

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 30, 2008

Issue 51

Market Overview

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

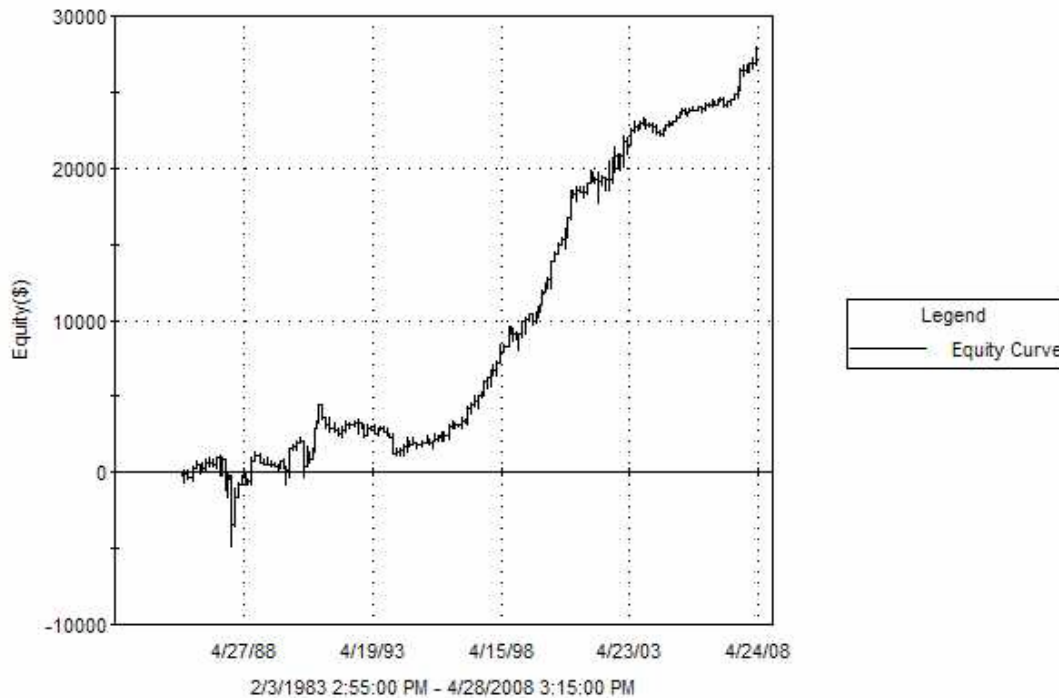
Study Date	Description	Time span	Bias
April 29, 2008	Narrow Range New High < 200	1-20 days	Bearish
April 28, 2008	3 Up 10 High Under 200	1-3 Days	Bearish
April 22, 2008	Low Vol in Short-Term Uptrend	1-10 Days	Bearish
April 20, 2008	Double-Strong Breath	1-30 Days	Bullish
April 20, 2008	Sharp Rise-Weak Volume	1-10 Days	Bullish
April 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 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 4/30/08

On Tuesday the market drifted on light volume. The major indices finished mixed with the S&P 500 and Dow lower and the Nasdaq higher. It seemed as though the market was simply biding time waiting for tomorrow's Fed announcement. Breadth was fairly negative.

Over the last few days I've discussed a few studies with negative connotations. I was hesitant to try and short the market due to the upcoming Fed announcement. Not only does it serve as a wildcard on Wednesday, but we determined about 2/3 of the time there is a positive drift over the day and a half preceding the announcement. Now that Tuesday is done, let's take a look at how the market typically acts on the day of a Fed announcement from the open until the announcement at 2:10. Of the 173 instances I looked at going back to December 1985, buying at 9:35 and selling at 2:10 on the Fed day would have resulted on 115 (66.5%) winning trades. The average gain leading up to 2:10 was 0.41% and the average loss 0.34%. Intraday traders could look to take advantage of this phenomenon. Below is an equity curve so you can see how this trend has looked over time.

Equity Curve Detailed - \$SPX.X 5 min(02/01/83 10:05 - 04/28/08 15:15)



Since 1993 the tendency has been pretty steady.

The more interesting action will likely occur after the announcement, though. In [tonight's blog](#) I discuss the tendencies of the market after a strong reaction to a Fed announcement. In general, a strong move in either direction on the day of the meeting has historically led to a strong move in the opposite direction over the next two weeks.

From a trade standpoint, I found very little even worth considering tonight. With tomorrow's announcement I wouldn't have been too eager to enter positions in the morning anyway. I expect once tomorrow is out of the way we will see some opportunities arise.

Intermediate-term Outlook (2 weeks – 2 months) – slightly bullish – updated 4/28/2008

Other than volume indications and some very short-term studies, I have yet to see anything of substance suggesting an end to the recent rally. We currently still have price ([3 Surge Days](#)), volatility ([Trend over volatility](#)), sentiment ([Relatively High Put/Call](#), and [Consumer Sentiment Stretch](#)), and [breadth studies](#) which are suggesting a bullish bias.

Unfortunately, the short-term isn't providing a huge edge either way and after this week, several of our currently listed studies are going to begin losing relevance. While I will continue each day to look at indicators with a historical perspective, I won't necessarily

demand continued bullish evidence to remain slightly bullish. Instead, I will require evidence suggesting bearish consequences before changing my stance.

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	0.00
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	5.77	DJ US Consumer Goods	IYK	0.00
DJ US Pharmaceuticals	IHE	0.00	DJ US Basic Materials	IYM	1.35
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	0.50
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	0.00
DJ US Consumer Svcs	IYC	0.44	Nasdaq 100	QQQQ	0.00

Oil equip starting to pull back hard.

Additional New Trade Ideas

none

Additional Trades Active Table

Symbol	Entry Date	Entry Price	Current Pr	% Gain/Lo	Stop	Notes
SLB	4/8/2008	\$90.58	\$99.26	-9.6%		covered @ \$99.26
XOM	4/28/2008	\$92.46	\$91.79	-0.7%	#####	sell on close when RSI2 > RSI14

SLB – Finally got the signal to cover on the worst trade idea the Letter has published.

XOM – Fairly close to stop.

Stocks and ETF's on my Radar

ILF – has pulled back sharply from all-time highs. Could be buyable soon.

PG – Has been moving steadily lower. A downside acceleration of this move could lead to a tradable bounce.

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

Oversold

None

Overbought

None

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