

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 22, 2025

Volume 18 Issue 179

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Friday's weak breadth could actually be a positive.
- The "weakest week" is upon us.
- When the market is short-term overbought going into September post op-ex then it has performed even worse.
- Reverse repo closeouts eclipsed the SOMA reduction and liquidity flows were positive again this past week.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. A pullback in the next few days appears likely. But this is a strong trend to try and go against, so traders may need to be nimble with any short positions.

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						
September 22, 2025	2 up days heading into Weakest Week	1-4 days	Bearish	-2.90%	0.80%	1.70%
September 22, 2025	Up vol < 40%. SPX up and > 200	1-8 days	Bullish	1.80%	-1.40%	-2.80%
September 18, 2025	SPX down 2+ days. Fed Day today.	1-6 days	Bullish	2.00%	-1.60%	-3.30%
Active - Long Term						
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			

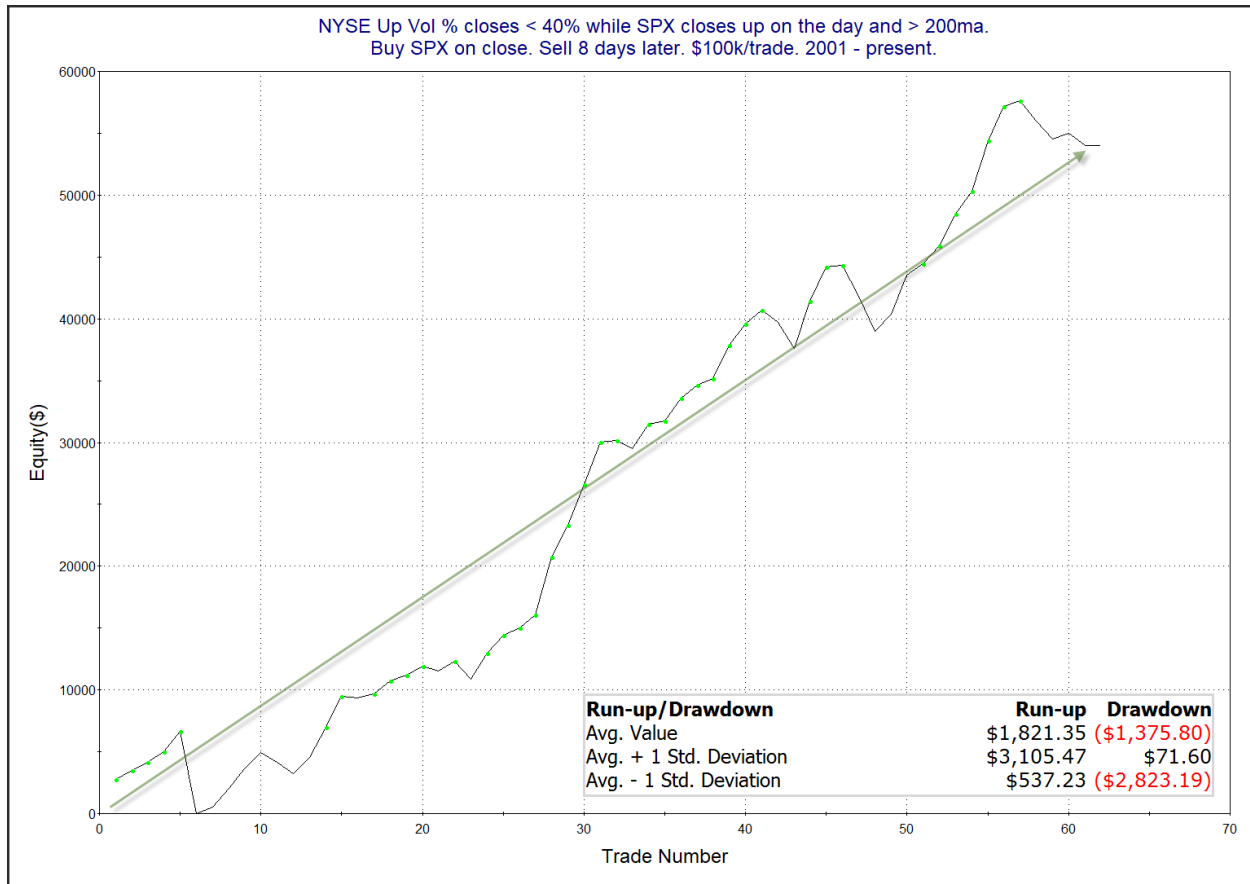
The Evidence

Friday was mixed for the major indices. SPX rose 0.5%, the NASDAQ gained 0.7%, and the Russell 2000 declined 0.8%. Breadth was negative as the NYSE Up Issues % closed at 34% and the NYSE Up Volume % posted a 37% reading. NYSE total volume spiked higher as it typically does when there is a quarterly options expiration.

