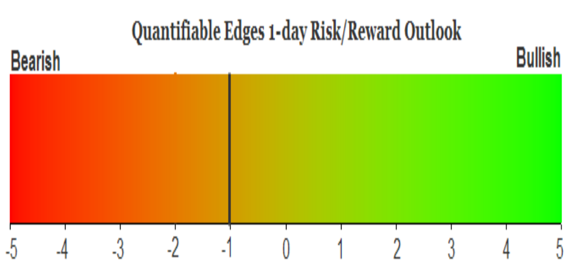
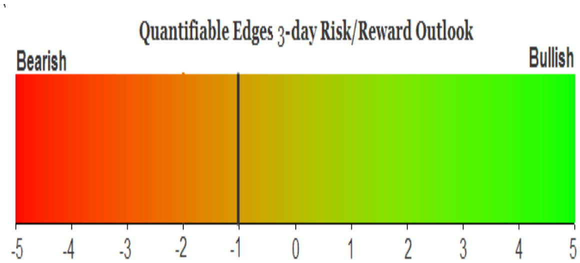
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 2, 2017 Volume 10 Issue 82

Market Overview





Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Short	100% Short SPY	Short

Tonight's Research Points

- May 1st rallies have commonly been followed by dips.
- A poor close Tuesday could set up a bullish Fed Day Wednesday.

Short-term Outlook
The Bottom Line

There appears to be a mild downside edge. It is not compelling enough, nor does it appear to have strong enough potential, to get me interested in a short position. I am neutral to very slightly bearish.

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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						
May 2, 2017	1st of May closes up	1-4 days	Bearish	-2.20%	0.90%	2.30%
April 28, 2017	SPY 10-high low vol, high, & low.	1-3 days	Bearish			
April 27, 2017	20-low. 1-day bounce, then inside down	1-8 days	Bullish	2.00%	-1.20%	-2.50%
Active - Long Term						
April 28, 2017	20-high. High volume.	1-16 days	Bullish	2.80%	-1.80%	-3.20%
April 19, 2017	20-low. 1-day bounce, then inside down	1-10 days	Bullish	4.80%	-2.50%	-6.30%
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						
May 1, 2017	Turn of Month / 1st of May	1 day	Bullish			

The Evidence

Monday saw the indices mostly higher. The SPX rose 0.2%, the gained 0.7%, and the Russell 2000 climbed 0.5%. Breadth was mixed though as the NYSE Up Issues % was 57% and the Up Volume % came in at 49%. NYSE volume dropped quite a bit from Friday's level.

Last night I showed the strong seasonal tendency of the SPX on the 1st trading day of May. In the May 3, 2016 letter I looked at what has happened after a positive start to May. Updated results may be found in the table below.

SPX closes higher on the 1st trading day in May.
Buy on close. Sell X days later. $100k/trade. 1987 - 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
5	-10,665.30	20	7	13	35.00	1,757.81	5,843.23	-1,766.92	-3,529.99	0.99	0.54	-533.26
4	-21,991.34	20	4	16	20.00	2,050.46	3,375.31	-1,887.07	-7,584.54	1.09	0.27	-1,099.57
3	-16,039.15	20	7	13	35.00	1,371.02	4,747.13	-1,972.02	-6,151.13	0.70	0.37	-801.96
2	-11,390.56	20	7	13	35.00	1,022.97	2,969.64	-1,427.03	-3,614.20	0.72	0.39	-569.53
1	-2,011.49	20	12	8	60.00	549.31	3,358.36	-1,075.40	-2,378.78	0.51	0.77	-100.57

Of the 20 instances that rose on the first day in May since 1987, 16 of them closed lower 4 days later. Below is an equity curve that shows how it has played out over time.

