

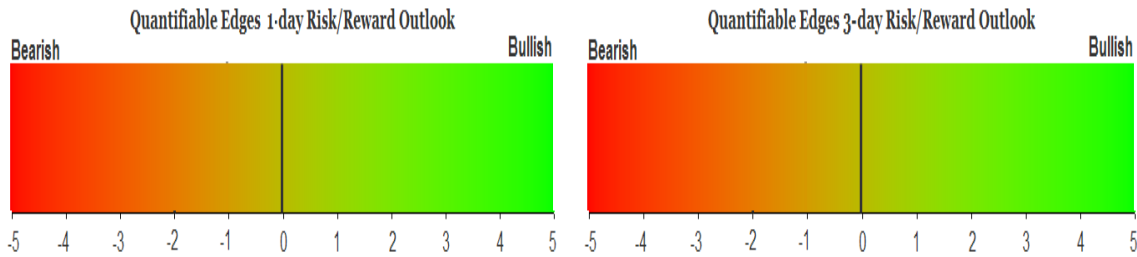
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 19, 2017

Volume 10 Issue 12

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.

Short-term Outlook

The Bottom Line

Same as last night. Expectations are negative, but SPX is oversold. This suggests reward/risk is not strongly favorable for either direction. I am again short-term neutral.

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
Active - Short Term						
January 19, 2017	Up < 0.25%. Top of range.	1 day	Bearish			
January 17, 2017	MLK/Jan Opex Weakness	1-4 days	Bearish	0.80%	-2.40%	-4.60%
Active - Long Term						
January 9, 2017	NASDAQ Leading	int term	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			

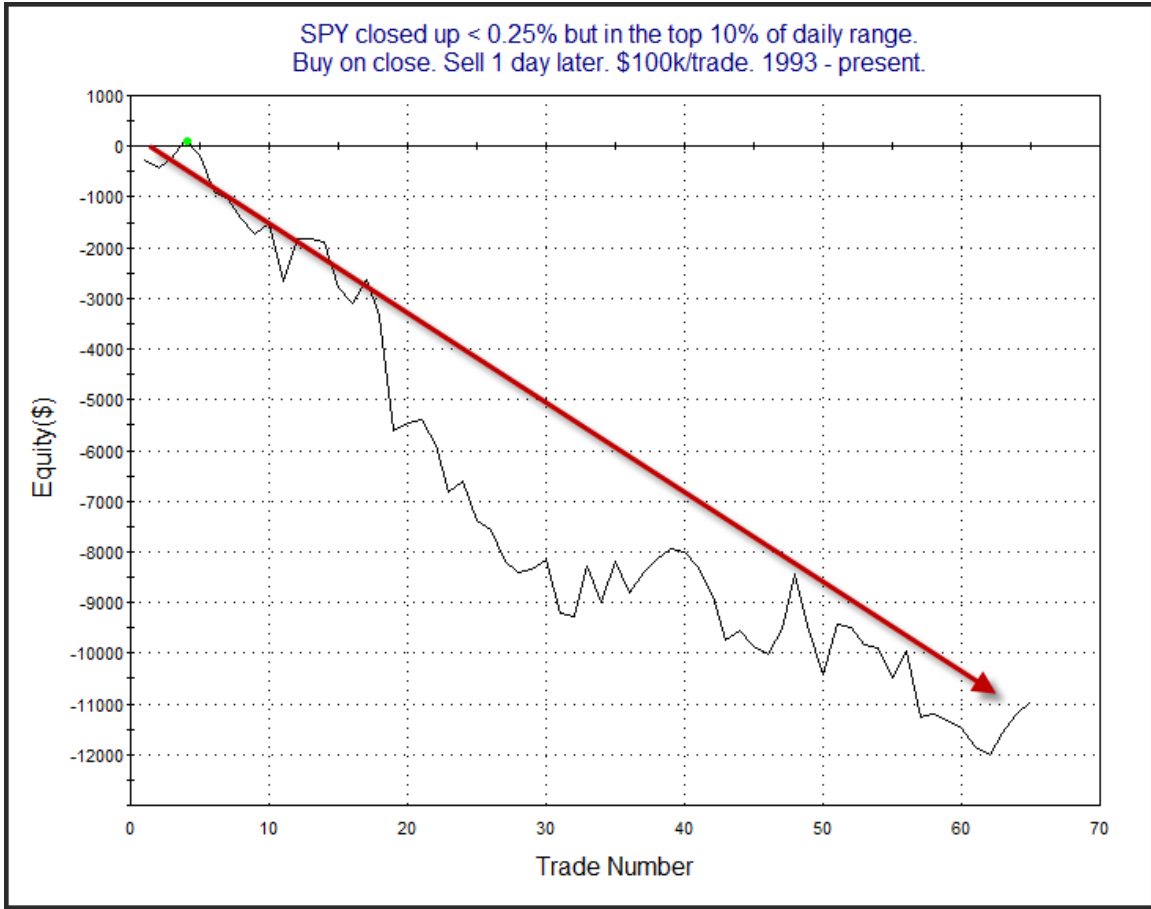
The Evidence

Wednesday saw most indices rally. SPX gained 0.2%, the NASDAQ rose 0.3%, and the Russell 2000 climbed 0.5%. Breadth was mixed as the NYSE Up Issues % was 52% and the Up Volume % came in at 49.7%. NYSE volume declined some from Tuesday's level.