Breadth was notably weak on Friday. In the 8/15/25 letter I looked at occurrences where the NYSE Up Volume % came in under 40% while SPX closed higher during a long-term uptrend. This triggered on Friday, and I have again updated the results below.

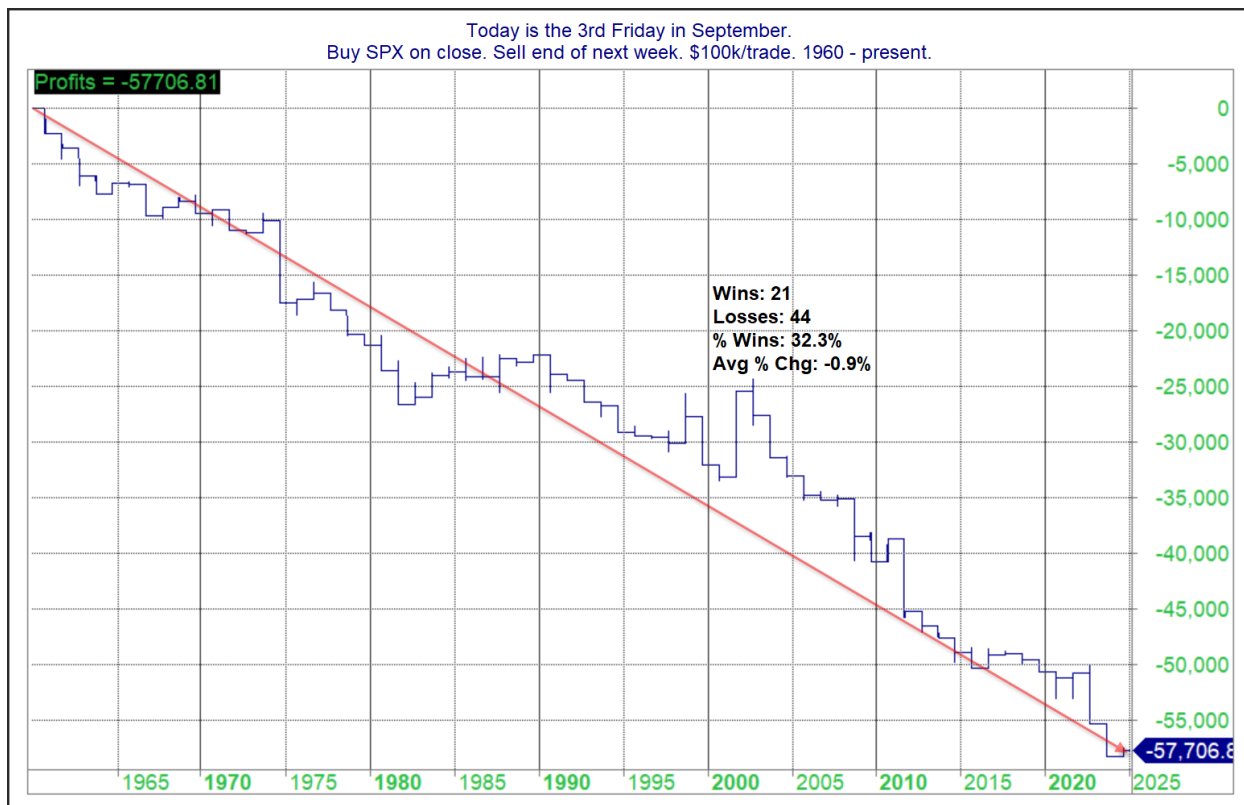
NYSE Up Vol % closes < 40% while SPX closes up on the day and > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2001 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	62,872.68	59	45	14	76.27	4,904.10	-7,891.63	2,033.74	-2,046.12	0.99	3.19	1,065.64
9	53,687.88	60	44	16	73.33	5,223.96	-7,594.37	1,863.03	-1,767.83	1.05	2.90	894.80
8	53,993.69	62	47	15	75.81	4,666.56	-6,657.20	1,651.03	-1,573.64	1.05	3.29	870.87
7	53,476.45	67	49	18	73.13	5,211.84	-3,755.76	1,593.16	-1,366.02	1.17	3.17	798.16
6	47,433.60	67	47	20	70.15	6,018.56	-3,495.92	1,533.30	-1,231.57	1.24	2.93	707.96
5	34,309.33	71	50	21	70.42	4,787.84	-4,623.84	1,259.65	-1,365.39	0.92	2.20	483.23
4	19,428.05	72	45	27	62.50	3,777.48	-4,483.92	1,117.43	-1,142.82	0.98	1.63	269.83
3	14,344.65	77	48	29	62.34	3,578.94	-3,312.00	934.78	-1,052.59	0.89	1.47	186.29
2	16,084.71	84	56	28	66.67	2,661.75	-3,230.72	736.02	-897.58	0.82	1.64	191.48
1	9,993.73	90	54	36	60.00	1,790.64	-1,489.20	532.07	-520.51	1.02	1.53	111.04

