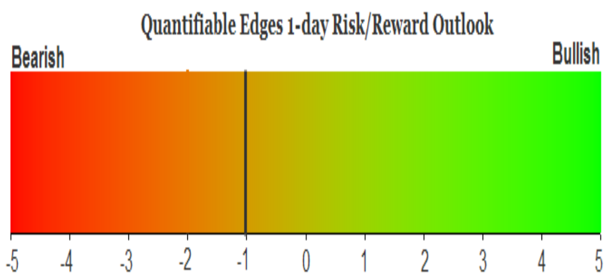
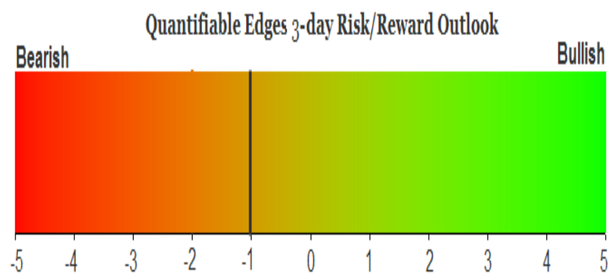
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 14, 2025 Volume 18 Issue 131

Market Overview





Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Unfilled gaps down from 50-day highs have exhibited a downside edge the following day.
- This upcoming week is showing the weakest numbers of the month on the SPX Seasonality Calendar.
- The SOMA was flat, but reverse repos gave a small liquidity boost this past week. Overall, the Fed remains basically neutral.

Short-term Outlook
The Bottom Line
The Aggregator is bearish. It is a pretty weak signal that could easily expire on Monday, so I am not enthusiastic about shorting.

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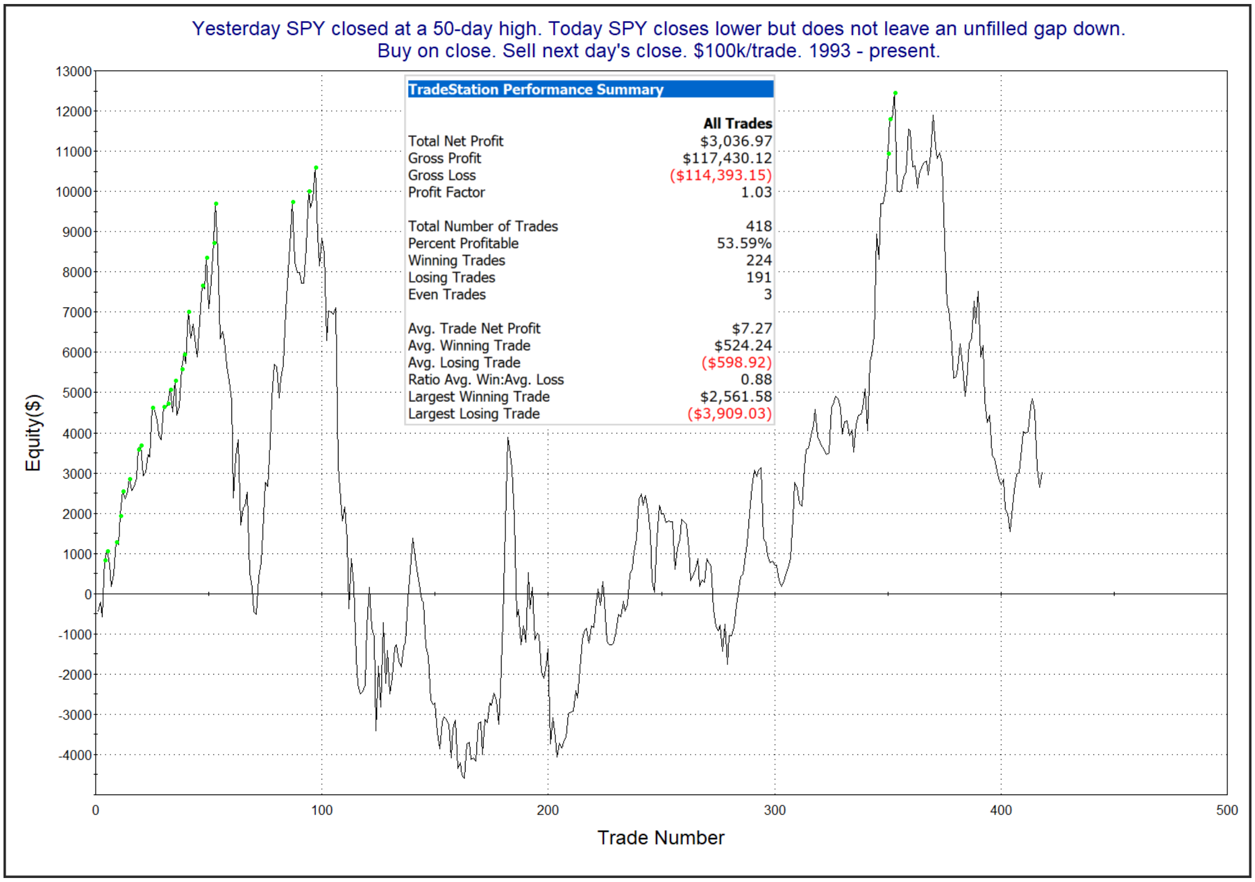
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 14, 2025	Unfilled gap down from 50-day high	1 day	Bearish			
Active - Long Term						
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			

