

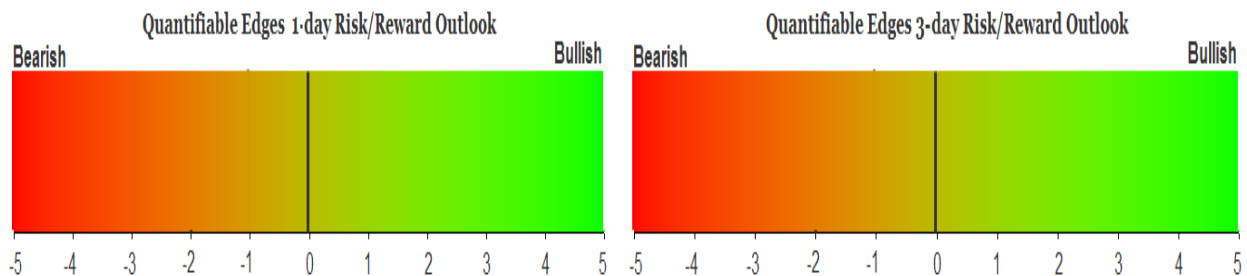
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 8, 2025

Volume 18 Issue 170

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- The SOX strength on a day NASDAQ declined suggests a bounce on Monday.
- SPX reversed lower on strong breadth, which has typically been followed by gains over the net few days.
- This upcoming week is the only one in September with favorable seasonality.
- Reverse repo closeouts generated more liquidity again this past week, and the Fed appears highly likely to start cutting rates again.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is still neutral. I am as well.

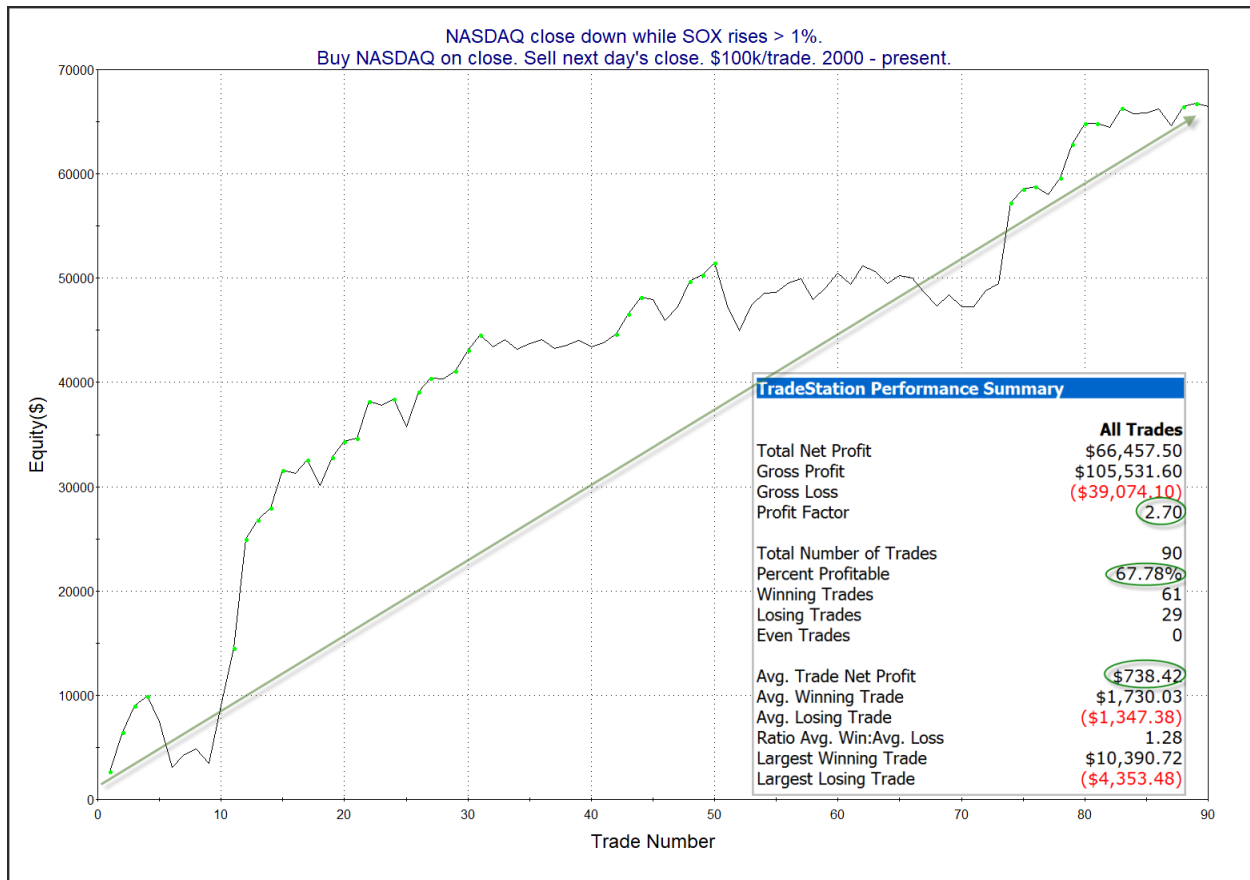
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
September 8, 2025	NASDAQ down. SOX up > 1%	1 day	Bullish			
September 8, 2025	SPX 5-high. Close down. Up Issue % > 60%	1-3 days	Bullish	1.60%	-0.90%	-2.00%
<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			

