

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2008

Issue 97

## Market Overview

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

Study Date	Description	Time span	Bias
July 7, 2008	5 Weeks Lower	1-10 weeks	<b>Bearish</b>
July 7, 2008	Bounce off 100 day support	1-5 days	Bullish
July 2, 2008	CBI=10	1-8 days	Bullish
June 27, 2008	Sharp Drop to 50 low w/ time str	1-10 days	Bullish
June 27, 2008	P/C Lackadaisical	1-8 days	Bullish
June 27, 2008	Stocks over 40ma < 15%	1-10 days	Bullish
June 25, 2008	Advancers Exp MA Ratio Study	1-20 days	Bullish
June 11/24	Draggin Breadth	1-10 days	<b>Bearish</b>
June 24, 2008	WR7 High Vol Down / NR7	1-18 days	Bullish
June 23, 2008	SPX under BB VIX not stretched	1-12 days	<b>Bearish</b>
June 23, 2008	Gap & Drop At 50-low	1-19 days	Bullish
March 17, 2008	Consumer Sentiment Stretch	1-12 months	Bullish

### **Short-term Outlook (1-5 days) –bullish - updated**

After gapping higher on Thursday the market sold off. The SPX hit new lows for the year before finding support and bouncing. It managed to close slightly higher on the day but below where it opened. Volume was light due to the shortened session but higher than would be expected on a pre-holiday half-day. Breadth was again terrible, with almost twice as many decliners on the NYSE as advancers.

The gaps up the last two days have both been sold and were pretty close to the high. Gaps of 0.75% or less in the SPY do tend to reverse when the market is in a downtrend. It is the large gaps (0.75% or greater) that have a tendency to trap shorts and see the market take off to the upside.

The fact that the market dipped below support but managed to close positive is a plus. I ran a study looking at other times the S&P made a long-term low for the 1<sup>st</sup> time in at least two weeks but managed to close positive. Results below:

SPX makes 100 day low and closes higher. It has not made a 100-day low within the last 10 days.											
Buy at close. Sell "X" days later. \$100,000 per trade.											
Days In	Net Profit	Gross Profit	Gross Loss	Trades	Wins	% Winners	Avg Win	Avg Loss	W/L Ratio	Avg Trade	Profit Factor
5	\$21,167.97	\$24,464.06	(\$3,296.09)	13	11	84.62	\$2,224.01	(\$1,648.05)	1.35	\$1,628.31	7.42
4	\$17,681.21	\$21,318.32	(\$3,637.11)	13	10	76.92	\$2,131.83	(\$1,212.37)	1.76	\$1,360.09	5.86
3	\$18,160.17	\$20,141.47	(\$1,981.30)	13	11	84.62	\$1,831.04	(\$990.65)	1.85	\$1,396.94	10.17
2	\$14,306.03	\$17,702.95	(\$3,396.92)	13	9	69.23	\$1,966.99	(\$849.23)	2.32	\$1,100.46	5.21
1	\$7,462.77	\$10,205.18	(\$2,742.41)	13	9	69.23	\$1,133.91	(\$685.60)	1.65	\$574.06	3.72

The number of instances is a bit small, but generally it seems that the fact that the market was able to bounce rather than cascade after testing the support is a good thing. Traders looking for double or triple bottoms may look to enter positions after such reversals. With relatively tight stops possible they may feel risk/reward is in their favor. Whatever the reason, the market seems to react well to such reversals near support.

