

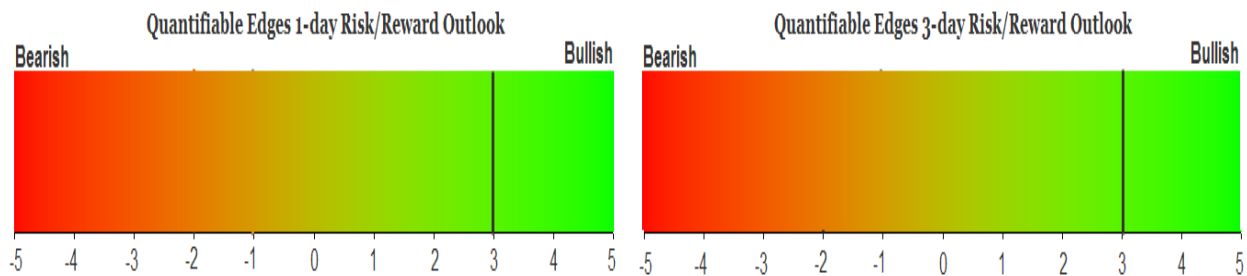
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 20, 2025

Volume 18 Issue 199

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- The last 5 days have now closed within the previous day's range. After a 1% selloff in an uptrend this type of consolidation has often been followed by a pop.
- Seasonality appears a little weak for the upcoming week.
- Liquidity shifts via SOMA and Reverse Repo changes were very small this past week. The Fed still seems overall neutral.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish. I favor the long side.

**Summary of Current 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>						
October 20, 2025	SP dn 1% then sideways for 5 days	1-3 days	Bullish			
October 17, 2025	VIX crosses > 25% above 10ma	1-2 days	Bullish			
October 16, 2025	20-low big down then sideways	1-3 days	Bullish			
October 14, 2025	Dn 2% to 10-low. Then up > 1% < 2 ago	1-5 days	Bullish			
October 13, 2025	SPX dn > 2.5% on Fri > 200ma	1-7 days	Bullish			
October 13, 2025	1st 10-day low > 30 days	1-8 days	Bullish			
<b>Active - Long Term</b>						
October 8, 2025	SP up 5+ to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
October 7, 2025	SPX up 7 days in a row. Close > 200ma.	1-20 days	Bullish	3.00%	-2.05%	-4.35%
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**

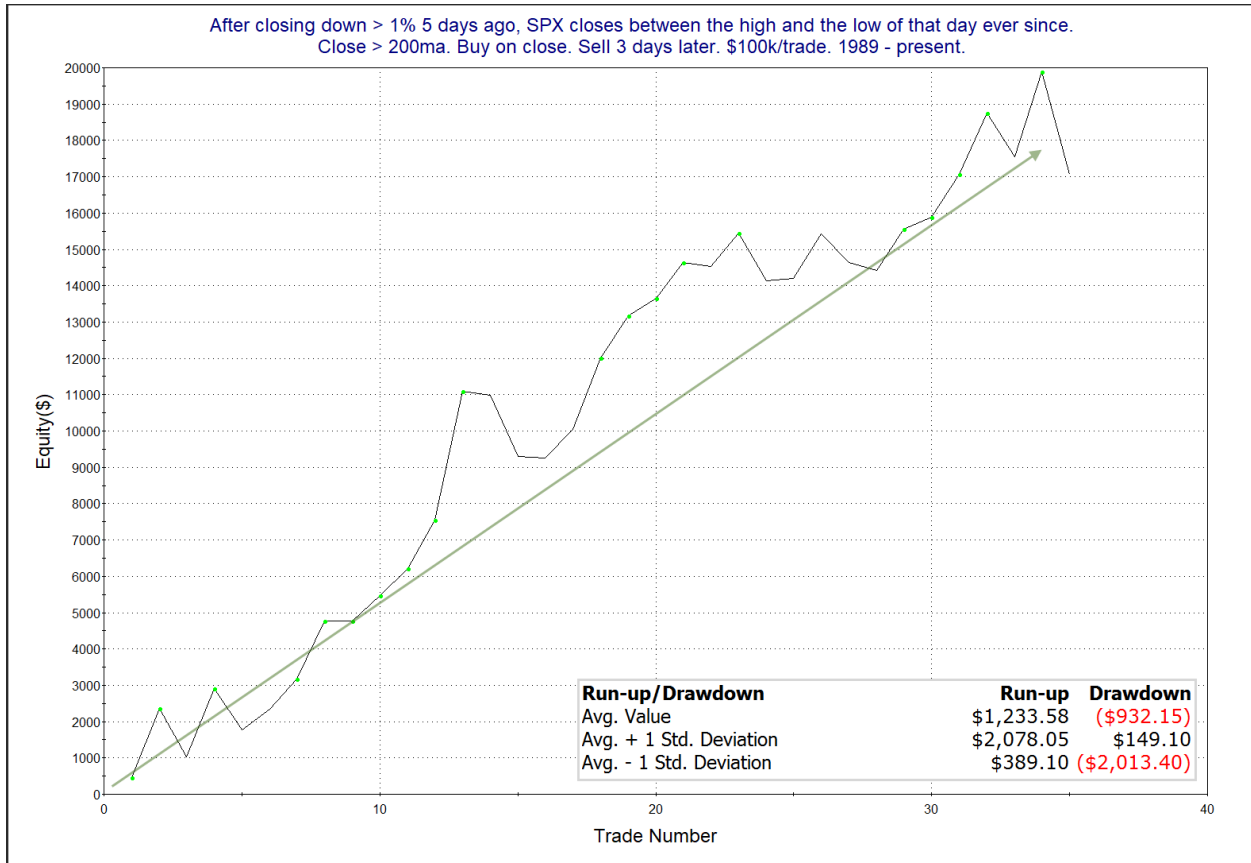
Friday saw the market finish mostly higher. SPX rose 0.5%, the NASDAQ also climbed 0.5%, and the Russell 2000 declined 0.6%. Breadth was mildly positive as the NYSE Up Issues % closed at 50.25% and the NYSE Up Volume % posted a 57% reading. NYSE total volume rose for the 4<sup>th</sup> day in a row.

