

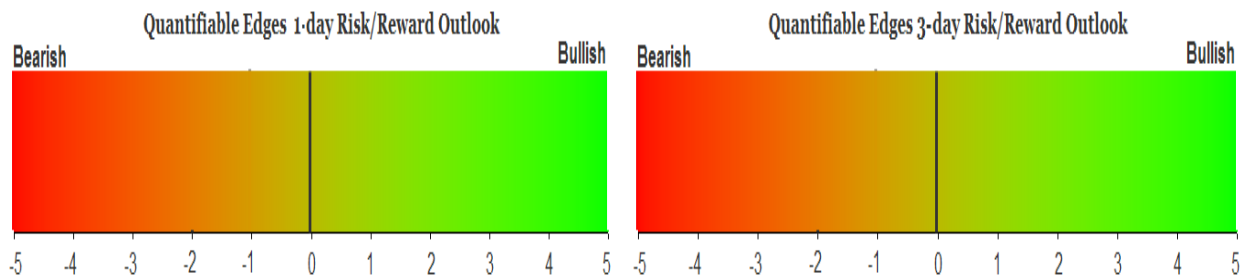
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 15, 2025

Volume 18 Issue 175

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Momentum in the NDX is suggesting the rally should continue further.
- When an overbought SPX has pulled back as little as it did Friday, it may not want to pullback at all, and has often continued higher over the next 1 to 2 days.
- Seasonal evidence is mixed heading into September opex week.
- There was a mild liquidity drain over the last week – mostly due to a rise in reverse repos.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Evidence suggests further upside, but the market is already overbought.

**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 15, 2025	NDX up 8 days in a row	1-3 days	Bullish	2.00%	-0.90%	-1.60%
September 15, 2025	SPX down. RSI(2) > 90.	1-2 days	Bullish			
September 12, 2025	2 unfilled gap up & 50-day high	1-4 days	Bullish	1.00%	-0.80%	-1.85%
September 11, 2025	Unfilled gap up 20-hi and c < opn.	1-3 days	Bullish	0.90%	-0.60%	-1.10%
<b>Active - Long Term</b>						
September 12, 2025	SPX 50-day %b crosses 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
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			

