

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 7, 2016

Volume 9 Issue 195

Market Overview



Signals Overview

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

Tonight's Research Points

- Friday's employment report could trigger a strong reaction.

Short-term Outlook

The Bottom Line

Evidence is just slightly tilted higher, and the market is marginally overbought. This leaves the Aggregator formation bullish, but me very cautious.

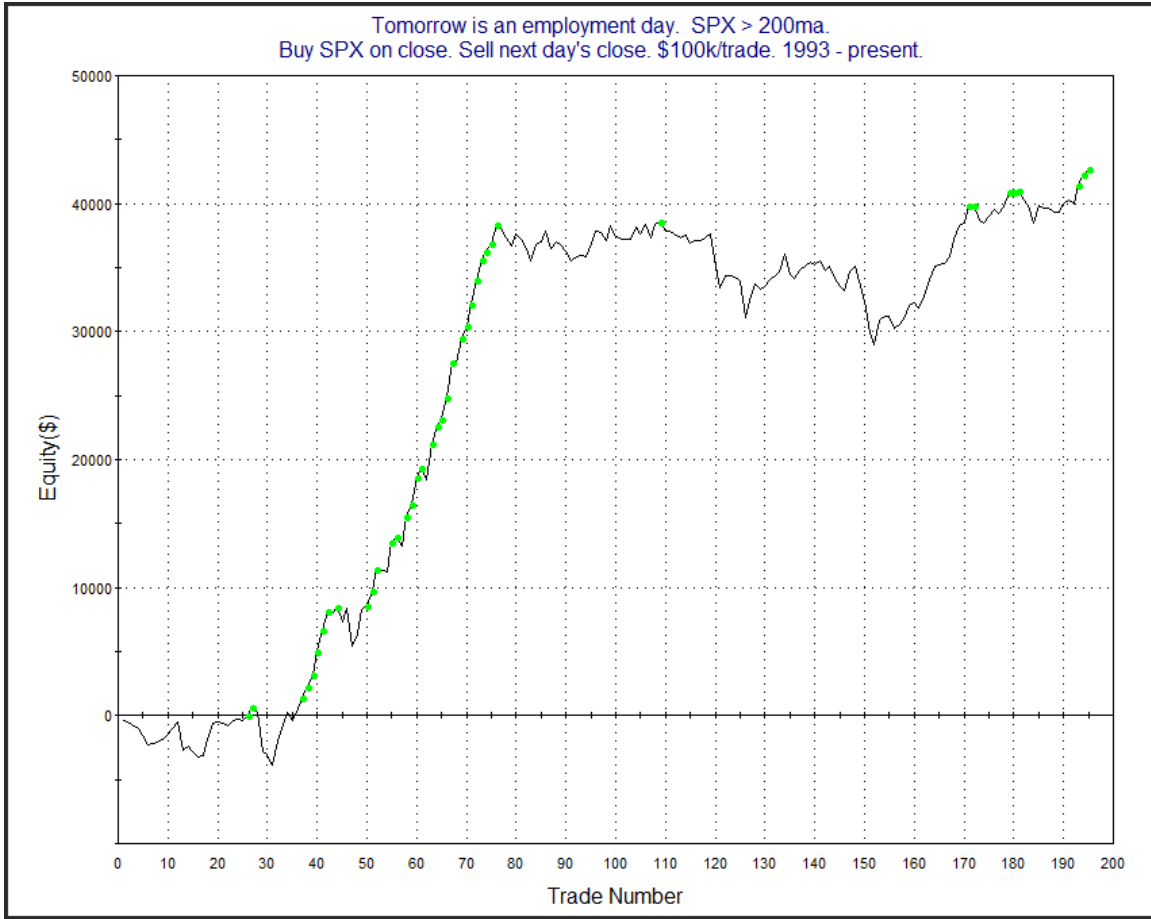
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
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	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

