

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 16, 2025

Volume 18 Issue 113

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Unfilled gaps down from 50-day highs have exhibited a downside edge the following day.
- Gaps to short-term lows with further selling can generate an upside edge. But its been rare when the gap came from a high, and those have all seen additional selling.
- The Seasonality Calendar is looking neutral to mildly bullish this week.
- We saw a liquidity drain this past week, but the Fed remains basically neutral for now.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Risks are high and evidence is mixed. Not ideal.

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

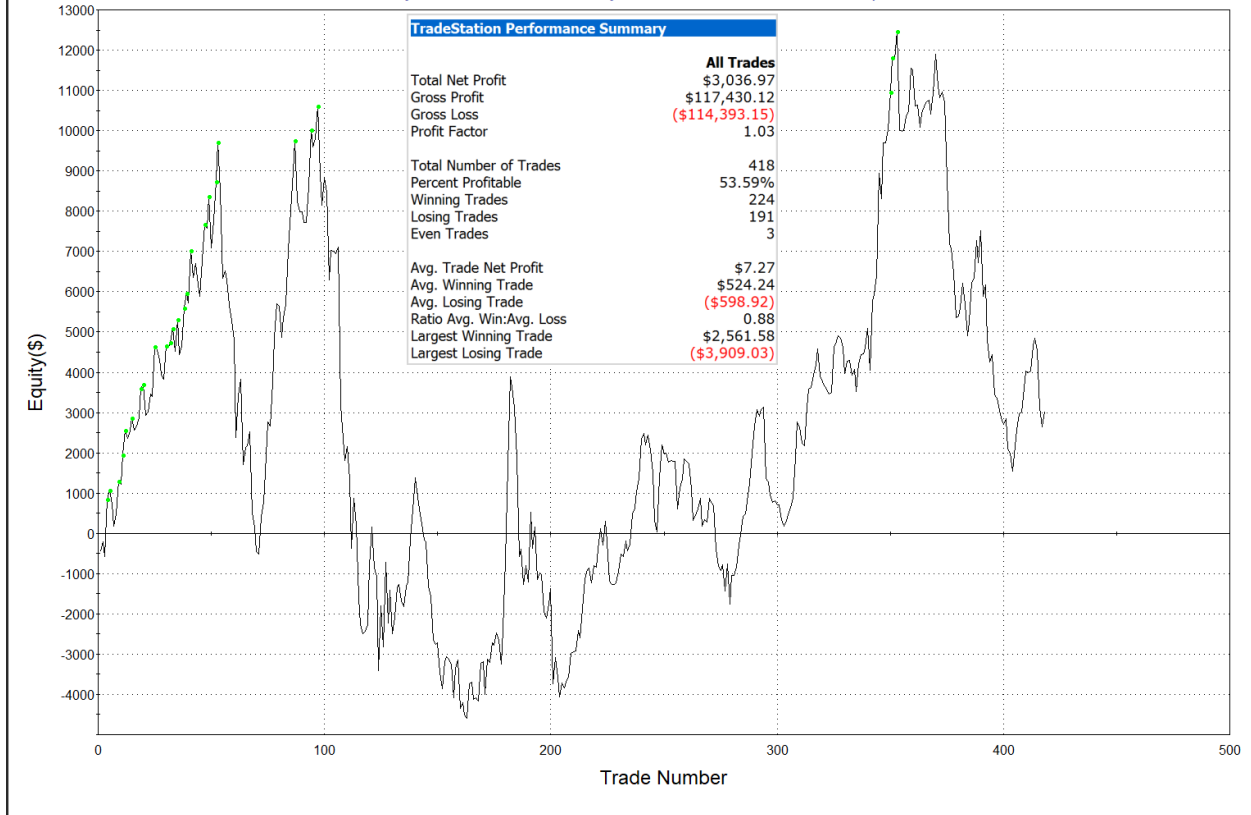
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
June 16, 2025	Unfilled gap down from a 50-day high	1 day	Bearish			
June 13, 2025	VXX 5-high. SPX 5-high	1-4 days	Bearish			
June 12, 2025	3 higher highs, lows, closes. Dn cls today	1-4 days	Bullish	1.20%	-0.80%	-1.70%
<b>Active - Long Term</b>						
May 19, 2025	DeGraaf Thrust (55% SPX 20-day high)	1-12 months	Bullish			
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**

