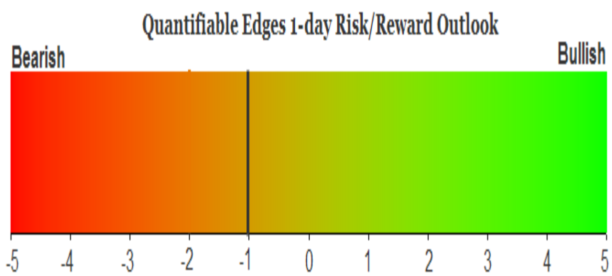
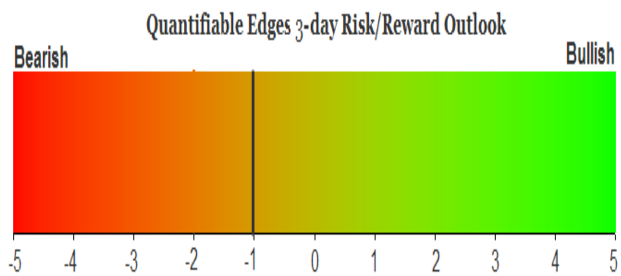
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 6, 2025 Volume 18 Issue 189

Market Overview





Signals Overview

Aggregator	CBI Reading
Short	5

Tonight's Research Points

- VIX action on Friday is warning of a possible short-term pullback.
- Seasonality indications are somewhat mixed this upcoming week.
- QT continues and reverse repos are getting low, but we are now in a rate-cut cycle. The Fed still appears mostly neutral as it tries to balance inflation vs employment.

Short-term Outlook
The Bottom Line
The Aggregator is bearish, but I am not terribly excited about shorting right here.

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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						
October 6, 2025	VIX up. SPX 50-high on a Friday.	1-2 days	Bearish			
October 3, 2025	VXX & SPX close at 5-day highs	1-3 days	Bearish			
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

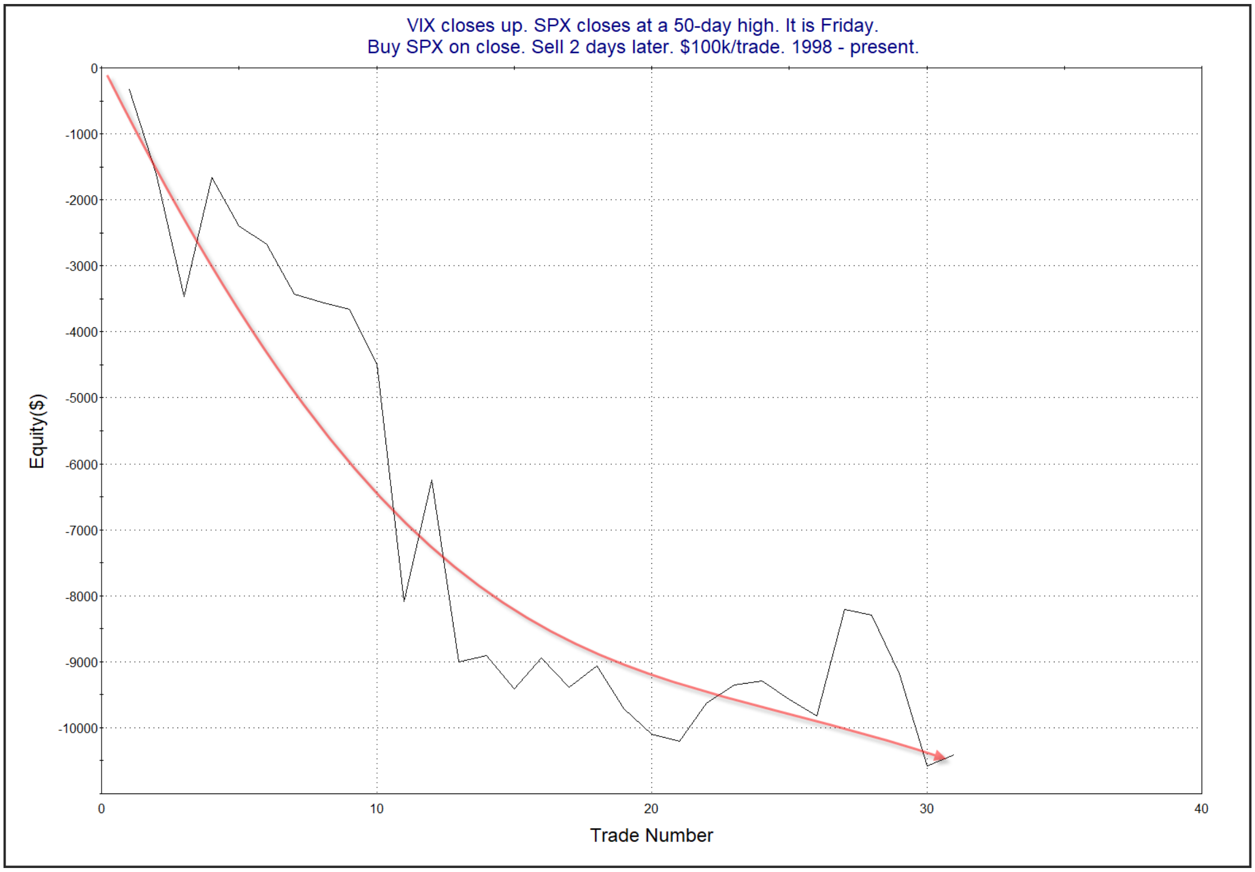
Friday's index results were mixed. SPX rose 0.01%, the NASDAQ lost 0.28%, and the Russell 2000 climbed 0.72%. Breadth was a bit weak as the NYSE Up Issues % closed at 60% and the NYSE Up Volume % posted a 63% reading. NYSE total volume rose some from Thursday's level.

