

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 10, 2009

Volume 2 Issue 46

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
Active					
March 10, 2009	200-day low on lowest vol 5	1-12 days	Bullish		
March 6, 2009	Bounce from 50 low fails	1-7 days	Bullish	5.30%	10.00%
March 5, 2009	Rally after CBI >= 10	1-5 days	Bullish		
March 4, 2009	5 lower closes @ 50-low	1-4 days	Bullish	2.10%	3.90%
February 26, 2009	SPX down 1% while SOX up 1%	1-15 days	Bullish	4.60%	7.10%
Active - Long Term					
none					
Dropped Tonight					
March 9, 2009	Late Day Surge	1 day	Bearish		
March 9, 2009	Up Issues < 40% on Up day	1 day	Bearish		
March 2, 2009	Gap Dn to 50 low and Close Lower	1-5 days	Bullish	6.30%	12.20%

If the avg max move is achieved it will appear in **bold and brown**. If the avg + 1 std deviation is achieved, the study will in **bold italic blue**.

Short-term Outlook (1-5 days) – updated 3/10 – bullish

A gap down and sharp rally back up led to some sideways consolidation on Monday before sellers took over late in the daytonight. When it was done the major indices were down 1%-2%. Breadth was weak as the NYSE Up Issues % came in at 29% and the Up Volume % at 46%. Overall volume was very light.

In the March 6th Letter and on the blog I showed a study that looked at 50-day lows occurring on heavy volume (highest in 5 days) and light volume (lowest in 5 days). A 50-day low on light volume was found to be significantly more bullish. On Monday the market made a new low on the lightest volume in 5 days.

Unfortunately when I went through some of those studies tonight I realized something quirky was happening in Tradestation. I had run them using imported volume data that went back to 1992. I also ran them on the Tradestation volume data from 1992 – present. I did this to check and see that the sets were similar. Upon finding they were I removed the 1992 – present restriction and looked back from 1960 – present. When I did that for some reason the tests ran improperly and they continued to only look back as far as 1992. There's good news and bad news associated with this. The bad news is that when looking back further the numbers aren't quite as enticing. The good news is that with a larger data set I was able to examine 200-day lows as well. First let's look at the new high numbers from the other night (with corrected dates):

S&P 500 makes 50-day low on highest volume in 5 days.											
Buy on close. Sell X days later. \$100k/trade. 1992 - present.											
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade	
20	\$30,778.99	32	20	12	62.50	\$4,455.18	(\$4,860.38)	0.92	1.53	\$961.84	
19	\$16,959.01	33	22	11	66.67	\$4,087.86	(\$6,634.00)	0.62	1.23	\$513.91	
18	\$23,592.21	33	20	13	60.61	\$4,670.77	(\$5,371.01)	0.87	1.34	\$714.92	
17	\$22,128.08	35	21	14	60.00	\$4,524.67	(\$5,206.43)	0.87	1.30	\$632.23	
16	\$28,826.45	37	20	17	54.05	\$5,210.68	(\$4,434.54)	1.18	1.38	\$779.09	
15	\$16,909.47	37	22	15	59.46	\$4,588.71	(\$5,602.81)	0.82	1.20	\$457.01	
14	\$8,551.24	37	23	14	62.16	\$3,818.62	(\$5,662.65)	0.67	1.11	\$231.11	
13	\$24,766.32	37	22	15	59.46	\$4,017.58	(\$4,241.37)	0.95	1.39	\$669.36	
12	\$10,204.57	37	21	16	56.76	\$3,737.79	(\$4,268.07)	0.88	1.15	\$275.80	
11	\$29,180.24	39	21	18	53.85	\$4,139.89	(\$3,208.75)	1.29	1.51	\$748.21	
10	\$7,768.27	42	24	18	57.14	\$3,659.61	(\$4,447.92)	0.82	1.10	\$184.96	
9	\$18,113.39	46	30	16	65.22	\$3,281.91	(\$5,021.50)	0.65	1.23	\$393.77	
8	\$13,563.42	46	27	19	58.70	\$3,406.46	(\$4,126.90)	0.83	1.17	\$294.86	
7	\$23,791.71	47	27	20	57.45	\$3,472.01	(\$3,497.62)	0.99	1.34	\$506.21	
6	\$7,683.90	48	24	24	50.00	\$3,173.30	(\$2,853.14)	1.11	1.11	\$160.08	
5	\$24,665.28	49	22	27	44.90	\$3,540.51	(\$1,971.33)	1.80	1.46	\$503.37	
4	\$8,629.83	54	26	28	48.15	\$3,021.96	(\$2,497.90)	1.21	1.12	\$159.81	
3	\$14,213.43	56	31	25	55.36	\$2,236.19	(\$2,204.34)	1.01	1.26	\$253.81	
2	\$8,988.39	59	32	27	54.24	\$2,456.69	(\$2,578.73)	0.95	1.13	\$152.35	
1	\$27,736.46	71	48	23	67.61	\$1,539.39	(\$2,006.70)	0.77	1.60	\$390.65	