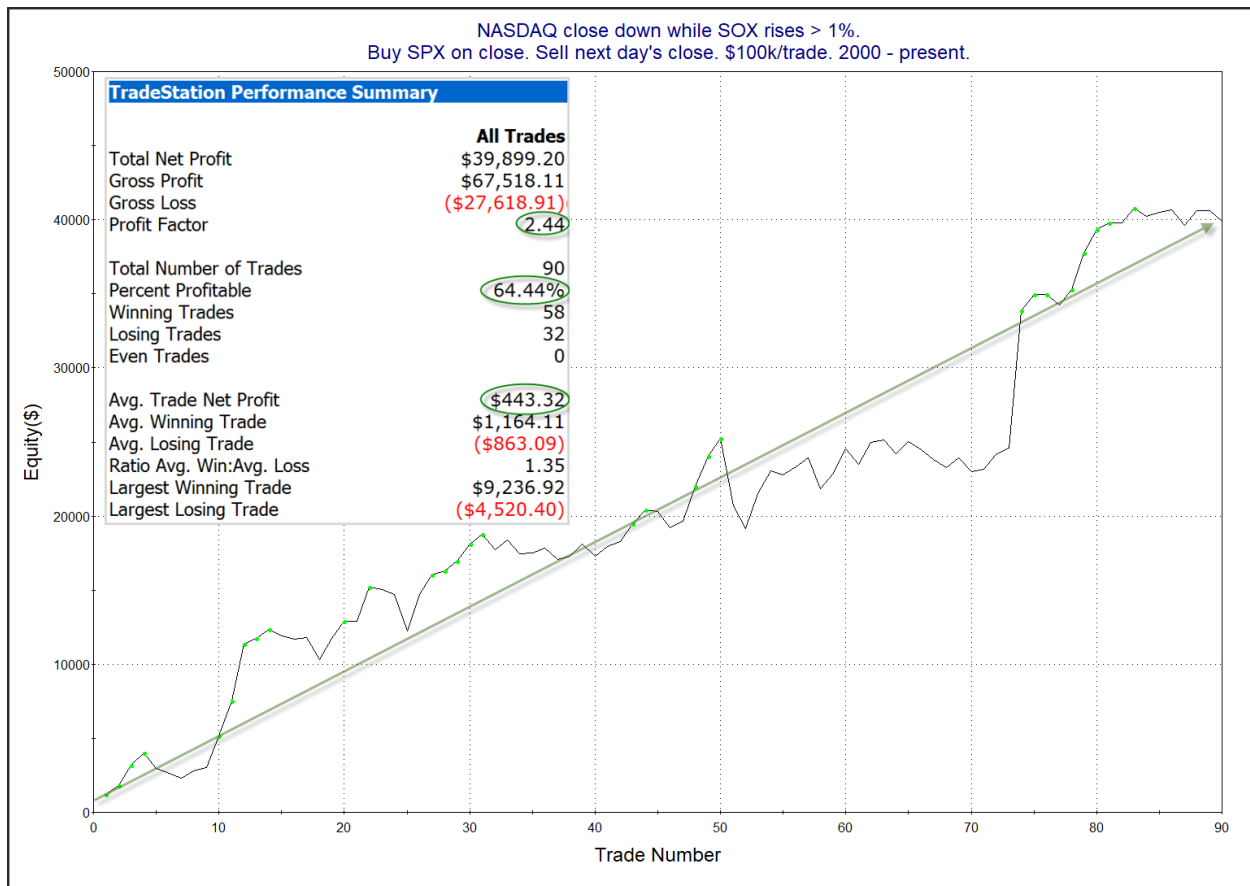
**The Evidence**

After a strong start to the day, Friday finished mixed. SPX lost 0.3%, the NASDAQ declined 0.03%, and the Russell 2000 climbed 0.5%. Breadth was positive as the NYSE Up Issues % closed at 63% and the NYSE Up Volume % posted a 57% reading. NYSE total volume rose some from Thursday's level.