

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 4, 2025

Volume 18 Issue 146

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- 4 down days and an acceleration to the down move during a long-term uptrend has consistently led to a bounce at some point over the next several days.
- A unfilled gap down, a 10-day intraday low, and a close lower for the 4rd day in a row while above the 200ma is a set that has often seen SPY bounce over the next couple of days.
- Oversized declines on Fridays often lead to a bounce in the coming days.
- The stretched VIX is suggesting a bounce.
- While SOMA declined over the week ending 7/30, reverse repo closeouts more than offset that, and liquidity increased. The Fed remains neutral.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. Odds of a short-term bounce appear favorable.

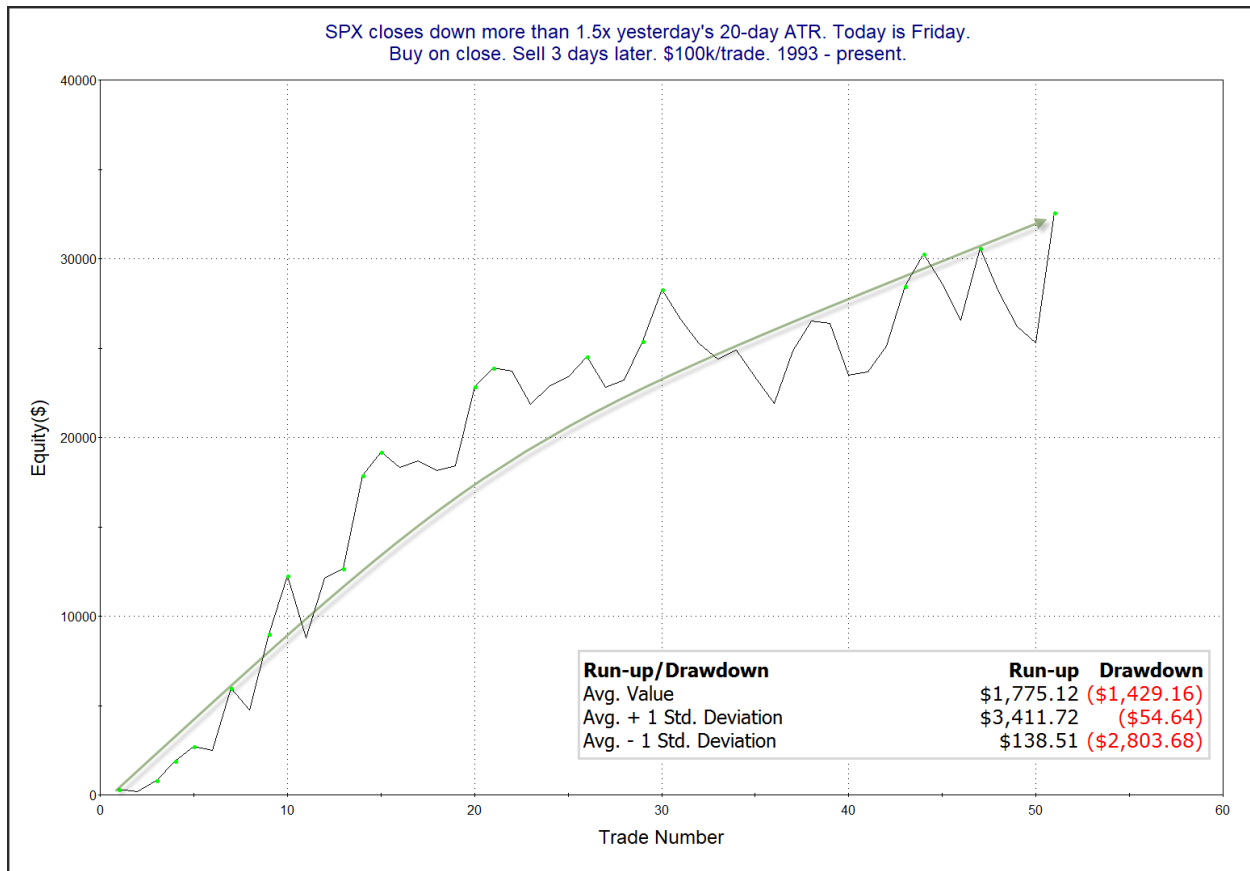
## The Evidence

Friday was rough. SPX closed down 1.6%, the NASDAQ declined 2.2%, and the Russell 2000 lost 2.0%. Breadth was weak as the NYSE Up Issues % closed at 30% and the NYSE Up Volume % posted a 28% reading. NYSE total volume declined some from Thursday's level.

