

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 18, 2008

Issue 21

Market Overview

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

Study Date	Description	Time span	Bias
March 18, 2008	Pre-Fed Drop	1-2 days	Bullish
March 17, 2008	Consumer Sentiment Stretch	1-12 months	Bullish
March 12, 2008	Bottom Explosion - Now What?	1-20 days	Bullish
February 27, 2008	Significance of Lagging Nasdaq	1-10 weeks	Bearish

Intermediate-term Outlook (2 weeks – 2 months) – somewhat bullish – updated 3/17/2008

The January lows in the S&P futures were taken out tonight after news was announced that Bear Stearns is being bought by Morgan for \$2.00/share. The downtrend has reestablished itself. Most sentiment readings are now hitting such extreme levels that it appears a multi-week bottom should be close at hand.

Readings in such gauges as put/call ratios, the VIX, and consumer sentiment are all levels typically associated with bottoms. While it appears the time should be fairly near, it is difficult to tell the price level that the market will bottom at. I will be looking to the short-term outlook to help continue to guide me through this tricky time in the market.

Short-term Outlook (1-10 days) – bullish – updated 3/18/08

Sentiment measures once again spiked today while price, volume and breadth measures failed to show panic. The market is oversold and when you combine the sentiment measures like Put/Call Ratios and relative VIX readings to the fact that the [Fed is meeting tomorrow](#) it all suggests an upside edge over the next day or two.

Beyond 1 or 2 days, things look dicey. Fed rallies tend to be short-lived. I'd also be more comfortable betting on further upside if we'd experienced some kind of washout this morning. Since that didn't happen it seems one day at a time may be prudent.

Last week I suggested splitting up your SPY trade into 4 parts. We had as many as three active on Friday before taking partial profits. With the positives I mentioned above I will suggest legging into one more lot. I'll be using a stop on this portion of the position in

case the Fed disappoints. I plan on re-evaluating this frequently since chances are the bounce may be short-lived.

Catapult and Capitulative Breadth Statistics

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

Open Catapult Trades

Symbol	Trigger Date	Entry Price	Current Pr	% Gain/Lo	Action
NYX	3/4/2008	\$63.09	\$56.46	-10.5%	
NYX	3/10/2008		\$56.46		buy @ \$56.25

I will look to enter the 2nd lot of NYX at a reduced price.

Open Big 50 Trades

None

Open Catapult for ETF's Trades

Symbol	Trigger Date	Entry Price	Current Price	% Gain/Loss	Action
XLV	3/10/2008	\$30.90	\$30.08	-2.7%	sold on open
PPH	3/10/2008	\$69.36	\$66.88	-3.6%	sold on open

XLV and PPH suffered greatly from the gap down this morning. Subscribers who acted on our intraday alerts on Friday and sold off the positions shortly after Friday's open would have earned between 4%-5% more on these trades, making them both squarely positive. IAI also triggered a buy today. With highly unusual circumstances to deal with I am not suggesting a trade in it and will not track it from here forward.

Broad Market Large Cap CBI - 2/1 (2 NYX)

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

Index	ETF	CBI %	Index	ETF	CBI %
DJ US Broker Dealers	IAI	13.79	DJ US Energy	IYE	0.00
DJ US Insurance Index	IAK	5.41	DJ US Financial	IYF	2.05
DJ US Regional Banks	IAT	0.00	DJ US Financial Services	IYG	2.10
DJ US Utilities	IDU	1.35	DJ US Healthcare	IYH	7.04
DJ US Oil&Gas Expl & Prod	IEO	0.00	DJ US Industrial Sector	IYJ	1.15
DJ US Oil Equip & Svcs	IEZ	0.00	DJ US Consumer Goods	IYK	0.68
DJ US Pharmaceuticals	IHE	5.41	DJ US Basic Materials	IYM	1.35
DJ US Healthcare Providers	IHF	12.24	DJ US Real Estate	IYR	1.22
DJ US Medical Devices	IHI	4.88	DJ US Transportation	IYT	0.00
DJ US Aerospace & Defense	ITA	0.00	DJ US Technology Sector	IYW	0.50
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	13.16
DJ US Consumer Svcs	IYC	4.82	Nasdaq 100	QQQQ	3.00

Telecom and Healthcare remain quite oversold. I will continue to keep an eye out in those areas for opportunity.

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	\$128.30	-1.1%		
SPY	3/13/2008	\$129.63	\$128.30	-1.0%		
SPY			\$128.30		#####	buy @ \$128.00

Stocks and ETF's on my Radar

Ticker *Notes*

none

Notable S&P 500 stocks outside my "tradable" radar

Oversold

None

Overbought

none.

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