

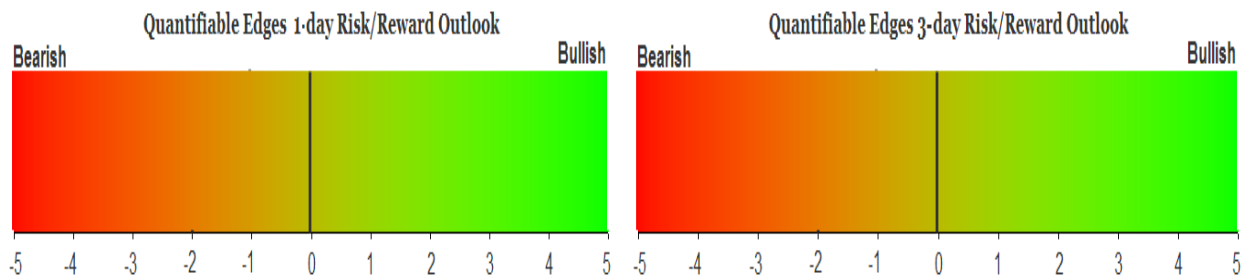
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 8, 2025

Volume 18 Issue 233

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- The low 3/10 Offset HV suggests we could see a big move in the next few days.
- Seasonality Calendar stats are fairly neutral this upcoming week.
- Quantitative Tightening (QT) is done. Fed policy appears dovish – a market positive.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am awaiting the next compelling setup before getting excited about a short-term index position.

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						
December 3, 2025	Up vol < 40%. SPX up > 200ma	1-6 days	Bullish	1.60%	-1.20%	-2.40%
December 2, 2025	5 days higher < 50-day high > 200ma dn 1	1-5 days	Bullish	1.80%	-0.90%	-1.90%
December 1, 2025	5 days higher < 50-day high > 200ma	1-10 days	Bullish	2.50%	-1.40%	-2.65%
November 26, 2025	VIX 10% above to 10% below 10ma in 4 days	1-8 days	Bullish	2.00%	-1.30%	-2.60%
Active - Long Term						
December 1, 2025	5 days higher < 50-day high > 200ma	1-15 days	Bullish	3.30%	-1.50%	-2.90%
December 1, 2025	NASDAQ leading	int term	Bullish			
December 1, 2025	QT over. Rates dropping. Fed dovish	int term	Bullish			
November 3, 2025	Best 6 Months	1-6 months	Bullish			
October 31, 2025	Hindenburg Omen Cluster	1-35 days	Bearish	-6.90%	2.70%	4.70%
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			
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			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			

The Evidence

Friday saw mixed and mild returns from the indices. SPX gained 0.2%, the NASDAQ rose 0.3%, and the Russell 2000 declined 0.4%. Breadth was weak as the NYSE Up Issues % closed at 47% and the NYSE Up Volume % posted a 43% reading. NYSE total volume declined some from Thursday's level.

While no compelling directional studies emerged, one factor that traders may want to consider is the fact that the 3/10 Offset HV indicator closed at just 0.09 on both Thursday and Friday. This suggests a volatility expansion is likely to occur in the next few days.

I [first introduced the 3/10 Offset HV in July of 2009](#). It simply takes a short 3-day measure of Historical Volatility and compares that to the 10-day measure of 3-days ago. Low readings indicate there has been a contraction in volatility. High readings indicate there has been an expansion. Anything at or below 0.25 is regarded as extremely low. Often after very low numbers like this we see a volatility expansion take place.

In the July 2009 study I found on average when the 3/10 Offset HV falls below 0.25, then the 3-day Historical Volatility reading 3 days later is about 5.5 times higher than on the trigger day. I decided to examine this again in 2015. I found that during the 2009-2015 period that HV over this time period increased on average 4.75x over the next 3 days. While lower, the point remained the same – relatively big moves often emerged after tight consolidations.