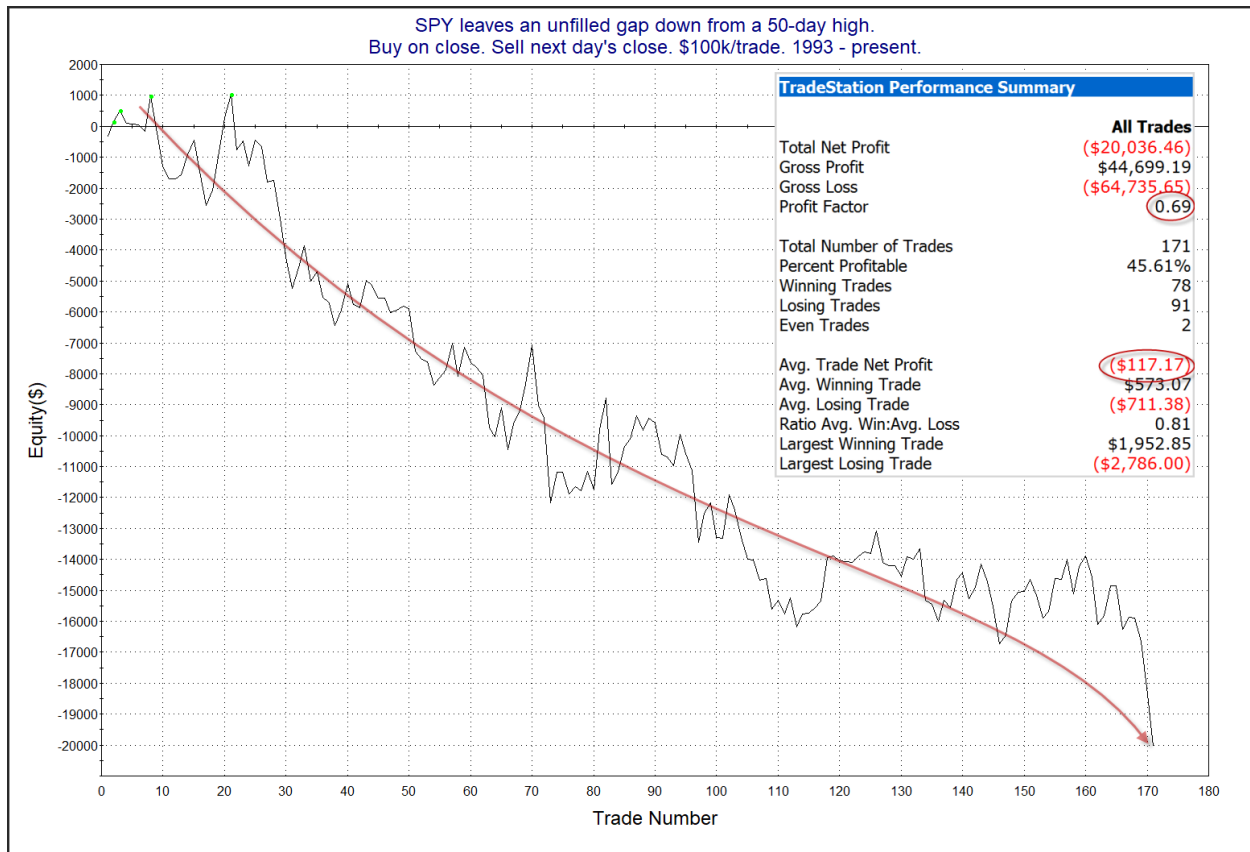
The market sold off on Friday, triggered by Israel bombing Iran. SPX fell 1.1%, the NASDAQ declined 1.3%, and the Russell 2000 lost 1.85%. Breadth was weak as the NYSE Up Issues % closed at 18% and the NYSE Up Volume % posted a 23% reading. NYSE total volume rose some from Thursday's level.

