

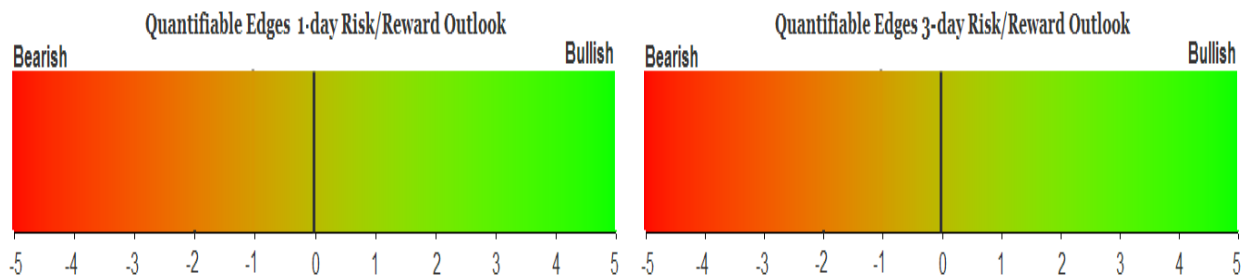
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 18, 2025

Volume 18 Issue 156

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	1

Tonight's Research Points

- No new compelling short-term evidence emerged on Friday.
- Reverse repo closeouts again provided a liquidity boost to the market over the last week.
- The Fed still remains neutral overall.
- New high means the uptrend is intact.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. So am I.

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						
August 15, 2025	Up vol < 40%. SPX up and > 200	1-8 days	Bullish			
August 14, 2025	Up Iss % 1-yr rank > 90% 2x. 50-day high.	1-7 days	Bullish			
Active - Long Term						
July 24, 2025	RSI(2) crosses over 99	1-15 days	Bullish	2.20%	-1.60%	-3.00%
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

Friday saw most indices close lower. SPX declined 0.3%, the NASDAQ fell 0.4%, and the Russell 2000 lost 0.55%. Breadth was weak as the NYSE Up Issues % closed at 38% and the NYSE Up Volume % posted a 46% reading. NYSE total volume rose as it typically does on opex Friday, but it was not extremely high.

