

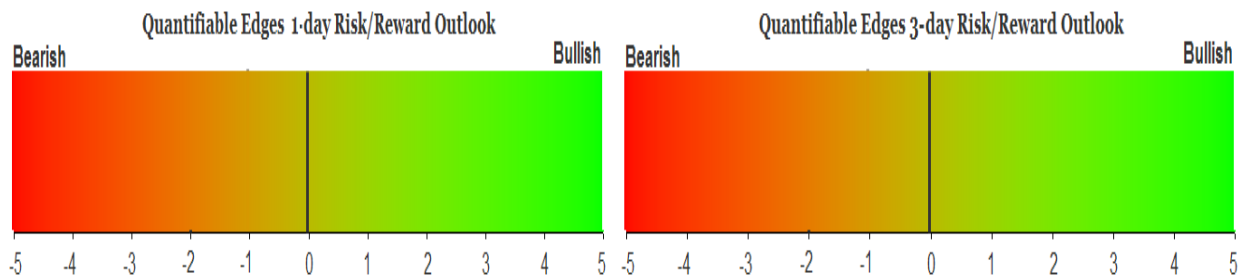
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 19, 2025

Volume 18 Issue 94

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- The Seasonality Calendar for SPX looks strong for the rest of the month.
- RSI(2) crossing above 99 bodes well for the intermediate-term.
- 55% of SPX stocks posted new 20-day highs last Monday. This triggered a DeGraaf Breadth Thrust signal, which has typically been a strong long-term signal.
- SOMA and reverse repo changes were minimal this past week. The Fed remains neutral overall.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

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 15, 2025	Up Vol < 40%. SPX up & > 200ma.	1-8 days	Bullish			
May 15, 2025	Breakout then inside day	1-5 days	Bullish			
May 14, 2025	SPX breakout on lower volume	1-5 days	Bullish	1.40%	-1.00%	-1.90%
Active - Long Term						
May 19, 2025	DeGraaf Thrust (55% SPX 20-day high)	1-12 months	Bullish			
May 19, 2025	RSI(2) crosses 99	5-15 days	Bullish	2.20%	-1.60%	-3.00%
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 bulls posted a 5 for 5 week and the indices rallied again on Friday. SPX gained 0.7%, the NASDAQ climbed 0.5%, and the Russell 2000 rose 0.9%. Breadth was positive as the NYSE Up Issues % closed at 69% and the NYSE Up Volume % posted a 76% reading. NYSE total volume rose some from Thursday’s level.

Friday was the 5th day in a row that SPX closed higher. And with it also closing at a 50-day high, and up 16 of the last 19 trading days, it is overbought by a few measures. Overbought in a strong uptrend is a tough place to enter a new trade. The overbought nature means the market is susceptible to a pullback at any time. It also means additional gains are often muted. So reward/risk for longs is generally poor. But it is very difficult trying to pick tops or make money shorting during a strong uptrend. The study below is from the 8/26/21 letter. It examines other times SPX closed up 5 days in a row (short-term overbought) and closed at a 50-day high (intermediate-term uptrend).

SPX closes up 5 days in a row. Close > 200ma and at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	34,886.01	117	73	44	62.39	3,434.08	-5,401.92	1,128.36	-1,079.19	1.05	1.73	298.17
4	16,386.00	117	71	46	60.68	3,170.94	-3,131.26	921.16	-1,065.58	0.86	1.33	140.05
3	10,996.41	117	69	48	58.97	2,777.04	-3,005.48	737.34	-830.83	0.89	1.28	93.99
2	5,748.34	117	65	52	55.56	3,061.60	-2,253.56	674.43	-732.50	0.92	1.15	49.13
1	973.33	117	55	62	47.01	2,135.28	-1,763.20	478.76	-409.00	1.17	1.04	8.32