Now let's look back to 1960 –

S&P 500 makes 50-day low on highest volume in 5 days.											
Buy on close. Sell X days later. \$100k/trade. 1960 - present.											
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade	
20	\$61,732.48	102	65	37	63.73	\$3,777.18	(\$4,967.14)	0.76	1.34	\$605.22	
19	\$43,367.08	103	66	37	64.08	\$3,509.90	(\$5,088.81)	0.69	1.23	\$421.04	
18	\$47,404.51	105	63	42	60.00	\$3,665.59	(\$4,369.71)	0.84	1.26	\$451.47	
17	\$45,979.64	107	65	42	60.75	\$3,439.69	(\$4,228.57)	0.81	1.26	\$429.72	
16	\$48,139.28	110	63	46	57.27	\$3,640.90	(\$3,939.95)	0.92	1.27	\$437.63	
15	\$33,689.81	113	67	46	59.29	\$3,424.30	(\$4,255.19)	0.80	1.17	\$298.14	
14	\$32,960.73	116	70	46	60.34	\$3,274.53	(\$4,266.44)	0.77	1.17	\$284.14	
13	\$46,117.32	121	75	46	61.98	\$3,049.44	(\$3,969.36)	0.77	1.25	\$381.13	
12	\$14,522.24	123	71	52	57.72	\$2,927.13	(\$3,717.38)	0.79	1.08	\$118.07	
11	\$24,829.17	125	72	53	57.60	\$2,832.57	(\$3,379.55)	0.84	1.14	\$198.63	
10	\$13,852.79	128	76	51	59.38	\$2,662.51	(\$3,696.04)	0.72	1.07	\$108.22	
9	\$12,564.69	137	84	53	61.31	\$2,621.98	(\$3,918.52)	0.67	1.06	\$91.71	
8	\$4,785.47	140	81	58	57.86	\$2,654.55	(\$3,624.71)	0.73	1.02	\$34.18	
7	\$53,968.75	143	83	60	58.04	\$2,741.64	(\$2,893.13)	0.95	1.31	\$377.40	
6	\$45,808.84	148	82	66	55.41	\$2,594.97	(\$2,529.98)	1.03	1.27	\$309.52	
5	\$48,348.02	152	85	67	55.92	\$2,272.34	(\$2,161.21)	1.05	1.33	\$318.08	
4	\$595.63	161	85	76	52.80	\$2,097.45	(\$2,337.99)	0.90	1.00	\$3.70	
3	\$15,659.28	170	89	81	52.35	\$2,030.95	(\$2,038.21)	1.00	1.09	\$92.11	
2	\$11,594.17	182	96	85	52.75	\$1,804.50	(\$1,901.62)	0.95	1.07	\$63.70	
1	\$12,669.35	225	122	102	54.22	\$1,254.67	(\$1,376.48)	0.91	1.09	\$56.31	

Still an edge, although a bit weaker from an Avg Trade standpoint. The last 16 years or so have done better than average.

Now let's look at low volume. First the 1992 – present original:

S&P 500 makes 50-day low on lowest volume in 5 days.										
Buy on close. Sell X days later. \$100k/trade. 1992 - present.										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
20	\$42,741.54	11	10	1	90.91	\$4,952.62	(\$6,784.61)	0.73	7.30	\$3,885.59
19	\$41,433.65	11	10	1	90.91	\$4,861.17	(\$7,178.07)	0.68	6.77	\$3,766.70
18	\$35,138.22	11	10	1	90.91	\$4,706.67	(\$11,928.43)	0.39	3.95	\$3,194.38
17	\$37,165.89	11	10	1	90.91	\$5,055.28	(\$13,386.91)	0.38	3.78	\$3,378.72
16	\$32,947.67	11	10	1	90.91	\$4,584.53	(\$12,897.66)	0.36	3.55	\$2,995.24
15	\$21,834.03	11	9	2	81.82	\$4,409.10	(\$8,923.92)	0.49	2.22	\$1,984.91
14	\$21,376.85	11	8	3	72.73	\$4,856.07	(\$5,823.89)	0.83	2.22	\$1,943.35
13	\$17,453.10	11	7	4	63.64	\$4,883.30	(\$4,182.50)	1.17	2.04	\$1,586.65
12	\$22,760.89	11	7	4	63.64	\$5,291.02	(\$3,569.07)	1.48	2.59	\$2,069.17
11	\$33,020.14	11	8	3	72.73	\$4,985.42	(\$2,287.73)	2.18	5.81	\$3,001.83
10	\$28,798.37	11	8	3	72.73	\$4,604.06	(\$2,678.03)	1.72	4.58	\$2,618.03
9	\$35,506.80	11	7	4	63.64	\$6,085.73	(\$1,773.33)	3.43	6.01	\$3,227.89
8	\$32,383.53	11	8	3	72.73	\$4,775.00	(\$1,938.81)	2.46	6.57	\$2,943.96
7	\$28,039.39	11	8	3	72.73	\$4,688.47	(\$3,156.13)	1.49	3.96	\$2,549.04
6	\$26,480.45	11	7	4	63.64	\$5,369.17	(\$2,775.93)	1.93	3.38	\$2,407.31
5	\$23,334.57	12	8	4	66.67	\$3,519.84	(\$1,206.04)	2.92	5.84	\$1,944.55
4	\$19,557.22	12	11	1	91.67	\$1,958.20	(\$1,983.03)	0.99	10.86	\$1,629.77
3	\$16,847.00	12	10	2	83.33	\$2,374.52	(\$3,449.12)	0.69	3.44	\$1,403.92
2	\$5,057.38	12	7	5	58.33	\$1,853.62	(\$1,583.59)	1.17	1.64	\$421.45
1	\$1,829.30	12	6	6	50.00	\$1,426.41	(\$1,121.52)	1.27	1.27	\$152.44