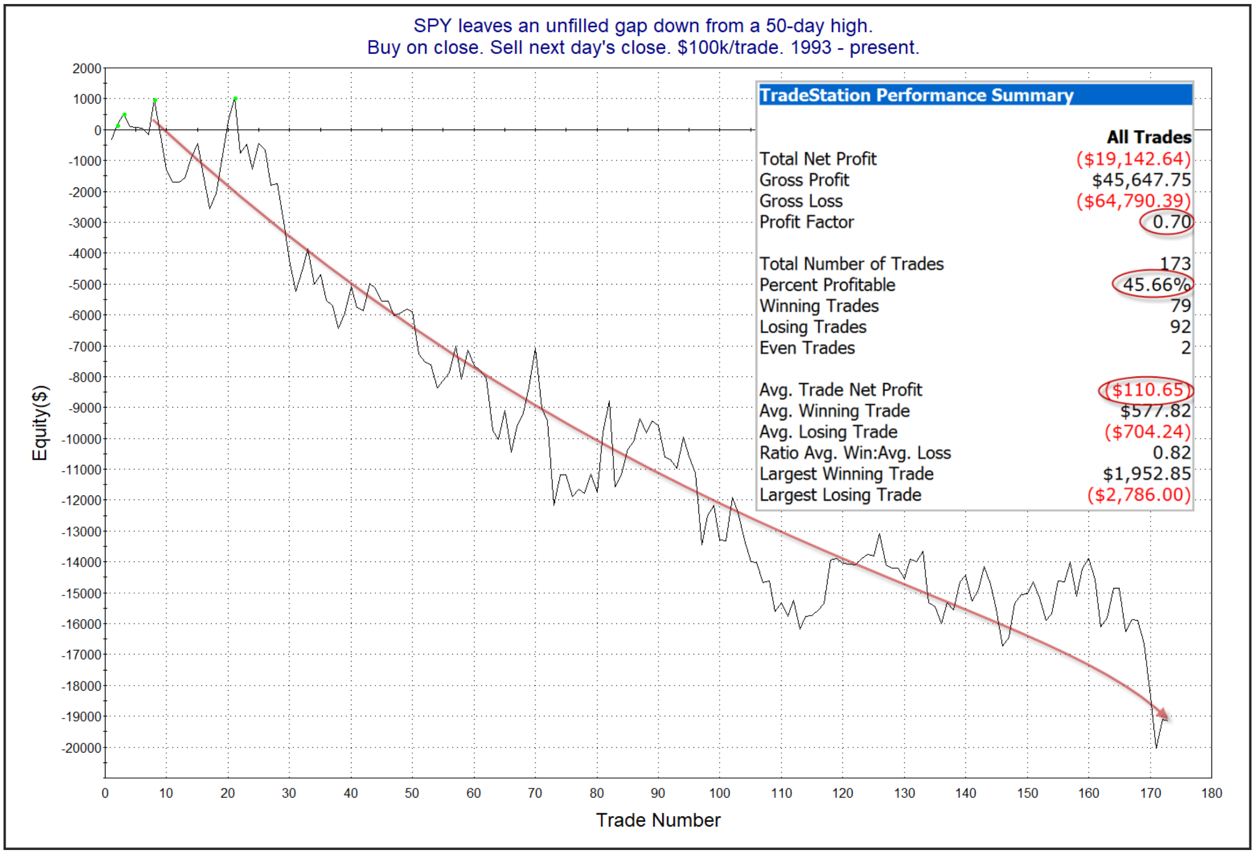
The Evidence

The market struggled on Friday. SPX finished down 0.3%, the NASDAQ declined 0.2%, and the Russell 2000 lost 1.3%. Breadth was positive as the NYSE Up Issues % closed at 28% and the NYSE Up Volume % posted a 32% reading. NYSE total volume declined some from Thursday's level.

Action on Friday saw a study repeat from the Monday night letter. So if it all looks familiar…it should. The 1st day down from a high does not often suggest a strong edge. But