

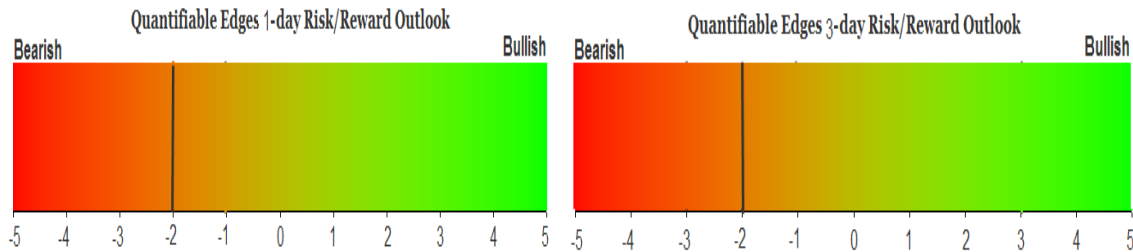
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 28, 2009

Volume 2 Issue 249

Market Overview



Tonight's Research Points

- Pre-holiday trading leaves little in the way of clues.
- More bearish intermediate-term studies were added this week.
- Aggregator System remains short..

Short-term Outlook – updated 12/28

The Bottom Line

The market is short-term overbought and the Aggregator is suggesting a downside edge. The edge is very slight, though and while I continue to try and take advantage of it, I'm still not looking to get aggressively short..

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
Active				
December 24, 2009	SPX up. VIX up. Midweek.	1-4 days	Bearish	-1.70%
December 23, 2009	Twas 3 nights before Christmas	1-5 days	Bullish	
December 23, 2009	SPX 10-high on 10-low vol. Close>200	1-5 days	Bearish	-2.20%
December 21, 2009	Low HV with no new highs	1-8 days	Bearish	-3.50%
December 18, 2009	SPX down 1% & Declines 2x Advancers	1-9 days	Bullish	3.40%
Active - Long Term				
December 23, 2009	SPX and TNX hit 50-day high	1-10 weeks	Bearish	
December 23, 2009	Low p/c without strong SPX rise	1-5 weeks	Bearish	
December 7, 2009	Nasdaq Leading S&P	int. term	Bullish	
December 2, 2009	VIX:VXV crosses below 0.9	2-5 months	Bearish	

If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

The Evidence

The market gapped up and then quickly moved higher on Christmas Eve. The gains were completed in the first 35 minutes and the market then drifted quietly sideways for the rest of the shortened day on light volume. The morning gap never did fill. The S&P 500 and Russell 2000 rose about 0.5% while the Nasdaq finished up 0.7%. Breadth was solidly positive with the NYSE Up Issues % at 74% and the Up Volume % at 82%. Total volume was extremely light. Due to the holiday, and the extended weekend taken by most traders (including myself with 0 shares traded on Thursday) I'm inclined to ignore both breadth and volume statistics.

The Quantifinder was filled with studies tonight, but I really didn't find any short-term that were 1) compelling and 2) triggered without much assistance from the fact that Thursday was holiday trading.

The only short-term study with bullish implications was breadth related and it was a rather weak breadth-thrust type of study from the 9/8/09 Subscriber Letter. Below is the study as it appeared in that Letter (stats not updated):

