

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 21, 2017

Volume 10 Issue 53

Market Overview



Signals Overview

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

Tonight's Research Points

- 3 down days going into a Turnaround Tuesday appears bullish.

Short-term Outlook

The Bottom Line

Expectations are positive and after 3 days down the SPX is now oversold. I believe there is a bullish edge and will be looking to take advantage of it.

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						
March 21, 2017	Down 3 into Turnaround Tuesday	1-8 days	Bullish	2.15%	-1.30%	-2.40%
Active - Long Term						
March 9, 2017	1st 10-day low in 30+ days	1-10 days	Bullish	3.10%	-1.95%	-4.40%
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						
March 20, 2017	SPX down. Up Issue % > 55%	1 day	Bullish			

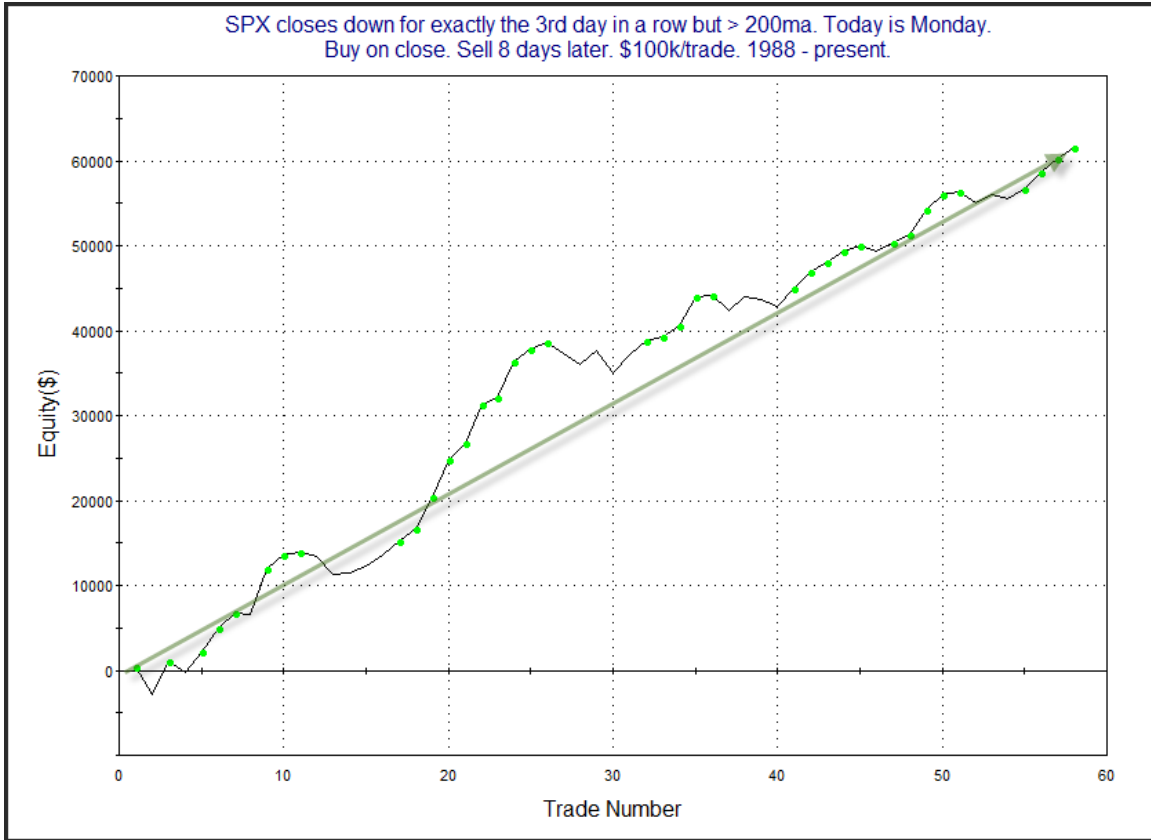
The Evidence

Monday was mixed and mild again for the market. The SPX lost 0.2%, the NASDAQ rose 0.01%, and the Russell 2000 climbed 0.5%. Breadth was negative as the NYSE Up Issues % was 41% and the Up Volume % came in at 38%. NYSE volume declined from Friday's opex-induced level.

It is notable that Monday marked the 3rd down day in a row. In the past, I have documented both the tendency for the market to bounce 1) after 3 days lower, and 2) going into a Tuesday. In the 1/31/17 letter I combined these concepts. Below are updated results.