when the 1st 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. The 1st one shows performance following down closes from a 50-day high that do *not* include an unfilled gap lower.



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.



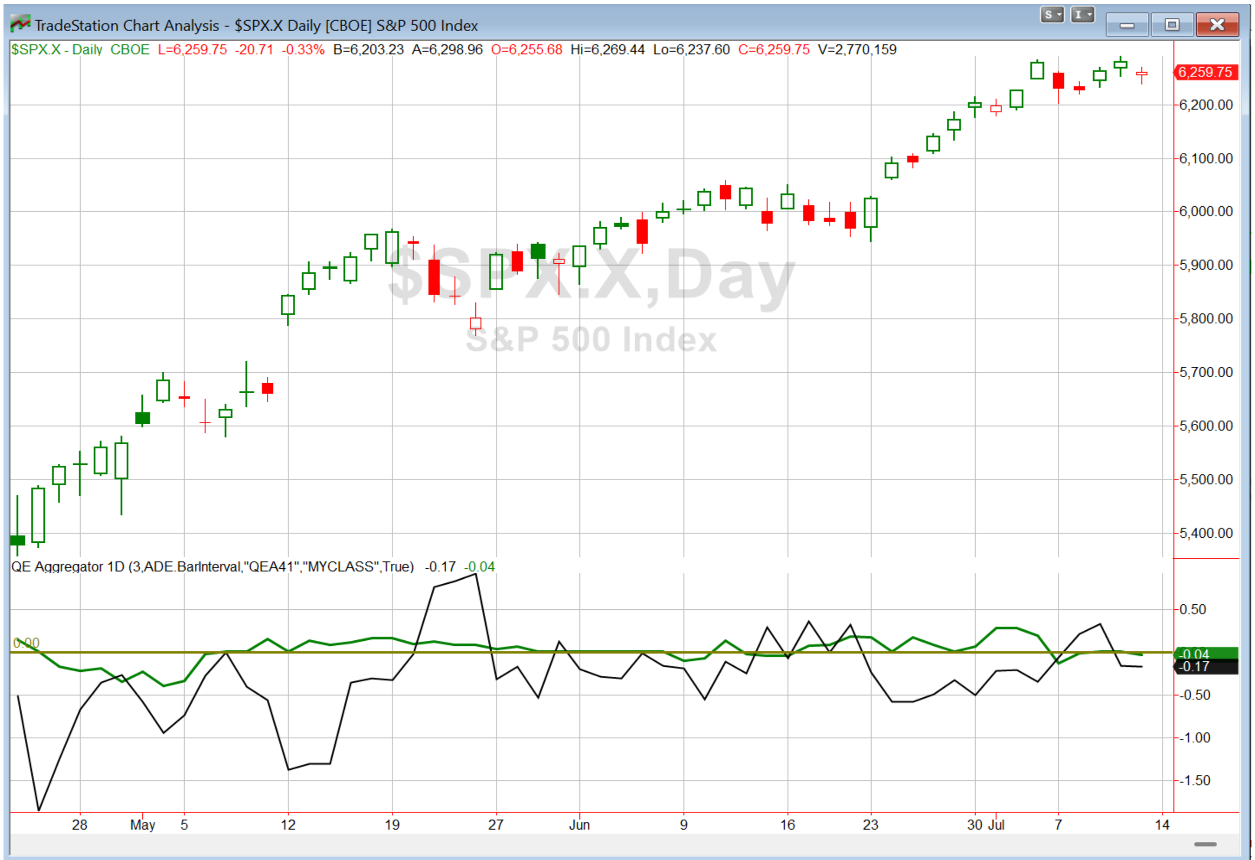
The move lower has persisted for a long time. The curve has seen an acceleration lately. The study overall is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. It suggests a moderate downside edge for Monday.

