

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 2, 2017

Volume 10 Issue 22

Market Overview



Signals Overview

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

Tonight's Research Points

- No new short-term studies of consequence emerged on Wednesday.

Short-term Outlook

The Bottom Line

Evidence remains bullish and the SPX remains oversold. While the edge does not appear as strong as it did last night, reward/risk still seems to favor the bulls.

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

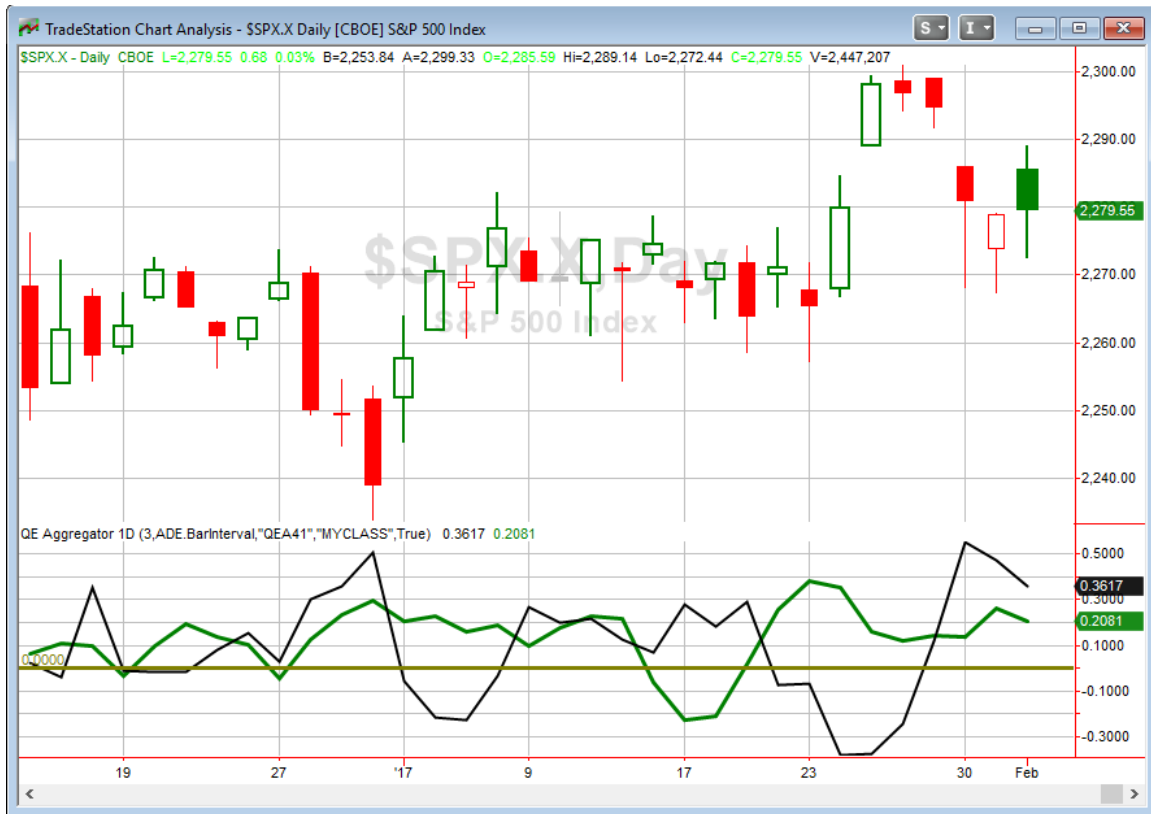
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 1, 2017	3+ days down. Fed tomorrow.	1-4 days	Bullish	2.30%	-0.50%	-1.05%
February 1, 2017	4 days down. Tuesday	1-6 days	Bullish	2.50%	-1.20%	-2.50%
January 31, 2017	3 down days > 200ma. Turn Tues	1-8 days	Bullish	2.20%	-1.30%	-2.40%
January 31, 2017	VIX up 10%. SPX dn small.	1-5 days	Bullish	1.60%	-1.40%	-3.00%
Active - Long Term						
January 9, 2017	NASDAQ Leading	int term	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			
Dropped Tonight						
February 1, 2017	3 days down. End of month	1 day	Bullish			
January 26, 2017	SPY breakaway gap	1-5 days	Bullish			

The Evidence

Wednesday was mixed and very mild – especially for a Fed Day. The SPX closed up 0.03%, the NASDAQ gained 0.5%, and the Russell 2000 lost 0.04%. Breadth was weak as the NYSE Up Issues % was 48% and the Up Volume % came in at 43%. NYSE volume declined from Tuesday’s level.

We saw an ample amount of evidence last night that the market was likely to bounce. SPX was undergoing a pullback, and the new month, the Fed Day, and the Turnaround Tuesday failure all gave an extra boost to the bounce potential. It still may happen, but Wednesday was not a great start. And unfortunately, the very mild moves by SPX, DJI, and the Russell 2000 did not help to generate any compelling new evidence. There was one Quantifinder study that emerged that considered the weak Up Volume % on a day that SPX rose. But that has only been impactful when the market was in a downtrend (as measured by the 200ma). That is clearly not the case at the moment. So there is nothing new to add to the Active List tonight.

I have updated the Aggregator chart below.



Without any new evidence emerging tonight, the green Aggregator Line held 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 below zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current active studies, expectations are set to remain bullish on Thursday. Extremely bearish evidence would need to emerge in order to change this. The Differential Pivot will be 2290.03 on Thursday. That is 0.5% above Wednesday's close. Therefore, SPX will need to close up at least 0.5% on Thursday in order to flip from oversold to overbought versus expectations.

While nothing new emerged tonight, there is still a decent amount of evidence pointing to a bounce. And that bounce has not yet been realized. The SPX remains oversold. I believe short-term reward/risk is still favorable for the bulls. I have some long index exposure already. For now, I will simply continue to ride that. I will not look to add any more on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/30 – 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	1/30/2017	\$227.55	\$227.62	0.03%		Aggregator

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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