There were several studies that triggered this weekend. I will cover the ones that I consider the most relevant and interesting below. One Quantifinder study looked at large drops on Fridays. Both the Crash of '29 and the Crash of '87 happened on Monday. The Crash of '87 is still remembered by some traders that are active today (old farts). In 1987, there was a strong selloff on Friday and then all hell broke loose on Monday. But since then, strong Friday selloffs have more often been followed by bounces in the following days. Perhaps this is due to the fact that fear of a crash causes what might otherwise be an ordinary selloff to become exaggerated and overdone on Fridays. Or perhaps it is just that people don't want to hold over the weekend. Whatever the reason, there has been a tendency to bounce. In recent years the bounce has not always occurred on Monday. Sometimes we saw more selling on Monday before the rebound started on Tuesday. The study below was last discussed in the 2/24/25 subscriber letter. It defines a strong selloff as more than 1.5x the recent (20-day) average true range. Results are updated.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
10	55,949.25	49	32	17	65.31	9,241.60	-6,049.40	3,039.09	-2,429.51	1.25	2.35	1,141.82
9	57,021.18	49	32	17	65.31	7,602.40	-5,483.80	2,905.74	-2,115.44	1.37	2.59	1,163.70
8	64,079.06	49	33	16	67.35	7,949.70	-3,550.72	2,827.46	-1,826.70	1.55	3.19	1,307.74
7	52,708.25	49	31	18	63.27	7,662.81	-4,599.52	2,855.30	-1,989.22	1.44	2.47	1,075.68
6	55,231.42	49	34	15	69.39	8,870.96	-4,202.80	2,549.70	-2,097.22	1.22	2.76	1,127.17
5	37,715.71	51	32	19	62.75	5,496.32	-6,368.04	2,345.65	-1,965.54	1.19	2.01	739.52
4	32,237.32	51	34	17	66.67	5,731.96	-6,520.68	1,872.23	-1,848.16	1.01	2.03	632.10
3	32,569.77	51	30	21	58.82	7,273.58	-3,492.36	2,055.86	-1,386.00	1.48	2.12	638.62
2	10,475.63	51	29	22	56.86	6,245.15	-5,163.50	1,385.89	-1,350.69	1.03	1.35	205.40
1	12,496.50	51	38	13	74.51	3,322.23	-4,074.84	764.68	-1,273.94	0.60	1.75	245.03

The numbers here are all impressive and suggest a bullish bias. Below is a look at the 3-day returns.



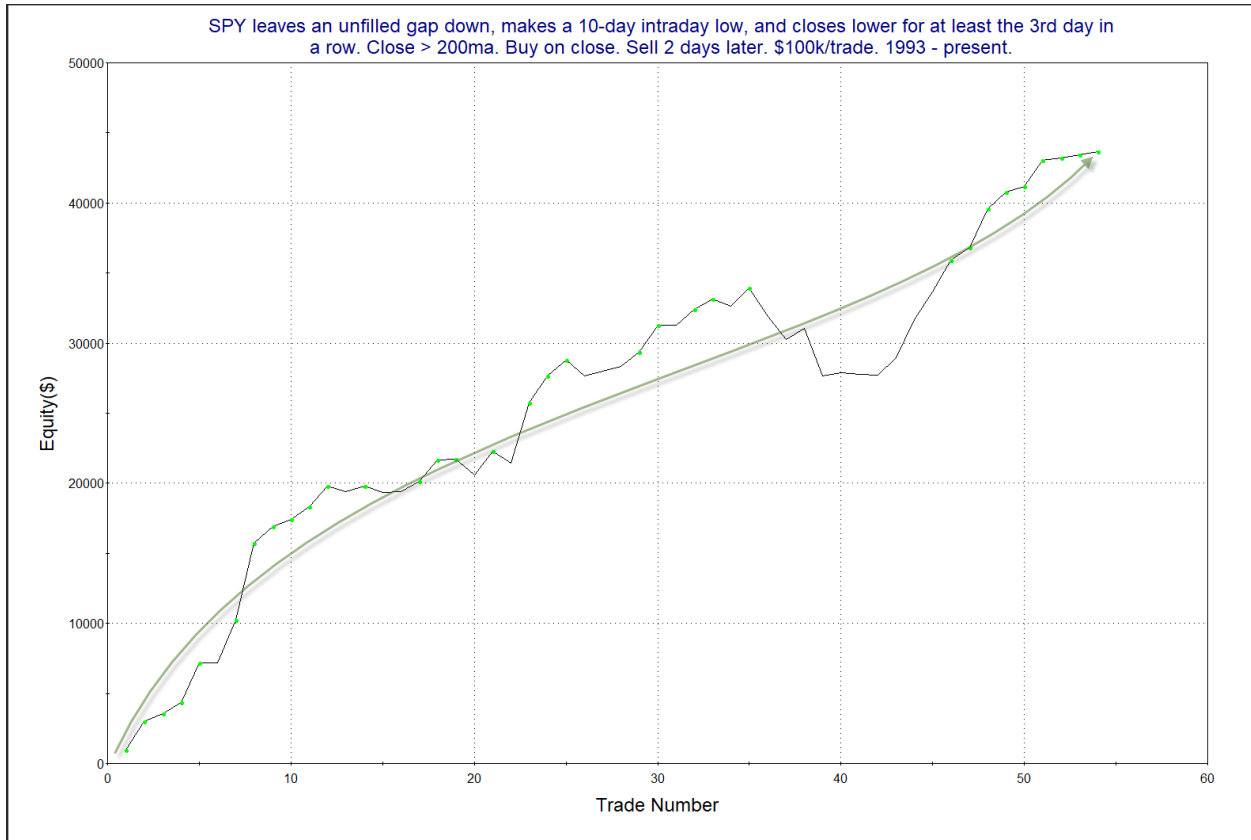
Despite the chop, there is a fairly persistent rise here from lower left to upper right. This study still appears worth some consideration.

