

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2008

Issue 29

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	long-term	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 3/31/2008

On March 20th the market but in an IBD Follow Through Day, rising strongly on high volume. On March 24th another Follow Through Day was posted. Over the last three days (26th, 27th, 28th) the market has steadily pulled back. The S&P 500 is now trading over 1% below its March 20th closing level. In the February 1st, 2008 study on Short-term Implication of Follow Through Days, I determined that success or failure of a Follow Through Day was many times predicted by the action in the first week. If the market was able to add on to its gains over the 1st week, then there was about a 2/3 chance that the Follow Through Day would succeed. On the other hand, a failure to add to the gains over the first week led to a failure of the rally about 2/3 of the time. This study is therefore predicting a failure of the recent rally.

While it is the most current in terms of its price action, it is still the only study with bearish intermediate-term implications. All of the studies listed above from March 12th to March 24th with intermediate-term influence suggest the market has made a low which should hold for at least several more weeks and that we should see rising prices over the next month or so.

Those studies are what still have been favoring the bullish camp. We have the first warning sign, though. Over the next several days and weeks it will be important to continually monitor price, sentiment, breadth, and volume and look for further hints with bearish or bullish implications. The bullish outlook remains in tact...for now.

Short-term Outlook (1-5 days) – bullish – updated 3/31/08

The short-term studies from March 25th and 26th have managed to exert their short-term influence over the last 3 days. The “Inside Days” and “3 Higher Closes” studies from March 26th did not have bearish implications after 1-3 days. The “2 Day Surge” from March 25th had negative connotations up to 10 days. The “VXO Stretch” from March 25th remains in effect until the VXO closes above its 10-day moving average. Even with 3 days of selling it has failed to do so. This is a bit disappointing and suggests we may not be out of the woods yet.

Still the S&P 500 is now approaching a support area around 1295-1300 and risk/reward seems to be skewing more heavily in favor of the long side at this point. Therefore, I will be looking to add the 2nd and perhaps 3rd lot to the SPY trade this evening. As you may recall, I suggested scaling into this trade in 4 lots. Further selling on Monday could have us 75% into this trade.

As was the case on Thursday night, I am seeing very little in the way of setups. The situation remains the same in that the market is still in a trading range. Of the 115 or so highly liquid ETF's I track and the 100 S&P 100 components Friday once again saw NONE of them make a 10-day low. Catapults also remain scarce. Nothing is terribly extended, yet. Therefore the SPY trades will be the only new trades tonight.

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

None

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	3.45	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	0.70
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	1.22
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

SPY – Buy 2nd lot @ \$131.51.
Buy 3rd lot @ \$130.00.

Continuing to scale in due to reasons discussed in the short-term outlook tonight and Thursday night. I'm looking to take on about 25% of the total SPY allocation with each lot.

Shorts

none

Additional Trades Active Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AMAT	3/28/2008	\$19.98	\$19.52	-2.3%		
SPY	3/28/2008	\$132.78	\$131.51	-1.0%		

Stocks and ETF's on my Radar

Ticker ***Notes***

UNH – Started to bounce on Friday. Didn't quite make lower low. None the less, I am seeing higher lows being posted in RSI and MACD is close to crossing. Could be worth a shot here on the long side.

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

Oversold

None

Overbought

none

Trades To Date

At the end of each month I will post a review of the previous month's closed trade ideas. Since I will not likely be closing out any trades tomorrow I thought I'd post it tonight.

This is not a performance record. I do not make recommendations in the Subscriber Letter. This is simply a listing of trade ideas. Past performance is not necessarily indicative of future results. March may turn out to be the best month ever. That said, I sincerely hope some of you were able to derive value from the trade ideas.

