

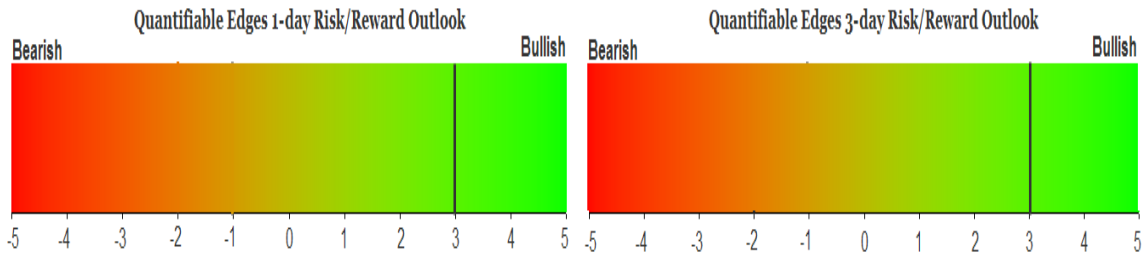
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 19, 2017

Volume 10 Issue 73

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal from a 20-day low and then weakness over the last 2 days appears to be a bullish setup.

Short-term Outlook

The Bottom Line

Evidence is again squarely bullish, but SPX may no longer be oversold as of Wednesday's close. I am looking to sell my long index position into a further rally on Wednesday.

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						
April 19, 2017	20-low. 1-day bounce, then inside down	1-3 days	Bullish	2.75%	-1.60%	-3.60%
April 18, 2017	Unfill up close < 10 > 200ma	1-4 days	Bullish			
April 18, 2017	Tax Days bullish	1-2 days	Bullish			
April 17, 2017	System 110524	1-7 days	Bullish			
April 13, 2017	Gap to 5-day low. More selling.	1-6 days	Bullish			
April 12, 2017	VIX 100-high. SPX no 100-low.	1-7 days	Bullish	2.90%	-2.25%	-4.85%
Active - Long Term						
April 19, 2017	20-low. 1-day bounce, then inside down	1-10 days	Bullish	4.80%	-2.50%	-6.30%
March 29, 2017	20-low to 4-day high	1-20 days	Bullish	3.40%	-2.70%	-5.40%
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			

The Evidence

Tuesday saw the market mostly lower. The SPX fell 0.3%, the NASDAQ lost 0.1%, and the Russell 2000 gained 0.1%. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 81%. NYSE volume declined for the 3rd day in a row.

After closing at a 20-day low on Thursday, the market put in a bounce attempt on Monday. Tuesday's decline left that attempt looking like a possible failure. But it also triggered a study that suggested an upside edge moving forward. Last seen in the 9/14/16 Letter, I have updated the results below.

