

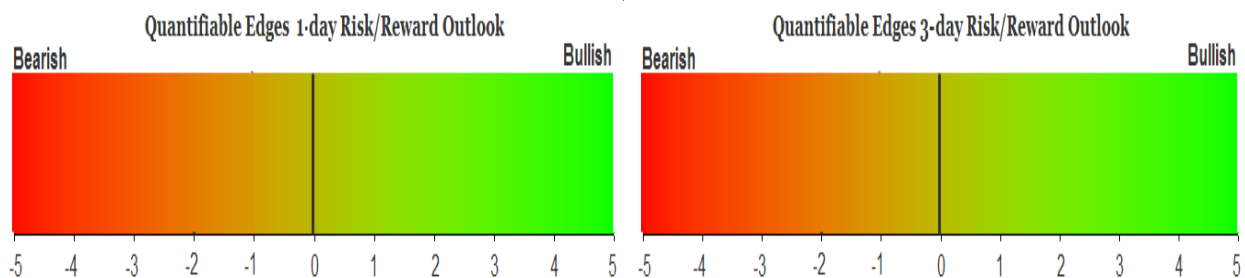
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2025

Volume 18 Issue 126

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The strong Employment Day rally by the NASDAQ could mean additional momentum in that index for the next few days.
- The Seasonality Calendar looks favorable for the 1<sup>st</sup> half of July.
- Liquidity was reduced this past week, but the Fed remains basically neutral.
- Trend, momentum, leadership, and breadth are all intermediate-term bullish.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Evidence is leaning higher but SPX is overbought..

**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>						
July 2, 2025	SPX down. NYSE Up Issues % > 65%	1-3 days	Bullish			
<b>Active - Long Term</b>						
July 1, 2025	RSI(2) crosses over 99	1-15 days	Bullish	2.20%	-1.60%	-3.10%
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			
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 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 pressed higher on Wednesday. SPX finished up 0.5%, the NASDAQ rose 0.9%, and the Russell 2000 rallied 1.3%. Breadth was positive as the NYSE Up Issues % closed at 73% and the NYSE Up Volume % posted a 72% reading. NYSE total volume declined for the 3<sup>rd</sup> day in a row. I expect it to decline again tomorrow with the holiday-shortened trading day.

As I mentioned above, the employment report was the catalyst for the big rally Friday, and the NASDAQ hit new all-time highs. As I did in the 5/6/19 letter, I looked back at other instances where the NASDAQ spiked higher and closed at a new high on the day of an employment report.

Today is an Employment Day. NASDAQ closes up at least 1% and at a 50-day high. 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	21,366.13	28	21	7	75.00	3,803.52	-2,964.72	1,465.54	-1,344.31	1.09	3.27	763.08
4	13,042.61	28	18	10	64.29	3,040.00	-3,213.50	1,398.73	-1,213.45	1.15	2.07	465.81
3	8,899.62	28	18	10	64.29	2,062.70	-2,648.16	1,103.99	-1,097.22	1.01	1.81	317.84
2	1,835.00	28	17	11	60.71	1,856.12	-3,675.86	777.93	-1,035.44	0.75	1.16	65.54
1	4,413.60	28	18	10	64.29	1,333.76	-1,485.83	527.06	-507.35	1.04	1.87	157.63

The results above appear to suggest an upside edge, especially over the 5-day period. I also checked to see how SPX performed after the NASDAQ action. Results here were interesting.

Today is an Employment Day. NASDAQ closes up at least 1% and at a 50-day high. Buy <b>SPX</b> 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	-347.90	28	17	11	60.71	1,915.14	-4,731.22	854.14	-1,351.67	0.63	0.98	-12.43
4	-5,466.42	28	16	12	57.14	1,659.08	-5,946.73	787.00	-1,504.87	0.52	0.70	-195.23
3	-7,418.25	28	15	13	53.57	1,358.28	-3,733.20	587.54	-1,248.57	0.47	0.54	-264.94
2	-9,514.91	28	14	14	50.00	848.70	-3,748.50	423.21	-1,102.85	0.38	0.38	-339.82
1	-2,662.51	28	12	16	42.86	1,192.26	-1,252.30	351.37	-429.94	0.82	0.61	-95.09

Same dates. Much weaker action. While the indices often move together, the NASDAQ momentum did not seem to carry over very well for the SPX. Below I have listed all the instances assuming a 5-day holding period for both the NASDAQ and the SPX.

