

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 25, 2008

Issue 48

Market Overview

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

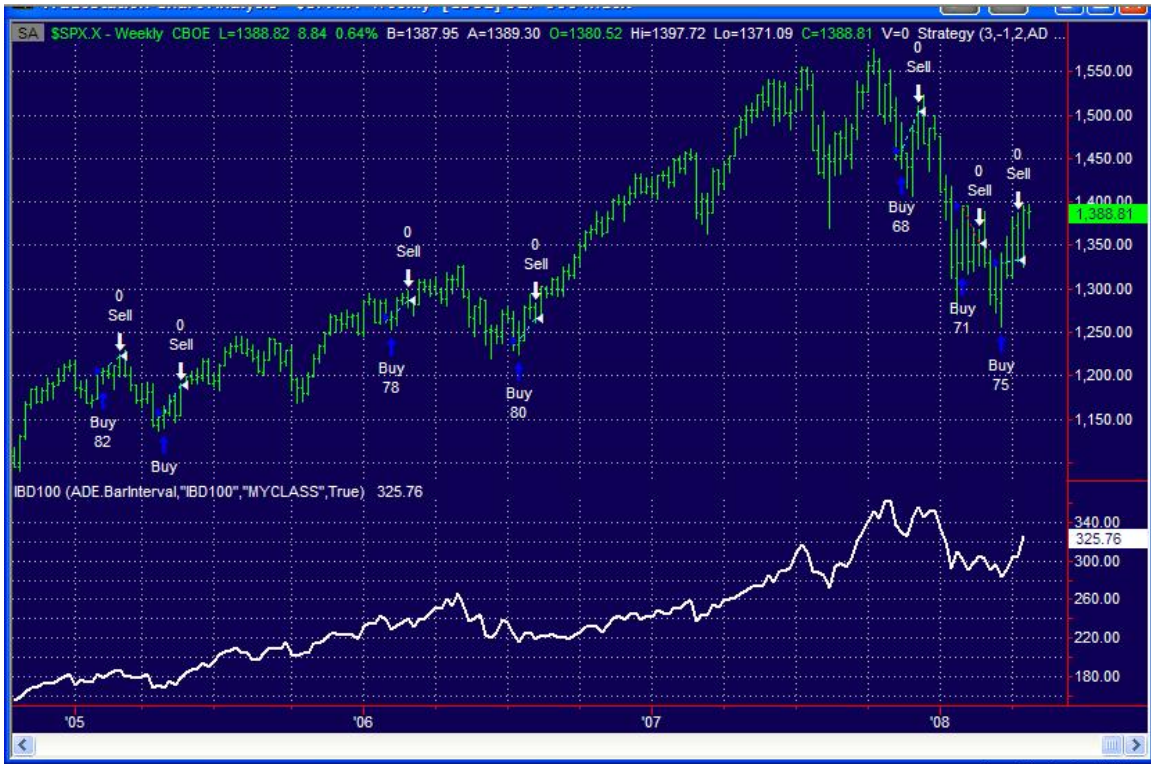
Study Date	Description	Time span	Bias
April 22, 2008	Low Vol in Short-Term Uptrend	1-10 Days	Bearish
April 20, 2008	Double-Strong Breath	1-30 Days	Bullish
April 20, 2008	Sharp Rise-Weak Volume	1-10 Days	Bullish
April 20, 2008	Gap Up To High And Reverse	1-5 Days	Bearish
April 15, 2008	WR7 Down NR7	1-15 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 4/25/08

The market rose today on pretty good volume. Breadth was positive by about 5:3. The S&P and Dow moved through their recent highs (short-term resistance) but couldn't hold there. The Nasdaq did manage to close above recent highs. One interesting aspect of today's action is that while the major indices were rising the IBD 100, which represent the leading market stocks, dropped sharply. Only 28 of the 100 stocks were up on the day and the daily percent change for the index was a drop of over 2%.

As of right now the S&P 500 is down only 2 points on the week while the Nasdaq is positive. Meanwhile the IBD 100 is down about 3.5%. Below is a chart which marks every time the S&P 500 managed to close positive on the week while the IBD 100 was down 1% or more. While it is difficult to draw any solid conclusions from so few instances, it appears the market has normally rallied over the next 3-4 weeks. At the very least, this potential rotation in leadership does not appear to be a bad thing. I will also be discussing this briefly in my blog tonight.

Other than that I continue to see very little that could provide a sizable short-term edge. This happens from time to time, and it is just a matter of patience before solid short-term edges once again reappear.



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 14th “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.)

Index	ETF	CBI %	Index	ETF	CBI %
DJ US Broker Dealers	IAI	0.00	DJ US Energy	IYE	0.00
DJ US Insurance Index	IAK	0.00	DJ US Financial	IYF	0.68
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

X – buy @ \$148.89 limit.

XLE buy @ \$81.72 limit.

These are both leaders (one stock, one industry ETF) that have pulled back sharply from their highs in the last few days. They are both RSI differential trades similar to last night's TYC trade idea. Their 14 RSI – 2 RSI differentials are both over 50.

Looking at all S&P 100 stocks over the last 10 years I ran a test that bought when the RSI differential was greater than 50 and sold when it returned to 0 or negative. Results below:

Trades	649
Winners	464
Losers	178
Pct Winners	71.5%
Avg Win	1.85%
Avg Loss	-2.64%
Avg Trade	0.60%
Profit Factor	1.8

Similar to last night. The stats are good but not great. Short-term market bias is neutral. I am not instituting a stop until it begins to bounce. Conservative position sizing may be appropriate.

Additional Trades Active Table

Symbol	Entry Date	Entry Price	Current Pr	% Gain/Lo	Stop	Notes
SLB	4/8/2008	\$90.58	\$101.94	-12.5%	\$107.25	cover on close < 10ma
ABT	4/18/2008	\$50.93	\$50.44	-1.0%	\$44.94	sell on close of %b>25
TLT	4/21/2008	\$92.45	\$92.87	0.4%		sold remaining
TYC	4/24/2008	\$46.10	\$46.28	0.4%	\$45.49	stop set

Stocks and ETF's on my Radar

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

Oversold

None

Overbought

None

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