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 1.65%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which was last seen in the 5/23/24 letter. Results are updated.



Not exactly a steady rise, but the move and numbers are impressive nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



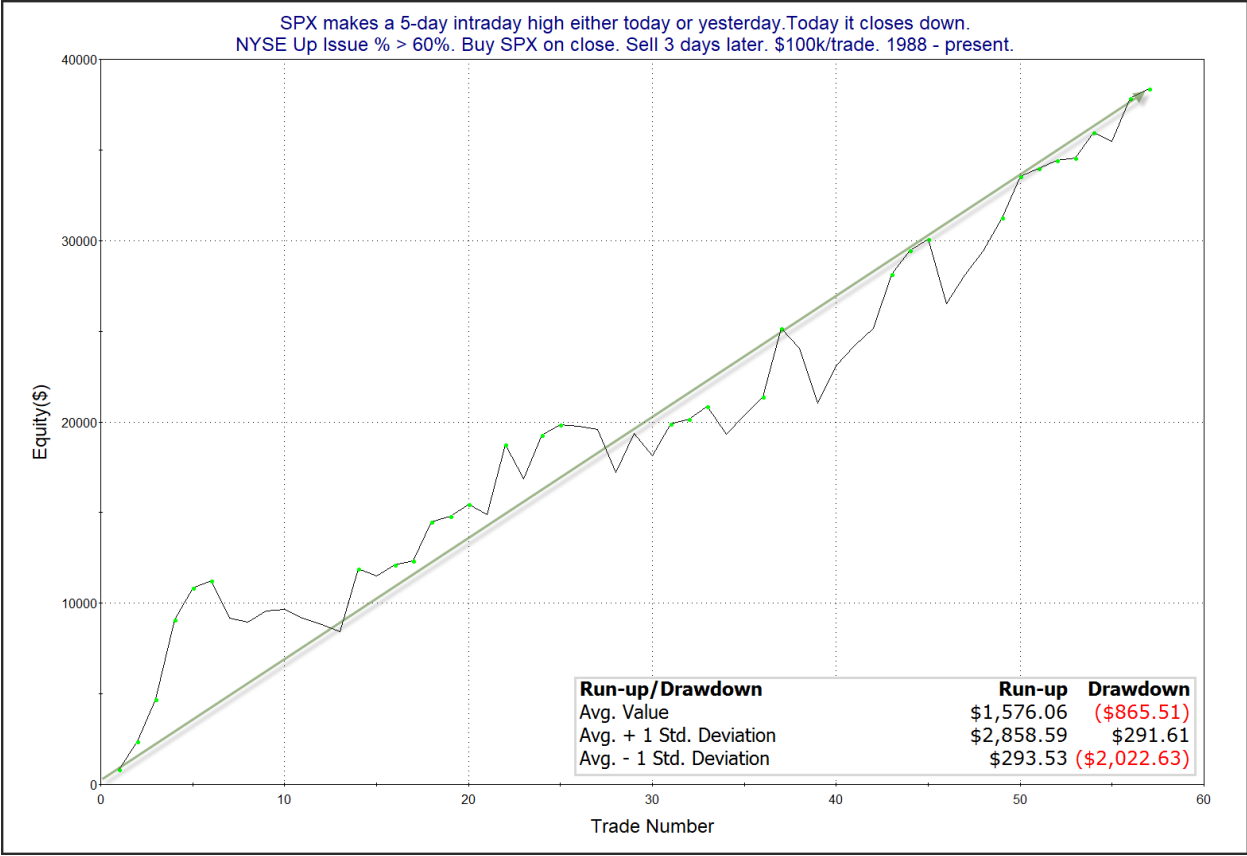
Results here appear steady but less explosive. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