After a big down day last Friday the market has chopped around and made little progress. In fact, it has closed within the range of that 1 bar every day for the last week. The bulls failed to push the market up above last Friday’s high, but the bears have not managed to drop the SPX back out of the range either. This triggered the study below, which I have shown several times over the years, and last discussed in the 4/12/24 Letter.

After closing down > 1% 5 days ago, SPX closes between the high and the low of that day ever since. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1989 - 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	-3,200.00	35	19	16	54.29	3,757.60	-5,937.53	1,790.15	-2,325.81	0.77	0.91	-91.43
4	653.96	35	22	13	62.86	3,706.56	-3,482.61	1,295.65	-2,142.33	0.60	1.02	18.68
3	17,074.31	35	24	11	68.57	3,552.64	-2,805.35	1,159.50	-977.61	1.19	2.59	487.84
2	8,909.20	35	21	14	60.00	2,111.20	-2,607.56	1,065.48	-961.84	1.11	1.66	254.55
1	6,129.29	35	23	12	65.71	1,760.80	-1,663.20	693.51	-818.45	0.85	1.62	175.12

Over the last 36 years or so the SPX has popped higher out of this “failed selloff” and consolidation on a consistent basis. But the implications are only bullish for a few short days. After that there

does not appear to be a decided edge for either the bulls or the bears. Below is a look at a 3-day profit curve.



Despite failing on the last instance, the strong upslope serves as some confirmation of the bullish numbers. I have included this study on the active list tonight.

From a seasonality standpoint, indications are somewhat mixed for the upcoming week. The table below shows the best and worst weeks of the year. Based on the average % move over the week, the week after the 3<sup>rd</sup> Friday in October has been the 7<sup>th</sup> worst week of the year. This can be seen in the table below, which I copied from the 9/29/25 letter a few weeks ago.

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.

