

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 11, 2017

Volume 10 Issue 7

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- SPX posted a rare breakeven day.
- No compelling directional evidence emerged.

## *Short-term Outlook*

### *The Bottom Line*

Expectations are still positive and SPX is a little oversold versus recent expectations. This has the Aggregator in a bullish formation. I may look to take advantage of the upside edge if the market pulls back more on Wednesday.

*Summary of Recent Active Studies (see Letters from listed dates for details)*

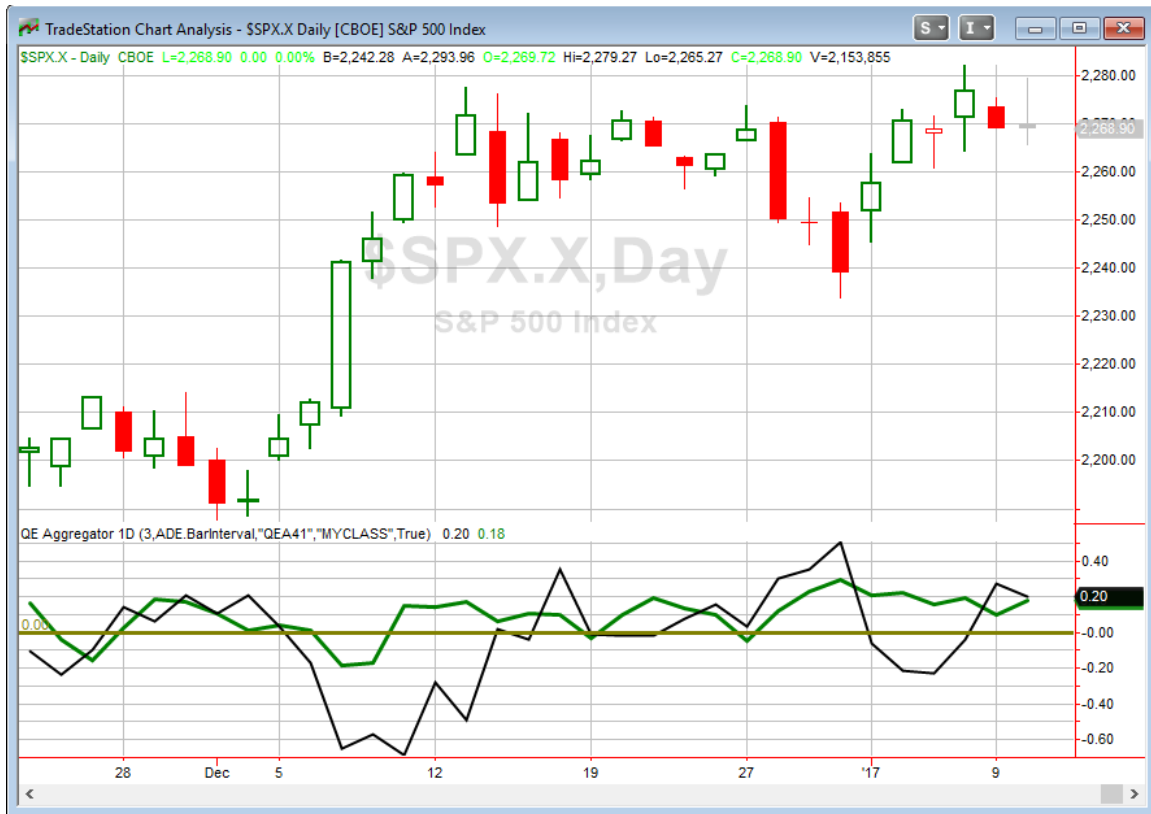
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
January 10, 2017	Breakout then inside day	1-5 days	Bullish			
January 9, 2017	50-day high breakout on lower volume	1-5 days	Bullish			
<b>Active - Long Term</b>						
January 9, 2017	NASDAQ Leading	int term	Bullish			
December 29, 2017	1st 10-low in 30+ days	1-10 days	Bullish			
November 11, 2016	SPX 20-high. NDX biggest drop in 20.	1-50 days	Bullish			
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***

Tuesday was another mixed day for the market. SPX amazingly came in exactly even with Monday's close, the NASDAQ gained 0.4%, and the Russell 2000 rose 1.0%. Breadth was positive as the NYSE Up Issues % was 64% and the Up Volume % came in at 59%. NYSE volume rose some from Monday's level.

With SPX closing at 2268.90 for the second day in a row, I wondered when the last time we saw a breakeven SPX rating. Interestingly, it has been exactly 14 years – 1/10/03. Of course breakeven readings don't do much to inspire strong edges. And the mild action lead to another rarity...no studies triggered in the Quantifinder. (That is not nearly as rare. It probably happens once every 3 or 4 weeks.) So with a breakeven market and a lack of new and compelling evidence, I am going to keep it short tonight.

I have updated the Aggregator chart below.



With no new compelling studies emerging 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 set to remain bullish on Wednesday. Of course this could change if strong new bearish evidence emerges. The Differential Pivot will be 2290.05 on Wednesday. That is 0.9% above Tuesday's close. So SPX will need to close up at least 0.9% in order to flip from oversold to overbought versus expectations on Wednesday.

Evidence remains favorable and SPX remains oversold versus expectations. But that is still about the only indicator that would consider it oversold. I think the chances of a bounce are pretty good. I just am not crazy about short-term upside potential versus downside risk. Like last night, I will again be interested in getting long tomorrow, but only if I see more of a pullback.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 1/9 – 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 @ \$225.62 LIMIT ON CLOSE.** Based on the short-term outlook above I will look to begin scaling into a long position if SPY closes below its 10-day moving average.

### **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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