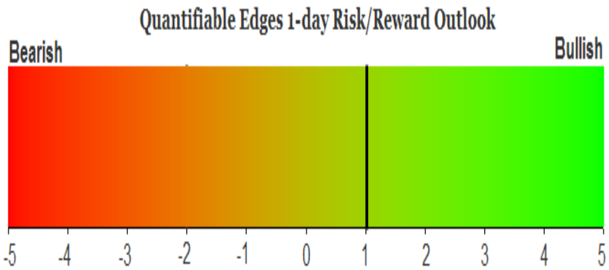
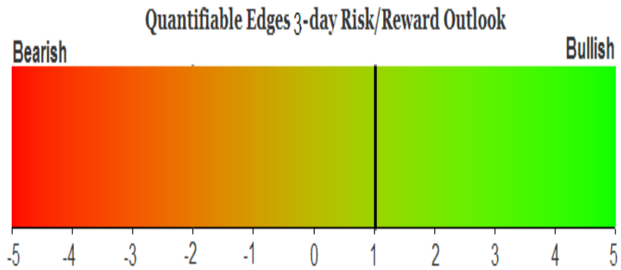
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 2, 2025 Volume 18 Issue 103

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The afternoon rally on Friday ruined Monday's odds of a strong move higher.
- The SPX Seasonality Calendar for the upcoming week appears moderately bullish.
- SOMA and reverse repos changes caused a liquidity contraction this past week. Overall, the Fed still appears neutral.

Short-term Outlook
The Bottom Line
The Aggregator is bullish. But with SPX primed to flip back to short-term oversold on Monday, I don't believe the setup is greatly favorable.

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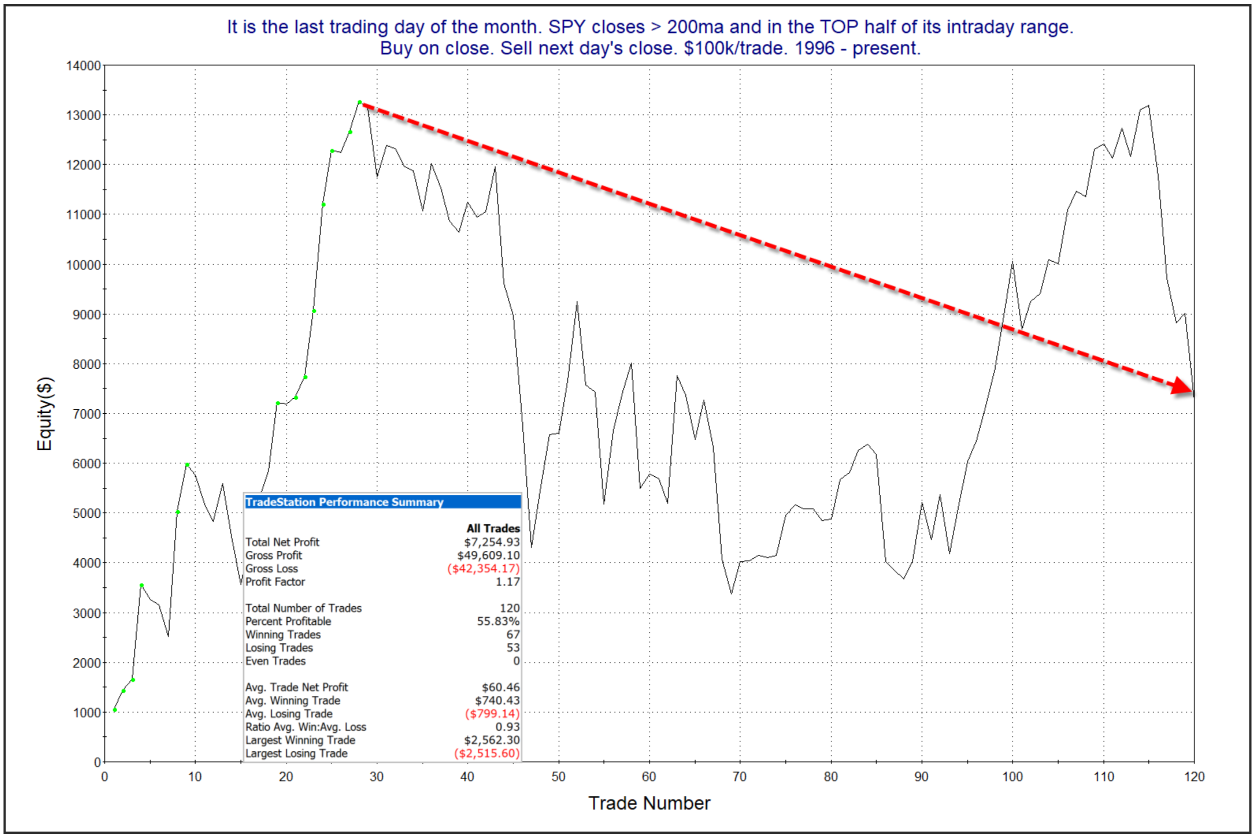
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
May 21, 2025	5 up to a 50-high then down	1-10 days	Bullish	1.80%	-1.10%	-2.30%
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