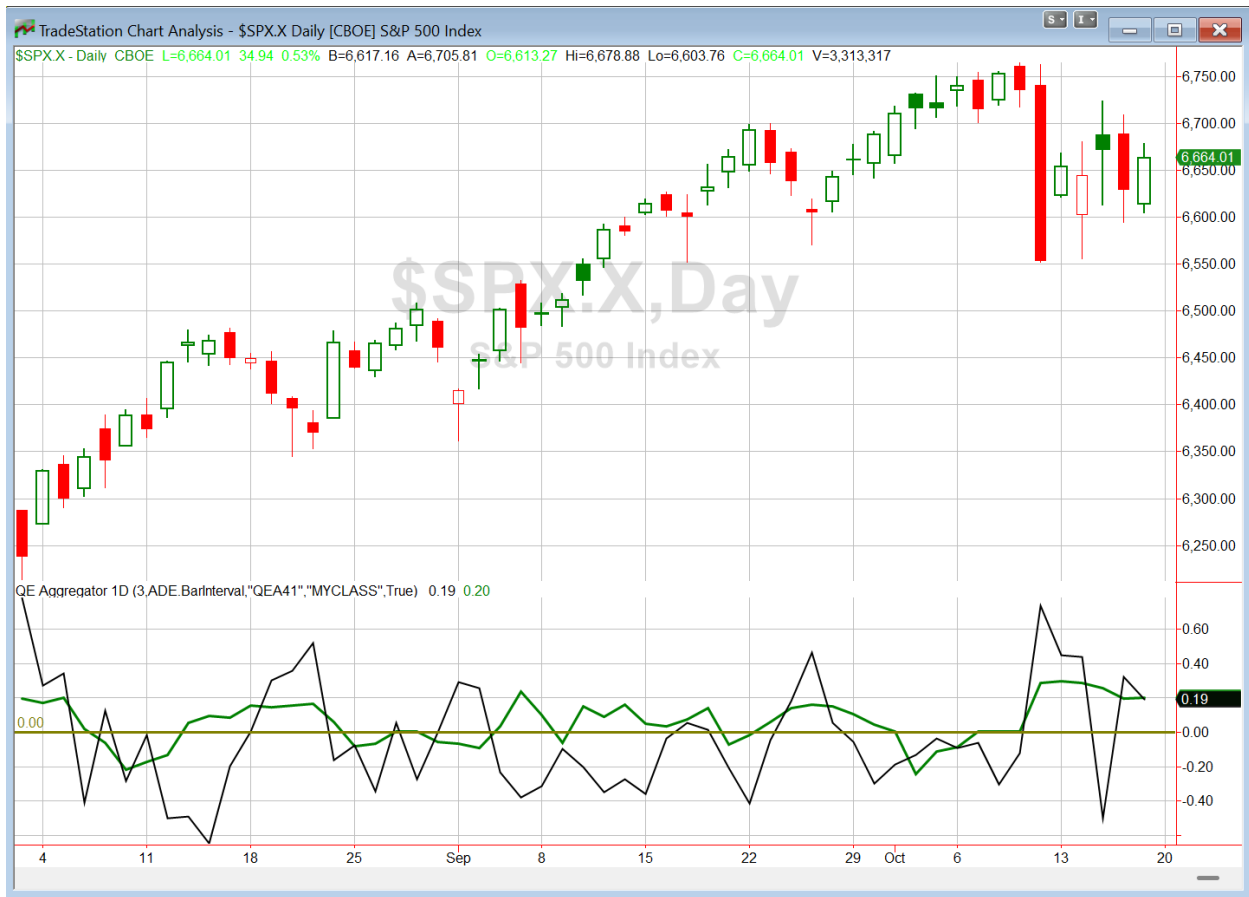
Month of Year	Fri of Month	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	5	20,984.09	16	12	4	75.00	7,184.40	-3,889.28	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

So with this, admittedly narrow, view of seasonality we see a bearish tendency for the upcoming week. But let's look at the Seasonality Calendar.

<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>
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
<b>Baseline</b>	<b>54.40</b>	<b>1.163</b>	<b>0.056</b>

The Calendar shows numbers that are slightly bullish, but still below average. Of course this view of Seasonality is based on multiple algorithms, and is broader. But it is not as deep since it doesn't measure as far back in history. In any case, seasonality is likely somewhere between very slightly positive to somewhat bearish for the upcoming week. Not such a big factor that I will be putting it into the Aggregator.

