

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 16, 2017

Volume 10 Issue 50

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Short-term highs on a Fed Day are often met by a pullback over the next few days.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral, evidence is weakening, the Differential Pivot is near, and I do not believe there is a strong short-term edge.

*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>						
March 16, 2017	10-high but < 100-high on Fed Day	1-2 days	Bearish	-1.30%	0.60%	1.20%
March 13, 2017	March Opex Week Bullish	1-4 days	Bullish	1.70%	-1.10%	-2.40%
March 9, 2017	1st 10-low in 30+ days	1-6 days	Bullish	2.35%	-1.40%	-3.10%
<b>Active - Long Term</b>						
March 9, 2017	1st 10-day low in 30+ days	1-10 days	Bullish	3.10%	-1.95%	-4.40%
February 27, 2017	RUT down 3. SPX 3-day high.	1-10 days	Bullish	3.90%	-1.00%	-2.10%
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			
<b>Dropped Tonight</b>						
March 15, 2017	Fed Day bullish	1 day	Bullish			

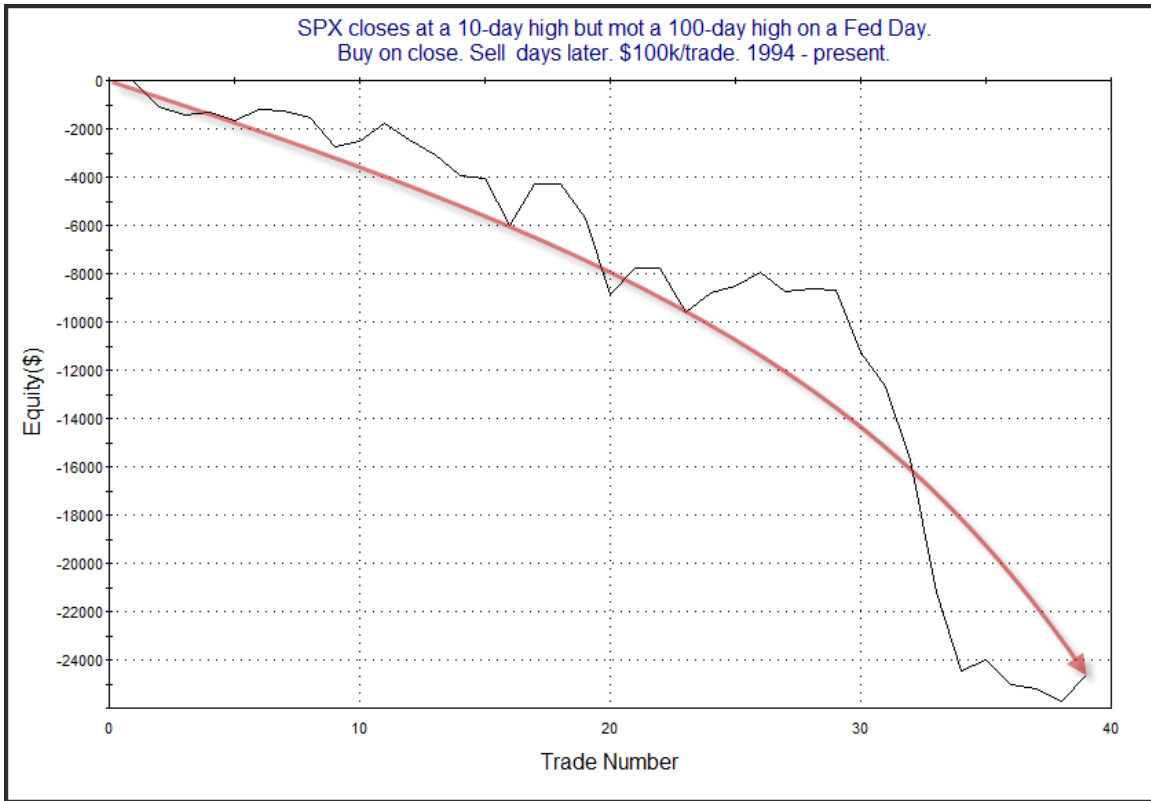
**The Evidence**

Wednesday was a solid up day. The SPX gained 0.8%, the NASDAQ rose 0.7%, and the Russell 2000 rallied 1.5%. Breadth was positive as the NYSE Up Issues % was 86% and the Up Volume % came in at 84%. NYSE volume rose some from Tuesday's level.

There was one compelling Fed Day related study that appeared in the Quantifinder. It looked at Fed Days that reached 10-day highs, but not 100-day highs. It was last seen in the 3/17/16 letter and has been updated below.

