

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 6, 2009

Volume 2 Issue 65

## 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
<b>Active</b>					
April 6, 2009	Bearish Perfect Storm	1-3 days	Bearish	-3.30%	-5.20%
April 2, 2009	2 Strong Breadth Days - No 10 High	1-8 days	Bearish	-3.30%	-6.00%
April 2, 2009	2 Days up in chop	1-4 days	Bearish		
April 1, 2009	1% below high but up on day	1-7 days	Bullish	6.10%	9.90%
<b>March 31, 2009</b>	<b>Double Dn 1.75% No 10-low</b>	<b>1-9 days</b>	<b>Bullish</b>	<b>5.00%</b>	<b>7.90%</b>
March 30, 2009	20 low range and vol while SPY>10ma	1-10 days	Bearish	-4.40%	-9.90%
March 25, 2009	20day high with low volume & range	1-10 days	Bearish	-2.50%	-4.60%
<b>Active - Long Term</b>					
April 6, 2009	Appel Daily Breadth	1-20 days	Bullish		
March 26, 2009	Rise after follow through day		Bullish		

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 4/6 – bearish*

The market stage a quiet day on Friday. A mild selloff in the morning led to an afternoon recovery. The last half hour of trading saw a fairly strong move to the upside that allowed the Nasdaq, S&P 500 and Russell 2000 to all close up about 1%. Breadth was again strong as advancers led decliners by about 2 to 1 and up volume outpaced down volume by nearly 4 to 1. Total volume came in extremely low, though.

From a short-term perspective, Friday's action was a near perfect storm of bearish indications. Notable on the daily price chart are the following:

- 1) The market has risen for more than 3 days in a row while under the 200ma.
- 2) Friday's percent rise was the smallest of the recent 4-day rally.
- 3) The volume was weak.
- 4) The S&P 500 hit a new 20-day high.
- 5) SPY volume was the lowest in over a month.
- 6) The range was small.
- 7) SPY had an inside day (especially bearish in a short-term up move).

Separately any one of the conditions listed above would have bearish implications. Combined I'd say the case for a short-term pullback is building up a real head of steam. Let's break down some of the edges listed.

Edges #1 - #3 were discussed on [the blog on 6/17/08](#). In that post it was shown that when there are 3 higher closes under the 200ma and the most recent rise is the smallest, it often leads to a pullback. Further, the study showed the bearish edge is significantly stronger when there is not a pattern of rising volume. I'd recommend clicking the link above and checking out the post for further details.

The S&P hitting new highs was discussed in Friday's Letter and in [Friday's blog](#) as well. It has often set the stage for a pullback.

In the March 25<sup>th</sup> Subscriber Letter I looked at low volume and also low range. Below is a study from that Letter.

*The low volume – especially the extremely low volume in SPY has led to difficulties in the past. Below is an updated table from the 4/22/08 blog post that looks at low volume in the SPY.*

<i>SPY posts the lowest volume in 20 days and closes above its 10-day moving average.</i>										
<i>Buy on close. Sell X days later. \$100k/trade. 1994-present.</i>										
X days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Fact	Avg Trade
10	(\$48,378.40)	124	63	61	50.81	\$2,243.50	(\$3,110.15)	0.72	0.74	(\$390.15)
9	(\$50,333.56)	127	72	55	56.69	\$1,900.84	(\$3,403.53)	0.56	0.73	(\$396.33)
8	(\$36,327.38)	135	76	59	56.30	\$1,867.05	(\$3,020.73)	0.62	0.80	(\$269.09)
7	(\$47,359.71)	138	69	68	50.00	\$1,830.20	(\$2,553.58)	0.72	0.73	(\$343.19)
6	(\$53,862.21)	141	67	73	47.52	\$1,705.59	(\$2,303.24)	0.74	0.68	(\$382.00)
5	(\$69,767.74)	150	67	82	44.67	\$1,517.30	(\$2,090.57)	0.73	0.59	(\$465.12)
4	(\$52,266.45)	159	75	84	47.17	\$1,236.11	(\$1,725.89)	0.72	0.64	(\$328.72)
3	(\$51,770.93)	163	63	99	38.65	\$1,331.30	(\$1,370.13)	0.97	0.62	(\$317.61)
2	(\$42,555.83)	173	72	101	41.62	\$1,003.37	(\$1,136.62)	0.88	0.63	(\$245.99)
1	(\$38,128.63)	197	80	116	40.61	\$730.31	(\$832.36)	0.88	0.61	(\$193.55)