Today is an Employment Day. NASDAQ closes up at least 1% and at a 50-day high. 5-day forward results shown.

Date	Trade	NASDAQ %Chg	SPX %Chg
7/7/1995	Buy	3.05%	0.63%
7/14/1995	Sell		
10/4/1996	Buy	0.06%	-0.15%
10/11/1996	Sell		
2/6/1998	Buy	0.95%	0.75%
2/13/1998	Sell		
7/2/1999	Buy	1.81%	0.57%
7/12/1999	Sell		
11/5/1999	Buy	3.83%	1.89%
11/12/1999	Sell		
12/3/1999	Buy	2.83%	-1.13%
12/10/1999	Sell		
3/3/2000	Buy	2.95%	-1.00%
3/10/2000	Sell		
5/2/2003	Buy	1.15%	0.36%
5/9/2003	Sell		
7/8/2005	Buy	2.08%	1.33%
7/15/2005	Sell		
1/6/2006	Buy	0.50%	0.17%
1/13/2006	Sell		
10/5/2007	Buy	0.91%	0.27%
10/12/2007	Sell		
4/3/2009	Buy	1.94%	1.93%
4/13/2009	Sell		
3/5/2010	Buy	1.78%	0.99%
3/12/2010	Sell		
2/3/2012	Buy	-0.06%	-0.17%
2/10/2012	Sell		
2/1/2013	Buy	0.46%	0.31%
2/8/2013	Sell		
5/3/2013	Buy	1.72%	1.19%
5/10/2013	Sell		
8/5/2016	Buy	0.23%	0.05%
8/12/2016	Sell		
3/9/2018	Buy	-1.04%	-1.24%
3/16/2018	Sell		
6/1/2018	Buy	1.21%	1.62%
6/8/2018	Sell		
5/3/2019	Buy	-3.03%	-2.18%
5/10/2019	Sell		
11/1/2019	Buy	1.06%	0.85%
11/8/2019	Sell		
5/8/2020	Buy	-1.17%	-2.26%
5/15/2020	Sell		
6/5/2020	Buy	-2.30%	-4.78%
6/12/2020	Sell		
1/8/2021	Buy	-1.54%	-1.48%
1/15/2021	Sell		
5/5/2023	Buy	0.40%	-0.29%
5/12/2023	Sell		
6/2/2023	Buy	0.14%	0.39%
6/9/2023	Sell		
2/2/2024	Buy	2.31%	1.37%
2/9/2024	Sell		
6/6/2025	Buy	-0.63%	-0.39%
6/13/2025	Sell		