From a breadth standpoint, deterioration is quite extreme at this point. Basically any measure of breadth that I use is screaming “buy” when looking back over the last 20-years or so. Current examples would include the CBI, the McClellan Oscillator, the Percentage of Stocks Closing Above Their 40-day Moving Average and the 10-day Adv/Decl EMA. In the June 27<sup>th</sup> Subscriber Letter I showed some studies that looked at how the market performed following a dip in the Percentage of Stocks Closing Above Their 40-day MA. At the time the % had dipped below 15. Below are some of the results I showed as a refresher:

Percent of NYSE stocks closing above their 40ma is <= 15. Buy at close. Sell X days later. \$100,000/trade. 1988 - present											
Days In	Net Profit	Trades	Wins	% Profitab	Max Win	Max Loss	Avg Win	Avg Loss	W/L Ratio	Avg Trade	Profit Fact
10	\$48,556.11	17	13	76.47	\$15,280.64	(\$3,185.35)	\$4,301.41	(\$1,840.57)	2.34	\$2,856.24	7.60
9	\$31,662.23	18	12	66.67	\$14,515.20	(\$7,029.72)	\$4,149.16	(\$3,021.27)	1.37	\$1,759.01	2.75
8	\$41,449.41	19	15	78.95	\$15,738.88	(\$8,559.00)	\$3,679.18	(\$3,434.58)	1.07	\$2,181.55	4.02
7	\$38,505.65	19	16	84.21	\$13,776.64	(\$8,046.00)	\$3,146.78	(\$3,947.60)	0.80	\$2,026.61	4.25
6	\$21,706.17	19	16	84.21	\$13,112.32	(\$12,984.84)	\$2,697.98	(\$7,153.81)	0.38	\$1,142.43	2.01
5	\$18,878.97	21	14	66.67	\$10,657.28	(\$10,592.64)	\$3,117.34	(\$3,537.68)	0.88	\$899.00	1.76
4	\$23,818.59	21	16	76.19	\$13,377.28	(\$7,579.44)	\$2,721.49	(\$3,945.05)	0.69	\$1,134.22	2.21
3	\$11,047.35	22	15	68.18	\$8,432.34	(\$9,476.18)	\$2,361.97	(\$3,483.16)	0.68	\$502.15	1.45
2	\$1,688.37	23	13	56.52	\$7,495.68	(\$8,077.85)	\$2,181.81	(\$2,667.51)	0.82	\$73.41	1.06
1	\$4,067.06	23	15	65.22	\$3,476.48	(\$3,820.53)	\$1,370.19	(\$2,060.72)	0.66	\$176.83	1.25

On Thursday the % dropped below 10 for the first time since last August. Below are results for when the % drops to 10 or below:

% of NYSE stocks above their 40-day moving average drops to below 10. Buy SPX at close. Sell "X" days later. \$100,000 per trade. 1988-											
Days In	Net Profit	Gross Profit	Gross Loss	Trades	Wins	% Winners	Avg Win	Avg Loss	W/L Ratio	Avg Trade	Profit Factor
18	\$45,592.57	\$45,592.57	\$0.00	7	7	100.00	\$6,513.22	\$0.00	100.00	\$6,513.22	100.00
17	\$42,048.97	\$42,048.97	\$0.00	7	7	100.00	\$6,007.00	\$0.00	100.00	\$6,007.00	100.00
16	\$40,070.39	\$40,070.39	\$0.00	7	7	100.00	\$5,724.34	\$0.00	100.00	\$5,724.34	100.00
15	\$39,531.91	\$39,531.91	\$0.00	7	7	100.00	\$5,647.42	\$0.00	100.00	\$5,647.42	100.00
14	\$35,175.95	\$35,906.35	(\$730.40)	7	6	85.71	\$5,984.39	(\$730.40)	8.19	\$5,025.14	49.16
13	\$32,990.96	\$33,671.56	(\$680.60)	7	6	85.71	\$5,611.93	(\$680.60)	8.25	\$4,712.99	49.47
12	\$28,945.46	\$28,945.46	\$0.00	7	7	100.00	\$4,135.07	\$0.00	100.00	\$4,135.07	100.00
11	\$29,008.08	\$29,316.84	(\$308.76)	7	6	85.71	\$4,886.14	(\$308.76)	15.83	\$4,144.01	94.95
10	\$22,967.45	\$24,796.77	(\$1,829.32)	7	6	85.71	\$4,132.80	(\$1,829.32)	2.26	\$3,281.06	13.56
9	\$27,480.30	\$27,672.86	(\$192.56)	7	6	85.71	\$4,612.14	(\$192.56)	23.95	\$3,925.76	143.71
8	\$29,338.19	\$29,338.19	\$0.00	7	7	100.00	\$4,191.17	\$0.00	100.00	\$4,191.17	100.00
7	\$31,787.00	\$31,787.00	\$0.00	7	7	100.00	\$4,541.00	\$0.00	100.00	\$4,541.00	100.00
6	\$31,806.37	\$31,806.37	\$0.00	8	8	100.00	\$3,975.80	\$0.00	100.00	\$3,975.80	100.00
5	\$34,188.36	\$34,188.36	\$0.00	8	8	100.00	\$4,273.55	\$0.00	100.00	\$4,273.55	100.00
4	\$18,210.73	\$18,210.73	\$0.00	8	8	100.00	\$2,276.34	\$0.00	100.00	\$2,276.34	100.00
3	\$21,163.95	\$21,163.95	\$0.00	8	8	100.00	\$2,645.49	\$0.00	100.00	\$2,645.49	100.00
2	\$17,472.95	\$19,060.55	(\$1,587.60)	8	7	87.50	\$2,722.94	(\$1,587.60)	1.72	\$2,184.12	12.01
1	\$1,604.08	\$9,166.32	(\$7,562.24)	8	5	62.50	\$1,833.26	(\$2,520.75)	0.73	\$200.51	1.21