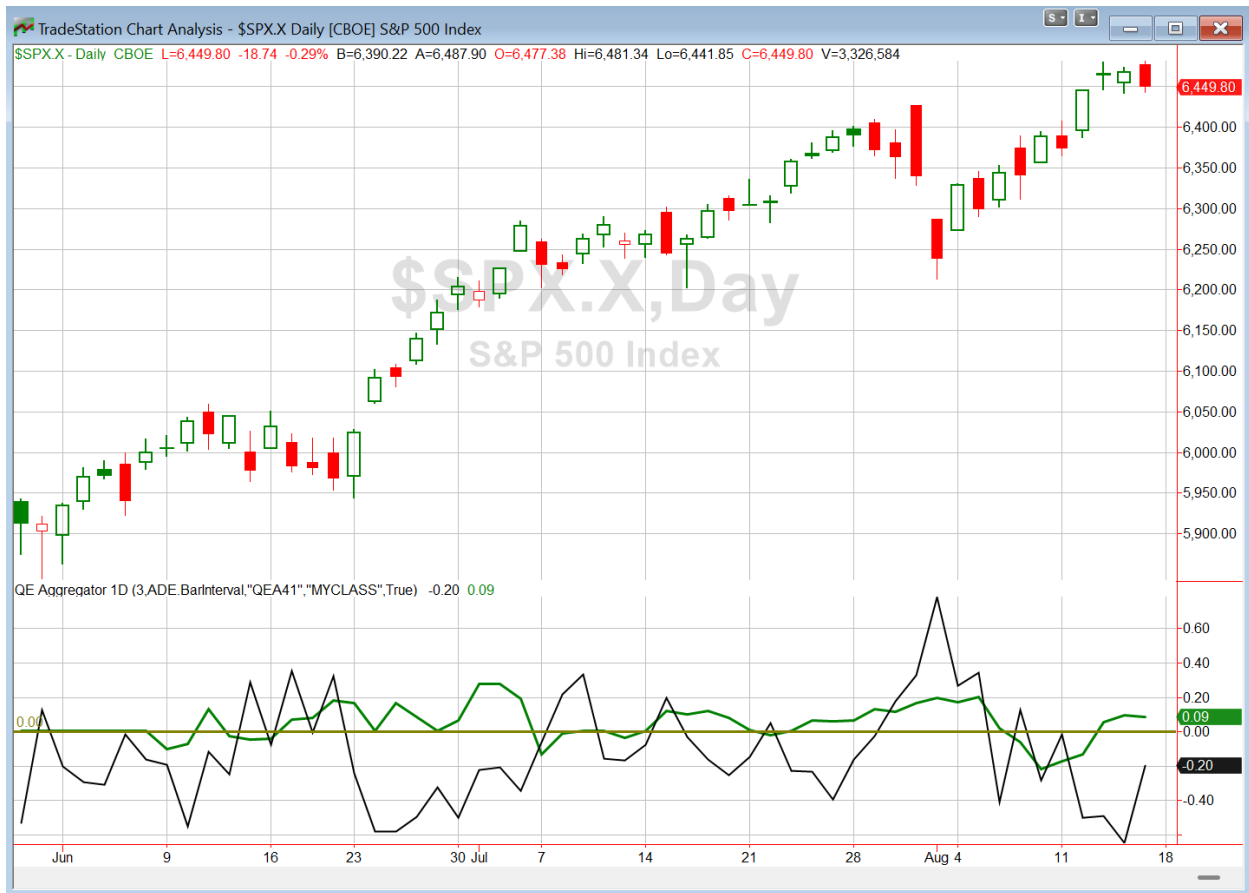
While I am back from my travels, the action on Friday did not provide anything in the way of new and compelling short-term evidence. The Quantifinder came up blank, and I was not able to uncover anything particularly interesting from a short-term perspective. That is not surprising. The 1st day down from a new high level doesn't often trigger much. It does sometimes suggest more of a pullback if SPY leaves an unfilled gap down from a long-term high. But SPY gapped up some to start the day on Friday, so no such edge triggered. There are no new studies being added to the active list tonight.

Let's take a quick look at the Seasonality Calendar for the upcoming week.

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
8/1/2025	57.33	1.387	0.108
8/4/2025	55.26	1.326	0.101
8/5/2025	51.12	1.070	0.014
8/6/2025	57.29	1.384	0.104
8/7/2025	51.42	1.017	-0.001
8/8/2025	53.16	1.296	0.082
8/11/2025	56.50	0.949	-0.033
8/12/2025	54.38	1.050	0.001
8/13/2025	56.90	1.027	0.000
8/14/2025	54.11	0.833	-0.072
8/15/2025	49.34	0.768	-0.094
8/18/2025	60.60	1.167	0.054
8/19/2025	55.32	1.338	0.097
8/20/2025	55.77	1.015	0.003
8/21/2025	53.10	1.010	0.006
8/22/2025	54.52	1.052	0.021
8/25/2025	54.60	1.058	0.013
8/26/2025	52.70	1.051	0.013
8/27/2025	54.27	1.257	0.062
8/28/2025	56.03	1.310	0.076
8/29/2025	55.82	1.152	0.019
Baseline	54.25	1.145	0.051

It seems both this week and next will lean bullish. September often sees struggles in the 2nd half of the month, but I will discuss that as we get closer.

