

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

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April 10, 2008

Issue 37

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## Market Overview

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

Study Date	Description	Time span	Bias
April 10, 2008	Relatively High Put/Call	20 days	Bullish
April 8, 2008	Negative Reversal Bars	3-5 days	Bearish
April 4, 2008	Trend Over Volatility (TOV)	20 days	Bullish
April 1, 2008	3 Surge Days	2-6 weeks	Bullish
February 1, 2008	FTD's Short-Term Implications	long-term	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

### *Short-term Outlook (1-5 days) –neutral – updated 4/10/08*

The market finally broke out of its recent range today. Unfortunately for our SPY trade it was to the downside. It now appears to be in pullback mode. That's fine from my standpoint. Even though the pullback was fairly mild the CBOE put/call ratio edged higher from already high levels. I discussed the significance of this in some detail in the blog tonight. Bottom line is that relatively high put/call ratios near 20-day highs have historically been somewhat positive for the market looking out 3-4 weeks.

Short-term there is less to go on. I'm not usually a fan of trading against breakouts or breakdowns. While many of the trades in the Subscriber Letter could be viewed as short-term contrarian, they are done within the context of the longer-term. Breakouts and breakdown can sometimes gain tremendous momentum. When you bet against them many times the risk is therefore higher than the potential reward. I typically prefer to let the breakout move play out for a few days and then perhaps look to play a reversal if it gets tired (volume dries up) or extremely overdone (price bars greatly expand).

In looking at potential setups in my scans tonight I found an abundance of breakdowns but nothing that looked exhausted or overdone. The large-cap stocks I spotted that were short-term stretched were all in breakdown mode. Two examples that come to mind are DELL and GRMN. Perhaps playable a few days from now, but too early to try and step in front of yet.

As I've mentioned before, when writing the Subscriber Letter one of the biggest challenges for me is NOT suggesting marginal trading opportunities. Nights like tonight where I find myself going through my scans several times, I realize anything I would suggest would be a reach. Therefore, instead of trying to make something out of nothing, it appears the best course of action is to give the market some more time to provide us with better opportunities.

***Intermediate-term Outlook (2 weeks – 2 months) – bullish – updated 4/9/2008***

Some of our intermediate-term studies are beginning to age. The sphere of influence for the March 12 Bottom Explosion Study was 1-20 days. Thursday will mark 20 days out and the positive influence from that study will dissipate. Next Thursday we'll see the "3.5% Up Cluster" and "Bottom Explosion 2" studies from March 19th lose their influence.

This isn't necessarily a negative. I have yet to notice any market action that indicates to me that the market is likely to sell off in a substantial way. The levels reached in March from a price, breadth and sentiment standpoint were extreme enough that a substantial multi-week rally was almost certain to emerge. Whether it turns out to be a bear market rally or a new emerging bull is still up in the air. As we've come a decent ways via both time and price from the March lows, it is important to be cognizant that those studies mentioned above are losing influence. The easy part of the rally is ending. From a predictive standpoint, things may begin to get murkier here. It will remain important to continually look for clues of either continued strength or returning weakness.

On the positive side, the April 1<sup>st</sup> "3 Surge Days" study will soon begin to exert influence. Also, as I mentioned above I am not seeing anything with negative intermediate-term consequences as of now. Therefore my outlook remains bullish and my trading will generally favor the long side until my studies of market action and indicators tell me different.

**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.)***

<b>Index</b>	<b>ETF</b>	<b>CBI %</b>	<b>Index</b>	<b>ETF</b>	<b>CBI %</b>
DJ US Broker Dealers	IAI	0.00	DJ US Energy	IYE	0.00
DJ US Insurance Index	IAK	0.00	DJ US Financial	IYF	0.00
DJ US Regional Banks	IAT	0.00	DJ US Financial Services	IYG	0.00
DJ US Utilities	IDU	0.00	DJ US Healthcare	IYH	0.00
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	0.00	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	0.00
DJ US Consumer Svcs	IYC	0.00	Nasdaq 100	QQQQ	0.00

No signs of capitulative selling at the present time.

**Additional New Trade Ideas**

none

**Additional Trades Active Table**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
SPY	4/7/2008	\$136.89	\$135.59	-0.9%		stopped out
SLB	4/8/2008	\$90.58	\$90.18	0.4%		

The exit on the SLB system was a close below the 10ma. Tomorrow this will be right about \$89.52. SLB moved a little higher today as oil and the oil service stocks rallied. It appears to be the most extended group and I would expect to see some give-back shortly. Hopefully our SLB trade will be able to take advantage of this.

This was the first SPY trade that was a loser. I guess it had to happen eventually.

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

none

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

***Oversold***

None

***Overbought***

None

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