It's important to note that the 3/10 Offset HV indicator predicts volatility, not direction. For direction I look to the Aggregator. Tonight the Aggregator is neutral. So the low 3/10 Offset HV

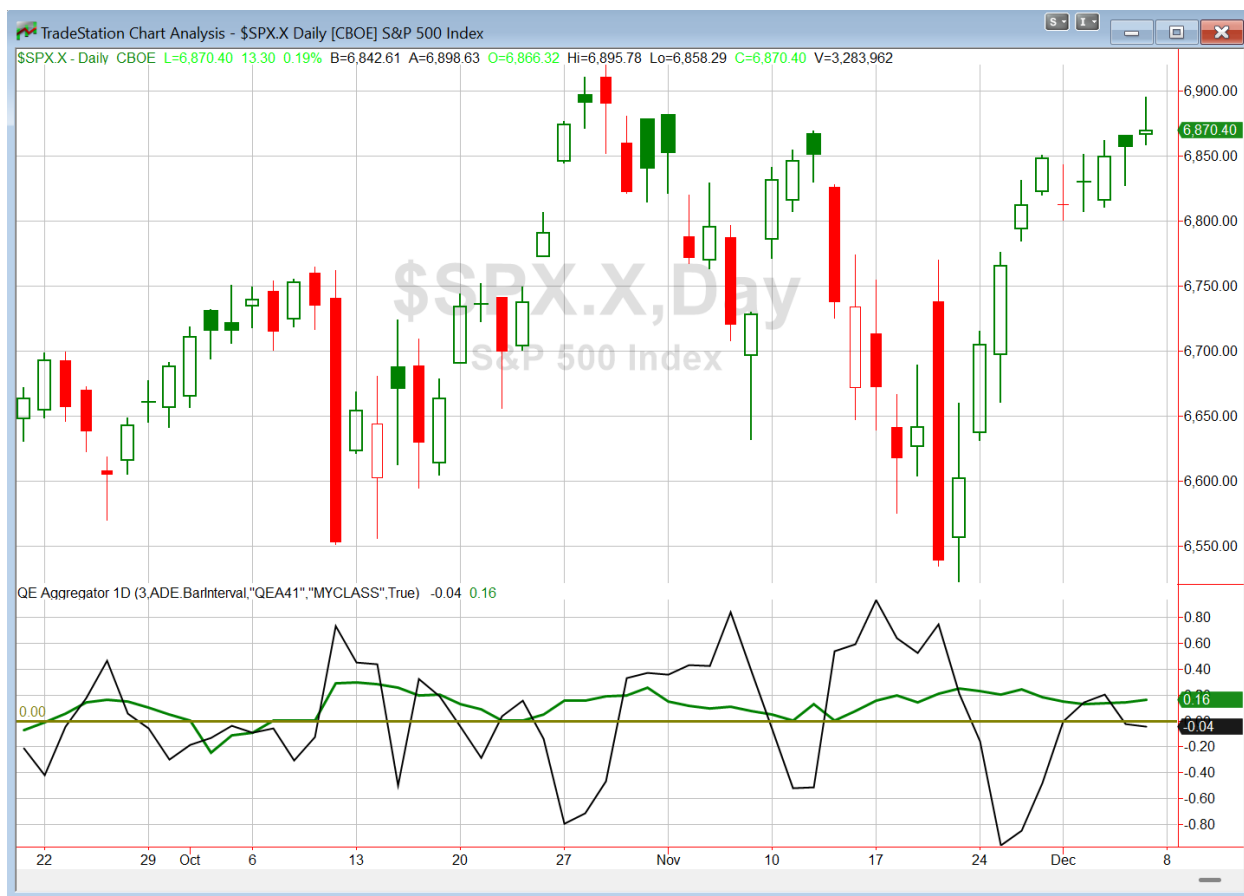
suggests that a move in either direction over the next few days could be outsized. This increases both reward potential and risk potential.

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

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
12/1/2025	57.91	1.449	0.134
12/2/2025	49.42	1.084	0.023
12/3/2025	58.89	1.410	0.113
12/4/2025	52.47	1.050	0.011
12/5/2025	55.66	1.215	0.075
12/8/2025	53.09	1.076	0.014
12/9/2025	50.67	1.112	0.030
12/10/2025	48.51	1.055	0.017
12/11/2025	50.09	0.874	-0.050
12/12/2025	51.03	1.179	0.051
12/15/2025	57.56	1.036	-0.015
12/16/2025	52.67	1.144	0.018
12/17/2025	53.35	0.836	-0.075
12/18/2025	50.41	0.829	-0.073
12/19/2025	48.23	0.825	-0.075
12/22/2025	59.69	1.652	0.160
12/23/2025	58.59	1.624	0.154
12/24/2025	57.09	1.583	0.133
12/26/2025	55.29	1.367	0.094
12/29/2025	55.44	1.325	0.081
12/30/2025	54.34	1.298	0.074
12/31/2025	52.84	1.257	0.054
Baseline	54.68	1.157	0.054

Numbers for the upcoming week are not terribly impressive. Even the bullish days – Monday, Tuesday, and Friday – are only marginally positive. So seasonality may not be a strong force for the upcoming week. No new studies are being added to the active list.