<p style="text-align: center;">NYSE Up Issues % closes above 70% for 2 days in a row. SPX makes a 10-day intraday high today. Buy SPX on close. Sell X days later. \$100k/trade. 1970 -present.</p>										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	70,103.77	75	44	31	58.67	3,448.69	-2,633.50	1.31	1.86	934.72
14	76,693.30	75	44	31	58.67	3,252.63	-2,142.66	1.52	2.15	1,022.58
13	75,718.79	76	48	28	63.16	3,058.84	-2,539.48	1.20	2.06	996.30
12	52,548.75	76	47	29	61.84	2,748.22	-2,641.99	1.04	1.69	691.43
11	47,422.65	76	49	27	64.47	2,600.60	-2,963.22	0.88	1.59	623.98
10	58,201.91	77	50	27	64.94	2,605.22	-2,668.86	0.98	1.81	755.87
9	42,285.84	78	45	33	57.69	2,561.13	-2,211.06	1.16	1.58	542.13
8	33,534.77	79	47	32	59.49	2,296.30	-2,324.72	0.99	1.45	424.49
7	28,468.03	80	46	34	57.50	2,344.73	-2,334.99	1.00	1.36	355.85
6	29,759.81	84	49	35	58.33	2,053.79	-2,025.02	1.01	1.42	354.28
5	28,644.45	85	50	35	58.82	1,775.01	-1,717.32	1.03	1.48	336.99
4	15,949.59	86	49	37	56.98	1,548.48	-1,619.62	0.96	1.27	185.46
3	10,371.96	88	47	41	53.41	1,411.06	-1,364.59	1.03	1.19	117.86
2	11,439.73	92	53	39	57.61	987.72	-1,048.96	0.94	1.28	124.34
1	10,286.85	101	54	46	53.47	658.32	-549.18	1.20	1.41	101.85

The other non-volume studies were all related to the low historical volatility reading. In the 10/12/09 Subscriber Letter I found that short-term overbought readings that were accompanied by a very low 3/10 offset historical volatility reading (under 0.25) often predicted a selloff when the market was in a long term downtrend. When in a long term uptrend, the results were particularly bullish or bearish. Below is the statistics tables copied from that Letter (not updated).

SPX 3/10 offset HV closes < 0.25 and RSI(3) > 70. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	3,517.00	33	19	14	57.58	1,101.30	-1,243.41	0.89	1.20	106.58
4	2,109.21	34	18	16	52.94	1,022.45	-1,018.43	1.00	1.13	62.04
3	-751.61	34	17	17	50.00	828.01	-872.22	0.95	0.95	-22.11
2	801.66	37	20	17	54.05	696.89	-772.72	0.90	1.06	21.67
1	507.16	48	25	23	52.08	461.38	-479.45	0.96	1.05	10.57

The current 3-day RSI is about 86. I ran the above using 85 and higher also and didn't find those results to be compelling either. So although we are overbought and historical volatility has tightened, that doesn't suggest the market is set up for a sharp move down.

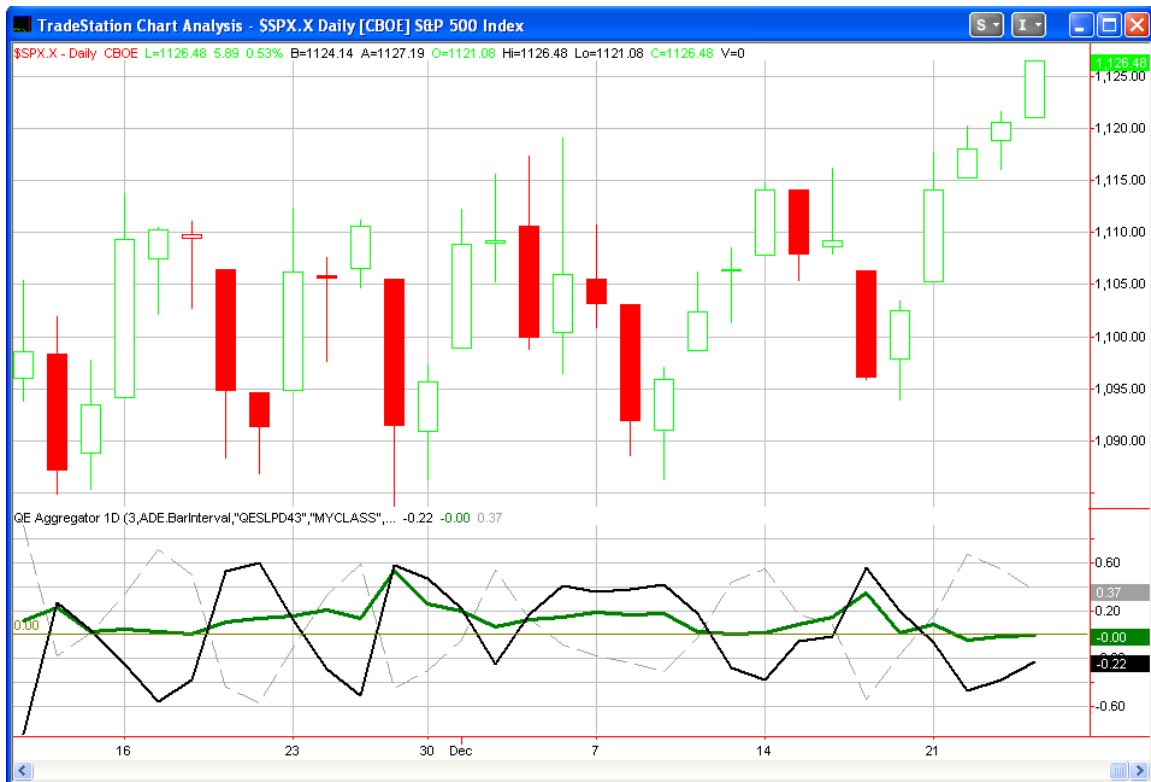
We're in a seasonally strong period but the last 5 days have been a bit stronger than usual with the S&P rising over 2.5%. I looked at all the periods since 1961 where the market rose during the week leading up to Christmas. I then measured the return through the rest of the year based on the size of the 5-day runup.

