

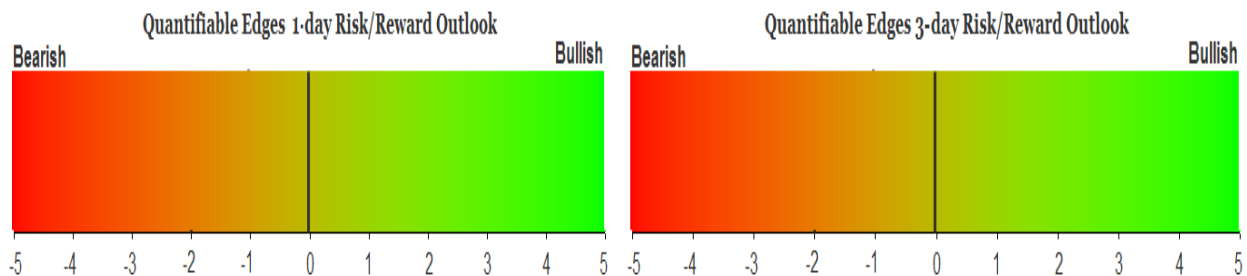
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 27, 2025

Volume 18 Issue 204

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- SPX broke out to a new 50-day high for the 1<sup>st</sup> time in a few weeks. Doing so on lower volume as it did on Friday has historically shown a short-term upside edge.
- Breakouts to 50-day highs that occur with an unfilled up gap have often led to more short-term buying.
- Monday after the 4<sup>th</sup> Friday in October has often struggled, but the market has typically done well the rest of the week.
- There was a moderate liquidity drain via the SOMA this past week, but the Fed is likely to cut rates again on Wednesday.
- Indices are hitting new highs so the trend remains favorable for the bulls.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am as well.

**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 27, 2025	Monday after 4th Fri in October bearish	1 day	Bearish			
October 27, 2025	SPX breajout on lower volume	1-5 days	Bullish	1.40%	-1.00%	-1.90%
October 27, 2025	SPY Breakaway Gap	1-5 days	Bullish	1.40%	-0.90%	-1.80%
<b>Active - Long Term</b>						
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			