The study below combined a few observations and served as a good description of the current market setup. It looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 10/24/24 letter. I have updated the results.

SPY leaves an unfilled gap down, makes a 10-day intraday low, and closes lower for at least the 3rd day in a row. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	52,848.30	54	38	16	70.37	8,239.74	-4,770.78	1,965.30	-1,364.57	1.44	3.42	978.67
4	38,347.65	54	36	18	66.67	5,581.02	-8,109.60	1,935.36	-1,740.29	1.11	2.22	710.14
3	39,623.78	54	38	16	70.37	4,249.44	-7,722.10	1,641.99	-1,423.24	1.15	2.74	733.77
2	43,644.92	54	41	12	75.93	5,477.88	-3,385.20	1,349.07	-972.24	1.39	4.74	808.24
1	27,262.10	57	42	15	73.68	5,764.38	-3,028.70	960.92	-873.11	1.10	3.08	478.28

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



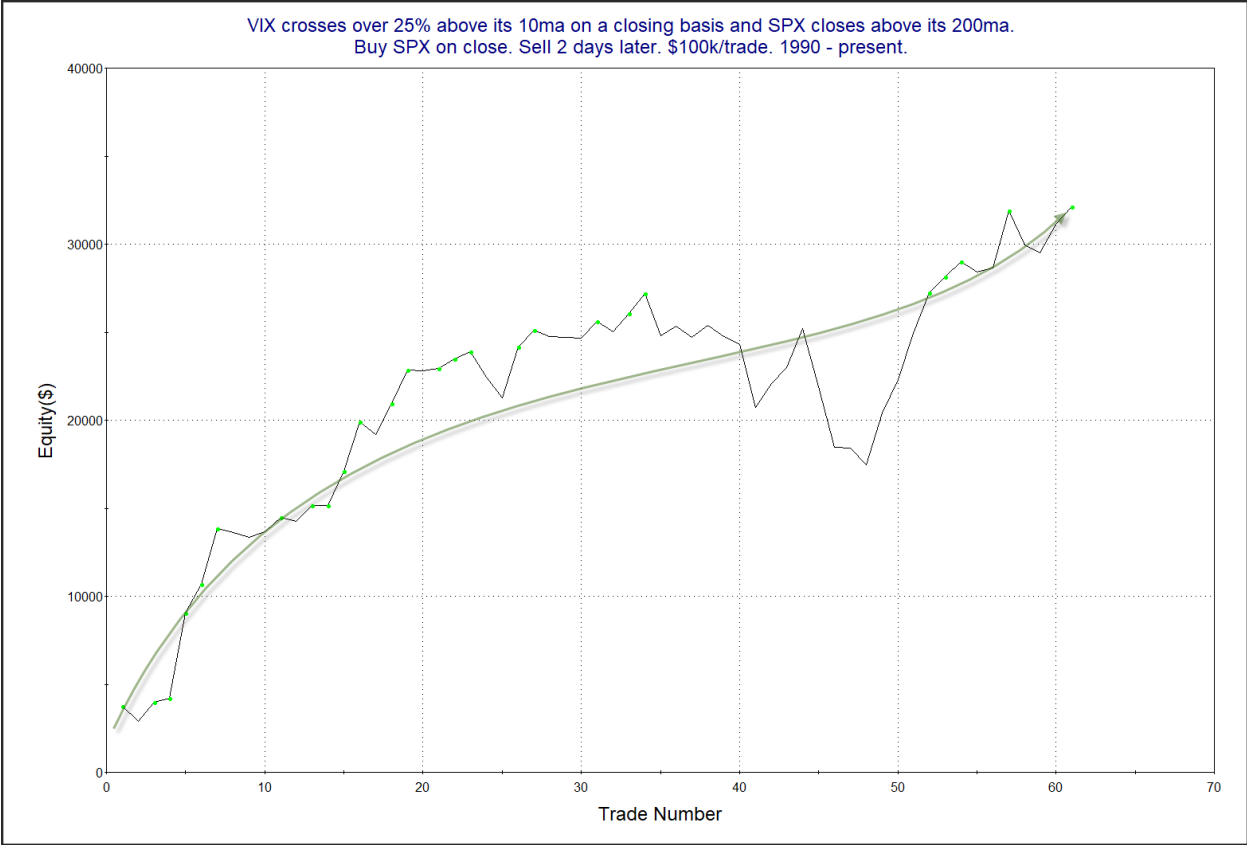
The curve is a little choppy, but it has made its way from lower left to upper right. And the last 12 instances have all turned out winners. The study certainly seems strong enough to include on the Active List tonight.