Another study I found interesting was last seen in the 1/17/25 letter. It examined other times the market made a recent short-term high, then pulled back but the breadth remained squarely positive. Results are updated below.

SPX makes a 5-day intraday high either today or yesterday. Today it closes down.  
NYSE Up Issue % > 60%. Buy SPX on close. Sell X days later. \$100k/trade. 1988 - 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	19,329.44	54	34	20	62.96	4,586.15	-6,119.33	1,657.70	-1,851.62	0.90	1.52	357.95
4	41,994.53	57	37	20	64.91	8,095.62	-6,253.50	1,899.87	-1,415.03	1.34	2.48	736.75
3	38,366.45	57	40	17	70.18	4,370.82	-3,593.26	1,460.01	-1,178.47	1.24	2.92	673.10
2	27,479.88	57	38	19	66.67	4,825.17	-4,128.74	1,256.60	-1,066.88	1.18	2.36	482.10
1	21,187.40	57	35	22	61.40	3,351.09	-1,606.00	940.13	-532.61	1.77	2.81	371.71

This suggests a possible upside edge over the next few days. Below is a look at the 3-day profit curve.



The curve has sloped upwards for a long time. This seems to offer some confirmation of the upside edge suggested by the stats table. I have included this study on the Active List.

Next, let's check out 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>
9/2/2025	54.49	1.103	0.013
9/3/2025	54.50	1.252	0.063
9/4/2025	49.89	0.915	-0.032
9/5/2025	54.80	1.044	0.020
9/8/2025	55.99	1.117	0.029
9/9/2025	54.70	1.257	0.075
9/10/2025	56.84	1.216	0.069
9/11/2025	54.39	1.024	-0.002
9/12/2025	55.30	1.333	0.095
9/15/2025	58.09	1.054	0.012
9/16/2025	53.43	1.230	0.057
9/17/2025	48.99	0.851	-0.056
9/18/2025	51.16	0.925	-0.027
9/19/2025	48.21	0.854	-0.054
9/22/2025	51.22	0.960	-0.026
9/23/2025	49.60	0.952	-0.027
9/24/2025	50.05	0.995	-0.013
9/25/2025	50.60	1.026	-0.007
9/26/2025	49.60	0.868	-0.050
9/29/2025	55.80	1.103	0.029
9/30/2025	54.17	1.095	0.028
<b>Baseline</b>	<b>54.33</b>	<b>1.155</b>	<b>0.054</b>

We are now moving into the strongest week of the year. After this upcoming week, Seasonality could create a headwind. But negative seasonal forces to not appear to be in play for the upcoming week.

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 list, 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 6425.35 on Monday. That is 0.9% below Friday's close. Therefore, SPX will need to close down at least 0.9% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is still neutral. It has been that way for much of the last couple of weeks. So patience is key for a short-term trader. I won't be interested in a new short-term index trade until a more compelling setup emerges.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 9/2 – *slightly bullish***