Next let's look at the QE Seasonality Calendar for SPX.

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
7/18/2025	48.40	0.908	-0.042
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
Baseline	***54.17***	***1.141***	***0.049***

Most of July looks pretty bullish, but this upcoming week is showing many of the weakest numbers of the month. So if there is going to be a pullback, this upcoming week would seem to be an opportune time for it to occur.

I have updated the Aggregator chart below.



With this weekend's evidence considered, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current active studies, expectations are set to turn slightly positive on Monday. Of course with the lone short-term study expiring, expectations will be heavily influenced by any new evidence that emerges. Meanwhile, the Differential Pivot will be 6254.84. That is just 0.1% below Friday's close. Therefore, SPX will only need to close down 0.1% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. But the short-side opportunity is not enticing. For one, expectations are currently set to turn bullish on Monday. Secondly, SPX will flip to oversold on almost any close lower. So reward potential appears greatly limited. AND…this would be a counter-trend trade. Not compelling in my eyes. But still worth noting that it does not appear to be a great day to enter new long positions. So I'll see what happens Monday and what new evidence emerges before determining whether I'll want to take on some new index exposure as the week goes on.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/14 – 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. *There were no changes to the Combo signals.*

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Stocks saw just a slight dip over the last week (all due to Fridays decline). The SPX lost 0.3%, the NASDAQ declined 0.1%, and the Russell 2000 fell 0.6%. Bonds also saw losses. The US Aggregate Bond ETF (AGG) dropped 0.4%. TLT, the 20-year Treasury Bond ETF, lost 1.4%. Both the NASDAQ and the SPX closed at all-time highs on Thursday, so the long-term uptrend certainly seems to be intact. There were not any studies with intermediate-term implications that emerged 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