Morning selling saw an afternoon turnaround, and the market made back most of its losses by the close. SPX closed down just 0.01%, the NASDAQ fell 0.3%, and the Russell 2000 lost 0.4%. Breadth was weak as the NYSE Up Issues % closed at 42% and the NYSE Up Volume % posted a 46% reading. NYSE total volume spiked a good bit higher than Thursday's level.

In Thursday night's letter I noted that the bullish 1st day of month edge has really only played out when SPY has closed poorly on the last day of the previous month. The afternoon rally put SPY near the top of its intraday range. This leaves us with the below setup.



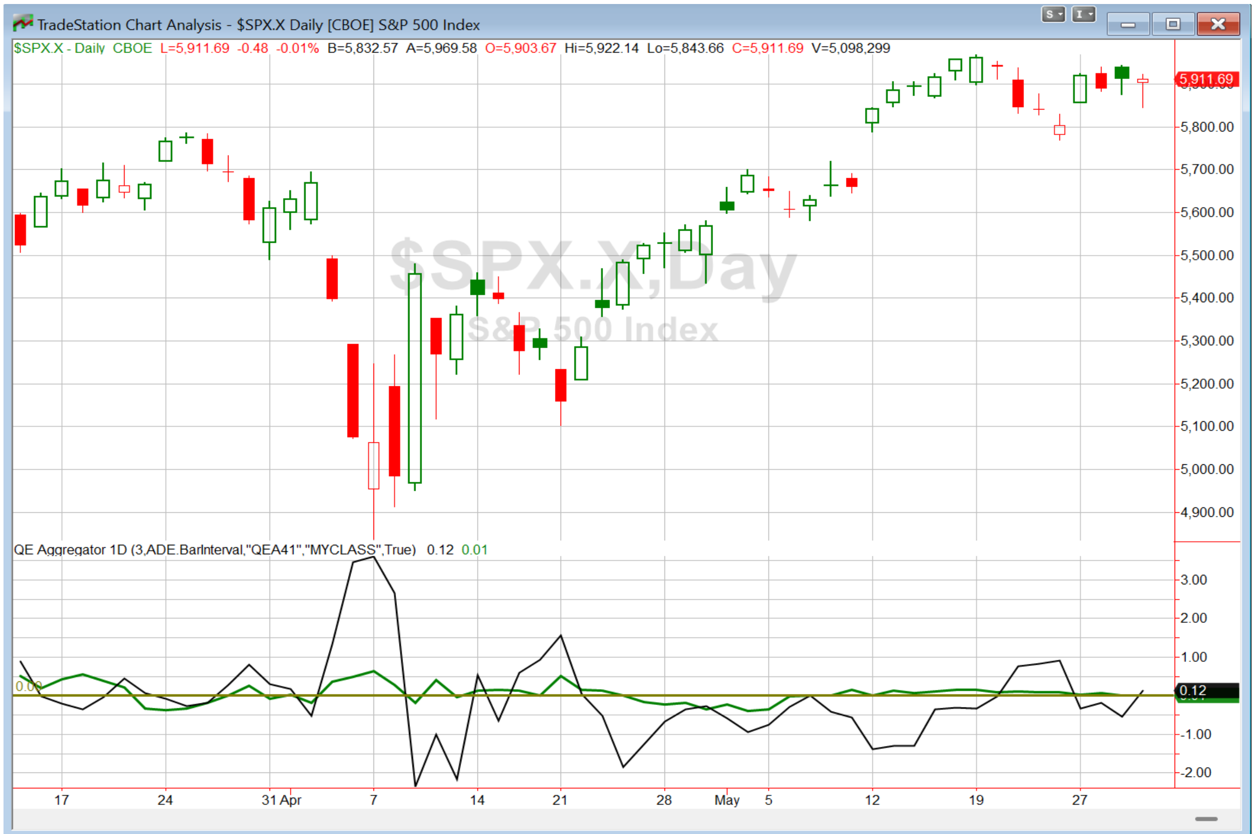
There were some other studies that triggered in the Quantifinder that showed a bullish 1st of month edge, but adding the "strong close" filter really hurt the numbers for them. So Monday is perhaps not as bullish as it would otherwise appear.

