

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 25, 2025

Volume 18 Issue 161

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- Seasonality looks favorable for the upcoming week.
- September seasonality looks more sketchy.
- This summer has seen liquidity inflows, despite the mild quantitative tightening in the SOMA.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. The expected bounce arrived, and it seems a good time to step aside and await the next compelling opportunity.

**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>						
August 20, 2025	1st 5 low in 10 days. Close > 10ma	1-5 days	Bullish	1.40%	-1.15%	-2.30%
August 15, 2025	Up vol < 40%. SPX up and > 200	1-8 days	Bullish			
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight (expired, target hit, or avg drawdown + 1 std dev exceeded)</b>						
<b>August 22, 2025</b>	<b>5 lower closes &gt; 200ma &gt; 20-day low</b>	<b>1-2 days</b>	<b>Bullish</b>			
August 22, 2025	Unfilled gap down 2 days > 200	1 day	Bullish			
<b>August 20, 2025</b>	<b>Method 1111</b>	<b>1-4 days</b>	<b>Bullish</b>			
August 21, 2025	Gap < 5-low close. Close < open > 200ma	1-2 days	Bullish			
August 14, 2025	Up Iss % 1-yr rank > 90% 2x. 50-day high.	1-7 days	Bullish			

**The Evidence**

The market shot higher on Friday after Powell gave a speech and traders seemed to like it. SPX finished up 1.5%, the NASDAQ rose 1.9%, and the Russell 2000 rallied 3.9%. Breadth was extremely strong as the NYSE Up Issues % closed at 89% and the NYSE Up Volume % posted a 91% reading. NYSE total volume rose some from Thursday's level.

Despite the big rebound, the Quantifinder was quiet. There were quite a few studies heading into Friday that suggested a bounce was due, so it is nice to see that the market responded in a historically typical fashion. I won't be adding any new studies to the Active List tonight. But let's take a look at the QE Seasonality Calendar for SPX.

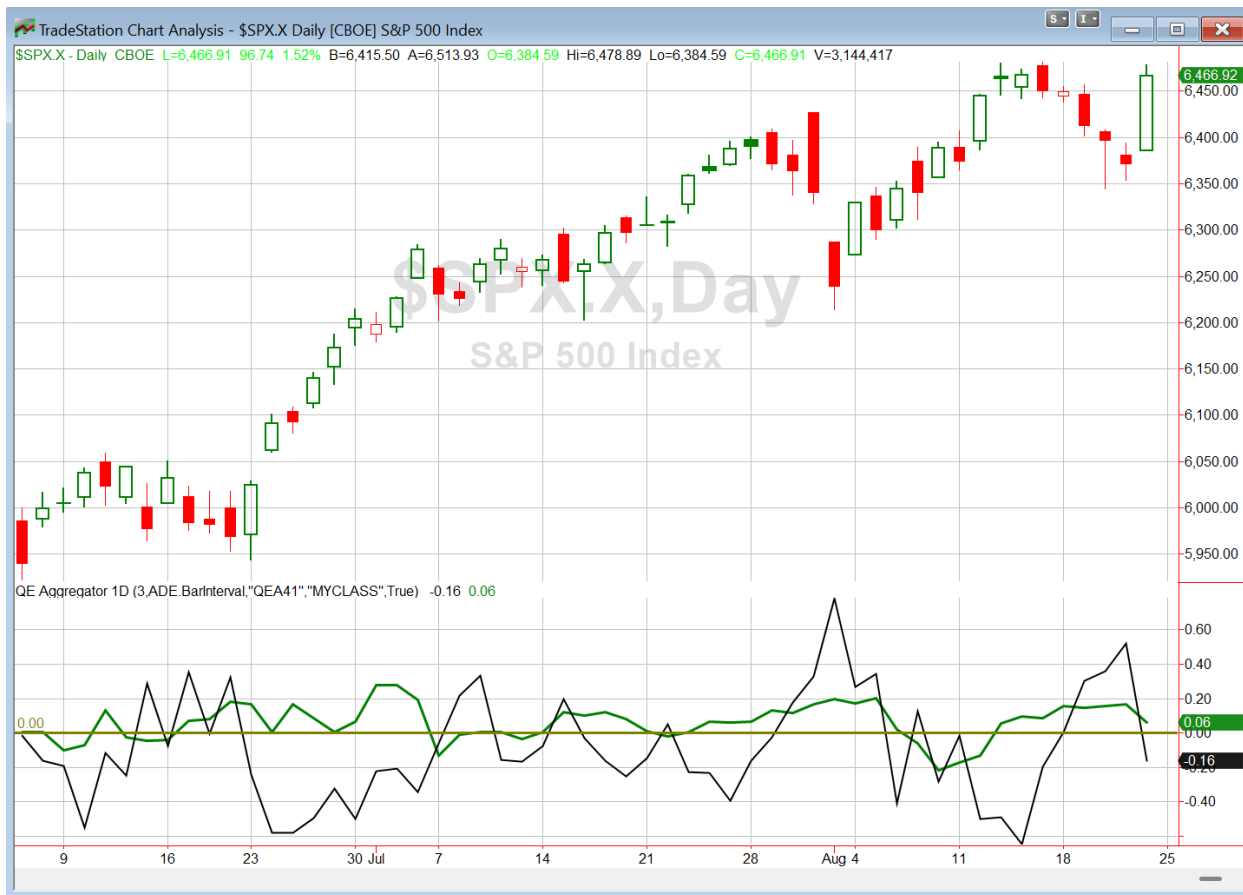
<b>Quantifiable Edges Seasonality Calendar</b>			
<b>\$SPX S&amp;P 500 Index</b>			
<b>Date</b>	<b>Win%</b>	<b>Profit Factor</b>	<b>Avg % Chg</b>
8/1/2025	57.33	1.387	0.108
8/4/2025	55.26	1.326	0.101
8/5/2025	51.12	1.070	0.014
8/6/2025	57.29	1.384	0.104
8/7/2025	51.42	1.017	-0.001
8/8/2025	53.16	1.296	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
<b>8/15/2025</b>	<b>49.34</b>	<b>0.768</b>	<b>-0.094</b>
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
<b>Baseline</b>	<b>54.25</b>	<b>1.145</b>	<b>0.051</b>

