

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 9, 2016

Volume 9 Issue 239

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Short	100% Short SPY	Flat

## Tonight's Research Points

- SPX and VIX up 2 days in a row with SPX at a 50-day high suggests a pullback.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is suggesting a downside edge. But evidence is not compelling enough for me to attempt a short-term counter trend trade.

*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>						
December 9, 2016	SPX up VIX up 2 days in row.	1 day	Bearish			
December 8, 2016	SPX 50-high. VIX up 2.5% +	1-4 days	Bearish	-1.50%	0.70%	1.40%
<b>Active - Long Term</b>						
December 1, 2016	20-high then poor close	1-10 days	Bullish			
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			

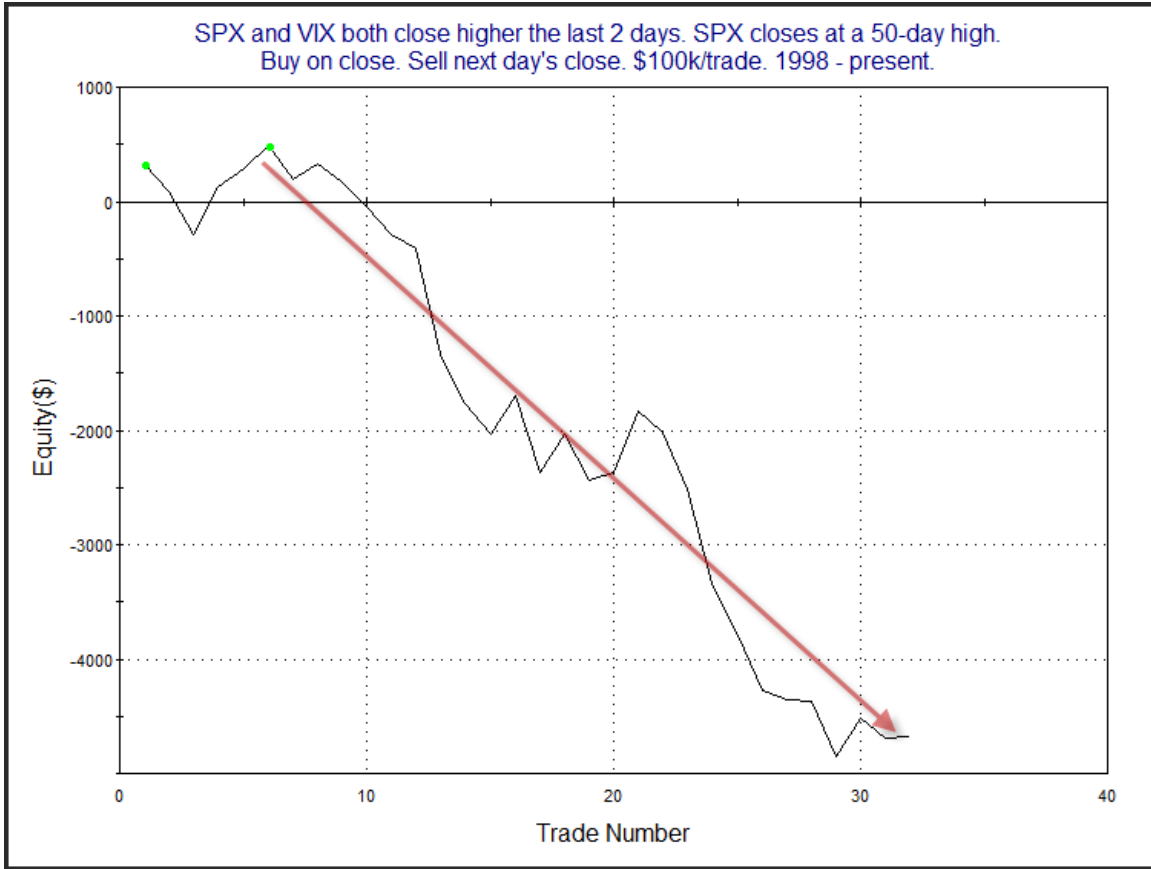
**The Evidence**

Thursday saw the rally continue. The SPX rose 0.2%, the NASDAQ gained 0.4%, and the Russell 2000 rallied 1.6%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 64%. NYSE volume declined some from Wednesday's level.

A few VIX related studies triggered once again. The VIX most often will trade opposite SPX. But Thursday it rose along with it. That's not too unusual for one day, but the same thing also happened Wednesday. This triggered the study below which was last seen in the 7/13/16 subscriber letter, and has been updated.