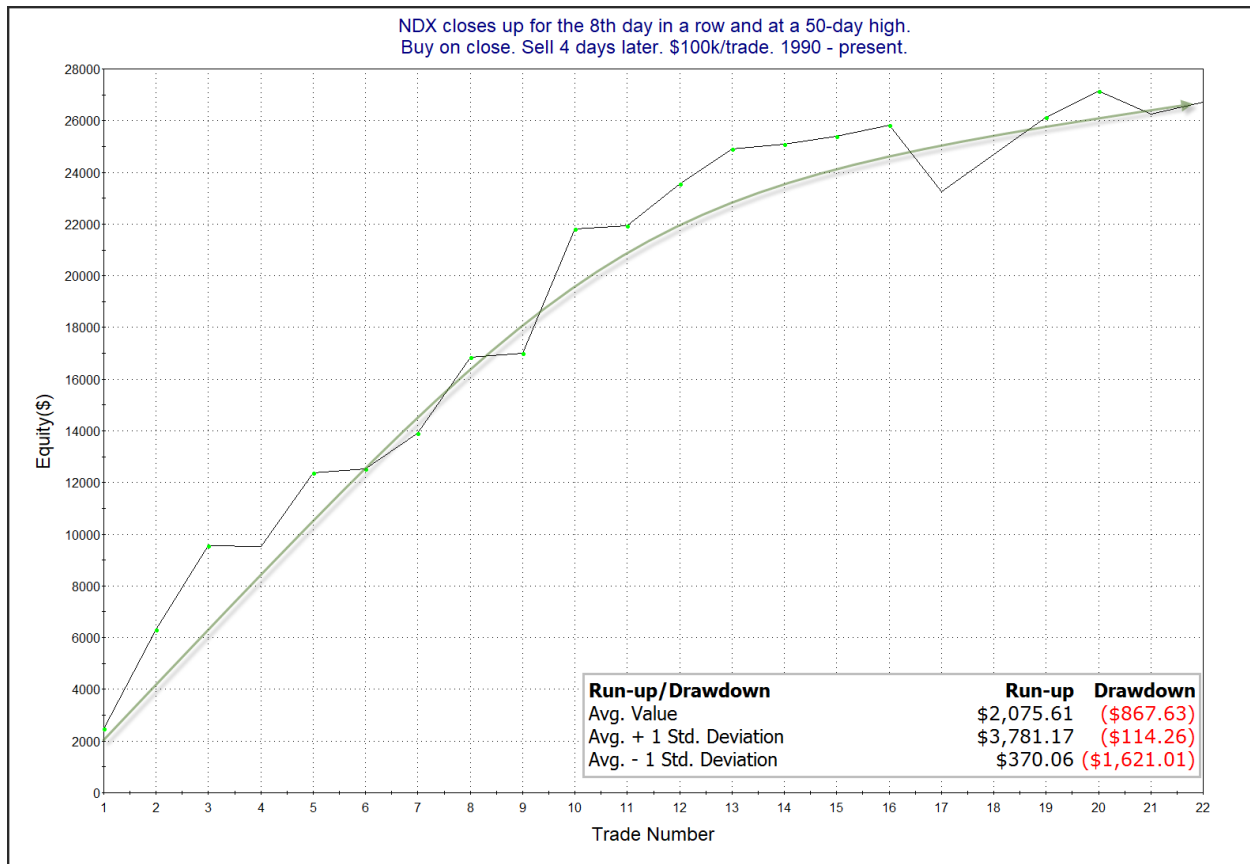
**The Evidence**

Friday’s action was mixed. SPX dipped 0.05%, the NASDAQ added 0.4%, and the Russell 2000 fell 1.0%. Breadth was weak as the NYSE Up Issues % closed at 33% and the NYSE Up Volume % posted a 34% reading. NYSE total volume declined some from Thursday’s level.

I’ve discussed in the past that just because a market is overbought does not mean it is providing a favorable opportunity to short. When looking at momentum, the NASDAQ 100 seems to be carrying a lot of it. Friday was the 8th day in a row that NDX closed higher on the day. And it also closed at a new high. So despite the short-term overbought nature, there are signs of strong momentum. The study below was last seen in the 12/7/20 letter, and it looks at other times the NDX rose for 8 days in a row and closed at a 50-day high. Results are updated.

NDX closes up for the 8th day in a row and at a 50-day high. Buy 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	30,265.57	22	16	6	72.73	5,185.08	-3,372.39	2,235.19	-916.26	2.44	6.51	1,375.71
4	26,701.73	22	19	3	86.36	4,826.90	-2,568.51	1,589.41	-1,165.66	1.36	8.64	1,213.72
3	20,888.18	22	17	5	77.27	5,371.86	-1,613.85	1,483.10	-864.90	1.71	5.83	949.46
2	13,519.08	22	16	6	72.73	3,033.12	-1,185.24	1,122.46	-740.06	1.52	4.04	614.50
1	2,658.05	22	12	10	54.55	1,713.60	-1,666.92	709.99	-586.18	1.21	1.45	120.82

After the 1st day, numbers turn very strong. Below is a look at the 4-day curve.



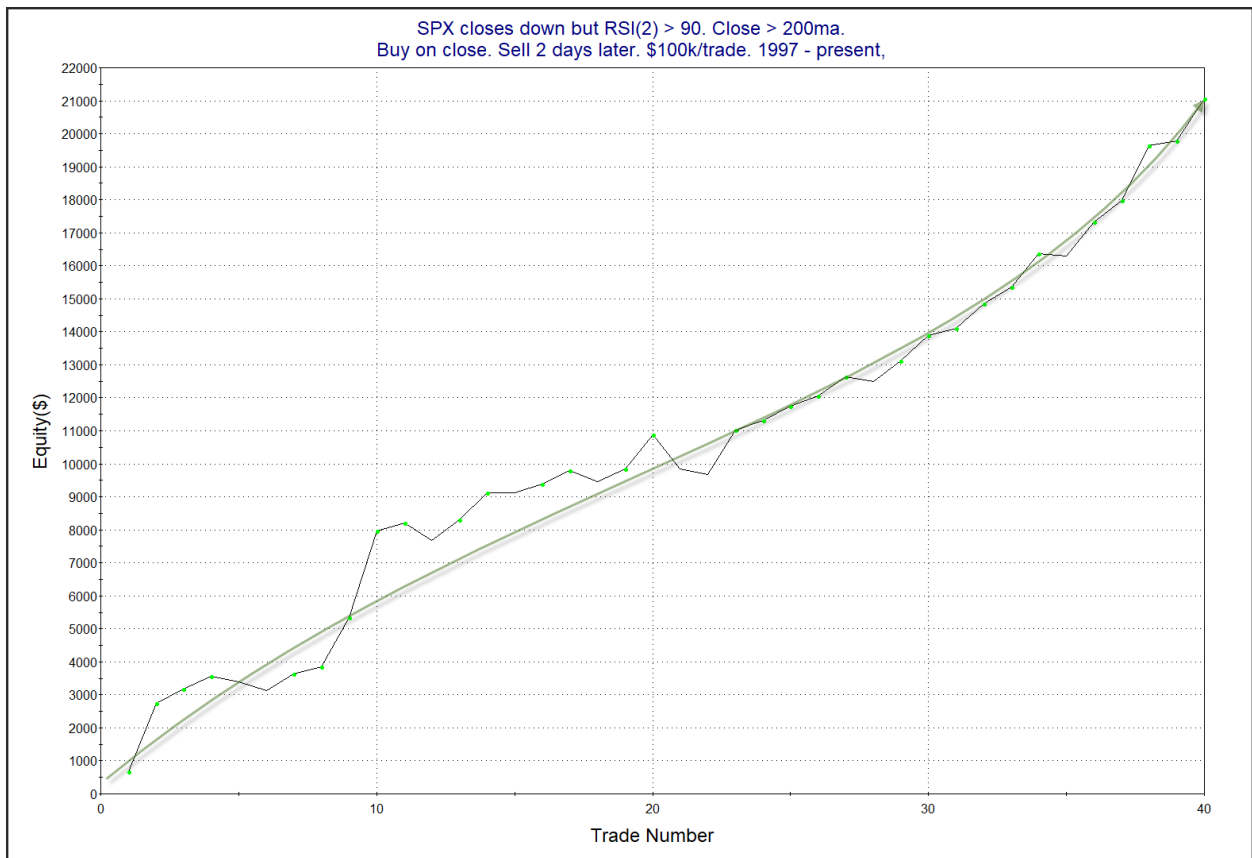
This move from lower left to upper right is impressive. And while a similar test on the SPX would not turn out quite as good, this study is worth keeping in mind. NDX has strong momentum right now, and that kind of momentum in the NDX has typically led to more upside. I have included this study on the Active List tonight.