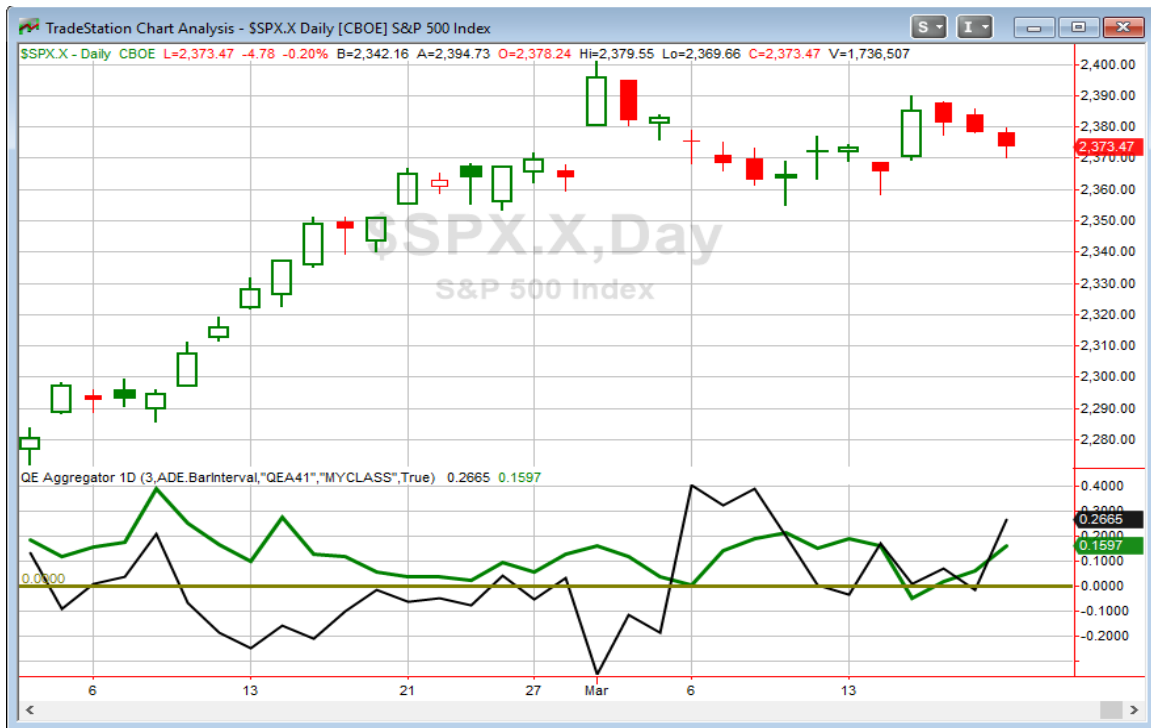
SPX closes down for exactly the 3rd day in a row but > 200ma. Today is Monday. Buy on close. Sell X days later. \$100k/trade. 1988 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	61,986.86	58	41	17	70.69	2,125.87	5,206.22	-1,480.81	-4,773.00	1.44	3.46	1,068.74
9	68,427.19	58	44	14	75.86	1,987.58	5,024.40	-1,359.02	-3,566.80	1.46	4.60	1,179.78
8	61,473.15	58	44	14	75.86	1,804.62	5,300.00	-1,280.72	-3,270.80	1.41	4.43	1,059.88
7	51,718.89	58	44	14	75.86	1,576.53	5,345.05	-1,260.59	-3,367.00	1.25	3.93	891.71
6	42,687.58	58	40	18	68.97	1,573.75	4,399.00	-1,125.70	-3,444.70	1.40	3.11	735.99
5	43,085.65	61	40	21	65.57	1,749.08	4,608.35	-1,279.88	-4,140.30	1.37	2.60	706.32
4	38,830.16	61	42	19	68.85	1,473.60	4,690.50	-1,213.73	-2,964.25	1.21	2.68	636.56
3	29,249.03	61	36	25	59.02	1,390.53	3,940.55	-832.41	-2,634.40	1.67	2.41	479.49
2	24,456.85	61	38	23	62.30	1,116.23	3,744.45	-780.86	-2,952.60	1.43	2.36	400.93
1	9,218.00	61	33	27	54.10	699.75	2,205.80	-513.84	-1,692.52	1.36	1.66	151.11

Results here appear to be quite bullish. The 8-day time period especially stands out. Below is an equity curve showing how that holding period has played out.



The curve is nearly as straight as the arrow. This serves as some confirmation of the upside edge suggested by the numbers. I have included this study on the Active List.

I have updated the Aggregator chart below.



With tonight's study to consider, 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 shot above 0. The positive Differential Line reading means SPX is now 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 turned long at the close.

The current evidence would leave expectations positive on Tuesday afternoon. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2384.46 on Tuesday. That is 0.5% above Monday's close. So SPX would need to close up at least 0.5% on Tuesday in order to move from oversold to overbought.

So the pullback coming into a possible "Turnaround Tuesday" appears to be offering a potential long opportunity. At this point I believe it appears to be an opportunity worth pursuing. I will look to start scaling long into an index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/20 – bullish

The intermediate-term outlook was last updated in the 3/20/17 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)

BRK.B – 1/3 @ \$172.82 (bought @ limit)

New

BRK.B – 1/3 @ \$172.07 (buy @ limit)

Broad Market Large Cap CBI – 4(TGT-2, BRK.B-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.

BRK.B – buy 1/3 Catapult position @ \$172.07 LIMIT. This is from the Catapult section above. It is the 2nd of 3 possible lots for BRK.B.

SPY – buy ¼ index position @ \$236.77 LIMIT. This is based on the short-term outlook above. I will look to scale into an index position with SPY.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
TGT(1/3)	3/8/2017	\$55.14	\$54.37	-1.40%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$54.37	-1.15%		Catapult
BRK.B(1/3)	3/21/2017	\$172.30	\$172.07	-0.13%		Catapult

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