

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 28, 2016

Volume 9 Issue 251

Market Overview



Signals Overview

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

Tonight's Research Points

- VIX up / SPX up for the 2nd day in a row is potentially short-term bearish.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral and so am I.

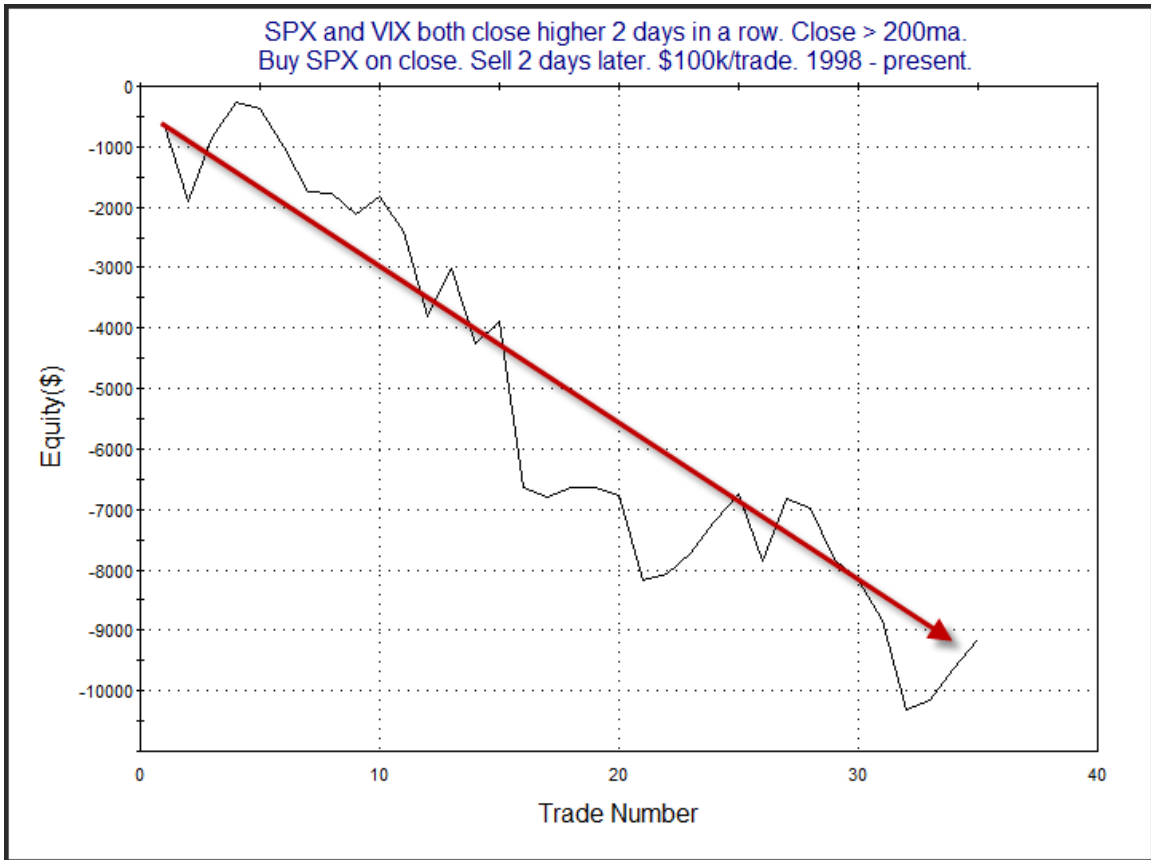
The Evidence

Tuesday was a mild up day. SPX posted a gain of 0.2%, the NASDAQ rose 0.45%, and the Russell 2000 also rallied 0.45%. Breadth was positive as the NYSE Up Issues % was 61% and the Up Volume % came in at 72%. NYSE volume came in light.

The Quantifinder showed a few studies tonight that considered Tuesday’s very low volume. I expect we will see these studies all week. I won’t be considering any of them. The low volume is not a sign of complacency, and it is not to be read into. It is simply a result of it being a vacation week for many traders. One study that did trigger and looked interesting was the one below, which was last seen in the 4/26/13 Letter. It looked at times both SPX and VIX closed up for the 2nd day in a row. I have updated all the results tonight.