The 1<sup>st</sup> day down from a high does not often suggest a strong edge. But when the 1<sup>st</sup> day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They were last seen in the 5/21/25 letter. The 1<sup>st</sup> one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.

Yesterday SPY closed at a 50-day high. Today SPY closes lower but does not leave an unfilled gap down.  
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high.



The move lower has persisted for a long time. The curve has seen an acceleration lately, with big moves lower after the last 3 instances – occurring 7/17/24, 2/20/25, and 5/20/25. The study overall is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. It suggests a moderate downside edge for Monday.

There was a study from the 5/31/24 letter that noted SPY gapped down to a short-term low, and then sold off further during the day, while in a long-term uptrend. I have updated the stats table from the study below.

SPY gaps down to open below the lowest close of the last 5 days. It then closes below the open.  
Close > 200ma. Buy on close. Sell X days 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
5	148,714.41	213	146	66	68.54	8,239.74	-11,128.78	1,746.10	-1,609.34	1.08	2.40	698.19
4	130,651.10	222	149	73	67.12	5,581.02	-10,755.03	1,638.13	-1,553.84	1.05	2.15	588.52
3	112,187.87	234	145	88	61.97	5,117.85	-6,572.02	1,494.81	-1,188.18	1.26	2.07	479.44
2	99,870.05	248	158	87	63.71	5,477.88	-6,228.17	1,148.96	-938.69	1.22	2.22	402.70
1	62,375.92	268	173	95	64.55	5,764.38	-4,181.76	802.35	-804.53	1.00	1.82	232.75

As you'll note, the numbers lean squarely higher over the next week. But the premise of this study is that we are making short-term extreme lows during a long-term uptrend. There is another (stronger) version of this that requires SPY closes at a 5-day low the day before, then gaps down. This one simply says that no matter where SPY closed yesterday, that it manages to open below the lowest close of the previous 5 days. Now Friday was quite unusual. While the above study did trigger, SPY dropped from a 50-day high all the way below the lowest close of the last 5 days. So I decided to look at the above study and see what happened when it triggered following a short-term high.

I found that instances dropped from 268 to just 6. And the next week showed mostly negative numbers. That would not typically bother me if it was simply mixed over the next week. But I also noted that every one of them closed lower the next day. Here is the list of instances with their 1-day returns.

After closing at a 5-day high yesterday, SPY gaps below the lowest close of the last 5 days. It then closes below the open but above the 200ma. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

Date	Trade	Price	% Chg	RunUp/Ddn
9/9/1994	Buy	\$47.00	-0.28%	\$148.89
9/12/1994	Sell	\$46.87		(\$467.94)
5/2/1996	Buy	\$64.42	-0.17%	\$884.64
5/3/1996	Sell	\$64.31		(\$1,039.84)
6/23/2005	Buy	\$119.86	-0.73%	\$125.10
6/24/2005	Sell	\$118.98		(\$850.68)
6/15/2009	Buy	\$92.90	-1.36%	\$419.64
6/16/2009	Sell	\$91.64		(\$1,420.32)
4/28/2016	Buy	\$207.45	-0.54%	\$0.00
4/29/2016	Sell	\$206.33		(\$1,166.44)
6/24/2016	Buy	\$203.13	-1.74%	\$0.00
6/27/2016	Sell	\$199.60		(\$2,204.16)