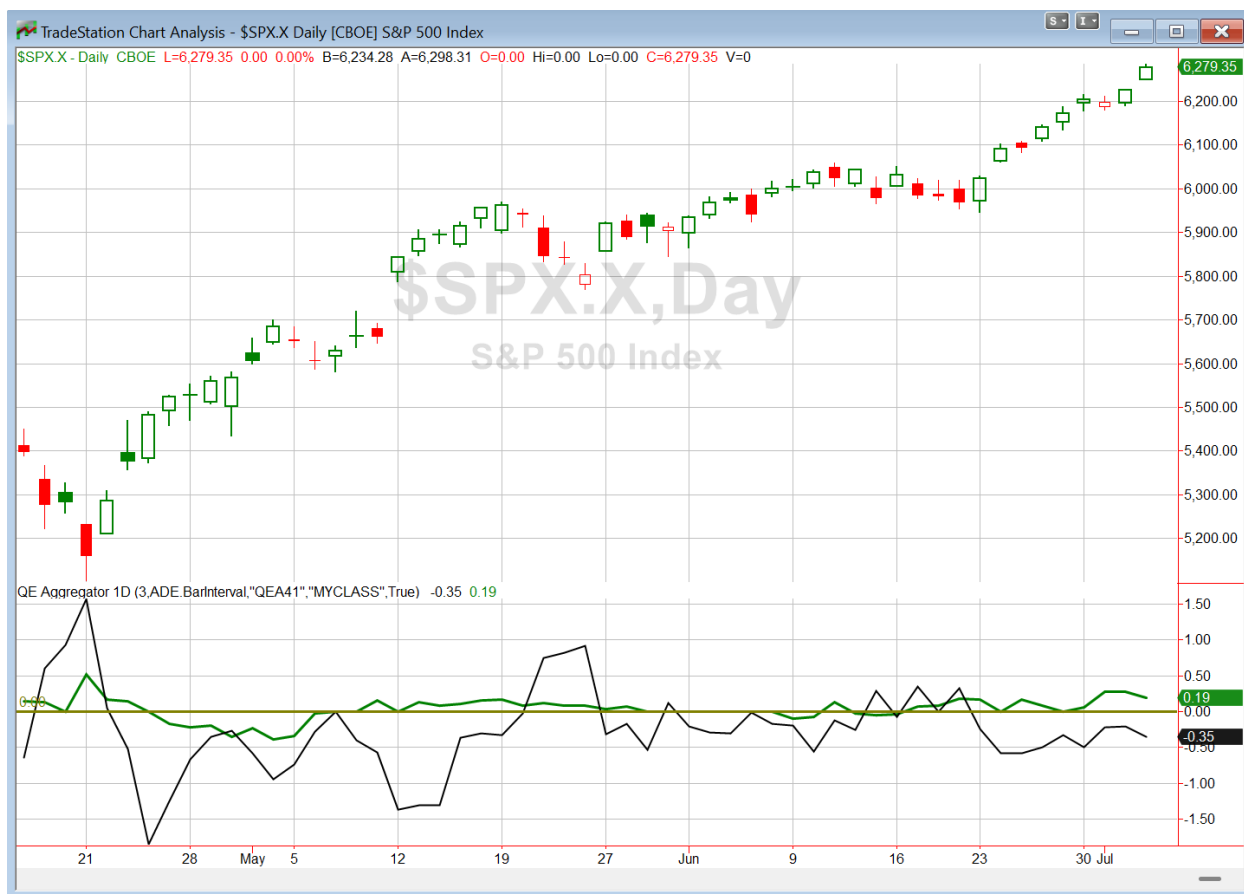
Most interesting to me is the comparison of the NASDAQ to the SPX results. In **22 of 27 instances the NASDAQ outperformed the SPX over the next 5 days**. The only exceptions were the ones I circled. That suggests to me that traders may be better off looking for opportunities to get long the NASDAQ as opposed to the SPX in the coming days. (Or spread traders could look to take advantage of this with a long NASDAQ / short SPX type trade.) So while I am not certain there is a true directional edge suggested by this study. Perhaps if we see a pullback in the NASDAQ over the next day or two, I may look for an index trade there rather than the SPX.

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
7/1/2025	60.30	1.449	0.101
7/2/2025	64.47	1.733	0.183
7/3/2025	59.05	1.370	0.069
7/7/2025	58.03	1.698	0.146
7/8/2025	56.71	1.633	0.120
7/9/2025	60.99	1.616	0.120
7/10/2025	58.74	1.454	0.056
7/11/2025	60.28	1.774	0.155
7/14/2025	55.06	1.085	0.019
7/15/2025	53.43	1.317	0.083
7/16/2025	53.12	0.978	-0.017
7/17/2025	50.99	0.987	-0.009
<b>7/18/2025</b>	<b>48.40</b>	<b>0.908</b>	<b>-0.042</b>
7/21/2025	59.83	1.224	0.063
7/22/2025	54.47	1.240	0.069
7/23/2025	54.13	1.247	0.072
7/24/2025	54.87	1.286	0.080
7/25/2025	53.74	1.117	0.031
7/28/2025	53.51	1.147	0.040
7/29/2025	52.25	1.168	0.048
7/30/2025	48.03	1.138	0.039
7/31/2025	52.65	1.214	0.060
<b>Baseline</b>	<b>54.17</b>	<b>1.141</b>	<b>0.049</b>

As I noted last weekend, the entire 1<sup>st</sup> half of the month of July looks strong.

