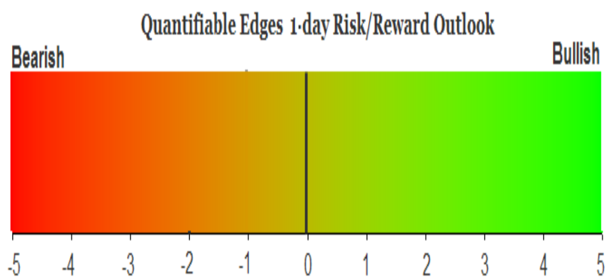
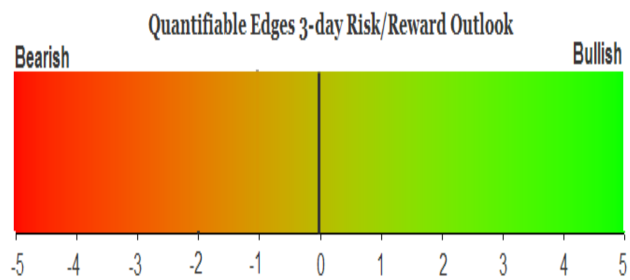
QUANTIFIABLE EDGES
SUBSCRIBER LETTER
ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 12, 2025 Volume 18 Issue 89

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPY's tight range on low volume seems to suggest an upside edge over the next few days.
- Seasonality is fairly neutral this week before improving during the 2nd half of the month.
- The Fed did not make any substantial changes this past week, and remains basically neutral.
- Reverse repos saw a sizable decline – serving as a liquidity boost.

Short-term Outlook
The Bottom Line
The Aggregator is neutral. I am as well.

Quantifiable Edges, LLC 10 Boyden Rd., Medfield, Massachusetts 02052 781-956-6952

Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 12, 2025	SPY inside low rng low volm < 200	1-4 days	Bullish	2.20%	-1.80%	-3.60%
Active - Long Term						
May 5, 2025	Sell in May when 5% drop prior	1-6 months	Bearish			
April 28, 2025	NASDAQ Leading	int term	Bullish			
April 25, 2025	Zweig Breadth Thrust	1-12 months	Bullish	29.50%	-2.90%	-6.55%
April 25, 2025	Triple 70 Breadth Thrust	1-80 days	Bullish	9.46%	-4.59%	-9.50%
April 23, 2025	Up Issue % & Up Vol % > 86% 2x in 9 days	1-12 months	Bullish			
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			