Next is 1960 - present

S&P 500 makes 50-day low on lowest volume in 5 days.										
Buy on close. Sell X days later. \$100k/trade. 1960 - present.										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
20	\$95,619.09	61	40	21	65.57	\$4,638.70	(\$4,282.32)	1.08	2.06	\$1,567.53
19	\$80,632.60	62	40	22	64.52	\$4,361.76	(\$4,265.36)	1.02	1.86	\$1,300.53
18	\$71,580.04	62	41	21	66.13	\$4,128.14	(\$4,651.13)	0.89	1.73	\$1,154.52
17	\$71,129.51	62	40	22	64.52	\$4,278.51	(\$4,545.95)	0.94	1.71	\$1,147.25
16	\$70,189.69	62	41	21	66.13	\$3,980.88	(\$4,429.83)	0.90	1.75	\$1,132.09
15	\$59,505.30	62	40	22	64.52	\$3,840.31	(\$4,277.60)	0.90	1.63	\$959.76
14	\$67,084.01	62	40	22	64.52	\$3,899.79	(\$4,041.26)	0.96	1.75	\$1,082.00
13	\$52,904.13	62	38	24	61.29	\$3,693.08	(\$3,643.04)	1.01	1.61	\$853.29
12	\$47,613.51	62	42	20	67.74	\$3,183.73	(\$4,305.15)	0.74	1.55	\$767.96
11	\$45,976.15	62	40	22	64.52	\$3,179.99	(\$3,691.98)	0.86	1.57	\$741.55
10	\$24,133.14	62	36	26	58.06	\$3,070.36	(\$3,323.08)	0.92	1.28	\$389.24
9	\$28,738.29	64	35	29	54.69	\$3,080.25	(\$2,726.57)	1.13	1.36	\$449.04
8	\$28,313.41	67	36	31	53.73	\$2,946.80	(\$2,508.76)	1.17	1.36	\$422.59
7	\$35,009.34	68	36	32	52.94	\$2,873.34	(\$2,138.47)	1.34	1.51	\$514.84
6	\$30,105.49	69	41	28	59.42	\$2,465.03	(\$2,534.32)	0.97	1.42	\$436.31
5	\$30,803.65	74	50	24	67.57	\$1,926.52	(\$2,730.09)	0.71	1.47	\$416.27
4	\$33,627.21	76	49	27	64.47	\$1,600.13	(\$1,658.48)	0.96	1.75	\$442.46
3	\$29,832.36	77	49	28	63.64	\$1,475.50	(\$1,516.69)	0.97	1.70	\$387.43
2	\$12,161.32	80	47	33	58.75	\$1,059.20	(\$1,140.04)	0.93	1.32	\$152.02
1	\$3,648.55	85	47	38	55.29	\$686.29	(\$752.82)	0.91	1.13	\$42.92

The edge here isn't nearly as pronounced when looking across the longer period, but is still quite a bit better than the high volume scenario.

Several subscribers asked for data looking at a 200-day low in addition to the 50-day low. With the added data I was able to run this as well. Again I'll show the high volume scenario first:

S&P 500 makes 200-day low on highest volume in 5 days.										
Buy on close. Sell X days later. \$100k/trade. 1960 - present.										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
20	\$35,400.46	42	25	17	59.52	\$4,646.14	(\$4,750.19)	0.98	1.44	\$842.87
19	\$29,264.55	43	26	17	60.47	\$4,472.37	(\$5,118.65)	0.87	1.34	\$680.57
18	\$33,300.24	43	27	16	62.79	\$4,476.72	(\$5,473.20)	0.82	1.38	\$774.42
17	\$32,102.44	43	26	17	60.47	\$4,194.22	(\$4,526.31)	0.93	1.42	\$746.57
16	\$18,685.04	43	25	17	58.14	\$3,901.10	(\$4,637.80)	0.84	1.24	\$434.54
15	\$7,276.88	44	25	19	56.82	\$4,218.29	(\$5,167.39)	0.82	1.07	\$165.38
14	\$6,082.68	46	25	21	54.35	\$4,232.97	(\$4,749.60)	0.89	1.06	\$132.23
13	\$20,277.49	47	27	20	57.45	\$3,926.49	(\$4,286.88)	0.92	1.24	\$431.44
12	(\$328.90)	48	26	22	54.17	\$3,634.26	(\$4,309.98)	0.84	1.00	(\$6.85)
11	\$15,309.26	49	27	22	55.10	\$3,723.50	(\$3,873.87)	0.96	1.18	\$312.43
10	\$12,153.05	50	26	24	52.00	\$3,995.16	(\$3,821.71)	1.05	1.13	\$243.06
9	\$2,106.17	56	32	24	57.14	\$3,509.74	(\$4,591.90)	0.76	1.02	\$37.61
8	(\$595.13)	58	31	27	53.45	\$3,748.61	(\$4,326.00)	0.87	0.99	(\$10.26)
7	\$16,571.69	60	30	30	50.00	\$3,824.61	(\$3,272.22)	1.17	1.17	\$276.19
6	\$29,194.65	65	35	30	53.85	\$3,436.82	(\$3,036.47)	1.13	1.32	\$449.15
5	\$40,153.12	66	39	27	59.09	\$2,800.57	(\$2,558.12)	1.09	1.58	\$608.38
4	\$25,993.25	72	39	33	54.17	\$2,907.70	(\$2,648.70)	1.10	1.30	\$361.02
3	\$34,239.82	77	42	35	54.55	\$2,650.23	(\$2,201.99)	1.20	1.44	\$444.67
2	\$38,703.23	85	41	44	48.24	\$3,026.14	(\$1,940.19)	1.56	1.45	\$455.33
1	\$35,089.93	101	52	48	51.49	\$1,873.31	(\$1,298.38)	1.44	1.56	\$347.43

Not much of an edge here. More like a bullish drift. Next is again the low volume setup, but now using the 200-day low.

S&P 500 makes 200-day low on lowest volume in 5 days.										
Buy on close. Sell X days later. \$100k/trade. 1960 - present.										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
20	\$46,561.29	22	14	8	63.64	\$5,700.50	(\$4,155.71)	1.37	2.40	\$2,116.42
19	\$37,605.14	23	13	10	56.52	\$5,679.41	(\$3,622.71)	1.57	2.04	\$1,635.01
18	\$36,350.52	23	12	11	52.17	\$5,663.70	(\$2,873.99)	1.97	2.15	\$1,580.46
17	\$42,051.03	24	14	10	58.33	\$5,486.44	(\$3,475.91)	1.58	2.21	\$1,752.13
16	\$40,948.01	24	14	10	58.33	\$5,357.88	(\$3,406.23)	1.57	2.20	\$1,706.17
15	\$46,774.82	25	16	9	64.00	\$4,867.94	(\$3,456.91)	1.41	2.50	\$1,870.99
14	\$51,907.29	25	16	9	64.00	\$4,993.77	(\$3,110.33)	1.61	2.85	\$2,076.29
13	\$47,788.81	25	15	10	60.00	\$4,880.25	(\$2,541.49)	1.92	2.88	\$1,911.55
12	\$47,742.35	25	18	7	72.00	\$3,981.92	(\$3,418.90)	1.16	2.99	\$1,909.69
11	\$36,365.64	25	16	9	64.00	\$4,038.19	(\$3,138.38)	1.29	2.29	\$1,454.63
10	\$26,718.66	25	14	11	56.00	\$4,015.53	(\$2,681.71)	1.50	1.91	\$1,068.75
9	\$24,475.00	25	13	12	52.00	\$3,766.90	(\$2,041.23)	1.85	2.00	\$979.00
8	\$22,166.96	27	14	13	51.85	\$3,520.79	(\$2,086.46)	1.69	1.82	\$821.00
7	\$25,791.19	27	14	13	51.85	\$3,224.30	(\$1,488.38)	2.17	2.33	\$955.23
6	\$30,308.24	27	18	9	66.67	\$2,405.60	(\$1,443.63)	1.67	3.33	\$1,122.53
5	\$27,462.40	28	20	8	71.43	\$1,713.53	(\$851.03)	2.01	5.03	\$980.80
4	\$24,565.42	28	20	8	71.43	\$1,858.97	(\$1,576.75)	1.18	2.95	\$877.34
3	\$13,599.39	29	19	10	65.52	\$1,652.77	(\$1,780.32)	0.93	1.76	\$468.94
2	\$2,858.41	31	18	13	58.06	\$1,136.29	(\$1,353.45)	0.84	1.16	\$92.21
1	(\$820.66)	31	15	16	48.39	\$829.12	(\$828.59)	1.00	0.94	(\$26.47)

