

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 22, 2016

Volume 9 Issue 227

Market Overview



Signals Overview

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

Tonight's Research Points

- The very low NYSE volume combined with the rising SPX and strong market suggest a short-term bearish edge.

Short-term Outlook

The Bottom Line

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

The Evidence

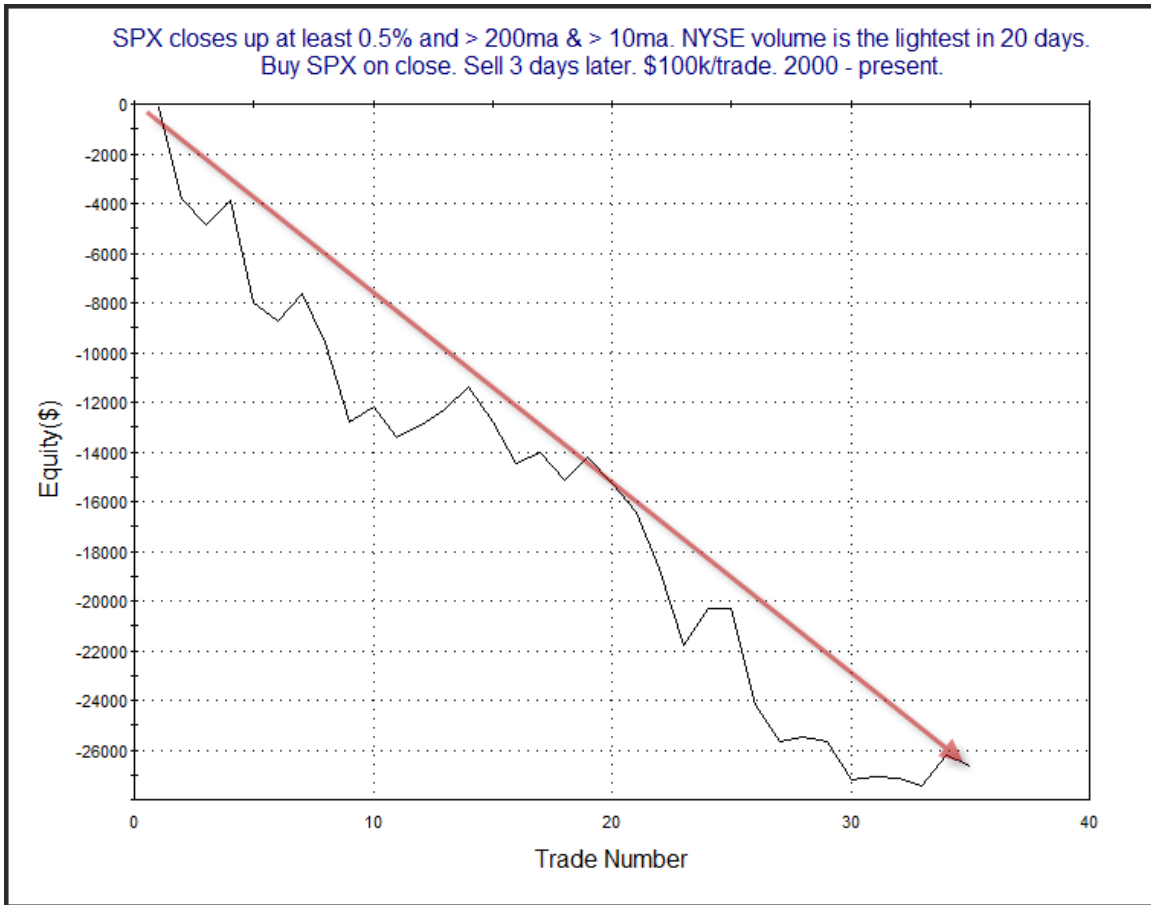
Monday was a rally day. The SPX gained 0.75%, the NASDAQ rallied 0.9%, and the Russell 2000 was rose 0.5%. Breadth was positive as the NYSE Up Issues % was 73% and the Up Volume % came in at 79%. NYSE volume came in at the lowest level in over a month.

There were a few studies that examined the 20-day low in volume while SPX was posting a good day. The study below was the most compelling. It is updated from the 8/30/16 letter.

SPX closes up at least 0.5% and > 200ma & > 10ma. NYSE volume is the lightest in 20 days.
Buy SPX on close. Sell X days later. \$100k/trade. 2000 - present.