The Evidence

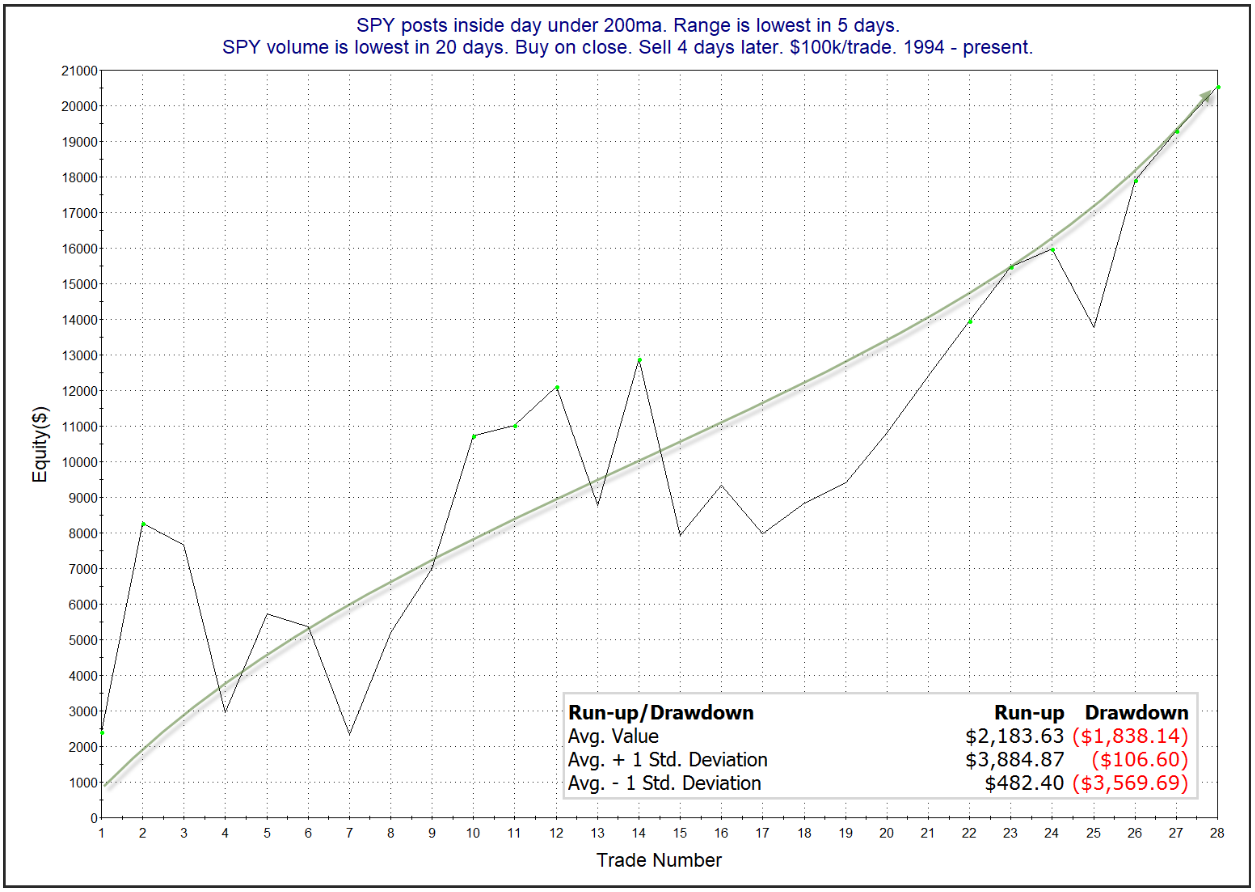
The indices barely budged on Friday after trading in a tight range all day. Breadth was moderately positive as the NYSE Up Issues % closed at 56% and the NYSE Up Volume % posted a 59% reading. NYSE total volume came in very light.

There were several studies in the Quantifinder that looked at the fact that SPY posted an inside day with very low range and low volume. Results from these studies looked somewhat mixed. I went through everything, but will break it down pretty simply here. The low range / inside day / low volume / under the 200ma combinations often showed bearish numbers for the next trading day. But that downside edge has NOT persisted in recent years. It has really been just sideways/upwards chop. The study below DID stand out. It was last featured in the 1/25/19 letter and I have updated the results.

SPY posts inside day under 200ma. Range is lowest in 5 days.
SPY volume is lowest in 20 days. Buy on close. Sell X days later. $100k/trade. 1994 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	21,227.03	28	20	8	71.43	7,263.90	-5,039.82	2,400.88	-3,348.82	0.72	1.79	758.11
4	20,554.99	28	20	8	71.43	5,865.00	-4,951.57	2,057.36	-2,574.02	0.80	2.00	734.11
3	12,823.17	28	17	11	60.71	6,842.50	-6,431.25	2,127.54	-2,122.27	1.00	1.55	457.97
2	6,164.67	28	16	12	57.14	5,440.00	-4,065.25	1,554.43	-1,558.86	1.00	1.33	220.17
1	-5,201.18	28	11	17	39.29	3,512.48	-3,084.28	1,195.99	-1,079.83	1.11	0.72	-185.76

While day 1 has struggled, there does appear to be bullish numbers over the next several days. I ran this study a number of ways, and with some additional filters. The numbers did not change much when adding filters like a close above the 10ma. So this is the version that I felt most appropriate for the current setup. Below is a look at the profit curve assuming a 4-day holding period.