The move higher recently turned many short-term oscillators strongly overbought. With such a small SPX decline on Friday, it is still strongly overbought as measured by the 2-day RSI. The 2-day RSI is a sensitive indicator so it would take a very small decline from a very overbought position in order for it to remain above 90 on a down day. This is what happened on Friday. I've shown this study many times over the years. Updated results can be found below.

SPX closes down but RSI(2) > 90. Close > 200ma.  
Buy on close. Sell X days later. \$100k/trade. 1997 - 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	17,137.95	36	21	15	58.33	4,121.28	-2,008.73	1,325.58	-713.28	1.86	2.60	476.05
4	13,716.42	37	24	13	64.86	3,806.46	-1,717.70	977.14	-748.85	1.30	2.41	370.71
3	19,946.28	40	26	14	65.00	2,923.44	-1,123.50	990.58	-414.92	2.39	4.43	498.66
2	21,069.41	40	31	9	77.50	2,619.76	-1,054.68	767.37	-302.13	2.54	8.75	526.74
1	10,224.36	40	28	12	70.00	2,310.88	-704.76	490.40	-292.24	1.68	3.92	255.61

The stats here are all appealing over the 1-2 day period. Winning %, win/loss ratio, and profit factor all strongly favor the bulls. Below is a profit curve assuming a 2-day holding period.



The profit curve shows a strong upslope. I have added this study to the Active List.

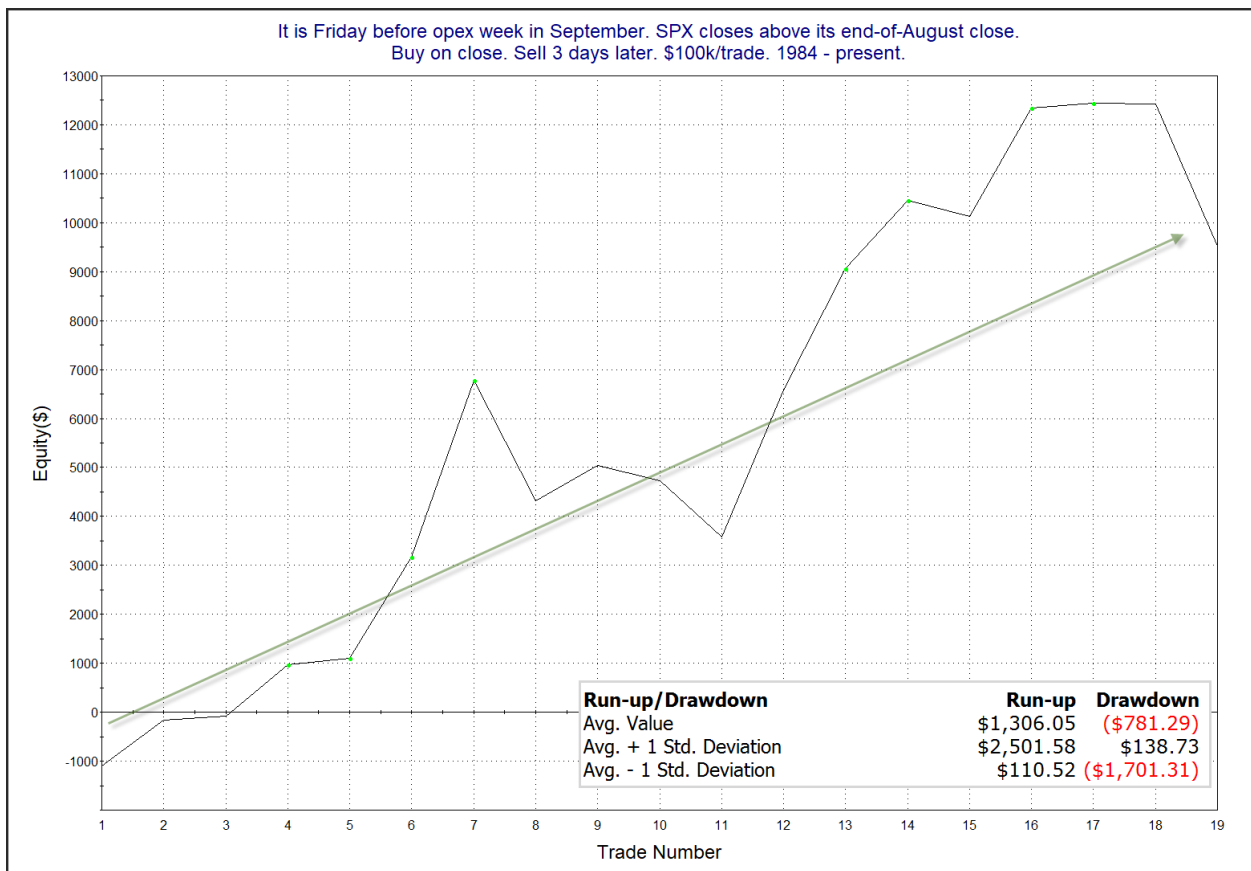
This upcoming week is options expiration. Options expiration weeks are typically pretty good week for the market. In the 9/16/19 Letter I showed that September opex has often been quite good when there has been some momentum heading into it. In that study I examined how September