If rather than looking for an exit based on # of days, you wait until the % of Stocks moves back above “X”, the results would look like this:

% of NYSE stocks above their 40-day moving average drops to below 10. Buy SPX at close. Sell on rise above "X%". \$100,000 per trade. 1988-											
Exit %	Net Profit	Gross Profit	Gross Loss	Trades	Wins	% Winners	Avg Win	Avg Loss	W/L Ratio	Avg Trade	Profit Factor
50	\$46,481.15	\$46,481.15	\$0.00	6	6	100.00	\$7,746.86	\$0.00	100.00	\$7,746.86	100.00
45	\$49,151.02	\$49,151.02	\$0.00	6	6	100.00	\$8,191.84	\$0.00	100.00	\$8,191.84	100.00
40	\$44,503.67	\$45,391.97	(\$888.30)	6	5	83.33	\$9,078.39	(\$888.30)	10.22	\$7,417.28	51.10
35	\$41,656.29	\$42,273.69	(\$617.40)	6	5	83.33	\$8,454.74	(\$617.40)	13.69	\$6,942.72	68.47
30	\$34,953.49	\$36,273.34	(\$1,319.85)	6	5	83.33	\$7,254.67	(\$1,319.85)	5.50	\$5,825.58	27.48

Generally it took a little time for these exits to play out. For instance, waiting for the % Stocks above their 40ma to reach 45% would have taken 32 trading days on average. Over 8% in six weeks is still quite impressive, although again the number of trades is quite small.

Below is an updated chart of the [QE Aggregator](#):



Most of the studies remain bullish and this is reflected in the Aggregator. The position of the black differential line and the green aggregator line stretched above 0 still suggest a bounce is likely. The list of outstanding studies covers indications of breadth, price action, and even sentiment – which while not at an extreme doesn't necessarily need to be. Notable with the Aggregator is that this is longest it has been in a formation with both the black and green lines positioned above 0.

The caveat with several of the studies in the Aggregator at this point are that they run back about 20 years or so. While implications of those studies are bullish, there is some indication that the current market environment may be different than anything we've seen in that time span. I'll discuss this more in the intermediate-term outlook section. Even so, based on the extremes being seen in several areas it appears the 1-5 day probabilities are bullish. I would especially be on the lookout for large overnight gaps to provide the stimulus for a sharp rally. Subscribers may want to review my findings on large [gaps up](#) and [down](#) from the blog.