SPX rises more than X% in the 5 days leading up to Christmas. Buy SPX the close before Christmas. Sell the close on the last day of the year. \$100k/trade. 1961 - present.										
X%	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
0.0	10,697.14	23	14	9	60.87	1,356.94	-922.23	1.47	2.29	465.09
0.5	4,674.61	17	10	7	58.82	1,113.21	-922.50	1.21	1.72	274.98
1.0	2,618.51	12	7	5	58.33	1,156.38	-1,095.23	1.06	1.48	218.21
1.5	2,285.81	9	5	4	55.56	1,512.95	-1,319.73	1.15	1.43	253.98
2.0	366.13	7	3	4	42.86	1,881.68	-1,319.73	1.43	1.07	52.30
2.5	-502.80	5	2	3	40.00	2,340.29	-1,727.79	1.35	0.90	-100.56
3.0	-502.80	5	2	3	40.00	2,340.29	-1,727.79	1.35	0.90	-100.56

Overall it appears that the stronger the move up, the more the subsequent week's performance is reduced. The results don't appear terribly convincing, though. Even the weakest results are still just 3 to 2 on favor of the bears. Certainly nowhere near a significant number. And of course these results wouldn't seem to indicate a strong seasonal bias. In general the more short-term overbought a market is, the more likely it is to pause or pull back temporarily.

As I stated before, my strongest inclination is to basically ignore Thursday's action and look for further clues based on the action early this week.

I have updated the [Aggregator](#) chart below.



With nothing being added or subtracted from the Active Studies List tonight the Aggregator configuration was largely unchanged. The active studies still suggest a slight negative bias over the next few days as illustrated by the green Aggregator line. The black Differential line is still showing the SPX has outperformed expectations over the last few days. Both lines below zero is a historically bearish short-term configuration. The Aggregator system remains short again tonight.

Based on the Active Studies list, without new studies being added the green Aggregator line will remain negative for the new couple of days. For the black Differential line to flip positive tomorrow the SPX would need to close at 1,118.63 or lower. Overall the downside edge appear rather small and while taking some short exposure at the moment I'm not looking to get overly aggressive.

