

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 24, 2017

Volume 10 Issue 99

Market Overview



Signals Overview

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

Tonight's Research Points

- Volume was light on Tuesday, but several volume studies that used to suggest an edge, no longer seem to.

Short-term Outlook

The Bottom Line

Similar to last night, the studies suggest more upside is likely but the market is already short-term overbought. This leaves me neutral.

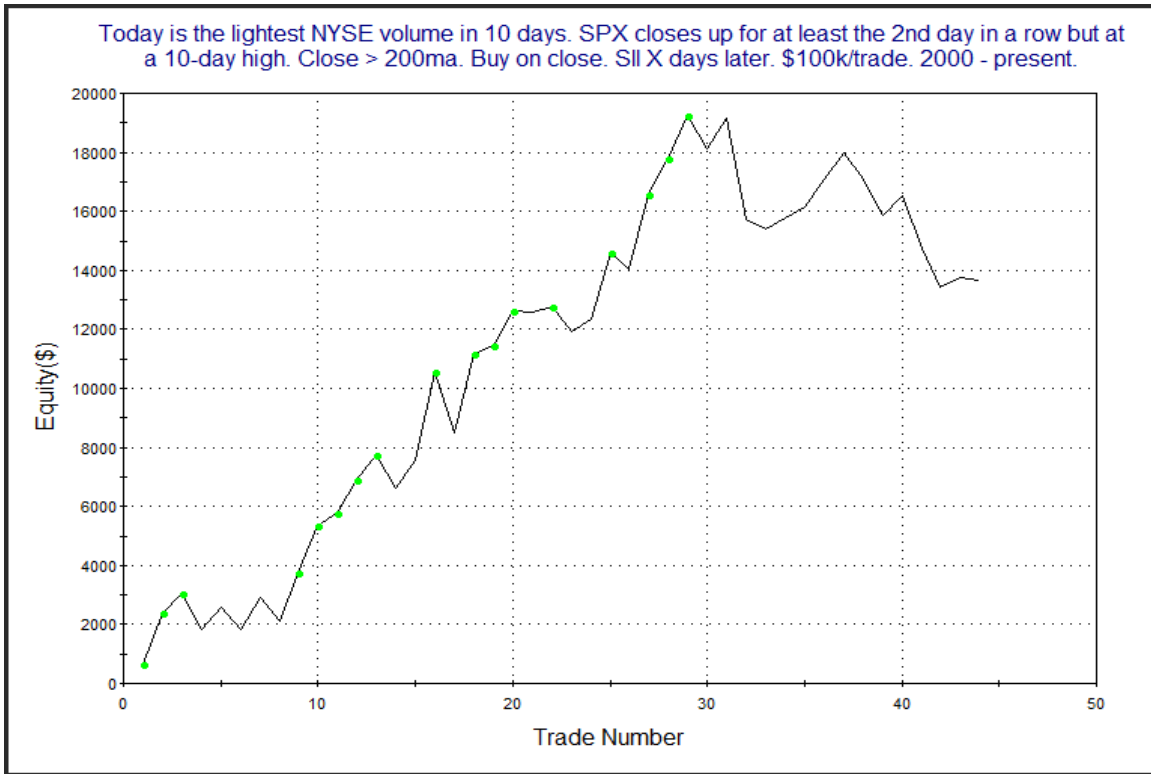
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 23, 2017	Up 3 but < 4 ago. Close > 200ma	1 day	Bullish			
May 22, 2017	10 Intra-Low yest. Unfill gap. Cls<10m.	1-5 days	Bullish			
May 22, 2017	1.75% drop. Then up 2 < 3 ago.	1-5 days	Bullish			
May 19, 2017	17.5% drop then small bounce	1-3 days	Bearish			
Active - Long Term						
May 15, 2017	Gap dn from 5-low and close < open	1-10 days	Bullish	2.90%	-1.60%	-3.40%
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

