

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 27, 2008

Issue 27

Market Overview

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

Study Date	Description	Time span	Bias
February 1, 2008	FTD's Short-Term Implications	1-5 days	Bullish
March 26, 2008	Inside Days	1 day	Bearish
March 26, 2008	3 Higher Closes	1-3 days	Bearish
March 25, 2008	2 Day Surge	3-10 days	Bearish
March 25, 2008	VXO Stretch	1-10 days	Bearish
March 24, 2008	Nasdaq Leadership Bullish	1-10 weeks	Bullish
March 19, 2008	Bottom Explosion 2	1-20 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) –somewhat bearish – updated 3/27/08

Short-term the market has now entered no-man's land. The anticipated move over the next few weeks is up. Therefore I will be most interested in buying pullbacks. Shorting will be done with great caution. In last night's letter we attempted to short SPY. Unfortunately the market gapped down this morning and we never got a fill. At this point the pullback is slight and only one-day old. Still, with my long bias I have no interest in chasing a short trade. Should the market pull back for another day or two, I anticipate there should be ample opportunity to play the long side.

While some may label Wednesday's extremely light volume as a positive, I show in my [blog tonight](#) that historically it has actually been a negative.

So "wait and see" is tonight's mantra. For now it is a matter of patience. There will be no official new entries tonight. I would prefer to wait another day or two and see if larger edges avail themselves. There is some maintenance on open trades as well as some setups listed in the "Radar" section for more aggressive traders.

Catapult and Capitulative Breadth Statistics

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

Open Catapult Trades

none

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	\$182.25	9.1%	sell on open

Half of the position was sold at the open Wednesday morning for \$177.50. SLV hit its closing price target this afternoon. The 2nd half of the position may be sold at tomorrow's open.

Broad Market Large Cap CBI - 0

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

Index	ETF	CBI %	Index	ETF	CBI %
DJ US Broker Dealers	IAI	6.90	DJ US Energy	IYE	0.00
DJ US Insurance Index	IAK	0.00	DJ US Financial	IYF	0.68
DJ US Regional Banks	IAT	0.00	DJ US Financial Services	IYG	1.40
DJ US Utilities	IDU	0.00	DJ US Healthcare	IYH	1.41
DJ US Oil&Gas Expl & Prod	IEO	0.00	DJ US Industrial Sector	IYJ	0.00
DJ US Oil Equip & Svcs	IEZ	0.00	DJ US Consumer Goods	IYK	0.00
DJ US Pharmaceuticals	IHE	0.00	DJ US Basic Materials	IYM	0.00
DJ US Healthcare Providers	IHF	4.08	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	0.00
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	2.63
DJ US Consumer Svcs	IYC	0.00	Nasdaq 100	QQQQ	0.00

No real signs of capitulative selling at the present time.

Additional New Trade Ideas

Longs

none

Shorts

none

Additional Trades Active Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GE	3/25/2008	\$37.40	\$37.13	0.7%	\$37.31	cover if %b closes < 75

The pullback in GE so far has been mild. It could be putting in a “handle” here. I don’t want to stick around if it decides to breakout and begin another leg up. My intermediate-term bullish market outlook suggests extra caution with shorts. I am moving the stop down to just above today’s highs.

Stocks and ETF’s on my Radar

Ticker ***Notes***

COST – *Two closes above upper Bollinger Band. Inside day with spinning top candle. Near February price resistance. Could be shortable.*

BUD – *Near upper Bollinger Band and February price resistance. Could be a short.*

UNH – *Has spent 18 days below 10-day moving average. Near new lows. Appears to be setting up for a long.*

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

Oversold

None

Overbought

HRB – *Up over 25% in the last 5 trading days. 5 closes above Bollinger Band. Spinning top formation today.*

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