Intermediate-term Outlook (2 weeks – 2 months)– updated 12/28 –neutral

Several studies appeared this week with possible negative intermediate-term implications. The first was from the December 21st Letter:

20-day Historical Volatility makes a new 20-day low for at least the 3rd time in the last 10 days. SPX has 0 20-day highs in the last 10 days. Buy on close. Sell X days later. \$100k/trade. 1999 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
20	-39,718.94	19	8	11	42.11	3,333.75	-6,035.36	0.55	0.40	-2,090.47
19	-34,411.89	19	9	10	47.37	2,833.09	-5,990.97	0.47	0.43	-1,811.15
18	-42,644.97	19	8	11	42.11	2,820.45	-5,928.05	0.48	0.35	-2,244.47
17	-41,867.51	19	6	13	31.58	3,212.93	-4,703.47	0.68	0.32	-2,203.55
16	-53,543.50	19	6	13	31.58	2,026.57	-5,054.07	0.40	0.19	-2,818.08
15	-48,467.67	19	6	13	31.58	2,054.95	-4,676.72	0.44	0.20	-2,550.93
14	-32,859.89	19	6	13	31.58	2,462.75	-3,664.34	0.67	0.31	-1,729.47
13	-23,934.03	19	8	11	42.11	1,925.70	-3,576.33	0.54	0.39	-1,259.69
12	-25,153.95	20	8	12	40.00	1,800.71	-3,296.64	0.55	0.36	-1,257.70
11	-28,473.09	20	8	12	40.00	1,953.85	-3,675.33	0.53	0.35	-1,423.65
10	-37,088.68	20	8	12	40.00	1,597.78	-4,155.91	0.38	0.26	-1,854.43
9	-34,046.84	20	6	14	30.00	1,982.71	-3,281.65	0.60	0.26	-1,702.34
8	-40,179.34	22	6	16	27.27	1,812.20	-3,190.78	0.57	0.21	-1,826.33
7	-26,617.61	22	7	15	31.82	1,353.13	-2,405.97	0.56	0.26	-1,209.89
6	-22,335.84	22	8	14	36.36	1,109.03	-2,229.15	0.50	0.28	-1,015.27
5	-25,085.41	24	9	15	37.50	1,206.91	-2,396.51	0.50	0.30	-1,045.23
4	-14,213.42	27	10	17	37.04	1,928.67	-1,970.59	0.98	0.58	-526.42
3	-17,405.44	31	13	18	41.94	1,545.03	-2,082.82	0.74	0.54	-561.47
2	-10,917.85	38	17	21	44.74	1,212.51	-1,501.45	0.81	0.65	-287.31
1	-8,107.03	52	24	28	46.15	1,091.80	-1,225.37	0.89	0.76	-155.90

The low HV without accompanying new highs suggested the rally may roll over. You note this study gets progressively weaker as you move from 1 to 2 weeks out and that is where we are headed over the next few days. And there may be another week and a half or so of negative inclinations according to this study.

The next study had to do with the fact that bond rates are making new highs along with stocks. From the 12/23 Letter:

SPX and TNX (10-year bond rates) both close at 50-day highs. Buy on close. Sell X days later. \$100k/trade. 1963 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	-41,299.87	33	14	19	42.42	3,300.98	-4,605.98	0.72	0.53	-1,251.51
45	-28,658.52	34	15	19	44.12	3,787.60	-4,498.55	0.84	0.66	-842.90
40	-15,277.51	35	17	18	48.57	3,748.80	-4,389.28	0.85	0.81	-436.50
35	-17,059.71	37	17	20	45.95	3,318.07	-3,673.35	0.90	0.77	-461.07
30	-11,331.28	38	16	22	42.11	3,527.72	-3,080.67	1.15	0.83	-298.19
25	-1,396.59	39	18	21	46.15	2,884.59	-2,539.01	1.14	0.97	-35.81
20	-29,783.45	41	21	20	51.22	1,716.55	-3,291.55	0.52	0.55	-726.43
15	-32,278.25	41	20	21	48.78	1,596.33	-3,057.37	0.52	0.50	-787.27
10	-13,248.66	46	26	20	56.52	1,227.63	-2,258.36	0.54	0.71	-288.01
5	-7,261.45	62	32	30	51.61	1,060.31	-1,373.05	0.77	0.82	-117.12

Generally it seems that higher interest rates have often made bonds an attractive investment. This may lead people to forsake stocks in favor of lower risk returns with improved yield. Implications of this study appear to be longer-term in nature than we usually see. It will need to be kept in mind in the coming weeks.