Results continue to look very strong, especially over the 7-10 day periods. Below is a look at an 8-day profit curve.



The curve has shown strong upside persistence. I find these results intriguing, and have added this study to the short-term active list. This is one of those studies that traditional analysis would say should not be suggesting a bullish edge. But it has fared well over a long period of time, so I continue to utilize it.

The 3rd Friday of the month is when monthly options expire. And as I have often discussed, there are seasonal tendencies that occur around this. The week of options expiration is often bullish for the market and the week following often sees some of those gains given back. (Note that opex week has NOT been as bullish since the 2020 COVID crash.) What is interesting about the week after the 3rd Friday in September is that the bearish bias has been in place since well before options expiration was even an event. (S&P Index options began trading in 1984.) The bearish tendency can be seen in the chart below, which looks back to 1960. (Data from Norgate Data. Chart produced in Amibroker.)



You'll note the average return this particular week has been -0.9% since 1960. Years ago I dubbed this the "weakest week". The downward persistency of the curve shows that the bearish tendency has been quite consistent over the last 65 years. There was a stretch in the late 80's where there was a series of mild up years. Since 1990 it has been pretty much all downhill. Below is a table showing results of buying at the close of the 3rd Friday in September and then selling X days later from 1990 - 2024. (Date source: Tradestation)

Today is opex Friday in September.
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	-35,111.56	35	8	27	22.86	7,739.42	-6,525.56	1,825.43	-1,841.30	0.99	0.29	-1,003.19
4	-34,929.66	35	8	27	22.86	5,439.43	-7,088.90	1,498.92	-1,737.81	0.86	0.26	-997.99
3	-26,467.41	35	8	27	22.86	4,508.00	-5,455.74	1,531.64	-1,434.09	1.07	0.32	-756.21
2	-19,630.19	35	10	25	28.57	4,786.41	-5,283.52	843.95	-1,122.79	0.75	0.30	-560.86
1	-11,449.77	35	11	24	31.43	3,877.95	-3,791.21	725.75	-809.71	0.90	0.41	-327.14

2001, 2017 & 2024 were the only years SPX failed to close below its entry price at any point over the next week.

The bearish tendency appears quite strong. Three, four, and five days later the SPX has been lower over 77% of the time. I note beneath the table that the only instances **not** to post a lower close at some point during the following week were in 2001, 2017 and 2024. The 9/11 attacks certainly made for unusual circumstances in 2001. 2017 did not see a decline, but SPX only rose 2 points, so it was not much of a victory for the bulls. 2024 was the only real failure.