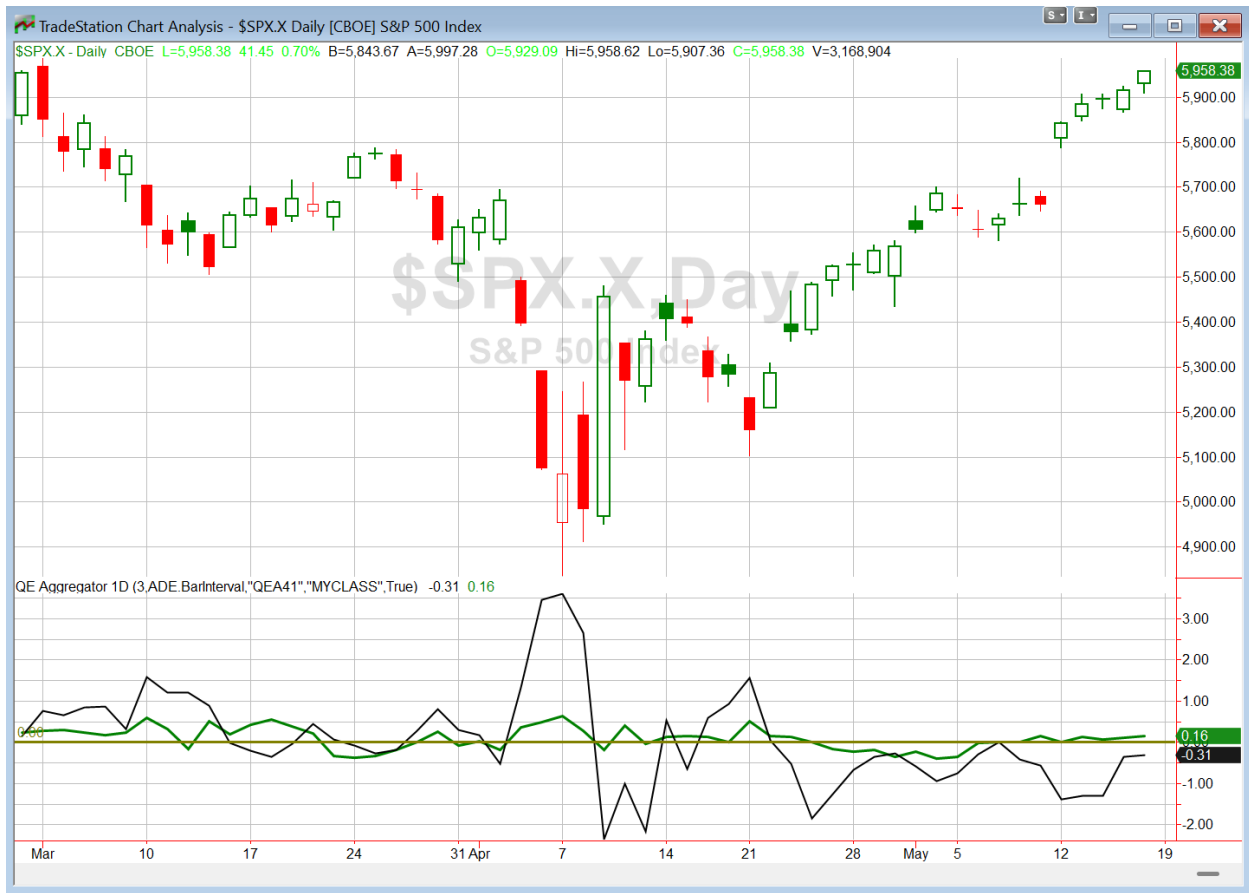
As you can see, the numbers are mildly bullish, but not suggestive of a strong edge or very favorable reward/risk for bulls. This is not a study that will be added to the Active List. But it makes the point. I’ll be making this point again with another study in the intermediate-term section.

Next let's take a look at the SPX Seasonality Calendar.

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

This upcoming week looks bullish (and so does the week after). The market may be in need of a pause, but momentum is strong and so is short-term seasonality. It's looking like a tough combination to bet against.

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 compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 5905.33 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 still neutral. Short-term evidence continues to lean bullish. With the markets again overbought in the short-term, reward/risk is weak. I don't view the current setup as compelling and will remain patient until a more favorable opportunity arrives.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/19 – somewhat bullish