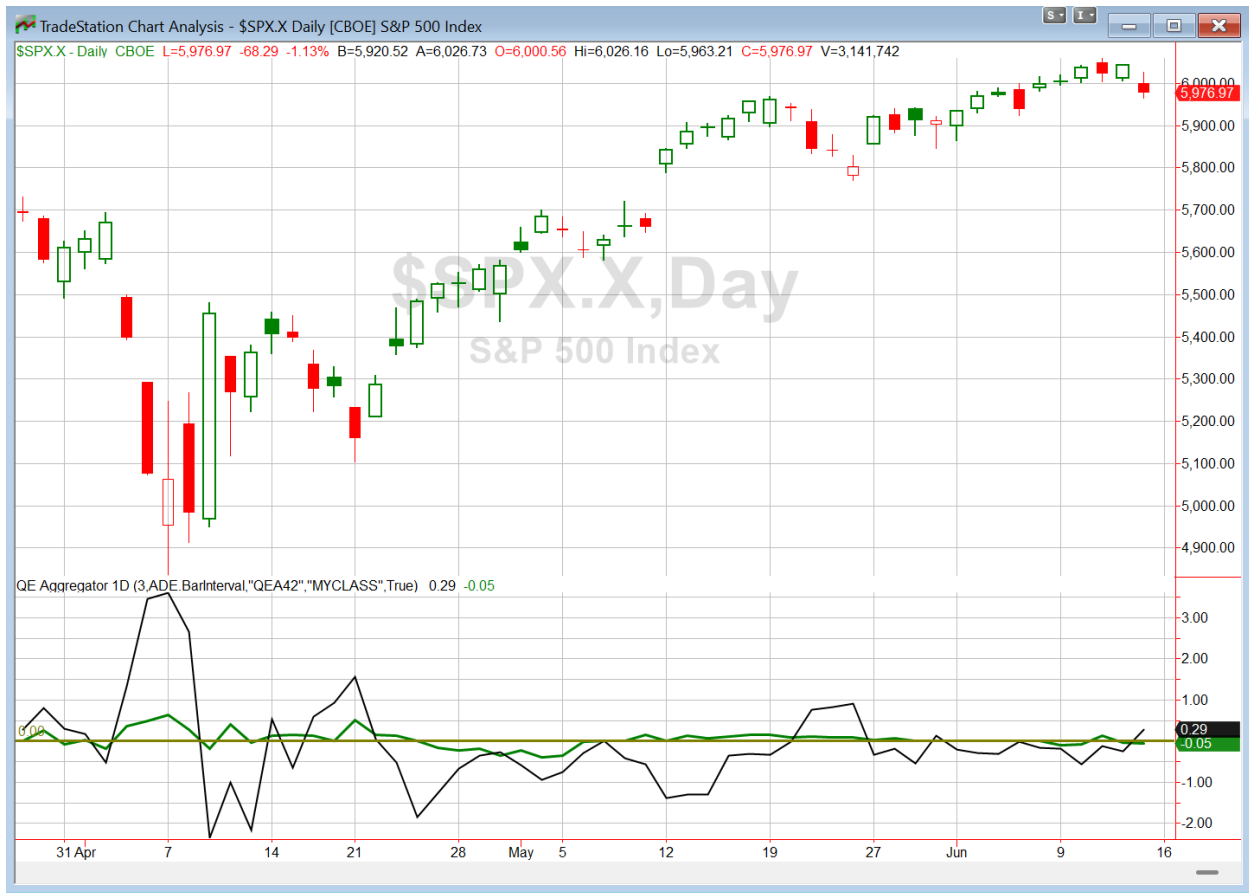
Rare...but discouraging in the context of the larger study. I am not inclined to include this as a bearish edge, since we have such a small number of instances. But I am also not inclined to include the broader study on the active list. I'd be much more inclined to be influenced by it if the setup was more typical of the instances that provided the bullish results in the first place.

Let's next take a look at the SPX Seasonality Calendar.

<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<b>Date</b>	<b>Win%</b>	<b>Profit Factor</b>	<b>Avg % Chg</b>
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
<b>Baseline</b>	<b>54.05</b>	<b>1.135</b>	<b>0.047</b>

This week is looking basically neutral to mildly bullish. There does not appear to be a strong seasonal influence as calculated by the Seasonality Calendar algorithms.