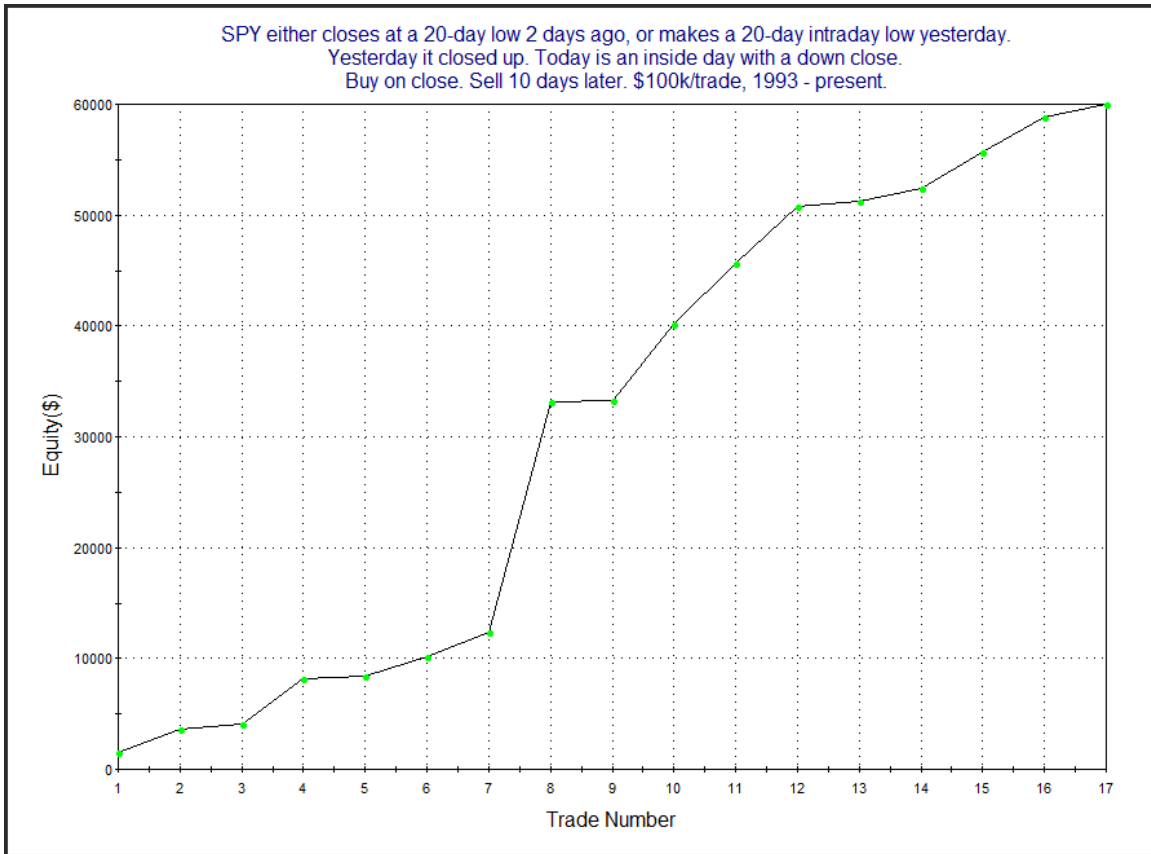
SPY either closes at a 20-day low 2 days ago, or makes a 20-day intraday low yesterday. Yesterday it closed up. Today is an inside day with a down close. Buy on close. Sell X days later. \$100k/trade, 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing 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	59,957.02	17	17	0	100.00	3,526.88	20,713.48	0.00	0.00	100.00	100.00	3,526.88
9	43,589.78	17	14	3	82.35	3,383.56	12,624.80	-1,260.02	-2,882.00	2.69	12.53	2,564.10
8	32,781.55	17	14	3	82.35	2,962.32	15,898.44	-2,896.97	-5,475.84	1.02	4.77	1,928.33
7	26,410.34	17	12	5	70.59	3,497.78	17,351.76	-3,112.60	-7,242.24	1.12	2.70	1,553.55
6	20,885.43	17	12	5	70.59	3,057.77	14,782.76	-3,161.55	-6,447.36	0.97	2.32	1,228.55
5	9,166.19	17	11	6	64.71	3,244.22	11,377.00	-4,420.03	-11,713.44	0.73	1.35	539.19
4	22,807.99	17	12	5	70.59	3,490.94	11,714.64	-3,816.66	-9,229.44	0.91	2.20	1,341.65
3	21,163.10	17	13	4	76.47	2,770.02	10,848.52	-3,711.79	-6,458.40	0.75	2.43	1,244.89
2	15,295.84	17	13	4	76.47	1,983.66	6,650.04	-2,622.92	-3,047.04	0.76	2.46	899.76
1	7,740.88	17	10	6	58.82	1,464.82	5,960.08	-1,151.22	-1,883.84	1.27	2.12	455.35

The stats certainly appear bullish and the edge seems to occur both right off the bat and after a couple of weeks. Below are the stats for the 3-day holding period.

SPY either closes at a 20-day low 2 days ago, or makes a 20-day intraday low yesterday.
 Yesterday it closed up. Today is an inside day with a down close.
 Buy on close. Sell 3 days later. \$100k/trade, 1993 - present.