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

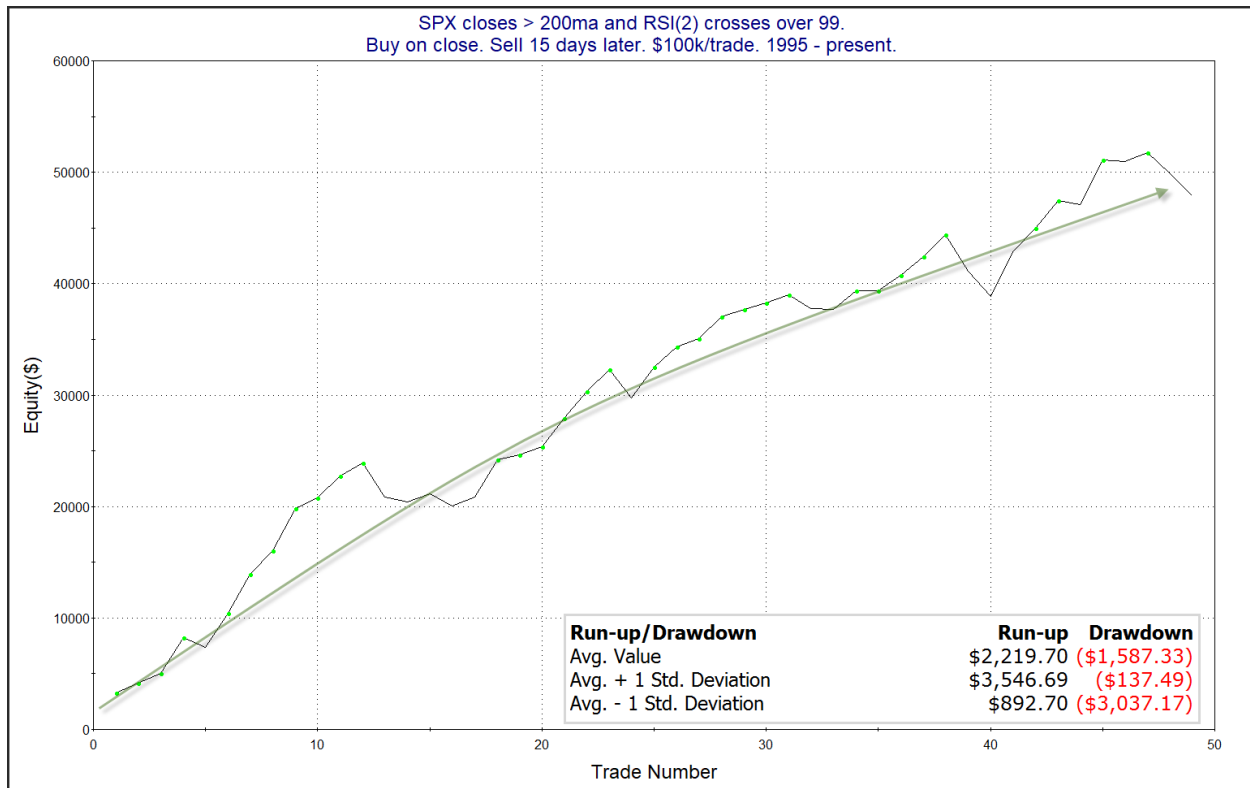
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which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

It was a runaway up week for the market. The SPX gained 5.3%, the NASDAQ rallied 7.15%, and the Russell 2000 rose 4.5%. Bonds struggled. The US Aggregate Bond ETF (AGG) fell 0.1%. TLT, the 20-year Treasury Bond ETF, lost 0.9%. Both the NASDAQ and the SPX moved up through their 200-day moving averages and made new 50-day highs during the week.

As mentioned earlier, the recent rally has left the market short-term overbought by most measures. Short-term overbought often triggers some studies that suggest a downside edge, but when the overbought condition gets very strongly overbought, then those downside edges often disappear. And at some point, rather than strength leading to weakness the strength will beget more strength. The strong move higher over the last several days has turned the market so overbought that we have seen this scenario unfold. It is exemplified in the study below from the 7/11/24 Letter, which uses RSI(2).

