

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 5, 2016

Volume 9 Issue 193

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- No compelling new evidence emerged tonight.

## *Short-term Outlook*

### *The Bottom Line*

Similar to last night...evidence is leaning higher and the SPX is still relatively oversold. So the Aggregator is suggesting an upside edge. But I do not think it is a strong one and will not be looking to take advantage of it at this point.

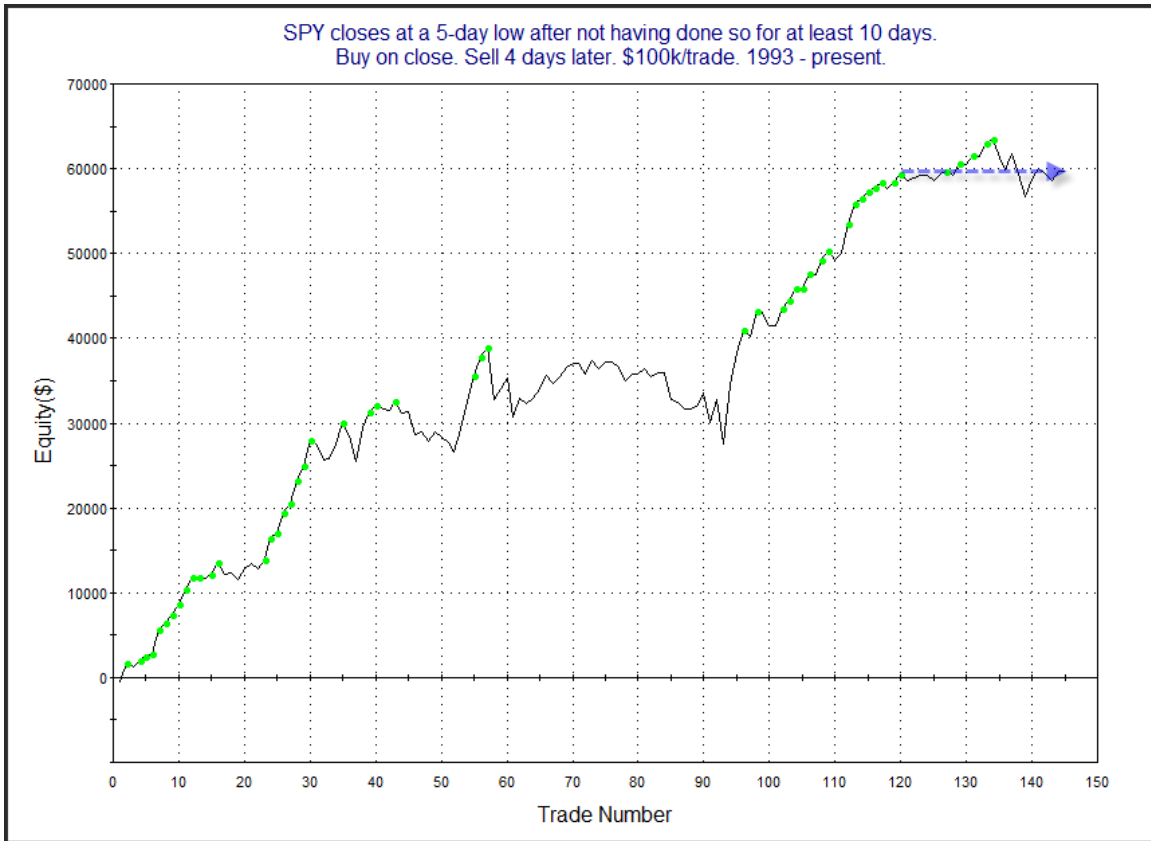
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
July 11, 2016	NASDAQ leading	int term	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	290% 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 was a down day for the market. The SPX lost 0.5%, the NASDAQ fell 0.2%, and the Russell 2000 dropped 0.5%. Breadth was negative as the NYSE Up Issues % was 29% and the Up Volume % came in at 31%. NYSE volume rose some from Monday's level.