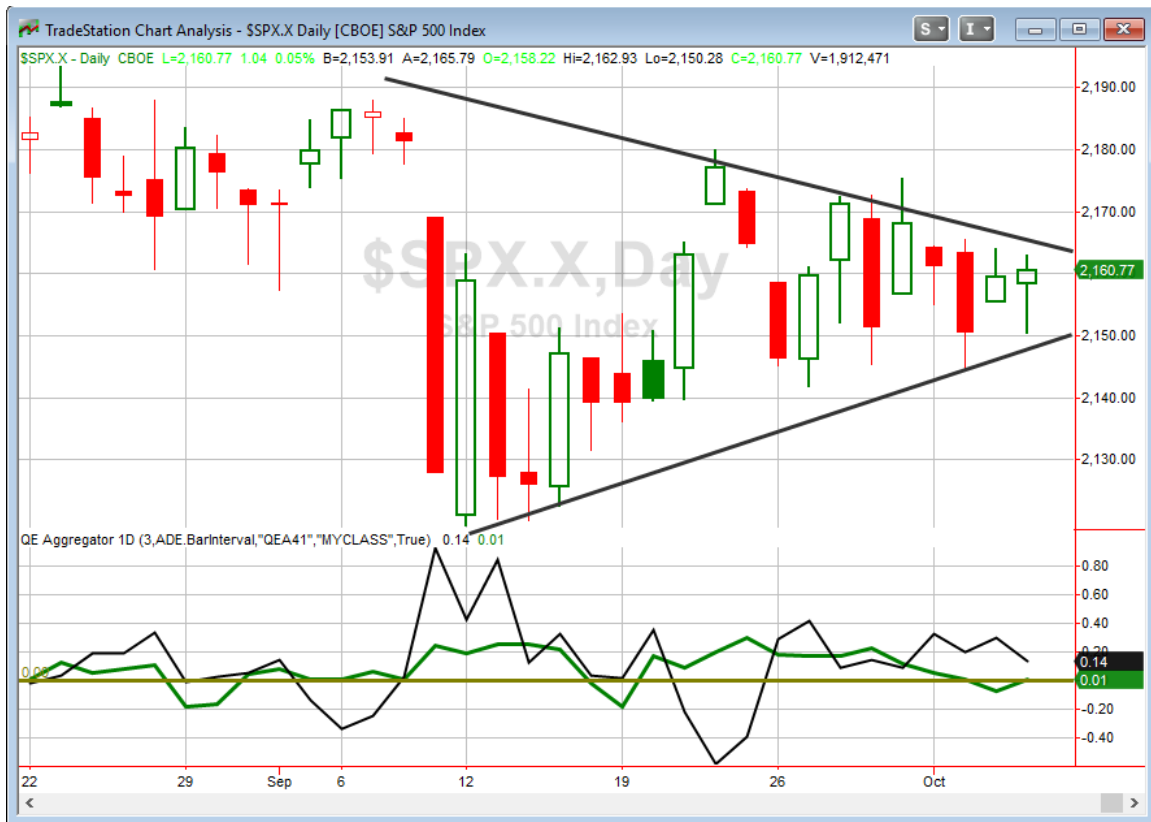
Thursday was a mixed day for the market. The SPX gained 0.1%, while the NASDAQ and the Russell 2000 declined 0.2%. Breadth was a little negative as the NYSE Up Issues % was 44.5% and the Up Volume % came in at 44.7%. NYSE volume declined from Wednesday's level.

The market has not gotten anywhere in the last few days. The chop continues to frustrate those of us looking for a compelling edge. No new substantial evidence emerged tonight. It is notable that Friday morning we will see the BLS Employment Report released. This has typically led to strong market reactions. Unfortunately, while these reactions have been streaky over the years, they have not been consistent. Below is a profit curve showing employment day performance for SPX over the years.



Employment Days had an especially strong run between 1996 – 2003. Since then it has been a bunch of chop.

I have updated the Aggregator chart below.



Without anything new being added tonight, the green Aggregator Line rose 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 held 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 changed to long at the close.

If nothing new emerges on Friday, net expectations will remain slightly positive. 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 *inverted* at 2154.36 on Friday. That is 0.3% below Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX will need to close down at least 0.3% in order to remain oversold. Anything short of that and it will be considered "overbought" versus recent expectations as of Friday's close.

This is about as weak of a "bullish" formation as you can get. Short-term evidence is completely lacking, risks are elevated thanks to the employment report, and the Differential Pivot is inverted, which limits upside potential. So I do not intend to add any new exposure on Friday.

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

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

CVS @ \$86.20 (buy 1/3 at limit) – not filled, cancel for now

Broad Market Large Cap CBI – 2(CVS-2)

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
CVS(1/3)	10/5/2016	\$86.22	\$86.49	0.31%		Catapult

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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