Not only are we looking at the worst week of the year coming up, but the market is overbought short-term. Seasonal edges combined with overbought/oversold readings will often produce strong results. The study below looks at any time since 1970 you bought the 3rd Friday in September when both Friday and Thursday closed up. It is updated from the 9/19/2011 letter.

Today is the 3rd Friday in September. SPX closes up for at least the 2nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1970 - 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	-25,897.58	14	4	10	28.57	1,146.36	-7,410.00	564.88	-2,815.71	0.20	0.08	-1,849.83
4	-25,616.92	14	2	12	14.29	1,752.16	-7,088.90	1,181.58	-2,331.67	0.51	0.08	-1,829.78
3	-19,287.32	14	2	12	14.29	1,519.16	-5,455.74	1,318.88	-1,827.09	0.72	0.12	-1,377.67
2	-13,990.94	14	4	10	28.57	1,466.40	-5,283.52	618.69	-1,646.57	0.38	0.15	-999.35
1	-8,758.77	14	4	10	28.57	517.65	-3,791.21	180.48	-948.07	0.19	0.08	-625.63

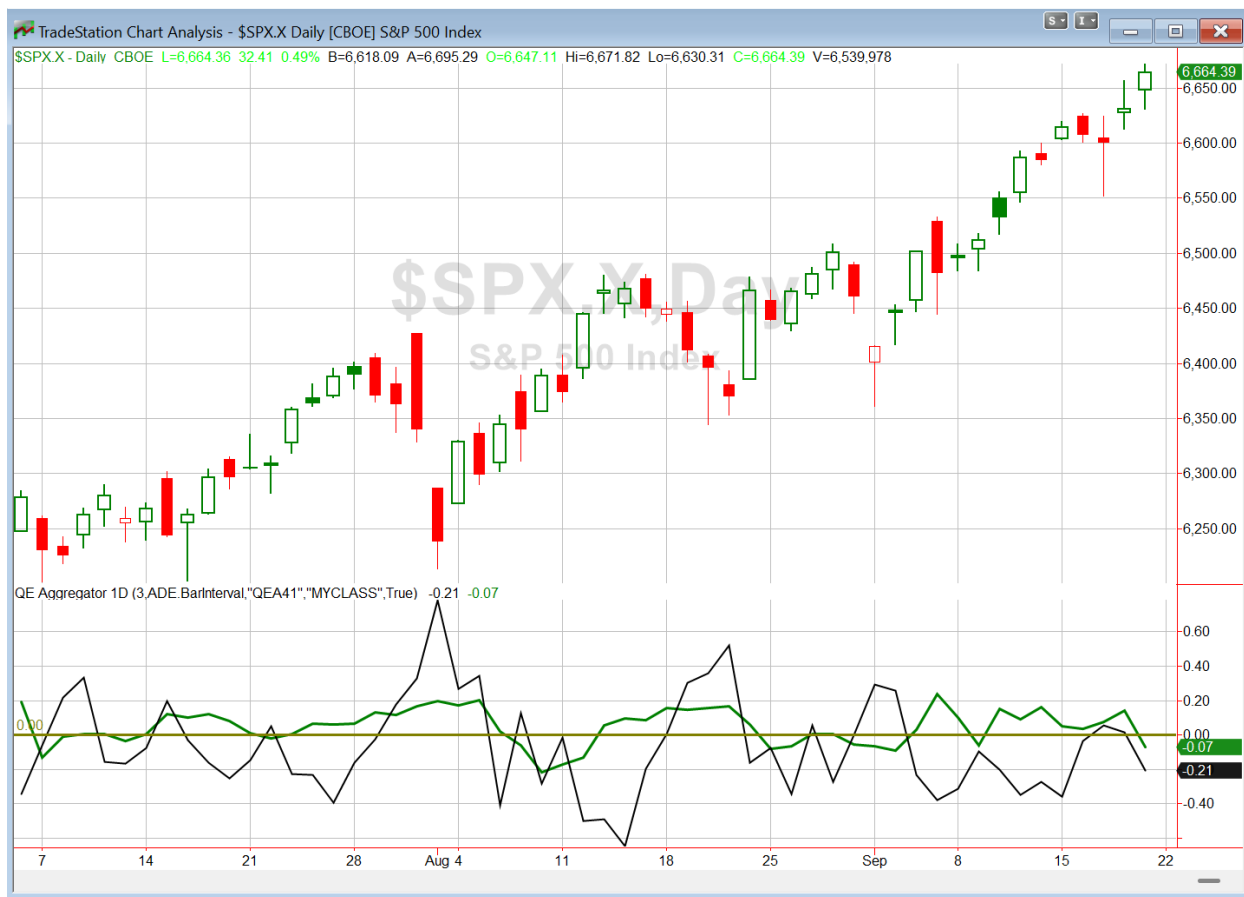
Those are some extremely bearish stats. Below is the list of instances along with the 4-day results.