opex has done when it has posted gains over the first couple of weeks, like it has this year. It is updated below.

It is Friday before opex week in September. SPX closes above its end-of-August close.  
Buy on close. Sell X days later. \$100k/trade. 1984 - 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	11,049.00	19	13	6	68.42	2,871.72	-4,656.72	1,531.39	-1,476.51	1.04	2.25	581.53
4	8,396.09	19	12	7	63.16	2,528.28	-3,984.24	1,425.72	-1,244.65	1.15	1.96	441.90
3	9,512.98	19	12	7	63.16	3,608.55	-2,912.40	1,481.16	-1,180.14	1.26	2.15	500.68
2	6,885.69	19	12	7	63.16	2,836.35	-3,232.08	1,103.96	-908.83	1.21	2.08	362.40
1	4,406.03	19	10	9	52.63	2,044.35	-550.12	767.41	-363.12	2.11	2.35	231.90

It is a few less instances than I would prefer, but the overall numbers are solid. Below is a look at the equity curve assuming a 3-day holding period.

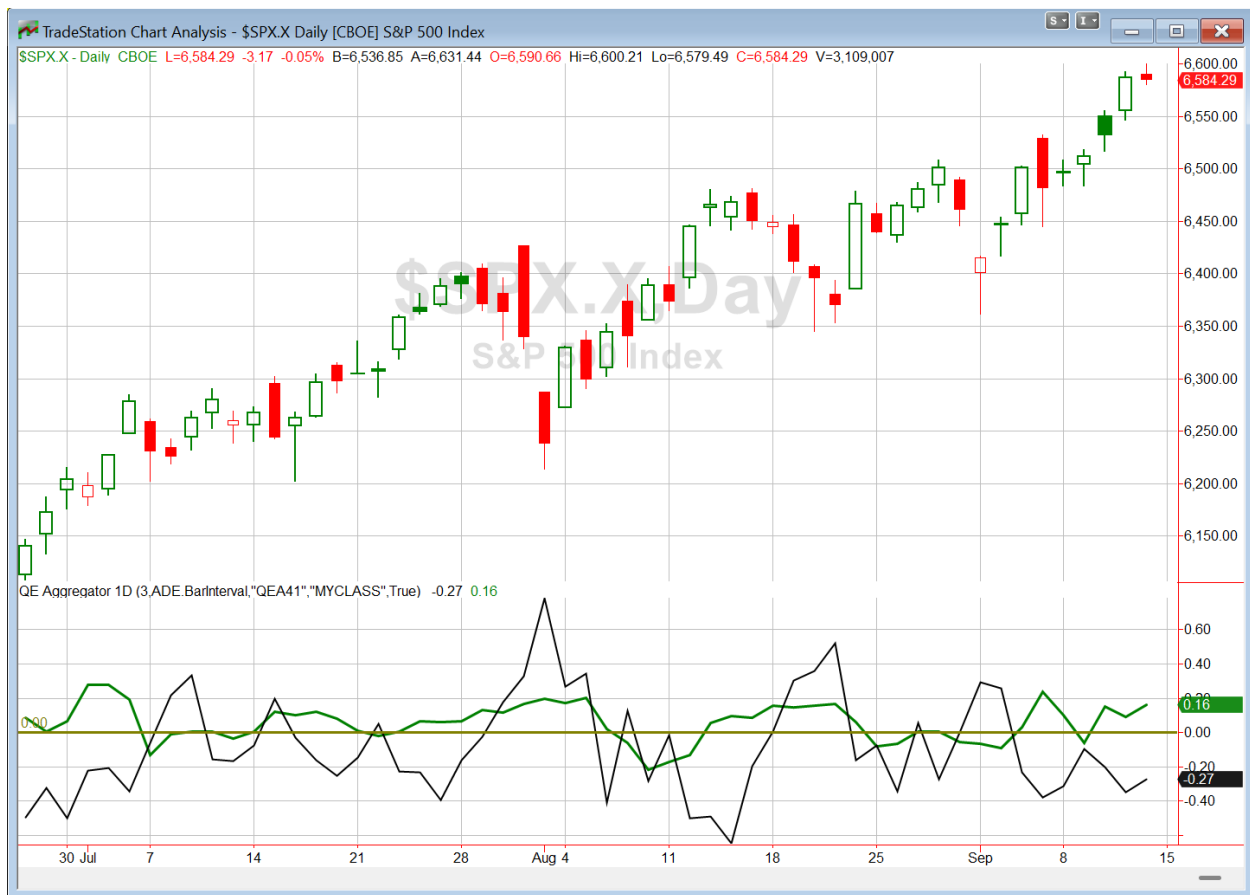


The curve is not terrible, but it is also not great. So I thought perhaps I would also examine the QE Seasonality Calendar for the upcoming week.

<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>

Numbers here are mixed. And once we get past Tuesday, they are either neutral or bearish. With the one seasonality study looking potentially (but not definitively) bullish, and the Calendar leaning slightly bearish, I decided to not to include a seasonal study on the active list tonight.

