

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 18, 2008

Issue 126

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
August 15, 2008	SPX up 0.5 Vol Lowest in 20	1-20 days	Bearish
7/30 & 8/10	Big up after big down	1-12 days	Bullish
August 8, 2008	Nasdaq Dn Sox Up	1-30 Days	Bullish
August 7, 2008	20 day high on low volume	1-10 days	Bearish
August 6, 2008	Fed day spike	1-10 days	Bearish
August 6, 2008	Put/Call 100-day low	1-10 days	Bearish
July 7, 2008	5 Weeks Lower	1-10 weeks	Bearish
March 17, 2008	Consumer Sentiment Stretch	1-12 months	Bullish

Short-term Outlook (1-5 days) –neutral – updated 8/18

Friday was a mixed day for the market. The S&P and Dow finished up slightly while the Nasdaq finished down slightly. Volume appeared to be slightly lower for the Nasdaq and slightly higher for the NYSE. NYSE breadth was barely positive.

The S&P is now sitting near the 62% retracement of the move down from the Monday high to the Wednesday low. There are few indicators among those I watch that are anywhere near extreme readings. One notable exception is the Absolute Breadth Index. In looking at the Worden Brother's measurement of this index, "T2101" I noticed it is hitting extremely low levels. Their calculation is a bit different than others, so I've included their description below:

T2101 Absolute Breadth Index

This index was developed by Norman Fosback. It is simply the absolute value of the number of advancing issues minus the number of declining issues. For example, if the number of advancing issues is 1200 and the number of declining issues is 600, the Absolute Breadth Index equals 600. If the number of advancing issues is 400, and the number of declining issues is 900, the Absolute Breadth Index equals 500. Remember, the sign is ignored in the calculation of an absolute number.

For charting purposes, we take the daily Absolute Breadth value (calculated as described in the previous paragraph) and publish it as a percentage increase or decrease from the previous day's value. For example, let's say yesterday's Absolute Breadth value was 1000 and the chart shows a value of 31. Now, today's calculated value comes in at $960:960 / 1000 = .96$, which is a 4% decrease from the previous day, so today's reading would be 27, a 4% decrease.

The theory behind the Index is that when the absolute difference between the number of advancing and declining stocks is high, you are more likely to be near a market bottom than a top since a selling climax, with most stocks participating, often occurs near a market bottom. On the other hand, a low Absolute Breadth Index reading is more likely to signify the slow topping activity that frequently occurs at a market peak.

I decided to look at other times the index hit a long-term low while the S&P was in a long-term downtrend:

T2101 Absolte Breadth Index hits a 100 day low while the S&P closes below its 200-ma.										
Buy S&P 500 on close. Sell X days later. \$100k/trade. 1987 - present.										
X Days	Net Profit	Trades	% Wins	Wins	Losses	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	(5,726.18)	9	55.56	5	4	3,433.16	(5,722.99)	0.60	0.75	(\$636.24)
20	(19,460.97)	10	40.00	4	6	2,785.44	(5,100.46)	0.55	0.36	(\$1,946.10)
15	(28,458.01)	10	30.00	3	7	2,296.59	(5,049.68)	0.45	0.19	(\$2,845.80)
14	(30,029.59)	10	20.00	2	8	2,437.00	(4,362.95)	0.56	0.14	(\$3,002.96)
13	(29,009.83)	10	20.00	2	8	2,019.20	(4,131.03)	0.49	0.12	(\$2,900.98)
12	(26,937.07)	11	18.18	2	9	2,514.74	(3,551.84)	0.71	0.16	(\$2,448.82)
11	(13,116.76)	11	45.45	5	6	1,814.00	(3,697.79)	0.49	0.41	(\$1,192.43)
10	(14,957.36)	11	45.45	5	6	1,584.51	(3,813.32)	0.42	0.35	(\$1,359.76)
9	(10,328.67)	11	18.18	2	9	3,941.47	(2,023.51)	1.95	0.43	(\$938.97)
8	(9,565.10)	12	25.00	3	9	2,144.76	(1,777.71)	1.21	0.40	(\$797.09)
7	(5,759.55)	12	50.00	6	6	1,594.89	(2,554.81)	0.62	0.62	(\$479.96)
6	(9,073.14)	13	38.46	5	8	2,273.12	(2,554.85)	0.89	0.56	(\$697.93)
5	(9,168.23)	14	35.71	5	9	2,345.94	(2,321.99)	1.01	0.56	(\$654.87)
4	(1,232.85)	16	50.00	8	8	1,711.14	(1,865.25)	0.92	0.92	(\$77.05)
3	424.16	19	47.37	9	10	1,553.99	(1,356.18)	1.15	1.03	\$22.32
2	1,583.91	23	56.52	13	10	1,158.37	(1,347.49)	0.86	1.12	\$68.87
1	1,056.82	30	46.67	14	16	993.95	(803.66)	1.24	1.08	\$35.23

Too few instances to draw any solid conclusions, but notable nonetheless. It may be worth continuing to monitor this indicator for even further deterioration.