This upcoming week is showing solidly bullish odds. So it appears seasonality is favorable. I also ran preliminary numbers for September. They can be found below.

<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>
9/2/2025	54.28	1.102	0.012
9/3/2025	54.29	1.251	0.062
<b>9/4/2025</b>	<b>49.69</b>	<b>0.914</b>	<b>-0.033</b>
9/5/2025	54.54	1.033	0.016
9/8/2025	56.10	1.121	0.030
9/9/2025	54.59	1.254	0.074
9/10/2025	56.76	1.212	0.068
9/11/2025	54.33	1.017	-0.004
9/12/2025	55.25	1.324	0.091
9/15/2025	58.32	1.063	0.014
9/16/2025	53.18	1.222	0.055
<b>9/17/2025</b>	<b>48.84</b>	<b>0.847</b>	<b>-0.058</b>
9/18/2025	50.97	0.902	-0.035
<b>9/19/2025</b>	<b>48.04</b>	<b>0.829</b>	<b>-0.066</b>
9/22/2025	51.45	0.968	-0.024
<b>9/23/2025</b>	<b>49.40</b>	<b>0.947</b>	<b>-0.028</b>
<b>9/24/2025</b>	<b>49.86</b>	<b>0.989</b>	<b>-0.015</b>
9/25/2025	50.44	1.017	-0.010
<b>9/26/2025</b>	<b>49.67</b>	<b>0.863</b>	<b>-0.052</b>
9/29/2025	56.02	1.111	0.031
9/30/2025	53.97	1.090	0.026
<b>Baseline</b>	<b>54.25</b>	<b>1.148</b>	<b>0.052</b>

The early part of September is also mostly bullish odds. But the 2<sup>nd</sup> half of the month looks ugly. I've published some detailed studies on the weakness that is often seen during the 2<sup>nd</sup> half of September. I will review some of them as we get closer. I'll also note that Quantifiable Edges readers are not the only people on the planet that are aware of September market struggles. Anticipatory selling could occur even before we get to the ugly-looking period. Nothing to act on yet, but something to keep in the back of the mind over the next few weeks.

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 fell 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 turned 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 6424.47. That is 0.7% below Friday's close. Therefore, SPX will need to close down at least 0.7% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. Current evidence suggests the bounce could continue further over the next few days. But Friday's rally turned the market quickly overbought. So this might be a good time to close out some existing (short-term) long positions, and then await the next favorable reward/risk opportunity to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 8/25 – *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.*

Index action was mixed this past week. The SPX rose 0.3% despite closing down the 1<sup>st</sup> four days of the week. The NASDAQ lost 0.6%, and the Russell 2000 shot up 3.3%. Bonds rallied. The US Aggregate Bond ETF (AGG) gained 0.5% and closed Friday at a multi-year high. TLT, the 20-year Treasury Bond ETF, gained 0.75%. SPX and NASDAQ are very close to new all-time highs, so the long-term uptrend appears intact. No new studies with intermediate-term implications emerged in the last few days.