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

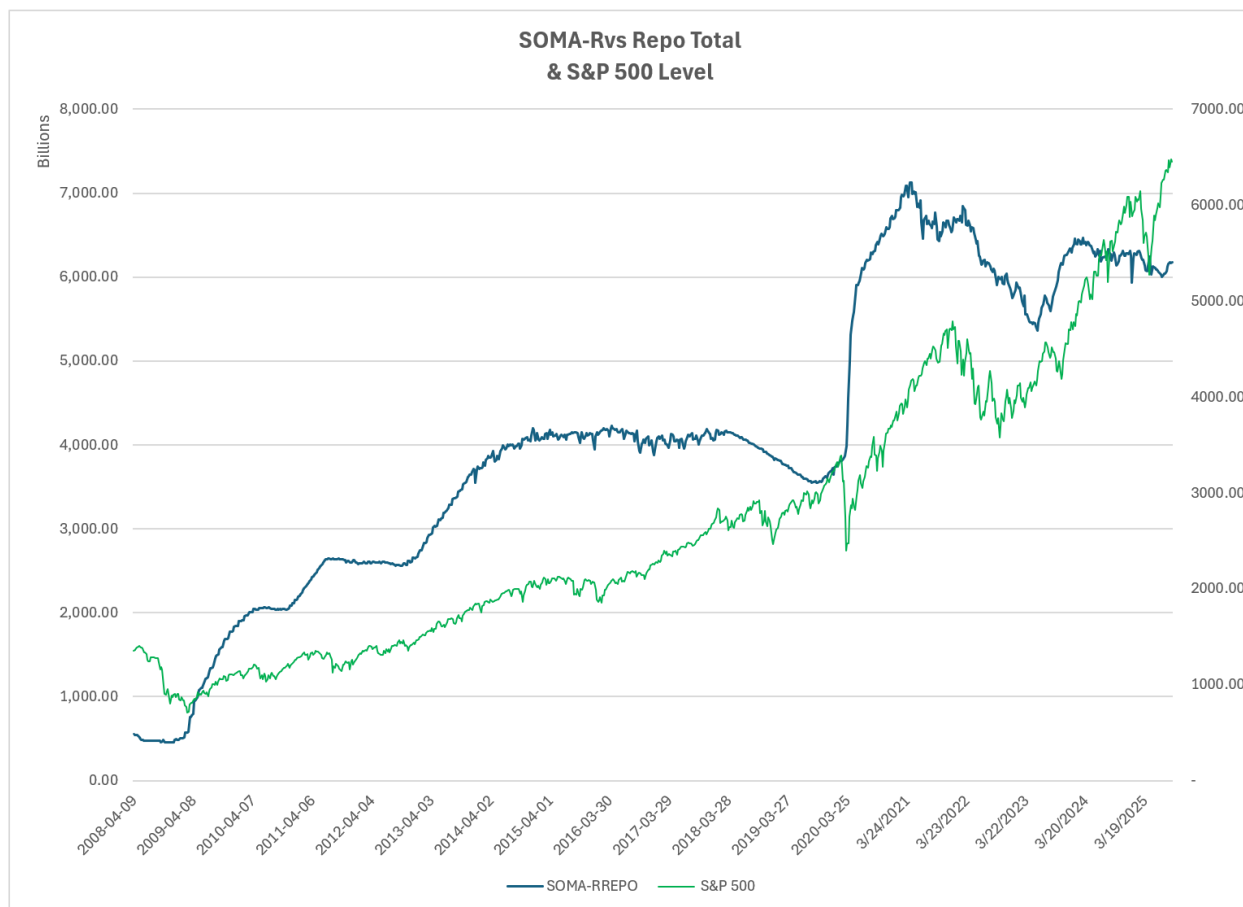
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, which is included with all annual subscriptions. *There were no changes to the Combo signals.*

The major stock indices all posted gains on the week. The SPX rose 0.3%, the NASDAQ rallied 1.1%, and the Russell 2000 gained 1.0%. Bonds also rallied. The US Aggregate Bond ETF (AGG) gained 1.0%. TLT, the 20-year Treasury Bond ETF, jumped 2.65%. SPX closed a new all-time high on Thursday, 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.