I did post the seasonality calendars for June this weekend. Let's take a look at SPX.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
6/2/2025	**54.86**	**1.459**	**0.122**
6/3/2025	49.95	1.449	0.149
6/4/2025	**56.22**	**1.750**	**0.230**
6/5/2025	**52.22**	**1.229**	**0.036**
6/6/2025	**57.40**	**1.529**	**0.182**
6/9/2025	53.62	0.740	-0.141
6/10/2025	**52.44**	**1.191**	**0.089**
6/11/2025	**54.79**	**1.141**	**0.076**
6/12/2025	54.15	0.814	-0.079
6/13/2025	**58.24**	**1.295**	**0.108**
6/16/2025	55.33	0.869	-0.093
6/17/2025	**51.06**	**1.428**	**0.155**
6/18/2025	**57.29**	**1.556**	**0.200**
6/20/2025	50.76	0.993	0.020
6/23/2025	51.82	0.929	-0.074
6/24/2025	**50.65**	**1.284**	**0.126**
6/25/2025	**51.30**	**1.308**	**0.130**
6/26/2025	**53.50**	**1.183**	**0.048**
6/27/2025	**54.92**	**1.167**	**0.085**
6/30/2025	**56.88**	**1.120**	**-0.029**
Baseline	***54.05***	***1.135***	***0.047***

This week is really just moderately bullish. I say that because I suspect Monday's odds are a bit overstated thanks to the strong Friday close. And Tuesday is neutral. Wed- Fri show some good numbers though. The strongest run of days happens at the end of the month.

I have updated the Aggregator chart below.



This weekend's evidence considered, the green Aggregator Line remained very slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line inched above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to finish slightly bullish again on Monday. With the short-term active list now empty, any new evidence that emerges could easily swing expectations one way or the other. Meanwhile, the Differential Pivot will be *inverted at* 5899.88 on Monday. That is 0.2% *below* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down at least 0.2% in order to remain oversold. Anything other than that and it will flip to "overbought" versus recent expectations as of Monday's close.

So the Aggregator is bullish. But with the inverted pivot it would actually take some selling for the bullish Aggregator formation to persist. This limits potential upside, and we really don't have great 1-day evidence thanks to the strong close on Friday. I don't typically view setups with inverted pivots as opportune times to take new positions, and this case is no different. I will remain sidelined and see what Monday brings before considering my next possible index trade.

