

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 24, 2008

Issue 24

Market Overview

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

Study Date	Description	Time span	Bias
March 24, 2008	Nasdaq Leadership Bullish	1-10 weeks	Bullish
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

Intermediate-term Outlook (2 weeks – 2 months) – 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 (1-5 days) –slightly bullish – updated 3/20/08

After gapping up Thursday the market pulled back a bit, allowing us to get filled on the SPY trade from Wednesday night. It then launched an impressive rally, finishing the day up more than 2% on strong volume. Breadth was about 3 to 1 to the upside, which is strong but not overwhelming.

Our long-term outlook remains extremely strong. While it seems some additional follow-through is likely here, we are no longer in "pull back" mode on a short-term basis and could quickly become overbought in a day or two. Therefore I have set a profit-target on a portion of our SPY position and am looking at less-correlated commodity related plays for our trades this evening.

Additional Subscriber Information On Blog Study

In [tonight's blog](#), I examined the implications of the strengthened Nasdaq vs. the NYSE. In it I determined that our previous Nasdaq/NYSE study is no longer exerting a negative influence and found more evidence supporting my bullish bias. The "system" I discussed at the end of the blog looked at buying and selling the NYSE based on the action in the Relative Strength indicator. I also looked at buying and selling the Nasdaq based on the same information. Those results were not posted in the blog, but we quite interesting.

Trading the Nasdaq instead of the NYSE reduced the number of winning trades from 11 to 8 and raised the number of losing trades from 4 to 7. Both the average winner and average loser were larger as the average win was about 8% and the average loss about 3%. One reason wins were more difficult to come by is the nature of the exit criteria. By demanding the Nasdaq begin to lag, the system many times will be exiting on a selloff in the Nasdaq.

Below is a table with all the trades listed for both the NYSE and the Nasdaq:

Trade List

#	Type	Date	Signal	NYSE % Profit	Nasdaq % Profit
1	Buy	9/24/1982	Buy		
	Sell	10/8/1982	Sell	6.01%	5.45%
2	Buy	12/2/1983	Buy		
	Sell	12/30/1983	Sell	-0.50%	-1.87%
3	Buy	1/9/1987	Buy		
	Sell	1/30/1987	Sell	5.20%	3.00%
4	Buy	2/16/1990	Buy		
	Sell	3/2/1990	Sell	0.66%	0.47%
5	Buy	9/4/1992	Buy		
	Sell	2/12/1993	Sell	6.77%	20.42%
6	Buy	2/16/1996	Buy		
	Sell	3/8/1996	Sell	-1.86%	-2.47%
7	Buy	5/2/1997	Buy		
	Sell	6/13/1997	Sell	9.98%	9.02%
8	Buy	1/23/1998	Buy		
	Sell	3/20/1998	Sell	14.37%	13.53%
9	Buy	6/9/2000	Buy		
	Sell	7/28/2000	Sell	-1.43%	-5.45%
10	Buy	8/25/2000	Buy		
	Sell	9/8/2000	Sell	0.48%	-1.63%
11	Buy	1/19/2001	Buy		
	Sell	2/2/2001	Sell	2.11%	-4.01%
12	Buy	7/19/2002	Buy		
	Sell	7/26/2002	Sell	1.13%	-4.32%
13	Buy	4/2/2004	Buy		
	Sell	4/16/2004	Sell	-0.97%	-2.99%
14	Buy	5/13/2005	Buy		
	Sell	7/1/2005	Sell	4.44%	4.08%
15	Buy	9/1/2006	Buy		
	Sell	12/1/2006	Sell	6.02%	10.03%

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	\$63.08	0.0%	
NYX	3/10/2008		\$59.52		buy @ \$56.25

NYX moved up strongly on Thursday. I will be sure to publish the intraday exit target tomorrow morning since it is now fairly close by.

Open Big 50 Trades

None

Open Catapult for ETF's Trades

Symbol	Trigger Date	Entry Price	Current Price	% Gain/Loss	Action
SLV	3/20/2008		\$167.01		buy @ \$167.01
DBA	3/20/2008		\$36.05		buy @ \$36.05

Looking to enter a few commodity related etf's experiencing strong pullbacks. Catapult for ETF trades have historically had a 78% winning percentage with a profit factor of 4. Neither of these ETF's has ever qualified, though.

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	2.70	DJ US Financial	IYF	1.03
DJ US Regional Banks	IAT	0.00	DJ US Financial Services	IYG	2.10
DJ US Utilities	IDU	0.00	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	0.00	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	2.63
DJ US Consumer Svcs	IYC	1.32	Nasdaq 100	QQQQ	1.00

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	\$129.09	\$132.08	2.3%		price is dividend adjusted
SPY	3/13/2008	\$128.99	\$132.08	2.4%		price is dividend adjusted
SPY	3/20/2008	\$129.80	\$132.08	1.8%		sell @ \$134.35 limit
IHF	3/20/2008	\$46.50	\$47.24	1.6%	\$44.99	

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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