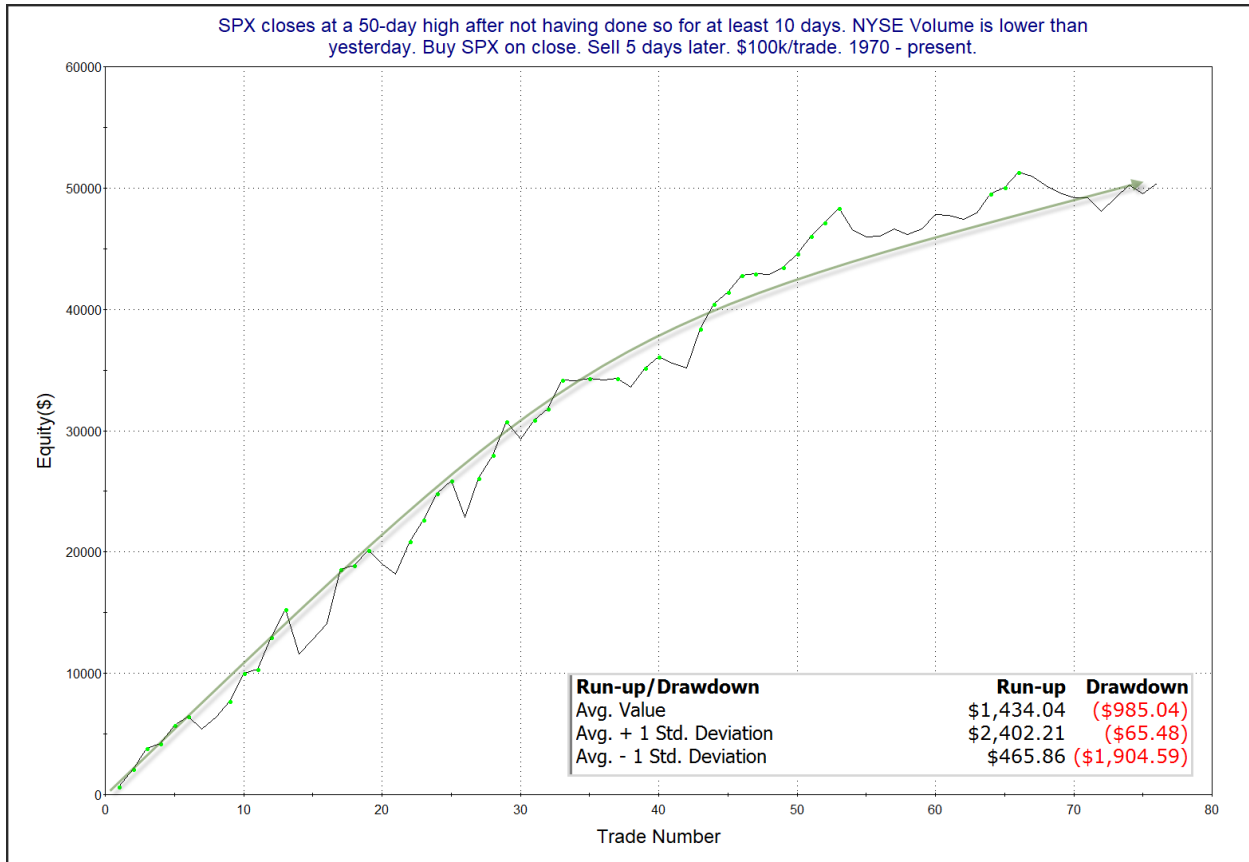
**The Evidence**

Friday saw the market hit new highs. SPX gained 0.8%, the NASDAQ rose 1.3%, and the Russell 2000 climbed 1.2%. Breadth was strong as the NYSE Up Issues % closed at 62% and the NYSE Up Volume % posted a 64% reading. NYSE total volume declined some from Thursday's level.

The SPX closed at new 50-day high for the 1<sup>st</sup> time since October 8<sup>th</sup>. Days where the market breaks out to a new 50-day high for the 1<sup>st</sup> time in a while will often give some clues as to the likely additional follow-through. One indicator that helps to give clues is the volume on the breakout. In the past I have broken down volume by time it came in 1) lower, 2) the highest in 20 days, and 3) higher, but not the highest level in 20 days. Friday the volume fit into the 1<sup>st</sup> category, which was lower. That has been a good one. (Higher volume, but not the highest in 20 days is the worst.) Below are updated results.

