

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

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## 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 20<sup>th</sup> the market but in an IBD Follow Through Day, rising strongly on high volume. On March 24<sup>th</sup> another Follow Through Day was posted. Over the last three days (26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>) the market has steadily pulled back. The S&P 500 is now trading over 1% below its March 20<sup>th</sup> closing level. In the February 1<sup>st</sup>, 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 1<sup>st</sup> 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 12<sup>th</sup> to March 24<sup>th</sup> 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 me 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 4/1/08***

Some days simply don't provide a clear edge. Today appears to be one of them. The market finished slightly higher on unspectacular breadth and volume. Sentiment readings showed little. All around it seemed to be a fairly meaningless day.

Tomorrow is the first day of the month. As I showed at the beginning of March, the 1<sup>st</sup> day of the month has shown some bullish tendencies since the mid-nineties, finishing positive about 2/3 of the time. If I could combine this stat with some other bullish short-term biases that were currently active, then I might be willing to lay money of it. On its own I consider it interesting but not actionable.

More of the same from both individual stocks and ETF's. They've been stuck in a range the past few days, and the slight move up today kept them there. Using the Quantifiable Edges swing trading techniques, trades tend to come in bunches. Currently, there are few to be found. Rather than losing money or simply spinning my wheels when edges aren't apparent, I find it more constructive to spend less time managing trades with minute edges and more time studying and preparing for the next batch of opportunities to offer solid risk/reward scenarios. Outstanding SPY and AMAT trades are updated below but there are no new official trades this evening. (EP is a new radar short idea.)

**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	2.11
DJ US Oil&Gas Expl & Prod	IEO	0.00	DJ US Industrial Sector	IYJ	0.38
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	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***

none

***Shorts***

none

**Additional Trades Active Table**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AMAT	3/28/2008	\$19.98	\$19.51	-2.4%		
SPY	3/28/2008	\$132.78	\$131.97	-0.6%		
SPY	3/31/2008	\$131.51	\$131.97	0.3%		

**Stocks and ETF's on my Radar**

***Ticker***      ***Notes***

UNH – *Still looks like it could bounce.*

EP – *Six higher closes in a row put it just below its 200-ma, which could act as resistance. Possible short set-up.*

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

### ***Oversold***

None

### ***Overbought***

none

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