*Here we see that extremely low volume in SPY has produced mildly bearish expectations over the next 1-10 days. The low volume signifies a drying up of buying interest. The price requirement in this test was quite loose, though. It only required a close above the 10ma.*

I also looked at low range, and then a combination of the 2 when the market was trading at a 20-day high. Below is that table along with its notes:

<b>SPY posts highest high in the last 20 days, but volume is the lowest in 20 days. Intraday range is the smallest of the last 4 days.</b>										
<b>Buy on close. Sell X days later. \$100k/trade. 1993-present.</b>										
X days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Fact	Avg Trade
10	(\$22,675.41)	18	6	12	33.33	\$1,230.69	(\$2,504.96)	0.49	0.25	(\$1,259.75)
9	(\$9,910.45)	18	8	10	44.44	\$1,350.25	(\$2,071.24)	0.65	0.52	(\$550.58)
8	(\$7,136.51)	18	7	11	38.89	\$1,699.21	(\$1,730.09)	0.98	0.63	(\$396.47)
7	(\$3,549.34)	18	8	9	44.44	\$1,652.61	(\$1,863.36)	0.89	0.79	(\$197.19)
6	(\$6,272.32)	18	8	10	44.44	\$1,187.91	(\$1,577.56)	0.75	0.60	(\$348.46)
5	(\$5,889.76)	18	11	7	61.11	\$730.21	(\$1,988.87)	0.37	0.58	(\$327.21)
4	(\$7,717.62)	18	11	7	61.11	\$813.13	(\$2,380.30)	0.34	0.54	(\$428.76)
3	(\$8,325.46)	18	8	10	44.44	\$656.30	(\$1,357.59)	0.48	0.39	(\$462.53)
2	(\$5,462.17)	18	8	10	44.44	\$511.83	(\$955.68)	0.54	0.43	(\$303.45)
1	(\$2,297.27)	20	7	13	35.00	\$359.25	(\$370.16)	0.97	0.52	(\$114.86)

Combining both low volume and low range is more bearish than either criteria by itself. Noteworthy about the above study is that 19 of the 20 instances posted a close below the trigger-day close at some point over the next 4 days. If you look out 10 days (a bit too far for comfort) then all 20 would've posted at least 1 close below the trigger day close.

Incidentally the March 24<sup>th</sup> instance also posted a close below the trigger day within 4 days, making it 20 for 21.

Inside days have also been a harbinger of a move lower over the last several years. I looked at this in some detail in the [March 26<sup>th</sup>, 2008 blog post](#). I re-ran some tests from that blog since it was done over a year ago. In the 1<sup>st</sup> test below I show the returns following all inside days going back to 2001.

<b>SPY posts an inside day.</b>										
<b>Buy on close. Sell X days later. \$100k/trade. 1/1/2001 - present.</b>										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
10	(\$48,870.66)	118	59	59	50.00	\$2,271.69	(\$3,100.00)	0.73	0.73	(\$414.16)
9	(\$46,403.78)	124	63	61	50.81	\$2,061.39	(\$2,889.69)	0.71	0.74	(\$374.22)
8	(\$19,071.42)	134	72	62	53.73	\$2,013.46	(\$2,645.81)	0.76	0.88	(\$142.32)
7	(\$13,849.61)	142	73	69	51.41	\$1,915.64	(\$2,227.41)	0.86	0.91	(\$97.53)
6	(\$37,830.42)	158	70	88	44.30	\$1,887.78	(\$1,931.54)	0.98	0.78	(\$239.43)
5	(\$41,372.29)	168	85	83	50.60	\$1,598.89	(\$2,135.88)	0.75	0.77	(\$246.26)
4	(\$45,337.04)	188	89	99	47.34	\$1,618.06	(\$1,912.57)	0.85	0.76	(\$241.15)
3	(\$58,734.67)	203	94	109	46.31	\$1,445.26	(\$1,785.22)	0.81	0.70	(\$289.33)
2	(\$44,291.72)	233	108	124	46.35	\$1,031.39	(\$1,255.50)	0.82	0.72	(\$190.09)
1	(\$45,403.19)	241	111	130	46.06	\$780.92	(\$1,016.04)	0.77	0.66	(\$188.39)

As you can see, inside days on their own have led to a mild bearish edge. Most of this edge plays out in the 1<sup>st</sup> 1-3 days. The 2<sup>nd</sup> test I ran on that blog looked at inside days after short-term strength as measured by the 3-period RSI. I reproduced that test below also.