Here the edge appears fairly solid. When I looked at it in more detail I found that the bullish edge really didn't come about until 1977 or so. Below is a test only going back that far:

S&P 500 makes 200-day low on lowest volume in 5 days.											
Buy on close. Sell X days later. \$100k/trade. 1977 - present.											
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade	
20	\$71,775.50	13	11	2	84.62	\$6,794.73	(\$1,483.24)	4.58	25.20	\$5,521.19	
19	\$66,380.08	13	10	3	76.92	\$7,027.23	(\$1,297.40)	5.42	18.05	\$5,106.16	
18	\$61,134.06	13	10	3	76.92	\$6,358.19	(\$815.95)	7.79	25.97	\$4,702.62	
17	\$67,118.40	14	11	3	78.57	\$6,390.62	(\$1,059.47)	6.03	22.12	\$4,794.17	
16	\$65,372.39	14	12	2	85.71	\$5,689.23	(\$1,449.18)	3.93	23.56	\$4,669.46	
15	\$61,096.75	14	13	1	92.86	\$4,831.53	(\$1,713.13)	2.82	36.66	\$4,364.05	
14	\$61,412.53	14	12	2	85.71	\$5,255.16	(\$824.71)	6.37	38.23	\$4,386.61	
13	\$55,846.74	14	11	3	78.57	\$5,209.96	(\$487.60)	10.68	39.18	\$3,989.05	
12	\$57,353.45	14	13	1	92.86	\$4,511.21	(\$1,292.24)	3.49	45.38	\$4,096.68	
11	\$53,602.36	14	13	1	92.86	\$4,222.66	(\$1,292.24)	3.27	42.48	\$3,828.74	
10	\$49,841.41	14	12	2	85.71	\$4,270.74	(\$703.71)	6.07	36.41	\$3,560.10	
9	\$43,861.88	14	10	4	71.43	\$4,567.28	(\$452.74)	10.09	25.22	\$3,132.99	
8	\$46,059.71	16	12	4	75.00	\$4,091.80	(\$760.48)	5.38	16.14	\$2,878.73	
7	\$43,283.34	16	13	3	81.25	\$3,421.78	(\$399.95)	8.56	37.07	\$2,705.21	
6	\$39,146.60	16	14	2	87.50	\$2,836.77	(\$284.07)	9.99	69.90	\$2,446.66	
5	\$23,646.28	16	14	2	87.50	\$1,723.47	(\$241.12)	7.15	50.03	\$1,477.89	
4	\$22,654.08	16	13	3	81.25	\$1,924.56	(\$788.40)	2.44	10.58	\$1,415.88	
3	\$16,802.09	17	13	4	76.47	\$1,479.11	(\$606.60)	2.44	7.92	\$988.36	
2	\$9,240.83	19	13	6	68.42	\$920.91	(\$455.16)	2.02	4.38	\$486.36	
1	\$5,968.85	19	10	9	52.63	\$957.63	(\$400.83)	2.39	2.65	\$314.15	

Instances are a little light but the results here are very strong.

Below is the list of trades with a 12-day holding period since 1977. There have been only 3 instances since 1984 until Monday. Two of them occurred last year very near spots where the rallies occurred.

Date/Time	Signal	Price	Roll Over USD/Lot	Shares/Ctrts	Net Profit	% Profit	Run-up DrawDown
03/31/77	Buy	\$98.42	\$0.00	1016	\$1,676.40	1.68%	\$2,661.92
04/19/77	Sell	\$100.07			\$1,676.40		(\$518.16)
04/26/77	Buy	\$97.11	\$0.00	1029	\$1,666.98	1.67%	\$3,087.00
05/12/77	Sell	\$98.73			\$3,343.38		\$0.00
05/27/77	Buy	\$96.27	\$0.00	1038	\$3,466.92	3.47%	\$3,726.42
06/15/77	Sell	\$99.61			\$6,810.30		(\$155.70)
09/22/77	Buy	\$95.09	\$0.00	1051	\$693.66	0.69%	\$1,734.15
10/10/77	Sell	\$95.75			\$7,503.96		(\$52.55)
10/24/77	Buy	\$91.63	\$0.00	1091	\$1,472.85	1.47%	\$1,472.85
11/09/77	Sell	\$92.98			\$8,976.81		(\$1,003.72)
01/11/78	Buy	\$89.74	\$0.00	1114	(\$1,292.24)	(1.29%)	\$1,437.06
01/27/78	Sell	\$88.58			\$7,684.57		(\$1,916.08)
02/22/78	Buy	\$87.55	\$0.00	1142	\$1,518.86	1.52%	\$1,941.40
03/10/78	Sell	\$88.88			\$9,203.43		(\$1,267.62)
08/06/82	Buy	\$103.71	\$0.00	964	\$11,201.68	11.20%	\$13,312.84
08/24/82	Sell	\$115.33			\$20,405.11		(\$2,188.28)
02/08/84	Buy	\$155.85	\$0.00	641	\$2,211.45	2.21%	\$2,390.93
02/27/84	Sell	\$159.30			\$22,616.56		(\$2,384.52)
05/29/84	Buy	\$150.28	\$0.00	665	\$66.50	0.07%	\$3,398.15
06/14/84	Sell	\$150.38			\$22,683.06		(\$1,070.65)
07/24/84	Buy	\$147.82	\$0.00	676	\$11,971.96	11.98%	\$12,208.56
08/09/84	Sell	\$165.53			\$34,655.02		\$0.00
10/07/02	Buy	\$785.28	\$0.00	127	\$14,079.22	14.12%	\$14,654.53
10/23/02	Sell	\$896.14			\$48,734.24		(\$2,109.47)
03/10/08	Buy	\$1,273.39	\$0.00	78	\$4,085.64	4.11%	\$6,730.62
03/27/08	Sell	\$1,325.77			\$52,819.88		(\$1,279.98)
07/14/08	Buy	\$1,228.29	\$0.00	81	\$4,533.57	4.56%	\$5,093.28
07/30/08	Sell	\$1,284.26			\$57,353.45		(\$2,255.85)
03/09/09	Buy	\$676.53		147	n/a	n/a	\$0.00
open	n/a	\$676.53		n/a	n/a	n/a	\$0.00

