

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 17, 2016

Volume 9 Issue 224

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Unfilled gaps down from intermediate-term high will frequently be followed by more selling.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is very mildly bullish. I would prefer more of a pullback before considering a long position.

*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>						
November 17, 2016	Unfilled gap dn from 20hi after unfill up	1 day	Bearish			
November 8, 2016	20 low yesterday. 4 high today.	1-8 days	Bullish			
<b>Active - Long Term</b>						
November 11, 2016	SPX 20-high. NDX biggest drop in 20.	1-50 days	Bullish			
November 8, 2016	20 low yesterday. 4 high today.	1-20 days	Bullish	3.80%	-2.10%	-4.50%
April 26, 2016	Golden Cross	int term	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
<b>Dropped Tonight</b>						

**The Evidence**

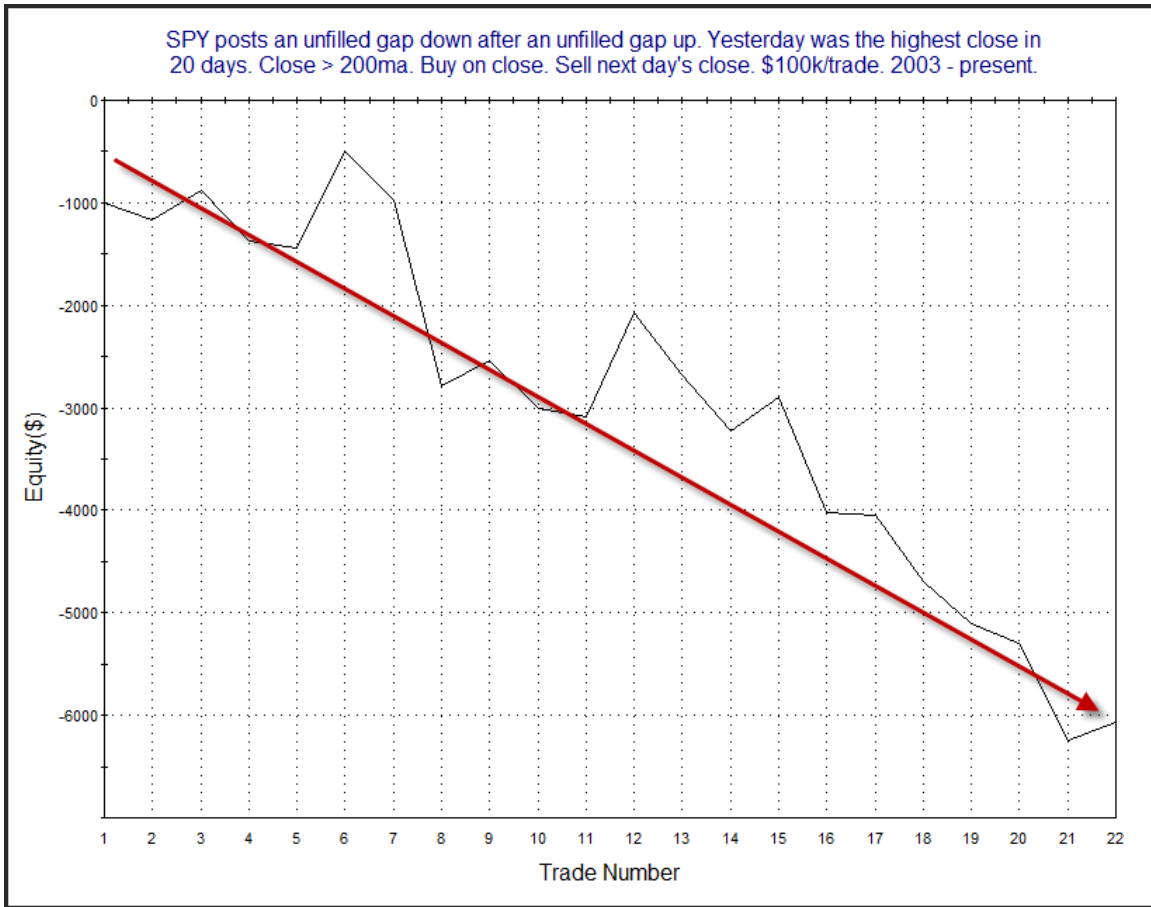
Wednesday was another day of mixed results. The SPX lost 0.2%, the NASDAQ rose 0.4%, and the Russell 2000 was basically flat with a 0.06 point gain. Breadth was also mixed as the NYSE Up Issues % was 51% and the Up Volume % came in at 36%. NYSE volume declined from Tuesday's level.

The one study that stood out from the Quantifinder is the one below. It considers SPY performance after posting an unfilled gap down from a high level immediately after an unfilled gap up. It was last shown in the 8/17/16 Subscriber Letter. Below are updated results.

SPY posts an unfilled gap down after an unfilled gap up. Yesterday was the highest close in 20 days. Close > 200ma. Buy on close. Sell next day's close. \$100k/trade. 2003 - present.

TradeStation Performance Summary				Expand
<b>All Trades</b>				
Total Net Profit	(\$6,060.55)	Profit Factor		0.33
Gross Profit	\$3,013.36	Gross Loss		(\$9,073.91)
Total Number of Trades	22	Percent Profitable		27.27%
Winning Trades	6	Losing Trades		16
Even Trades	0			
Avg. Trade Net Profit	(\$275.48)	Ratio Avg. Win:Avg. Loss		0.89
Avg. Winning Trade	\$502.23	Avg. Losing Trade		(\$567.12)
Largest Winning Trade	\$1,008.68	Largest Losing Trade		(\$1,807.92)

The numbers here appear to suggest a downside edge. Let's also take a look at the profit curve.



While the curve is choppy, it has persisted downwards and is continuing to make new lows. This serves as confirmation of the downside edge, and suggests we could see further selling on Thursday.

I have updated the Aggregator chart below.



With tonight's study to consider, the green Aggregator Line again held above zero, though it is not discernable on the chart. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also just barely above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. (But both just barely.) This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close.

Based on the current active studies, expectations are primed to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2181.19 on Thursday. That is 0.2% above Wednesday's close. So SPX would need to close up at least 0.2% on Thursday to be considered "overbought" vs recent expectations.

So the Aggregator is bullish. But it is about the weakest possible signal you could have. And the SPX, Dow, and Russell 2000 are all near the top of their recent ranges. I am not inclined to get involved just yet, and would prefer more of a pullback before considering long positions.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 11/13 – somewhat bullish***

### **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**

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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