This study didn't appear strongly bearish in the short-term time frame, but intermediate risks do appear elevated.

Lastly, the December 23rd Letter also showed a put/call ratio study suggesting bearish implications for the intermediate-term.

CBOE total put/call ratio hits lowest level in 40 days while SPX fails to gain 0.5%. Buy SPX on close. Sell X days later. \$100k/trade. July, 1996 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
25	-69,120.78	36	14	22	38.89	2,270.51	-4,586.72	0.50	0.32	-1,920.02
24	-70,860.40	36	12	24	33.33	2,550.03	-4,227.53	0.60	0.30	-1,968.34
23	-76,635.22	37	13	24	35.14	2,147.45	-4,356.34	0.49	0.27	-2,071.22
22	-70,954.20	37	13	24	35.14	2,276.86	-4,189.73	0.54	0.29	-1,917.68
21	-76,466.87	37	13	24	35.14	1,934.03	-4,233.72	0.46	0.25	-2,066.67
20	-65,193.52	37	12	25	32.43	2,588.27	-3,850.11	0.67	0.32	-1,761.99
19	-59,822.80	38	14	24	36.84	2,567.67	-3,990.42	0.64	0.38	-1,574.28
18	-59,916.29	38	15	23	39.47	2,177.10	-4,024.91	0.54	0.35	-1,576.74
17	-68,798.49	39	14	25	35.90	2,106.89	-3,931.80	0.54	0.30	-1,764.06
16	-54,593.92	39	17	22	43.59	2,034.26	-4,053.47	0.50	0.39	-1,399.84
15	-46,723.75	39	16	23	41.03	2,197.14	-3,559.91	0.62	0.43	-1,198.04
14	-37,038.03	39	16	23	41.03	2,331.97	-3,232.59	0.72	0.50	-949.69
13	-30,015.13	40	17	23	42.50	2,348.08	-3,040.54	0.77	0.57	-750.38
12	-25,987.40	40	18	22	45.00	2,188.65	-2,971.96	0.74	0.60	-649.69
11	-27,247.35	40	17	23	42.50	1,933.36	-2,613.67	0.74	0.55	-681.18
10	-37,625.96	40	14	26	35.00	1,844.55	-2,440.37	0.76	0.41	-940.65
9	-39,594.20	41	17	24	41.46	1,307.19	-2,575.68	0.51	0.36	-965.71
8	-31,431.32	41	16	25	39.02	1,655.98	-2,317.08	0.71	0.46	-766.62
7	-25,191.26	41	18	23	43.90	1,477.77	-2,251.79	0.66	0.51	-614.42
6	-25,032.41	41	15	26	36.59	1,357.16	-1,745.76	0.78	0.45	-610.55
5	-14,237.45	43	21	22	48.84	1,305.67	-1,893.48	0.69	0.66	-331.10
4	-5,727.73	44	20	24	45.45	1,691.88	-1,648.56	1.03	0.86	-130.18
3	-6,331.08	45	18	27	40.00	1,624.18	-1,317.27	1.23	0.82	-140.69
2	-1,838.80	46	21	25	45.65	1,165.35	-1,052.44	1.11	0.93	-39.97
1	-3,431.20	52	24	28	46.15	891.66	-886.83	1.01	0.86	-65.98

Extremely low levels in the total put/call ratio that are not accompanied by a strong rise in the SPX have often led to weakness over both the short and intermediate-term. These numbers are very weak. Even 4-5 weeks out the % winners is exceptionally low, as are the win/loss ratio, the profit factor, and the average trade.