In looking at the current studies, the bearish case over the next couple of weeks is based largely on the poor volume statistics. The most bullish indications are from the strong outperformance of the Semiconductor stocks.

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



The green Aggregator line dipped into negative territory this week. This suggests net negative expectations from the studies. The black differential line has now also dipped below 0. This indicates that the S&P has outperformed expectations over the last 3 days. When both lines are squarely below zero that is often a good shorting opportunity. I wouldn't say we're "squarely" below zero at this point. Close, though. Whereas last week and the week before I was looking to buy into any weakness near the beginning of the week, this week I am looking to short strength early on.

Intermediate-term Outlook (1 week – 2 months)–neutral to slightly bullish–updated 8/18

Many of the bullish studies that occurred around the July bottom have started to dissipate. While several of the extreme breadth readings suggested it could be a bottom of significant duration, we still need to see positive indications of a continued rally. The strength in technology has provided some hope in the form of the SOX studies. Also notable is that the Nasdaq Composite has now closed higher 5 weeks in a row. In July we saw how negative persistence can be difficult to overcome. Now we have an example of positive persistence:

Nasdaq Closes Up 5 Weeks In A Row. Buy on close. \$100k/trade. Sell X weeks later. 1972-present										
X Weeks	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
20	\$242,970.36	44	32	12	72.73	\$12,001.44	(\$11,756.31)	1.02	2.72	\$5,522.05
19	\$244,971.37	44	34	10	77.27	\$11,385.83	(\$14,214.69)	0.80	2.72	\$5,567.53
18	\$195,012.47	46	29	17	63.04	\$12,931.12	(\$10,587.65)	1.22	2.08	\$4,239.40
17	\$154,139.05	48	28	20	58.33	\$12,717.54	(\$10,097.60)	1.26	1.76	\$3,211.23
16	\$144,463.02	49	29	20	59.18	\$11,710.46	(\$9,757.01)	1.20	1.74	\$2,948.22
15	\$140,873.70	50	29	21	58.00	\$11,605.36	(\$9,318.17)	1.25	1.72	\$2,817.47
14	\$97,350.40	52	30	22	57.69	\$9,748.18	(\$8,867.96)	1.10	1.50	\$1,872.12
13	\$93,994.11	53	30	23	56.60	\$9,593.75	(\$8,426.88)	1.14	1.48	\$1,773.47
12	\$42,229.93	53	30	23	56.60	\$8,758.58	(\$9,588.15)	0.91	1.19	\$796.79
11	\$98,688.14	55	36	19	65.45	\$8,071.42	(\$10,099.11)	0.80	1.51	\$1,794.33
10	\$153,348.97	57	38	19	66.67	\$8,383.04	(\$8,695.08)	0.96	1.93	\$2,690.33
9	\$181,315.84	59	40	19	67.80	\$7,997.86	(\$7,294.66)	1.10	2.31	\$3,073.15
8	\$151,852.99	60	37	23	61.67	\$7,955.59	(\$6,195.82)	1.28	2.07	\$2,530.88
7	\$117,423.00	61	40	21	65.57	\$6,725.99	(\$7,219.84)	0.93	1.77	\$1,924.97
6	\$62,771.78	62	38	24	61.29	\$5,823.68	(\$6,605.34)	0.88	1.40	\$1,012.45
5	\$82,607.84	62	39	23	62.90	\$5,022.36	(\$4,924.53)	1.02	1.73	\$1,332.38
4	\$83,383.05	62	42	20	67.74	\$4,004.05	(\$4,239.35)	0.94	1.98	\$1,344.89
3	\$92,335.71	62	45	17	72.58	\$3,288.48	(\$3,273.28)	1.00	2.66	\$1,489.29
2	\$42,669.11	62	36	26	58.06	\$2,809.97	(\$2,249.61)	1.25	1.73	\$688.21
1	\$21,931.76	62	39	23	62.90	\$1,439.50	(\$1,487.33)	0.97	1.64	\$353.74

The kind of positive persistence we're seeing often manages to continue higher over the following weeks and months.