SPX closes at a 50-day high after not having done so for at least 10 days. NYSE Volume is lower than yesterday. Buy SPX 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	50,359.12	76	52	24	68.42	4,482.50	-3,693.73	1,361.02	-850.58	1.60	3.47	662.62
4	33,677.96	76	52	24	68.42	4,440.00	-2,913.85	1,097.38	-974.42	1.13	2.44	443.13
3	32,089.28	76	49	27	64.47	3,950.00	-1,802.37	1,032.17	-684.71	1.51	2.74	422.23
2	22,336.99	76	52	24	68.42	2,212.98	-1,912.60	728.97	-648.72	1.12	2.43	293.91
1	9,211.93	76	48	28	63.16	1,453.20	-1,921.32	444.69	-433.33	1.03	1.76	121.21

The numbers here look solidly bullish. Below is a look at the 5-day profit curve.



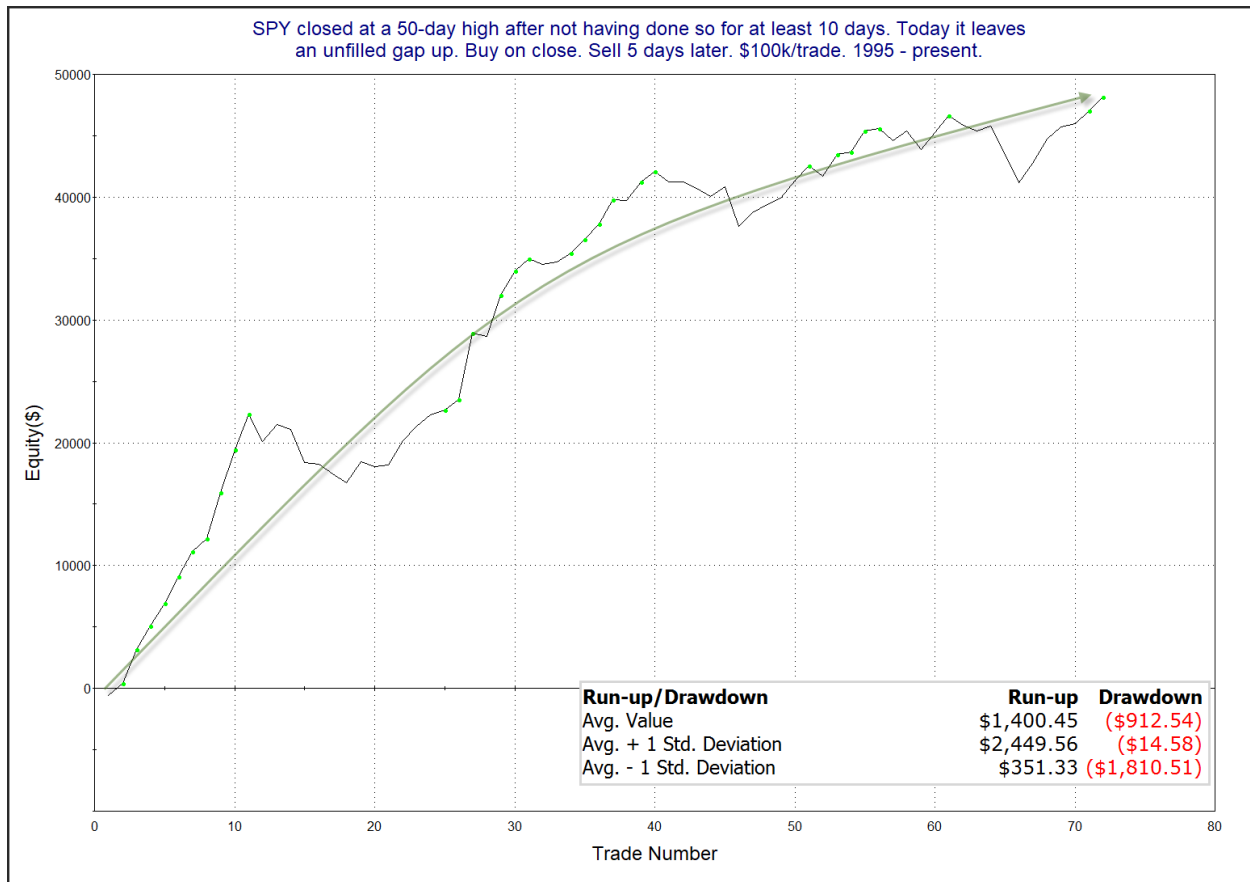
It does not appear that the edge has been as strong in recent instances. Still, the evidence as a whole seems good enough to give this study some consideration. So I have included it on the active list.

