

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 28, 2017

Volume 10 Issue 58

Market Overview



Signals Overview

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

Tonight's Research Points

- 3-day pullbacks & a 20-day low on a Monday have been a powerful hint of an upcoming bounce.

Short-term Outlook

The Bottom Line

Same as last night. More bullish evidence emerged. Short-term bearish studies are nowhere to be found. And the market is still oversold. This all suggests an upside 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
Active - Short Term						
March 27, 2017	20-low. 3 closes 'tween high and low	1-5 days	Bullish			
March 23, 2017	20-low yest. 20-low then up today	1-4 days	Bullish			
March 22, 2017	Down 4 into Wednesday	1-6 days	Bullish			
March 22, 2017	Down 4+ and today largest drop	1-5 days	Bullish			
March 22, 2017	Outside day low close > 200	1-8 days	Bullish			
March 21, 2017	Down 3 into Turnaround Tuesday	1-8 days	Bullish	2.15%	-1.30%	-2.40%
Active - Long Term						
March 23, 2017	20-low yest. 20-low then up today	1-10 days	Bullish			
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 24, 2017	Up Issues > 55%. SPX down	1 day	Bullish			

The Evidence

Monday started with a big gap down but finished mixed. The SPX lost 0.1%, the NASDAQ rose 0.2%, and the Russell 2000 declined a mere 0.01%. Breadth was slightly negative as the NYSE Up Issues % was 49% and the Up Volume % came in at 48%. NYSE volume rose some from Friday's level.

I've shown many times in the past that Tuesdays have a well-earned reputation for being a day when the market will often halt a decline. The study below takes the Turnaround Tuesday tendency into consideration. This first one was from the 6/9/15 Letter. It combined 3 down days with a 20-day low and the Turnaround Tuesday. Results are updated.

Today is Monday. SPX closes down for exactly 3rd day in a row and at a 20-day low. Close > 200ma. 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	23,926.40	12	12	0	100.00	1,993.87	5,016.83	0.00	0.00	100.00	100.00	1,993.87	
9	23,612.68	12	11	1	91.67	2,149.13	5,024.40	-27.75	-27.75	77.45	851.91	1,967.72	
8	16,847.09	12	10	2	83.33	1,954.41	5,300.00	-1,348.52	-2,241.75	1.45	7.25	1,403.92	
7	11,842.57	12	9	3	75.00	1,779.29	5,345.05	-1,390.36	-1,959.00	1.28	3.84	986.88	
6	8,939.20	12	9	3	75.00	1,645.74	4,399.00	-1,957.50	-3,496.50	0.84	2.52	744.93	
5	12,996.20	13	9	4	69.23	2,078.31	4,608.35	-1,427.14	-2,268.75	1.46	3.28	999.71	
4	13,871.77	13	11	2	84.62	1,483.71	4,690.50	-1,224.54	-2,082.00	1.21	6.66	1,067.06	
3	11,801.58	13	11	2	84.62	1,345.03	3,940.55	-1,496.87	-1,918.24	0.90	4.94	907.81	
2	8,398.60	13	9	4	69.23	1,225.92	3,744.45	-658.68	-1,704.00	1.86	4.19	646.05	
1	3,114.40	13	8	5	61.54	747.62	1,532.88	-573.31	-1,692.52	1.30	2.09	239.57	

There were just a small number of instances here. Still, 2 weeks out they've been a perfect 12 for 12. And just a few days out the numbers are appealing as well. Below is the full list of instances using a 4-day exit strategy.