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



With tonight'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 active studies, expectations are set to remain positive on Monday. Of course this could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 6219.07. That is 1.0% below Thursday's close. Therefore, SPX will need to close at least 1.0% lower on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. And Thursday's action did not change anything. It's been frustrating waiting for a pullback, but I am not going to give up now. Chasing out of frustration is a great way to lose your mind (and money) trading. I'll continue to wait for a more favorable setup before taking on new index exposure.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 6/30 – *bullish***

Combo #1	Combo #2	Combo #3	Combo #4
Flat	Long QQQ	Long QQQ	Long QQQ

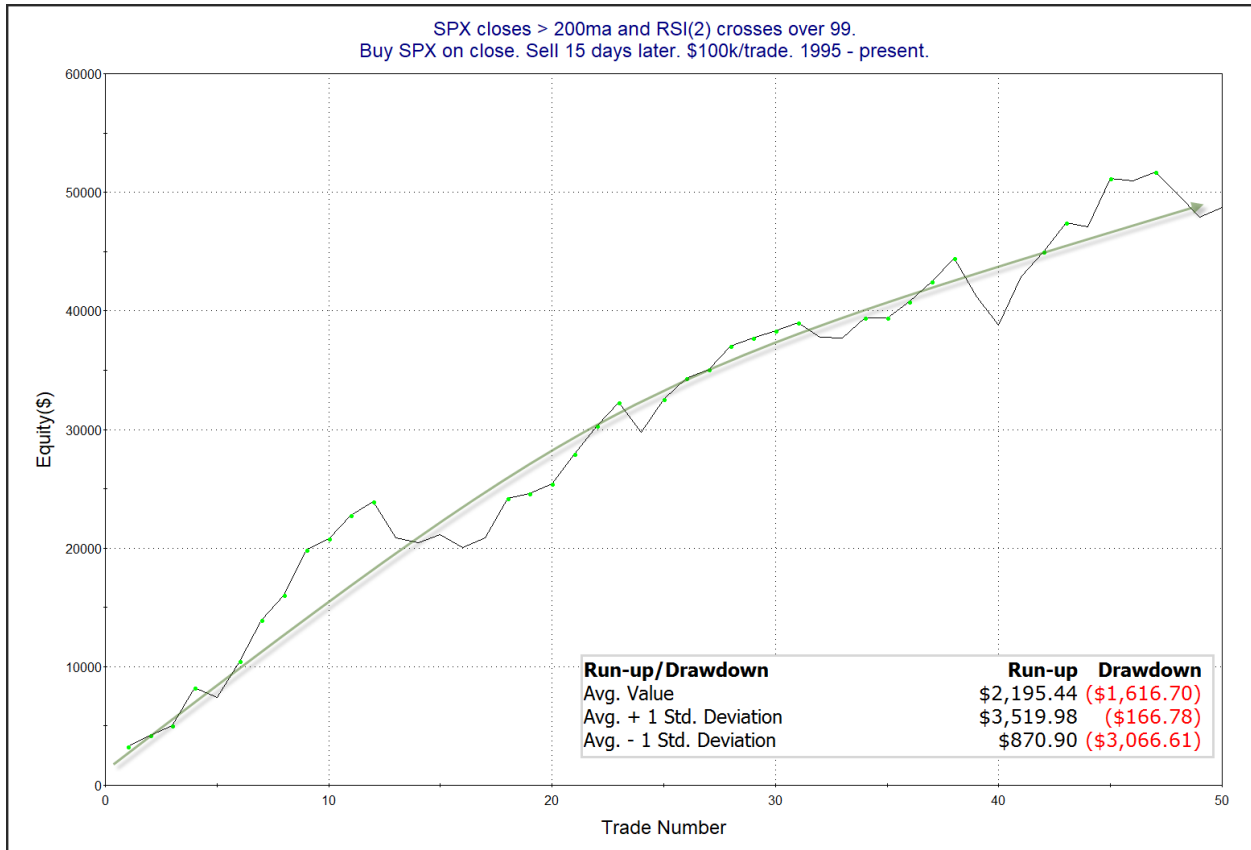
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. *Combo models 2, 3, and 4 all changed from “Flat” to “Long QQQ” this week.*