The SPY breakout action to a fresh high also provided some bullish evidence. This is because the breakout came with an unfilled gap up. I last showed the importance of an unfilled gap in the 11/27/24 subscriber letter. I have updated those studies below.

SPY closed at a 50-day high after not having done so for at least 10 days. Today it leaves an unfilled gap up. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	48,180.52	72	50	22	69.44	5,434.00	-3,218.88	1,429.23	-1,058.22	1.35	3.07	669.17
4	31,876.39	72	48	24	66.67	3,637.92	-3,267.84	1,128.89	-929.59	1.21	2.43	442.73
3	23,741.03	72	47	25	65.28	3,992.56	-2,538.18	981.13	-894.89	1.10	2.06	329.74
2	18,651.91	72	47	25	65.28	2,545.92	-2,293.20	750.76	-665.35	1.13	2.12	259.05
1	6,814.75	72	47	24	65.28	1,816.10	-2,591.68	467.26	-631.11	0.74	1.45	94.65

Results here are strong across the board. Below is an equity curve using a 5-day holding period.



It has been a bit choppy, but the move up is still impressive and the curve is back at new highs.

Technicians will often use the term “breakaway gap”. This suggests the gap occurs on the same day as a base breakout. The idea is that the new high causes excitement and the gap leaves a good amount of people sidelined or stuck short. When it doesn’t immediately fill, it leads these people to chase and helps to propel the market even higher.

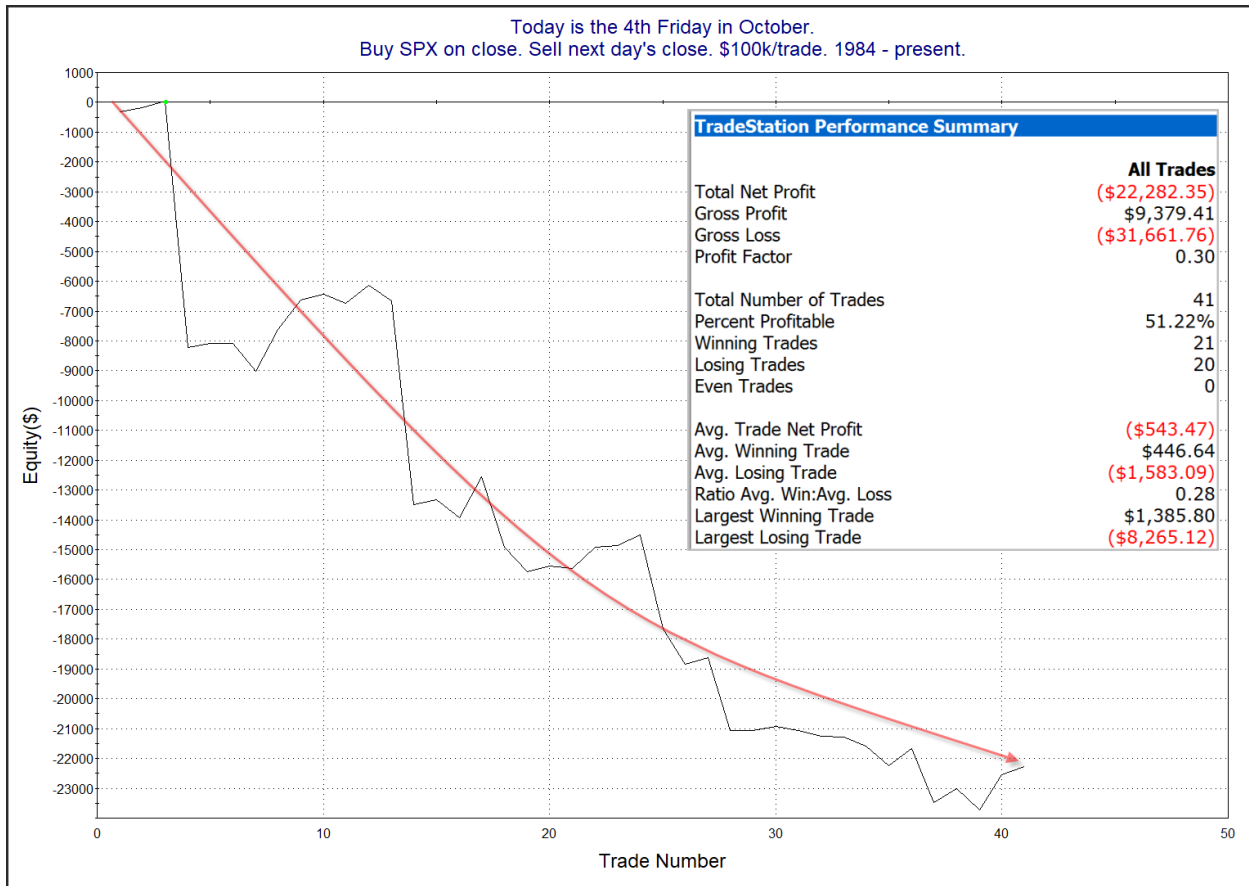
Now let’s look at instances where the 50-day high breakout was *not* accompanied by an unfilled gap. Interestingly, the number of instances was a good bit lower here. This study also appeared in the 11/27/24 letter.