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".*

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This past week was a strong one for stocks. The SPX rose 1.9%, the NASDAQ gained 2.0%, and the Russell 2000 climbed 1.3%. Bonds also rallied. The US Aggregate Bond ETF (AGG) rose 0.9%. TLT, the 20-year Treasury Bond ETF, jumped 2.05%. Both the NASDAQ and the SPX are above their long-term moving averages and not terribly far from new highs. Long-term trend measures mostly point higher. There were not any new studies that triggered in the last few days with intermediate-term implications.

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

Domestic Security Holdings as of

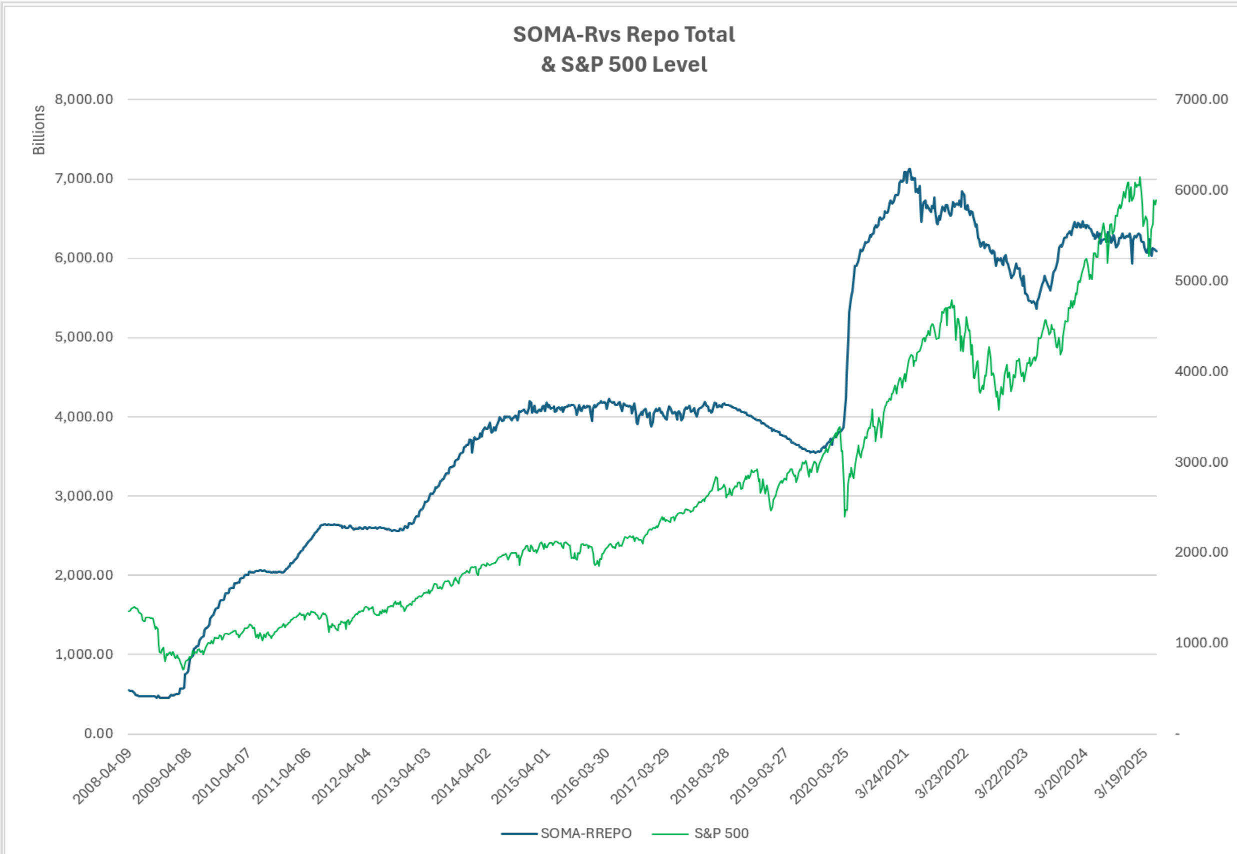
Previous May 28, 2025

Posted May 29, 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)	3,583,865,868.6
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***	2,148,191,502.9
Agency Commercial Mortgage-Backed Securities***	7,969,944.2
Total SOMA Holdings	6,262,092,435.3
Change From Prior Week	-13,134,853.9