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



Without anything new triggering, 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 studies, expectations are slated to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 6450.51. That is 0.1% *above* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to rise at least 0.1% in order to remain overbought. Any flat or down close will see SPX flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. We could see a bullish configuration emerge if SPX closes flat or down on Monday. But I am not inclined to jump the gun. I will wait to see how Monday plays out and what new evidence emerges before considering any new short-term index trade ideas.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/18 – *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.*

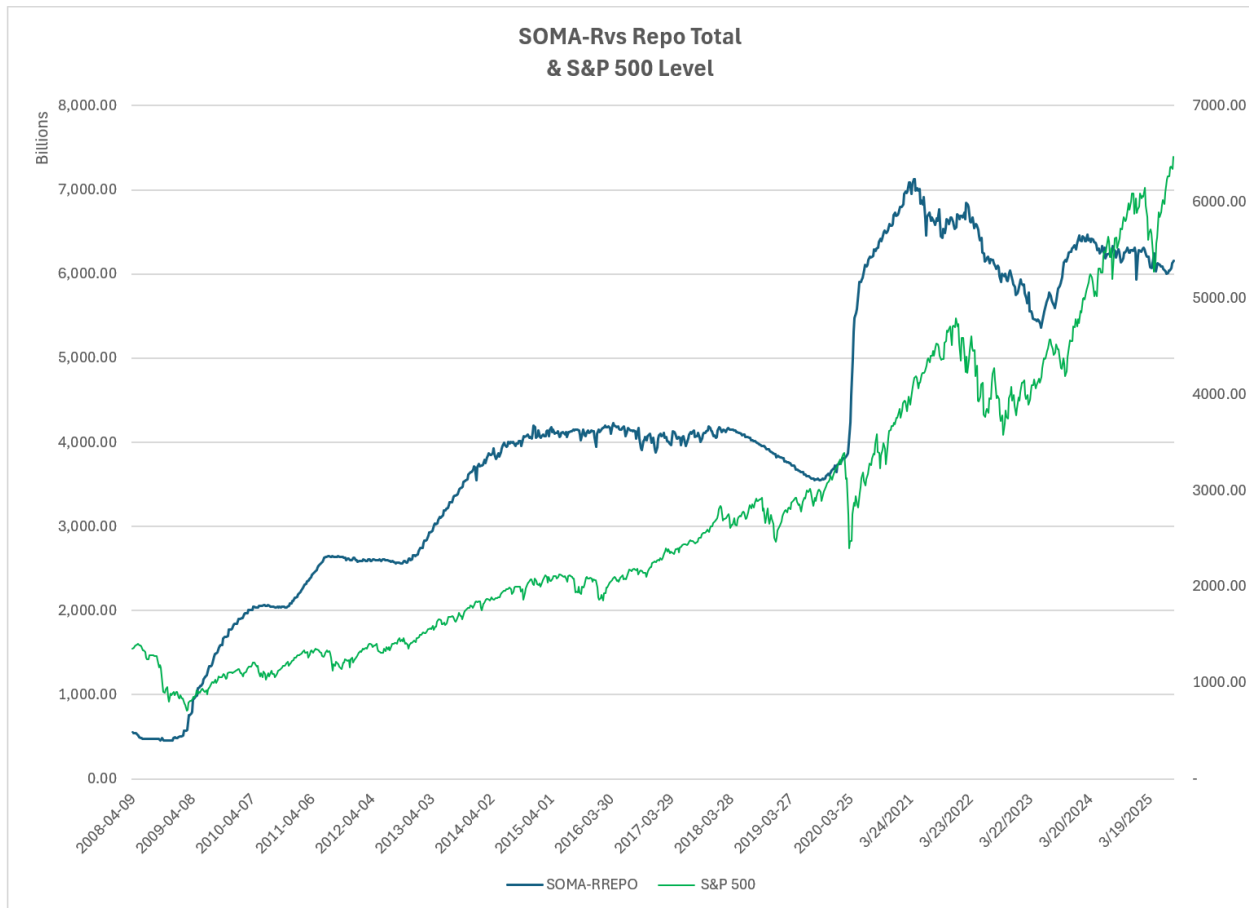
This past week saw the indices do well. The SPX rose 0.9%, the NASDAQ gained 0.8%, and the Russell 2000 shot up 3.1%. Bonds did not follow stocks. The US Aggregate Bond ETF (AGG) made a multi-year high on Wednesday, but closed the week exactly breakeven from the week before. TLT, the 20-year Treasury Bond ETF, fell for the 2nd week in a row, this time losing 0.7%. Both the NASDAQ and SPX closed at a new all-time highs during the week, so the long-term uptrend remains intact. 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.