While the SPX declined sharply, the VIX index rose sharply. In fact, it closed 25.5% above its 10-day moving average. A study from the 6/28/18 letter examined stretches of 25% or more.

VIX crosses over 25% above its 10ma on a closing basis and SPX closes above its 200ma.  
Buy SPX on close. Sell X days later. \$100k/trade. 1990 - 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	42,087.92	55	32	23	58.18	7,070.28	-5,132.88	2,243.25	-1,291.13	1.74	2.42	765.23
4	35,776.92	56	36	20	64.29	4,690.50	-8,150.10	2,019.68	-1,846.57	1.09	1.97	638.87
3	26,350.49	56	35	21	62.50	3,940.55	-7,413.90	1,671.13	-1,530.43	1.09	1.82	470.54
2	32,145.14	61	37	24	60.66	4,809.66	-3,591.06	1,528.16	-1,016.54	1.50	2.32	526.97
1	12,953.95	61	38	23	62.30	5,117.46	-4,074.84	1,003.90	-1,095.40	0.92	1.51	212.36

The numbers look solid. Bounces seem to have been the norm under these circumstances. Below is a profit curve that assumes a 2-day exit strategy.



Despite the chop, performance lately has been strong, and the curve is back to a new high. I have included this study on the Active List also.

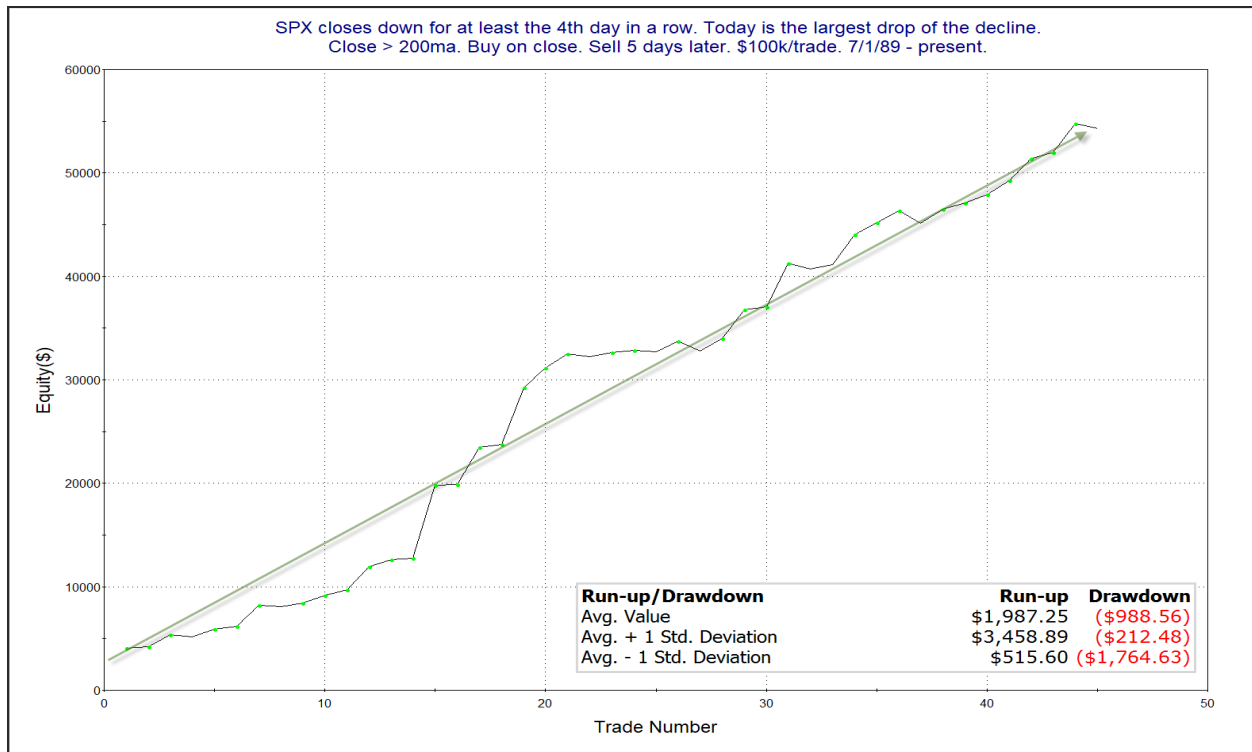
The last study was perhaps the most impressive. It examined other multi-day selloffs that accelerated after already being down for a number of days. It was last seen in the 9/11/21 Subscriber Letter.

