

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 21, 2016

Volume 9 Issue 140

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- No compelling new evidence emerged on Wednesday.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence is slightly bullish but the market is now overbought. This leaves the Aggregator neutral, and that is where I am at as well.

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

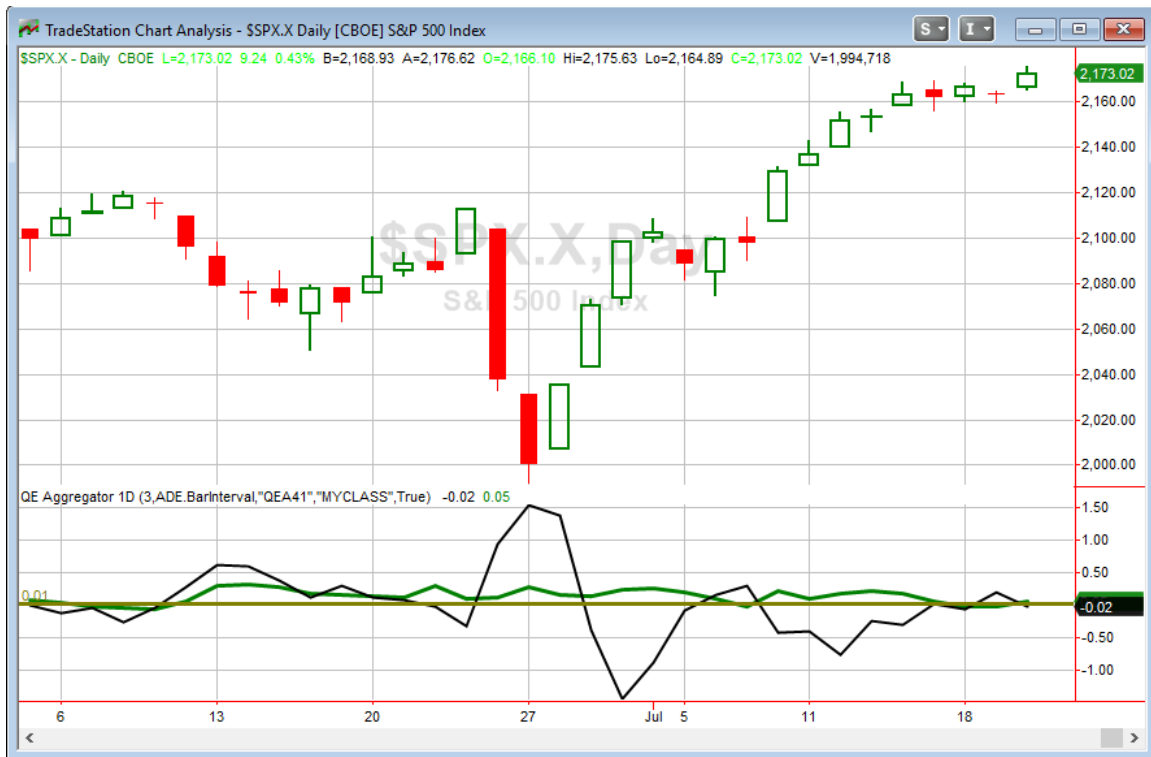
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
July 20, 2016	Big drop from 50-high	1-4 days	Bullish			-2.20%
July 18, 2016	5 up to 50-high then 1 down day	1-10 days	Bullish	2.00%	-1.10%	-2.20%
July 18, 2016	Opex week rises 1%-2%	1-5 days	Bearish	-1.35%	0.80%	1.60%
<b>Active - Long Term</b>						
July 18, 2016	5 up to 50-high then 1 down day	1-10 days	Bullish	2.00%	-1.10%	-2.20%
July 11, 2016	NASDAQ leading	int term	Bullish			
July 11, 2016	SPX 50-low to 50-high in 2 weeks	1-17 days	Bullish			
July 11, 2016	SPX 50-high breakout 90% up volume	1-35 days	Bullish			
July 1, 2016	Up Issue % > 70% 3x	1-85 days	Bullish	10.70%	-4.90%	-11.70%
April 26, 2016	Golden Cross	int term	Bullish			
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			
<b>Dropped Tonight</b>						
July 20, 2016	20 day low volume 2x. Close > 10 > 200	1 day	Bearish			
July 15, 2016	Top 10% 10-day range pre-opex	1-4 days	Bearish	-1.20%	0.80%	1.50%

***The Evidence***

The rally continues. Wednesday made for more new index highs. The SPX rose 0.4%, the NASDAQ gained 1.1% and the Russell 2000 climbed 0.8%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 63%. NYSE volume rose some from Tuesday's very low level.

Most of the gains were made by 11am EST, and after that it was mostly sideways trading for the last 5 hours of the day. Slow summer trading seems to be kicking in. And the slowness today led to a lack of new compelling evidence. There were a few things I looked at, including some old studies from the Quantifinder, but nothing suggesting a strong edge. So I am going to keep it brief tonight.

I have updated the Aggregator chart below.



With no new studies the green Aggregator Line inched above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line fell 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.

Based on the current active list, expectations are poised remain positive on Thursday. This could change if new bearish evidence emerges. The Differential Pivot will be 2171.26 on Thursday. That is 0.1% below Wednesday's close. So for SPX to move from overbought to oversold versus expectations on Thursday it will need to close just 0.1%.

Tonight and last night we are seeing both lines right near zero. That generally means any edge would be very small. That does not mean the market won't make a strong move. It just means there is no strong indication that a big move in either direction is likely. Markets that grind higher like this without offering pullback entry opportunities can be frustrating for swing traders. But patience remains important. And for those who continue to hold XIV long, patience is paying there. Contango continues to remain strong, which along with the low volatility is helping the XIV trade idea.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 7/18 – bullish**

The intermediate-term outlook was last updated in the 7/18/16 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	\$30.91	25.14%		Aggressive VIX

Even with Wednesday’s roll, contango remained strong at over 11%, which is a very high number for early in the expiration cycle.

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