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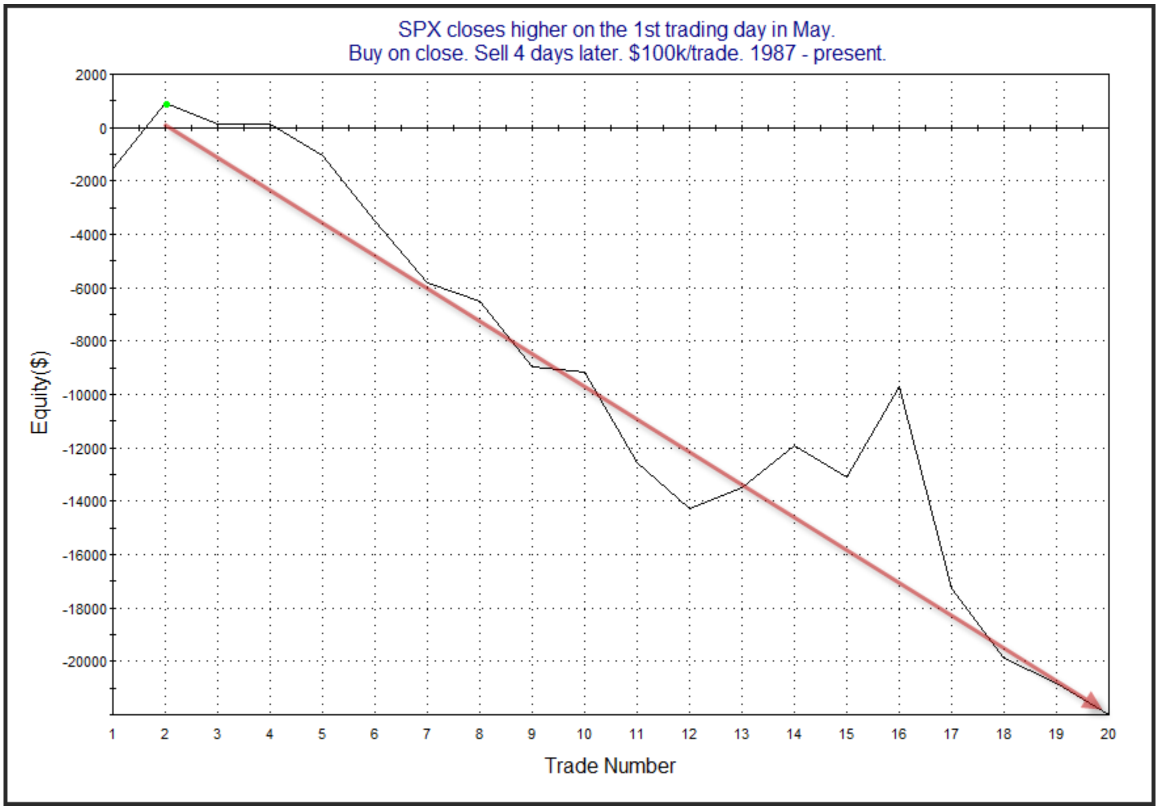
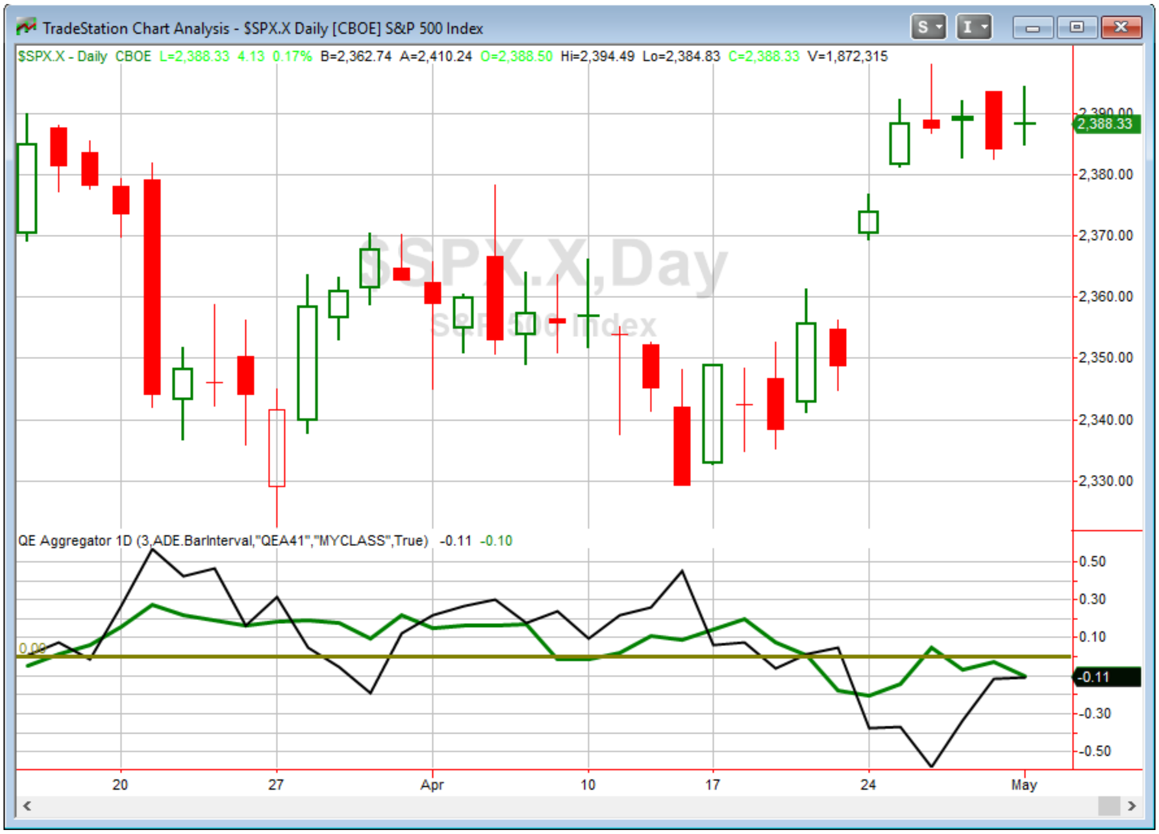


The big drop in instance 17 was the 2010 Flash Crash. Even without that instance there appears to be a solid downside inclination. I have added this study to the Short-Term Active List.

I have updated the Aggregator chart below.



With tonight's study to consider the green Aggregator Line stayed a little below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line also remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal remained short at the close.

Based on the current active studies, expectations are set to remain bearish on Tuesday. This could change if compelling new bullish evidence emerges. The Differential Pivot will be 2384.89 on Tuesday. That is 0.1% below Monday's close. So SPX would only need to close down 0.1% in order to move from overbought to oversold as of Tuesday's close.

There again appears to be a bit of a downside edge. But once again I am not enthralled with it. The Differential Pivot is nearby, so the potential reward is quite small. And there is a bit of evidence I did not really cover above. That is the fact that Wednesday is a Fed Day. Fed Day's tend to be bullish. And the weaker the close for SPX the day before a Fed Day, the stronger the Fed Day edge has been historically. So a weak close on Tuesday would surely trigger a bullish Fed Day study. While there may be a mild bearish edge right now, it again appears tenuous and would be a counter-trend trade. Tenuous edges against the trend might allow you to squeak out minor gains at best. You won't get rich off them. And overall, I have not found them to be worth even bothering with. So I will remain sidelined and await a more favorable opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/1 –bullish

The intermediate-term outlook was last updated in the 5/1 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

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

None.

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