SPX closes down for at least the 4th day in a row. Today is the largest drop of the decline.  
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 7/1/89 - 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	54,321.57	45	37	8	82.22	7,070.28	-1,218.72	1,571.60	-478.47	3.28	15.19	1,207.15
4	43,221.19	45	33	12	73.33	5,187.49	-2,665.92	1,636.65	-899.02	1.82	5.01	960.47
3	39,309.29	45	31	14	68.89	5,339.18	-1,565.28	1,622.64	-785.18	2.07	4.58	873.54
2	35,521.42	46	33	13	71.74	4,809.66	-1,343.84	1,350.35	-695.39	1.94	4.93	772.20
1	20,814.34	50	34	16	68.00	5,117.46	-2,005.85	951.82	-721.73	1.32	2.80	416.29

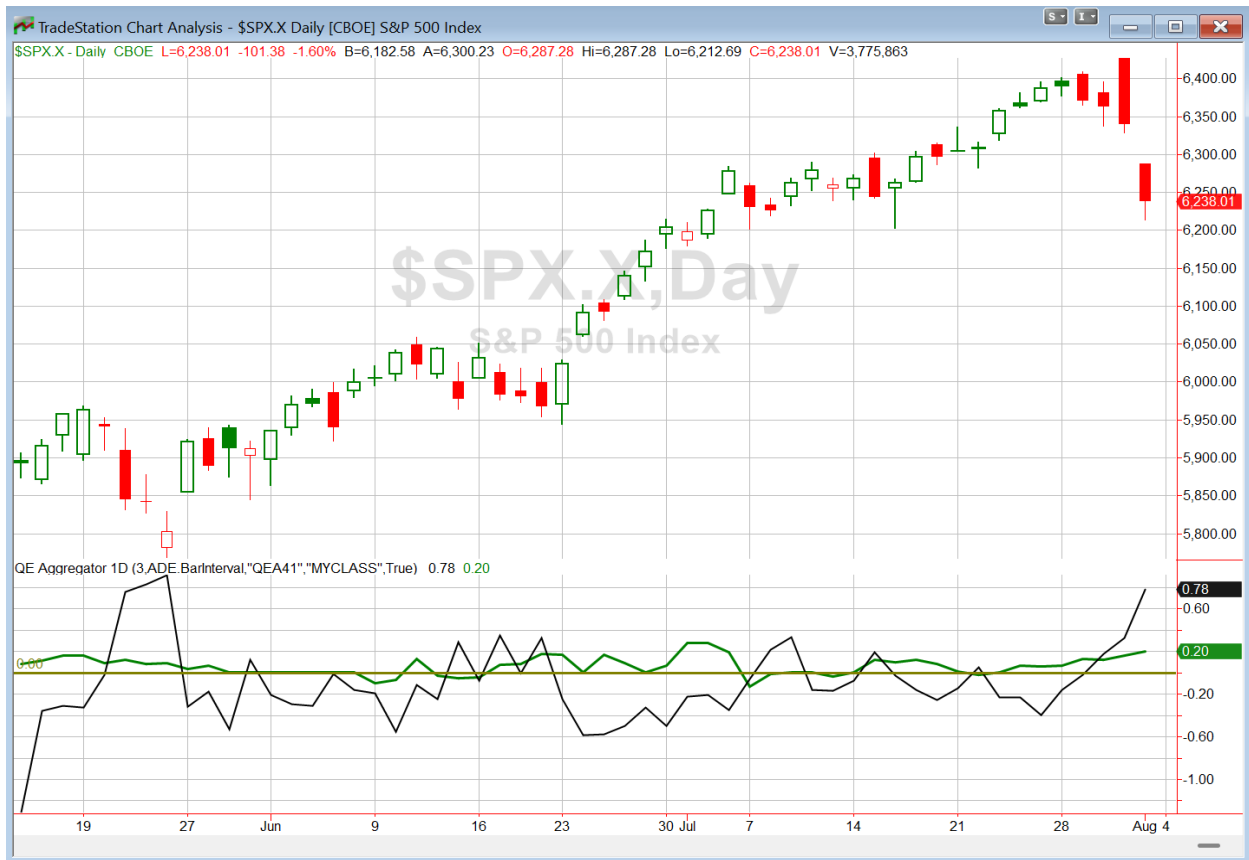
**The most recent instance (9/10/2021) was the only one that failed to close above the entry price at any point in the next 6 days.**

These results appear extremely compelling. The consistency is very strong. Just one instance failed to bounce at some point in the next few days. The consistency is further confirmed by the equity curve below.



The strong and steady upslope makes this an appealing looking equity curve.