SPX closes > 200ma and RSI(2) crosses over 99. Buy on close. Sell X day later. \$100k/trade. 1995 - 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
15	47,926.68	49	36	13	73.47	4,070.44	-3,265.02	1,866.27	-1,481.47	1.26	3.49	978.10
14	40,900.77	49	36	13	73.47	4,461.36	-4,024.68	1,747.15	-1,692.04	1.03	2.86	834.71
13	41,272.61	51	37	14	72.55	3,989.82	-3,397.11	1,673.59	-1,475.01	1.13	3.00	809.27
12	38,219.41	52	38	14	73.08	4,058.61	-3,175.53	1,523.92	-1,406.41	1.08	2.94	734.99
11	37,366.49	53	38	15	71.70	4,106.40	-3,989.73	1,597.50	-1,555.89	1.03	2.60	705.03
10	31,159.94	54	39	15	72.22	3,824.48	-3,907.12	1,407.78	-1,582.90	0.89	2.31	577.04
9	31,497.37	54	39	15	72.22	3,453.27	-3,440.07	1,262.33	-1,182.22	1.07	2.78	583.28
8	27,272.15	55	36	19	65.45	3,621.20	-4,112.92	1,330.07	-1,084.75	1.23	2.32	495.86
7	19,177.77	56	35	21	62.50	3,564.39	-4,153.62	1,131.97	-973.38	1.16	1.94	342.46
6	8,811.29	56	34	22	60.71	2,760.12	-5,296.92	1,020.54	-1,176.69	0.87	1.34	157.34
5	13,392.73	56	36	20	64.29	2,859.08	-3,596.40	911.09	-970.32	0.94	1.69	239.16
4	12,310.42	56	38	18	67.86	2,697.92	-3,039.18	837.30	-1,083.72	0.77	1.63	219.83
3	3,491.69	58	34	24	58.62	3,504.64	-2,880.45	721.42	-876.53	0.82	1.17	60.20
2	4,645.38	58	34	24	58.62	2,273.92	-2,348.76	629.69	-698.50	0.90	1.28	80.09
1	66.03	58	28	30	48.28	2,096.10	-3,515.37	490.70	-455.79	1.08	1.00	1.14

The numbers here are basically neutral for the first week or so. On a short-term basis there is no edge apparent. But once you get out 2-3 weeks, it appears the strength has re-asserted itself and the market is often higher. Below is a profit curve showing a 15-day holding period.



The upside edge has been apparent for a while, and even with the last couple of instances faltering, it still appears to be intact. I have added this study to the intermediate-term list.

On Monday afternoon a DeGraaf Breadth Thrust triggered. This signal occurs whenever 55% or more of S&P 500 stocks make 20-day highs. Norgate Data tracks 4-week highs for the S&P 500, which is basically the same thing. So I used that data to generate the table below.

Over 275 S&P 500 stocks make 20-day highs today for 1st time in at least 20 days.
(DeGraaf Breadth Thrust) Forward results shown. 1957 - present.

Ticker	Date	SPX Close	21-Day % Chg	42-Day % Chg	63-Day % Chg	126-Day % Chg	252-Day % Chg
\$\$PX	1/5/1976	92.58	9.29	6.85	10.45	12.45	15.58
\$\$PX	10/11/1982	134.47	6.36	4.11	9.15	15.37	27.02
\$\$PX	8/3/1984	162.35	1.56	0.06	3.17	10.03	17.94
\$\$PX	2/11/1991	368.58	1.63	3.21	2.22	5.27	12.26
\$\$PX	12/30/1991	415.14	-1.16	-0.59	-2.92	-1.49	5.78
\$\$PX	5/5/1997	830.29	1.18	10.43	14.45	10.16	34.37
\$\$PX	3/4/2002	1153.84	-2.46	-6	-9.81	-20.61	-28.76
\$\$PX	3/21/2003	895.79	1.74	3.08	11.15	15.69	22.28
\$\$PX	4/22/2003	911.37	1.32	9.25	8.42	14.63	23.34
\$\$PX	6/4/2003	986.24	-0.05	-0.35	4.06	8.15	13.22
\$\$PX	11/4/2004	1161.67	2.46	1.9	3.56	0.83	5.02
\$\$PX	3/23/2009	822.92	2.51	7.95	8.52	29.38	42.68
\$\$PX	7/23/2009	976.29	5.11	9.77	10.77	11.83	12.94
\$\$PX	9/16/2009	1068.76	2.6	2.31	3.66	9.08	5.23
\$\$PX	3/5/2010	1138.7	4.46	2.39	-6.48	-4.27	16.02
\$\$PX	7/26/2010	1115.01	-5.66	0.88	6.1	15.77	19.95
\$\$PX	9/20/2010	1142.71	2.03	3.14	8.86	13.62	5.37
\$\$PX	7/1/2011	1339.67	-6.39	-9.02	-15.54	-6.13	1.93
\$\$PX	10/24/2011	1254.19	-5.27	-0.02	5.73	10.88	12.67
\$\$PX	12/18/2012	1446.79	2.71	4.5	6.84	9.77	25.15
\$\$PX	9/18/2013	1725.52	0.44	4.21	3.22	8.49	16.57
\$\$PX	1/18/2019	2670.71	4.27	6.9	8.88	11.77	24.34
\$\$PX	6/3/2020	3122.87	0.23	5.5	12.93	17.28	34.26
\$\$PX	7/28/2022	4072.43	-0.36	-10.44	-5.94	-0.05	12.68
\$\$PX	10/28/2022	3901.06	1.45	-1.33	4.5	5.6	7.5
\$\$PX	12/1/2023	4594.63	2.4	7.92	10.53	15.16	31.67
\$\$PX	7/16/2024	5667.2	-3.74	-0.73	3.4	4.99	5.14
		Average	1.06	2.44	4.44	8.28	15.64
		% Wins	70%	70%	81%	81%	96%