The SOMA account holdings declined by $13.1 billion this past week. Meanwhile, reverse repos increased by $10.8 billion for the week ending 5/28/25. A rise in reverse repos can act as a liquidity contraction. Combined for the week, SOMA and reverse repo action accounted for a $24 billion liquidity drain. There was a big spike in reverse repos on Friday, and that will show up in next week's numbers. In May, all of the SOMA reduction occurred in the 2nd half of the month. So we may see flat/slightly higher numbers for the SOMA balance when it is released on Thursday afternoon. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



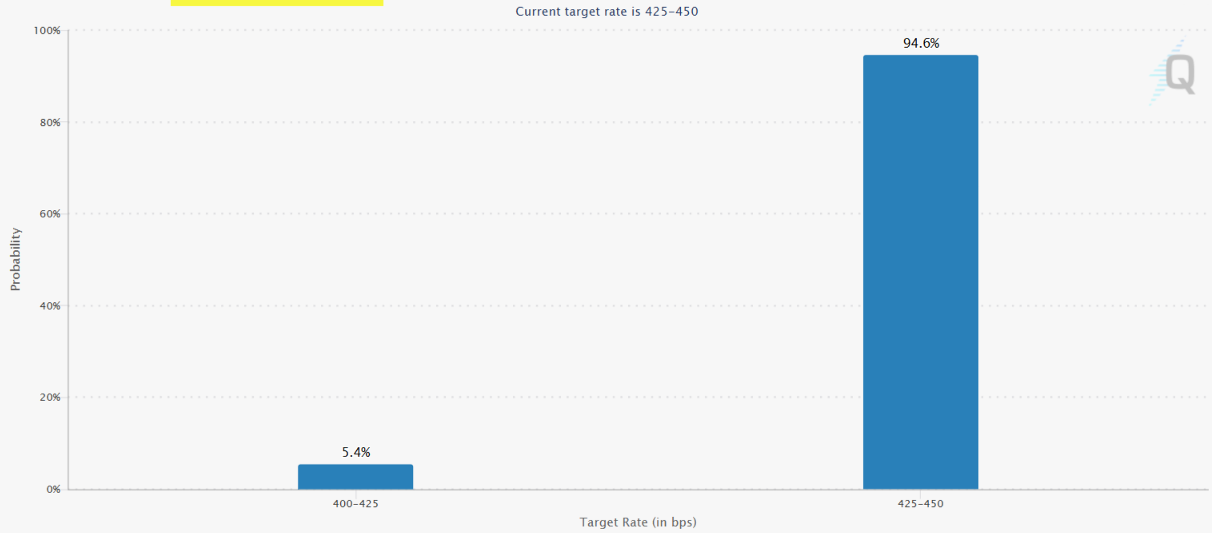
Quantitative Tightening (QT) can still be a headwind to the market, but it is not nearly as strong as it has been at times in the last few years. So the headwind now appears more like a gentle breeze. Reverse repo closeouts more than offset the QT from April 2023 through early March of 2024, and this 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 5%. Meanwhile, July odds show just a 27% chance that rates will be lower than current. Neither of these odds have changed much in the last week. The September meeting is currently the one where odds are greater than 50% that rates will be lower than they are currently. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

18 Jun25 | 30 Jul25 | 17 Sep25 | 29 Oct25 | 10 Dec25 | 28 Jan26 | 18 Mar26 | 29 Apr26 | 17 Jun26 | 29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
18 Jun 2025	ZQM5	30 Jun 2025	95.6725	3,408	348,838	5.4 %	94.6 %	0.0 %

