

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 20, 2016

Volume 9 Issue 204

Market Overview



Signals Overview

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

Tonight's Research Points

- No new evidence emerged tonight.

Short-term Outlook

The Bottom Line

There still appears to be a mild upside edge.

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 19, 2016	20 low yesterday. 4 high today.	1-8 days	Bullish	2.30%	-1.50%	-3.10%
October 18, 2016	20-low on a Monday	1-4 days	Bullish			
October 17, 2016	October op-ex seasonally bullish	1-4 days	Bullish	1.80%	-1.30%	-2.80%
Active - Long Term						
October 19, 2016	20 low yesterday. 4 high today.	1-20 days	Bullish	3.80%	-2.10%	-4.50%
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			
Dropped Tonight						
October 17, 2016	SPY closes up but in bottom of range	1-3 days	Bullish	1.30%	-0.40%	-0.80%

The Evidence

Wednesday was a day of moderate gains. The SPX finished the day up 0.2%, the NASDAQ rose 0.1%, and the Russell 2000 rallied 0.4%. Breadth was strongly positive as the NYSE Up Issues % was 70% and the Up Volume % came in at 76%. NYSE volume rose a little from Tuesday's level.

The moderate action did little to trigger studies offering any compelling edge. It also is leaving the market near the middle of its recent range. The SPX closed in the 54th percentile of its 10-day range and the NASDAQ Composite finished in the 45th percentile. Mid-range rarely offers appealing edges and that is apparent tonight as well. So I will not be adding any new studies to the Short-Term Active List.

I have updated the Aggregator chart below.



Without any new evidence tonight the green Aggregator Line held 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 remained 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. Therefore, the Aggregator signal stayed long at the close.

If nothing new emerges on Thursday, net expectations will remain positive. It would take some strong bearish evidence on Thursday to change this. The Differential Pivot will be 2145.86 on Thursday. That is just 0.1% above Wednesday's close. Therefore, SPX would only need to close up 0.1% on Thursday in order to move from oversold to overbought versus recent expectations.

So the Aggregator is suggesting the bounce should have a little further to go. But there was no new bullish evidence that emerged on Wednesday. And the SPX will turn to overbought on almost any up close. So potential reward here does not seem great. With this in mind I may look to take profits on Thursday even ahead of the Aggregator signal changing.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/17 – 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

PFE @ \$32.66 (bought 1/3 at limit)

PFE @ \$32.50 (buy 1/3 at limit) – not filled, cancel for now

Broad Market Large Cap CBI – 2(PFE-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
GE(1/3)	10/11/2016	\$28.75	\$29.06	1.08%		<i>sold on open</i>
SPY(1/4)	10/14/2016	\$212.16	\$214.28	1.00%		see note below
PFE(1/3)	10/17/2016	\$32.58	\$32.60	0.06%		Catapult

If SPY opens > \$215.00 I will hold onto it until the end of the day, where I will sell it at a limit on close of \$214.50. Any gap below there and I will sell intraday at a limit price of \$214.50. So I will be looking to get out near the Differential Pivot level. But a big gap up to start the day could increase the odds of a short-covering rally, and I will give that a chance to play out in that case.

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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