VIX action was unusual on Friday. The VIX rose while SPX closed at a new high. Most of the time the VIX will move opposite the SPX. Fridays there is a natural tendency for the VIX to dip in the afternoon. So Friday is the least common day of the week to see SPX and VIX both rise. (Monday there is a natural inclination for the VIX to rise, so Mondays are about 3x as likely to see this happen as Fridays.) Friday also shows some of the most bearish results going forward for a rising VIX and an SPX new high. The study below was seen in the 12/30/19 letter. It addresses the SPX/VIX action we saw on Friday. Stats are all updated.

VIX closes up. SPX closes at a 50-day high. It is Friday.
Buy SPX on close. Sell X days later. $100k/trade. 1998 - 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	-13,050.08	30	11	19	36.67	2,546.79	-3,458.70	1,113.63	-1,331.58	0.84	0.48	-435.00
4	-10,593.50	31	12	19	38.71	2,920.54	-2,923.20	765.63	-1,041.11	0.74	0.46	-341.73
3	-9,183.70	31	10	21	32.26	1,976.04	-3,727.50	853.82	-843.90	1.01	0.48	-296.25
2	-10,409.11	31	10	21	32.26	1,835.17	-3,595.20	722.21	-839.58	0.86	0.41	-335.78
1	-2,133.10	31	14	17	45.16	1,530.15	-2,361.45	338.67	-404.38	0.84	0.69	-68.81

The numbers here suggest a downside edge. Below is a look at the 2-day profit curve.



After some chop, the curve recently hit new lows. Overall, this study appears to suggest a downside edge. This is the 2^{nd} day in a row that a VIX-based bearish study has emerges. VIX action continues to warn.

Next let's take a look at the SPX Seasonality Calendar for October.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
10/1/2025	61.15	1.470	0.122
10/2/2025	53.78	0.959	-0.016
10/3/2025	56.32	1.111	0.043
10/6/2025	57.72	1.369	0.117
10/7/2025	53.26	1.086	0.026
10/8/2025	57.10	1.195	0.067
10/9/2025	54.45	1.000	-0.004
10/10/2025	55.02	1.310	0.093
10/13/2025	54.63	1.281	0.065
10/14/2025	52.80	1.369	0.097
10/15/2025	52.74	1.149	0.027
10/16/2025	50.77	1.181	0.043
10/17/2025	47.78	1.125	0.022
10/20/2025	57.06	1.139	0.037
10/21/2025	51.85	1.272	0.073
10/22/2025	51.76	1.108	0.033
10/23/2025	52.37	1.157	0.046
10/24/2025	51.55	1.033	0.012
10/27/2025	56.44	1.339	0.098
10/28/2025	54.31	1.282	0.085
10/29/2025	49.29	1.203	0.061
10/30/2025	54.83	1.302	0.090
10/31/2025	54.01	1.178	0.056
Baseline	***54.40***	***1.163***	***0.056***