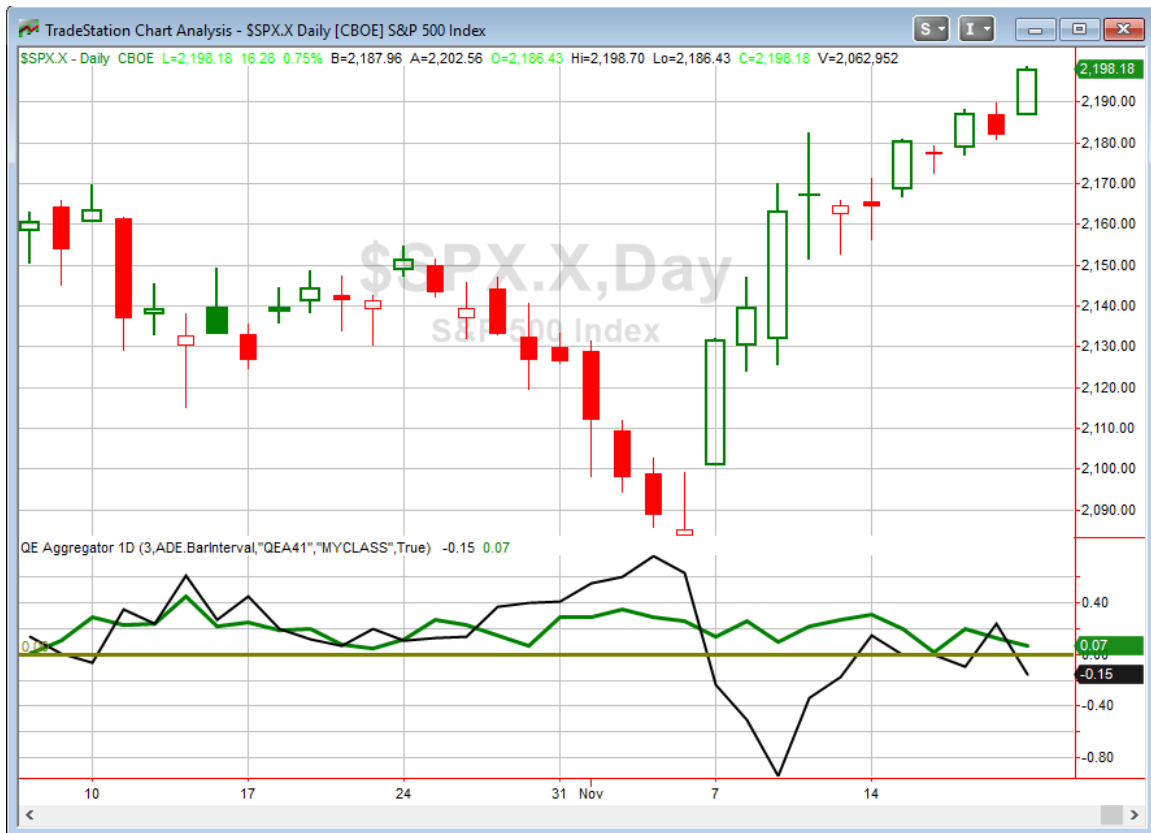
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-23,463.71	35	16	19	45.71	1,182.69	2,927.68	-2,230.88	-11,883.69	0.53	0.45	-670.39
4	-23,243.68	35	15	20	42.86	928.88	1,909.60	-1,858.84	-5,540.99	0.50	0.37	-664.11
3	-26,643.77	35	12	23	34.29	771.85	1,485.12	-1,561.13	-4,145.96	0.49	0.26	-761.25
2	-17,709.91	35	12	23	34.29	592.73	1,532.44	-1,079.25	-3,372.16	0.55	0.29	-506.00
1	-9,986.89	36	13	23	36.11	441.72	1,439.62	-683.88	-1,939.20	0.65	0.37	-277.41

Stats here suggest a downside edge. Below is a profit curve assuming a 3-day holding period.



The strong steady downslope serves to confirm the bearish inclinations suggested by the numbers. I am including this study on the Active List tonight. Still, I am not overly excited by it, since the low volume is occurring during a holiday week, when volume can be low.

I have updated the Aggregator chart below.



With tonight's study to consider, the green Aggregator Line held just 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 dipped back 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 zero. Therefore, the Aggregator signal turned flat at the close.

Based on the current active studies, expectations are primed to remain positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2196.12 on Tuesday. That is 0.1% below Monday's close. Therefore, SPX will only need to close down 0.1% to move from overbought to oversold versus expectations.

As I discussed last night, the Tuesday close to Friday close of Thanksgiving week has been very bullish over the years. But it has been much more so when Tuesday has not done well. So with expectations positive and bullish seasonality coming in I will look to get long Tuesday if SPX closes below its Differential Pivot and moves into "oversold" territory. I still won't be taking much exposure, because the market is still overbought by several other metrics.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/20 – 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.

SPY = buy ¼ index position if SPX closes < 2196.12. This would put the SPX below its Differential Pivot and set up a potential Thanksgiving rally.

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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