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



With this weekend's evidence considered, the green Aggregator Line remained well above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current active list, expectations are slated to remain positive on Monday. That is unlikely to change. Meanwhile, the Differential Pivot will be 6727.03. That is 0.95% above Friday's close. Therefore, SPX will need to close up at least 0.95% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Reward/risk appears favorable and I like the long side. I have a long index trade idea active in the trade ideas section of the nightly letter. I do not intend to increase or decrease it at this time. A further bounce appears likely and I will look to take advantage of it.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 10/20 – bullish**

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

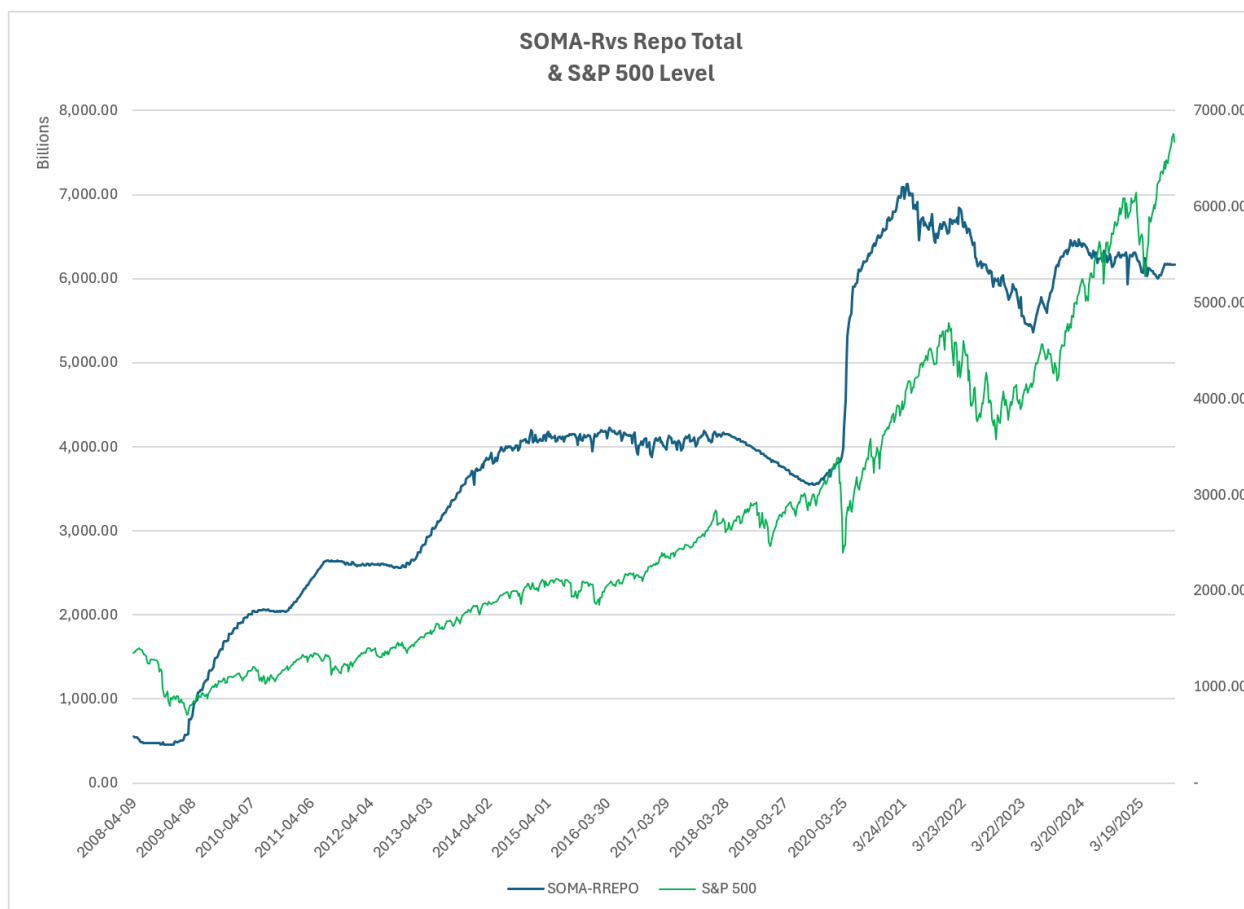
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course,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

The major stock indices all posted gains this past week. The SPX rose 1.7%, the NASDAQ climbed 2.1%, and the Russell 2000 rallied 2.4%. Bonds also posted gains. The US Aggregate Bond ETF (AGG) climbed 0.5%. TLT, the 20-year Treasury Bond ETF, gained 0.6%. The indices are not far from all-times highs, and well above long-term moving averages, so the long-term uptrend appears intact. There were not any new studies with intermediate-term implications that 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>October 15, 2025</b> <small>Posted October 16, 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)	3,568,308,575.0
US Treasury Floating Rate Notes (FRNs)	12,575,703.6
US Treasury Inflation-Protected Securities (TIPS)*	308,198,180.3
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,078,105,457.2
Agency Commercial Mortgage-Backed Securities***	7,890,514.2
Total SOMA Holdings	6,172,918,357.1
Change From Prior Week	-81,355.0

