

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 15, 2017

Volume 10 Issue 114

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The SPY gap and reversal on Wednesday after an unfilled gap up on Tuesday suggests an upside edge for Thursday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is back to neutral and so am I.

*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>						
June 15, 2017	Unfill gap up. Then gap up and close dn	1 day	Bullish			
June 12, 2017	3-high, 3-low, 3-low close > 200	1-5 days	Bullish			
<b>Active - Long Term</b>						
June 12, 2017	50-high then 5-days sideways	1-10 days	Bullish	2.20%	-1.20%	-2.40%
June 2, 2017	SPX closes above 50-day Bollinger Band	1-50 days	Bullish	4.90%	-4.10%	-7.80%
May 31, 2017	5+ days up to 50-high. Then 1 down.	1-10 days	Bullish	1.90%	-1.05%	-2.20%
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			

**The Evidence**

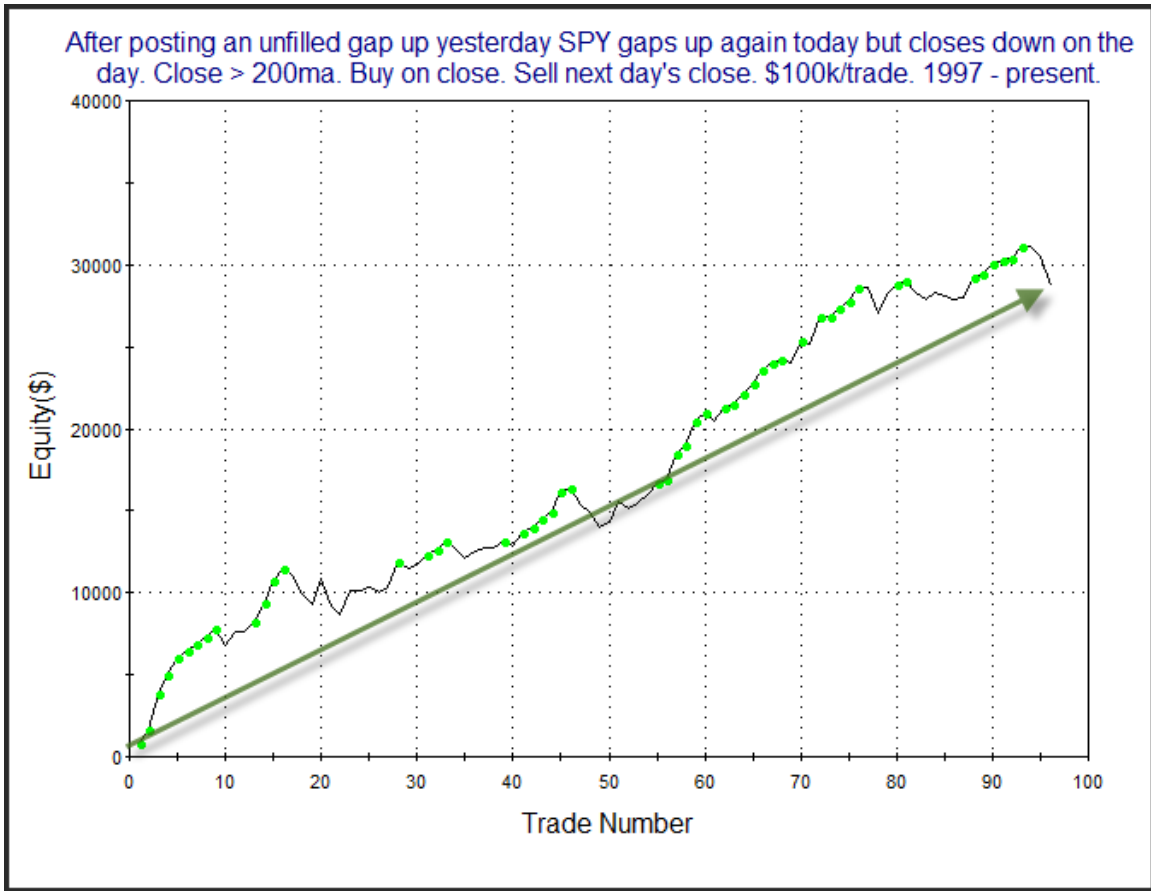
The market had a somewhat negative reaction to the Fed on Wednesday. The SPX fell 0.1%, the NASDAQ dropped 0.4%, and the Russell 2000 declined 0.6%. Breadth was positive as the NYSE Up Issues % was 46% and the Up Volume % came in at 36%. NYSE volume rose a little from Tuesday's level.

SPY gapped up and closed lower Wednesday after leaving an unfilled up gap on Tuesday. In the 5/17/17 letter I examined similar price action in SPY with regards to how it gapped and finished. I found that gains had been pretty consistent the next day after similar action. The study is updated below.

