

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 12, 2008

Issue 17

Market Overview

Summary of Recent Active Studies (see <http://QuantifiableEdges.blogspot.com> for details)

Study Date	Description	Time span	Bias
12-Mar-08	Bottom Explosion - Now What?	1-20 days	Bullish
March 9, 2008	CBI of 12	1-15 days	Bullish
February 27, 2008	Significance of Lagging Nasdaq	1-10 weeks	Bearish

Intermediate-term Outlook (2 weeks – 2 months) – somewhat bullish – updated 3/10/2008

The closing lows in January have vanished and the intraday lows are now under fire. The difficulties many of our recent studies suggested actually came to bear. The Triangles study a few weeks ago for instance indicated that after the market broke up out of the triangle a return back down below the formation low was likely. This breakdown was accomplished on Thursday.

The technical picture of the market is now poor. A move below 1270 in the S&P would make it even worse. While that could easily happen, the CBI, along with some other oversold indicators I follow, is suggesting a multi-week rally should be at hand soon.

It's too late to turn bearish. I suppose in hindsight I should have done that on February 28th when I changed the outlook from bullish to neutral. I believe a strong bounce is likely sometime in the near future. The short-term outlook section will try and time this bounce and I will re-evaluate here once I feel the anticipated bounce is underway.

Short-term Outlook (1-10 days) – positive – updated 3/12/08

The good news is we came into the day with fairly heavy allocations in a number of positions that did very well. With a good amount of SPY exposure I was looking for a washout day or a higher close to take even more. The rally today put the S&P 500 up 3.7% over yesterday's close. This is a substantial one-day gain.

[In tonight's blog](#) I examined the other times the S&P has managed a gain of 3 ½ percent or more one day after closing at a 100-day low. The results over the next month are quite positive. In all cases but one, though, the market did experience a pullback within the

next 3 days. Not mentioned in the blog is the fact that I also ran the test for a 3.0% one-day thrust. Results were little changed.

The CBI only dropped from 15 to 12 today. This indicates to me that there should be some upside left in this rally. With 4 new trades (3 Catapult for ETF's) going on today and 3 coming off, overall exposure is little changed and still quite heavy.

I will therefore hold off on adding more index exposure at these levels and rather look to buy a brief pullback. Should the market run without pulling back then current exposure should allow for some nice gains, anyway.

Catapult and Capitulative Breadth Statistics

(Catapult Presentation Part 1) (Catapult Presentation Part 2)

Open Catapult Trades

Symbol	Trigger Date	Entry Price	Current Price	% Gain/Loss	Action
SLE	2/19/2008	\$13.10	\$12.48	-4.7%	
SLE	2/20/2008	\$13.11	\$12.48	-4.8%	
SLE	2/21/2008	\$13.02	\$12.48	-4.1%	
MRK	3/4/2008	\$43.76	\$42.32	-3.3%	
NYX	3/4/2008	\$63.09	\$62.28	-1.3%	
MRK	3/5/2008	\$43.25	\$42.32	-2.2%	
MRK	3/6/2008	\$42.06	\$42.32	0.6%	
WB	3/6/2008	\$27.00	\$29.53	9.4%	sell on open
WB	3/7/2008	\$27.22	\$29.53	8.5%	sell on open
C	3/7/2008	\$20.91	\$21.49	2.8%	
ABT	3/7/2008	\$51.04	\$50.86	-0.4%	
ABT	3/10/2008	\$50.60	\$50.86	0.5%	bought @ \$50.60
C	3/10/2008		\$21.49		buy @ \$19.69 limit
NYX	3/10/2008		\$62.28		buy @ \$57.40 limit

Subscribers were alerted to WB hitting its intraday trigger via email. Those that chose to hold overnight may sell at the open. The rally was great for many of the open catapult positions. Unfortunately a few trades were missed due to the gap up. This will happen occasionally. ABT along with 3 Catapult for ETF trades did receive fills.

I will send out brief intraday updates tomorrow with intraday exit triggers and estimated CBI levels as well.

Open Big 50 Trades

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GRMN	3/3/2007	\$58.60	\$55.87	-4.7%		
GRMN	3/4/2008	\$56.83	\$55.87	-1.7%		
AMZN	3/4/2008	\$61.67	\$67.10	8.8%		sell remaining @ open
MOT	3/4/2008	\$9.70	\$9.95	2.6%		

Subscribers were alerted to the exit trigger in AMZN via email. Those that held may exit at tomorrow's open.

Open Catapult for ETF's Trades

Symbol	Trigger Date	Entry Price	Current Price	% Gain/Loss	Action
IBB	3/10/2008	\$69.80	\$71.60	2.6%	bought @ \$69.80
XLV	3/10/2008	\$30.90	\$31.30	1.3%	bought @ \$30.90
PPH	3/10/2008	\$69.36	\$70.31	1.4%	bought @ \$69.36

Broad Market Large Cap CBI – 12 (3 SLE, 3 MRK, 2 NYX, 2 C, 2 ABT)

The CBI is now at 12/6. Wachovia (WB) should be sold tomorrow at the open for those subscribers that didn't sell at the close today. The

Sector CBI Breakdown (% of stocks with active catapult triggers within each sector.)

Index	ETF	CBI %	Index	ETF	CBI %
DJ US Broker Dealers	IAI	10.34	DJ US Energy	IYE	0.00
DJ US Insurance Index	IAK	6.76	DJ US Financial	IYF	3.77
DJ US Regional Banks	IAT	2.50	DJ US Financial Services	IYG	4.20
DJ US Utilities	IDU	6.76	DJ US Healthcare	IYH	9.15
DJ US Oil&Gas Expl & Prod	IEO	0.00	DJ US Industrial Sector	IYJ	0.77
DJ US Oil Equip & Svcs	IEZ	0.00	DJ US Consumer Goods	IYK	4.76
DJ US Pharmaceuticals	IHE	16.22	DJ US Basic Materials	IYM	0.00
DJ US Healthcare Providers	IHF	4.08	DJ US Real Estate	IYR	2.44
DJ US Medical Devices	IHI	2.44	DJ US Transportation	IYT	0.00
DJ US Aerospace & Defense	ITA	0.00	DJ US Technology Sector	IYW	4.02
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	13.16
DJ US Consumer Svcs	IYC	6.14	Nasdaq 100	QQQQ	5.00

Pharmaceuticals remains the highest CBI%. We already have much exposure here between the ABT, MRK and the Catapult for ETF's trades. The high CBI% serves as confirmation to the patterns we are seeing in those stocks and ETF's.

Additional New Trade Ideas

Longs

none

Shorts

none

Additional Trades Active Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY	3/7/2008	\$129.73	\$132.60	2.2%		
SPY	3/10/2008	\$129.71	\$132.60	2.2%		
SPY	3/12/2008					buy @ \$130.00 limit

Should the market pull back as tonight's study indicated was likely, I will look to add more SPY exposure. For now I set the buy point around 2% below current levels.

Stocks and ETF's on my Radar

Ticker *Notes*

Notable S&P 500 stocks outside my “tradable” radar

Oversold

None

Overbought

none.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.