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



Without any new studies making the cut, 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 slightly 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 list of active studies, expectations are set to remain positive on Monday. This could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 6878.39. 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 is going to need to close up a little over 0.1% in order to remain "overbought" versus recent expectations. Anything other than that and it will turn "oversold" as of Monday's close.

So the Aggregator is neutral. Evidence is still pointing higher, but the overbought market reduces reward/risk. Not an ideal setup for taking on new index positions. I'm content to remain sidelined until a more compelling opportunity arises.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/8 – *bullish*

Combo #1	Combo #2	Combo #3	Combo #4
Long \$NDX	Long \$NDX	Long \$NDX	Long \$NDX

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 Models this week.*

The major stock indices saw moderate gains this past week. The SPX rose 0.3%, the NASDAQ climbed 0.9%, and the Russell 2000 gained 0.8%. Bonds struggled. The US Aggregate Bond ETF (AGG) fell 0.5%. TLT, the 20-year Treasury Bond ETF, tumbled 1.9%. The SPX and NASDAQ are near all-time highs, so the long-term uptrend appears to still be intact. There were not any 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.

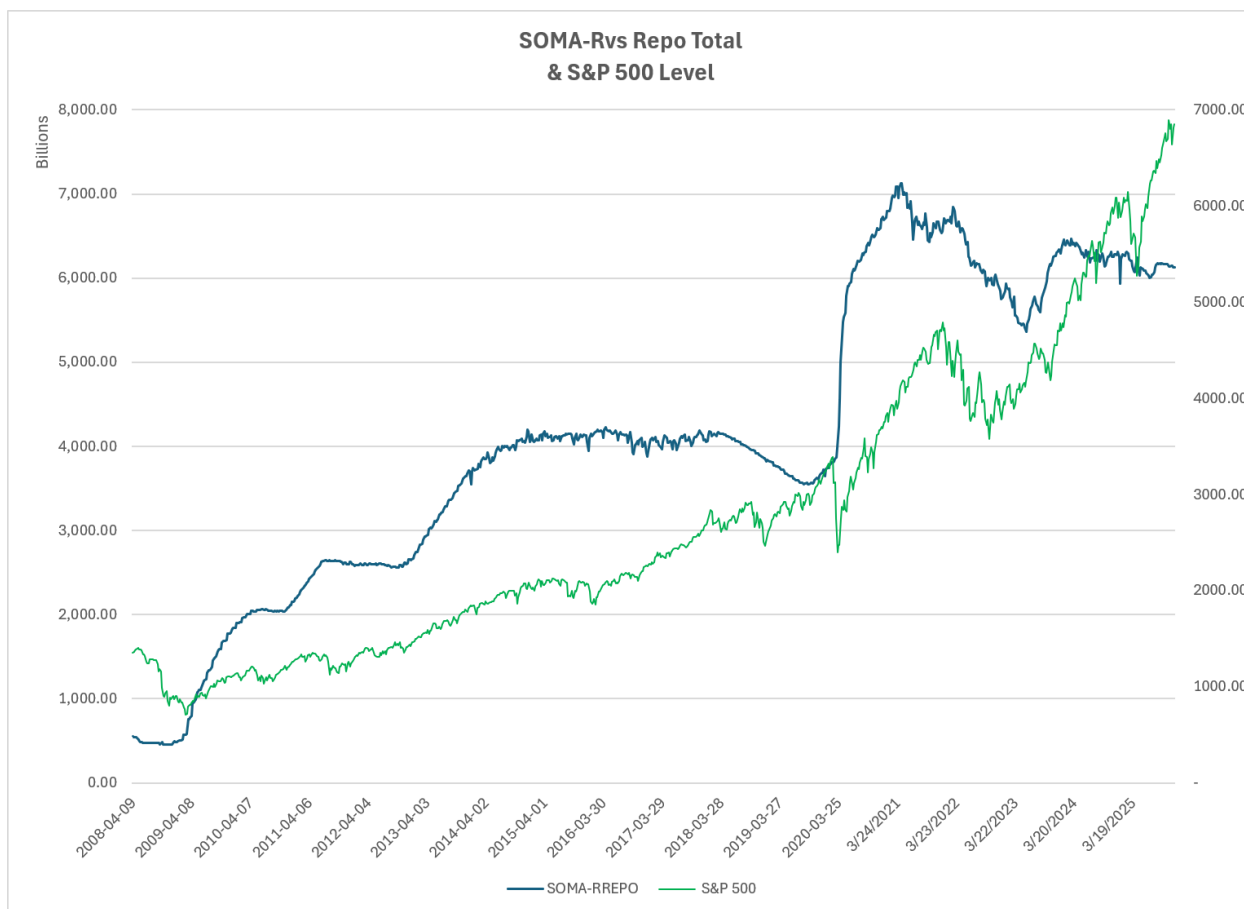
Export current release to: [CSV](#) | [XML](#)