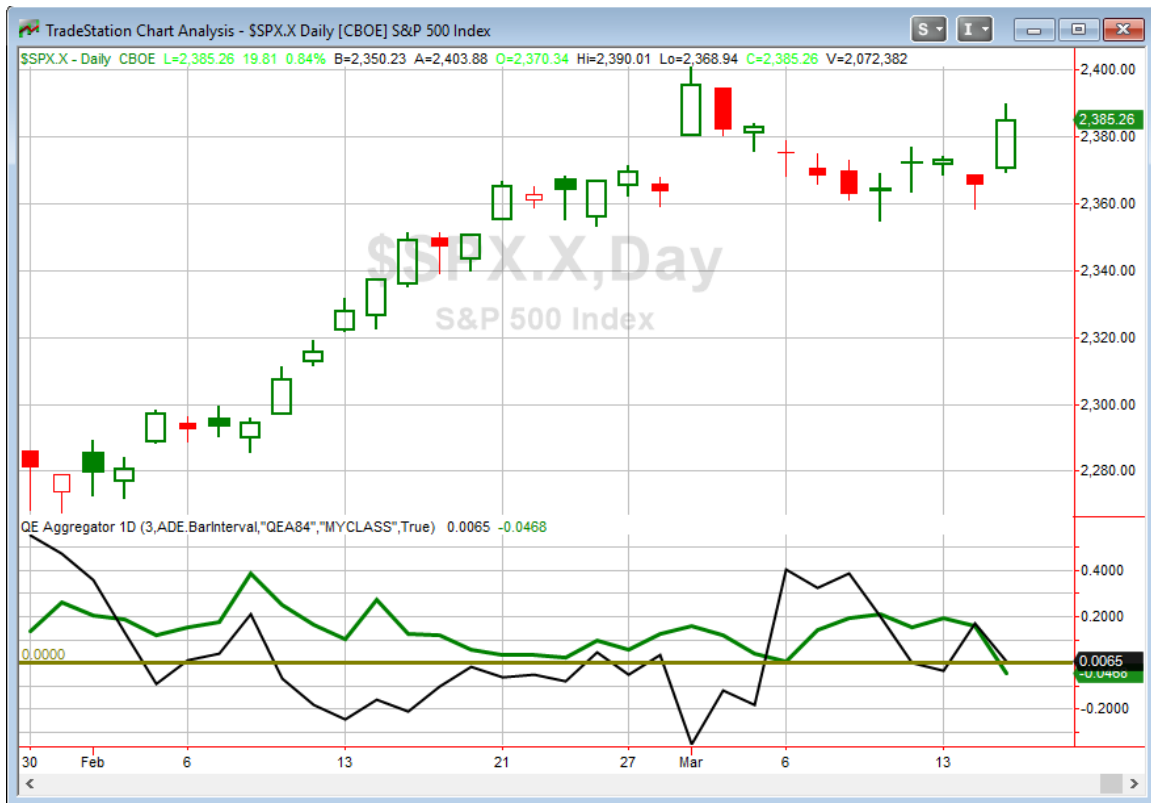
SPX closes at a 10-day high but not a 100-day high on a Fed Day. Buy on close. Sell X days later. \$100k/trade. 1994 - present.													
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade	
10	-27,261.14	39	17	22	43.59	1,514.99	4,389.95	-2,409.82	-9,625.50	0.63	0.49	-699.00	
9	-29,849.57	39	16	23	41.03	1,580.31	3,956.94	-2,397.16	-12,928.50	0.66	0.46	-765.37	
8	-22,218.74	39	16	23	41.03	1,354.21	4,058.40	-1,908.09	-7,050.88	0.71	0.49	-569.71	
7	-12,466.65	39	18	21	46.15	1,523.42	6,337.26	-1,899.44	-6,122.88	0.80	0.69	-319.66	
6	-11,954.39	39	20	19	51.28	1,316.85	4,813.75	-2,015.34	-4,908.27	0.65	0.69	-306.52	
5	-22,597.33	39	18	21	46.15	1,265.69	5,231.46	-2,160.94	-6,268.92	0.59	0.50	-579.42	
4	-22,765.13	39	17	22	43.59	1,084.40	3,438.24	-1,872.73	-4,528.95	0.58	0.45	-583.72	
3	-18,780.30	39	18	21	46.15	1,058.93	3,830.40	-1,801.96	-5,547.24	0.59	0.50	-481.55	
2	-24,624.38	39	13	26	33.33	587.03	1,737.55	-1,240.61	-5,495.94	0.47	0.24	-631.39	
1	-15,677.96	39	10	29	25.64	745.40	1,990.25	-797.66	-3,300.30	0.93	0.32	-402.00	

The numbers here all point to a downside edge, primarily over the 1<sup>st</sup> 2 days. Below is a profit curve showing how the edge has played out over time.



Not the smoothest curve, but I prefer a steepening one like this to a flattening one. I think this study is compelling enough to include on the Active List.

I have updated the Aggregator chart below.



With tonight's study to consider, 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 just barely 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 remain negative on Thursday. Of course, that could change if new bullish evidence emerges. The Differential Pivot will be 2386.60 on Thursday. That is less than 0.1% above Wednesday's close. So SPX would only need to close up a small amount in order to move from oversold to overbought versus expectations on Thursday.

This is not the most compelling setup for new entries. The Aggregator is neutral. Expectations could go either way tomorrow, and we are close enough to the Differential Pivot that the market could easily finish overbought or oversold. I'll wait for more clarity before looking to take on my next index position.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 3/13 – bullish**

The intermediate-term outlook was last updated in the 3/13/17 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**Catapult and Capitulative Breadth Statistics**

*Catapult & CBI Presentation Link*

**Open Catapult Triggers**

TGT – 1/3 @ \$55.14 (bought @ limit)

TGT – 1/3 @ \$55.02 (bought @ limit)

**Broad Market Large Cap CBI – 2(TGT-2)**

**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 – no fill from last night.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
TGT(1/3)	3/8/2017	\$55.14	\$54.57	-1.03%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$54.57	-0.78%		Catapult

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