Today is the 3rd Friday in Sep. SPX closes up for at least the 2nd day in a row. Buy on close. Sell 4 days later. \$100k/trade. 1970 - present.

Date	Signal	Price	% Chg	Runup/Ddn
9/18/1970	Buy	\$82.62	-1.16%	\$641.30
9/24/1970	Sell	\$81.66		(\$2,178.00)
9/21/1973	Buy	\$107.20	1.75%	\$3,029.00
9/27/1973	Sell	\$109.08		(\$922.68)
9/20/1974	Buy	\$70.14	-5.25%	\$1,254.00
9/26/1974	Sell	\$66.46		(\$6,198.75)
9/19/1975	Buy	\$85.88	-0.28%	\$954.48
9/25/1975	Sell	\$85.64		(\$2,421.12)
9/17/1976	Buy	\$106.27	0.61%	\$2,303.00
9/23/1976	Sell	\$106.92		(\$498.20)
9/20/1991	Buy	\$387.91	-0.37%	\$164.48
9/26/1991	Sell	\$386.48		(\$889.22)
9/18/1992	Buy	\$422.92	-1.05%	\$0.00
9/24/1992	Sell	\$418.47		(\$1,633.12)
9/20/1996	Buy	\$687.01	-0.17%	\$561.15
9/26/1996	Sell	\$685.86		(\$870.00)
9/19/1997	Buy	\$950.50	-1.32%	\$1,059.45
9/25/1997	Sell	\$937.91		(\$1,377.60)
9/17/1999	Buy	\$1,335.42	-4.09%	\$231.62
9/23/1999	Sell	\$1,280.77		(\$4,300.88)
9/17/2004	Buy	\$1,128.55	-1.79%	\$263.12
9/23/2004	Sell	\$1,108.36		(\$1,804.00)
9/16/2005	Buy	\$1,237.87	-1.88%	\$0.00
9/22/2005	Sell	\$1,214.62		(\$2,601.60)
9/19/2008	Buy	\$1,255.08	-3.65%	\$0.00
9/25/2008	Sell	\$1,209.27		(\$5,947.91)
9/16/2011	Buy	\$1,216.01	-7.11%	\$359.16
9/22/2011	Sell	\$1,129.56		(\$8,346.78)

All nine instances since 1976 closed lower, and only one of them (1997) saw SPX rise as much as 1% above the entry price at any point. Across all instances the average drawdown (-2.86%) was 3.7x the size of the average run-up (0.77%). September post-opex has been consistently weak over the years. And when the market is short-term overbought heading into it, returns have been substantially worse.

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



With tonight's evidence considered, the green Aggregator Line fell below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator formation turned short at the close.

Based on the current active list, expectations are set to remain negative on Monday. This could change if compelling new bullish evidence. Meanwhile, the Differential Pivot will be 6610.69 on Monday. That is 0.8% below Friday's close. Therefore, SPX will need to close down at least 0.8% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is bearish. Evidence, while mixed, is suggesting a pullback. And SPX is clearly overbought. So aggressive traders could certainly consider a counter-trend trade here. I'm still hesitant to try and short with the uptrend so strong. If we see more bearish evidence emerge on Monday, I may. But for now, I'll continue to remain conservatively sidelined with regards to index trade ideas.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/22 – *bullish*

