

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 19, 2008

Issue 22

Market Overview

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

Study Date	Description	Time span	Bias
March 19, 2008	Bottom Explosion 2	1-20 days	Bullish
March 19, 2008	4% up day	1-10 days	Bullish
March 19, 2008	3.5% Up Cluster	10-20 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 3/19/2008

I discussed several studies [tonight on the blog](#), all of which basically said the same thing: higher prices should be expected in the coming weeks. The strong 4% surge in the market today combined with the 3.5% surge last week suggests we may be at a turning point. High put/call ratios and VIX readings confirm these price-based studies. Additionally, we've had extremely positive breadth twice in the last 6 days. This was interrupted by a 90% downside day on the 14th. These extreme breadth readings serve as another form of confirmation.

There really isn't a whole lot else to look for. When price, sentiment, and breadth all say the same thing it normally pays to listen. At this point I'm anticipating continued upside and a long-side focus for the Subscriber Letter's short-term trades.

Short-term Outlook (1-10 days) – bullish – updated 3/19/08

The explosion in the market today was very impressive. It marked only the 20th time the S&P has ever gained 4% or more in one day. Over the intermediate-term the recent action has consistently led to higher prices. Over the short-term it has typically led to a pullback. Rather than chase prices higher I will wait for the anticipated pullback to materialize before initiating new positions.

The last couple of days have been a test of patience for those looking to add exposure. We had a massive group of trades active at the beginning of last week. Most of last week was spent taking profits on these trades. There are now only three positions remaining –

two SPY positions and one NYX. I anticipate the market will pull back within the next few days but am not looking to sell it short at this point. Instead I will look to sell some of our remaining inventory into any further immediate upmove.

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
NYX	3/4/2008	\$63.09	\$62.19	-1.4%	
NYX	3/10/2008		\$62.19		buy @ \$56.25

The big gap up once again left us missing the boat on the 2nd lot. I will send out intraday updates should NYX near its exit target. (Exit targets can only be calculated after the open.)

Open Big 50 Trades

None

Open Catapult for ETF's Trades

none

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	4.05	DJ US Financial	IYF	1.37
DJ US Regional Banks	IAT	0.00	DJ US Financial Services	IYG	2.10
DJ US Utilities	IDU	1.35	DJ US Healthcare	IYH	5.63
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	0.00
DJ US Pharmaceuticals	IHE	2.70	DJ US Basic Materials	IYM	1.35
DJ US Healthcare Providers	IHF	12.24	DJ US Real Estate	IYR	0.00
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	0.50
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	7.89
DJ US Consumer Svcs	IYC	3.51	Nasdaq 100	QQQQ	2.00

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	\$133.63	3.0%		sell @ \$135 limit
SPY	3/13/2008	\$129.63	\$133.63	3.1%		

I'll look to take profits on one lot should the market follow through further tomorrow.

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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