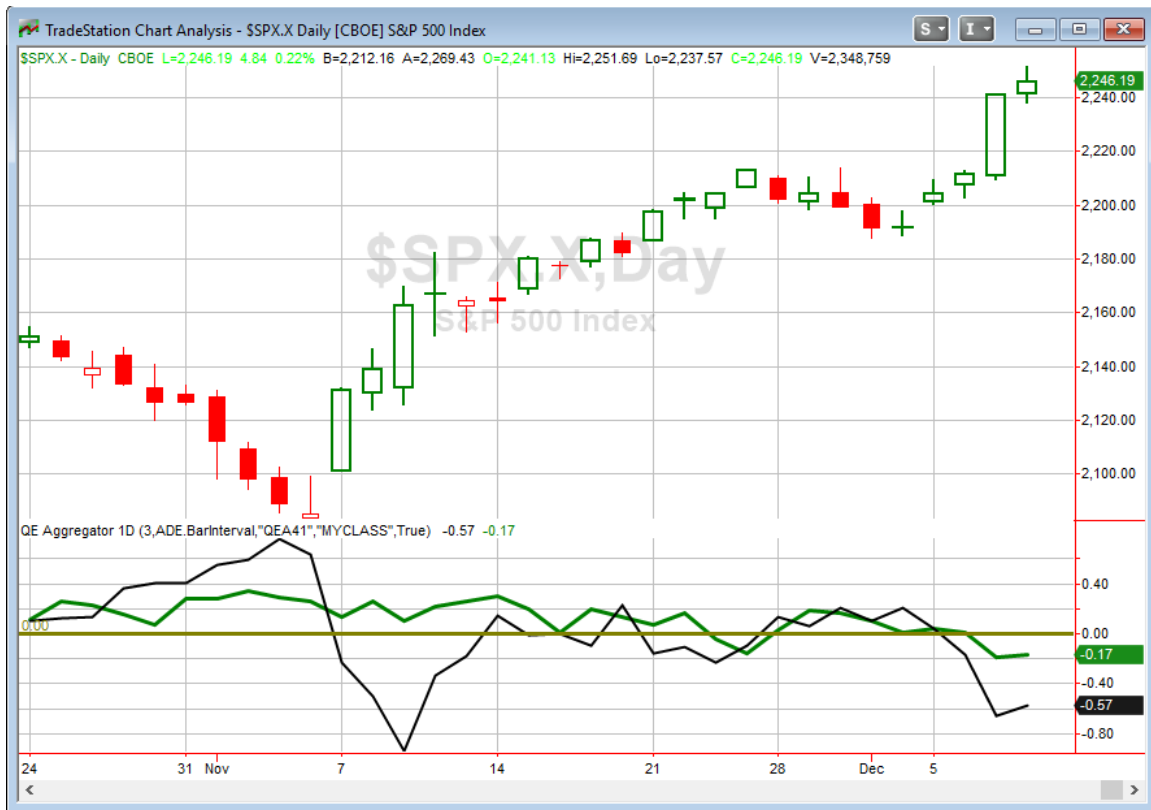
SPX and VIX both close higher the last 2 days. SPX closes at a 50-day high. Buy on close. Sell next day's close. \$100k/trade. 1998 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$4,677.75)	Profit Factor	0.38
Gross Profit	\$2,866.23	Gross Loss	(\$7,543.98)
Total Number of Trades	32	Percent Profitable	34.38%
Winning Trades	11	Losing Trades	21
Even Trades	0		
Avg. Trade Net Profit	(\$146.18)	Ratio Avg. Win:Avg. Loss	0.73
Avg. Winning Trade	\$260.57	Avg. Losing Trade	(\$359.24)
Largest Winning Trade	\$537.24	Largest Losing Trade	(\$924.70)

The stats appear somewhat bearish. Below is the profit curve.



This study appears worthy of consideration.

I have updated the Aggregator chart below.



With tonight's new study the green Aggregator Line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line is also below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

Based on the current list of active studies, expectations are set to remain negative on Friday. Of course, this could change if new bullish evidence emerges. The Differential Pivot will be 2213.21 on Friday. That is 1.5% below Thursday's close. So SPX would need to close down at least 1.5% on Friday in order to move from overbought to oversold versus expectations. That is a sizable 1-day drop. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

My outlook is much the same as last night. While there appears to be a bearish edge, I am not inclined to try and take advantage of it. I don't view reward/risk as particularly favorable. It would be a counter-trend trade, we are in a SOMA expansion week, and seasonality is soon to become quite bullish. So I will remain sidelined for the time being.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/5– 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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