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 is now far above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current studies, expectations are slated to remain positive on Monday. This is highly unlikely to change. Meanwhile, the Differential Pivot will be 6380.60. That is a very sizable 2.3% above Friday's close. Therefore, SPX will need to close up over 2.3% on Monday in order to flip from oversold to overbought versus recent expectations. More likely, it will take a multi-day bounce or consolidation to work off the oversold condition.

So the Aggregator is bullish. There appears to be a good chance of a bounce in the next couple of days. Reward/risk appears favorable with the market so oversold and plenty of room to the upside before it would flip to overbought. There are some long index trade ideas already active. Since the most recent lot was taken at the close on Friday, I won't look to add another just yet. But clearly I believe there is an upside edge, and I will maintain the current long ideas for the time being.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 8/4 – 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 Dynamics 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 Dynamics Course, which is included with all annual subscriptions. *There were no changes to the Combo signals.*

This past week saw the market struggle. The SPX declined 2.4%, the NASDAQ fell 2.2%, and the Russell 2000 tumbled 4.2%. Bonds saw sizable gains, though. The US Aggregate Bond ETF (AGG) rose 1.0% and made a new multi-year closing high. TLT, the 20-year Treasury Bond ETF, rallied 2.0%. Both the NASDAQ and the SPX closed at new all-time highs on Monday, so despite the pullback of the last few days, the long-term trend still appear to be “up”. No new studies with intermediate-term implications emerged in the last few days.

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

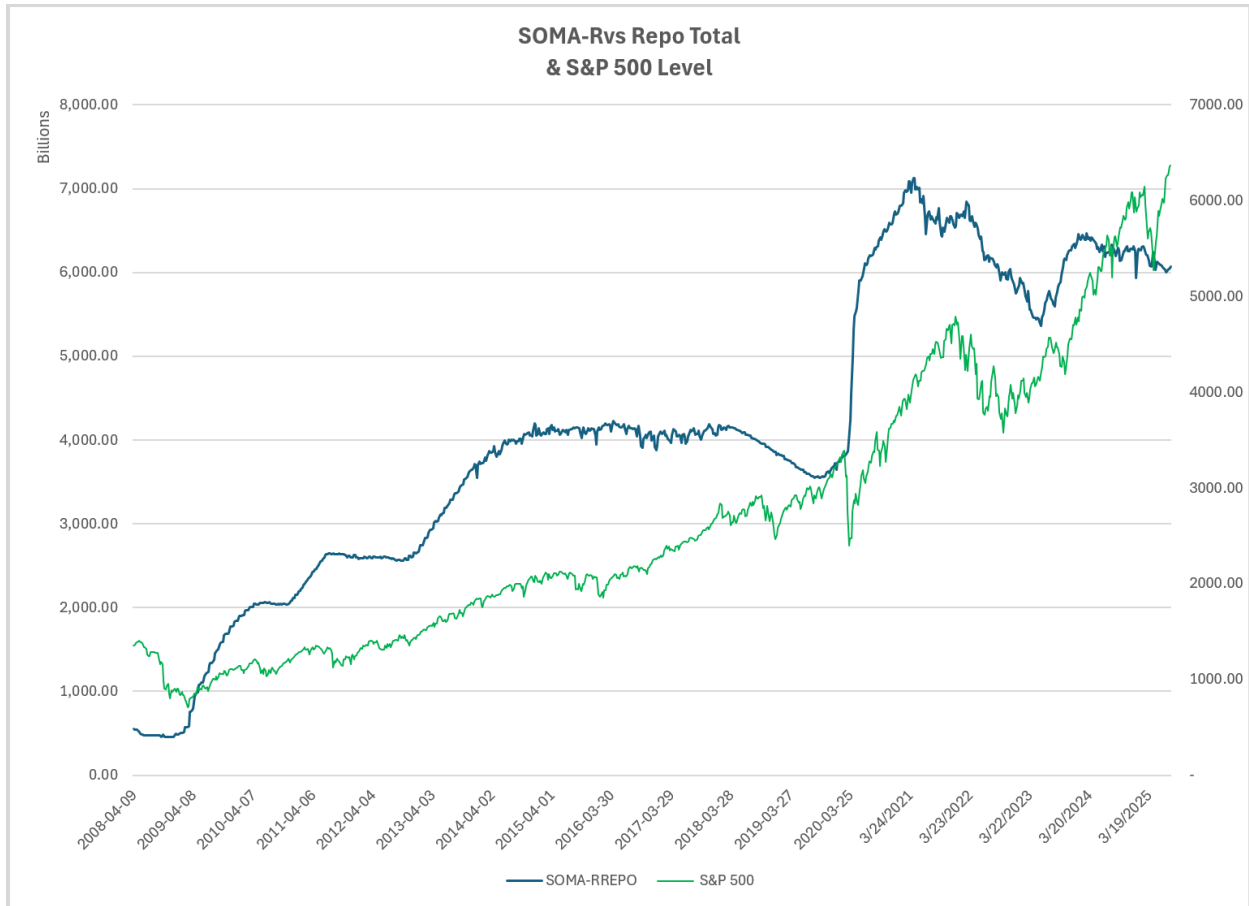
Export current release to: [CSV](#) | [XML](#)