Stocks powered higher this past week and posted new all-time highs. The SPX gained 1.7%, the NASDAQ rallied 1.6%, and the Russell 2000 rose 3.5%. Bonds saw slight losses. The US Aggregate Bond ETF (AGG) declined 0.01%. TLT, the 20-year Treasury Bond ETF, dipped 0.11%. Both the NASDAQ and the SPX closed at all-time highs on Thursday, leaving no doubt that the market is currently in an uptrend. SPX triggered its Golden Cross formation on Tuesday. I discussed implications of this in last weekend’s letter so I will not repeat it again this weekend. There was one study that appeared in Monday night’s letter that suggested short-term momentum was likely to carry the market higher over the intermediate-term. I have copied that study below.

*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 5/19/25 Letter, which uses RSI(2).*

SPX closes > 200ma and RSI(2) crosses over 99. Buy SPX 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
15	48,686.68	50	37	13	74.00	4,070.44	-3,265.02	1,836.37	-1,481.47	1.24	3.53	973.73
14	41,572.45	50	37	13	74.00	4,461.36	-4,024.68	1,718.08	-1,692.04	1.02	2.89	831.45
13	40,967.33	52	37	15	71.15	3,989.82	-3,397.11	1,673.59	-1,397.03	1.20	2.95	787.83
12	38,418.29	53	39	14	73.58	4,058.61	-3,175.53	1,489.95	-1,406.41	1.06	2.95	724.87
11	37,558.33	54	39	15	72.22	4,106.40	-3,989.73	1,561.45	-1,555.89	1.00	2.61	695.52
10	30,800.90	55	39	16	70.91	3,824.48	-3,907.12	1,407.78	-1,506.41	0.93	2.28	560.02
9	30,750.33	55	39	16	70.91	3,453.27	-3,440.07	1,262.33	-1,155.03	1.09	2.66	559.10
8	26,532.79	56	36	20	64.29	3,621.20	-4,112.92	1,330.07	-1,067.48	1.25	2.24	473.80
7	18,060.49	57	35	22	61.40	3,564.39	-4,153.62	1,131.97	-979.92	1.16	1.84	316.85
6	8,221.85	57	34	23	59.65	2,760.12	-5,296.92	1,020.54	-1,151.15	0.89	1.31	144.24
5	10,903.77	57	36	21	63.16	2,859.08	-3,596.40	911.09	-1,042.64	0.87	1.50	191.29
4	10,448.50	57	38	19	66.67	2,697.92	-3,039.18	837.30	-1,124.67	0.74	1.49	183.31
3	1,671.37	59	34	25	57.63	3,504.64	-2,880.45	721.42	-914.28	0.79	1.07	28.33
2	4,358.66	59	34	25	57.63	2,273.92	-2,348.76	629.69	-682.03	0.92	1.26	73.88
1	149.55	59	29	30	49.15	2,096.10	-3,515.37	476.66	-455.79	1.05	1.01	2.53

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 a couple of recent instances faltering, it still appears to be intact. I have added this study to the intermediate-term list.