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



With tonight's evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line rose above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain negative on Monday. Of course this could change if new bullish evidence emerges. Meanwhile, the Differential Pivot will be 6019.38 on Monday. That is 0.7% above Friday's close. Therefore, SPX will need to close up at least 0.7% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is neutral. Evidence is mixed but leaning bearish for now. The SPX is oversold, and geopolitical risks appear high. I'm not inclined to get involved in a new position right now. But we could certainly see some action this week. There is VIX opex, a Fed meeting, then quarterly opex on Friday among other events. Also notable is that the market will be closed on Thursday. There appears to be a good chance we'll soon see some volatile market action that could lead to sizable edges. I'll be ready when that happens.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 6/16 – somewhat bullish**

<b>Combo #1</b>	<b>Combo #2</b>	<b>Combo #3</b>	<b>Combo #4</b>
<b>Flat</b>	<b>Flat</b>	<b>Flat</b>	<b>Flat</b>

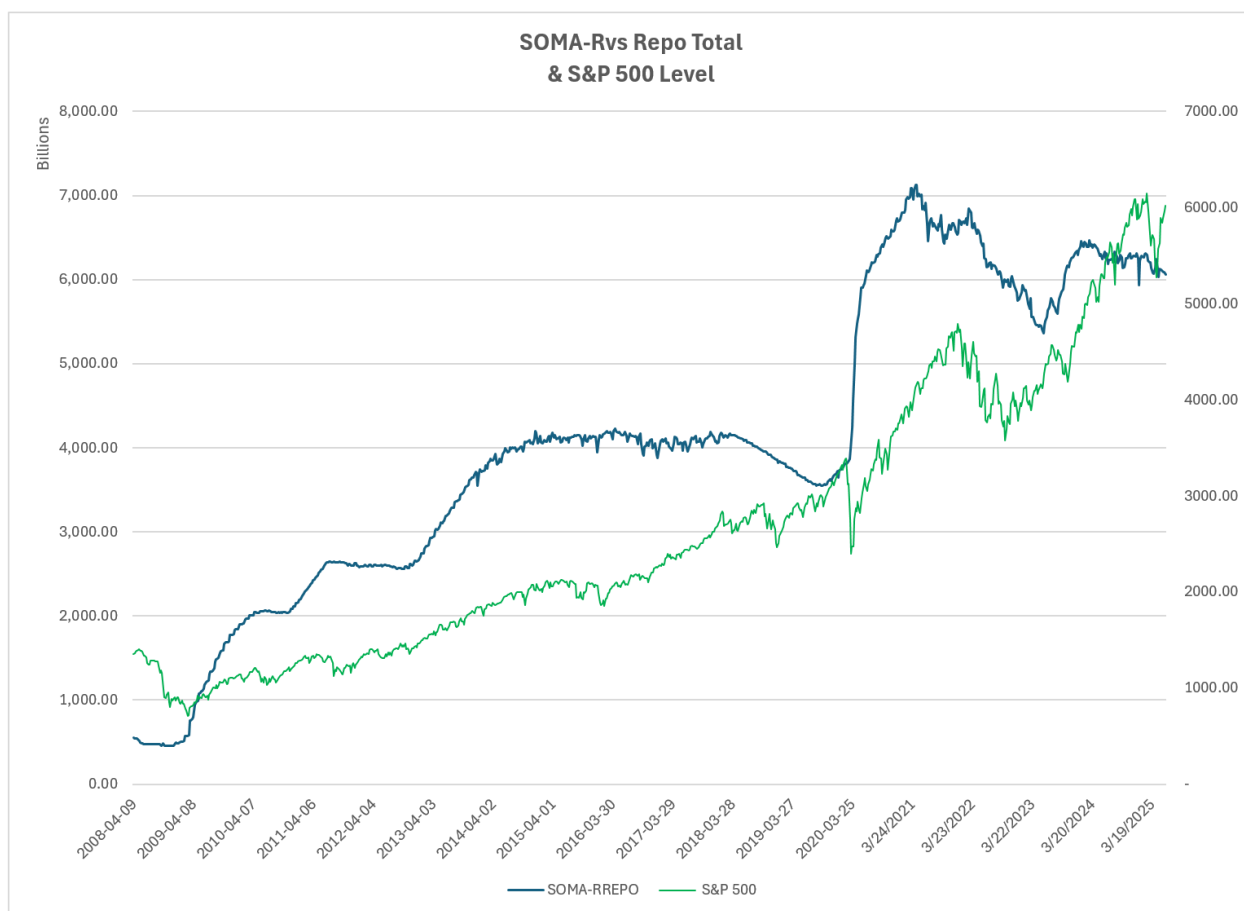
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which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

Stocks pulled back a little this past week. The SPX declined 0.4%, the NASDAQ fell 0.6%, and the Russell 2000 lost 1.5%. Bonds rallied, though. The US Aggregate Bond ETF (AGG) gained 0.7%. TLT, the 20-year Treasury Bond ETF, rose 1.15%. Both the NASDAQ and the SPX are above their long-term moving averages, one-day removed from 50-day highs, and are not terribly far from new all-time 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.