Domestic Security Holdings as of  
 ◀ Previous **July 30, 2025** 📅  
Posted July 31, 2025 at 4:30 PM

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,492,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,583,318,204.6
US Treasury Floating Rate Notes (FRNs)	10,532,824.1
US Treasury Inflation-Protected Securities (TIPS)*	307,997,178.2
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,112,755,238.4
Agency Commercial Mortgage-Backed Securities***	7,916,844.7
Total SOMA Holdings	6,220,360,216.7
Change From Prior Week	-14,111,592.0

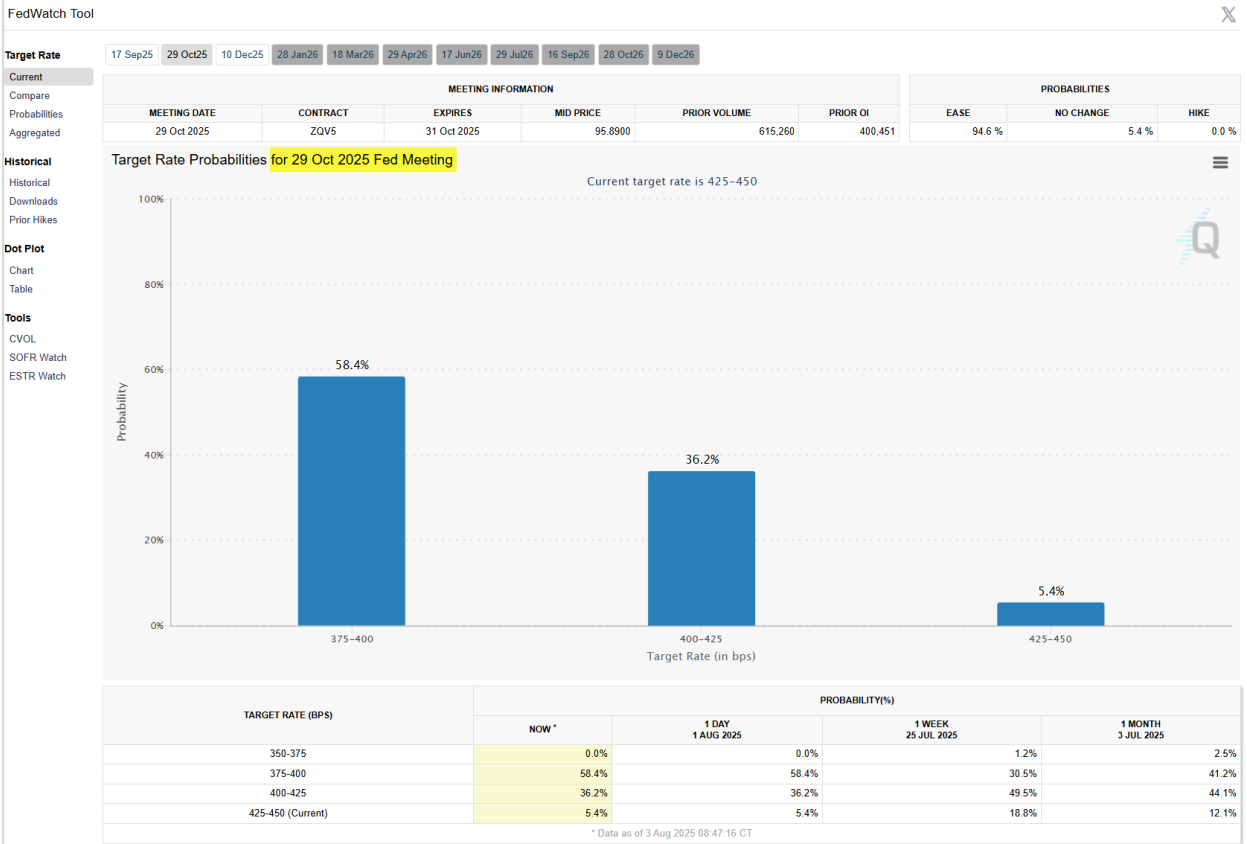
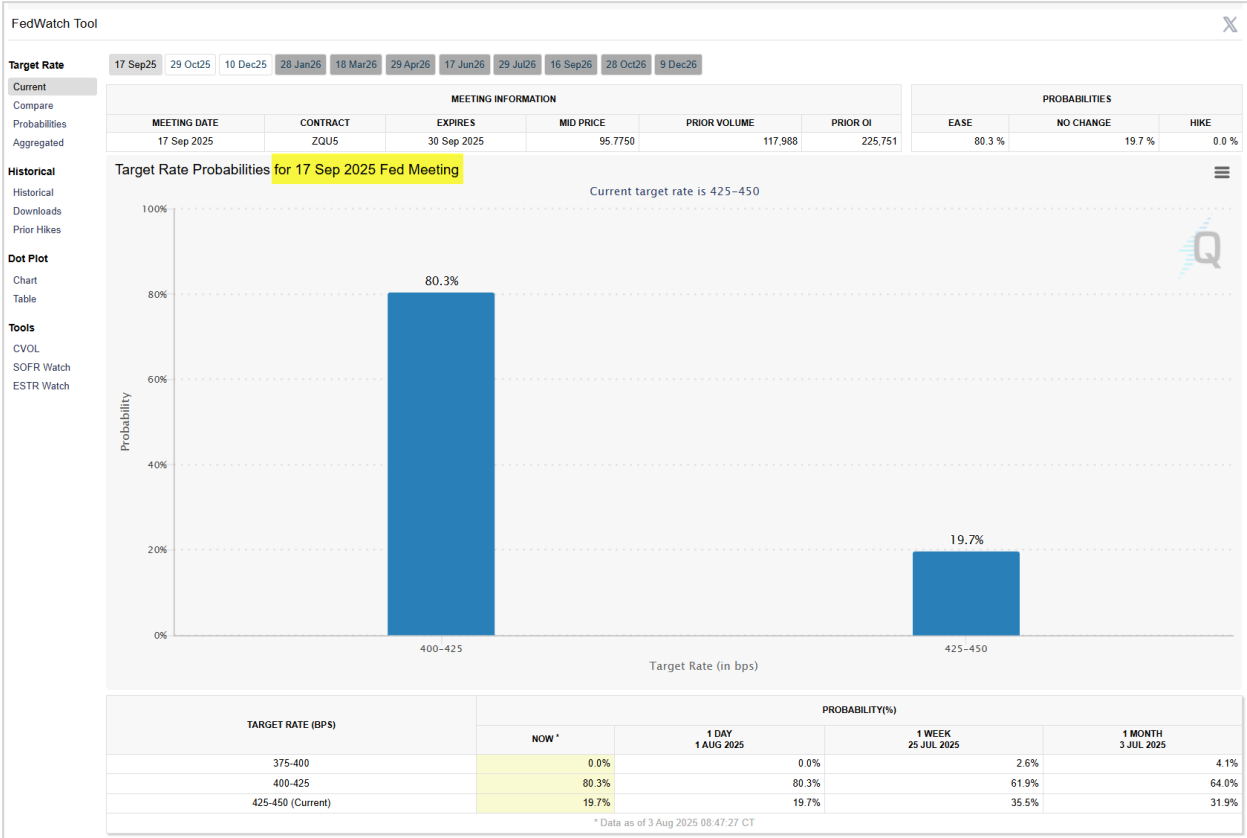
The SOMA account holdings declined about \$14 billion dollars this past week. Meanwhile, reverse repos declined by \$34 billion for the week ending 7/30/25. A decline in reverse repos can act as a liquidity infusion. Combined for the week, SOMA and reverse repo action accounted for a liquidity

