

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 10, 2016

Volume 9 Issue 154

Market Overview



Signals Overview

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

Tonight's Research Points

- Dog days of summer are not providing new evidence tonight.

Short-term Outlook

The Bottom Line

Evidence is suggesting a bullish edge but the market is still short-term overbought. This leaves me neutral.

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						
August 8, 2016	SOMA Swing Short	1-3 days	Bearish			
Active - Long Term						
August 1, 2016	Highest volume 20 on up day. Not opex.	1-10 days	Bullish	2.40%	-1.60%	-3.10%
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-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			

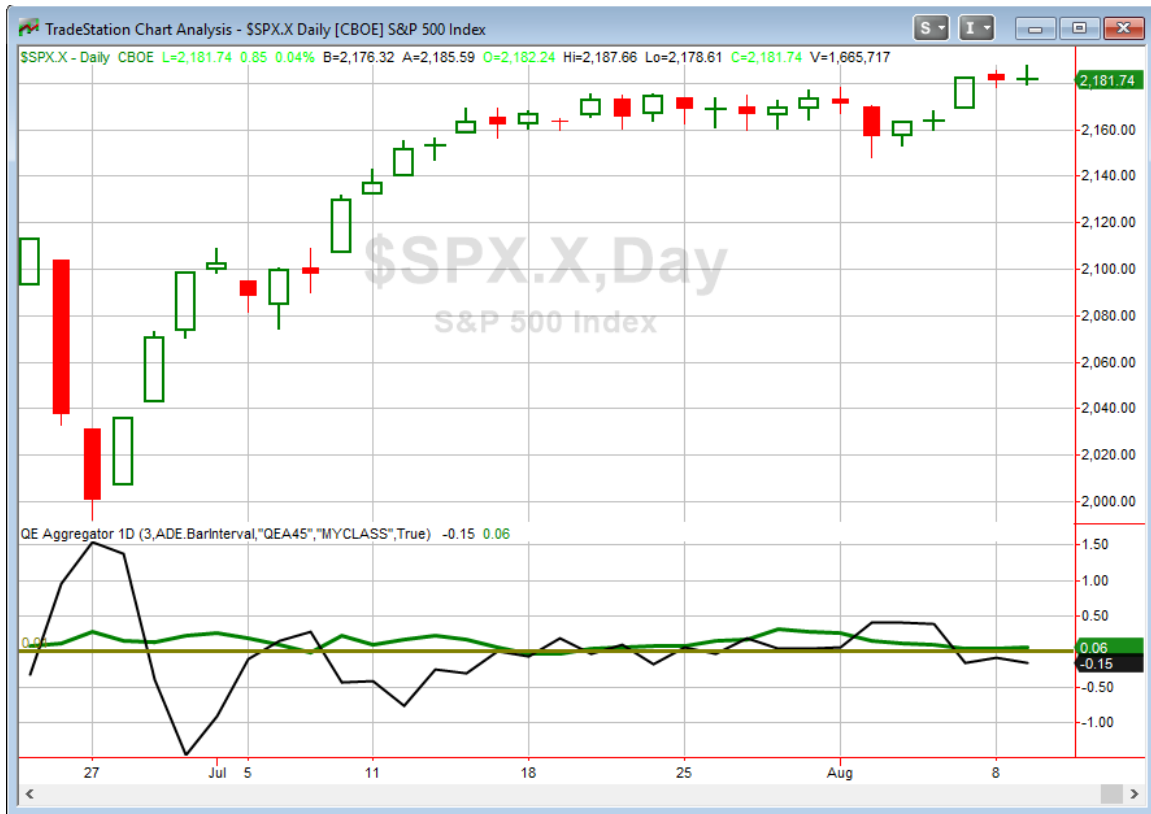
The Evidence

The wiggled around again on Tuesday, this time closing a little higher. The SPX gained 0.04%, the NASDAQ rose 0.2% and the Russell 2000 closed up 0.1%. Breadth was positive as the NYSE Up Issues % was 52.9% and the Up Volume % came in at 53.1%. NYSE declined a bit from Monday's level.

It really is the dog days of Summer. And these are about as dog as you will get. Looking at the S&P 500, the highest closing price of the last 20 days is less than 1.5% above the lowest closing price. That is a tight range. It is something that would happen in the 60s and some in the 70s, but it has been pretty rare for ranges to be that tight since 1980.

Since 1993 it has occurred 9 times. Once it happened in the Spring (2006). It has happened three times around the December holiday period (1993-94, 2005-06, 2006-07). The other 5 times it has been in the Summer (1993, 1995, 2012, 2013, 2014). Often the Summer instances were August into September, so the dog days are a little early this year. I don't know when they will end and the next strong move will occur, but I know they won't last forever. From a directional evidence standpoint, there was nothing compelling that emerged tonight.

I have updated the Aggregator chart below.



With no new studies tonight the green Aggregator Line held a little 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 slightly below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are moderately positive but SPX is slightly overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. And with both lines so close to zero, it does not get any more neutral. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active list, expectations are poised to remain positive on Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be *inverted at 2188.48* on Wednesday. That is 0.3% above Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need close up at least 0.3% on Wednesday in order to remain overbought. Anything less than that and it will be considered "oversold" versus recent expectations.

There still does not appear to be a clear and compelling edge. I do not intend to start taking on sizable positions until a strong edge becomes more clear. So for now, I am just waiting for that to happen.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/8 – bullish

The intermediate-term outlook was last updated in the 8/8 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	\$37.22	50.69%		Aggressive VIX

Market expectations are bullish and contango is again extremely high at over 20%. Those things continue to favor XIV. I'll look to ride it until the outlook worsens.

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