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

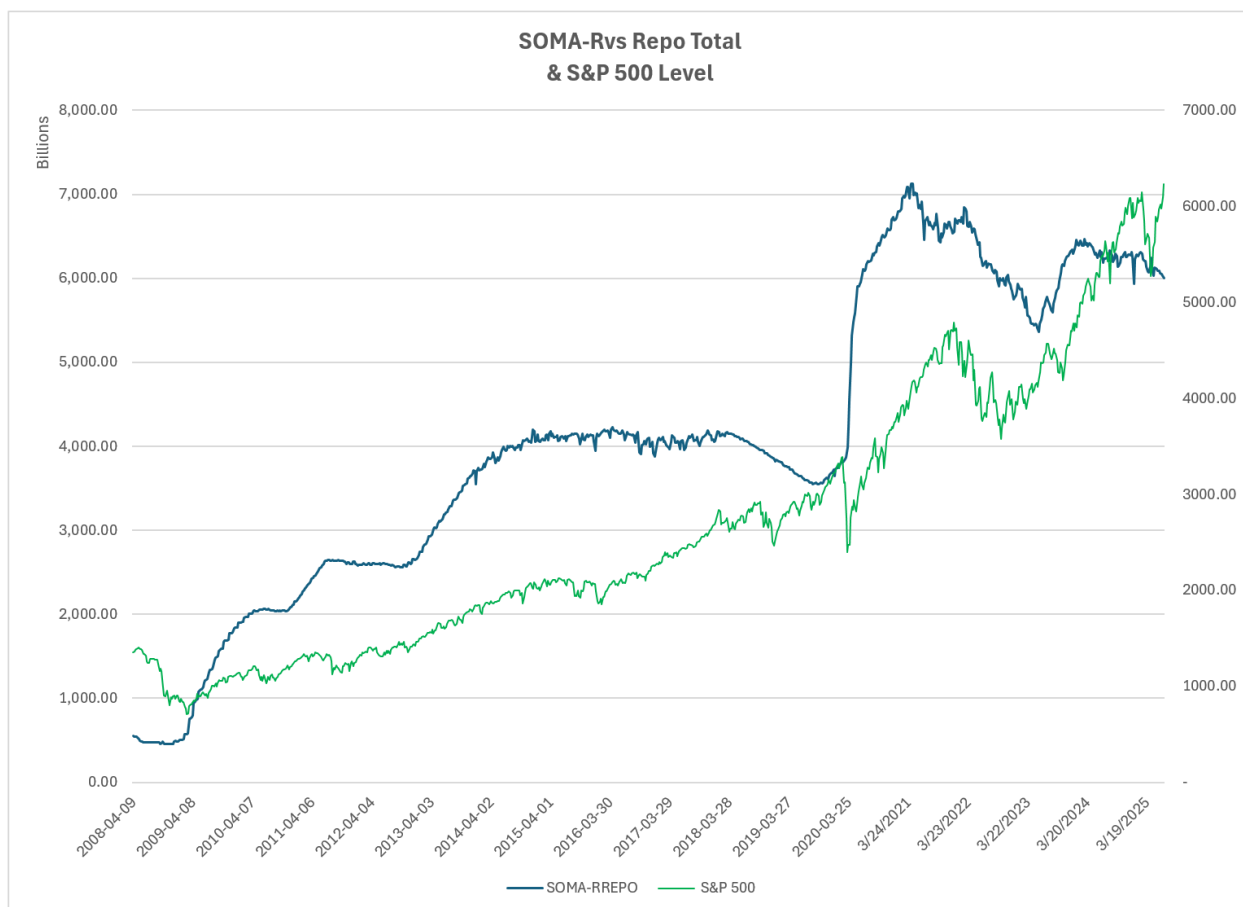
Domestic Security Holdings as of

◀ Previous **July 2, 2025** 📅  
 Posted July 3, 2025 at 4:30 PM

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

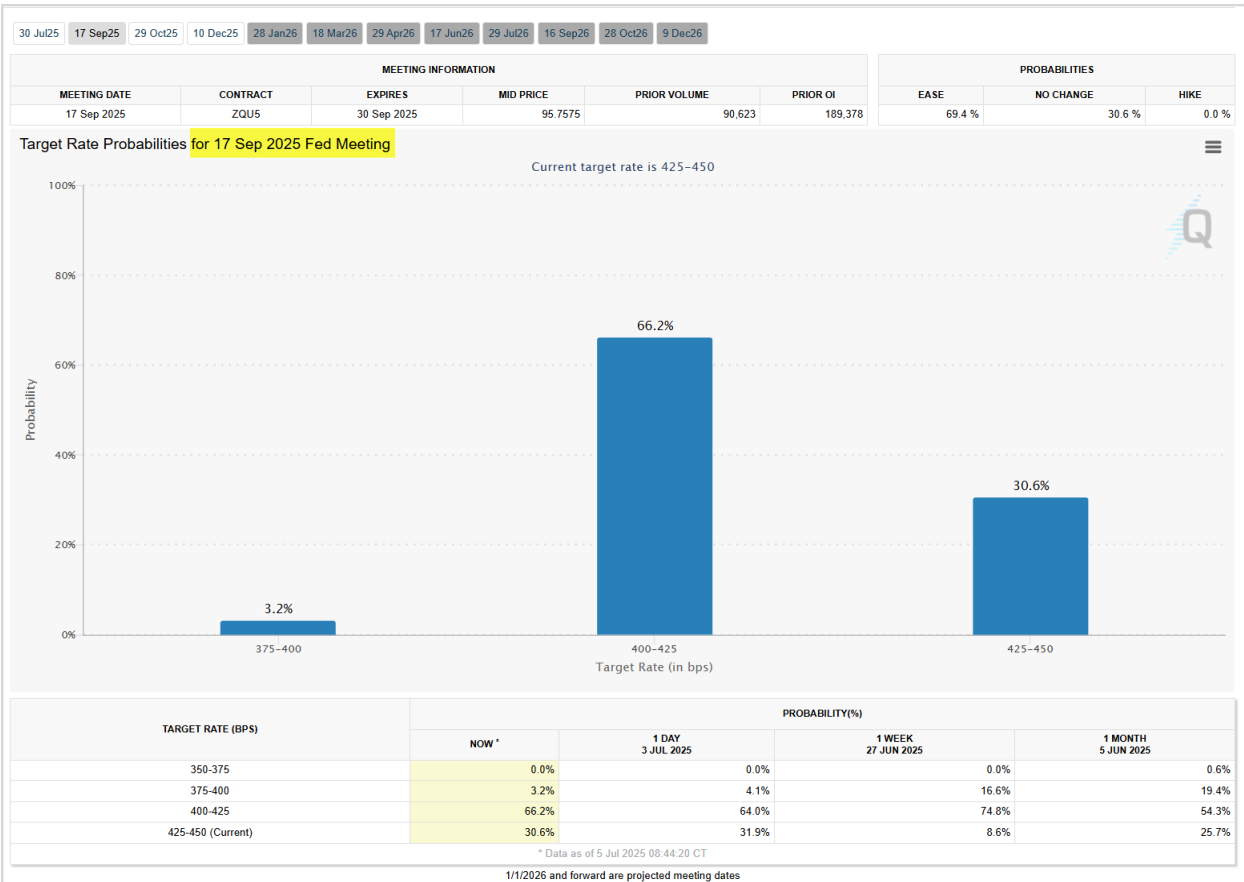
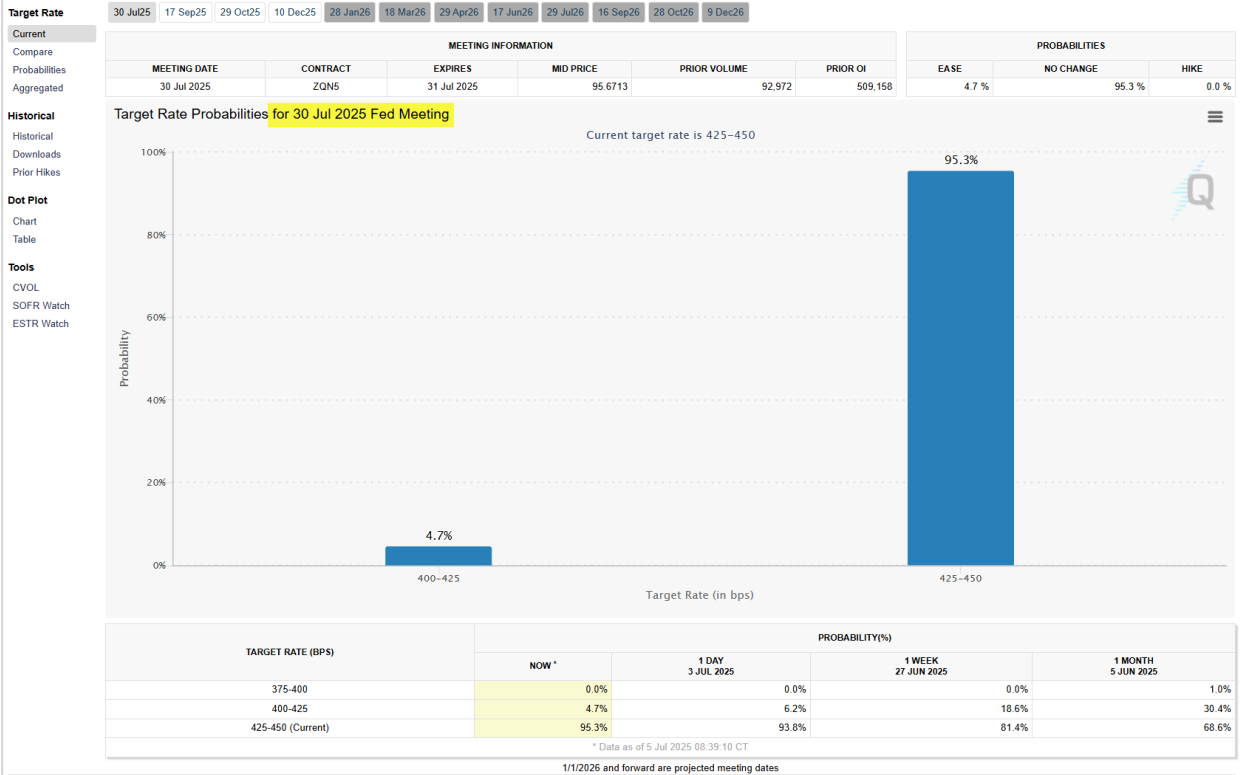
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,417,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,574,718,389.6
US Treasury Floating Rate Notes (FRNs)	10,532,824.1
US Treasury Inflation-Protected Securities (TIPS)*	316,031,178.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,130,562,970.6
Agency Commercial Mortgage-Backed Securities***	7,932,545.6
Total SOMA Holdings	6,237,542,834.8
Change From Prior Week	-4,577,911.8

The SOMA account holdings declined about \$4.6 billion this past week. Meanwhile, reverse repos rose by \$26.4 billion for the week ending 7/2/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a liquidity reduction of about \$31 billion. 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 since March of 2024, 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, after the strong employment report on Thursday, the chance of a 25 point cut in July dropped to just 5% (from 19% last week). Meanwhile, September odds dropped from 91% to 69% 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.

Overall, the market is still 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. Trend indicators are all pointing higher and the market is posting new all-time highs. The RSI study from the other day suggests the market also has momentum on its side. So we see breadth, leadership, momentum, and trend indicators all pointing higher. Still there is much uncertainty with geopolitics, trade, and the economy. Substantial volatility can re-emerge at any time. July 9<sup>th</sup> will mark the 90-day mark since tariffs were reduced for 90 days to give countries time to make deals with the U.S. It appears that deadline may be adjusted for many countries, but the market is watching it. 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. So there are definitely risks. And they will matter at some point. But right now, the market does not care about those potential negatives. I continue to view the intermediate-term as "bullish". While I am willing to take short-term trades in either direction if a favorable reward/risk setup avails itself, I am more inclined towards long trades than short ones.

### **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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