injection of about \$20 billion (through Wednesday the 30<sup>th</sup>). 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, there were some sizable shifts in the odds over the last few days. September odds changed from 64.5% to 80% that rates will be lower than they are currently. Meanwhile, there only appears to be about a 5% chance that rates remain at current levels through October. 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.

While the last few days have seen some sizable selling, most intermediate-term indications remain bullish. The NASDAQ has been leading the SPX since late April, and that remains a positive. We also saw multiple breadth thrust studies over the last few months that are typically followed by even more upside. Trend indicators are still pointing higher and the market posted new all-time highs as recently as Monday. So we see breadth, leadership, momentum, and trend indications all pointing higher. Still there is much uncertainty with geopolitics, trade, and the economy. News on tariffs and employment led to selling on Friday. Substantial volatility can re-emerge at any time. It might have even begun on Friday, but it is too soon to tell. 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. But it will take more than a dip of a few days to truly change the outlook. 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***

TXN @ \$186.25 (bought 1/3 @ limit)

TXN @ \$184.99 (buy 1/3 @ limit) – *not filled - see below for new entry possibility*

#### ***Broad Market Large Cap CBI – 2 (TXN-2)***

### **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.*

**TXN – Buy 1/3 Catapult position @ \$180.86 LIMIT.** From the Catapult section above, this is the 2<sup>nd</sup> of up to 3 possible lots of TXN.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
TXN(1/3)	7/24/2025	\$186.25	\$180.86	-2.89%	Catapult
SPY(1/4)	7/30/2025	\$634.46	\$621.72	-2.01%	Aggregator
SPY(1/4)	8/1/2025	\$621.72	\$621.72	0.00%	Aggregator

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