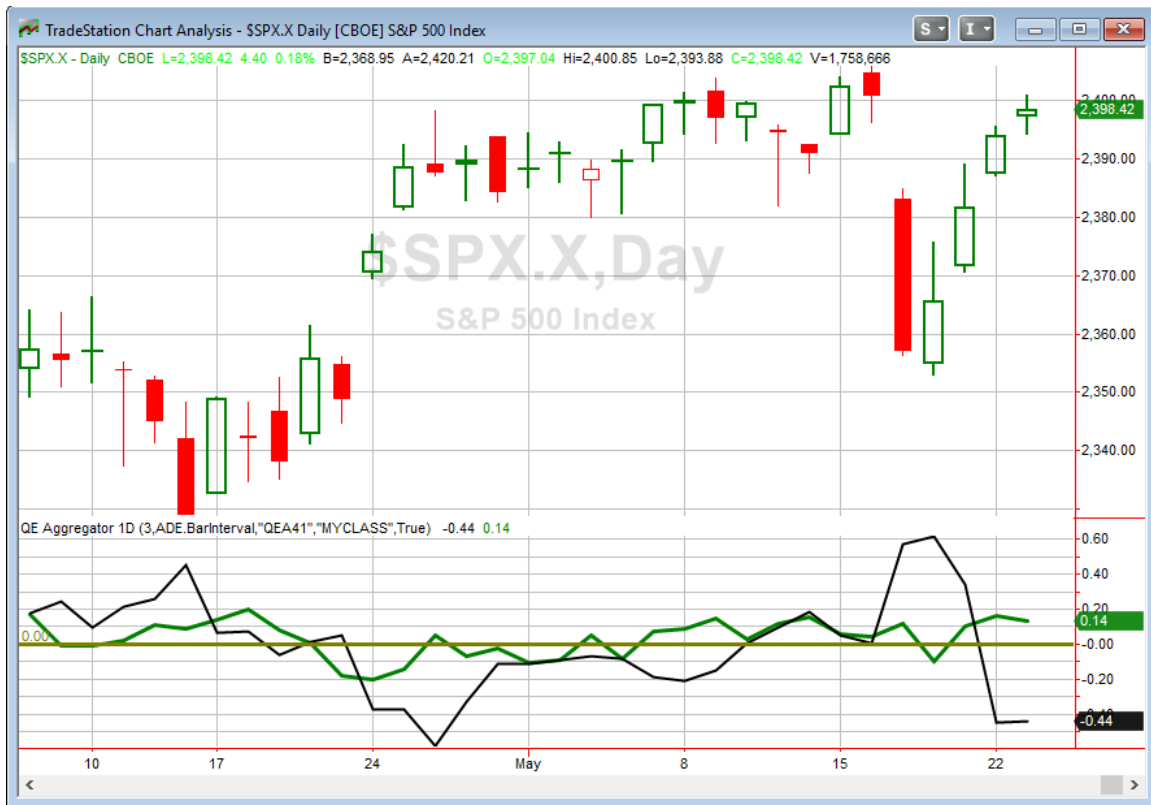
Tuesday saw some gains for the 4th day in a row. The SPX finished up 0.2%, the NASDAQ gained 0.1%, and the Russell 2000 rose 0.3%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 60%. NYSE volume came in at the lightest level in a while.

There were a few studies that triggered that noted the low volume. But one thing I have found over the last few years, is that many volume studies have not seen their edge persist. And that was the case with much of this group as well. The study below was last seen in the 5/5/15 letter. It looked at low volume on days that SPX rose for at least the 2nd day in a row, but failed to close at a 10-day high. The 3-day profit curve was especially appealing. An updated version can be seen below.



What once looked like a strong and consistent upside edge no longer appears that way. I have removed this study from future consideration.

I have updated the Aggregator chart below.



Without any new 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 held 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 Wednesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2384.57 on Wednesday. That is 0.6% below Tuesday's close. So for SPX to move from overbought to oversold versus expectations on Wednesday it will need to close down at least 0.6%.

Tuesday's mild move on light volume did nothing to change the short-term outlook. The Aggregator remains in a neutral formation, and I am not seeing evidence that would entice me to take on new index positions. So I will again sit patiently and wait for the next strong edge to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/22 –bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

DIS – 1/3 @ \$111.62 (bought @ limit)

DIS – 1/3 @ \$111.17 (bought @ limit)

DIS – 1/3 @ \$106.31 (bought @ limit)

FB – 1/3 @ \$144.85 (bought @ limit)

Broad Market Large Cap CBI – 4(DIS-3, FB)

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
DIS(1/3)	5/4/2017	\$110.58	\$107.02	-3.22%		Catapult
DIS(1/3)	5/5/2017	\$111.17	\$107.02	-3.73%		Catapult
DIS(1/3)	5/18/2017	\$105.98	\$107.02	0.98%		Catapult
FB(1/3)	5/18/2017	\$144.72	\$148.07	2.31%		Catapult
VZ(1/3)	5/18/2017	\$44.48	\$45.48	2.25%		<i>sold on open</i>

VZ was sold at the open as per last night's letter.

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