<b>SPY posts an inside day. It's 3-day RSI closes above 70.</b>										
<b>Buy on close. Sell X days later. \$100k/trade. 1/1/2001 - present.</b>										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
10	(\$33,125.62)	40	18	22	45.00	\$1,497.41	(\$2,730.87)	0.55	0.45	(\$828.14)
9	(\$30,782.49)	41	22	19	53.66	\$1,152.10	(\$2,954.14)	0.39	0.45	(\$750.79)
8	(\$24,368.21)	44	24	20	54.55	\$1,144.27	(\$2,591.54)	0.44	0.53	(\$553.82)
7	(\$27,800.29)	44	20	24	45.45	\$1,056.57	(\$2,038.82)	0.52	0.43	(\$631.82)
6	(\$25,544.55)	45	16	29	35.56	\$1,205.54	(\$1,545.97)	0.78	0.43	(\$567.66)
5	(\$25,098.79)	45	21	24	46.67	\$1,042.37	(\$1,957.85)	0.53	0.47	(\$557.75)
4	(\$24,580.62)	48	21	27	43.75	\$811.03	(\$1,541.19)	0.53	0.41	(\$512.10)
3	(\$18,858.76)	49	20	29	40.82	\$805.43	(\$1,205.77)	0.67	0.46	(\$384.87)
2	(\$10,678.67)	51	25	26	49.02	\$540.18	(\$930.12)	0.58	0.56	(\$209.39)
1	(\$6,897.14)	52	21	31	40.38	\$522.38	(\$576.36)	0.91	0.61	(\$132.64)

As you'd expect, results here are even a bit more bearish.

While I mentioned there being a bearish edge when the market moves up 3 days in a row in that old blog post, I didn't combine it with an inside day. Tonight I did:

<b>SPY posts an inside day. It also closes higher for at least the 3rd day in a row.</b>										
<b>Buy on close. Sell X days later. \$100k/trade. 1/1/2001 - present.</b>										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
10	(\$47,263.01)	24	12	12	50.00	\$1,533.07	(\$5,471.65)	0.28	0.28	(\$1,969.29)
9	(\$39,539.26)	24	14	9	58.33	\$1,442.13	(\$6,636.56)	0.22	0.34	(\$1,647.47)
8	(\$26,800.23)	24	13	11	54.17	\$1,588.08	(\$4,313.21)	0.37	0.44	(\$1,116.68)
7	(\$35,226.98)	24	13	11	54.17	\$1,182.96	(\$4,600.50)	0.26	0.30	(\$1,467.79)
6	(\$29,531.60)	24	10	14	41.67	\$1,031.44	(\$2,846.14)	0.36	0.26	(\$1,230.48)
5	(\$22,357.24)	24	9	15	37.50	\$1,197.58	(\$2,209.03)	0.54	0.33	(\$931.55)
4	(\$23,675.20)	24	9	15	37.50	\$993.87	(\$2,174.67)	0.46	0.27	(\$986.47)
3	(\$27,490.35)	24	6	18	25.00	\$1,312.21	(\$1,964.65)	0.67	0.22	(\$1,145.43)
2	(\$11,555.58)	25	10	15	40.00	\$743.03	(\$1,265.73)	0.59	0.39	(\$462.22)
1	(\$5,002.22)	25	12	13	48.00	\$945.29	(\$1,257.36)	0.75	0.69	(\$200.09)

Only 25% of instances were higher looking out 3 days and losers were 50% bigger than winners. This suggests a substantial downside edge.

I mentioned at the beginning of this Letter that it's almost a perfect storm of short-term bearish indications arriving on Friday. So what might happen when such a perfect storm arrives? I combined several of the mentioned edges and came out with the following test:

<b>SPY closes up at least 3 days in a row and under the 200-day moving average. Today is an inside day and the volume is the lowest of the upmove. Buy on close. Sell X days later. \$100k/trade. 1993-present</b>										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
5	(\$16,955.62)	7	1	5	14.29	\$1,304.16	(\$3,651.96)	0.36	0.07	(\$2,422.23)
4	(\$17,759.57)	7	1	6	14.29	\$306.16	(\$3,010.96)	0.10	0.02	(\$2,537.08)
3	(\$21,159.02)	7	0	7	0.00	\$0.00	(\$3,022.72)	0.00	0.00	(\$3,022.72)
2	(\$13,063.25)	7	1	6	14.29	\$23.66	(\$2,181.15)	0.01	0.00	(\$1,866.18)
1	(\$3,073.60)	7	3	4	42.86	\$2,560.49	(\$2,688.77)	0.95	0.71	(\$439.09)

SPY only goes back to 1993 and instances are quite low here, but it's interesting to see that after 3 days, every trade was a loser and the average loss was 3%.