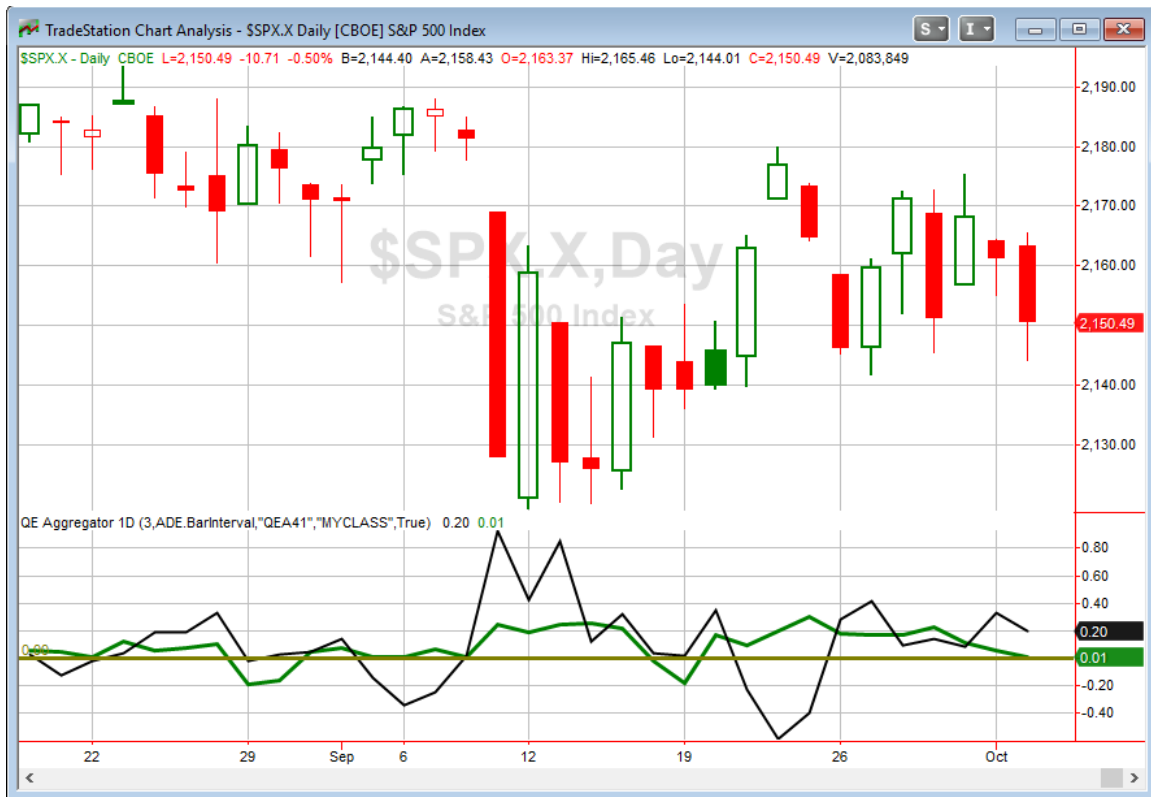
Friday was the 1<sup>st</sup> time SPY has closed at even a 5-day low since 9/14. In the 4/20/15 subscriber letter I showed a study that examined results when the SPY closed at a 5-day low for the 1<sup>st</sup> time in over 2 weeks. It suggested bullish implications over the next 1-4 days. But in reviewing that study tonight I found that the edge has not played out as well in recent times. This can be seen in the profit curve below.



While this study certainly could begin asserting itself again, it has not performed well in the recent market. So I will continue to track it in the Quantifinder, but I will not be including it on the Active List tonight.

Unfortunately, this market is not providing us many clues. Of course that won't last. Once we see a sharp move or a stretch in one direction or the other we should see some more substantial edges emerge. But the recent chop is leaving us without much of an edge. So rather than trading without conviction, I will remain patient.

I have updated the Aggregator chart below.



Without any new edges emerging on Monday the green Aggregator Line held slightly 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 above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are bullish 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.

Without any short-term studies currently active, expectations are based entirely on the intermediate-term evidence. Of course any new short-term studies that emerge in the next few days will have a strong influence on expectations. The Differential Pivot will be 2179.22 on Wednesday. That is 1.3% above Tuesday's close. So SPX would need to close up 1.3% or more to flip from oversold to overbought. That would be a strong move, and we are unlikely to see it occur in just 1 day. A more likely scenario for working off the oversold condition would be a multi-day gain or consolidation.

Again tonight, while the Aggregator is in a bullish formation, I am not terribly excited about taking on new exposure – especially large index positions. This is due to the lack of compelling evidence I am seeing. But tonight there was one Catapult that triggered. So I will look to take on some long exposure with that.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 10/3 – bullish***

The intermediate-term outlook was last updated in the 10/3 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***

New

CVS @ \$86.22 (buy 1/3 at limit)

***Broad Market Large Cap CBI – 1(CVS)***

**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.*

**CVS – buy 1/3 Catapult position @ \$86.22 LIMIT.** This is from the Catapult section above. It is the 1<sup>st</sup> of 3 possible lots for CVS.

**Current Open Trade Ideas**

**None.**

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).

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