QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 18, 2008 Issue 85

Market Overview

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

Study Date	**Description**	**Time span**	**Bias**
June 17, 2008	3 up days - momentum slowing	1-10 days	Bearish
June 16, 2008	Friday-Monday Momentum	1-4 days	Bullish
June 12, 2008	McClellan Osc minus 200	1-6 days	Bullish
June 10, 2008	Bad Breadth - S&P 500 Rises	1-10 days	Bearish
June 5, 2008	Put/Call 3ma spike (Letter)	1-10 days	Bullish
March 17, 2008	Consumer Sentiment Stretch	1-12 months	Bullish

Short-term Outlook (1-5 days) – neutral – updated 6/18/08

The market sold off a bit today, giving back much of the gains of the last two days. Fortunately, the studies anticipated this last night and the gap up this morning provided a nice profit taking point for the SPY and BAC trades. The selling wasn't too severe. All the majors finished down less than 1%. Breadth was about 3:2 decliners outpacing advancers. Volume came in lighter than the day before. In fact it was the lightest it's been in about three weeks. I wasn't able to run specific tests tonight but I have covered similar light-volume pullbacks in the blog a few times. For the most part, the light volume is not the positive it is sometimes made out to be. You may review those blog entries here and here.

Hanna Capital Management, LLC 16 Hillcrest Rd., Medfield, Massachusetts 02052 781-956-6952

Below is a look at the Aggregator chart.

Both the green Aggregator line and the black differential line are approaching zero. The drop in the Aggregator is due to the fact that the bullish studies that were active last week continue to lose influence and drop off our list. The close proximity to zero is typical of a range-bound market with no overwhelming edge in either direction. This puts us in a "wait and see" mode for the time being..

Intermediate-term Outlook (1 week – 2 months) – neutral – updated 6/16/2008

From an intermediate-term perspective, direction remains unclear. The last few weeks the S&P retraced a little more than 50% of its move up from the March lows to the May highs. It has now bounced for a couple of days. On a positive note we've seen indicators become extreme at a higer level than before. This includes the CBI, the McClellan Oscillaotr and several other indicators I've shown in the studies over the last couple of weeks.

The studies based on these indicators have been mostly bullish lately, but they are also short-term in nature. I other words, the last few days were expected and we may see more of a bounce this week. It's what happens when this bounce fizzles out that is unclear. Will the market be able to put together some higher lows and rally to new highs? Or will it continue the short-term downtrend and test the March bottom? At this point I remain somewhat neutral from an intermediate-term standpoint.

Below is a chart that I found to be interesting which shows an example of how breadth has weakened, which I consider to be a bad sign. The top portion of the chart is the S&P 500 since shortly after the January low was made. The blue indicator on the bottom of the chart is the number of NYSE new lows. The vertical maroon lines found throughout the chart show each day that the price dropped down through 1335 as it did on last

Wednesday. As you can see, since the January bottom no drop through 1335 was accompanied by more new lows that were found last Wednesday.

As I mentioned, I've yet to find anything too compelling which would suggest to me that the market is highly more likely to test new highs before testing new lows, or visa-versa. Therefore I'll look to the short-term outlook to determine the trading bias, with an open mind to both long and short.

Catapult and Capitulative Breadth Statistics

(Catapult Presentation Part 1) *(Catapult Presentation Part 2)*

Open Catapult Trades

RF – bought 1/3 position @ $14.06
WB – bought 1/3 position @ $18.63
RF – bought 1/3 position @ 13.22

Open Big 50 Trades

None

Open Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 3/2 (RF-2, WB)

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	1.35		DJ US Financial	IYF	4.45
DJ US Regional Banks	IAT	12.50		DJ US Financial Services	IYG	7.69
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	1.15
DJ US Oil Equip & Svcs	IEZ	0.00		DJ US Consumer Goods	IYK	4.08
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	4.88		DJ US Transportation	IYT	0.00
DJ US Aerospace & Defense	ITA	5.56		DJ US Technology Sector	IYW	0.50
DJ US Home Construction	ITB	4.76		DJ US Telecommunications	IYZ	5.26
DJ US Consumer Svcs	IYC	0.88		Nasdaq 100	QQQQ	0.00

Additional New Trade Ideas

none

Active Trades Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BAC	6/10/2008	$29.35	$30.72	4.67%		sold at open
WB	6/10/2008	$18.63	$17.16	-7.89%		Catapult
RF	6/10/2008	$14.06	$12.73	-9.46%		Catapult
BAC	6/11/2008	$29.62	$30.72	3.71%		sold on open
SPY	6/12/2008	$134.00	$137.07	2.29%		sold at open
RF	6/16/2008	$13.22	$12.73	-3.71%		bought at open
FXY	6/17/2008	$92.20	$92.39	0.21%		sell on close > 10ma

Stocks and ETF’s on my Radar

none

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

None