To see if I could uncover more instances I also ran the test on the SPX. In this case I was able to run it back to 1978.

<b>SPX closes up at least 3 days in a row and under the 200-day moving average. Today is an inside day and the volume is the lowest of the upmove. Buy on close. Sell X days later. \$100k/trade. 1978-present</b>										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
5	(\$12,218.79)	6	2	4	33.33	\$810.79	(\$3,460.09)	0.23	0.12	(\$2,036.47)
4	(\$17,259.89)	6	1	5	16.67	\$490.88	(\$3,550.15)	0.14	0.03	(\$2,876.65)
3	(\$14,269.36)	6	0	6	0.00	\$0.00	(\$2,378.23)	0.00	0.00	(\$2,378.23)
2	(\$11,311.47)	6	0	6	0.00	\$0.00	(\$1,885.25)	0.00	0.00	(\$1,885.25)
1	\$3,857.04	6	4	2	66.67	\$1,375.75	(\$822.98)	1.67	3.34	\$642.84

Again all instances were losers after 3 days. I then listed all the instances to see what ones may have overlapped:

First, here are all the SPY instances with a 3-day exit:

Date/Time	Signal	Price	Roll Over USD/Lot	Shares/Ctrts Profit	Net Profit Cum Net Profit	% Profit	Run-up DrawDown
09/15/98	Buy	\$104.06	\$0.00	960	(\$1,891.20)	(1.89%)	\$1,142.40
09/18/98	Sell	\$102.09			(\$1,891.20)		(\$2,851.20)
10/23/00	Buy	\$140.53	\$0.00	711	(\$2,730.24)	(2.73%)	\$1,002.51
10/26/00	Sell	\$136.69			(\$2,730.24)		(\$4,642.83)
03/25/08	Buy	\$134.85	\$0.00	741	(\$2,474.94)	(2.48%)	\$177.84
03/28/08	Sell	\$131.51			(\$2,474.94)		(\$2,808.39)
05/30/08	Buy	\$140.35	\$0.00	712	(\$1,658.96)	(1.66%)	\$0.00
06/04/08	Sell	\$138.02			(\$1,658.96)		(\$2,221.44)
09/26/08	Buy	\$120.85	\$0.00	827	(\$3,961.33)	(3.96%)	\$0.00
10/01/08	Sell	\$116.06			(\$3,961.33)		(\$8,170.76)
11/03/08	Buy	\$97.11	\$0.00	1029	(\$6,431.25)	(6.44%)	\$3,858.75
11/06/08	Sell	\$90.86			(\$6,431.25)		(\$7,254.45)
01/27/09	Buy	\$84.53	\$0.00	1183	(\$2,011.10)	(2.01%)	\$4,045.86
01/30/09	Sell	\$82.83			(\$2,011.10)		(\$2,744.56)
04/03/09	Buy	\$84.26		1186	n/a	n/a	\$0.00
open	n/a	\$84.26		n/a	n/a		\$0.00

Next I listed the SPX instances with a 3-day exit (both qualified on Friday):

Date/Time	Signal	Price	Roll Over USD/Lot	Shares/Ctrts Profit	Net Profit Cum Net Profit	% Profit	Run-up DrawDown
04/29/80	Buy	\$105.86	\$0.00	944	(\$264.32)	(0.26%)	\$944.00
05/02/80	Sell	\$105.58			(\$264.32)		(\$1,283.84)
09/11/81	Buy	\$121.61	\$0.00	822	(\$2,260.50)	(2.26%)	\$320.58
09/16/81	Sell	\$118.86			(\$2,260.50)		(\$3,477.06)
01/06/88	Buy	\$258.88	\$0.00	386	(\$4,396.54)	(4.40%)	\$941.84
01/11/88	Sell	\$247.49			(\$4,396.54)		(\$6,874.66)
11/05/02	Buy	\$915.39	\$0.00	109	(\$2,250.85)	(2.26%)	\$1,120.52
11/08/02	Sell	\$894.74			(\$2,250.85)		(\$2,586.57)
03/25/08	Buy	\$1,352.98	\$0.00	73	(\$2,757.21)	(2.79%)	\$0.00
03/28/08	Sell	\$1,315.21			(\$2,757.21)		(\$2,922.19)
01/27/09	Buy	\$845.71	\$0.00	118	(\$2,339.94)	(2.34%)	\$3,754.76
01/30/09	Sell	\$825.88			(\$2,339.94)		(\$2,836.72)
04/03/09	Buy	\$842.50		118	n/a	n/a	\$0.00
open	n/a	\$842.50		n/a	n/a		\$0.00