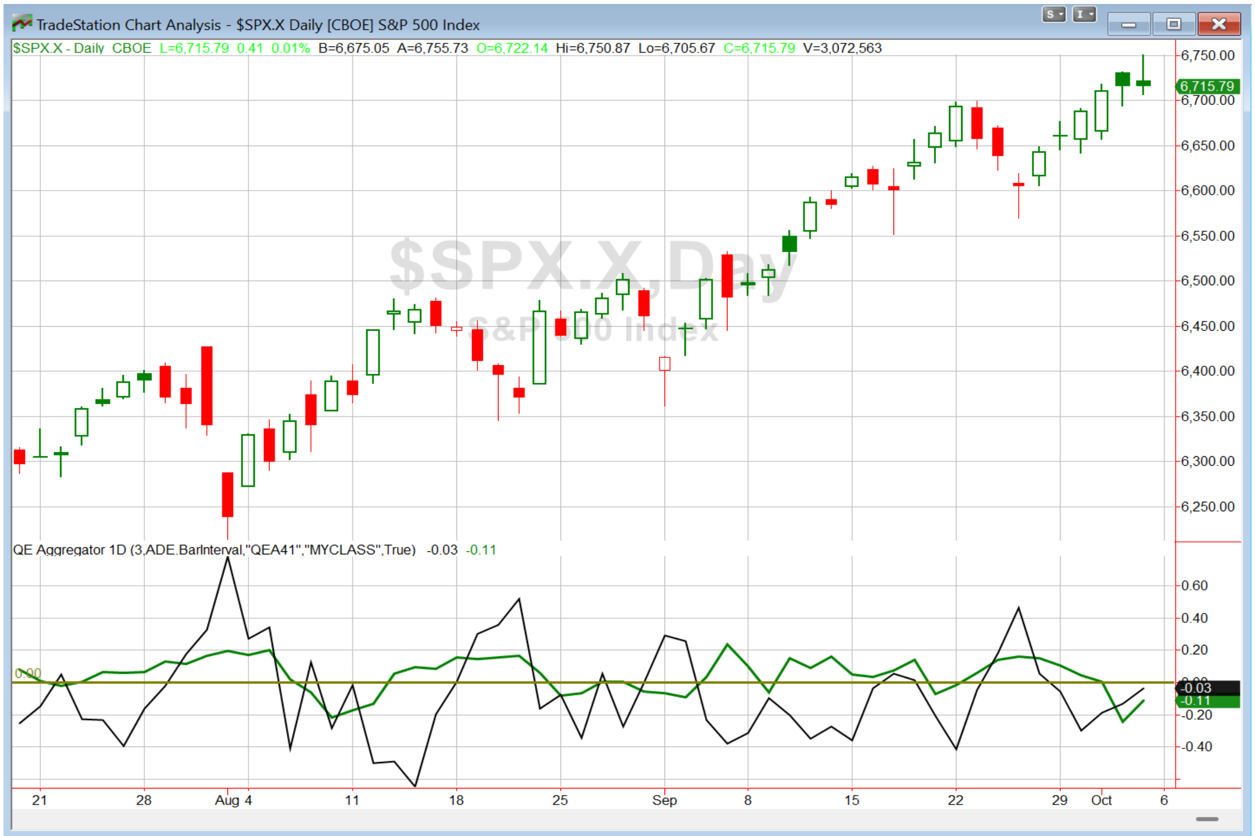
The recent stats here appear to favor the bulls. But we are looking at the week after the 1st Friday in October. And last week I showed that was one of the worst weeks of the year over the long term. I've copied the stats table below. You can see more commentary in last weekend's letter.