Today is Monday. SPX closes down for exactly 3rd day in a row and at a 20-day low.
Close > 200ma. Buy on close. Sell 4 days later. \$100k/trade. 1988 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/6/1989	Buy	\$332.61	1.95%	\$2,037.00
11/10/1989	Sell	\$339.10		(\$513.00)
8/19/1991	Buy	\$376.46	4.70%	\$5,003.20
8/23/1991	Sell	\$394.16		\$0.00
9/20/1993	Buy	\$455.05	0.57%	\$797.16
9/24/1993	Sell	\$457.63		(\$1,186.98)
4/27/1998	Buy	\$1,086.54	3.17%	\$3,172.16
5/1/1998	Sell	\$1,121.02		(\$464.60)
5/24/1999	Buy	\$1,306.65	-0.37%	\$823.08
5/28/1999	Sell	\$1,301.82		(\$2,229.84)
8/2/1999	Buy	\$1,328.05	-2.09%	\$600.75
8/6/1999	Sell	\$1,300.29		(\$3,056.25)
3/22/2004	Buy	\$1,095.44	1.15%	\$1,804.53
3/26/2004	Sell	\$1,108.02		(\$762.58)
5/10/2004	Buy	\$1,087.12	0.79%	\$1,424.15
5/14/2004	Sell	\$1,095.66		(\$982.80)
5/17/2004	Buy	\$1,084.08	0.88%	\$2,010.20
5/21/2004	Sell	\$1,093.59		\$0.00
6/27/2005	Buy	\$1,190.69	0.31%	\$1,110.54
7/1/2005	Sell	\$1,194.44		(\$14.94)
3/5/2007	Buy	\$1,374.12	2.09%	\$2,594.16
3/9/2007	Sell	\$1,402.85		\$0.00
1/27/2014	Buy	\$1,781.56	0.06%	\$963.76
1/31/2014	Sell	\$1,782.59		(\$622.16)
6/8/2015	Buy	\$2,079.28	0.71%	\$1,715.52
6/12/2015	Sell	\$2,094.11		(\$342.72)

Results here appear impressive.

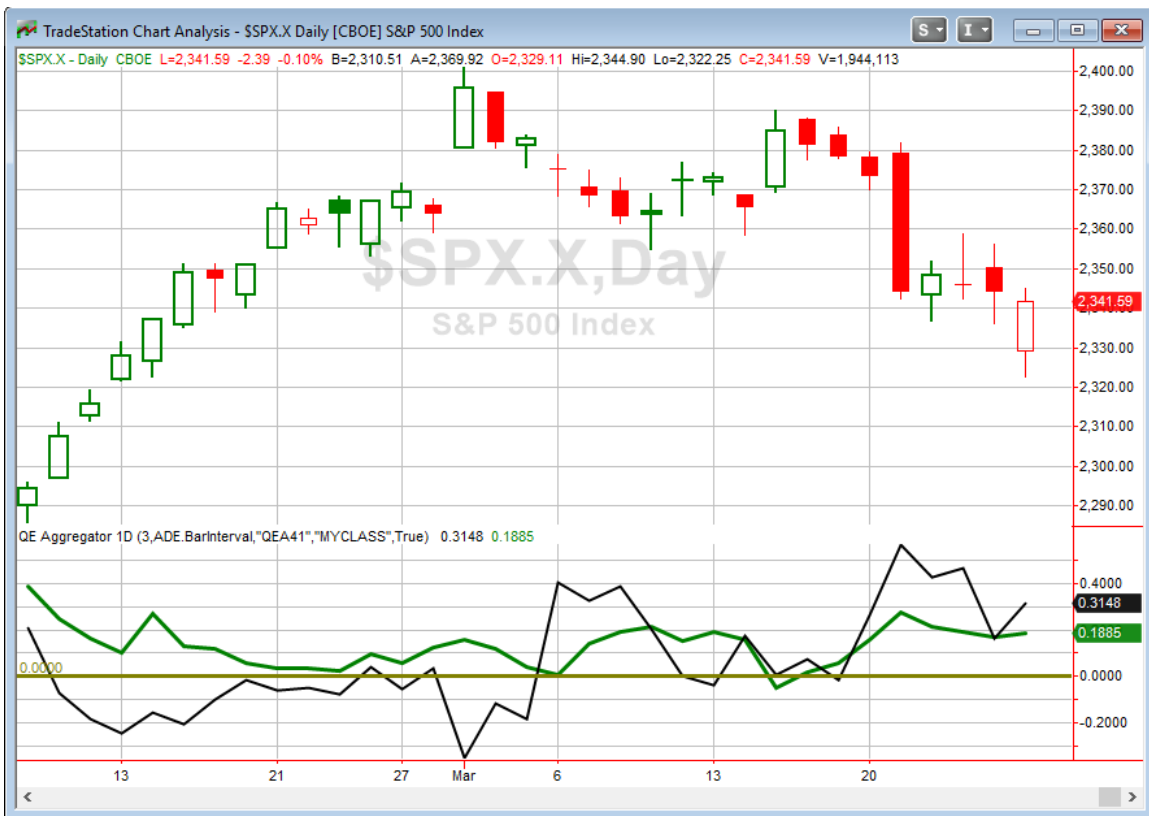
Another interesting aspect of Monday's action was that the market closed down but still enjoyed a strong reversal. In the 1/15/15 letter I combined the multi-day pullback concept with the fact that the market saw a relatively strong close. Below are updated results of that study.