Target Rate Probabilities for 18 Jun 2025 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 30 MAY 2025	1 WEEK 23 MAY 2025	1 MONTH 1 MAY 2025
375-400	0.0%	0.0%	0.0%	3.2%
400-425	5.4%	3.8%	5.6%	55.0%
425-450 (Current)	94.6%	96.2%	94.4%	41.8%

FedWatch Tool

Target Rate
Current
Compare
Probabilities
Aggregated

Historical
Historical
Downloads
Prior Hikes

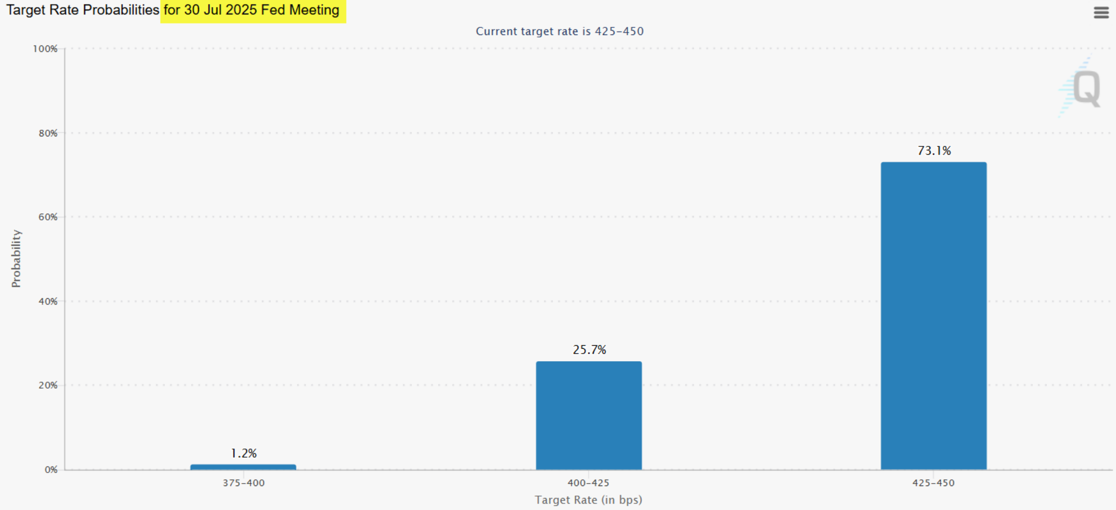
Dot Plot
Chart
Table

Tools
CVOL
SOFR Watch
ESTR Watch

18 Jun25 | 30 Jul25 | 17 Sep25 | 29 Oct25 | 10 Dec25 | 28 Jan26 | 18 Mar26 | 29 Apr26 | 17 Jun26 | 29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
30 Jul 2025	ZQN5	31 Jul 2025	95.6825	43,006	449,832	26.9 %	73.1 %	0.0 %

Target Rate Probabilities for 30 Jul 2025 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 30 MAY 2025	1 WEEK 23 MAY 2025	1 MONTH 1 MAY 2025
350-375	0.0%	0.0%	0.0%	2.6%
375-400	1.2%	0.9%	1.1%	45.0%
400-425	25.7%	24.8%	23.9%	44.4%

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, geopolitics, inflation, and the economy in general it would be surprising to me if we did NOT see shifts in expectations over the next few months.

The last few days did not do anything to change my intermediate-term outlook. The market still seems to be acting bullish. We saw the NASDAQ take the lead in late April. We've also seen multiple breadth thrust studies that are typically followed by more upside. The SPX and NASDAQ are both above their 200-day moving averages near new 50-day highs, so most trend indicators are pointing higher. We also have multiple momentum studies pointing higher from the last couple of weeks. So based on breadth, leadership, trend, and momentum, the recent uptrend appears healthy. Still, massive amounts of uncertainty with regards to wars, tariffs, trade, inflation and more are making forecasting challenging. Substantial volatility can re-emerge at any time. 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. 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.