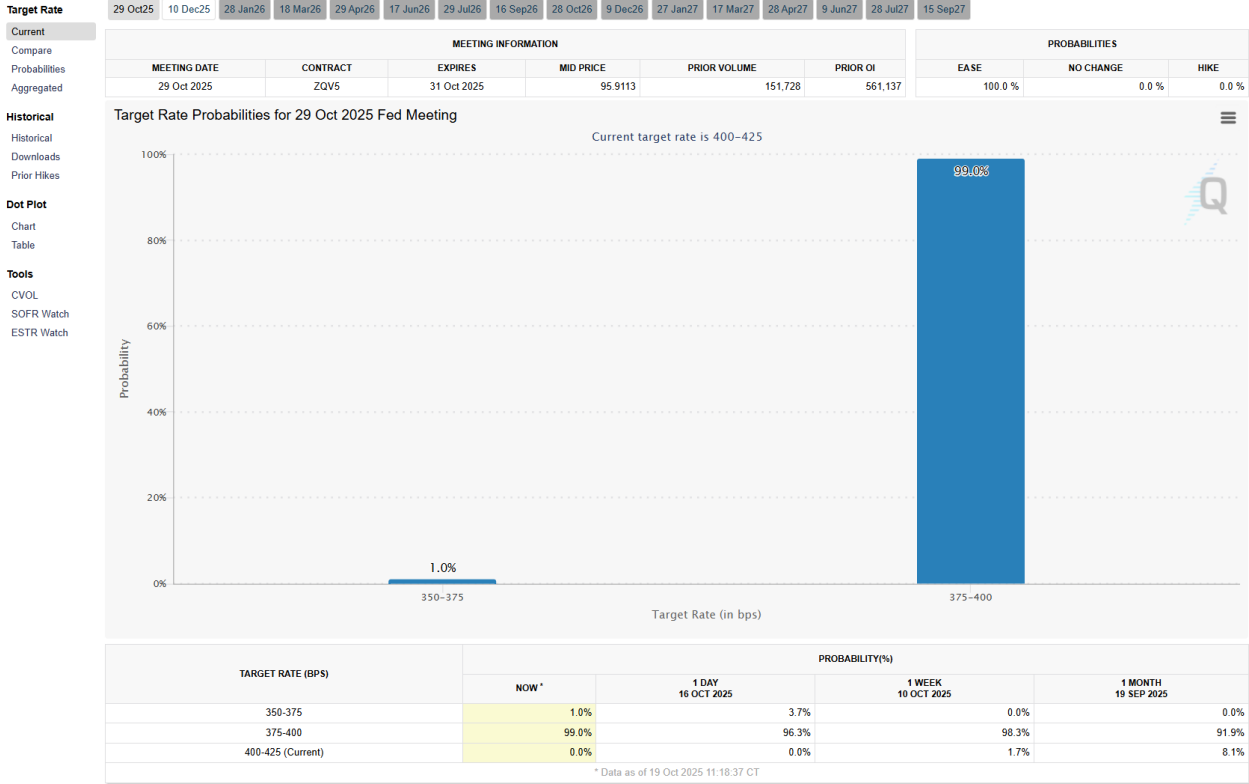
The SOMA account holdings declined a very slight \$81 million this past week. Meanwhile, reverse repos rose by a scant \$253 million for the week ending 10/15/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a small liquidity drain of about \$334 million (through Wednesday the 15<sup>th</sup>). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.