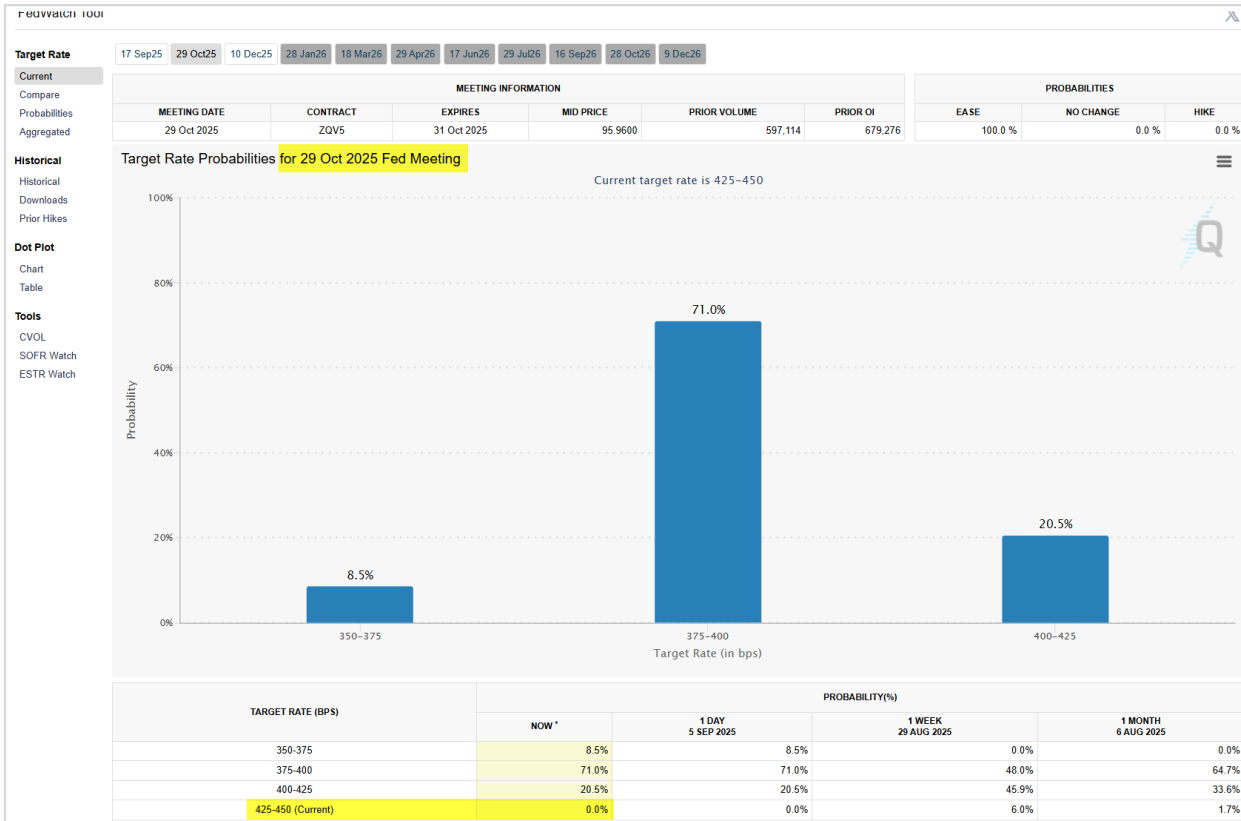
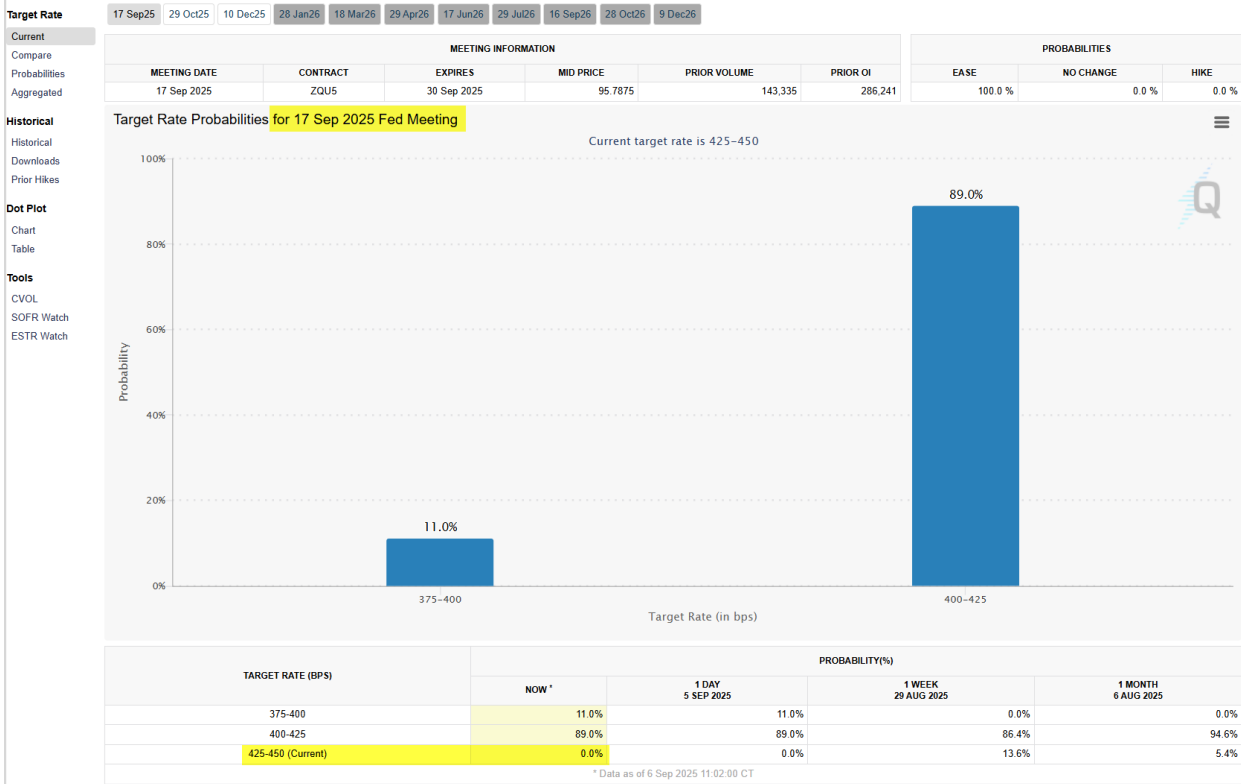
Domestic Security Holdings as of	
<a href="#">◀ Previous</a>	<b>September 3, 2025</b> <small>Posted September 4, 2025 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; font-size: small;"> <span>SUMMARY</span> <span>T-BILLS</span> <span>T-NOTES AND T-BONDS</span> <span>FRNS</span> <span>TIPS</span> <span>AGENCY DEBTS</span> <span>MBS</span> <span>CMBS</span> </div>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,492,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,572,198,691.0
US Treasury Floating Rate Notes (FRNs)	12,575,703.6
US Treasury Inflation-Protected Securities (TIPS)*	309,452,193.8
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,094,945,324.6
Agency Commercial Mortgage-Backed Securities***	7,900,952.6
Total SOMA Holdings	6,194,912,792.2
Change From Prior Week	-1,782,467.9