Domestic Security Holdings as of	
◀ Previous	August 6, 2025 <small>Posted August 7, 2025 at 4:30 PM</small>
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,492,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,577,123,691.1
US Treasury Floating Rate Notes (FRNs)	12,575,703.6
US Treasury Inflation-Protected Securities (TIPS)*	309,427,193.8
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	6,217,638,598.3
Change From Prior Week	-2,721,618.4

The SOMA account holdings declined about \$66 million dollars this past week – an extremely small amount. Meanwhile, reverse repos easily overwhelmed that and declined by \$35 billion for the week ending 8/13/25. 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 \$35 billion

(through Wednesday the 13th). 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 may provide a strong indication of market direction.

With regards to rates, odds were little changed over the last few days. September odds changed from 89% to 85% that rates will be lower than they are currently. Meanwhile, there only appears to be about a 6% chance (changed from 4% last week) that rates remain at current levels through October. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.



Target Rate 17 Sep25 29 Oct25 10 Dec25 28 Jan26 18 Mar26 29 Apr26 17 Jun26 29 Jul26 16 Sep26 28 Oct26 9 Dec26

Current

- Compare
- Probabilities
- Aggregated

MEETING INFORMATION							PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE	
17 Sep 2025	ZQU5	30 Sep 2025	95.7625	51,209	270,495	84.6 %	15.4 %	0.0 %	

Historical

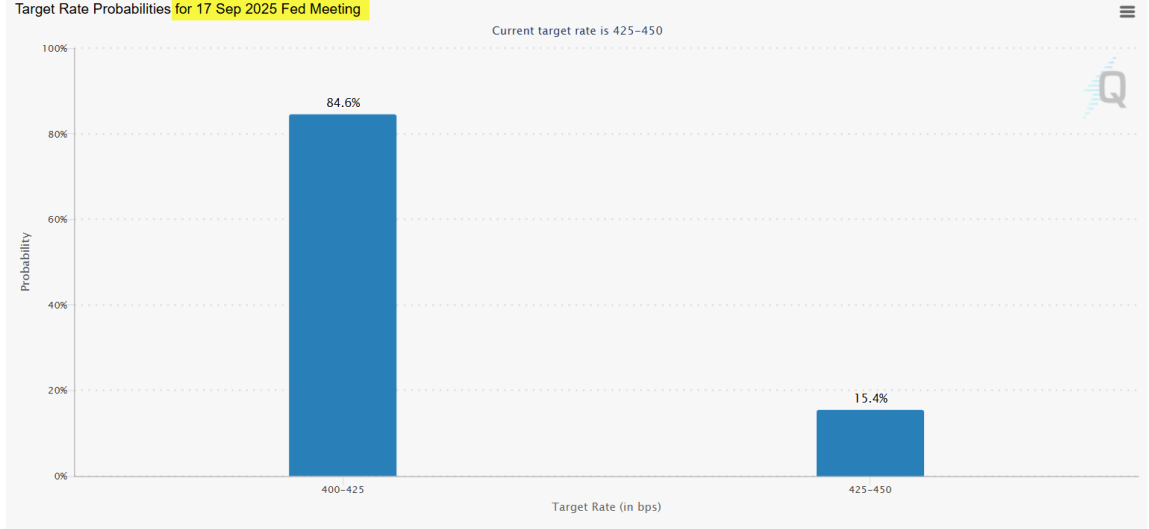
- Historical
- Downloads
- Prior Hikes

Dot Plot

- Chart
- Table

Tools

- CVOL
- SOFR Watch
- ESTR Watch



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 15 AUG 2025	1 WEEK 8 AUG 2025	1 MONTH 17 JUL 2025
375-400	0.0%	0.0%	0.0%	2.1%
400-425	84.6%	85.4%	88.9%	50.8%
425-450 (Current)	15.4%	14.6%	11.1%	47.1%