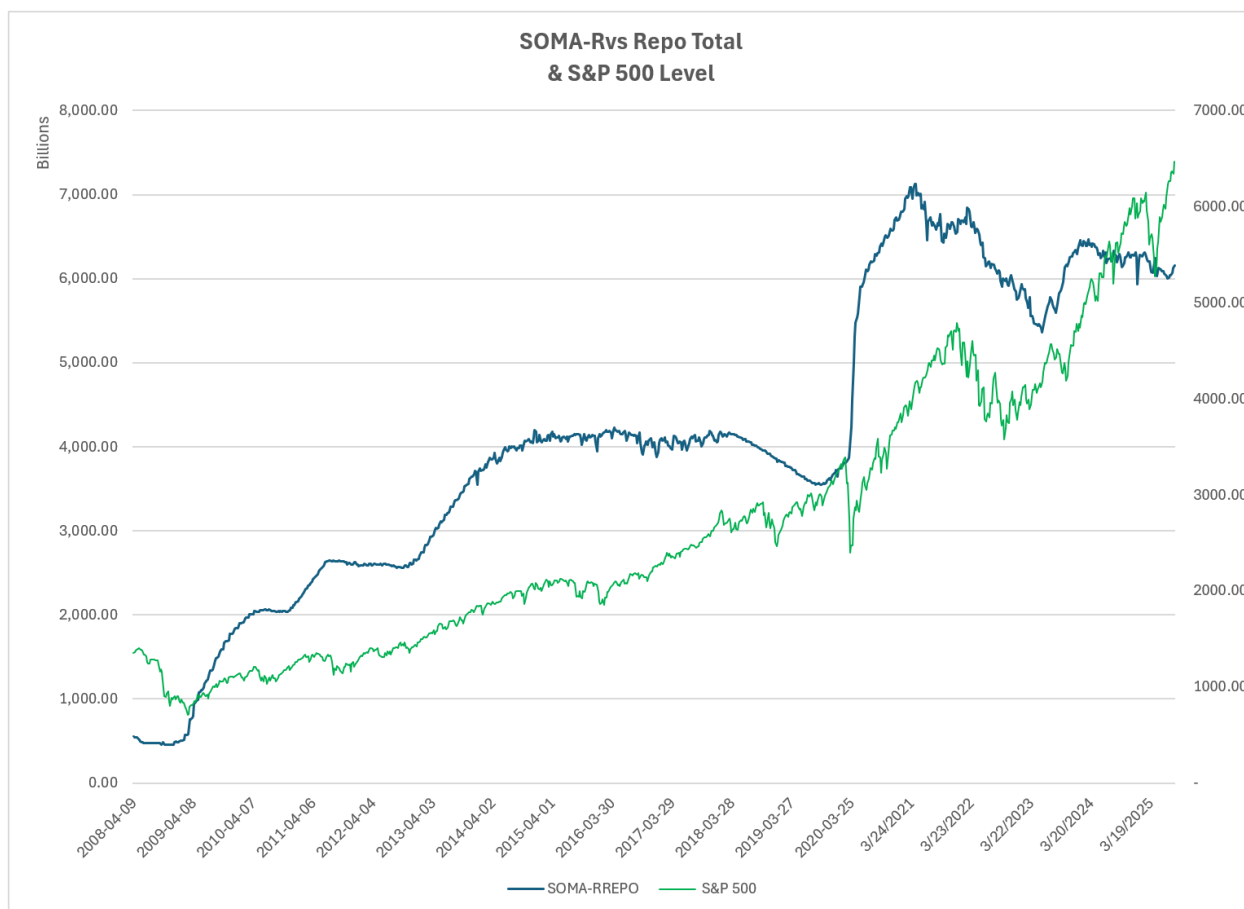
The Fed posted the latest update to the SOMA holdings on Thursday. It can be found below.