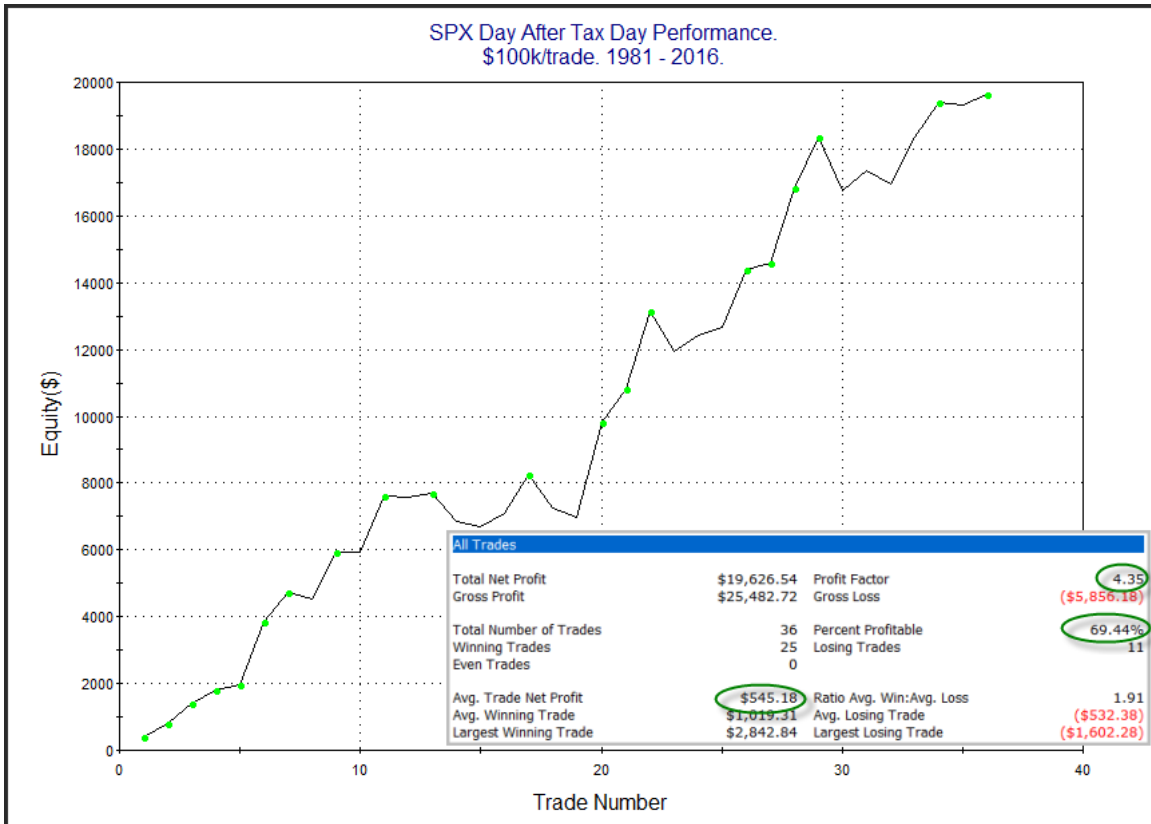
Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/3/1994	Buy	\$46.56	0.41%	\$944.68
3/8/1994	Sell	\$46.75		(\$300.58)
5/9/2002	Buy	\$107.75	2.29%	\$2,431.36
5/14/2002	Sell	\$110.22		(\$1,995.20)
7/16/2002	Buy	\$90.56	-6.46%	\$3,024.96
7/19/2002	Sell	\$84.71		(\$6,911.04)
10/2/2002	Buy	\$83.15	-4.83%	\$1,742.90
10/7/2002	Sell	\$79.13		(\$5,529.20)
12/17/2002	Buy	\$90.85	-0.95%	\$0.00
12/20/2002	Sell	\$89.99		(\$2,475.00)
8/30/2005	Buy	\$121.05	1.01%	\$1,734.60
9/2/2005	Sell	\$122.27		(\$256.06)
1/22/2009	Buy	\$82.75	2.15%	\$3,152.88
1/27/2009	Sell	\$84.53		(\$2,633.44)
3/9/2009	Buy	\$68.11	10.85%	\$11,215.52
3/12/2009	Sell	\$75.50		\$0.00
5/28/2010	Buy	\$109.37	1.23%	\$1,544.66
6/3/2010	Sell	\$110.71		(\$1,828.00)
8/30/2010	Buy	\$105.31	3.95%	\$3,966.82
9/2/2010	Sell	\$109.47		(\$778.18)
6/17/2011	Buy	\$127.05	1.28%	\$2,172.12
6/22/2011	Sell	\$128.67		(\$369.89)
8/10/2011	Buy	\$112.29	7.42%	\$7,520.50
8/15/2011	Sell	\$120.62		\$0.00
12/19/2013	Buy	\$181.49	0.81%	\$836.00
12/24/2013	Sell	\$182.96		(\$506.00)
10/9/2014	Buy	\$192.74	-2.61%	\$471.38
10/14/2014	Sell	\$187.70		(\$2,952.60)
7/8/2015	Buy	\$204.53	2.56%	\$2,620.56
7/13/2015	Sell	\$209.77		\$0.00
5/23/2016	Buy	\$205.21	2.01%	\$2,220.72
5/26/2016	Sell	\$209.34		\$0.00
9/13/2016	Buy	\$213.23	0.07%	\$1,170.00
9/16/2016	Sell	\$213.37		(\$341.64)

The recent instances have been quite good, with 11 of the last 12 finishing positive. Of course, all 17 instances were positive 10-days out. Here is a look at that profit curve.



It certainly appears Tuesday's lack of follow through is not something to worry about.

And as a reminder, below is the Day After Tax Day study that I showed the last couple of nights. It is in effect on Wednesday.



I have updated the Aggregator chart below.



With tonight's studies 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 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 above 0. Therefore, the Aggregator signal stayed long at the close.

The current list of studies is set to leave expectations positive on Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted* at 2333.98 on Wednesday. That is 0.35% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down at least 0.35% in order to remain oversold versus recent expectations. Anything other than that will see SPX turn overbought as of Wednesday's close.

As I mentioned last night, I generally view inverted pivots as opportune times to take profits. This is because further potential reward is now limited. The Aggregator will no longer be in a bullish formation on Wednesday if it closes higher. But it likely will remain bullish on a pullback of 0.35% or more on Wednesday. With the strong seasonality and all the short-term studies now bullish, I will go for a bit more upside on Wednesday. More aggressive traders could simply look to hold all or part of their position until the close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/17 – 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	4/13/2017	\$233.64	\$233.86	0.09%		sell as below

I will look to sell my SPY holding at \$234.25 LIMIT. If not filled during the day, I will lower the limit price and sell at \$233.86 LIMIT ON CLOSE. If it never reaches \$234.25 and closes below \$233.86, then I will continue to hold the position.

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