

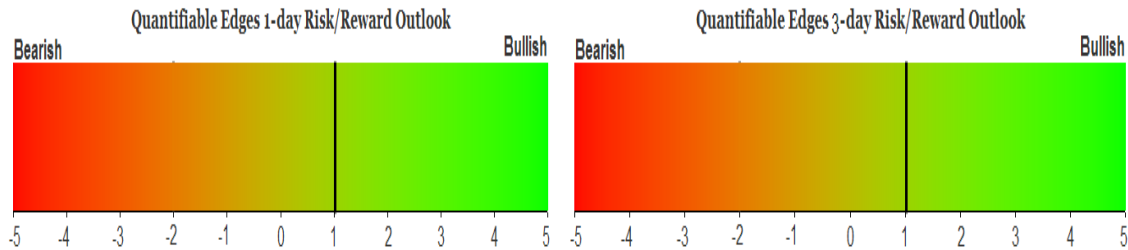
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 30, 2010

Volume 3 Issue 60

## Market Overview



### Tonight's Research Points

- The choppy, range-bound market isn't providing compelling clues.
- Seasonalities are mixed.
- The Aggregator System barely remained long at the close.
- The NDX Aggressive Trend Timer remained long at the close.

### *Short-term Outlook – updated 3/30*

#### *The Bottom Line*

SPX came within a fraction of a point of moving the Aggregator System back to a flat position. It didn't quite get there and a slightly bullish bias remains .

*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 - 1/3 Std Dev |
|---------------------------|--------------------------------------|-----------|---------|--------------|----------------------|
| <b>Active</b>             |                                      |           |         |              |                      |
| March 26, 2010            | 50 high drop 1% outside day          | 1-3 days  | Bearish | -1.40%       | -1.05%               |
| March 25, 2010            | Nasdaq NR4, Nas Up Issue % < 30%     | 1-4 days  | Bullish | 3.00%        | 2.30%                |
| <b>Active - Long Term</b> |                                      |           |         |              |                      |
| March 22, 2010            | SPY 25+ Days Above 10ma              |           | Bullish |              |                      |
| March 10, 2010            | Ttl Put/Call 40-low. SPX no 0.5% up. | 1-5 weeks | Bearish | -4.90%       | -3.30%               |
| February 22, 2010         | VIX:VXV Ratio falls below 0.9        | int. term | Bearish |              |                      |
| February 16, 2010         | Nasdaq/S&P RS Indicator Positive     | int. term | Bullish |              |                      |

If the avg max move – 1/3 Std Dev is achieved the study will appear in **bold italic blue** and no longer be active.