***Intermediate-term Outlook (1 week – 2 months) -neutral***

The preliminary Michigan Consumer Sentiment Survey is set to come out on Friday the 11<sup>th</sup>. In [March I posted a study on the blog](#) that looked at the steep drop in consumer confidence. The study suggested that the market has historically produced greater than average gains when consumer confidence gets stretched too far to the downside. To measure stretch I threw 10% moving average envelopes around a 10-month moving average of the consumer confidence number. This is the 1<sup>st</sup> time in the 30 years that number has been tracked on a monthly basis where it has closed below its lower 10% envelope without bouncing for 5 months in a row. Negative reactions this extreme do tend to be overreactions, so even though we're in uncharted territory I'd still consider this extreme reading a long-term positive. It will be interesting to see whether Friday's release signals a bounce from 56.40 or whether the number will get even more extreme.

The biggest and most prevalent concern I have right now with the market is the persistency of the recent selloff. On Wednesday night I discussed the fact that the S&P and Dow were close to closing below their 10-day moving averages for the 20<sup>th</sup> day in a row. They accomplished that feat on Thursday. As I showed, this was not uncommon in the 60's, 70's and even early 80's. Since the Crash of '87, though, the S&P 500 has only managed this once. Below again are all the instances ordered by the amount of time each occurrence lasted:

<b>20th Day Below</b>	<b>Total # of Days Below</b>
April 17, 1962	20
February 6, 1970	20
February 9, 1973	20
April 15, 1974	20
January 29, 1962	21
August 9, 1971	21
June 14, 1965	22
March 15, 1966	22
May 27, 1971	22
February 12, 2003	22
January 10, 1969	23
February 13, 1968	24
December 11, 1969	24
November 8, 1967	25
November 27, 1973	27
June 16, 1969	28
February 9, 1984	29
March 14, 1980	30
January 31, 1977	31
May 1, 1970	38
May 22, 1962	45

The May '62 and May '70 occurrences were also the worst in terms of selling from the 20<sup>th</sup> day forward. In 1962 the market sold off and additional 16% before bouncing. In 1970 it dropped another 14%. The 1980 occurrence saw an additional drop of over 7% before rebounding above the 10ma. All of the other instances dropped less than 4% further before bouncing, with 11 of them never closing below their close on the 20<sup>th</sup> day.

In many cases the selloff ended with a quick acceleration to the downside. A few ways I looked at the acceleration included a 3-period RSI dropping below 15 or a stretch below the 10-period ma greater than any previous stretch. Nearly every instance saw the 3-period RSI drop and many the 10-ma stretch. The S&P did drop sharply on Wednesday with the 3-day RSI closing at 13, and it's possible that was the acceleration needed to provide a bounce. It's not completely clear, though.

Another example of the selling persistence is one I mentioned in Thursday's blog. Two regional bank ETF's, KBE and RKH have now both closed below their 10-day moving averages for 41 days in a row. I was unable to find any other ETF that has ever done this. Of course most of them have a limited history. I did look back to 1920 to see if the Dow had ever done it and the longest it went below its 10-day moving average was 36 days. The persistence is certainly worrisome.

So the big question is: Is the market environment reverting back to the way it acted prior to 1987 or will the extreme breadth and time readings provide enough energy to force a bounce that will stick?

I go back to the Crash of '87 for a few reasons. First, it was the last time that strong negative breadth readings, such as the % below 40ma and the 10-day Advance/Decline EMA led to further selling, and in a big way. Second, it led to changes in the way the market is governed and monitored. Some changes, such as the implementation of [trading curbs](#), are well documented. Others, such as the [President's Working Group](#), are clouded in mystery. Whatever the reason, breadth extremes as we've seen recently have consistently marked buying opportunities over the last 20+ years. I'm am not yet convinced that the market is likely to revert to a 60's or 70's type of environment.