* Data as of 17 Aug 2025 11:38:08 CT



Target Rate 17 Sep25 29 Oct25 10 Dec25 28 Jan26 18 Mar26 29 Apr26 17 Jun26 29 Jul26 16 Sep26 28 Oct26 9 Dec26

Current

- Compare
- Probabilities
- Aggregated

MEETING INFORMATION							PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE	
29 Oct 2025	ZQV5	31 Oct 2025	95.8925	163,618	502,965	94.0 %	6.0 %	0.0 %	

Historical

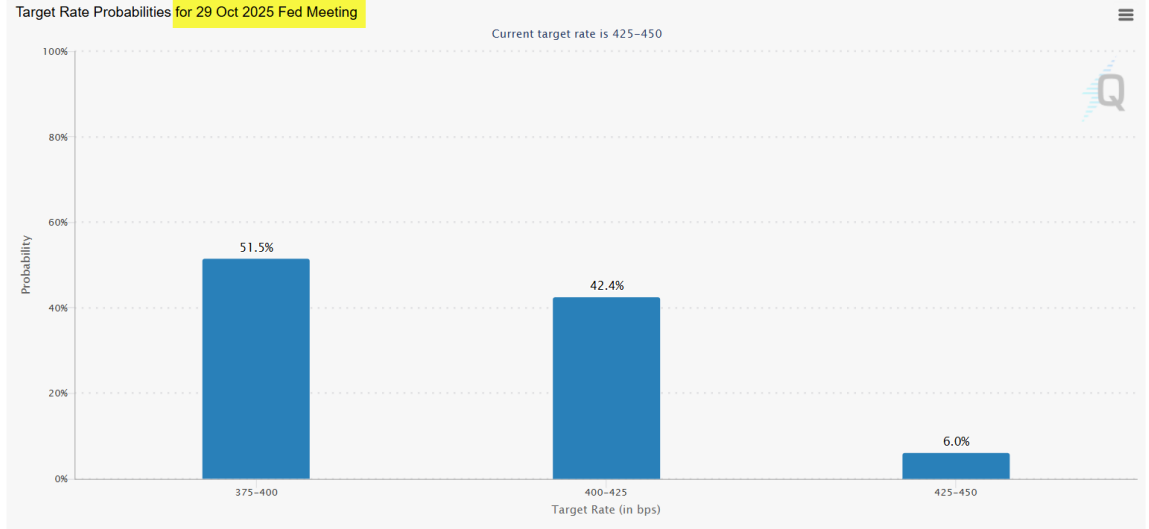
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Dot Plot

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Tools

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TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 15 AUG 2025	1 WEEK 8 AUG 2025	1 MONTH 17 JUL 2025
350-375	0.0%	0.0%	0.0%	1.0%
375-400	51.5%	47.5%	57.0%	26.0%
400-425	42.4%	46.0%	39.0%	49.0%
425-450 (Current)	6.0%	6.5%	4.0%	24.0%

* Data as of 17 Aug 2025 11:38:08 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 employment, 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.

Intermediate-term evidence is again mostly 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 NASDAQ and SPX posted a new all-time highs this past week. So we see breadth, leadership, momentum, and trend indications all pointing higher. Still there is much uncertainty with geopolitics, trade, and the economy. Stock valuations are also at levels that could be considered very high. 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. And September, the “worst” month of the year, is soon approaching. So there are definitely risks. But as of now, the market is not terribly concerned about the downside risks. 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

IBM @ \$234.77 (buy 1/3 @ limit) – *not filled, cancel for now*

Broad Market Large Cap CBI – 1 (IBM)

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

None

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