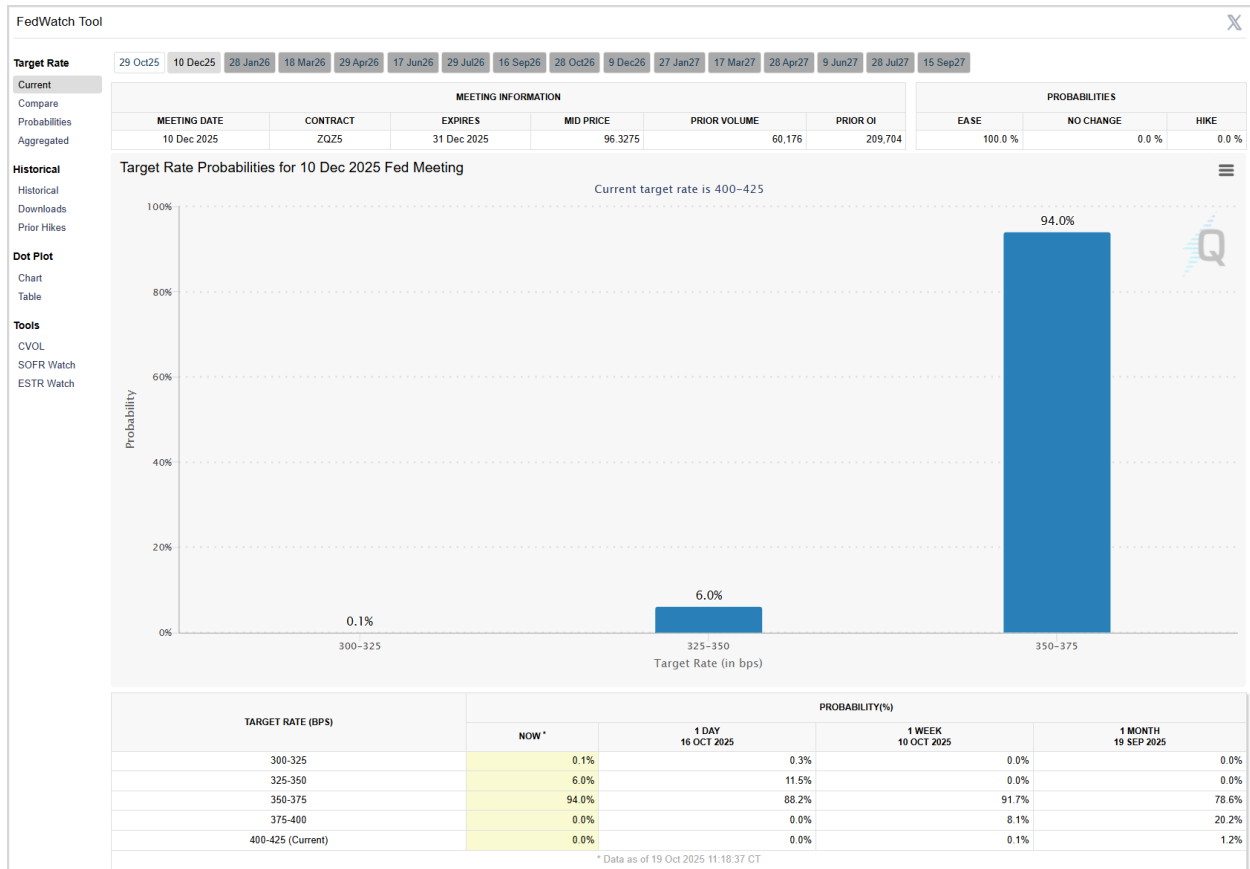


Liquidity was quite favorable from early July through early September. So it is not surprising that the market rallied well during that period. We've seen liquidity flows chop a bit more over the last few weeks. Quantitative Tightening (QT) can still be a headwind to the market, but it is not nearly 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 near \$0 now. 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. Interestingly, fresh employment data is not being calculated due to the government shutdown. So we will see if there are any surprises when the shutdown eventually ends.

With regards to rates, additional cuts are appearing more and more certain. October odds are 99% that rates will be reduced ¼ point. Meanwhile, December odds show a 94% chance they will be ½ point lower. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

FedWatch Tool





As we have seen over and over, odds continually shift, so we may see 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 still mostly bullish. We have bullish momentum studies active from weeks past. 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 are near 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 – and we saw that some this past week. Also notable is that stocks are in a seasonally weak period as measured by both the “worst 6 months” of May through October (which is about to end), and the Presidential Cycle. So there are definitely risks. But 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*

CMCSA – 1/3 @ \$30.40 (bought @ limit)

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

## Additional New Trade Ideas

None tonight.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
CMCSA(1/3)	10/10/2025	\$30.08	\$29.54	-1.80%	Catapult
ABBV(1/3)	10/16/2025	\$226.22	\$229.57	1.48%	<i>sell on open</i>
SPY(1/4)	10/17/2025	\$659.50	\$664.39	0.74%	Aggregator

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