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

Domestic Security Holdings as of  
[◀ Previous](#) **August 20, 2025**   
Posted August 21, 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)	3,573,931,158.9
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***	2,108,857,238.1
Agency Commercial Mortgage-Backed Securities***	7,907,243.4
Total SOMA Holdings	6,210,538,464.5
Change From Prior Week	-7,033,861.8

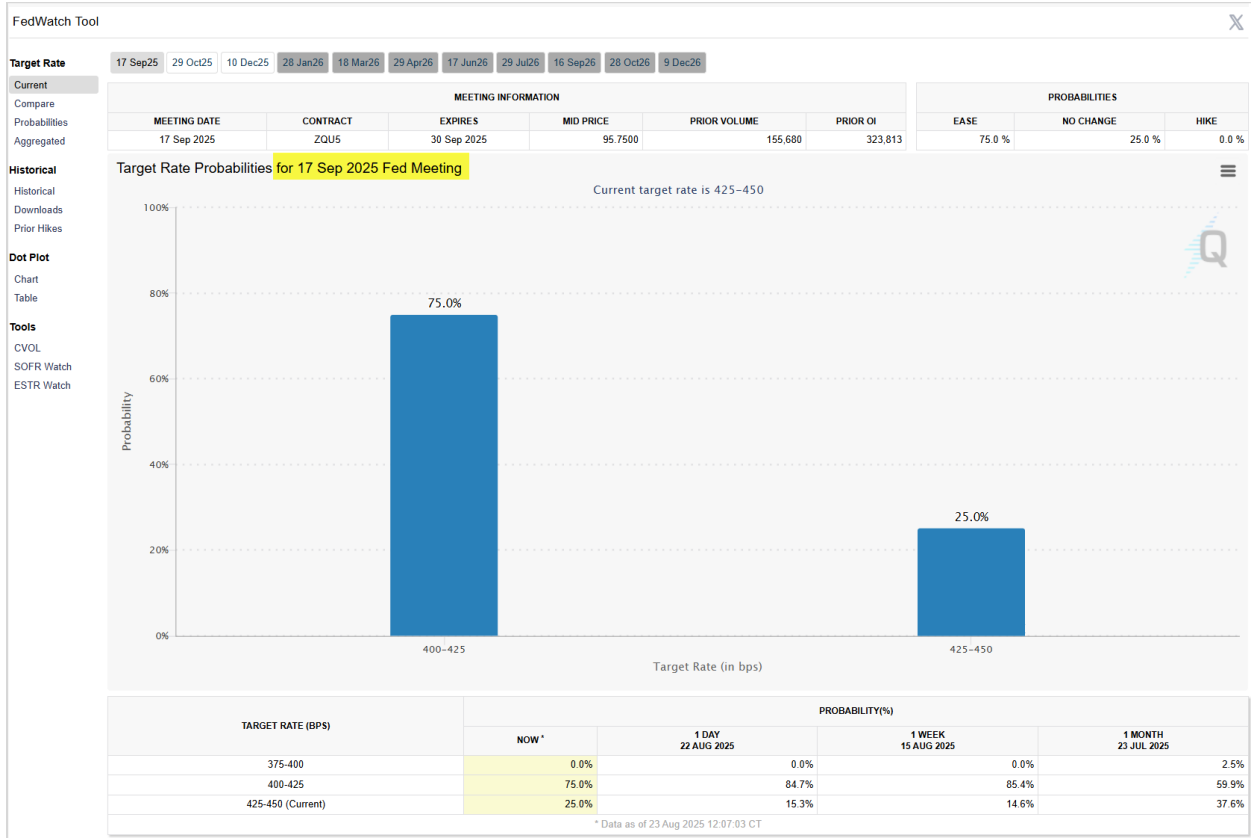
The SOMA account holdings declined about \$7 billion dollars this past. Meanwhile, reverse repos easily overwhelmed that and declined by \$22 billion for the week ending 8/20/25. A decline in reverse repos can act as a liquidity infusion. Combined for the week, SOMA and reverse repo action accounted for a liquidity injection of about \$15 billion (through Wednesday the 20<sup>th</sup>). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.