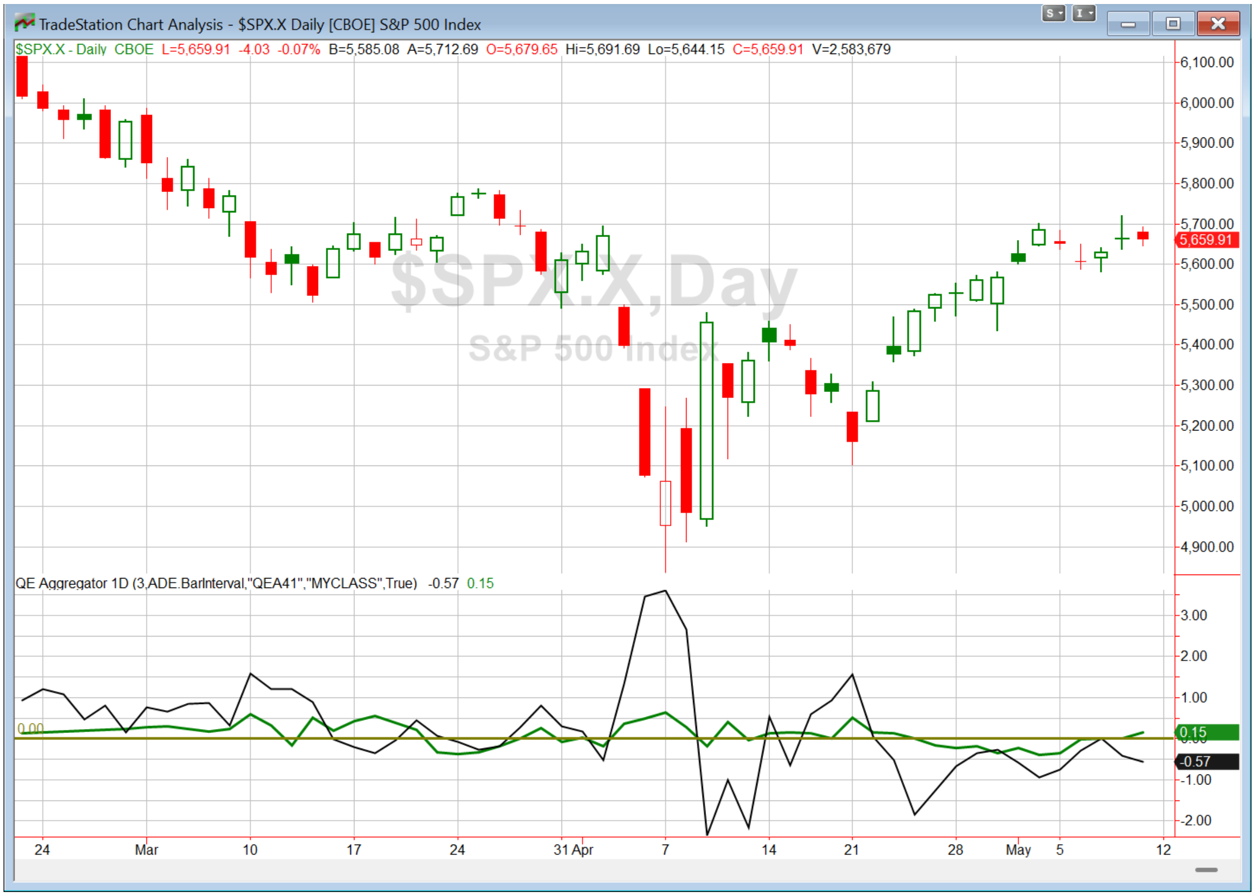
Definitely some back and forth chop. But the upslope has generally persisted and seems to have strengthened over the years. I have added this study to the active list.