The volume pattern over the first few weeks off the bottom provided some positive studies. Over the last two weeks we have seen that change as volume has produced negative expectations. The basic belief of most technicians is that you want to see volume rise on up days and decline on down days. I decided to test these basic rules this weekend. First I looked at 4 basic scenarios: 1) Accumulation (volume up / price up), 2) Distribution (volume up / price down), 3) Attrition (volume down / price up) and 4) Low volume pullbacks (volume down / price down). Rather than just looking at performance following any given scenario, I looked for a series of them to occur. The criteria was fairly loose. I wanted to see any of the above conditions occur for the 2nd time within a 5-day period. Basic results below:

SPX rises on higher volume than the day before for the 2nd time in 5 days.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$124,075.71	96	65	31	67.71	\$3,479.31	(\$3,292.89)	1.06	2.22	1,292.46
20	\$66,194.24	118	72	46	61.02	\$2,727.00	(\$2,829.34)	0.96	1.51	560.97
15	\$69,028.09	139	83	56	59.71	\$2,264.45	(\$2,123.60)	1.07	1.58	496.60
14	\$57,740.71	142	85	57	59.86	\$2,216.08	(\$2,291.69)	0.97	1.44	406.62
13	\$54,189.98	150	87	63	58.00	\$2,114.99	(\$2,060.55)	1.03	1.42	361.27
12	\$38,276.24	154	91	63	59.09	\$1,834.08	(\$2,041.67)	0.90	1.30	248.55
11	\$20,199.12	159	87	72	54.72	\$1,862.12	(\$1,969.52)	0.95	1.14	127.04
10	\$21,660.29	160	93	67	58.13	\$1,699.38	(\$2,035.55)	0.83	1.16	135.38
9	\$26,403.59	166	99	67	59.64	\$1,634.37	(\$2,020.88)	0.81	1.20	159.06
8	\$31,590.12	177	105	72	59.32	\$1,568.91	(\$1,849.24)	0.85	1.24	178.48
7	\$21,080.47	184	104	80	56.52	\$1,511.35	(\$1,701.25)	0.89	1.15	114.57
6	\$17,701.67	190	104	86	54.74	\$1,429.76	(\$1,523.18)	0.94	1.14	93.17
5	\$6,987.52	195	111	84	56.92	\$1,157.39	(\$1,446.23)	0.80	1.06	35.83
4	(\$9,933.07)	212	105	107	49.53	\$1,176.94	(\$1,247.78)	0.94	0.93	(46.85)
3	(\$19,275.71)	231	120	111	51.95	\$935.47	(\$1,184.98)	0.79	0.85	(83.44)
2	(\$8,653.90)	267	130	137	48.69	\$792.52	(\$815.19)	0.97	0.92	(32.41)
1	(\$4,584.60)	321	165	155	51.40	\$536.37	(\$600.56)	0.89	0.95	(14.28)

SPX falls on higher volume than the day before for the 2nd time in 5 days.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$57,085.68	80	47	33	58.75	\$4,217.66	(\$4,277.10)	0.99	1.40	713.57
20	\$50,621.84	96	56	40	58.33	\$3,117.49	(\$3,098.94)	1.01	1.41	527.31
15	\$49,463.55	109	66	43	60.55	\$2,743.93	(\$3,061.30)	0.90	1.38	453.79
10	\$13,337.77	119	69	50	57.98	\$2,017.35	(\$2,517.19)	0.80	1.11	112.08
9	\$14,004.81	124	71	53	57.26	\$2,055.94	(\$2,489.94)	0.83	1.11	112.94
8	\$5,688.67	126	65	61	51.59	\$2,206.30	(\$2,257.71)	0.98	1.04	45.15
7	\$24,059.32	128	71	57	55.47	\$1,960.80	(\$2,020.30)	0.97	1.21	187.96
6	\$26,258.76	131	76	55	58.02	\$1,712.91	(\$1,889.49)	0.91	1.25	200.45
5	\$16,437.44	135	67	68	49.63	\$1,661.67	(\$1,395.50)	1.19	1.17	121.76
4	\$15,376.65	147	85	62	57.82	\$1,519.63	(\$1,835.35)	0.83	1.14	104.60
3	(\$10,816.28)	167	88	79	52.69	\$1,325.21	(\$1,613.10)	0.82	0.92	(64.77)
2	\$11,747.56	197	105	92	53.30	\$1,344.92	(\$1,407.27)	0.96	1.09	59.63
1	\$20,354.00	236	137	99	58.05	\$924.39	(\$1,073.61)	0.86	1.19	86.25