SPX Performance in the Week that Followed the Month and Friday Specified.
$100k/trade. 1985 - present. Top 10 and Bottom 10 Results (by Avg Trade) Shown.

Month of Year	Fri of Month	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	5	20,984.09	16	12	4	75.00	7,184.40	-3,889.28	2,286.54	-1,613.59	1.42	4.25	1,311.51
1	5	15,532.97	18	12	6	66.67	5,169.12	-3,138.72	2,339.80	-2,090.78	1.12	2.24	862.94
1	4	31,055.87	41	26	15	63.41	4,860.00	-3,765.16	2,100.78	-1,570.97	1.34	2.32	757.46
5	4	30,303.76	41	27	14	65.85	7,145.28	-2,983.50	1,866.70	-1,435.51	1.30	2.51	739.12
10	4	29,511.90	40	28	12	70.00	10,485.72	-5,472.04	2,078.82	-2,391.26	0.87	2.03	737.80
10	2	29,482.24	40	30	10	75.00	7,282.10	-9,109.98	1,972.69	-2,969.85	0.66	1.99	737.06
4	2	29,000.21	41	25	16	60.98	5,731.96	-3,580.15	2,150.94	-1,548.32	1.39	2.17	707.32
11	4	27,019.63	40	30	10	75.00	7,362.46	-6,830.72	1,440.59	-1,619.80	0.89	2.67	675.49
5	5	12,731.83	19	13	6	68.42	4,787.84	-3,683.73	1,825.57	-1,833.43	1.00	2.16	670.10
6	4	24,074.08	41	25	16	60.98	5,769.16	-4,984.56	1,857.94	-1,398.40	1.33	2.08	587.17
11	5	-1,874.87	12	8	4	66.67	1,717.40	-4,574.88	948.94	-2,366.60	0.40	0.80	-156.24
6	3	-7,956.42	41	16	25	39.02	6,396.30	-3,626.75	1,621.66	-1,356.12	1.20	0.77	-194.06
6	1	-9,734.97	41	19	22	46.34	4,090.16	-4,984.32	1,206.88	-1,484.80	0.81	0.70	-237.44
10	3	-11,852.63	40	19	21	47.50	4,339.20	-12,167.91	1,874.15	-2,260.07	0.83	0.75	-296.32
10	1	-14,306.11	40	23	17	57.50	5,944.32	-18,000.90	1,754.98	-3,215.92	0.55	0.74	-357.65
8	5	-7,647.38	18	9	9	50.00	3,283.38	-4,206.40	1,257.47	-2,107.18	0.60	0.60	-424.85
7	5	-9,682.89	17	8	9	47.06	2,404.80	-7,153.30	1,213.42	-2,154.47	0.56	0.50	-569.58
2	3	-25,182.11	41	19	22	46.34	2,106.80	-11,122.37	887.53	-1,911.14	0.46	0.40	-614.20
4	5	-7,963.05	11	4	7	36.36	1,247.86	-6,368.04	909.67	-1,657.39	0.55	0.31	-723.91
9	3	-33,913.02	41	11	30	26.83	7,739.42	-6,525.56	1,532.71	-1,692.43	0.91	0.33	-827.15

The week 1st Friday in October has shown poor overall average gain, but that is greatly due to some big drops. The win/loss record for the week has been 23-17. So it has not exactly been a consistent downside edge.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile the black Differential Line also held 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 stayed short at the close.

Based on the current active list, expectations are slated to remain negative on Monday. Of course this could change if compelling new bullish evidence emerges. Meanwhile, the Differential Pivot will be *slightly inverted at* 6721.97 on Monday. 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 close up about 0.1% in order to remain overbought. Anything less than that and it will flip to "oversold" versus recent expectations as of Monday's close.

So the Aggregator is bearish. The VIX is warning we could see a brief selloff. But the inverted pivot suggests reward potential is limited. This is because any down close (and even some small up closes) would turn SPX oversold and mean the end of the bearish Aggregator formation. I very rarely look to take on new trades when there is an inverted Differential Pivot. With the intermediate-term outlook bullish I am not inclined to make an exception in this case. I will continue to wait for a more compelling setup before getting excited about a potential index trade.