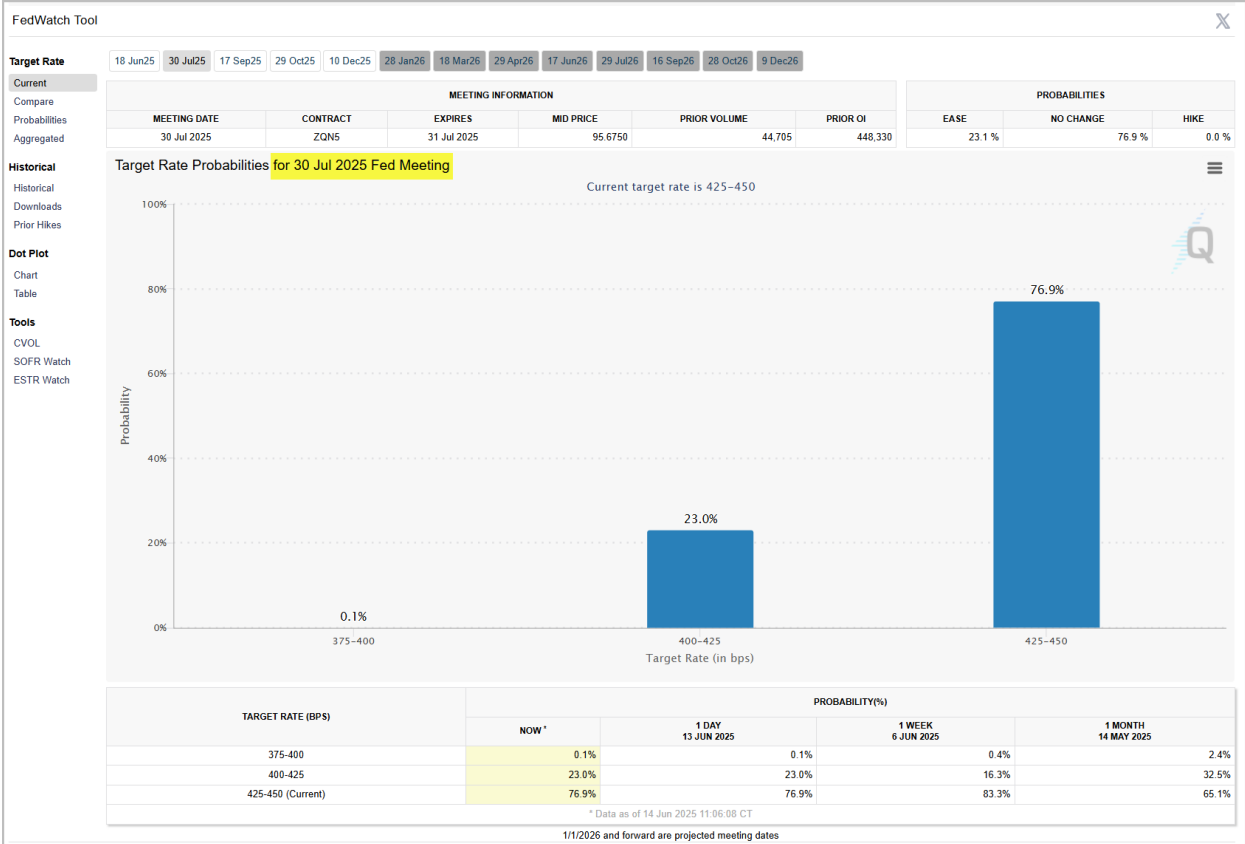
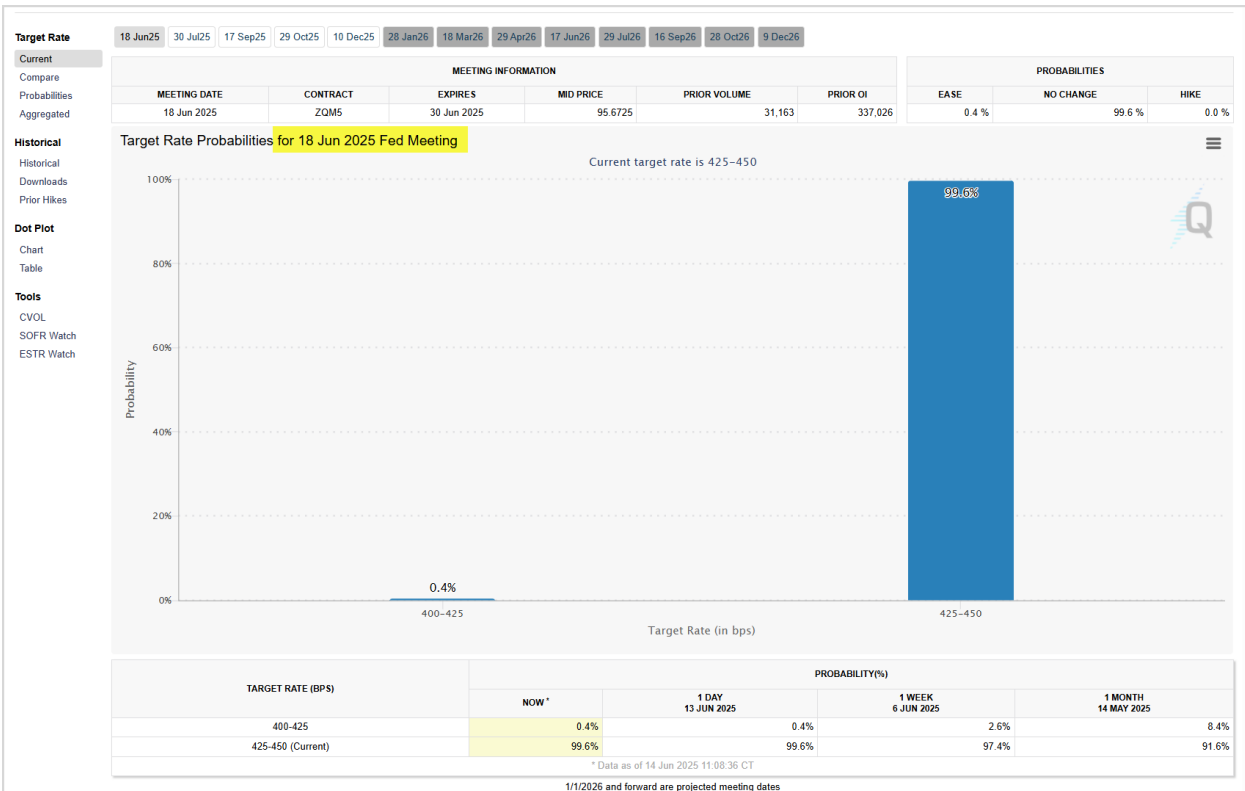
Domestic Security Holdings as of	
◀ Previous	<b>June 11, 2025</b> 📅
	<small>Posted June 12, 2025 at 4:30 PM</small>
<b>SUMMARY</b>	T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,417,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,581,957,199.1
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	<b>No change from last week</b> → 6,260,183,765.8

The SOMA account holdings stayed exactly the same this past week. Meanwhile, reverse repos rose by \$36 billion for the week ending 6/11/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a \$36 billion liquidity reduction. 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 1%. (Not gonna happen.) Meanwhile, July odds show a 23% chance that rates will be lower than current. The September meeting is the first 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.



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 much 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. Most trend indicators are pointing higher. Momentum has waned some, and we saw some strong momentum studies from weeks past expire from the Active List. But even without great momentum, we see breadth, leadership, and trend indicators all pointing higher. On the other hand, 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 1<sup>st</sup> 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.

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