SPY closes down for a least the 3rd day in a row. Today's close is in the top 25% of the daily range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$8,201.10	Profit Factor	3.17	
Gross Profit	\$11,971.95	Gross Loss	(\$3,770.85)	
Total Number of Trades	26	Percent Profitable	73.08%	
Winning Trades	19	Losing Trades	7	
Even Trades	0			
Avg. Trade Net Profit	\$315.43	Ratio Avg. Win:Avg. Loss	1.17	
Avg. Winning Trade	\$630.10	Avg. Losing Trade	(\$538.69)	
Largest Winning Trade	\$2,818.20	Largest Losing Trade	(\$1,080.18)	

The numbers still look good. But the last few instances have struggled a bit. So I did not bother including this one on the Active List tonight.

I have updated the Aggregator chart below.



With tonight's evidence to consider, 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 is also well above 0. The positive Differential Line reading means SPX is squarely 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.

The current list of studies is set to leave expectations positive on Tuesday. It would still take some incredibly bearish new evidence in order to overturn such expectations. The Differential Pivot will be 2362.04 on Tuesday. That is 0.9% above Monday's close. So SPX would need to close up at least 0.9% on Tuesday in order to move from oversold to overbought versus expectations.

The evidence continues to point higher and there is still room to the upside. There also continues to be a decided lack of any bearish evidence. I still believe there is an upside edge. I remain long and looking to take advantage of a bounce.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 3/27 – bullish***

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)

BRK.B – 1/3 @ \$172.07 (bought @ limit)

BRK.B – 1/3 @ \$172.07 (bought @ limit)

JNJ – 1/3 @ \$125.48 (buy @ limit)

ALL – 1/3 @ \$80.99 (buy @ limit)

Broad Market Large Cap CBI – 7(TGT-2, BRK.B-3, ALL, JNJ)

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
TGT(1/3)	3/8/2017	\$55.14	\$53.33	-3.28%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$53.33	-3.04%		Catapult
BRK.B(1/3)	3/20/2017	\$172.30	\$167.44	-2.82%		Catapult
BRK.B(1/3)	3/21/2017	\$172.07	\$167.44	-2.69%		Catapult
SPY(1/4)	3/21/2017	\$236.77	\$233.62	-1.33%		Aggregator
SPY(1/4)	3/22/2017	\$233.75	\$233.62	-0.06%		Aggregator
BRK.B(1/3)	3/23/2017	\$169.10	\$167.44	-0.98%		Catapult
ALL(1/3)	3/27/2017	\$80.37	\$81.09	0.90%		Catapult
JNJ(1/3)	3/27/2017	\$125.16	\$125.80	0.51%		Catapult

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