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.*

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It was a good week for the market. The SPX rose 1.1%, the NASDAQ gained 1.3%, and the Russell 2000 rallied 1.7%. Bonds also posted gains. The US Aggregate Bond ETF (AGG) climbed 0.4%. TLT, the 20-year Treasury Bond ETF, jumped 0.9%. SPX and Russell both closed at new all-time highs on Friday, and the NASDAQ did that on Thursday, 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

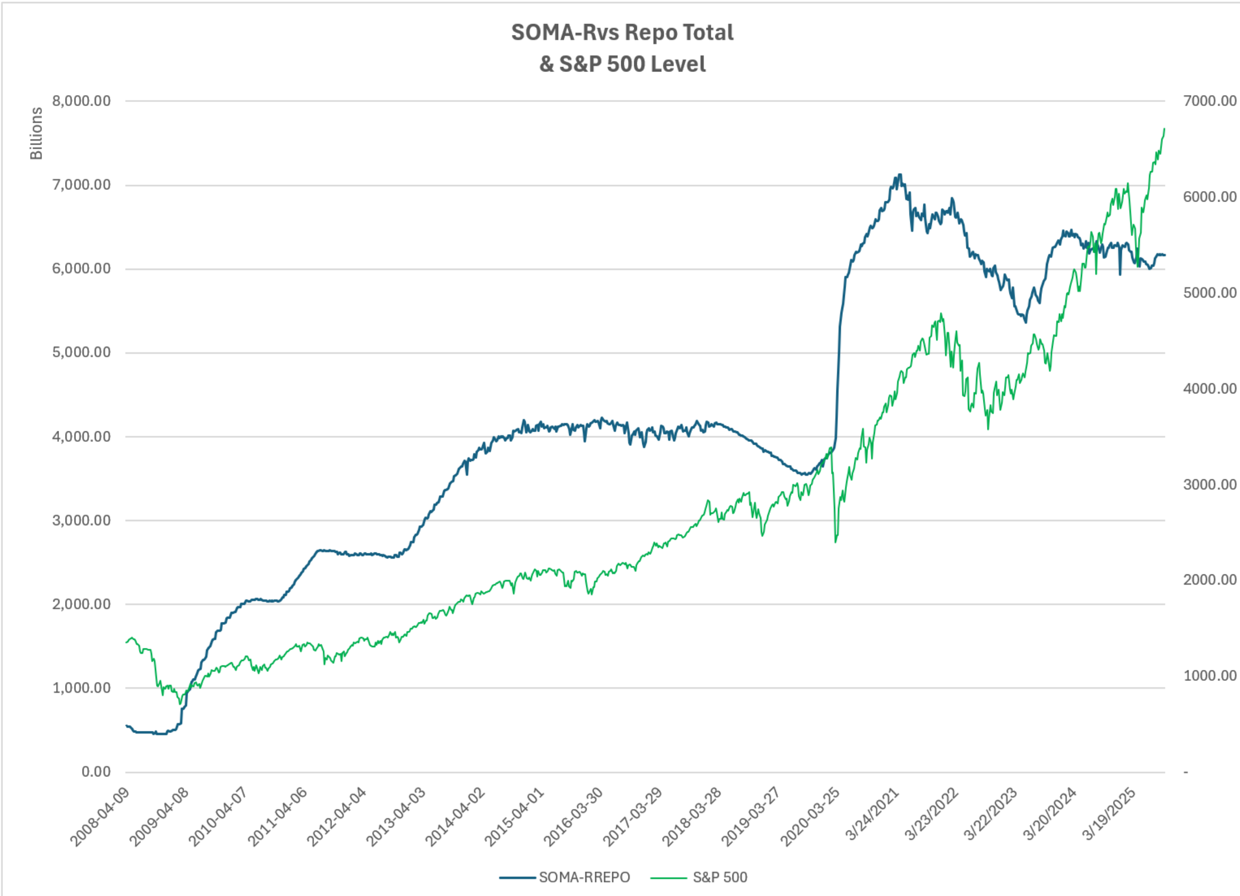
Previous October 1, 2025

Posted October 2, 2025 at 4:30 PM

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)	3,566,099,541.8
US Treasury Floating Rate Notes (FRNs)	12,575,703.6
US Treasury Inflation-Protected Securities (TIPS)*	310,501,343.0
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,078,092,682.7
Agency Commercial Mortgage-Backed Securities***	7,890,514.2
Total SOMA Holdings	6,172,999,712.1
Change From Prior Week	-18,231,480.2