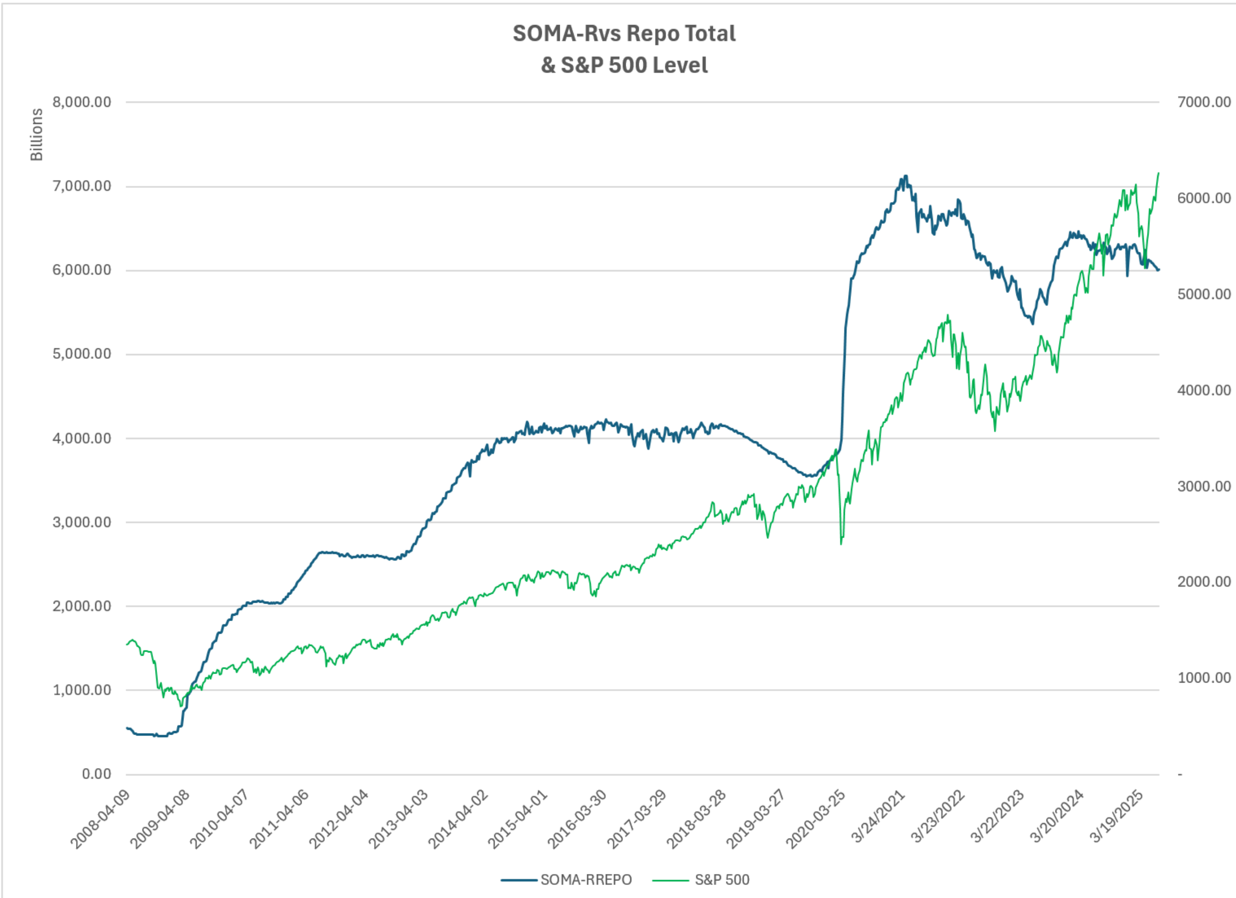
Previous July 9, 2025

Posted July 10, 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 — No change from last week	6,237,542,834.8

The SOMA account holdings did not change this past week. Meanwhile, reverse repos declined by $10 billion for the week ending 7/9/25. A decline in reverse repos can act as a liquidity infusion. Combined for the week, SOMA and reverse repo action accounted for a liquidity injection of about $10 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, the chance of a 25 point cut in July dropped to just 5% (not gonna happen). Meanwhile, September odds dropped from 69% to 60% that rates will be lower than they are currently. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

