

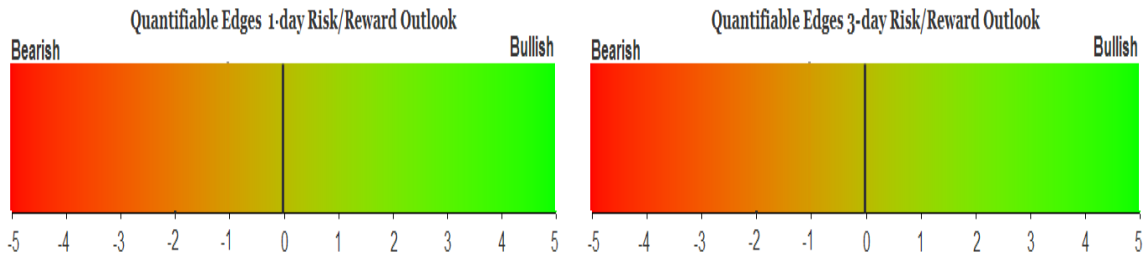
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 11, 2016

Volume 9 Issue 197

Market Overview



Signals Overview

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

Tonight's Research Points

- Low Columbus Day volume is typical, and not something to read into.

Short-term Outlook

The Bottom Line

Evidence continues to lean bullish but the market is now a little overbought. This leaves the Aggregator neutral. Me too.

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

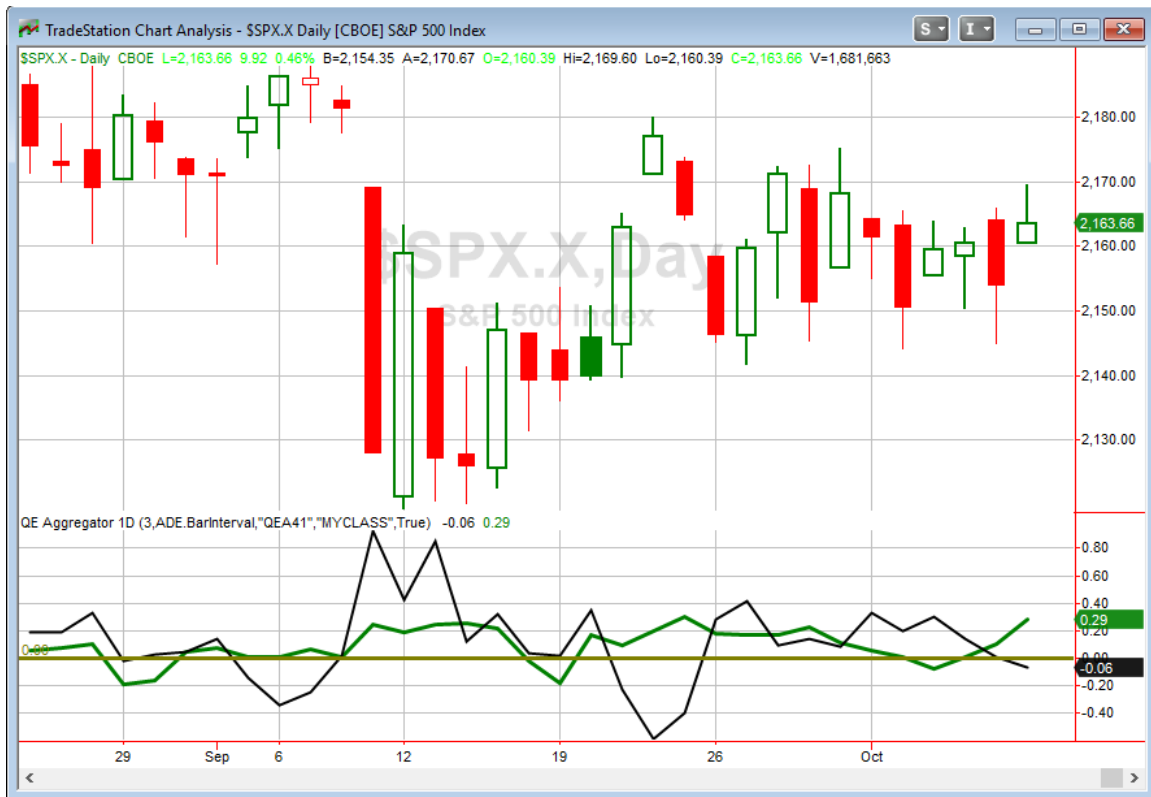
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 10, 2016	3 high. 3 low. 3 low close > 200ma	1-5 days	Bullish	2.00%	-1.30%	-2.60%
Active - Long Term						
July 11, 2016	NASDAQ leading	int term	Bullish			
July 1, 2016	Up Issue % > 70% 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

The market bumped higher on Monday, though the gains maxed out around 10am EST. The SPX finished the day up 0.5%, the NASDAQ gained 0.7%, and the Russell 2000 rallied 1.15%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 74%. NYSE volume came in very light, thanks to the Columbus Holiday.

As a bond holiday it is understood that volume will typically be a bit light. But is the extremely low level really attributable to Columbus Day? Since 1980 this was the 25th time that Columbus Days posted the lowest volume in at least 20 days. That means volume has been this low about 68% of the time. That is certainly often enough that I am comfortable ignoring volume indications and volume-related studies.

I have updated the Aggregator chart below.



Without any new studies to consider the green Aggregator Line moved a little further above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dipped 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 changed from long to flat at the close.

If nothing new emerges on Tuesday, net expectations will remain positive. Of course this could change if new bearish studies emerge. The Differential Pivot will be 2159.45 on Tuesday. That is 0.2% below Monday's close. Therefore, SPX would need to close down at least 0.2% on Tuesday in order to move from overbought to oversold versus recent expectations.

I was interested in taking on new exposure if the market declined on Monday. But the move up left me unfilled. And now that the Aggregator is neutral I am no longer interested in taking on new index exposure. There was one new Catapult trade that triggered, and I will look to trade that as I normally do.

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

GE @ \$28.86 (buy 1/3 at limit)

Broad Market Large Cap CBI – 1(GE)

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.

GE – buy 1/3 Catapult position @ \$28.86 LIMIT. This is a Catapult trade from above. It is the 1st of 3 possible lots for GE.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
CVS(1/3)	10/5/2016	\$86.22	\$86.83	0.71%		<i>sell on open</i>

CVS reached its exit trigger on Monday and will be sold Tuesday at the open.

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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