In all cases the subsequent drawdown (last column) has been quite small with none of them even reaching 2.5%.

One last study that came up again today was the BKX outperformance from a couple of week's ago. The last instance was a big loser. I've updated the table below.

BKX Up 1% while the S&P is down 1%.										
Buy on close. Sell X days later. \$100k/trade. 1960 - present.										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
12	\$14,655.44	7	6	1	85.71	\$3,182.54	(\$4,439.82)	0.72	4.30	\$2,093.63
11	\$4,159.80	8	5	3	62.50	\$2,685.14	(\$3,088.64)	0.87	1.45	\$519.98
10	\$10,091.18	8	5	3	62.50	\$2,642.54	(\$1,040.50)	2.54	4.23	\$1,261.40
9	\$18,014.84	8	6	2	75.00	\$3,109.26	(\$320.36)	9.71	29.12	\$2,251.86
8	\$8,891.13	9	6	3	66.67	\$3,489.43	(\$4,015.15)	0.87	1.74	\$987.90
7	\$10,502.60	9	5	4	55.56	\$4,912.05	(\$3,514.42)	1.40	1.75	\$1,166.96
6	\$8,606.01	9	5	4	55.56	\$4,584.07	(\$3,578.59)	1.28	1.60	\$956.22
5	\$5,770.49	9	5	4	55.56	\$3,316.66	(\$2,703.21)	1.23	1.53	\$641.17
4	\$4,414.91	9	5	4	55.56	\$3,338.28	(\$3,069.12)	1.09	1.36	\$490.55
3	(\$7,842.29)	9	5	4	55.56	\$1,599.69	(\$3,960.18)	0.40	0.50	(\$871.37)
2	\$2,848.11	9	5	4	55.56	\$3,679.20	(\$3,886.97)	0.95	1.18	\$316.46
1	\$8,595.83	10	6	4	60.00	\$2,822.06	(\$2,084.13)	1.35	2.03	\$859.58

The stats still lean bullish. I haven't included it in the Aggregator with so few instances, though.

Here's tonight's Aggregator chart:



Nothing new here. Several bullish studies suggesting a bounce is likely have the green aggregator line strongly positive. The black differential line is also strongly positive as the market has greatly underperformed expectations lately. The Aggregator chart therefore remains quite bullish.

Intermediate-term Outlook (2 weeks – 2 months)–neutral -updated 3/9

Over the last week and a half the market has deteriorated rapidly without the requisite bounce that has historically occurred. Of course the period we are now dealing in is worse than anything seen in a very long time. One of the criticisms of some of the studies is that they mostly only go back to 1960 at the latest. And yet by my own admission we seem to be in a market that perhaps resembles the 30’s more than any other previous decade.

There are different schools of thought when it comes to the historical analysis. One says that you should find a period most similar to the current period and use that as a roadmap for your decision making. Human nature remains the same and it is likely the market will act in a similar fashion under similar circumstances. The other school of thought says that rather than focusing on a distant but similar past, you are better off focusing on the more recent past. Market behavior is determined by its participants. If we’re considering comparing today’s market to 1930 that’s fine, but there is no one trading now that was trading then. The makeup and experience of the current market participants is based on their own experiences in the last 5, 10, 20 years. It is their patterns of behavior over this time period that is more likely to determine their actions and ultimately the gyrations and direction of the market going forward.