Even without such bugaboos as government intervention, there are real reasons why bear market rallies tend to be extremely sharp. When the market gets stretched enough to attract bottom fishers and begins to bounce, this will many times lead to short-covering rallies. The bear market of 2000-2003 was littered with these and we've already seen a few this year. Some times these short-covering rallies will lead to something more and sometimes they will quickly peter out. In either case they tend to be extremely sharp. We're at a point in time where more people are able to short the market than ever before. Abolishment of the uptick rule last summer has received a lot of press, but inverse etf's are a new breed of investment that has changed the landscape as well. With inverse etf's many people are able to short the market in their retirement account that were never able to do so before. The more shorts, the more potentially furious the short covering. We saw this in January and March when the CBI and other measures became stretched and then rebounded with ferocity that has rarely been seen.

Of course the January and March rallies were ignited by the Fed intervention –seemingly as a reaction to a huge drop in the futures. While it seems unlikely that we'll get that kind of intervention this time, it should be recalled that both those “Fed moves” were quickly retraced before the rallies fully launched. This suggests that the rallies may have taken place even if the Fed had not moved exactly when it did. The market perhaps was ready to rally and the rates cutes were used as an excuse to do so.

Enough theory, though. Back to some hard evidence. Below is one last example of why the persistent downtrend has me worried:

S&P 500 closes lower 5 weeks in a row. Buy at close. Sell "X" weeks later. \$100,000 per trade.													
X Weeks	Net Profit	Gross Profit	Gross Loss	Trades	Wins	% Winners	Max Win	Max Loss	Avg Win	Avg Loss	W/L Ratio	Avg Trade	Profit Factor
20	(\$32,429.11)	\$4,311.39	(\$36,740.50)	8	3	37.50	\$1,672.62	(\$15,842.36)	\$1,437.13	(\$7,348.10)	0.20	(\$4,053.64)	0.12
19	(\$30,561.90)	\$5,961.81	(\$36,523.71)	8	3	37.50	\$3,046.29	(\$17,128.50)	\$1,987.27	(\$7,304.74)	0.27	(\$3,820.24)	0.16
18	(\$19,575.78)	\$7,226.73	(\$26,802.51)	8	2	25.00	\$5,521.20	(\$13,510.48)	\$3,613.37	(\$4,467.09)	0.81	(\$2,446.97)	0.27
17	(\$12,993.99)	\$7,012.38	(\$20,006.37)	8	2	25.00	\$6,497.04	(\$9,904.48)	\$3,506.19	(\$3,334.40)	1.05	(\$1,624.25)	0.35
16	(\$12,998.81)	\$6,279.53	(\$19,278.34)	8	2	25.00	\$4,914.51	(\$11,142.54)	\$3,139.77	(\$3,213.06)	0.98	(\$1,624.85)	0.33
15	(\$22,048.81)	\$8,672.48	(\$30,721.29)	8	2	25.00	\$5,213.04	(\$15,662.06)	\$4,336.24	(\$5,120.22)	0.85	(\$2,756.10)	0.28
14	(\$12,318.68)	\$9,569.25	(\$21,887.93)	8	4	50.00	\$3,434.70	(\$13,065.74)	\$2,392.31	(\$5,471.98)	0.44	(\$1,539.84)	0.44
13	(\$18,405.42)	\$4,637.79	(\$23,043.21)	8	4	50.00	\$2,144.07	(\$14,436.02)	\$1,159.45	(\$5,760.80)	0.20	(\$2,300.68)	0.20
12	(\$28,583.38)	\$7,671.21	(\$36,254.59)	8	3	37.50	\$3,539.70	(\$25,013.62)	\$2,557.07	(\$7,250.92)	0.35	(\$3,572.92)	0.21
11	(\$23,814.06)	\$10,463.07	(\$34,277.13)	8	3	37.50	\$5,072.70	(\$21,888.42)	\$3,487.69	(\$6,855.43)	0.51	(\$2,976.76)	0.31
10	(\$28,458.04)	\$8,960.97	(\$37,419.01)	8	3	37.50	\$7,924.38	(\$15,638.02)	\$2,986.99	(\$7,483.80)	0.40	(\$3,557.26)	0.24
9	(\$31,029.36)	\$11,892.36	(\$42,921.72)	8	2	25.00	\$9,267.96	(\$21,575.90)	\$5,946.18	(\$7,153.62)	0.83	(\$3,878.67)	0.28
8	(\$19,067.00)	\$9,033.31	(\$28,100.31)	8	4	50.00	\$6,498.54	(\$14,099.46)	\$2,258.33	(\$7,025.08)	0.32	(\$2,383.38)	0.32
7	(\$20,347.82)	\$9,207.33	(\$29,555.15)	8	2	25.00	\$8,500.20	(\$13,222.00)	\$4,603.67	(\$4,925.86)	0.93	(\$2,543.48)	0.31
6	(\$24,913.98)	\$6,827.58	(\$31,741.56)	8	1	12.50	\$6,827.58	(\$13,943.20)	\$6,827.58	(\$4,534.51)	1.51	(\$3,114.25)	0.22
5	(\$16,387.24)	\$9,850.21	(\$26,237.45)	8	3	37.50	\$6,297.46	(\$8,990.96)	\$3,283.40	(\$5,247.49)	0.63	(\$2,048.41)	0.38