SPY closed at a 50-day high after not having done so for at least 10 days. Today it does NOT leave an unfilled gap up. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	4,244.45	54	32	22	59.26	2,671.20	-4,285.26	1,044.35	-1,326.12	0.79	1.15	78.60
4	-1,777.44	54	32	22	59.26	2,072.07	-4,518.34	963.27	-1,481.91	0.65	0.95	-32.92
3	4,579.72	54	32	22	59.26	2,927.90	-5,133.72	986.55	-1,226.81	0.80	1.17	84.81
2	-65.75	54	30	24	55.56	2,324.90	-3,640.86	635.99	-797.73	0.80	1.00	-1.22
1	6,326.43	54	31	23	57.41	1,586.97	-2,448.72	517.93	-423.01	1.22	1.65	117.16

Moves to new highs that don't start with an unfilled gap are much less reliable. I have been showing this study for 17 years or so, and it never fails to amaze me how more breakouts occur with an unfilled gap up than without one.

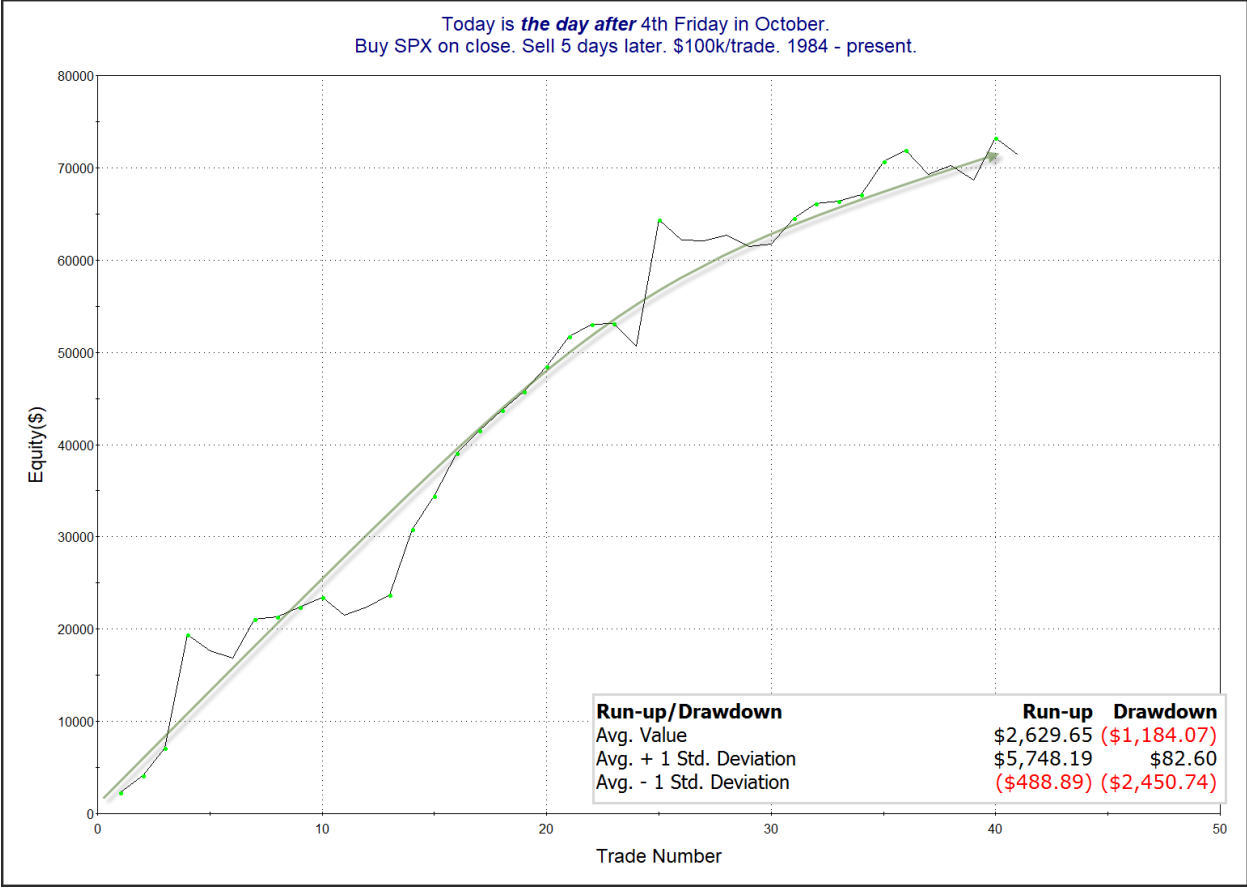
The week after the 4th Friday in October has been an interesting one historically. The studies below are updated from the 10/28/24 letter. They show that Monday has seen difficulties, but the rest of the week has been strong, and it has even carried through to the next Monday. Let's first look at the Monday after the 4th Friday:



There have been about the same number of Mondays here that have closed higher as lower, but the losers have been over 3x the size of the winners on average. The profit curve is choppy as you would expect with the winning % shown, but the slope has certainly been down for a long time. So Monday may carry a little extra risk to see a sizable decline. But Tuesday through the following Monday have shown very positive seasonality. This can be seen below.

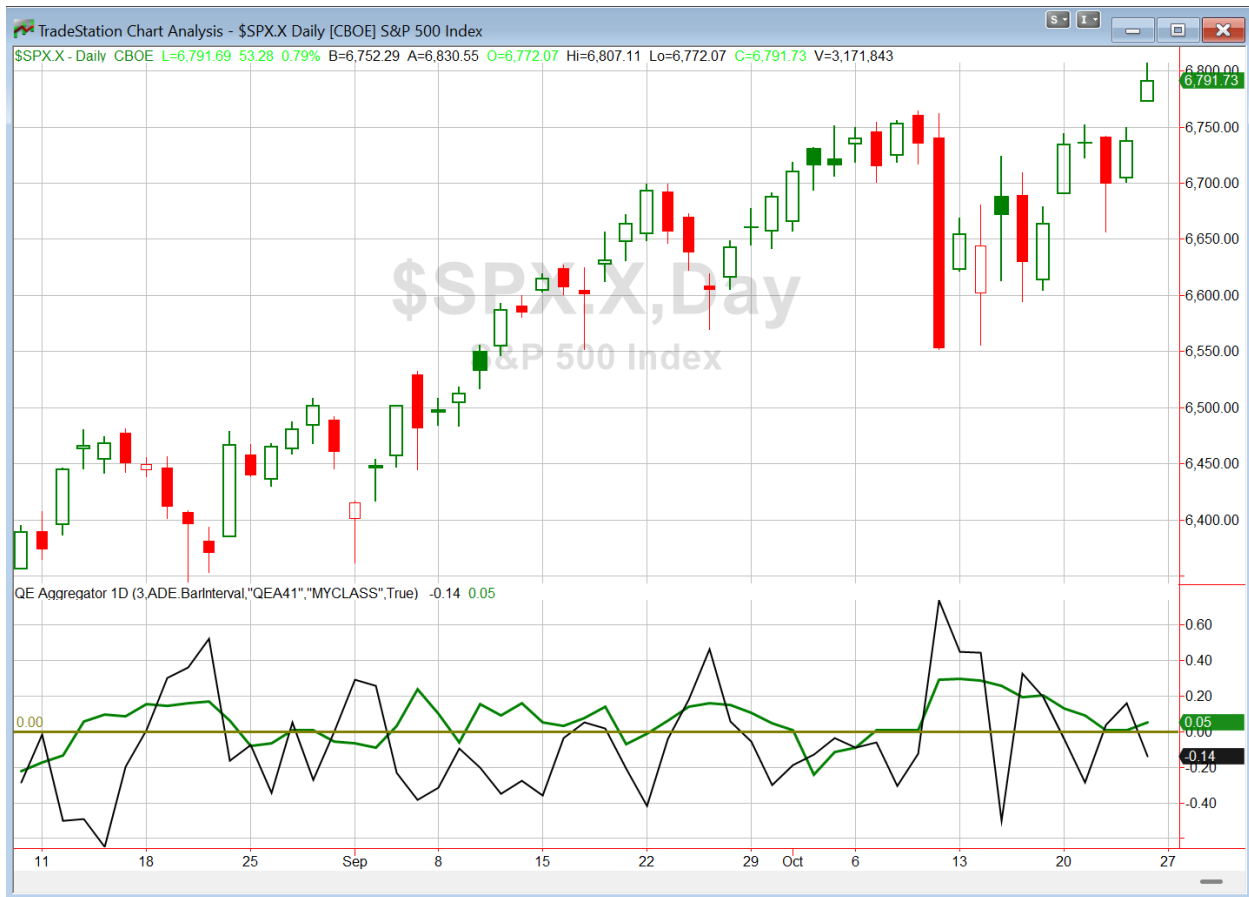
Today is <i>the day after</i> 4th Friday in October. Buy SPX on close. Sell X days later. \$100k/trade. 1984 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	71,359.37	41	31	10	75.61	13,733.46	-2,631.17	2,840.70	-1,670.23	1.70	5.27	1,740.47
4	55,295.61	41	29	12	70.73	14,020.11	-3,799.29	2,562.62	-1,585.03	1.62	3.91	1,348.67
3	44,542.13	41	29	12	70.73	12,304.89	-3,802.25	2,056.30	-1,257.55	1.64	3.95	1,086.39
2	22,580.25	41	29	12	70.73	9,496.89	-3,768.26	1,336.55	-1,348.30	0.99	2.40	550.74
1	23,512.39	41	26	15	63.41	10,716.03	-2,766.58	1,330.20	-738.20	1.80	3.12	573.47