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 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 6544.39 on Monday. That is 0.6% below Friday's close. Therefore, SPX will need to close down at least 0.6% to flip from overbought to oversold versus recent expectations.

So the Aggregator is again neutral. Despite being persistently overbought as of late, I am continuing to see bullish evidence. This combination does not suggest strong reward/risk. Therefore, I will continue to exercise patience until a more compelling setup emerges.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 9/15 – *slightly bullish***

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

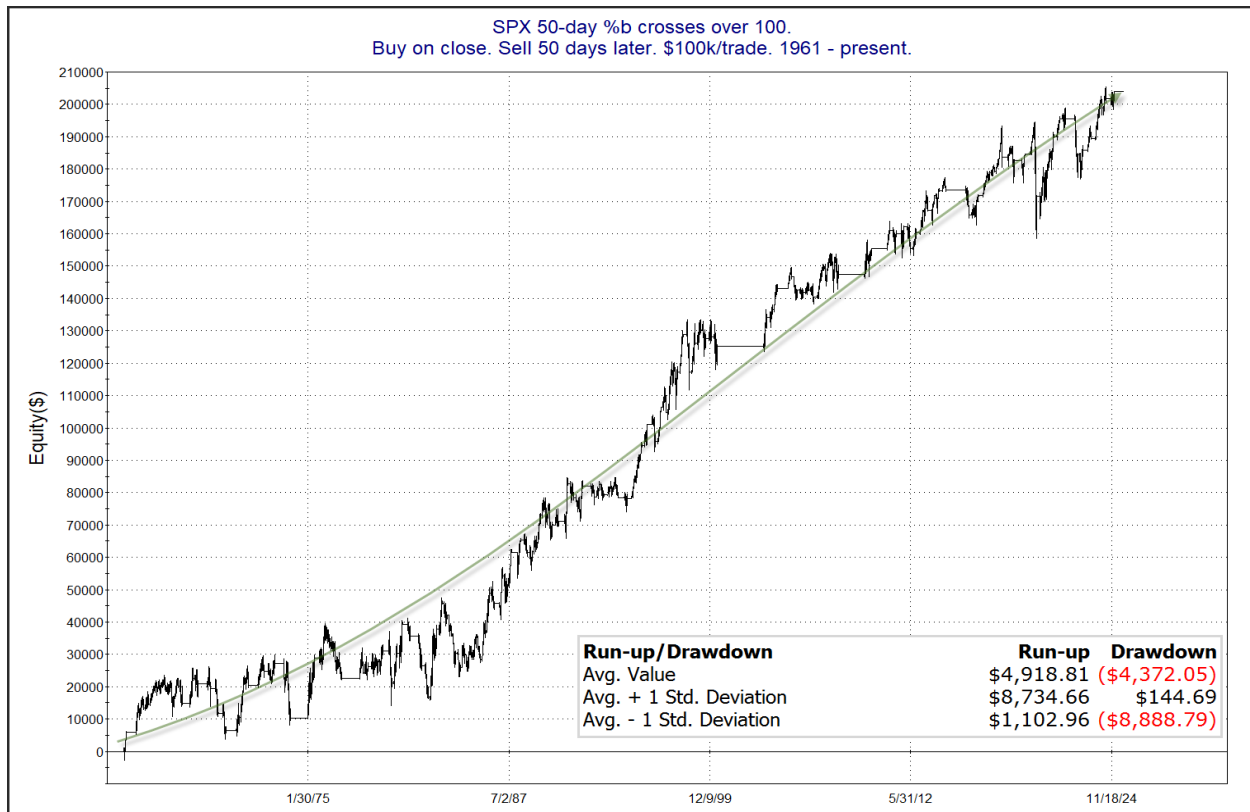
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, 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 1.6%, the NASDAQ rallied 2.0%, and the Russell 2000 gained 0.25%. Bonds also rallied. The US Aggregate Bond ETF (AGG) gained 0.4%. TLT, the 20-year Treasury Bond ETF, jumped 1.6%. SPX both posted new all-time highs, so the long-term uptrend appears intact. There was one study that triggered with intermediate-term implications. It appeared in Thursday night’s letter, and I have copied it below.

