

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 28, 2017

Volume 10 Issue 123

Market Overview



Signals Overview

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

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce.

Short-term Outlook

The Bottom Line

Expectations are somewhat positive and the market is oversold, suggesting an upside edge.

The Evidence

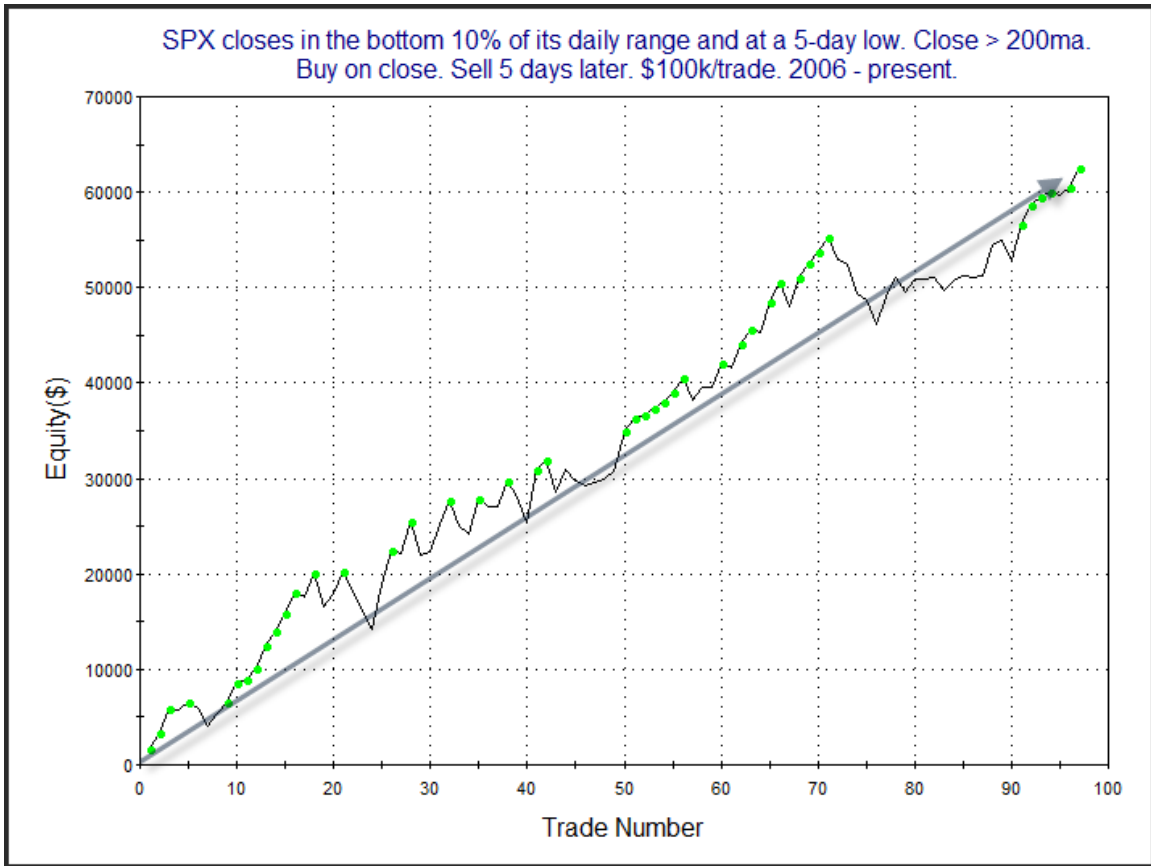
Last night’s “big move” study suggesting a volatility expansion sure played out on Tuesday. As it turned out the big move was to the downside. The SPX fell 0.8%, the NASDAQ lost 1.6%, and the Russell 2000 dropped 0.9%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 36%. NYSE volume rose some from Monday’s level.

The selling also saw SPX close at its lowest level since the end of May. Over the last several years when SPX has closed near the bottom of its daily range and at a short-term low, it has typically been followed by a bounce in the next few days. This can be seen in the study below.

SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2006 - 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	62,527.82	97	64	33	65.98	1,782.84	5,555.16	-1,562.85	-3,680.82	1.14	2.21	644.62
4	48,927.08	100	64	36	64.00	1,563.05	5,290.00	-1,419.67	-3,863.84	1.10	1.96	489.27
3	38,769.51	107	68	39	63.55	1,227.47	4,895.50	-1,146.12	-3,437.94	1.07	1.87	362.33
2	30,712.78	117	66	51	56.41	1,101.78	4,424.50	-823.62	-2,726.97	1.34	1.73	262.50
1	30,069.32	127	80	47	62.99	763.01	2,230.60	-658.97	-2,200.08	1.16	1.97	236.77

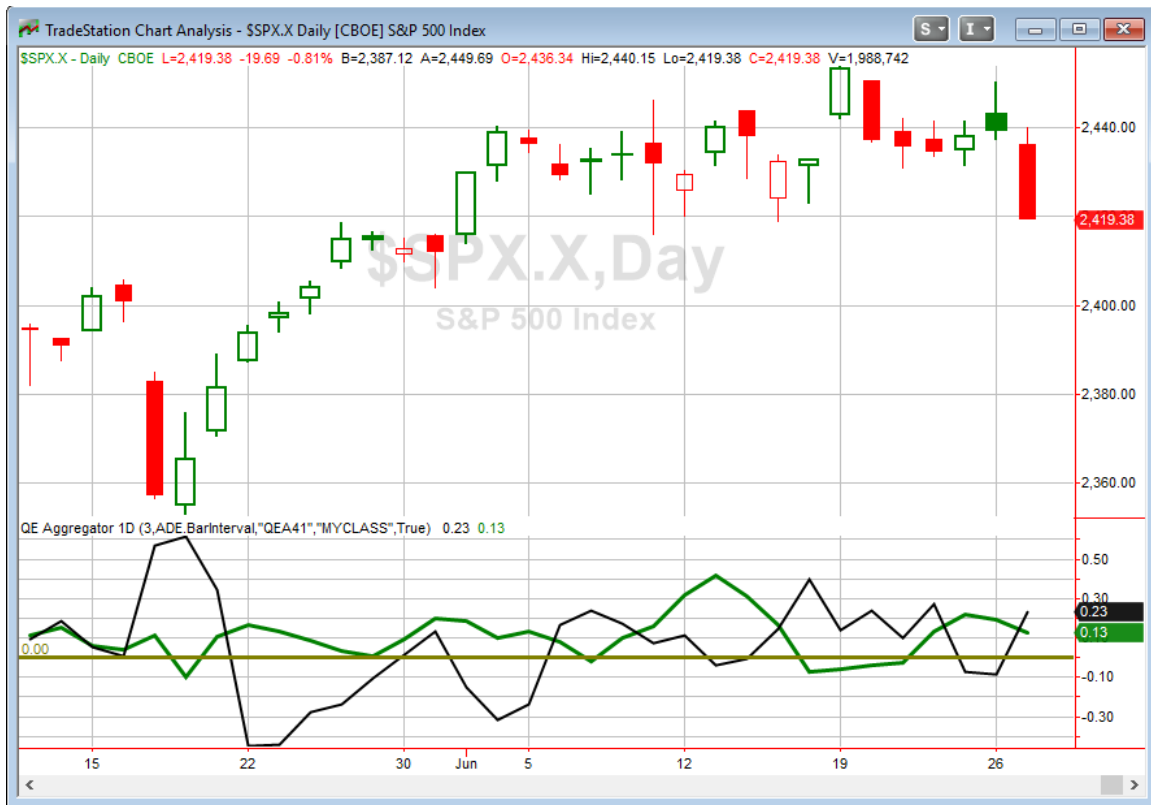
91% of instances closed above the entry price at some point in the next week.

The stats here appear to suggest a pretty solid upside tendency over the last 10 ½ years. Below is a look at the profit curve assuming a 5-day holding period.



The strong upslope is impressive and the curve is again at new highs. This serves as some confirmation of the short-term upside edge. I have included this study on the Short-Term Active List tonight.

I have updated the Aggregator chart below.



Without tonight's study to consider 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 jumped 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 turned long at the close.

Based on the current active studies, expectations are set to remain bullish on Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2446.03 on Wednesday. That is a healthy 1.1% above Tuesday's close. So SPX will need to close up at least 1.1% in order to move from oversold to overbought as of Wednesday's close.

I am not seeing a ton of compelling evidence yet, but there is some, and for the short-term it is pointing higher. And with ample room to the upside before the market would turn overbought, potential reward appears solid. So I will look to start scaling into an index position in anticipation of a short-term bounce.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/26 –neutral

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

COST – 1/3 @ \$159.79 (bought @ limit)

COST – 1/3 @ \$157.13 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 2(COST-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.

SPY – buy ¼ index position @ \$241.33 LIMIT. Based on the short-term outlook above, I will look to start scaling into an index position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
COST(1/3)	6/23/2017	\$159.40	\$159.26	-0.09%		Catapult

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