Now despite all these bearish studies the market did manage to post new highs. Breadth was solid and we even had an intermediate-term breath study appear on Thursday for the Nasdaq. Below is an excerpt from the 2/9/09 Letter discussing the Nasdaq breadth. While implications appear quite favorable for the intermediate-term, I'd rather see

another strong breadth day before officially calling this study active. As I mentioned above in the short-term section, I'm not trusting of Thursday's holiday stats.

Another Nasdaq positive is that Nasdaq breadth has been especially strong lately. As can be seen on our charts page, [the 10-day ema of the Nasdaq Up Volume %](#) is now close to 64%. This is the highest level it has been at since the bear market began. The chart on that page uses Tradestation's data, which only goes back to 2000. To get a longer term look at the indicator I used Quotes Plus data, which goes back to 1/1/92. There are normally minor discrepancies between data sources when looking at breadth and volume data and Quotes Plus data currently puts the 10-day ema at almost 65%. The test below looks at breadth thrusts that move the ema above 64%:

Nasdaq Up Volume % 10-day ema crosses over 64%.										
Buy Nasdaq on close. Sell X days later. \$100k/trade. 1992-2/6/2009										
X Days	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Fac	Avg Trade
30	\$75,056.27	19	13	6	68.42	\$7,414.21	(\$3,554.75)	2.09	4.52	\$3,950.33
20	\$65,533.02	20	16	4	80.00	\$5,134.87	(\$4,156.21)	1.24	4.94	\$3,276.65
15	\$51,774.69	23	15	8	65.22	\$4,863.23	(\$2,646.72)	1.84	3.45	\$2,251.07
10	\$18,455.29	23	17	6	73.91	\$1,742.47	(\$1,861.11)	0.94	2.65	\$802.40
9	\$27,723.57	23	16	7	69.57	\$2,339.08	(\$1,385.95)	1.69	3.86	\$1,205.37
8	\$28,370.26	24	18	6	75.00	\$2,136.44	(\$1,680.96)	1.27	3.81	\$1,182.09
7	\$16,080.32	24	15	9	62.50	\$1,827.48	(\$1,259.10)	1.45	2.42	\$670.01
6	\$10,124.79	24	14	10	58.33	\$1,949.10	(\$1,716.26)	1.14	1.59	\$421.87
5	\$4,087.16	24	12	12	50.00	\$1,708.39	(\$1,367.79)	1.25	1.25	\$170.30
4	\$9,701.14	25	15	10	60.00	\$1,637.33	(\$1,485.88)	1.10	1.65	\$388.05
3	(\$1,260.22)	28	16	12	57.14	\$1,643.20	(\$2,295.95)	0.72	0.95	(\$45.01)
2	(\$3,929.78)	29	18	11	62.07	\$955.48	(\$1,920.77)	0.50	0.81	(\$135.51)
1	(\$7,608.66)	29	14	15	48.28	\$731.38	(\$1,189.86)	0.61	0.57	(\$262.37)

A slight pullback has often been followed by bullish action. Rather than looking at just an exit of X days out, I also decided to use a drop in the 10-day ema as a possible exit as well. Below are the results of buying into an Up Volume % 10-day ema thrust above 64% and then holding until the indicator dips below X%:

Nasdaq Up Volume % 10-day ema crosses over 64%.										
Buy Nasdaq on close. Sell when Up Vol % ema crosses below X. \$100k/trade. 1992-2/6/2009										
X% ema	Net Profit	Trades	Wins	Losses	% Wins	Avg Win	Avg Loss	W/L Ratio	Profit Fac	Avg Trade
0.44	\$112,624.78	17	11	6	64.71	\$11,798.99	(\$2,860.69)	4.12	7.56	\$6,624.99
0.45	\$105,842.15	18	11	7	61.11	\$11,615.21	(\$3,132.17)	3.71	5.83	\$5,880.12
0.46	\$115,435.57	18	12	6	66.67	\$11,197.13	(\$3,155.00)	3.55	7.10	\$6,413.09
0.47	\$118,500.16	18	12	6	66.67	\$11,426.80	(\$3,103.56)	3.68	7.36	\$6,583.34
0.48	\$59,627.05	20	10	10	50.00	\$8,273.10	(\$2,310.40)	3.58	3.58	\$2,981.35
0.49	\$37,459.30	21	10	11	47.62	\$6,542.43	(\$2,542.27)	2.57	2.34	\$1,783.78
0.5	\$42,355.20	21	11	10	52.38	\$6,250.12	(\$2,639.62)	2.37	2.60	\$2,016.91