Below is a look at the QE Seasonality Calendar for SPX.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
5/1/2025	51.71	0.890	-0.052
5/2/2025	**57.48**	**1.178**	**0.091**
5/5/2025	**53.42**	**1.074**	**-0.037**
5/6/2025	49.78	1.180	0.091
5/7/2025	**60.82**	**1.926**	**0.324**
5/8/2025	52.37	0.938	-0.037
5/9/2025	**57.33**	**1.423**	**0.152**
5/12/2025	51.11	0.741	-0.153
5/13/2025	**50.37**	**1.238**	**0.107**
5/14/2025	**52.22**	**1.185**	**0.091**
5/15/2025	50.17	0.881	-0.052
5/16/2025	50.57	0.934	-0.004
5/19/2025	**58.76**	**1.387**	**-0.008**
5/20/2025	**54.93**	**1.978**	**0.263**
5/21/2025	**53.66**	**1.525**	**0.102**
5/22/2025	**54.49**	**1.735**	**0.171**
5/23/2025	**61.15**	**1.712**	**0.174**
5/26/2025	**57.45**	**1.460**	**0.142**
5/27/2025	**53.78**	**1.408**	**0.121**
5/28/2025	**53.47**	**1.485**	**0.144**
5/29/2025	**54.69**	**1.517**	**0.153**
5/30/2025	**55.69**	**1.383**	**0.133**
Baseline	***53.97***	***1.129***	***0.045***

We see here that this upcoming week appears fairly neutral from a seasonality standpoint. After that, the bulls should have a seasonal breeze at their backs for the rest of the month.

I have updated the Aggregator chart below.



With this weekend's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current list of active studies, expectations are set to remain bullish on Monday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5611.05 on Monday. That is 0.9% below Friday's close. Therefore, SPX will need to close down at least 0.9% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. We have a small amount of short-term evidence that is leaning higher, but the market is overbought versus recent expectations. There does not appear to be a substantial edge. Hence, I'll remain sidelined until a better reward/risk opportunity emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/28 – somewhat bullish

Combo #1	Combo #2	Combo #3	Combo #4
Flat	Flat	Flat	Flat

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. *The combo models are all still "Flat".*

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The stock market did not move much this past week. The SPX lost 0.5%, and the NASDAQ declined 0.3%, and the Russell 2000 rose 0.1%. Bonds struggled. The US Aggregate Bond ETF (AGG) fell 0.2%. TLT, the 20-year Treasury Bond ETF, lost 0.8%. The long-term trend is still not favorable, with the major averages all mildly below their long-term averages. No new studies with intermediate-term implications triggered in the last few days.

The Fed posted the latest update to the SOMA holdings on Thursday. It can be found below.