*Another interesting study that triggered in the Quantifinder looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. I last featured this study in the 11/8/24 letter. Updated results are below.*

SPX 50-day %b crosses over 100. Buy on close. Sell X days later. \$100k/trade. 1961 - 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
50	204,014.16	152	96	56	63.16	18,408.18	-20,704.80	4,706.77	-4,425.63	1.06	1.82	1,342.20
45	156,645.72	158	93	65	58.86	15,816.57	-32,382.30	4,928.93	-4,642.23	1.06	1.52	991.43
40	161,745.16	166	100	66	60.24	17,624.67	-27,920.40	4,453.99	-4,297.79	1.04	1.57	974.37
35	153,292.84	175	105	70	60.00	15,782.13	-13,839.56	3,989.91	-3,794.96	1.05	1.58	875.96
30	93,828.86	182	108	74	59.34	11,920.74	-14,377.53	3,263.52	-3,495.02	0.93	1.36	515.54
25	59,776.17	190	109	81	57.37	10,859.94	-8,745.98	2,932.35	-3,208.02	0.91	1.23	314.61
20	54,723.34	203	116	87	57.14	9,501.30	-10,205.38	2,623.55	-2,869.06	0.91	1.22	269.57
15	38,825.64	224	129	95	57.59	7,843.46	-9,763.44	2,274.11	-2,679.31	0.85	1.15	173.33
10	28,281.77	248	148	100	59.68	8,239.16	-9,133.53	1,668.22	-2,186.14	0.76	1.13	114.04
5	5,410.45	302	165	137	54.64	5,030.81	-6,524.55	1,116.91	-1,305.69	0.86	1.03	17.92

*Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside rather than a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.*