The numbers here look pretty strong, especially when you start to look out at least 6 months. I did notice a decent number of repeat signals, though. So I ran the study again, but only examined the 1st signal in 126 days (6 months).

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\$\$SPX	7/16/2024	5667.2	-3.74	-0.73	3.4	4.99	5.14
		Average	1.26	2.21	4.13	7.69	17.00
		% Wins	72%	72%	78%	78%	94%

Very similar results. This does seem to be a decent long-term signal. 2002 was a big flop, but every other instance has seen gains 12 months out, and pretty sizable gains at that. So I have added this study to the intermediate-term active list.

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

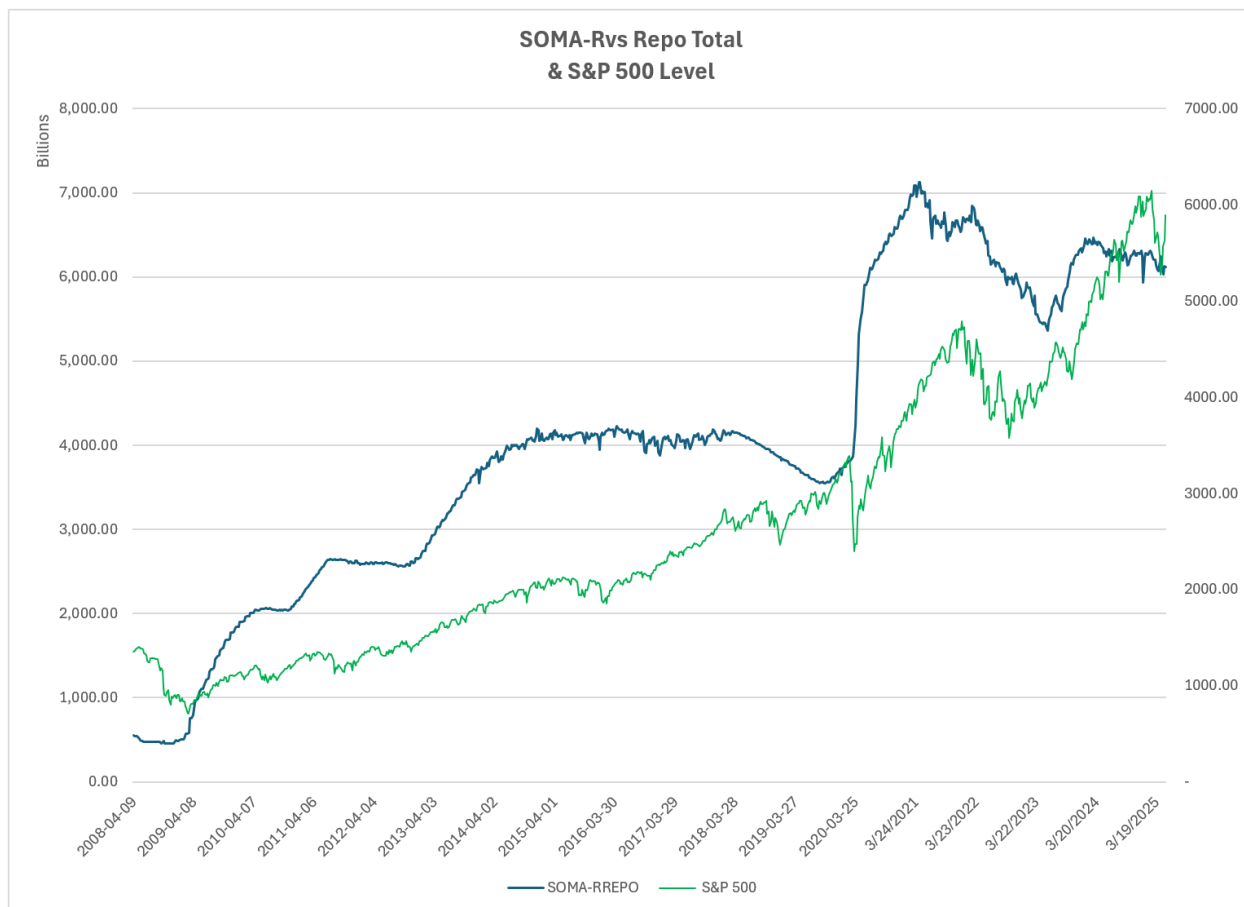
Domestic Security Holdings as of

◀ Previous **May 14, 2025** 📅
 Posted May 15, 2025 at 4:30 PM

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

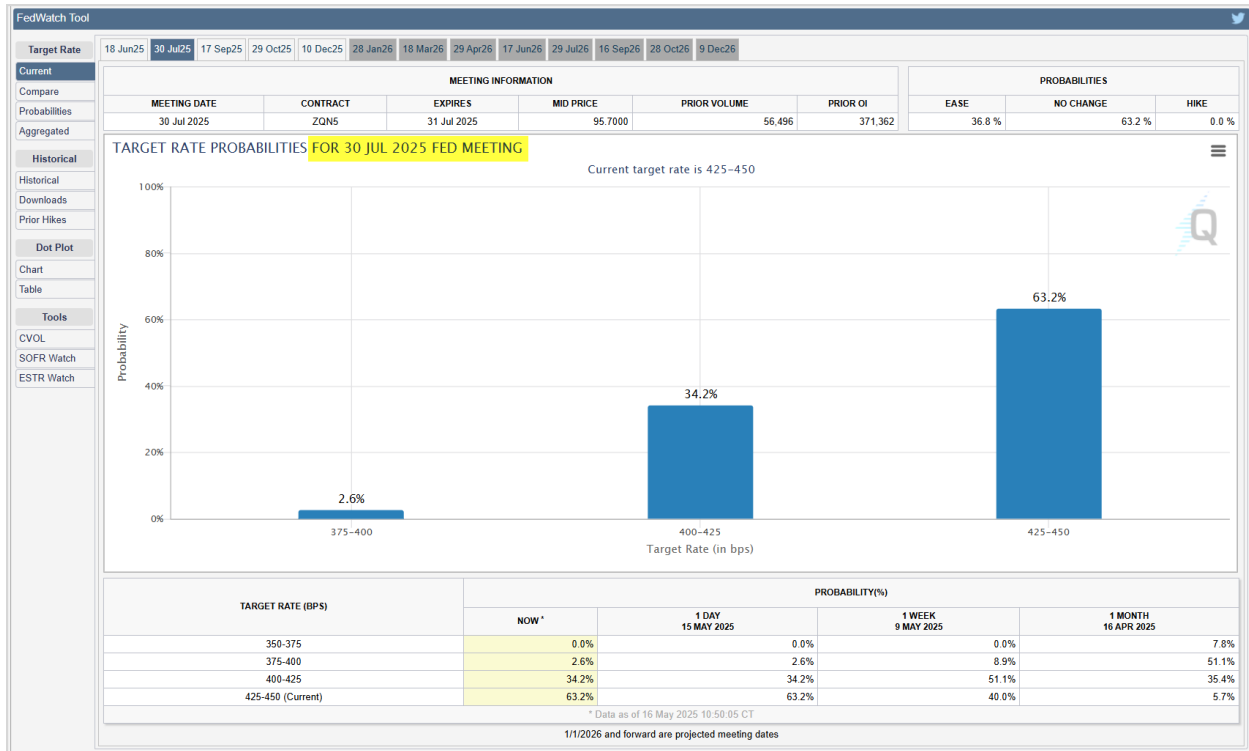
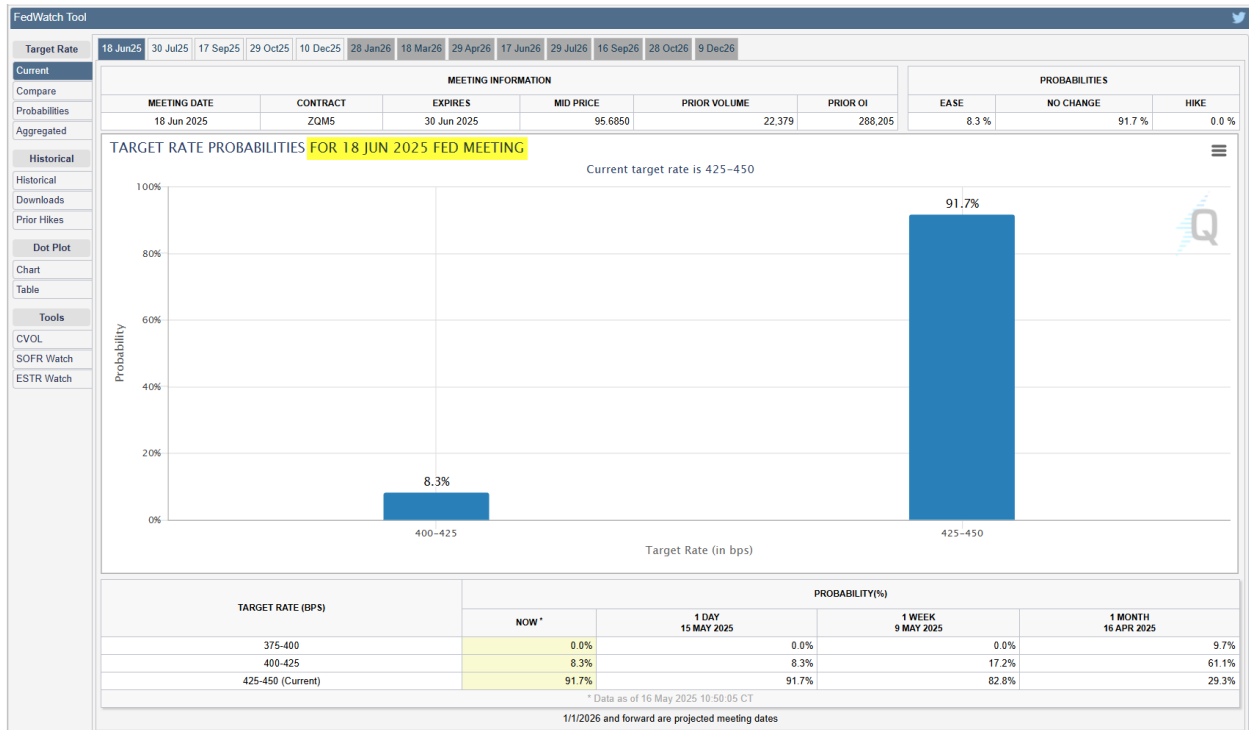
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,417,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,586,957,199.2
US Treasury Floating Rate Notes (FRNs)	10,532,824.1
US Treasury Inflation-Protected Securities (TIPS)*	313,767,368.8
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,164,963,696.6
Agency Commercial Mortgage-Backed Securities***	7,981,211.6
Total SOMA Holdings	6,281,967,227.1
Change From Prior Week	75,000.0

