

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 22, 2008

Issue 130

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	Avg Max Move	Avg MM + 1 Std Dev
August 20, 2008	2 Bad Breadth Days No Low	1-8 days	Bullish	3.45%	6.53%
August 19, 2008	1% Drop Extreme Low Vol	1-10 days	Bearish	-4.04%	-7.14%
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		
July 7, 2008	5 Weeks Lower	1-10 weeks	Bearish		
March 17, 2008	Consumer Sentiment Stretch	1-12 months	Bullish		

If the avg max move is achieved it will appear in **bold and green**. If the avg + 1 std deviation is achieved, the study will be removed from active status.

Short-term Outlook (1-5 days) –neutral – updated 8/22

A somewhat unusual day for the market. The S&P and Dow closed up slightly while the Nasdaq was down slightly. Meanwhile, decliners outnumbered advancers and although the S&P made a higher high and higher low, the number of NYSE new lows ticked up from yesterday. Volume came in at the lowest level of the year.

I played around with some breadth and volume testing tonight and was unable to come up with anything too compelling. Most of the tests simply suggested choppy conditions going forward. That is exactly what the current studies are suggesting anyway.

No Aggregator chart tonight. Both the aggregator and the differential were right near 0 – so there appears to be little edge. The trade setups I uncovered tonight are all longs, so hopefully that's telling us something about the next few days. "Wait and see" mode continues for the general market tonight.

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

EZU – bought 2nd half @ \$44.72

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	0.00
DJ US Oil Equip & Svcs	IEZ	1.92	DJ US Consumer Goods	IYK	0.00
DJ US Pharmaceuticals	IHE	2.70	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	2.44	DJ US Transportation	IYT	0.00
DJ US Aerospace & Defense	ITA	0.00	DJ US Technology Sector	IYW	1.01
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	0.00
DJ US Consumer Svcs	IYC	0.88	Nasdaq 100	QQQQ	0.00

No capitulation currently evident.

Additional New Trade Ideas

XSD – buy @ \$42.35 stop. Sell stop @ \$41.50 if filled. – Now I'll look to buy above Thursday's high. Details on this idea are in yesterday's Subscriber Letter.

BBH – buy @ \$200.72. Pullback from highs. After a strong rally off the July lows, BBH set a new high last Friday. It has spent this week pulling back on light volume. I looked at my list of 105 highly liquid ETF's under the following conditions:

- 1) 50 day high was made 4 days ago.
- 2) Has closed lower for 4 days in a row.

Buy on close and sell on a close above the 10 ma would have provided the following results over the last 10 years:

Trades	723
Wins	519
Losses	165
Win %	72%
Avg Win	2.0%
Avg Loss	2.7%
Avg Trade	0.8%
Profit Factor	2.25

No stop yet. I will place one once it begins to bounce.

CI – buy @ \$41.48. This is based on the 14/2 RSI differential I've discussed in the past. Below is the setup:

The 14-period RSI minus the 2-period RSI > 50. Buy on close. Sell when the 2-period RSI closes above the 14-period RSI. Results for all current S&P 100 stocks over the last 10 years are below:

Trades	520
Wins	363
Losses	157
Win %	70%
Avg Win	2.0%
Avg Loss	2.4%
Avg Trade	0.7%
Profit Factor	2.02

I will also likely institute a stop once this one begins to bounce.

Active Trades Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
EZU	8/15/2008	\$45.18	\$44.99	-0.41%		2 lots

Stocks and ETF's on my Radar

INTC – Has pulled back with the semis and could be another way to play them. Found support at its 200-ma on Thursday.

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