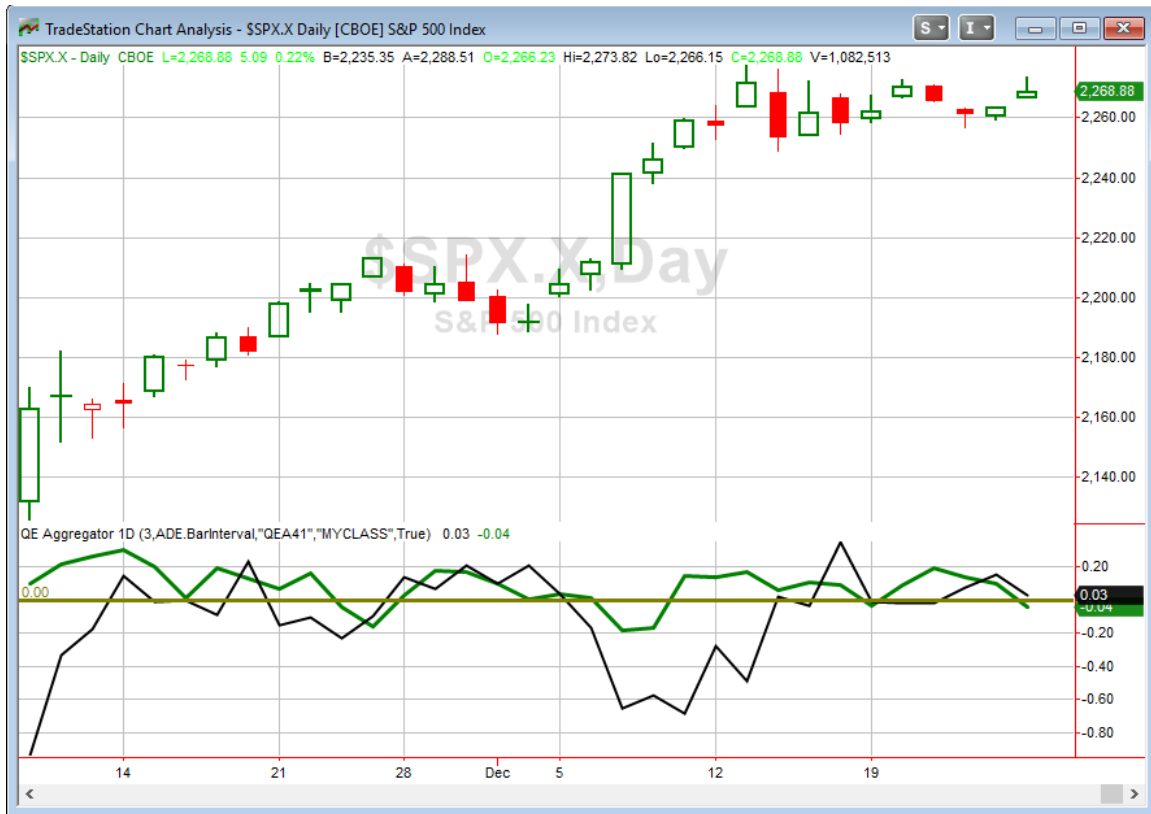
SPX and VIX both close higher 2 days in a row. Close > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1998 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-9,364.42	34	19	15	55.88	866.17	3,434.08	-1,721.44	-4,221.70	0.50	0.64	-275.42
4	-12,325.06	35	16	19	45.71	674.60	1,907.36	-1,216.77	-4,240.48	0.55	0.47	-352.14
3	-8,229.49	35	17	18	48.57	612.60	1,433.12	-1,035.76	-4,423.40	0.59	0.56	-235.13
2	-9,148.85	35	14	21	40.00	494.25	1,078.48	-765.16	-2,752.74	0.65	0.43	-261.40
1	-4,878.63	40	15	25	37.50	341.90	1,204.08	-400.28	-1,411.74	0.85	0.51	-121.97

The numbers here provide the bears some hope over the next 1-2 days. I also examined the 2-day profit curve and have included that below.



That is a fairly steady downslope, especially for a study that filters out instances below the 200ma. I find this study worth consideration and have included it on the Active List.

I have updated the Aggregator chart below.



With tonight's bearish study considered the green Aggregator Line dipped below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 set to turn back to bullish on Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2270.61 on Wednesday. That is 0.1% above Tuesday's close. So SPX would only need to close up 0.1% to move from oversold to overbought versus expectations.

So the Aggregator is back to neutral. I see no good reason to take on new exposure here. I'll continue to wait for a better reward/risk opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/19 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MDT @ \$71.58 – bought 1/3 @ limit

Broad Market Large Cap CBI – 1(MDT)

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
MDT(1/3)	12/22/2016	\$71.50	\$71.77	0.38%		Catapult

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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