus expectations on Wednesday it will need to close up at least 0.5%.

The bounce looks good so far, and it appears that it has a bit further to go. I have some long exposure already. Unfortunately, I was not able to add more on Tuesday due to the large, unfilled gap higher. I will look to ride the position I have another day and see how things unfold before making any further adjustments.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 6/27 – neutral**

The intermediate-term outlook was last updated in the 6/27/16 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
XIV(1/2)	6/14/2016	\$24.70	\$23.22	-5.99%		Aggressive VIX
SPY(1/4)	6/27/2016	\$201.59	\$203.20	0.80%		Aggreagator

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