Domestic Security Holdings as of

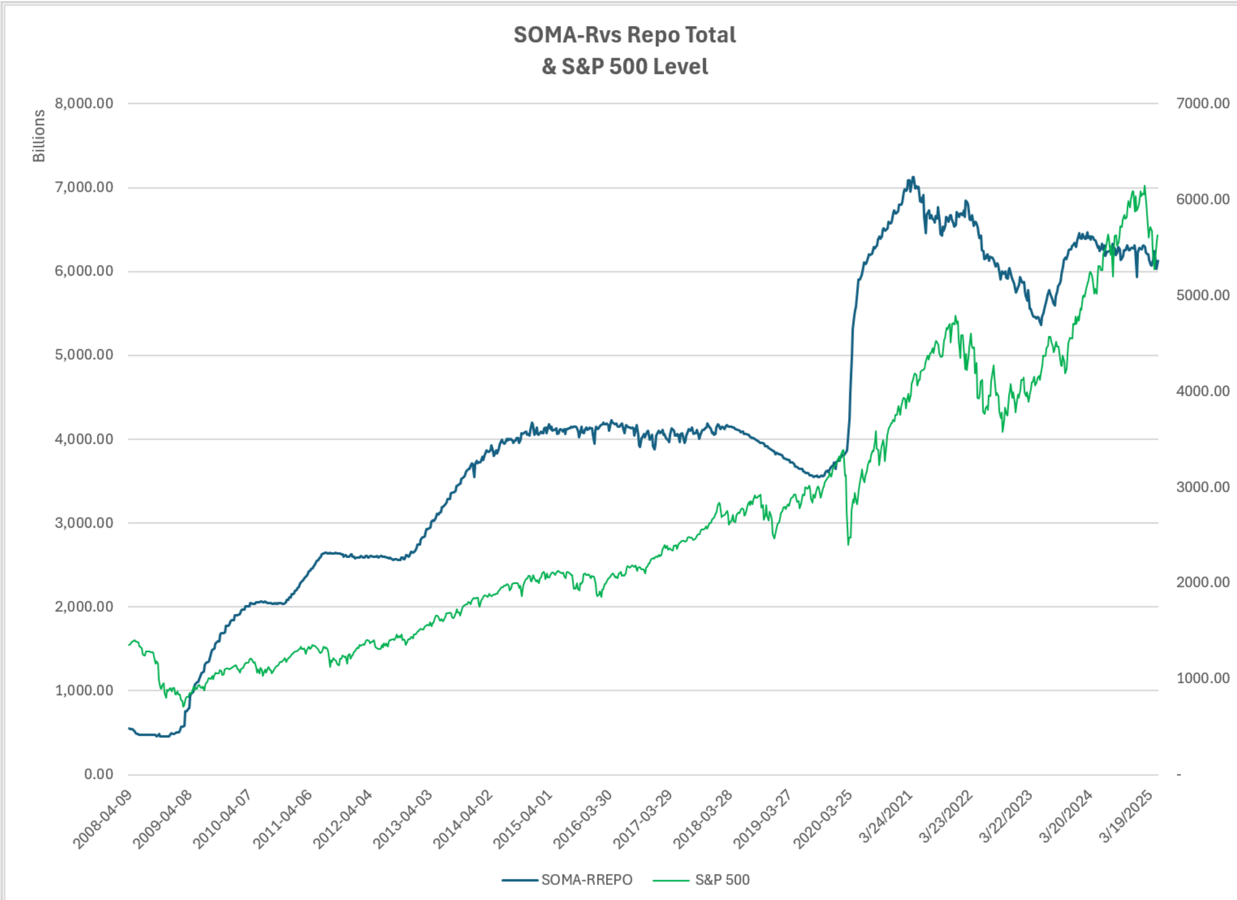
Previous May 7, 2025

Posted May 8, 2025 at 4:30 PM

SUMMARY | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

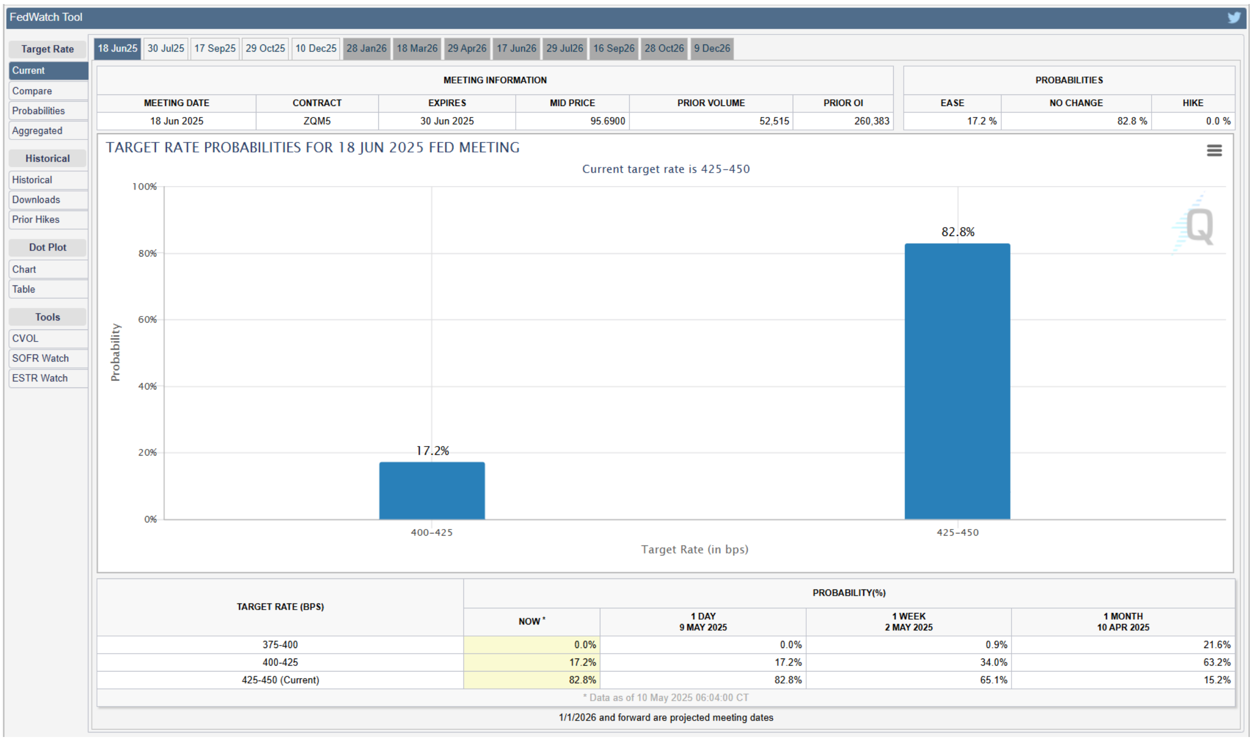
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills (T-Bills)	195,417,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,586,882,199.2
US Treasury Floating Rate Notes (FRNs)	10,532,824.1
US Treasury Inflation-Protected Securities (TIPS)*	313,767,368.8
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,164,963,696.6
Agency Commercial Mortgage-Backed Securities***	7,981,211.6
Total SOMA Holdings	6,281,892,227.1
Change From Prior Week	75,000.0