The SOMA account holdings declined about \$1.8 billion dollars this past week. Meanwhile, reverse repos declined by \$16.8 billion for the week ending 9/3/25. 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 3<sup>rd</sup>). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Liquidity has been quite favorable over the last couple of months. So it is not surprising that the market 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 2+ months, it has been doing it again. Reverse repos are currently near their lowest level in years. So this liquidity pump could dry up. But the Fed has other tools to provide liquidity even if it does. Potential Fed policy changes and possible changes to the Fed members could keep Fed news quite interesting in the coming weeks and months.

With regards to rates, the poor employment report on Friday triggered some changes. September odds changed from 86% last weekend to 100% that rates will be reduced. In fact, there is now an 11% chance of a 0.5 point cut. Meanwhile, odds are now 20.5% that rates will be ¼ point lower after the October meeting than they are now, and 79.5% that rates will be at least ½ point lower. 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, and nothing greatly changed the outlook from last week. 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 now upon us. So there are definitely risks. But as of now, the market is not terribly concerned about the downside risks. If not for September seasonality, I would continue to view the intermediate-term as “bullish”. But for the next few weeks, I will likely be just as cautious with potential long trades as I am short-side trades. So I listed the outlook as “slightly bullish”, but my actual behavior might lean even more towards “neutral”.

### **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

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

ISRG – 1/3 @ \$441.18 (buy @ limit)

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

### **Additional New Trade Ideas**

**None tonight.**

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
ISRG(1/3)	9/4/2025	\$440.69	\$466.86	5.94%	Catapult

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