Making the exits too tight here reduced profitability greatly. Once the exit trigger dropped to 0.47 or below it appears to be fairly solid. Below is a more detailed performance report which enters on a move above 64% and uses the 47% number as the exit.

All Trades

Total Net Profit	\$126,672.37	Profit Factor	7.80
Gross Profit	\$145,293.75	Gross Loss	(\$18,621.38)
Roll Over Credit	\$0.00		
Open Position Profit/Loss	\$0.00		
Select Total Net Profit	\$126,672.37	Select Profit Factor	7.80
Select Gross Profit	\$145,293.75	Select Gross Loss	(\$18,621.38)
Adjusted Total Net Profit	\$77,127.53	Adjusted Profit Factor	3.94
Adjusted Gross Profit	\$103,351.06	Adjusted Gross Loss	(\$26,223.53)
Total Number of Trades	18	Percent Profitable	66.67%
Winning Trades	12	Losing Trades	6
Even Trades	0		
Avg. Trade Net Profit	\$7,037.35	Ratio Avg. Win:Avg. Loss	3.90
Avg. Winning Trade	\$12,107.81	Avg. Losing Trade	(\$3,103.56)
Largest Winning Trade	\$40,548.60	Largest Losing Trade	(\$4,386.96)
Largest Winner as % of Gross Profit	27.91%	Largest Loser as % of Gross Loss	23.56%

Most of the numbers here look outstanding. Twice as many winners as losers and the average win is nearly 4 times the average loss. This puts the profit factor at a gaudy 7.8. The one red flag on this report is the "largest winning trade", which I circled above. This trade makes up nearly 28% of all the gross profits. So to more deeply analyze the results I've shown below the listing of all the individual trades.