The stats here are very strong across the board and suggestive of an upside edge. Below is a look at the 5-day profit curve.



The curve has headed upwards for a long time. This short-term look at seasonality suggests the market could have some wind at its back after Monday.

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 fell 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 turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. Of course this could change if compelling bearish evidence emerges. Meanwhile, the Differential Pivot will be 6713.97. That is 1.1% below Friday's close. Therefore, SPX will need to close down at least 1.1% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. The seasonal study suggested Monday does have the potential to pull back. If that were to occur, we could see a bullish setup emerge. But we are not there yet, so there is nothing for me to do right now. I'll wait until there is more clarity before putting new trade ideas out there.

**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

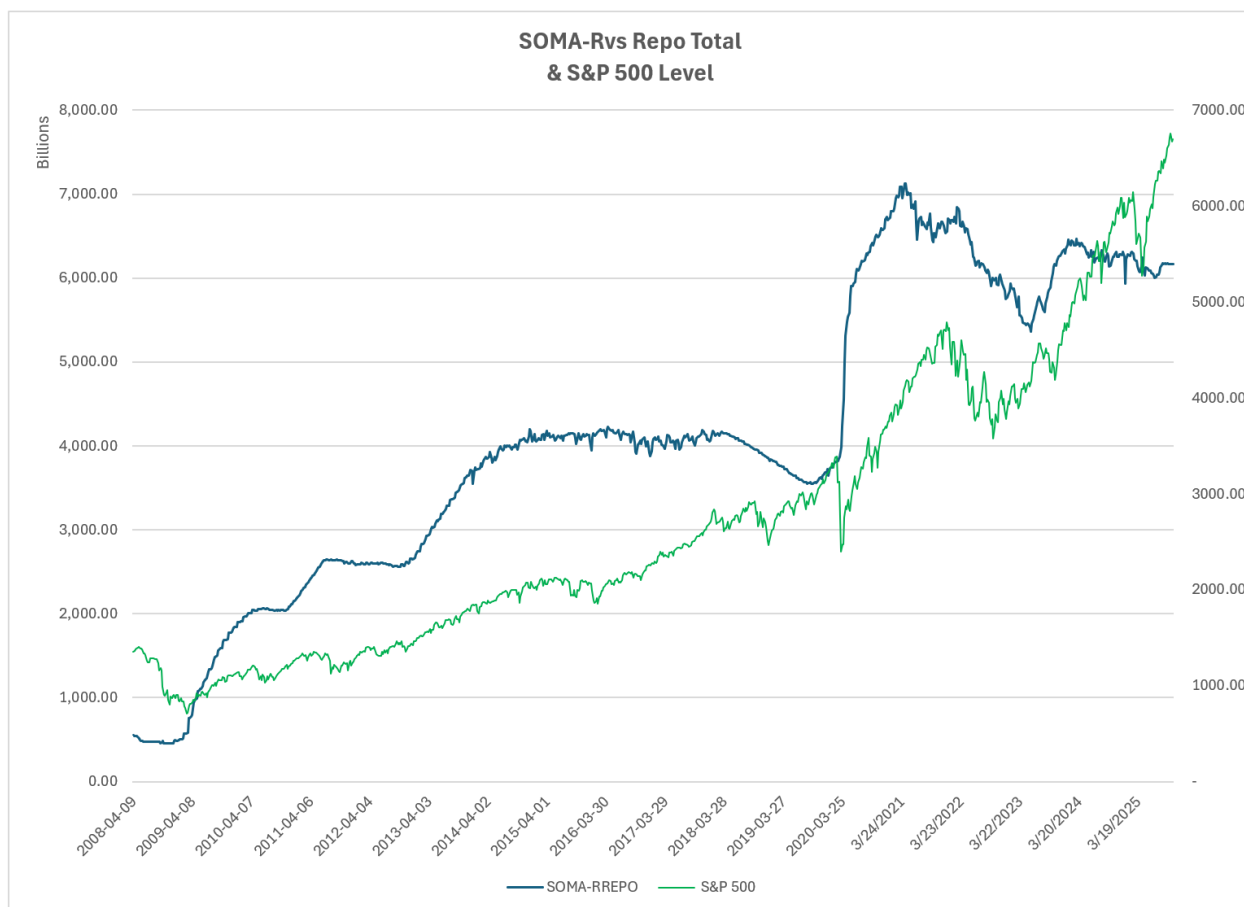
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, 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 1.9%, the NASDAQ climbed 2.3%, and the Russell 2000 rallied 2.5%. Bonds also posted gains. The US Aggregate Bond ETF (AGG) climbed 0.2%. TLT, the 20-year Treasury Bond ETF, gained 0.3%. The SPX and NASDAQ both closed at all-time highs on Friday, confirming the uptrend remains 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.