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

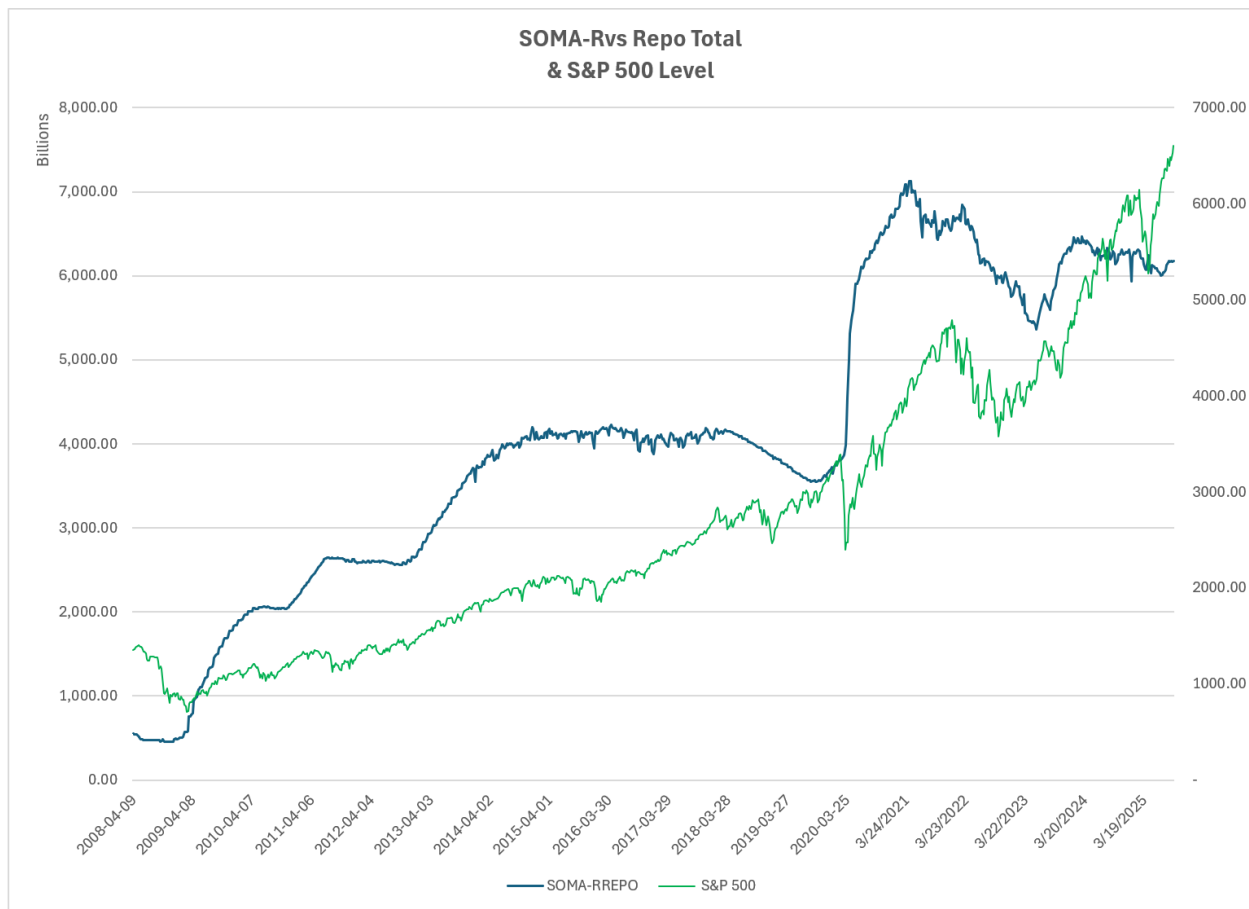
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, 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 1.22%, the NASDAQ rallied 2.21%, and the Russell 2000 gained 2.16%. Bonds struggled, though. The US Aggregate Bond ETF (AGG) declined 0.25%. TLT, the 20-year Treasury Bond ETF, lost 1.03%. SPX and NASDAQ both closed at new all-time highs on Friday, so the long-term uptrend remains intact. There were no studies that triggered in the last few days with intermediate-term implications.