I tend to favor the 2nd school of thought but readily admit the answer is probably more grey than black and white. But for those who subscribe more to the 1st school of thought I thought it would be an interesting exercise to run some recent tests over the 25 year period of 1929-1954 and see if results were similar or vastly different. Most of my breadth data only goes back as far as 1969 or so. Therefore I decided just to look at a couple of price studies.

First from Thursday night’s Letter:

S&P 500 closes at 50-day low 2 days ago. Yesterday it rises more than 1%. Today is again closes at 50-day low.											
Buy S&P 500 on close. Sell X days later. \$100k/trade. 1960 - present.											
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade	
10	\$31,343.36	8	5	3	62.50	\$6,811.87	(\$905.33)	7.52	12.54	\$3,917.92	
9	\$30,112.27	8	7	1	87.50	\$4,377.66	(\$531.34)	8.24	57.67	\$3,764.03	
8	\$17,145.23	8	4	4	50.00	\$6,490.51	(\$2,204.21)	2.94	2.94	\$2,143.15	
7	\$23,500.92	8	6	2	75.00	\$4,830.01	(\$2,739.56)	1.76	5.29	\$2,937.62	
6	\$21,082.74	8	6	2	75.00	\$4,844.94	(\$3,993.44)	1.21	3.64	\$2,635.34	
5	\$14,934.23	8	5	3	62.50	\$4,724.79	(\$2,896.58)	1.63	2.72	\$1,866.78	
4	\$14,756.46	9	6	3	66.67	\$4,575.75	(\$4,232.67)	1.08	2.16	\$1,639.61	
3	\$13,191.78	9	6	3	66.67	\$3,409.96	(\$2,422.66)	1.41	2.82	\$1,465.75	
2	\$10,136.83	9	4	5	44.44	\$5,076.88	(\$2,034.14)	2.50	2.00	\$1,126.31	
1	\$2,583.80	9	5	4	55.56	\$1,557.24	(\$1,300.60)	1.20	1.50	\$287.09	

Now let’s look at the same test from ‘29-‘54 for the Dow:

Dow makes a 50 day low. Then closes 1% higher the next day. Then the day after that closes at a new 50-day low.										
Buy on close. Sell X days later. \$100k/trade. 1929 - 1954.										
X Days	Net Profits	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
10	\$9,343.90	18	12	6	66.67	\$5,200.61	(\$8,843.90)	0.59	1.18	\$519.11
9	(\$8,531.90)	19	9	10	47.37	\$5,928.09	(\$6,188.47)	0.96	0.86	(\$449.05)
8	(\$19,757.80)	19	6	13	31.58	\$7,447.70	(\$4,957.23)	1.50	0.69	(\$1,039.88)
7	(\$19,996.30)	19	8	11	42.11	\$5,768.71	(\$6,013.27)	0.96	0.70	(\$1,052.44)
6	(\$26,741.90)	19	7	11	36.84	\$4,738.24	(\$5,446.33)	0.87	0.55	(\$1,407.47)
5	(\$8,475.00)	20	10	10	50.00	\$5,885.19	(\$6,732.69)	0.87	0.87	(\$423.75)
4	\$20,677.00	21	12	9	57.14	\$6,029.23	(\$5,741.52)	1.05	1.40	\$984.62
3	\$36,102.90	22	12	10	54.55	\$5,657.28	(\$3,178.44)	1.78	2.14	\$1,641.04
2	\$10,257.70	23	12	11	52.17	\$4,204.63	(\$3,654.35)	1.15	1.26	\$445.99
1	\$2,412.50	23	9	12	39.13	\$3,799.60	(\$2,648.66)	1.43	1.08	\$104.89

Rather than seeing the rally last 2 weeks or more, during the 30's and 40's the bounce often petered out after 3-4 days. Still, for the very short-term there still appeared to be a slight bullish bias.

Another recent bullish study looked at 5 lower closes at a 50-day low. Below is a similar study for the Dow from '29 - '54:

Dow Industrials make 5 lower closes and close at a 50-day low.										
Buy on close. Sell X days later. \$100k/trade. 1929 - 1954.										
X Days	Net Profits	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
10	\$28,116.40	22	14	8	63.64	\$4,454.57	(\$4,280.95)	1.04	1.82	\$1,278.02
9	\$13,039.60	22	12	10	54.55	\$4,944.38	(\$4,629.30)	1.07	1.28	\$592.71
8	\$14,599.50	22	12	10	54.55	\$4,433.89	(\$3,860.72)	1.15	1.38	\$663.61
7	\$17,222.20	23	12	11	52.17	\$4,285.63	(\$3,109.57)	1.38	1.50	\$748.79
6	\$25,693.40	23	13	10	56.52	\$4,110.85	(\$2,774.77)	1.48	1.93	\$1,117.10
5	\$17,063.40	23	13	10	56.52	\$3,278.53	(\$2,555.75)	1.28	1.67	\$741.89
4	\$23,943.90	23	15	8	65.22	\$2,918.31	(\$2,478.85)	1.18	2.21	\$1,041.04
3	\$11,667.50	23	15	8	65.22	\$2,828.79	(\$3,845.55)	0.74	1.38	\$507.28
2	\$15,741.90	23	15	8	65.22	\$2,260.12	(\$2,269.99)	1.00	1.87	\$684.43
1	\$22,530.10	23	16	7	69.57	\$1,880.31	(\$1,079.27)	1.74	3.98	\$979.57

Here again we are seeing bullish results. While I'm not sure it's necessary, I find it encouraging that some of the recent bullish studies I've cited also seemed to provide a bullish edge even during the difficult 29-54 period.