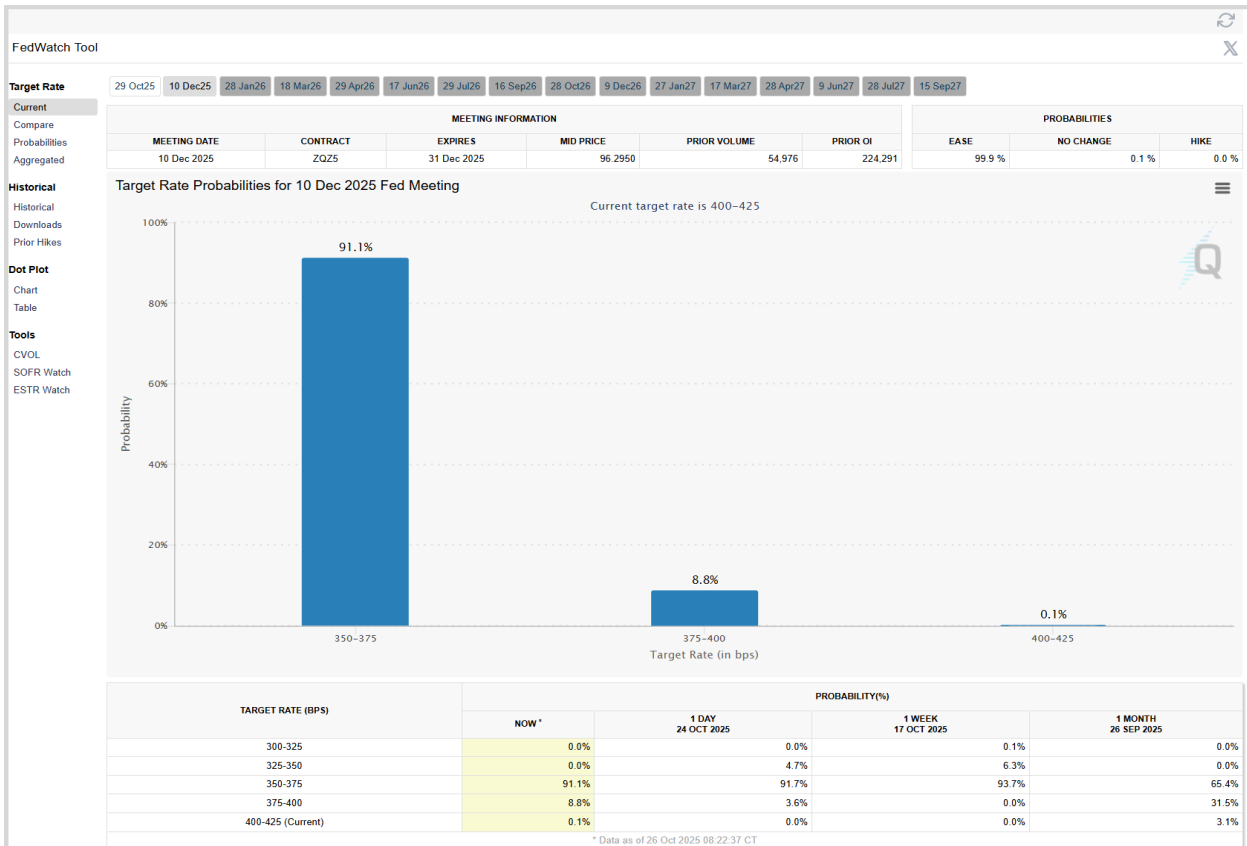
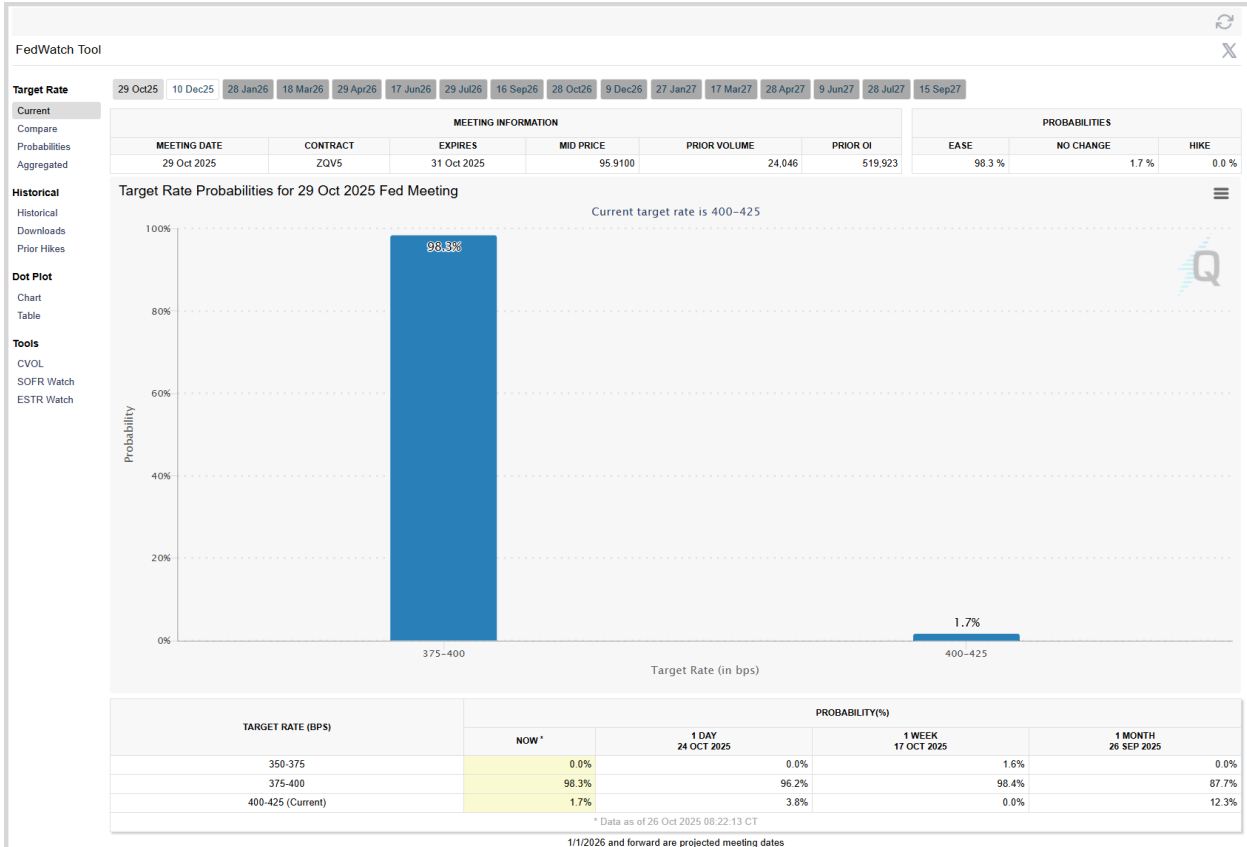
Domestic Security Holdings as of	
◀ Previous	October 22, 2025 📅 <small>Posted October 23, 2025 at 4:30 PM</small>
<span>SUMMARY</span>   T-BILLS   T-NOTES AND T-BONDS   FRNS   TIPS   AGENCY DEBTS   MBS   CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,492,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,568,233,575.0
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***	2,074,717,007.0
Agency Commercial Mortgage-Backed Securities***	7,888,689.5
Total SOMA Holdings	6,169,453,082.1
Change From Prior Week	-3,465,275.0

The SOMA account holdings declined about \$3.5 billion this past week. Meanwhile, reverse repos declined by around \$1.5 billion for the week ending 10/22/25. A drop in reverse repos can act as a liquidity injection. Combined for the week, SOMA and reverse repo action accounted for a moderate liquidity drain of about \$2 billion (through Wednesday the 22<sup>nd</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 month and a half. 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 98% that rates will be reduced  $\frac{1}{4}$  point. Meanwhile, December odds show a 91% chance 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 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 at all-time highs. So we see momentum, breadth, leadership, and trend indications all pointing higher. Additionally, seasonality is set to turn more positive after next week when November arrives and we enter the “Best 6 Months” of the year. 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 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***

None

***Broad Market Large Cap CBI – 0***

### **Additional New Trade Ideas**

None tonight.

### **Current Open Trade Ideas**

None

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