The SOMA account holdings declined $18.2 billion dollars this past week. Meanwhile, reverse repos fell by $19 billion for the week ending 10/1/25. A decline in reverse repos can act as a liquidity injection. Combined for the week, SOMA and reverse repo action accounted for a very small liquidity infusion of about $800 million (through Wednesday the 1st). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Liquidity was quite favorable from early July through early September. So it is not surprising that the market rallied well during that period. We've seen liquidity flows chop a bit more over the last few weeks. 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 are at their lowest level in years. So this liquidity pump is nearly dry. But the Fed has other tools to provide liquidity that could be put to work. 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, additional cuts are appearing more and more certain. October odds are 96% that rates will be reduced. Meanwhile, odds show just a 13% chance that rates will be ¼ point lower in December than they are now, and a 86% they will be ½ point lower. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

FedWatch Tool

29 Oct25 | 10 Dec25 | 28 Jan26 | 18 Mar26 | 29 Apr26 | 17 Jun26 | 29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27

Target Rate
Current
Compare
Probabilities
Aggregated

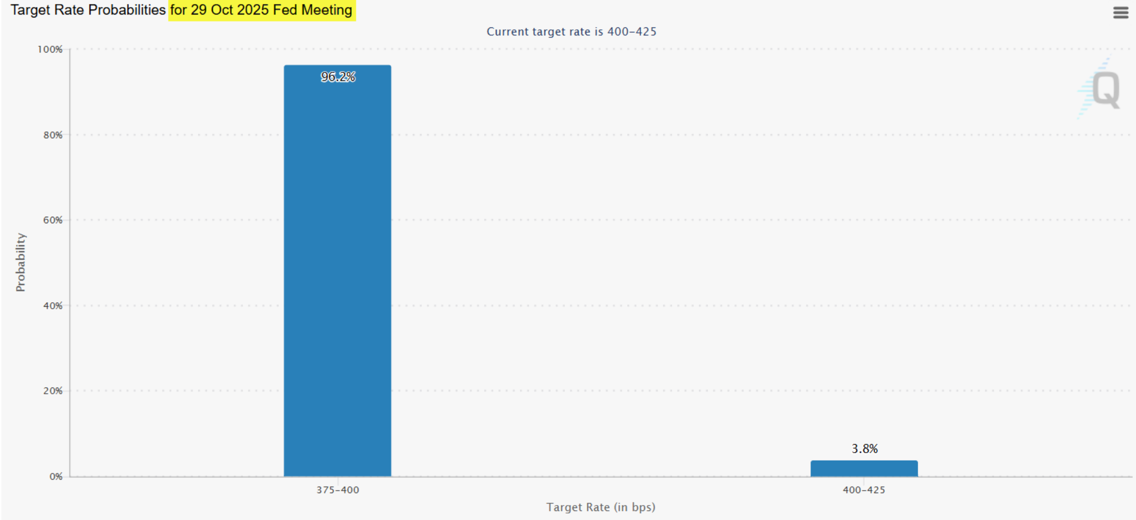
Historical
Historical
Downloads
Prior Hikes

Dot Plot
Chart
Table

Tools
CVOL
SOFR Watch
ESTR Watch

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
29 Oct 2025	ZQV5	31 Oct 2025	95.9200	64,627	691,469	96.2 %	3.8 %	0.0 %

Target Rate Probabilities for 29 Oct 2025 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 3 OCT 2025	1 WEEK 26 SEP 2025	1 MONTH 4 SEP 2025
375-400	96.2%	96.2%	87.7%	53.6%
400-425 (Current)	3.8%	3.8%	12.3%	44.8%
425-450	0.0%	0.0%	0.0%	1.6%