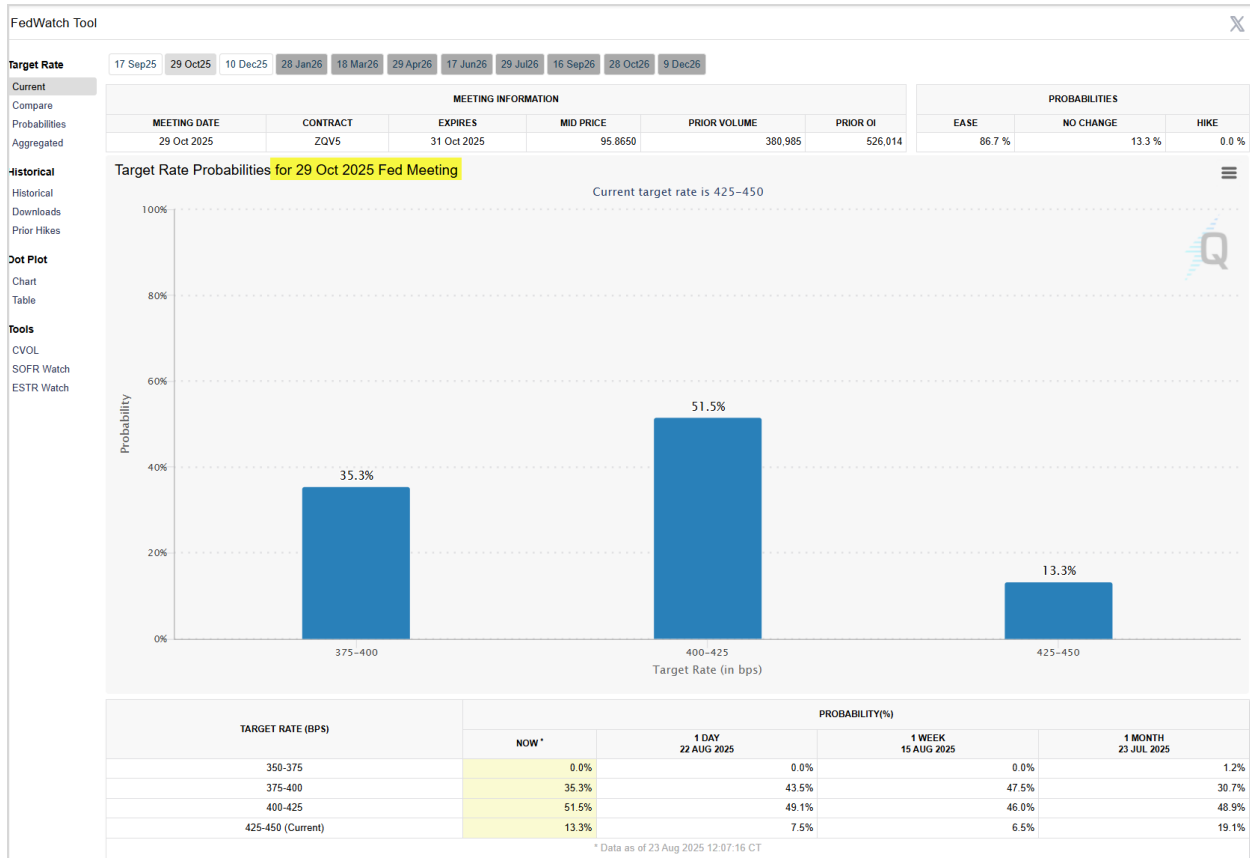


This was the 7<sup>th</sup> week in a row that the combination of SOMA and reverse repos flows created a liquidity injection. That is the longest such streak since Nov/Dec 2023. So it is not surprising that the market has rallied well throughout July and August. Quantitative Tightening (QT) can still 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. Over the last 7 weeks, it has been doing it again. Reverse repos are at their lowest level in years currently. So this liquidity pump could dry up. But the Fed has other tools to provide liquidity even if it does. Powell's speech on Friday was interpreted by many as dovish. I doubt they will hold rates where they are, wind down the SOMA, and not provide liquidity elsewhere over the next few months.

With regards to rates, odds of cuts were actually reduced on Friday. September odds changed from 85% last weekend to 75% currently that rates will be reduced. Meanwhile, there now appears to

be about a 13% chance (changed from 6% last week) 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 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 in April and May that are typically followed by large gains. A good portion of those gains may have already been realized, but there is still a bit more room to the upside before we would reach the average max run-ups for those studies. Trend indicators are still pointing higher and the indices are very close to new all-time highs. So we see breadth, leadership, 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 1<sup>st</sup> 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 to try and take advantage of long setups than short ones.

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

MSFT – 1/3 @ \$504.24 (bought @ limit)

### ***Broad Market Large Cap CBI – 1(MSFT)***

## **Additional New Trade Ideas**

None tonight.

## **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	8/19/2025	\$639.81	\$645.31	0.86%	<i>sell on open</i>
SPY(1/4)	8/21/2025	\$636.28	\$645.31	1.42%	<i>sell on open</i>
MSFT(1/3)	8/22/2025	\$504.24	\$507.23	0.59%	Catapult

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