

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 9, 2017

Volume 10 Issue 87

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The VIX is at the lowest level since late 1993. That is interesting, but unfortunately, it is not predictive.

### *Short-term Outlook*

#### *The Bottom Line*

Expectations favor the long side, but the market is already overbought. This again leaves me short-term neutral.

*Summary of Recent Active Studies (see Letters from listed dates for details)*

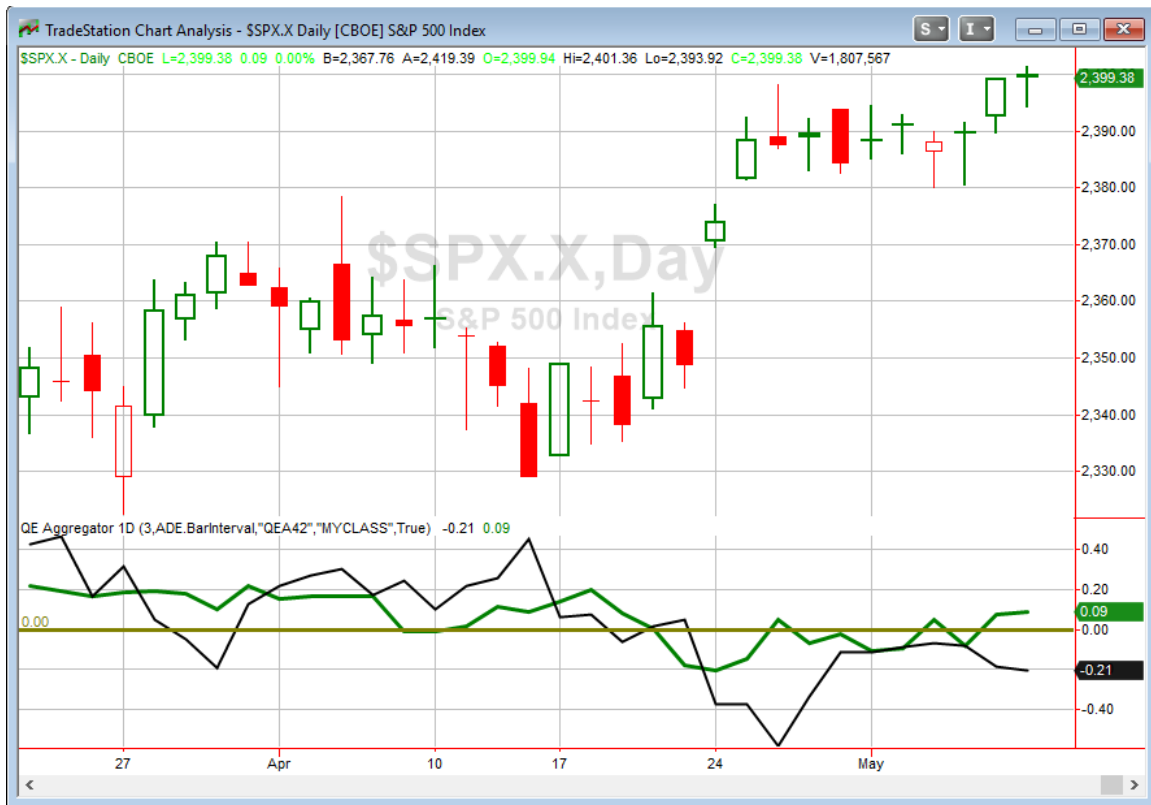
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
May 8, 2017	50-day breakout on lower volume	1-5 days	Bullish			
May 5, 2017	High volume up days	1-10 days	Bullish			
May 5, 2017	Up day poor breadth.	1-3 days	Bearish			
<b>Active - Long Term</b>						
April 28, 2017	20-high. High volume.	1-16 days	Bullish	2.80%	-1.80%	-3.20%
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>						
April 27, 2017	20-low. 1-day bounce, then inside down	1-8 days	Bullish	2.00%	-1.20%	-2.50%

***The Evidence***

Monday was a mixed and mild day for the market. The SPX rose a mere 0.09 points, but made new all-time intraday and closing highs in the process. The NASDAQ also posted a new high with a 0.03% gain, and the Russell 2000 fell 0.4%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 45%. NYSE volume declined some from Friday's level.

There were a few studies that triggered with regards to the new high in the SPX. But they gave no further insight versus what we saw last night. One metric that I found quite notable is the VIX closing at 9.77. In its history, it has only closed lower than this on 3 days. They all surrounded Christmas of 1993 – 12/22, 12/23, and 12/27/93. While that is notable and interesting, it is not predictive in any way. I loosened the criteria to view all closes below 10, and there have only been 5 distinct instances. They were 12/93, 1/94, 11/06, 12/06, and 1/07. And in case you were wondering, short and intermediate-term returns for the SPX were completely mixed following those instances.

I have updated the Aggregator chart below.



With nothing new and compelling to add tonight 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 remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active studies, expectations are set to remain bullish on Tuesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2386.43 on Tuesday. That is 0.5% below Monday's close. So SPX would need to close down at least 0.5% in order to move from overbought to oversold as of Tuesday's close.

The nothing move that the market posted on Monday really did nothing to change the short-term outlook. Up still seems like the more likely direction, but the short-term overbought nature of the market makes putting on new long positions a bit risky vs the potential short-term reward. I have no intention of taking on new index positions until this changes and a more favorable reward/risk scenario emerges.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 5/8 –bullish***

The intermediate-term outlook was last updated in the 5/8 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**

T – 1/3 @ \$38.40 (buy @ limit)

DIS – 1/3 @ \$111.62 (buy @ limit)

T – 1/3 @ \$38.01 (*not filled – cancel for now*)

DIS – 1/3 @ \$111.17 (bought @ limit)

**Broad Market Large Cap CBI – 4(T-2, DIS-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.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
T(1/3)	5/4/2017	\$38.40	\$38.57	0.44%		Catapult
DIS(1/3)	5/4/2017	\$110.58	\$111.42	0.76%		Catapult
DIS(1/3)	5/5/2017	\$111.17	\$111.42	0.22%		Catapult

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