The most interesting study to appear in the Quantifinder was the one below, which was last seen in the 12/27/16 subscriber letter. It suggests that when SPY closes strong (in the top 10% of its range) but still only manages a small gain on the day, that the next day has a downside tendency. Stats are updated.

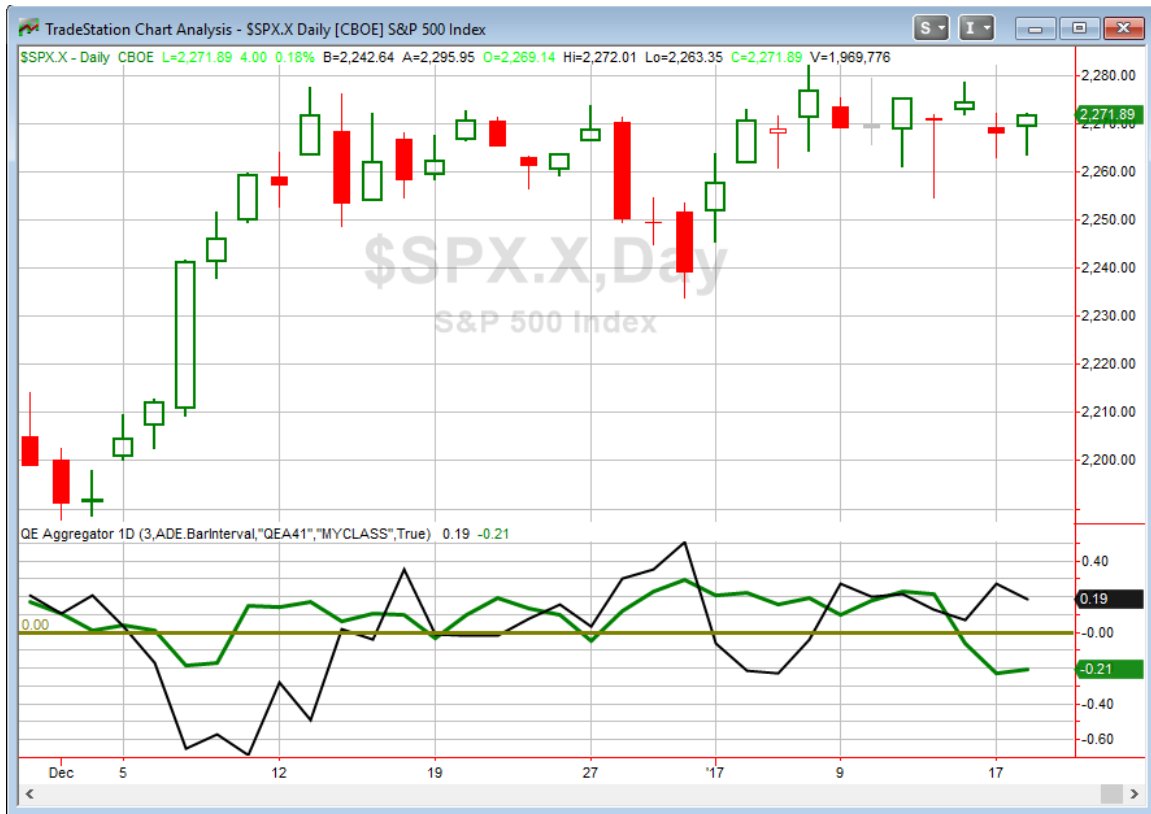
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$10,966.16)	Profit Factor	0.47
Gross Profit	\$9,826.75	Gross Loss	(\$20,792.91)
Total Number of Trades	65	Percent Profitable	38.46%
Winning Trades	25	Losing Trades	40
Even Trades	0		
Avg. Trade Net Profit	(\$168.71)	Ratio Avg. Win:Avg. Loss	0.76
Avg. Winning Trade	\$393.07	Avg. Losing Trade	(\$519.82)
Largest Winning Trade	\$1,093.35	Largest Losing Trade	(\$2,290.72)

As you can see there appears to be a bit of a bearish inclination. Below is a profit curve showing how the edge has played out over time.



It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day.

I have updated the Aggregator chart below.



With another bearish study being added tonight, 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 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain bearish on Thursday. Of course this could change if new bullish evidence emerges. The Differential Pivot will be 2283.36 on Thursday. That is 0.5% above Wednesday's close. So SPX will need to close up at least 0.5% in order to flip from oversold to overbought versus expectations on Thursday.

Once again we are looking at a neutral Aggregator and no strong apparent edge. This has been a tough market to trade over the last couple of weeks as the market has just chopped back and forth and gone nowhere. Conditions like this do not last forever. I intend to remain patient and alert for the next favorable reward/risk opportunity.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 1/17 – 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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