You'll note that prior to Friday, only 2 instances overlapped. Those were 3/25/08 and 1/27/09. Therefore, our Short-Term Perfect Storm Combo is 11 for 11 with an average loss of 2.8% over the next 3 days.

Tonight's [Aggregator](#) chart is below:



The green Aggregator line has now flipped down below the zero line. This indicates a negative expectation by the studies over the next few days. The black differential line remains well below 0, showing that the S&P has strongly outperformed expectations over the last few days. The combination of recent outperformance and the expectation of a drop suggests an edge to the downside in the coming days. I'll be looking to scale in to an index short position over the next couple of days.

It's vital to keep in mind that a short at this point should be considered a counter-trend trade. When trading counter trend, it's important to take profits rather quickly, otherwise they serve a good chance of disappearing and becoming losses. This is my intention. Should the market sell off as I anticipate it won't take me more than a couple of days to exit the short and wait for the next edge to avail itself. If the intermediate-term trend were down then I'd be more willing to let some or all of the position ride for a while.

### ***Intermediate-term Outlook (2 weeks – 2 months)–neutral -updated 4/6***

I've mentioned before Gerald Appel's Daily Breadth Impulse Signal. It was published in his book "Technical Analysis - Power Tools for Active Investors". Essentially it looks to enter the market when the 10-day exponential average of advancers/decliners hits an extreme. The trade closes when the same measure eventually declines to a certain number. (Since it's not my system I'm not comfortable revealing it in whole but for those interested it can be found in chapter 6 on page 142.) A chart of the indicator can be found on the Quantifiable Edges charts page. The system triggered again at the close on Thursday.

The system was published in 2004 and up until that time it had a terrific track record. Since then it has registered 4 new signals (not including this most recent one). The last 3 of those four signals have all been losers. Perhaps the system was over optimized and perhaps breadth signals in general have become less reliable lately. I suspect it is a little of both. In any case, it will be important to monitor the success of this system as I'm close to removing it from my arsenal as a long signal.

Below is the long-term performance:

TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$86,964.45	Profit Factor	4.38	
Gross Profit	\$112,698.81	Gross Loss	(\$25,734.36)	
Roll Over Credit	\$0.00			
Open Position Profit/Loss	\$966.28			
Select Total Net Profit	\$86,964.45	Select Profit Factor	4.38	
Select Gross Profit	\$112,698.81	Select Gross Loss	(\$25,734.36)	
Adjusted Total Net Profit	\$55,846.57	Adjusted Profit Factor	2.63	
Adjusted Gross Profit	\$90,159.05	Adjusted Gross Loss	(\$34,312.48)	
Total Number of Trades	34	Percent Profitable	73.53%	
Winning Trades	25	Losing Trades	9	
Even Trades	0			
Avg. Trade Net Profit	\$2,557.78	Ratio Avg. Win:Avg. Loss	1.58	
Avg. Winning Trade	\$4,507.95	Avg. Losing Trade	(\$2,859.37)	
Largest Winning Trade	\$12,471.48	Largest Losing Trade	(\$7,424.82)	
Largest Winner as % of Gross Profit	11.07%	Largest Loser as % of Gross Loss	28.85%	

If you switch the exit to a simple time-based trigger, the results would look like this:

Appel Daily Breadth Signal triggers. Buy on close. Sell X days later. \$100k/trade. 1970-present.										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Factor	Avg Trade
20	\$101,766.94	37	29	8	78.38	\$4,412.13	(\$3,273.10)	1.35	4.89	\$2,750.46
19	\$101,511.72	38	30	8	78.95	\$4,309.58	(\$3,471.96)	1.24	4.65	\$2,671.36
18	\$95,810.91	39	30	9	76.92	\$4,151.70	(\$3,193.34)	1.30	4.33	\$2,456.69
17	\$82,110.22	39	30	9	76.92	\$3,738.31	(\$3,337.67)	1.12	3.73	\$2,105.39
16	\$81,564.03	39	29	10	74.36	\$3,817.92	(\$2,915.57)	1.31	3.80	\$2,091.39
15	\$78,469.37	39	30	9	76.92	\$3,483.85	(\$2,894.01)	1.20	4.01	\$2,012.04
14	\$74,643.95	39	31	8	79.49	\$3,229.80	(\$3,184.96)	1.01	3.93	\$1,913.95
13	\$74,840.86	41	33	8	80.49	\$3,077.91	(\$3,341.28)	0.92	3.80	\$1,825.39
12	\$76,901.82	42	33	9	78.57	\$3,093.96	(\$2,799.89)	1.11	4.05	\$1,831.00
11	\$67,295.11	43	36	7	83.72	\$2,673.88	(\$4,137.78)	0.65	3.32	\$1,565.00
10	\$66,023.56	43	35	8	81.40	\$2,551.80	(\$2,911.19)	0.88	3.83	\$1,535.43
9	\$55,739.07	45	34	11	75.56	\$2,474.20	(\$2,580.35)	0.96	2.96	\$1,238.65
8	\$48,163.27	48	32	16	66.67	\$2,631.71	(\$2,253.22)	1.17	2.34	\$1,003.40
7	\$43,192.96	49	35	14	71.43	\$2,158.46	(\$2,310.93)	0.93	2.34	\$881.49
6	\$40,330.12	50	35	15	70.00	\$2,033.69	(\$2,056.60)	0.99	2.31	\$806.60
5	\$33,713.71	54	38	16	70.37	\$1,680.90	(\$1,885.02)	0.89	2.12	\$624.33
4	\$18,987.16	56	32	24	57.14	\$1,496.81	(\$1,204.62)	1.24	1.66	\$339.06
3	\$1,609.70	59	28	31	47.46	\$1,489.02	(\$1,293.00)	1.15	1.04	\$27.28
2	\$2,803.11	61	33	28	54.10	\$942.04	(\$1,010.15)	0.93	1.10	\$45.95
1	\$7,115.39	62	36	26	58.06	\$686.44	(\$676.79)	1.01	1.40	\$114.76

While results from 1-4 weeks look good, it is interesting to not that there is no edge over the 1<sup>st</sup> 3 days. The next three days are when our short-term bearish signals are most prolific.

The other intermediate-term signal that is still active is the [short-term Follow Through Day success signal](#). In my detailed study on Follow through days I found that their ultimate success could most often be predicted by their short-term success. In the case of the March 12<sup>th</sup> follow through day, the market continued higher over the next week. This suggests the S&P 500 is likely to hit 920 before breaking below 666.

The intermediate-term remains tricky. We have some intermediate-term indications that the rally could continue. Indicators with bearish implications are all short-term at this point. Still, how high is too high? The S&P has already risen over 25% off its bottom less than a month ago. That would seem to be an unmanageable pace, although it's tough to say anything is impossible these days.

I would expect what we will begin to see fairly soon is a consolidation phase where volatility will likely drop and the monster moves of the last several months will dissipate. Having not found any substantial warning signs as of yet I'm inclined to maintain a short-term focus.

### **Catapult and Capitulative Breadth Statistics**

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

#### ***Open Catapult Triggers***

none

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

none

#### ***Broad Market Large Cap CBI – 0***

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

<b>Index</b>	<b>ETF</b>	<b>CBI %</b>	<b>Index</b>	<b>ETF</b>	<b>CBI %</b>
DJ US Broker Dealers	IAI	0.00	DJ US Energy	IYE	0.00
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	0.00	DJ US Consumer Goods	IYK	0.00
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	0.00
DJ US Home Construction	ITB	0.00	DJ US Telecommunications	IYZ	0.00
DJ US Consumer Svcs	IYC	0.00	Nasdaq 100	QQQQ	0.00

Nothing happening here.

### **Additional New Trade Ideas**

*SPY – short 1/4 index position @ \$84.26 limit.* Based on the short-term market outlook section above

*SPY – short 1/4 index position @ \$85.50. If not filled, then short @ \$84.50 limit ON CLOSE.* With a fairly strong apparent edge and a short time-window I'm looking to get aggressive quicker than usual and could be 50% in by the end of the day.

### **Active Trades Table**

*None*

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2009 Hanna Capital Management, LLC