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

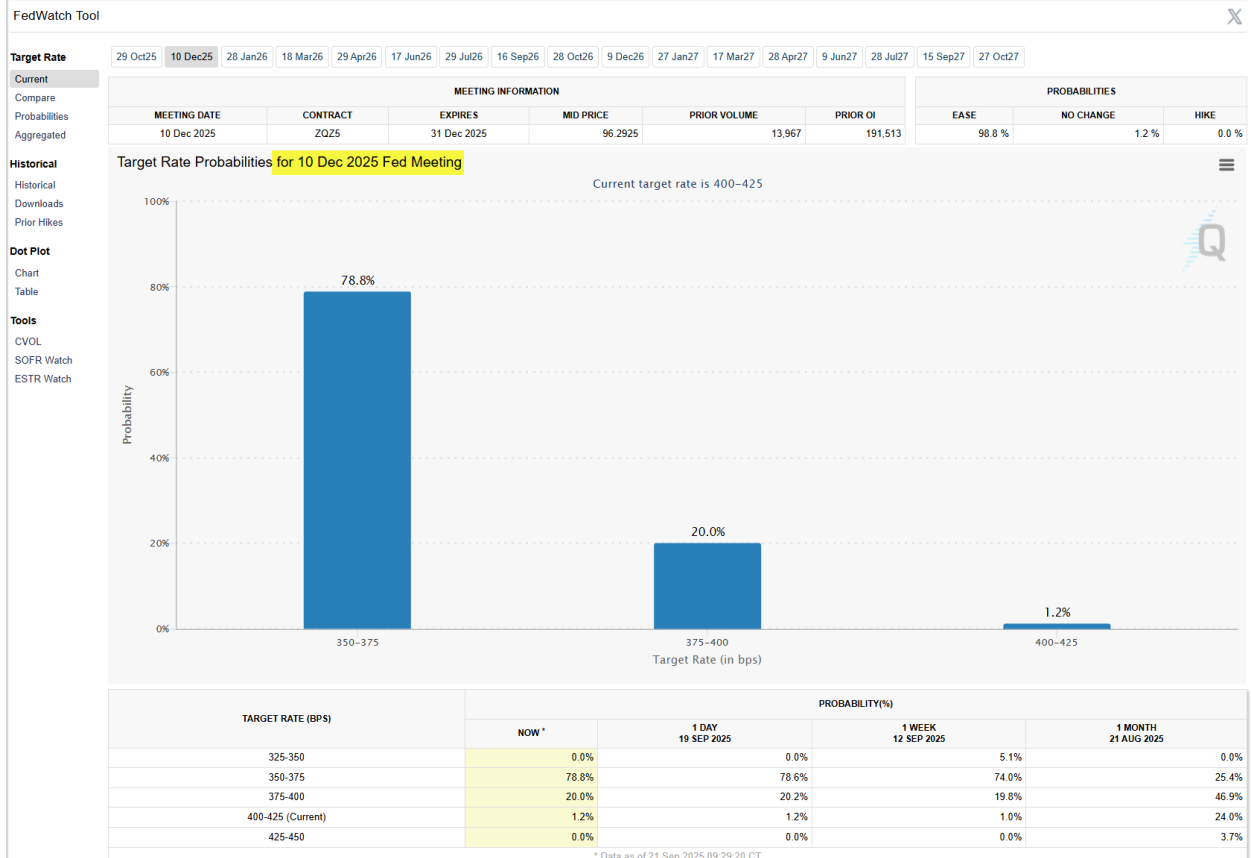
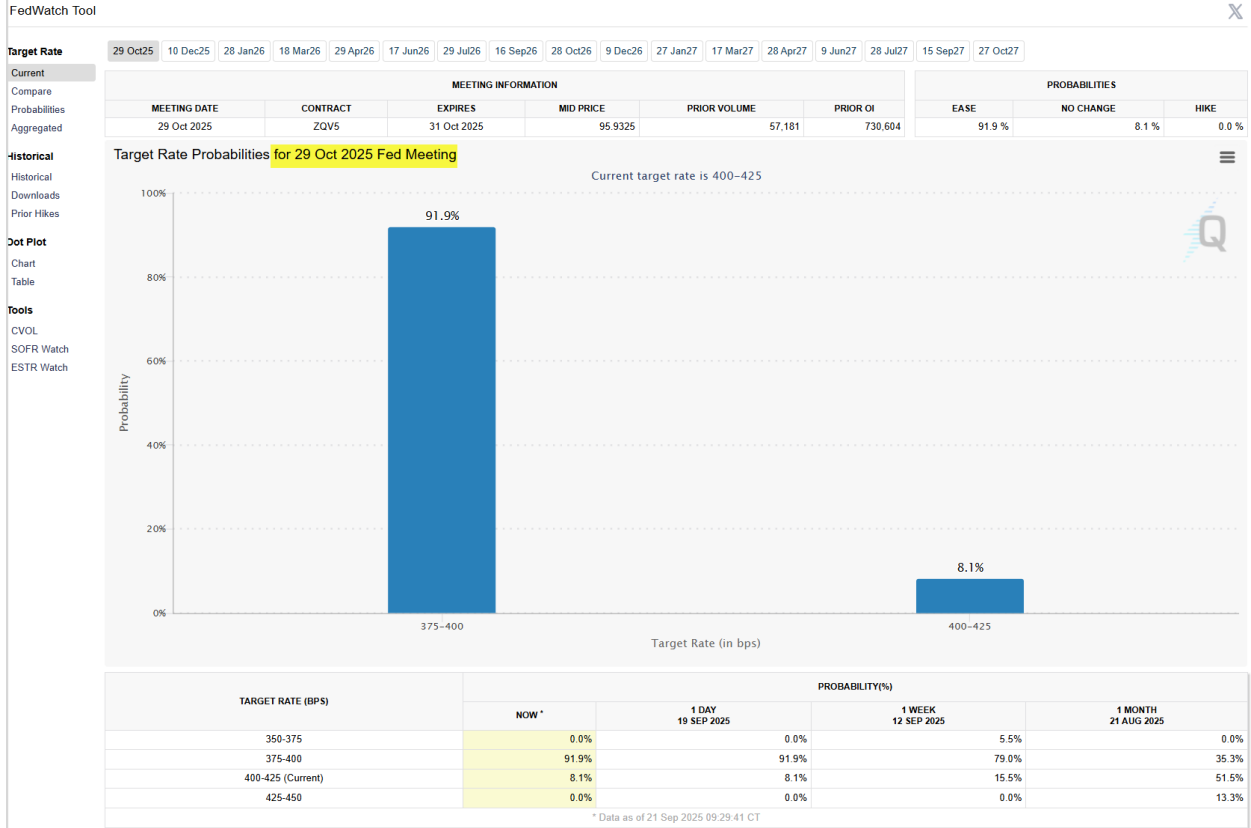
Domestic Security Holdings as of	
◀ Previous	September 17, 2025 <small>Posted September 18, 2025 at 4:30 PM</small>
<div style="display: flex; justify-content: space-between; font-size: small;"> SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS </div>	
SECURITY TYPE	TOTAL (\$Thousands)
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***	2,094,885,411.1
Agency Commercial Mortgage-Backed Securities***	7,897,668.8
Total SOMA Holdings	6,194,799,595.0
Change From Prior Week	-63,197.3

The SOMA account holdings declined a very mild \$63 million dollars this past week. Meanwhile, reverse repos declined by \$15 billion for the week ending 9/17/25. A drop in reverse repos can act as a liquidity injection. Combined for the week, SOMA and reverse repo action accounted for a liquidity infusion of about \$15 billion (through Wednesday the 17th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Liquidity has been quite favorable over the last few months. So it is not surprising that the market rallied well throughout July, August, and early September. 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. It does now appear we have begun a series of rate cuts, with the Fed concerned about weakening employment data.

With regards to rates, October odds are 92% that rates will be reduced. Meanwhile, odds show a 20% chance that rates will be $\frac{1}{4}$ point lower in December than they are now, and a 79% they will be $\frac{1}{2}$ 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. Last weekend 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 1st year of the Presidential Cycle. The weakest part of the weakest 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. With all the continued strength, I will be trading with a bullish bias. This means I will be more inclined to take long setups and quite conservative with regards to short trades.

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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