* Data as of 4 Oct 2025 11:35:01 CT

FedWatch Tool

29 Oct25 | 10 Dec25 | 28 Jan26 | 18 Mar26 | 29 Apr26 | 17 Jun26 | 29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27

Target Rate
Current
Compare
Probabilities
Aggregated

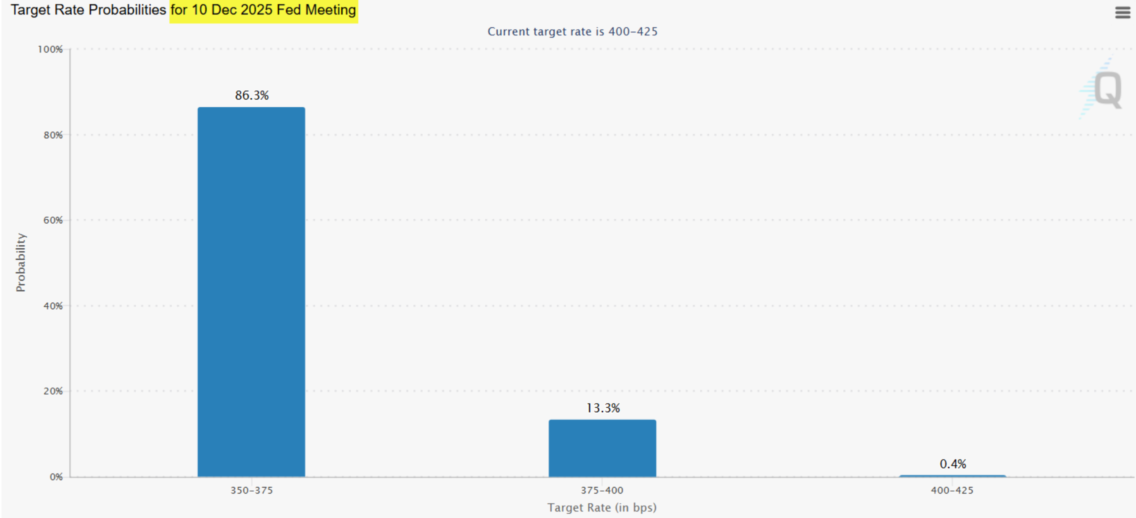
Historical
Historical
Downloads
Prior Hikes

Dot Plot
Chart
Table

Tools
CVOL
SOFR Watch
ESTR Watch

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
10 Dec 2025	ZQZ5	31 Dec 2025	96.2950	20,393	210,831	99.6 %	0.4 %	0.0 %

Target Rate Probabilities for 10 Dec 2025 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 3 OCT 2025	1 WEEK 26 SEP 2025	1 MONTH 4 SEP 2025
350-375	86.3%	86.3%	65.4%	45.8%
375-400	13.3%	13.3%	31.5%	46.1%
400-425 (Current)	0.4%	0.4%	3.1%	7.9%
425-450	0.0%	0.0%	0.0%	0.2%

* Data as of 4 Oct 2025 11:35:01 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 the government now "shut down", the Fed is not going to receive as much data. So changing tack will be more difficult without new information.

Intermediate-term evidence is again mostly bullish. We still have bullish momentum study from a few weeks ago when SPX moved 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. Government shutdowns have not typically been a major problem for the market in the past, but if it drags on a long time, then it certainly could create issues. 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. So there are definitely risks. But the market is still 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

LOW – 1/3 @ $260.39 (bought @ limit)
LOW – 1/3 @ $259.81 (bought @ limit)
LOW – 1/3 @ $257.33 (bought @ limit)
HD – 1/3 @ $409.77 (bought @ limit)
CMCSA – 1/3 @ $30.40 (buy @ limit) – *not filled, cancel for now*

***Broad Market Large Cap CBI* – 5 (LOW-3, HD, CMCSA)**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LOW(1/3)	9/23/2025	$259.56	$246.35	-5.09%	Catapult
LOW(1/3)	9/24/2025	$258.29	$246.35	-4.62%	Catapult
LOW(1/3)	9/25/2025	$257.33	$246.35	-4.27%	Catapult
HD(1/3)	9/25/2025	$406.79	$395.06	-2.88%	Catapult