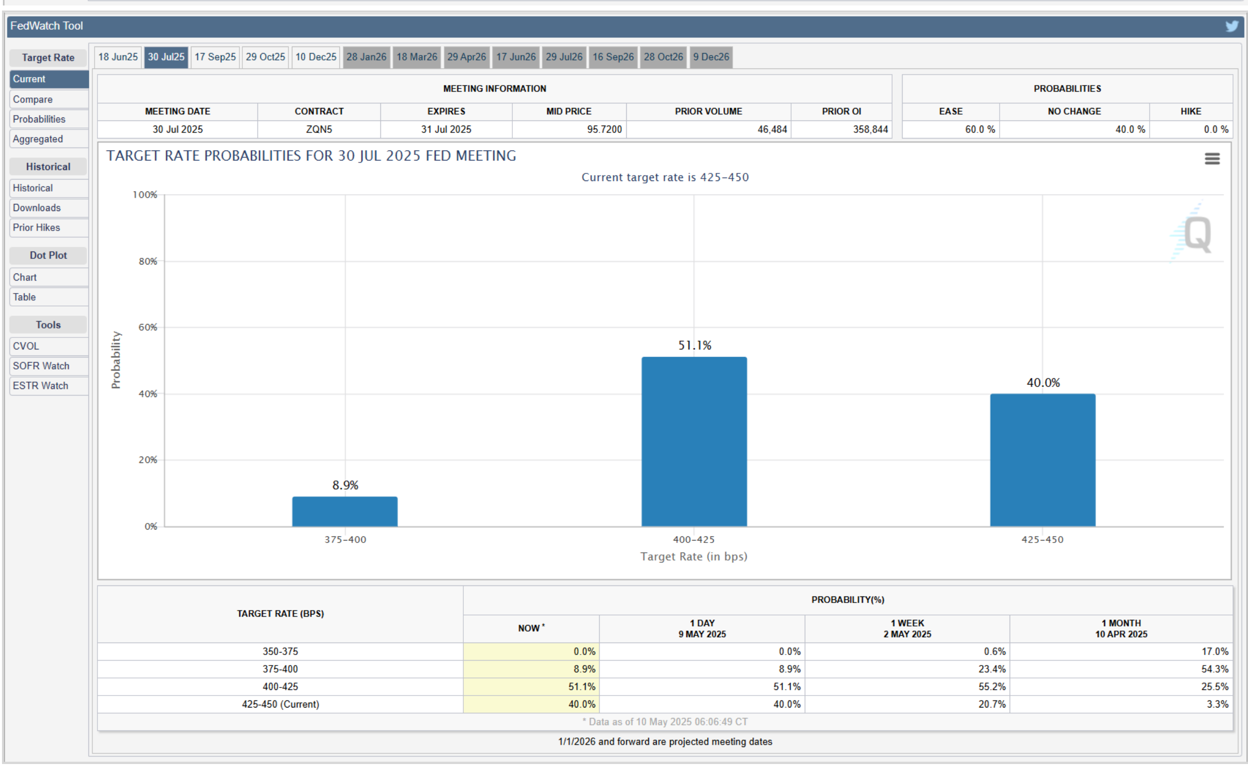
The SOMA account holdings actually increased by a very mild $75 million for the week. Meanwhile, reverse repos declined by a sizable $95 billion for the week ending 5/7/25. That equates to a close-out of nearly 40% of the reverse repos that were outstanding the week before. A decline in reverse repos can act as a liquidity injection. Combined for the week, SOMA and reverse repo action accounted for a $95 billion liquidity infusion. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Quantitative Tightening (QT) can still be a headwind to the market, but it is not nearly as strong as it has been at times in the last few years. So the headwind now appears more like a gentle breeze. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this helped provide fuel for that market rally. Reverse repos have really been chopping around lately, and so has the blue line, which looks at the SOMA level and subtracts the amount of outstanding reverse repos. That is the line to keep an eye on. When it stops chopping around and starts moving consistently in one direction, that will provide us a strong indication of market direction.

With regards to rates, the chance of a 25 point cut in June is now just 17%. That is down from 37% last week, and has dropped consistently over the last few weeks. Meanwhile, July odds show a 60% chance that rates will be lower than current. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.





As we have seen over and over, odds continually shift, so expect further refinement as we get closer to these Fed meeting dates. With lots of uncertainty regarding global trade and the impact on the economy and certain industries, the Fed is weighing risks of inflation versus a recession. It may be challenging living up to their mandate of promoting both employment and low inflation.

Overall, the market still seems to be *acting* bullish. We saw the NASDAQ take the lead in late April and multiple breadth thrust studies that are typically followed by more upside. We also saw the 9-day price rally that ended this past Monday. As I noted last weekend, these kind of rallies are not the type of behavior you see in bear markets. So based breadth, leadership, and price action, it appears we may see a continued move up in the coming weeks and months. Still, massive amounts of uncertainty with regards to tariff and global trade rules still remain. I don't believe the market can yet anticipate how this will shake out and what the impact will be on inflation, jobs, and the economy. Also notable is that stocks are in a seasonally weak period as measured by both the "worst 6 months" of May through October, and 1st year of the Presidential Cycle. These weak seasonal cycles are helping to keep all the Market Timing Course "Combo" models flat right now. So there are plenty of risks. I tend to believe that even if we are at the start of a long-term rally, we could see substantial volatility re-emerge in the coming months. All considered, I am keeping my outlook "somewhat bullish". This means that I will be willing to take short-term trades in either direction, but I will be more conservative when considering short positions than long positions.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

A full listing of system triggers can be found at the numbered systems 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.

Current Open Trade Ideas

None.