I'm still expecting a sizable multi-month rally to emerge here at some point. I've yet to see strong evidence that any such rally has begun or is days from beginning. I'll continue to watch for such evidence. Even while trying to capture such a rally I will remain alert to the idea that there is a good chance the anticipated rally will be largely or completely retraced.

Catapult and Capitulative Breadth Statistics

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

Open Catapult Triggers

RTN – bought 1/3 position @ \$37.71
BA – buy 1/3 position @ \$29.36 limit
RTN – no fill
JNJ – buy 1/3 position @ \$47.64 limit
UTX –no fill
KFT – no fill
COV – bought 1/3 position @ \$28.31 limit
COV – bought 1/3 position @ \$27.70

New

COV – buy 1/3 position @ \$28.31 limit
ORCL – buy 1/3 position @ \$13.85

Catapult for ETF's Trades

DIA – bought @ \$73.73 limit
XLF – bought @ \$6.05

Broad Market Large Cap CBI – 15/8 (RTN-2, JNJ, UTX, KFT, COV-3, ORCL)

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	3.49
DJ US Insurance Index	IAK	16.22	DJ US Financial	IYF	9.59
DJ US Regional Banks	IAT	18.75	DJ US Financial Services	IYG	11.19
DJ US Utilities	IDU	24.32	DJ US Healthcare	IYH	11.27
DJ US Oil&Gas Expl & Prod	IEO	8.62	DJ US Industrial Sector	IYJ	13.41
DJ US Oil Equip & Svcs	IEZ	3.85	DJ US Consumer Goods	IYK	7.48
DJ US Pharmaceuticals	IHE	16.22	DJ US Basic Materials	IYM	9.46
DJ US Healthcare Providers	IHF	10.20	DJ US Real Estate	IYR	3.66
DJ US Medical Devices	IHI	9.76	DJ US Transportation	IYT	28.57
DJ US Aerospace & Defense	ITA	13.89	DJ US Technology Sector	IYW	4.52
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	0.00
DJ US Consumer Svcs	IYC	7.89	Nasdaq 100	QQQQ	3.00

Many sectors are now greatly oversold and in need of a relief bounce.

Additional New Trade Ideas

See COV and ORCL triggers in Catapult section.

Active Trades Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
DOW(1/3)	2/17/2009	\$9.29	\$7.12	-23.36%		sold on open
DOW(1/3)	2/18/2009	\$8.62	\$7.12	-17.40%		sold on open
SPY(1/4)	2/18/2009	\$79.22	\$68.11	-14.02%		
DOW(1/3)	2/19/2009	\$8.60	\$7.12	-17.21%		sold on open
SPY(1/4)	2/19/2009	\$78.18	\$68.11	-12.88%		
DIA	2/23/2009	\$73.73	\$65.44	-11.24%		Catapult
SPY(1/4)	3/2/2009	\$72.52	\$68.11	-6.08%		
PM(1/3)	3/2/2009	\$32.79	\$34.07	3.90%		sold on close
PM(1/3)	3/3/2009	\$32.61	\$34.07	4.48%		sold on close
RTN(1/3)	3/3/2009	\$37.71	\$33.81	-10.34%		Catapult
BA(1/3)	3/3/2009	\$29.51	\$31.00	5.05%		sold on close
SPY(1/4)	3/3/2009	\$70.07	\$68.11	-2.80%		
GE(1/3)	3/4/2009	\$7.01	\$7.41	5.71%		sold on close
JNJ(1/3)	3/4/2009	\$47.64	\$46.60	-2.18%		Catapult
BA(1/3)	3/4/2009	\$29.36	\$31.00	5.59%		sold on close
RTN(1/3)	3/4/2009	\$36.45	\$33.81	-7.24%		Catapult
GE(1/3)	3/5/2009	\$6.69	\$7.41	10.76%		sold on close
COV(1/3)	3/6/2009	\$28.31	\$27.90	-1.45%		Catapult
XLF	3/9/2009	\$6.05	\$6.26	3.47%		Catapult
COV(1/3)	3/9/2009	\$27.70	\$27.90	0.72%		Catapult

Several Catapults have come off in the last few days. DOW was close to the worst ever.

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