

Biiwii Commentary

eResearch Corporation is pleased to provide an article, courtesy of Biiwii.com, and written by Rob Hanna of Quantifiable Edges (link to the Author is provided on the following page).

The article, starting on the next page, is entitled: “**SPX at Highs with XIV at Lows**”.

Biiwii.com was created in mid-2000 solely as a way to help get the message out about deeply-rooted problems about too much debt and leverage within the financial system. The concerns were confirmed and the message proved justified 3 to 4 years later as the system began to purge these distortions, resulting in a climactic washout extending from October, 2008 to March, 2009.

Along the way, a geek-like interest in technical analysis, a long-time interest in human psychology, and various unique macro market ratio indicators were added to the mix, with the result being a financial market newsletter (and dynamic interim updates), Notes From The Rabbit Hole (NFTRH) that combines these attributes to provide a service that is engaged and successful in all market environments by employing risk management first, and opportunity for speculation second.

But It Is What It Is: You can access Biiwii at its website: www.biiwii.com.

Notes From The Rabbit Hole: You can access NFTRH at its website: www.NFTRH.com

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SPX at Highs with XIV at Lows

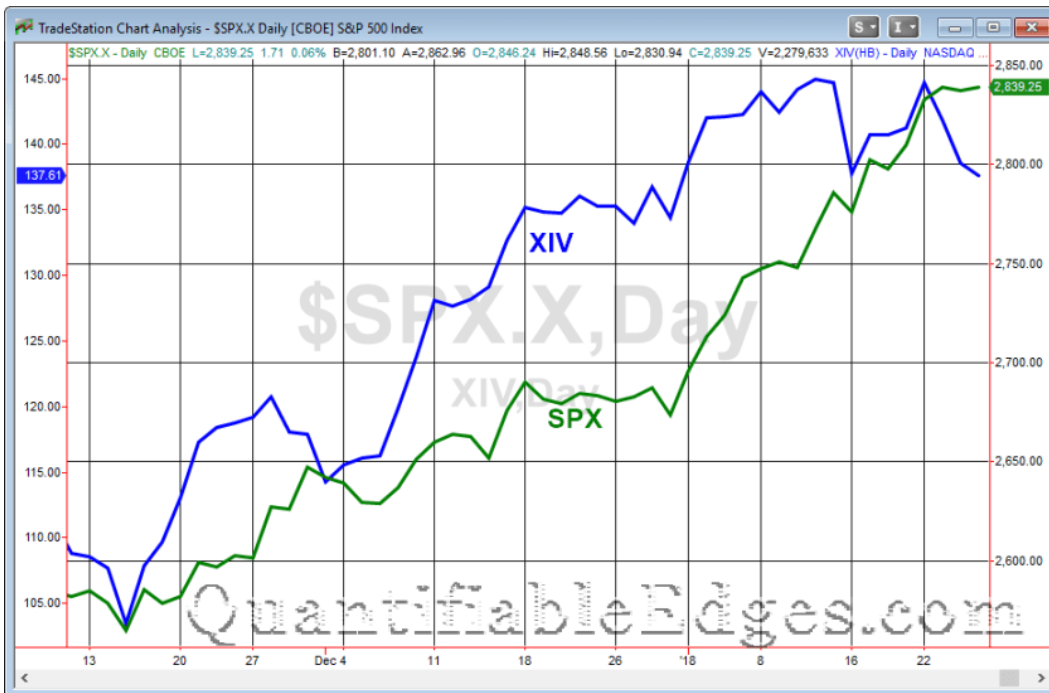
By [Rob Hanna](#)



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XIV is an inverse-VIX ETN. In other words, it was designed to generally trade inversely to VIX futures on a daily basis. Since VIX and SPX typically trade opposite each other, you would think that XIV and SPX would often close in the same direction. And you would be right.

Of course, XIV depends on more than just the movement in the VIX to determine its price. Among other things, it is influenced by short-term VIX futures movement and the term structure of the first couple months of VIX futures contracts. This is not the place to get into a deep discussion of XIV price influences. But it is important to understand that it (1) generally trades inverse to VIX movement, and (2) will often trade in the same direction as SPX. XIV has diverged with SPX in recent days. In fact, while SPX closed at an all-time high on Thursday, XIV closed at the lowest level of 2018. This can be seen in the chart below.





The divergence between the 2 is highly unusual. In fact, this is the first time ever (since 2011 XIV inception) that SPX has closed at even a 10-day high while XIV has closed at a 10-day low. If we loosen the criteria to only require a 6-day SPX high and a 6-day XIV low we can find 7 previous instances. Their 1-day results can be found below.

SPX closes at 6-day high & XIV closes at 6-day low. Buy SPX on close. Sell next day close. \$100k/trade. 2011 - present. (XIV inception)				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/7/2011	Buy	\$1,261.01	-2.11%	\$0.00
12/8/2011	Sell	\$1,234.35		(\$2,333.66)
2/9/2012	Buy	\$1,351.95	-0.69%	\$0.00
2/10/2012	Sell	\$1,342.64		(\$1,065.80)
2/28/2014	Buy	\$1,859.45	-0.74%	\$0.00
3/3/2014	Sell	\$1,845.73		(\$1,325.53)
8/27/2014	Buy	\$2,000.12	-0.17%	\$0.00
8/28/2014	Sell	\$1,996.74		(\$470.40)
12/13/2016	Buy	\$2,271.72	-0.81%	\$197.12
12/14/2016	Sell	\$2,253.28		(\$1,024.32)
2/21/2017	Buy	\$2,365.38	-0.11%	\$0.00
2/22/2017	Sell	\$2,362.82		(\$295.68)
11/30/2017	Buy	\$2,647.58	-0.20%	\$112.48
12/1/2017	Sell	\$2,642.22		(\$1,556.22)

The number of instances is low, but early indications suggest a possible 1-day downside edge.

Biiwii/NFTRH on the Web

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Biiwii: but it is what it is

NFTRH: Notes From The Rabbit Hole