This test was run from 1960-present. Again, only 8 occurrences makes it difficult to draw any solid conclusions. Still, these numbers are terrible. The maximum gain 20 weeks later is only 1.7%! The average loss is over 7% and the average trade lost over 4%. There were only three occurrences since 1988, but none of them were positive. They were 8/24/90, 10/13/00 and 3/2/01. Downside persistence like we're seeing has historically been bearish

To sum up what I'm looking at:

- 1) Breadth is extremely oversold by several measures. Using any of these would have provided traders a long-side edge over the last 20 years. Previous to that, it did not provide an upside edge. Evidence of this can be seen in the [Adv/Decl EMA study](#), which looked back farther than any of the other breadth studies.
- 2) Sentiment from traditional market measures such as Put/Call Ratios and VIX readings is not yet stretched. Many bottoms occur when it is but it is not always necessary. This was shown in the [CBI vs. VXO study](#) and [the Put/Call Study](#). Sentiment from a consumer survey measure is as stretched as it has ever been.
- 3) The persistency of the current move down is troubling and something that has rarely been seen in the last 20 years. Should we be moving into an environment reminiscent of earlier periods, many of the studies that seem to be providing upside edges may be inaccurate. I am not yet convinced this is the case.

I am now neutral on the market from an intermediate-term perspective. It certainly appears a bounce is likely in the near-term. The power and action of that bounce may tell a lot about the intermediate-term. Rather than make intermediate or long-term bets in a precarious environment, I'll defer to the short-term analysis as my best guide.

## **Catapult and Capitulative Breadth Statistics**

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

### ***Open Catapult Trades***

BAC – bought 1/3 position @ \$25.88  
AIG – bought 1/3 position @ \$27.51  
FDX – bought 1/3 position @ \$77.04  
F – bought 1/3 position @ \$4.71  
AIG – bought 1/3 position @ \$26.09  
C – bought 1/3 position @ \$16.57  
F – bought 1/3 position @ \$4.71  
NYX – bought 1/3 position @ \$49.51  
F – bought last 1/3 @ \$4.36  
NYX – bought 1/3 position @ \$47.72  
BAC – bought 1/3 position @ \$22.54

### **New Catapult Triggers**

UNH – buy 1/3 position @ \$22.96  
NYX – buy 1/3 position @ \$47.72  
BAC – buy 1/3 position @ \$22.54

The risk side of the equation has been ratcheted up with the Catapult trades. This has been discussed in a few recent letters. I'm continuing to take positions smaller than normal. UNH is in the rare position of triggering a new entry shortly after triggering an exit. Under normal circumstances it pays to let the trades run after intraday exit triggers are hit. The recent GM and UNH trades suggest taking profits or tightly trailing stops after the intraday target is achieved is likely the way to go in this environment. I'll continue to send timely emails on any targets hit. Since I'm going smaller with my Catapult trades, I am going bigger with my index trades. Again, a matter of preference in a difficult market.