SPX rises on lower volume than the day before for the 2nd time in 5 days.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$82,807.97	85	54	31	63.53	\$3,584.09	(\$3,572.03)	1.00	1.75	974.21
20	\$119,735.97	114	79	35	69.30	\$3,063.83	(\$3,494.48)	0.88	1.98	1,050.32
15	\$87,067.52	126	79	47	62.70	\$2,476.33	(\$2,309.84)	1.07	1.80	691.01
10	\$39,821.52	137	79	58	57.66	\$1,871.97	(\$1,863.18)	1.00	1.37	290.67
9	\$43,506.84	143	80	63	55.94	\$1,940.86	(\$1,773.99)	1.09	1.39	304.24
8	\$37,814.25	145	83	62	57.24	\$1,798.70	(\$1,798.03)	1.00	1.34	260.79
7	\$35,414.89	149	79	70	53.02	\$1,828.06	(\$1,557.17)	1.17	1.32	237.68
6	\$9,947.23	151	77	74	50.99	\$1,721.84	(\$1,657.22)	1.04	1.08	65.88
5	\$6,777.47	153	80	73	52.29	\$1,425.33	(\$1,469.17)	0.97	1.06	44.30
4	\$4,385.96	164	85	79	51.83	\$1,361.64	(\$1,409.54)	0.97	1.04	26.74
3	\$15,573.54	181	99	82	54.70	\$1,182.56	(\$1,237.80)	0.96	1.15	86.04
2	\$14,607.03	203	108	95	53.20	\$934.26	(\$908.35)	1.03	1.17	71.96
1	\$13,505.09	249	139	110	55.82	\$565.44	(\$591.74)	0.96	1.21	54.24

SPX falls on lower volume than the day before for the 2nd time in 5 days.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$115,929.76	80	55	25	68.75	\$3,931.74	(\$4,012.64)	0.98	2.16	1,449.12
20	\$51,708.44	93	53	40	56.99	\$3,204.38	(\$2,953.09)	1.09	1.44	556.00
15	\$95,678.31	103	60	43	58.25	\$2,999.94	(\$1,960.89)	1.53	2.13	928.92
10	\$67,958.00	113	74	39	65.49	\$2,336.80	(\$2,691.41)	0.87	1.65	601.40
9	\$57,727.67	116	67	49	57.76	\$2,382.01	(\$2,078.92)	1.15	1.57	497.65
8	\$58,162.95	118	67	51	56.78	\$2,430.11	(\$2,052.04)	1.18	1.56	492.91
7	\$59,802.89	119	64	55	53.78	\$2,372.91	(\$1,673.88)	1.42	1.65	502.55
6	\$42,842.38	121	66	55	54.55	\$2,048.13	(\$1,678.81)	1.22	1.46	354.07
5	\$45,134.42	126	69	57	54.76	\$1,921.09	(\$1,533.69)	1.25	1.52	358.21
4	\$51,790.79	136	75	61	55.15	\$1,857.18	(\$1,434.39)	1.29	1.59	380.81
3	\$57,394.77	148	87	61	58.78	\$1,577.87	(\$1,309.51)	1.20	1.72	387.80
2	\$30,137.16	168	95	73	56.55	\$1,281.06	(\$1,254.30)	1.02	1.33	179.39
1	\$23,343.21	199	111	87	55.78	\$905.93	(\$887.52)	1.02	1.30	117.30

Low volume pullbacks certainly seem to be the most positive scenario of the four. High volume rallies (accumulation) have a tendency to pull back in the short-term. Looking further out, they do develop into the 2nd-best scenario.