FedWatch Tool

Target Rate

- Current
- Compare
- Probabilities
- Aggregated

Historical

- Historical
- Downloads
- Prior Hikes

Dot Plot

- Chart
- Table

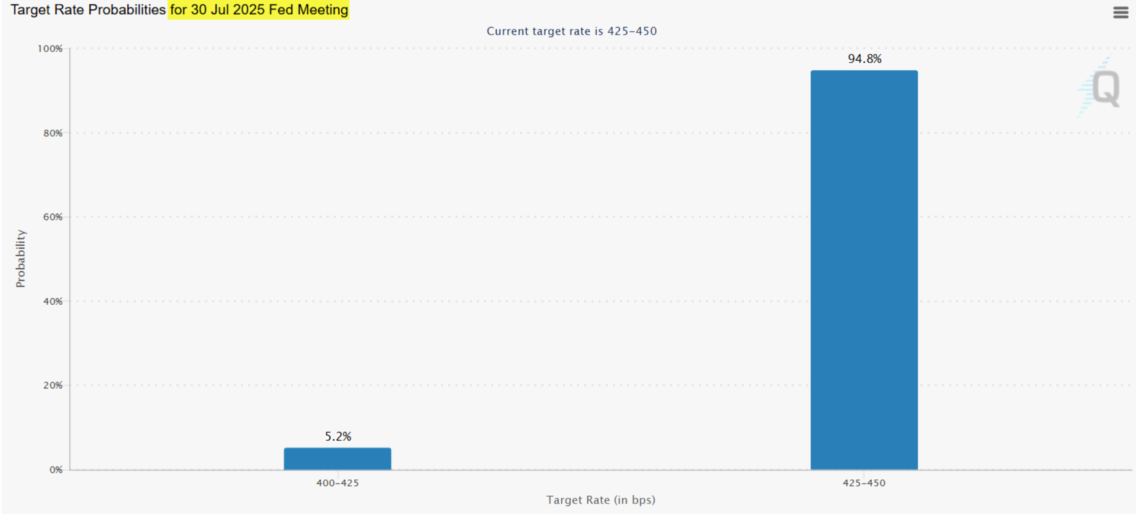
Tools

- CVOL
- SOFR Watch
- ESTR Watch

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	95.6725	107,533	501,060	5.2 %	94.8 %	0.0 %

Target Rate Probabilities for 30 Jul 2025 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 11 JUL 2025	1 WEEK 3 JUL 2025	1 MONTH 12 JUN 2025
375-400	0.0%	0.0%	0.0%	0.5%
400-425	5.2%	5.2%	6.2%	23.9%
425-450 (Current)	94.8%	94.8%	93.8%	75.6%

* Data as of 12 Jul 2025 09:14:01 CT

FedWatch Tool

Target Rate

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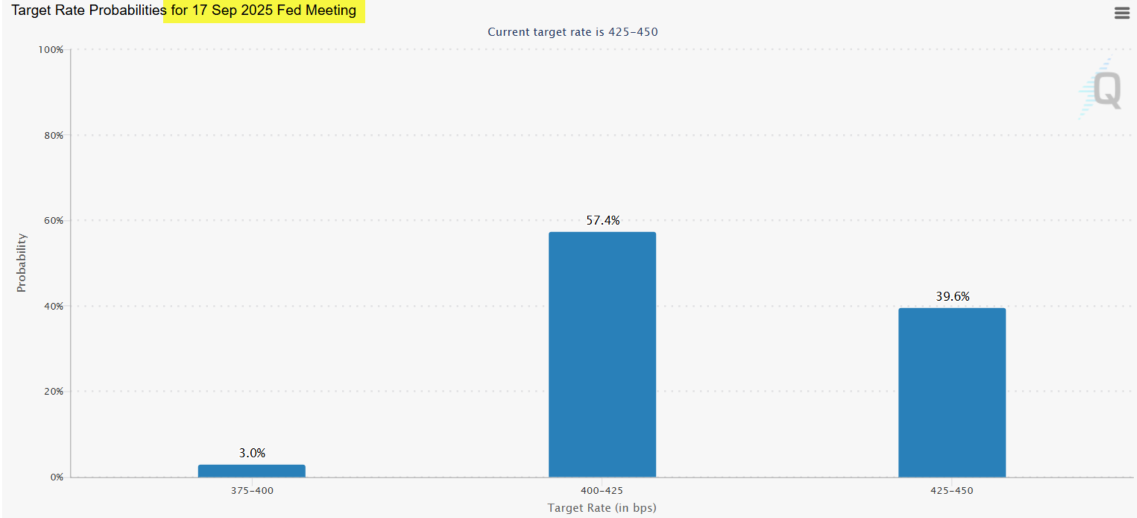
30 Jul25 | 17 Sep25 | 29 Oct25 | 10 Dec25 | 28 Jan26 | 18 Mar26 | 29 Apr26 | 17 Jun26 | 29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
17 Sep 2025	ZQU5	30 Sep 2025	95.7500	11,635	201,267	60.4 %	39.6 %	0.0 %

Target Rate Probabilities for 17 Sep 2025 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 11 JUL 2025	1 WEEK 3 JUL 2025	1 MONTH 12 JUN 2025
350-375	0.0%	0.0%	0.0%	0.3%
375-400	3.0%	3.0%	4.1%	16.6%
400-425	57.4%	57.4%	64.0%	59.4%
425-450 (Current)	39.6%	39.6%	31.9%	23.7%

* Data as of 12 Jul 2025 09:14:01 CT

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. This week's sideways action did not really change anything. The NASDAQ has been leading the SPX since 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 a couple of weeks ago 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. August 1st is the new July 9th for tariff deal deadlines. So news there can certainly serve as a market mover. 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. 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.