### ***Open Big 50 Trades***

None

### ***Catapult for ETF's Trades***

DIA – bought @ \$113.46

***Broad Market Large Cap CBI – 14/6 ( BAC-3, AIG-2, FDX, F-3, C, NYX-3, UNH)***

**Sector CBI Breakdown (% of stocks with active catapult triggers within each sector.)**

Index	ETF	CBI %	Index	ETF	CBI %
DJ US Broker Dealers	IAI	13.79	DJ US Energy	IYE	1.16
DJ US Insurance Index	IAK	13.51	DJ US Financial	IYF	9.25
DJ US Regional Banks	IAT	8.75	DJ US Financial Services	IYG	9.79
DJ US Utilities	IDU	2.70	DJ US Healthcare	IYH	2.82
DJ US Oil&Gas Expl & Prod	IEO	0.00	DJ US Industrial Sector	IYJ	10.73
DJ US Oil Equip & Svcs	IEZ	1.92	DJ US Consumer Goods	IYK	16.33
DJ US Pharmaceuticals	IHE	0.00	DJ US Basic Materials	IYM	9.46
DJ US Healthcare Providers	IHF	4.08	DJ US Real Estate	IYR	3.66
DJ US Medical Devices	IHI	2.44	DJ US Transportation	IYT	4.76
DJ US Aerospace & Defense	ITA	22.22	DJ US Technology Sector	IYW	4.02
DJ US Home Construction	ITB	9.52	DJ US Telecommunications	IYZ	5.26
DJ US Consumer Svcs	IYC	12.72	Nasdaq 100	QQQQ	5.00

Capitulation is evident in nearly all groups. Based on the CBI %'s, groups most likely to benefit from a short-term bounce would include Aerospace & Defense, Consumer Goods, Consumer Services, Broker Dealers and Insurance.

**Additional New Trade Ideas**

*See Catapult section above.*

*I will hold off on entering the last ¼ of the SPY allocation for now. While I don't initiate positions via intraday alerts, subscribers should be aware of the large gap studies I referenced in the short-term outlook section. The reason I don't initiate intraday is I prefer subscribers have ample time to consider the trade ideas rather than making snap decisions on them.*

### **Active Trades 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>
BAC	6/24/2008	\$25.88	\$22.40	-13.45%		Catapult
UNH	6/24/2008	\$26.15	\$24.50	-6.31%		sold on open
SPY	6/24/2008	\$131.05	\$126.28	-3.64%		
SPY	6/27/2008	\$128.28	\$126.28	-1.56%		
AIG	6/30/2008	\$27.51	\$26.24	-4.62%		Catapult
FDX	6/30/2008	\$77.04	\$74.70	-3.04%		Catapult
KFT	6/30/2008	\$28.39	\$28.90	1.80%		sold on open
DIA	6/30/2008	\$113.46	\$112.95	-0.45%		Catapult for ETF's
F	7/1/2008	\$4.71	\$4.42	-6.16%		Catapult
AIG	7/1/2008	\$26.09	\$26.24	0.57%		Catapult
C	7/1/2008	\$16.57	\$16.82	1.51%		Catapult
SPY	7/1/2008	\$126.52	\$126.28	-0.19%		
F	7/2/2008	\$4.71	\$4.42	-6.16%		Catapult
NYX	7/2/2008	\$49.51	\$46.65	-5.78%		Catapult
NYX	7/3/2008	\$47.72	\$46.65	-2.24%		Catapult
F	7/3/2008	\$4.36	\$4.42	1.38%		Catapult
BAC	7/3/2008	\$22.54	\$22.40	-0.62%		Catapult

Subscribers that sold or used a tight intraday stop after the intraday alert was sent out on UNH should have been able to achieve a small profit rather than the 6% loss.

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

*none*

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

*None*

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