

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 2, 2016

Volume 9 Issue 234

Market Overview



Signals Overview

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

Tonight's Research Points

- The first drop below the 10ma in quite a while will often be followed by another leg up.

Short-term Outlook

The Bottom Line

Reward/risk appears favorable for the bulls. I am looking to take on some long exposure.

The Evidence

Thursday was a down day. The SPX lost 0.35%, the NASDAQ dropped 1.4%, and the Russell 2000 declined 0.65%. Breadth was negative as the NYSE Up Issues % was 38% and the Up Volume % came in at 49%. NYSE volume was down a little from Wednesday.

The persistent uptrend of late has kept SPX above its short-term moving averages for an extended period. Thursday, after 17 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 7/28/16 letter I looked at performance following other instances where SPX closed below its 10ma for the first time over 15 days. Results are updated below.

After closing above the 10ma for at least 10 days in a row SPX closes below it but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	28,539.02	54	32	22	59.26	1,508.49	3,505.74	-896.94	-2,959.70	1.68	2.45	528.50
4	26,832.29	54	34	20	62.96	1,402.98	3,206.40	-1,043.45	-3,078.40	1.34	2.29	496.89
3	22,198.33	54	36	18	66.67	1,086.16	2,805.12	-939.09	-2,062.10	1.16	2.31	411.08
2	14,632.21	54	33	21	61.11	1,020.18	2,682.72	-906.36	-2,185.60	1.13	1.77	270.97
1	15,414.69	54	34	20	62.96	724.59	2,097.92	-461.07	-1,542.24	1.57	2.67	285.46

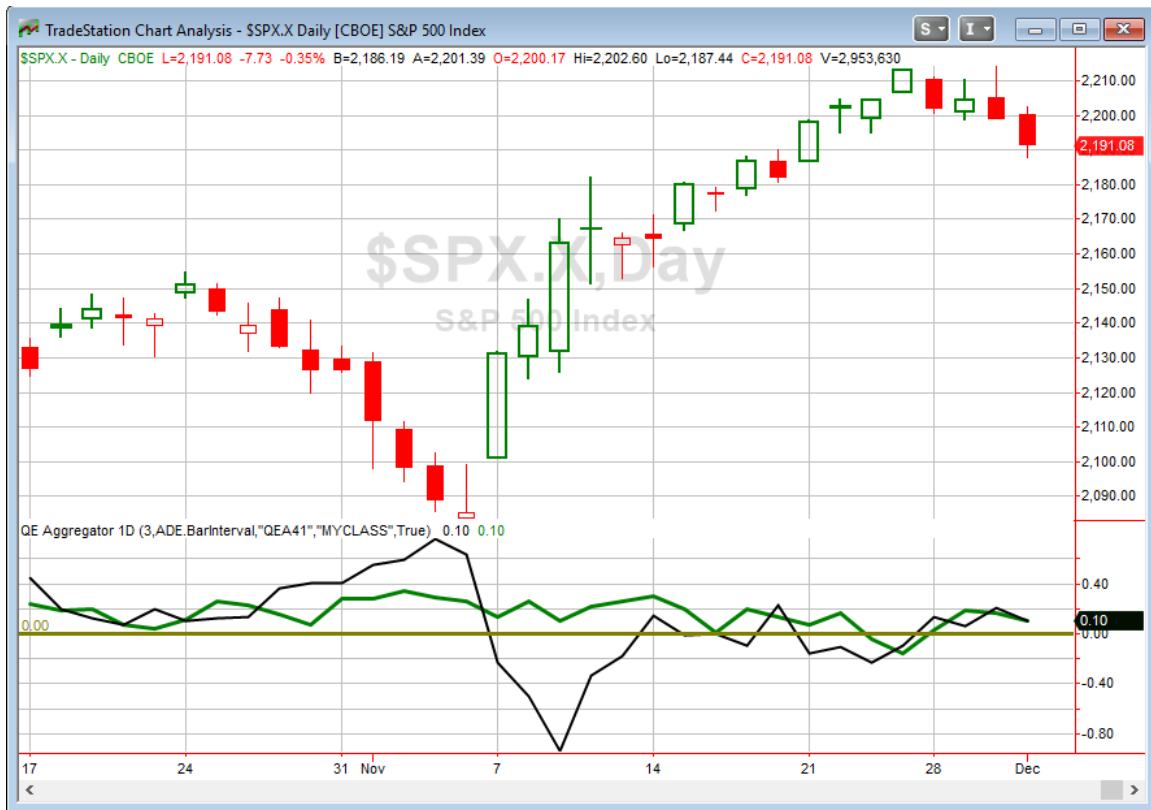
48 of 54 instances (89%) closed above the entry price at some point in the next week.

The numbers here all look solidly bullish over the next week. I highlighted the 3-day holding period because it had a more appealing equity curve than the four or five-day. You can see its profit curve below.



The strong upslope serves as some confirmation of the bullish edge.

I have updated the Aggregator chart below.



With tonight's study to consider, the green Aggregator Line remained 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 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 zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current active studies, expectations are primed to remain positive on Friday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2205.72 on Friday. That 0.7% above Thursday's close. So SPX would need to close up at least 0.7% in order to move from oversold to overbought versus expectations on Friday.

We have a fair amount of bullish evidence pointing higher. Additionally, the market is actually experiencing its first pullback in a while and is now considered short-term oversold. This helps reward/risk. I believe there is now a decent bullish edge, and I will look to take advantage of it by taking on some SPY exposure on Friday.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 11/28 – 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 @ \$219.57 LIMIT. Based on the short-term outlook above, I will look to begin scaling in to a long position.

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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