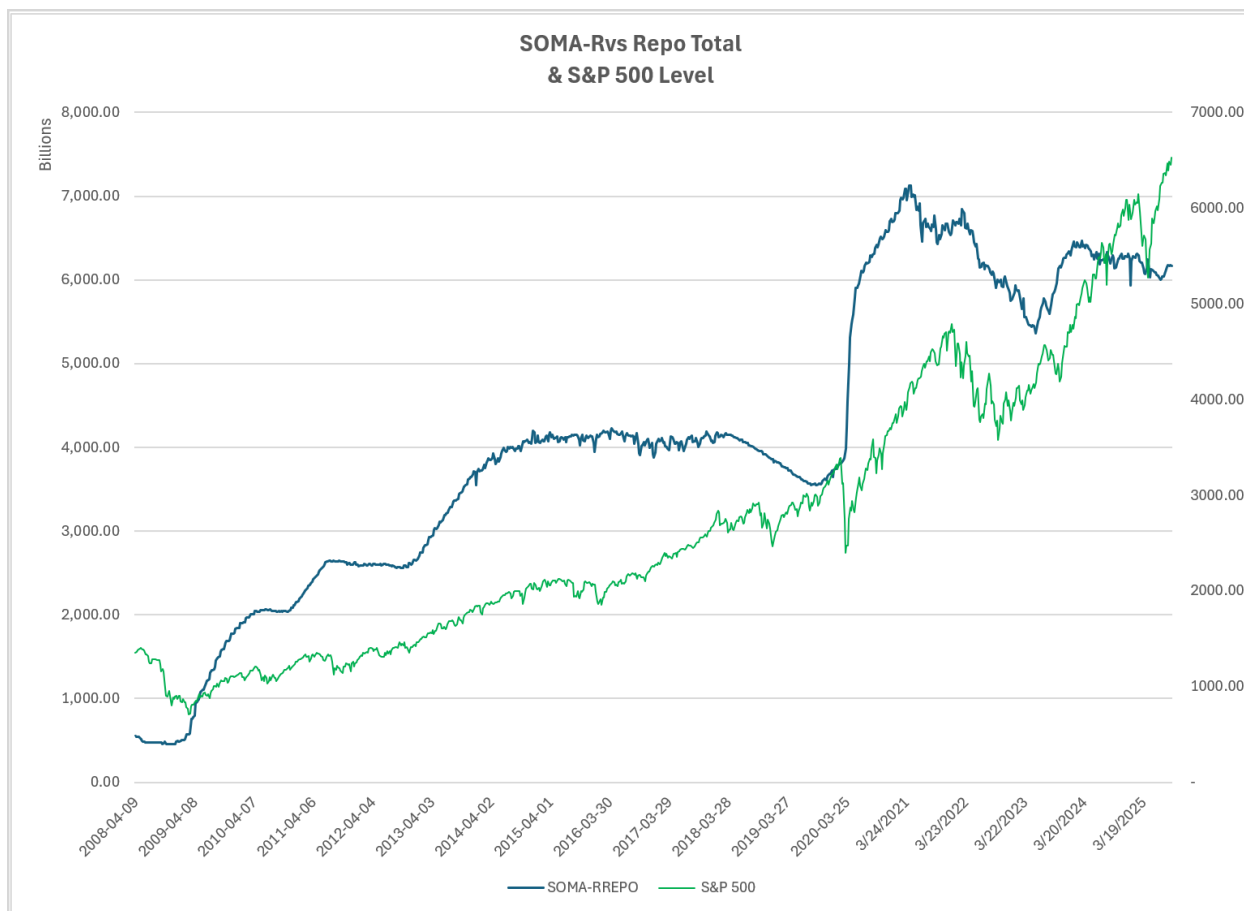


*That's a pretty steady upslope for a study without a very high "% Profitable". Overall, I like this study enough to add it to the intermediate-term active list.*