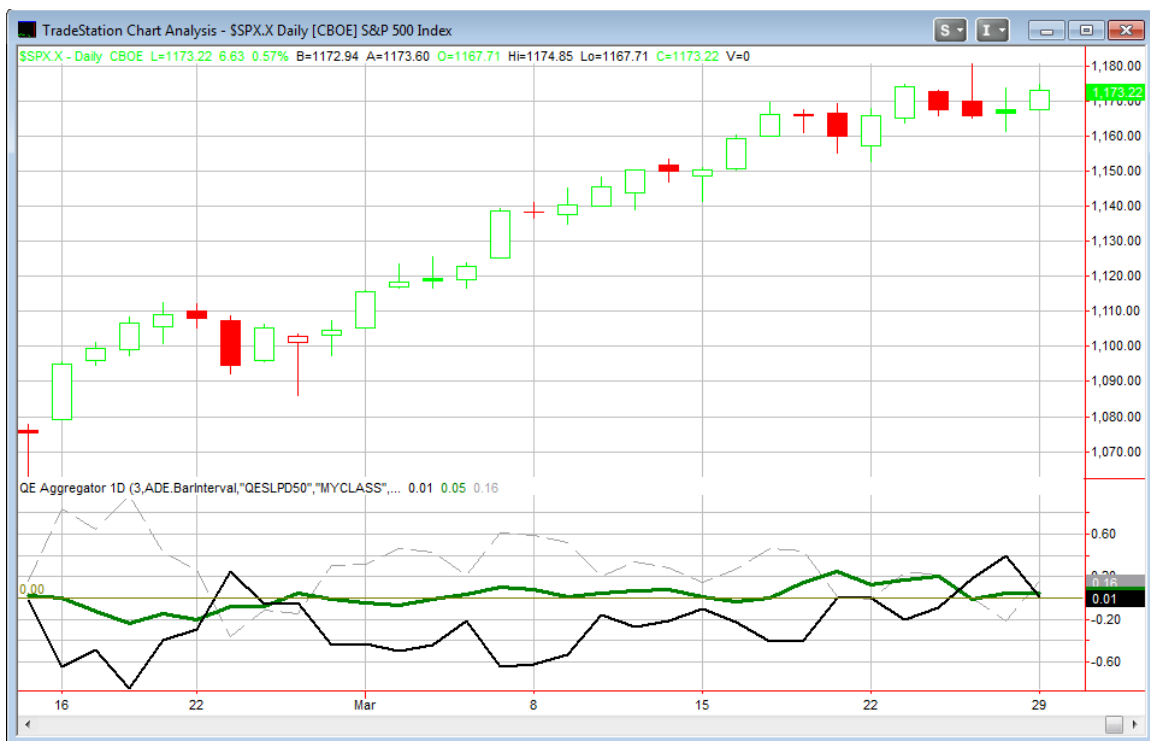
### ***The Evidence***

Most of the excitement happened before the bell on Monday as the gap up was larger than the entire range for the day. The indices all finished higher with the SPX up 0.6%, the Nasdaq 0.4% and the Russell 2000 up 0.5%. Breadth was solidly positive with the NYSE Up Issues % and the Up Volume % coming in at 66%. Total volume was below average and below Friday's levels.

The market is in a bit of a tricky place right now. It has spent nearly 2 weeks basically moving sideways and carving out a trading range. It closed today near the upper portion of that range. Trading ranges don't often lend themselves to interesting studies and this one is becoming no exception. The Quantifinder came up with a blank tonight. Additionally, I looked down several dead ends and found nothing particularly predictive about Monday's action. This tends to happen once every couple of weeks. It's especially common in a range-bound market. Rather than try and force an edge from some marginal study I've found it to be a better idea to stand aside until more substantial edges arise.

One minor seasonal edge I discussed last night was that the next to last day of March has had a bit of a downside tendency. The edge isn't terribly pronounced to begin with but with Easter week having a bit of an upside edge, I basically view them as cancelling each other out anyway.

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



This is the third time in about a week and a half that the SPX closed almost dead on the Differential pivot number. For my taste the estimates have been a bit too accurate. It has made it difficult to determine the Aggregator System signal as we approach the close.

Though it's tough to see tonight, both the green Aggregator line and the black differential line are slightly above 0. The Aggregator is suggesting mild upside expectations for the next few days and the Differential is illustrating the very slight underperformance versus expectations over the last few days. Historically this configuration has provided a bullish edge. It has the Aggregator System remaining long this evening.

Looking ahead the green Aggregator is positioned to remain positive unless some bearish studies emerge. Meanwhile the pivot level for black Differential line will be 1,170.08. A close above this level would turn the Differential negative while a close below this level would keep it positive. So even a slight down day tomorrow could flip the Differential down to negative and cause the Aggregator System to close out the long signal.

While the configuration is bullish and the perceived edge is to the upside, traders should keep in mind that edge is quite small this evening. My approach when faced with a situation like this is to take part of the trade off and let the rest ride until an official exit occurs. I'll look to do just that in the trade ideas section below.

***Intermediate-term Outlook (2 weeks – 2 months)– updated 3/29 – somewhat bullish***

In last week's intermediate-term update I showed a study that looked at other times the SPY went at least 25 days above its 10ma. With a low number of instances to examine I found that the 1<sup>st</sup> close below the 10ma never marked the beginning of a substantial selloff. In every case a new high was made in short order. Friday SPY did finally manage to close beneath its 10ma. This dip is not confirmed by SPX, as that is still a bit above its 10ma. Either way, that study remains in effect and suggests we should see at least a probe to new highs here before a substantial selloff might occur.

The Nasdaq/S&P Relative strength indicator remains bullish as well. The two outstanding intermediate-term studies with bearish implications are options related and not quite a reliable from a timing standpoint.

Looking at the big picture we've seen a little bit of a pause over the last few days, but the uptrend remains intact. To this point I'm not seeing convincing evidence that a sustained selloff is about to begin. I'll stick with the side of the current trend until I see more evidence to the contrary.

**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.*

### **Active Trades Table**

| <b>Symbol</b> | <b>Entry Date</b> | <b>Entry Price</b> | <b>Current Price</b> | <b>% Gain/Loss</b> | <b>Stop</b> | <b>Notes</b> |
|---------------|-------------------|--------------------|----------------------|--------------------|-------------|--------------|
| SPY(1/4)      | 3/26/2010         | \$116.58           | \$117.32             | 0.63%              |             |              |
|               |                   |                    |                      |                    |             |              |

*I will exit 1/2 the SPY position @ \$117.32 limit. The 2<sup>nd</sup> half I will sell should the SPX close at or above the Differential pivot of 1,170.08.*

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