After posting an unfilled gap up yesterday SPY gaps up again today but closes down on the day. Close > 200ma. Buy on close. Sell next day's close. \$100k/trade. 1997 - present.

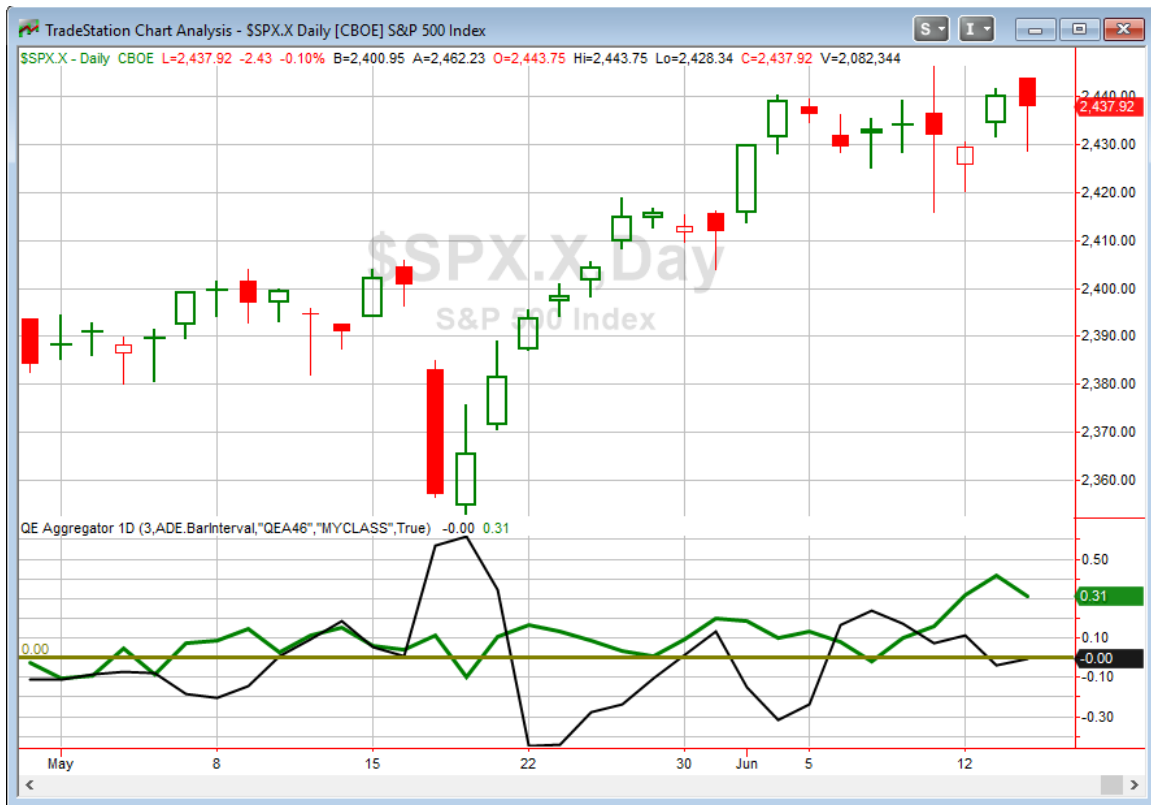
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	\$28,735.89	Profit Factor	2.67
Gross Profit	\$45,892.86	Gross Loss	(\$17,156.97)
Total Number of Trades	96	Percent Profitable	69.79%
Winning Trades	67	Losing Trades	29
Even Trades	0		
Avg. Trade Net Profit	\$299.33	Ratio Avg. Win:Avg. Loss	1.16
Avg. Winning Trade	\$684.97	Avg. Losing Trade	(\$591.62)
Largest Winning Trade	\$2,194.38	Largest Losing Trade	(\$1,772.16)

The numbers here all look solidly bullish. Below is the profit curve.



The strong, steady upslope is encouraging. Based on the action of the last 2 days, it appears an up day on Thursday is fairly likely. I have included this study on the Active List tonight.

I have updated the Aggregator chart below.



With tonight's study 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 remained a little 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 Thursday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted* at 2443.40 on Wednesday. That is 0.2% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX will need to close up at least 0.2% in order to remain overbought. Anything shy of that and it will be considered "oversold" versus recent expectations as of Thursday's close.

So while there is some evidence suggesting a bounce, the market remains overbought and the Aggregator neutral. I am not inclined to jump in just yet. I will wait for a better reward/risk setup to emerge.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/12 –bullish*

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

#### ***Open Catapult Triggers***

MA – 1/3 @ \$120.76 (buy @ limit) – not filled - cancel for now

#### ***Broad Market Large Cap CBI – 1 (MA)***

### **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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