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

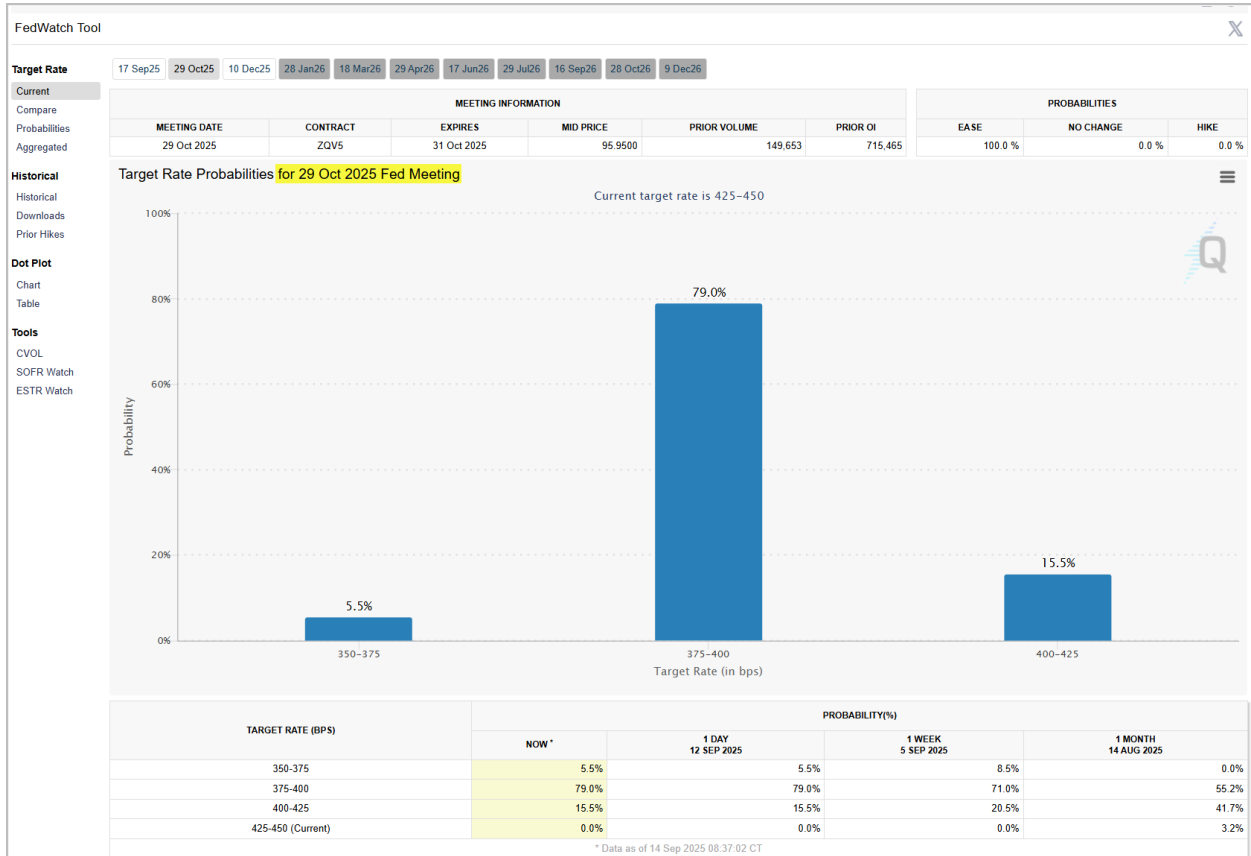
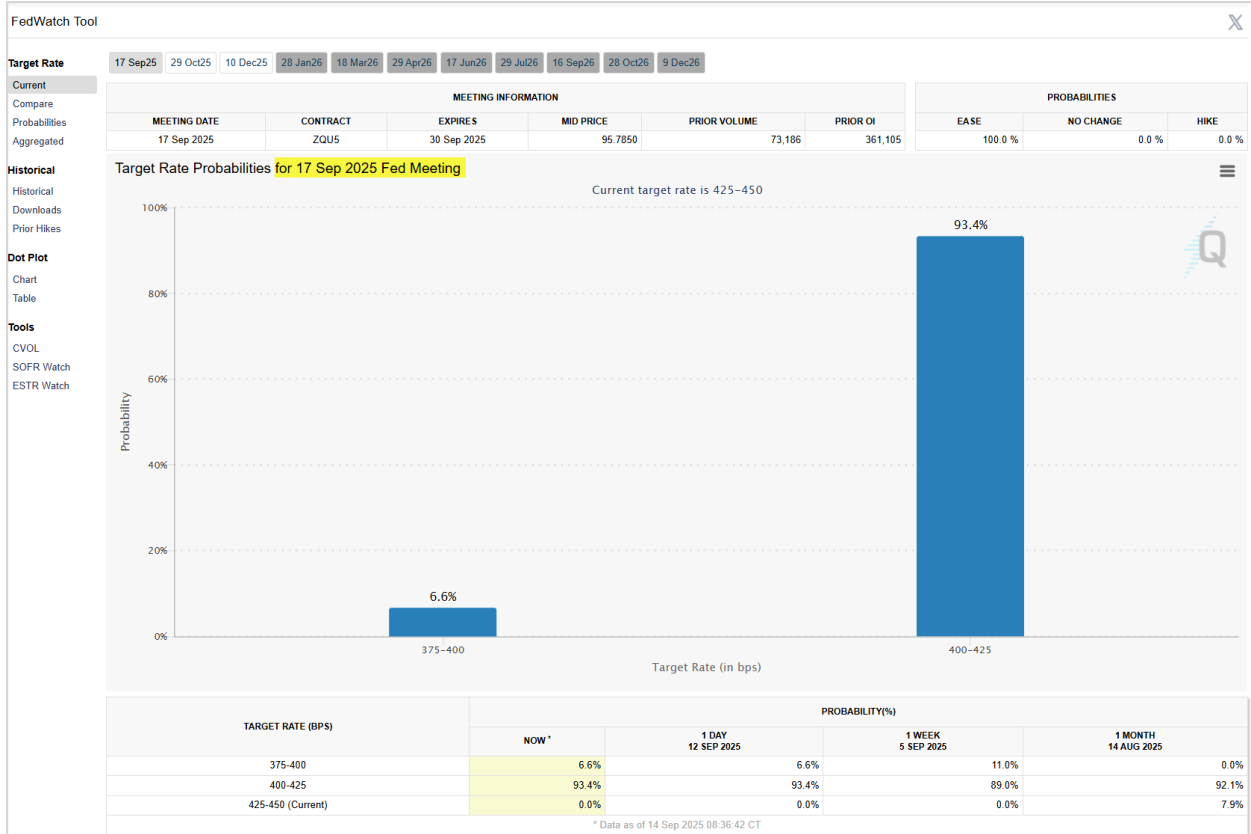
Domestic Security Holdings as of	
<a href="#">◀ Previous</a>	<b>September 10, 2025</b> 📅 <i>Posted September 11, 2025 at 4:30 PM</i>
<a href="#">SUMMARY</a>   <a href="#">T-BILLS</a>   <a href="#">T-NOTES AND T-BONDS</a>   <a href="#">FRNS</a>   <a href="#">TIPS</a>   <a href="#">AGENCY DEBTS</a>   <a href="#">MBS</a>   <a href="#">CMBS</a>	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,492,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,572,148,691.0
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	6,194,862,792.2
Change From Prior Week	-50,000.0

The SOMA account holdings declined a very mild \$50 million dollars this past week. Meanwhile, reverse repos rose by \$11.5 billion for the week ending 9/10/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a mild liquidity drain of about \$11.5 billion (through Wednesday the 10<sup>th</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. And of course we have a Fed meeting coming up this week. I do expect to see a rate cut.

With regards to rates, September odds are basically 100% that rates will be reduced. Meanwhile, odds are now just 15.5% that rates will be  $\frac{1}{4}$  point lower after the October meeting than they are now, and 84.5% that rates will be at least  $\frac{1}{2}$  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 this week we saw a bullish momentum study emerge with SPX moving up through its 50-day Bollinger Band. 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 little 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 continue to post new all-time highs. So we see momentum, 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 view the intermediate-term as “bullish”. But for another week or so 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***

None

***Broad Market Large Cap CBI – 0***

### **Additional New Trade Ideas**

None tonight.

## **Current Open Trade Ideas**

None

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