I also decided to look at the same scenarios when the S&P was mired in a long-term downtrend. I thought the results there were quite interesting:

SPX rises on higher volume than the day before for the 2nd time in 5 days. SPX closes < 200-day MA.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	(\$5,995.26)	18	10	8	55.56	\$3,863.49	(\$5,578.77)	0.69	0.87	(333.07)
20	(\$9,833.86)	23	10	13	43.48	\$2,923.78	(\$3,005.51)	0.97	0.75	(427.56)
15	(\$8,842.66)	27	15	12	55.56	\$2,199.69	(\$3,486.50)	0.63	0.79	(327.51)
10	(\$17,793.60)	28	15	13	53.57	\$1,702.59	(\$3,333.27)	0.51	0.59	(635.49)
9	(\$16,836.91)	28	16	12	57.14	\$1,473.09	(\$3,367.19)	0.44	0.58	(601.32)
8	(\$9,014.69)	29	15	14	51.72	\$1,784.49	(\$2,555.86)	0.70	0.75	(310.85)
7	(\$6,014.23)	32	17	15	53.13	\$1,605.51	(\$2,220.52)	0.72	0.82	(187.94)
6	\$1,078.19	32	17	15	53.13	\$1,930.13	(\$2,115.60)	0.91	1.03	33.69
5	(\$8,032.46)	34	19	15	55.88	\$1,309.50	(\$2,194.20)	0.60	0.76	(236.25)
4	(\$14,951.20)	36	16	20	44.44	\$1,476.14	(\$1,928.47)	0.77	0.61	(415.31)
3	(\$16,119.78)	39	17	22	43.59	\$1,339.25	(\$1,767.59)	0.76	0.59	(413.33)
2	(\$8,154.43)	48	19	29	39.58	\$1,074.58	(\$985.22)	1.09	0.71	(169.88)
1	(\$8,056.40)	55	24	31	43.64	\$719.48	(\$816.90)	0.88	0.68	(146.48)

While accumulation in general appeared positive, when the market is in a downtrend this is not necessarily the case. Perhaps the higher volume is more often due to short-covering and less often due to actual institutional accumulation. Whatever the reason, it appears a pattern of higher volume up days during a downtrend implies negative expectations.

SPX falls on higher volume than the day before for the 2nd time in 5 days. SPX closes < 200-day MA.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$31,387.16	33	20	13	60.61	\$5,557.20	(\$6,135.14)	0.91	1.39	951.13
20	\$25,959.07	38	25	13	65.79	\$3,443.50	(\$4,625.27)	0.74	1.43	683.13
15	(\$11,706.01)	44	25	19	56.82	\$3,284.22	(\$4,937.45)	0.67	0.88	(266.05)
10	(\$11,628.12)	49	30	19	61.22	\$2,209.59	(\$4,100.83)	0.54	0.85	(237.31)
9	(\$5,314.18)	52	30	22	57.69	\$2,387.28	(\$3,496.93)	0.68	0.93	(102.20)
8	(\$16,837.83)	53	24	29	45.28	\$2,829.91	(\$2,922.61)	0.97	0.80	(317.69)
7	(\$6,789.10)	54	25	29	46.30	\$2,544.30	(\$2,427.47)	1.05	0.90	(125.72)
6	(\$8,438.44)	54	26	28	48.15	\$2,068.25	(\$2,221.89)	0.93	0.86	(156.27)
5	(\$10,928.66)	56	22	34	39.29	\$2,035.10	(\$1,638.26)	1.24	0.80	(195.15)
4	(\$14,838.82)	66	35	31	53.03	\$1,725.90	(\$2,427.27)	0.71	0.80	(224.83)
3	(\$21,325.36)	72	33	39	45.83	\$1,600.40	(\$1,900.99)	0.84	0.71	(296.19)
2	(\$13,906.86)	86	37	49	43.02	\$1,869.08	(\$1,695.16)	1.10	0.83	(161.71)
1	\$1,690.16	107	57	50	53.27	\$1,133.54	(\$1,258.43)	0.90	1.03	15.80

Net expectations here for most time periods switch from positive to negative when trading below the 200-ma. Somewhat surprising is the fact that high volume selloffs appear less bearish than high volume rallies during a downtrend. Next I looked at the lower-volume scenarios:

SPX rises on lower volume than the day before for the 2nd time in 5 days. SPX closes < 200-day MA.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$77,386.74	83	52	31	62.65	\$3,617.69	(\$3,572.03)	1.01	1.70	932.37
20	\$116,950.47	112	77	35	68.75	\$3,107.24	(\$3,494.48)	0.89	1.96	1,044.20
15	\$86,975.97	124	78	46	62.90	\$2,504.26	(\$2,355.58)	1.06	1.80	701.42
10	\$36,918.53	135	77	58	57.04	\$1,882.90	(\$1,863.18)	1.01	1.34	273.47
9	\$38,229.13	141	78	63	55.32	\$1,922.96	(\$1,773.99)	1.08	1.34	271.13
8	\$34,334.88	143	81	62	56.64	\$1,800.15	(\$1,798.03)	1.00	1.31	240.10
7	\$33,148.91	147	77	70	52.38	\$1,846.11	(\$1,557.17)	1.19	1.30	225.50
6	\$6,523.71	149	75	74	50.34	\$1,722.11	(\$1,657.22)	1.04	1.05	43.78
5	\$5,308.58	151	78	73	51.66	\$1,443.05	(\$1,469.17)	0.98	1.05	35.16
4	\$3,007.64	162	83	79	51.23	\$1,377.84	(\$1,409.54)	0.98	1.03	18.57
3	\$14,178.85	178	97	81	54.49	\$1,192.30	(\$1,252.77)	0.95	1.14	79.66
2	\$13,654.05	199	106	93	53.27	\$935.89	(\$919.89)	1.02	1.16	68.61
1	\$12,328.39	244	136	108	55.74	\$563.08	(\$594.91)	0.95	1.19	50.53

Here the results are generally around or just beneath random for most of the lower time frames. Better than either of the high-volume scenarios, though. Lastly, low volume pullbacks in long-term downtrends:

SPX falls on lower volume than the day before for the 2nd time in 5 days. SPX closes < 200-day MA.										
Buy on close. Sell X days later. \$100,000/trade. Last 20 years.										
X Days	Net Profit	Trades	Wins	Losses	Win %	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
30	\$73,626.10	31	22	9	70.97	\$5,159.28	(\$4,430.89)	1.16	2.85	2,375.04
20	\$38,717.49	34	20	14	58.82	\$4,107.12	(\$3,101.77)	1.32	1.89	1,138.75
15	\$39,519.83	37	24	13	64.86	\$3,450.59	(\$3,330.33)	1.04	1.91	1,068.10
10	\$27,141.50	41	25	16	60.98	\$3,057.75	(\$3,081.39)	0.99	1.55	661.99
9	\$34,256.80	44	28	16	63.64	\$2,871.36	(\$2,883.84)	1.00	1.74	778.56
8	\$40,602.86	44	28	16	63.64	\$3,079.17	(\$2,850.86)	1.08	1.89	922.79
7	\$37,824.47	45	29	16	64.44	\$2,749.54	(\$2,619.51)	1.05	1.90	840.54
6	\$29,127.20	46	29	17	63.04	\$2,491.85	(\$2,537.44)	0.98	1.68	633.20
5	\$29,437.33	48	29	19	60.42	\$2,310.60	(\$1,977.37)	1.17	1.78	613.28
4	\$35,177.88	51	29	22	56.86	\$2,501.47	(\$1,698.40)	1.47	1.94	689.76
3	\$34,088.30	59	38	21	64.41	\$1,946.01	(\$1,898.09)	1.03	1.86	577.77
2	\$22,276.35	70	42	28	60.00	\$1,511.07	(\$1,471.02)	1.03	1.54	318.23
1	\$12,096.37	79	44	35	55.70	\$1,162.84	(\$1,116.24)	1.04	1.31	153.12

Low volume-pullbacks appear to provide the best setups when the market is trading below its 200-day moving average.

The two biggest themes I'm watching at the moment are the strength in technology and the questionable volume patterns. Until the pattern of higher lows and higher highs is broken I will lean towards the bullish side. This could change should some more bearish evidence appear, but I'm not seeing much that's screaming sell from an intermediate-term standpoint just yet.

Catapult and Capitulative Breadth Statistics

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

Open Catapult Trades

none

Open Big 50 Trades

None

Catapult for ETF's Trades

EZU – bought 1/2 position @ \$45.63

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	1.16
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	0.38
DJ US Oil Equip & Svcs	IEZ	1.92	DJ US Consumer Goods	IYK	0.68
DJ US Pharmaceuticals	IHE	0.00	DJ US Basic Materials	IYM	0.00
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

Additional New Trade Ideas

Short 1/4 of index position at \$130.17. Looking to start scaling in to an index short based on the short-term market outlook.

Active Trades Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
CSCO(S)	8/13/2008	\$24.50	\$25.01	-2.08%		stopped out
EZU (1/2)	8/15/2008	\$45.63	\$45.63	0.00%		Catapult for ETF's

Stocks and ETF's on my Radar

Semiconductor ETF's: SMH, IGW, PSI, and XSD. Still waiting for a pullback.

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