#	Type	Date/Time	Signal	Price	Roll Over Pips	Shares/Ctrts	Gross P/L Profit/Loss	Cum Net Profit	% Profit
1	Buy	10/16/92	Daily Breadth	\$582.61	\$0.00	171	\$14,155.38	\$14,155.38	14.21%
	Sell	02/16/93	Sell	\$665.39			\$14,155.38	\$14,155.38	
2	Buy	06/19/95	Daily Breadth	\$922.09	\$0.00	108	\$12,523.68	\$26,679.06	12.58%
	Sell	09/26/95	Sell	\$1,038.05			\$26,679.06	\$26,679.06	
3	Buy	04/25/96	Daily Breadth	\$1,184.17	\$0.00	84	\$2,436.84	\$29,115.90	2.45%
	Sell	06/14/96	Sell	\$1,213.18			\$2,436.84	\$29,115.90	
4	Buy	05/05/97	Daily Breadth	\$1,339.24	\$0.00	74	\$24,243.14	\$53,359.04	24.46%
	Sell	10/17/97	Sell	\$1,666.85			\$24,243.14	\$53,359.04	
5	Buy	11/02/98	Daily Breadth	\$1,800.91	\$0.00	55	\$28,043.40	\$81,402.44	28.31%
	Sell	02/09/99	Sell	\$2,310.79			\$28,043.40	\$81,402.44	
6	Buy	07/02/99	Daily Breadth	\$2,741.02	\$0.00	36	(\$4,386.96)	\$77,015.48	(4.45%)
	Sell	07/26/99	Sell	\$2,619.16			(\$4,386.96)	\$77,015.48	
7	Buy	11/16/99	Daily Breadth	\$3,293.05	\$0.00	30	\$40,548.60	\$117,564.08	41.04%
	Sell	03/29/00	Sell	\$4,644.67			\$40,548.60	\$117,564.08	
8	Buy	04/19/01	Daily Breadth	\$2,182.04	\$0.00	45	(\$3,364.20)	\$114,199.88	(3.43%)
	Sell	05/11/01	Sell	\$2,107.28			(\$3,364.20)	\$114,199.88	
9	Buy	11/13/01	Daily Breadth	\$1,892.11	\$0.00	52	\$1,374.36	\$115,574.24	1.40%
	Sell	12/20/01	Sell	\$1,918.54			\$1,374.36	\$115,574.24	
10	Buy	11/01/02	Daily Breadth	\$1,360.70	\$0.00	73	(\$3,030.23)	\$112,544.01	(3.05%)
	Sell	11/11/02	Sell	\$1,319.19			(\$3,030.23)	\$112,544.01	
11	Buy	11/21/02	Daily Breadth	\$1,467.55	\$0.00	68	(\$2,529.60)	\$110,014.41	(2.53%)
	Sell	12/04/02	Sell	\$1,430.35			(\$2,529.60)	\$110,014.41	
12	Buy	05/02/03	Daily Breadth	\$1,502.88	\$0.00	66	\$7,119.42	\$117,133.83	7.18%
	Sell	06/23/03	Sell	\$1,610.75			\$7,119.42	\$117,133.83	
13	Buy	08/29/03	Daily Breadth	\$1,810.45	\$0.00	55	\$373.45	\$117,507.28	0.38%
	Sell	09/25/03	Sell	\$1,817.24			\$373.45	\$117,507.28	
14	Buy	01/12/04	Daily Breadth	\$2,111.78	\$0.00	47	(\$1,617.27)	\$115,890.01	(1.63%)
	Sell	01/28/04	Sell	\$2,077.37			(\$1,617.27)	\$115,890.01	
15	Buy	04/05/04	Daily Breadth	\$2,079.11	\$0.00	48	(\$3,693.12)	\$112,196.89	(3.70%)
	Sell	04/15/04	Sell	\$2,002.17			(\$3,693.12)	\$112,196.89	
16	Buy	05/19/05	Daily Breadth	\$2,042.58	\$0.00	48	\$513.12	\$112,710.01	0.52%
	Sell	06/24/05	Sell	\$2,053.27			\$513.12	\$112,710.01	
17	Buy	08/30/06	Daily Breadth	\$2,185.73	\$0.00	45	\$10,355.40	\$123,065.41	10.53%
	Sell	12/21/06	Sell	\$2,415.85			\$10,355.40	\$123,065.41	
18	Buy	09/04/07	Daily Breadth	\$2,630.24	\$0.00	38	\$3,606.96	\$126,672.37	3.61%
	Sell	10/19/07	Sell	\$2,725.16			\$3,606.96	\$126,672.37	

While the 41% gain was certainly an outlier, half of the 12 winners achieved gains of greater than 10%, and the largest loser was less than 5%. Even in the low volatility environment of 2006 we see a 10% gain. So while more instances would certainly be

preferable, it appears we have a decent amount of evidence here to suggest an upside edge.

In addition to Nasdaq's strong breadth it has also begun to pull away from the S&P in terms of relative strength as can be seen on the charts page. This is generally a positive sign as well.

Price, breadth and leadership all seem to be favoring a continued rise. Options action, volatility, and bond yields are suggesting the market may struggle here. There seem to be decent arguments to be made for either side. I've seen enough to move me off my bullish stance and put me in a neutral state of mind at the moment. If strength can continue then I may move back to bullish.

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

Additional New Trade Ideas

A full listing of system triggers can be found at the [system triggers page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight. We remain overbought on a short-term basis but the downside edge is fairly minor. I don't want a while lot of exposure here and will let the Aggregator guide me in my exit from the current short position.

Active Trades Table

Symbol	Entry Date	Entry Price	Current Pr	% Gain/Lo	Stop	Notes
SPY(1/4)(s)	12/23/2009	\$112.00	\$112.48	-0.43%		Aggregator

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