Security	Type	Strategy	Position	Entry Dt	Entry Prc	Exit Date	Exit Prc	Pct G/L
SPY	Index	QE Index	Short	2/27/2008	\$138.36	2/29/2008	\$135.60	2.0%
SPY	Index	QE Index	Short	2/26/2008	\$137.33	2/29/2008	\$135.60	1.3%
SLV	ETF	QE System	Short	2/29/2008	\$196.66	3/4/2008	\$195.75	0.5%
STP	Stock	Catapult	Long	2/26/2008	\$36.90	3/4/2008	\$39.00	5.7%
AMZN	Stock	Catapult	Long	3/4/2008	\$61.67	3/12/2008	\$66.39	7.6%
WB	Stock	Catapult	Long	3/6/2008	\$27.00	3/12/2008	\$29.63	9.7%
WB	Stock	Catapult	Long	3/7/2008	\$27.22	3/12/2008	\$29.63	8.9%
C	Stock	Catapult	Long	3/7/2008	\$20.91	3/13/2008	\$20.61	-1.4%
GRMN	Stock	Catapult	Long	3/3/2008	\$58.60	3/13/2008	\$57.45	-2.0%
GRMN	Stock	Catapult	Long	3/4/2008	\$56.83	3/13/2008	\$57.45	1.1%
MOT	Stock	Catapult	Long	3/4/2008	\$9.70	3/13/2008	\$9.84	1.4%
MRK	Stock	Catapult	Long	3/4/2008	\$43.76	3/13/2008	\$42.30	-3.3%
MRK	Stock	Catapult	Long	3/5/2008	\$43.25	3/13/2008	\$42.30	-2.2%
MRK	Stock	Catapult	Long	3/6/2008	\$42.06	3/13/2008	\$42.30	0.6%
SLE	Stock	Catapult	Long	2/19/2008	\$13.10	3/13/2008	\$12.92	-1.4%
SLE	Stock	Catapult	Long	2/20/2008	\$13.11	3/13/2008	\$12.92	-1.4%
SLE	Stock	Catapult	Long	2/21/2008	\$13.02	3/13/2008	\$12.92	-0.8%
ABT	Stock	Catapult	Long	3/7/2008	\$51.04	3/14/2008	\$53.00	3.8%
ABT	Stock	Catapult	Long	3/10/2008	\$50.60	3/14/2008	\$53.00	4.7%
IBB	ETF	Catapult	Long	3/10/2008	\$69.80	3/14/2008	\$73.99	6.0%
SPY	Index	QE Index	Long	3/10/2008	\$129.71	3/14/2008	\$131.80	1.6%
PPH	ETF	Catapult	Long	3/10/2008	\$69.80	3/17/2008	\$66.88	-4.2%
XLV	ETF	Catapult	Long	3/10/2008	\$30.90	3/17/2008	\$30.08	-2.7%
SPY	Index	QE Index	Long	3/20/2008	\$129.80	3/20/2008	\$134.35	3.5%
IHF	ETF	QE System	Long	3/20/2008	\$46.50	3/25/2008	\$47.60	2.4%
NYX	Stock	Catapult	Long	3/5/2008	\$63.09	3/25/2008	\$63.19	0.2%
SPY	Index	QE Index	Long	3/7/2008	\$129.09	3/25/2008	\$134.86	4.5%
SPY	Index	QE Index	Long	3/13/2008	\$128.99	3/25/2008	\$135.00	4.7%
SLV	ETF	Catapult	Long	3/21/2008	\$167.01	3/27/2008	\$178.87	7.1%
GE	Stock	QE System	Short	3/25/2008	\$37.40	3/27/2008	\$37.31	0.2%
Summary								
Winners	21		Avg Win	3.69%				
Losers	9		Avg Loss	-2.15%				
Pct Winners	72.41%		Avg Trd Idea	1.94%				
			Profit Factor	4.00				

As many subscribers may recall, I sent out intraday alerts on several of the Catapult trades in mid-March. Of the 9 losses above, 4 of them (GRMN, C, XLV, PPH) would have been winners if sold after receiving my intraday alert rather than waiting for the

following morning to sell as I do for the official statistics. Additionally, 2 lots of MRK would have had reduced losses.

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