The SOMA account holdings actually increased by a very mild \$75 million for the 2nd week in a row. Meanwhile, reverse repos declined by a moderate \$10 billion for the week ending 5/14/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a relatively mild \$10 billion liquidity drain. 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 8%. That is down from 37% a couple of weeks ago. Meanwhile, July odds show a 37% chance that rates will be lower than current, which is substantially lower than the 60% that was being shown just last week. 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 got a DeGraaf Breadth Thrust signal a few days ago. This week also saw the SPX and NASDAQ both move through their 200-day moving averages and post 50-day highs. And the RSI(2) study suggests the recent strong momentum is likely to persist a while longer. So based on breadth, leadership, trend, and momentum, 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 accurately 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. Even if the lows for 2025 have already been posted, we could see substantial volatility re-emerge at some point 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

UNH @ \$311.38 (bought @ limit)

UNH @ \$308.01 (bought @ limit)

UNH @ \$274.35 (bought @ limit)

Broad Market Large Cap CBI – 3(UNH-3)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
UNH(1/3)	5/15/2025	\$274.90	\$291.91	6.19%	Catapult
UNH(1/3)	5/15/2025	\$274.90	\$291.91	6.19%	Catapult
UNH(1/3)	5/16/2025	\$274.35	\$291.91	6.40%	Catapult

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