

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

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April 23, 2008

Issue 46

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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 22, 2008	Low Vol in Short-Term Uptrend	1-10 Days	Bearish
April 20, 2008	Double-Strong Breath	1-30 Days	Bullish
April 20, 2008	Sharp Rise-Weak Volume	1-10 Days	Bullish
April 20, 2008	Gap Up To High And Reverse	1-5 Days	Bearish
April 15, 2008	WR7 Down NR7	1-15 Days	Bullish
April 14, 2008	Sharp Selloff in Consolidation	20 days	Bearish
April 10, 2008	Relatively High Put/Call	20 days	Bullish
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 17, 2008	Consumer Sentiment Stretch	1-12 months	Bullish

### **Short-term Outlook (1-5 days) –neutral – updated 4/23/08**

Tuesday the market pulled back as expected. Unfortunately, the gap down kept the trade idea from being filled. Breath was strongly negative and volume came in higher. SPY filled its gap from last Friday, but QQQQ did not. The market is now in pullback mode and not extended in any way. It is unclear at this point how long this pullback may last. It could end tomorrow or could become severe.

Perhaps I am suffering from a lack of creativity tonight, but I found little worth testing and nothing that provided an edge. At times when no edge is apparent, I prefer to wait rather than force things. A deeper pullback or another leg up to extended levels could provide clearer short-term opportunities.

The SPY short from last night going unfilled due to the gap down is a little bit frustrating. This is the 3<sup>rd</sup> or 4<sup>th</sup> time in a row when I have suggested a short SPY trade that the market has gapped lower, sold off and never provided me a fill. It's nice to know the timing's right, but it's nicer when it pays off as well.

With my focus primarily on the long side for the time being, I am finding nothing that is screaming buy, yet either. Most stocks could use another day or two pulling back before risk/reward becomes more favorable. No new trade ideas, but a few on the "radar".

***Intermediate-term Outlook (2 weeks – 2 months) – bullish – updated 4/20/2008***

From an intermediate-term perspective, most of the evidence I am seeing still points to a continuation of the move up. The April 14<sup>th</sup> “Sharp Selloff In Consolidation” study is the only recent one that has multi-week bearish implications. Since then we’ve now seen more evidence that favors the bullish case. The most recent of these studies is the Double-Strong Breath Study discussed above.

What I particularly like about the current intermediate-term studies is that they are mostly saying the same thing from very different perspectives. Bullish implications are being made from studies that look at price (3 Surge Days), volatility (Trend over volatility), sentiment (Relatively High Put/Call, and Consumer Sentiment Stretch), and now breadth. This kind of plurality makes a much stronger case than if we were only looking at price or only looking at sentiment for example. From an intermediate-term standpoint I believe this rally has further to go. I will be favoring long-side trades for the time-being.

**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	1.35	DJ US Financial	IYF	0.68
DJ US Regional Banks	IAT	2.50	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	2.70	DJ US Basic Materials	IYM	1.35
DJ US Healthcare Providers	IHF	2.04	DJ US Real Estate	IYR	0.00
DJ US Medical Devices	IHI	2.44	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	0.44	Nasdaq 100	QQQQ	0.00

No signs of capitulative selling at the present time.

**Additional New Trade Ideas**

*The SPY trade idea from last night is now being taken off the table after going unfilled.*

### **Additional Trades Active Table**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Pr</b>	<b>% Gain/Lo</b>	<b>Stop</b>	<b>Notes</b>
SLB	4/8/2008	\$90.58	\$105.91	-16.9%		cover on close < 10ma
ABT	4/18/2008	\$50.93	\$50.51	-0.8%	\$44.94	sell on close of %b>25
TLT	4/21/2008	\$92.45	\$93.47	1.1%	\$92.45	sold 1/2 @ \$93.47

SLB is looking like a horrendous trade idea at this point. I've managed the idea quite poorly as I certainly should have instituted a stop or taken an early exit rather than let the system play out. Once this one is closed I will review the mistakes in detail as it could serve as a solid learning experience.

ABT held above the support I am using as a stop. Today's bar could signal the anticipated reversal. I am still optimistic on this one.

TLT moved higher and 1/2 was sold at the first profit target. I am putting a break-even stop on the remaining and the exit target is a close above the 20ma.

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

*MON* – Tightening up near highs.

GS – 2 consecutive inside days after gap and breakout to short-term high.

EXC – Pulling back after weak breakout.

CELG – Pulling back from highs.

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

***Oversold***

None

***Overbought***

None

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