Domestic Security Holdings as of
December 3, 2025
Posted December 4, 2025 at 4:30 PM

◀ Previous

SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	195,492,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,555,730,144.9
US Treasury Floating Rate Notes (FRNs)	14,298,365.0
US Treasury Inflation-Protected Securities (TIPS)*	309,716,153.4
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,045,824,659.7
Agency Commercial Mortgage-Backed Securities***	7,840,643.0
Total SOMA Holdings	6,131,249,892.6
Change From Prior Week	-2,694,617.8

The SOMA declined by a mild \$2.7 billion this past week. Meanwhile, reverse repos rose by \$300 million for the week ending 12/3/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a liquidity drain of about \$3 billion (through Wednesday the 3rd). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are near zero now. So unless that changes, they will not be providing much influence on liquidity flows. At the October Fed meeting, the Fed announced that Quantitative Tightening (QT) will end on December 1st. So that is now finished. The blue line might basically move sideways from now until the Fed changes policy again. Anything other than would be notable. I expect to see basically sideways movement for a while.

With regards to rates, additional cuts appear likely. December odds are 86% that rates will be reduced $\frac{1}{4}$ point. The Fed almost always does what the market expects. Meanwhile, January odds show a 90% chance they will be lower than they are currently. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.



Target Rate

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 27 Oct27

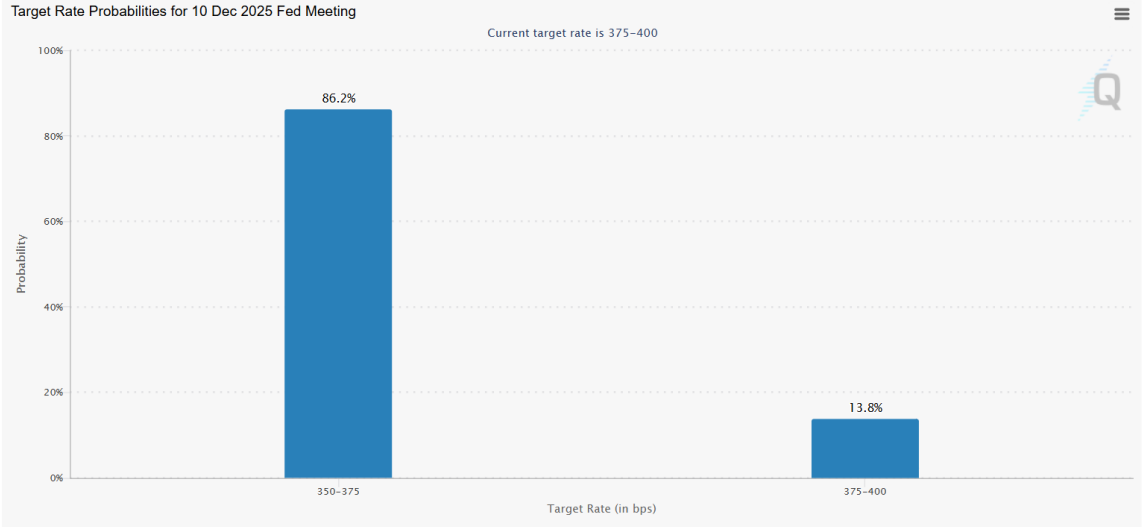
- Current
- Compare
- Probabilities
- Aggregated

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
10 Dec 2025	ZQZ5	31 Dec 2025	96.2625	32,124	338,320	86.2 %	13.8 %	0.0 %

- Historical
- Downloads
- Prior Hikes

- Dot Plot
- Chart
- Table

- Tools
- CVOL
- SOFR Watch
- ESTR Watch



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 5 DEC 2025	1 WEEK 28 NOV 2025	1 MONTH 6 NOV 2025
350-375	86.2%	86.2%	86.4%	69.6%
375-400 (Current)	13.8%	13.8%	13.6%	30.4%

* Data as of 6 Dec 2025 04:22:53 CT



Target Rate

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 27 Oct27

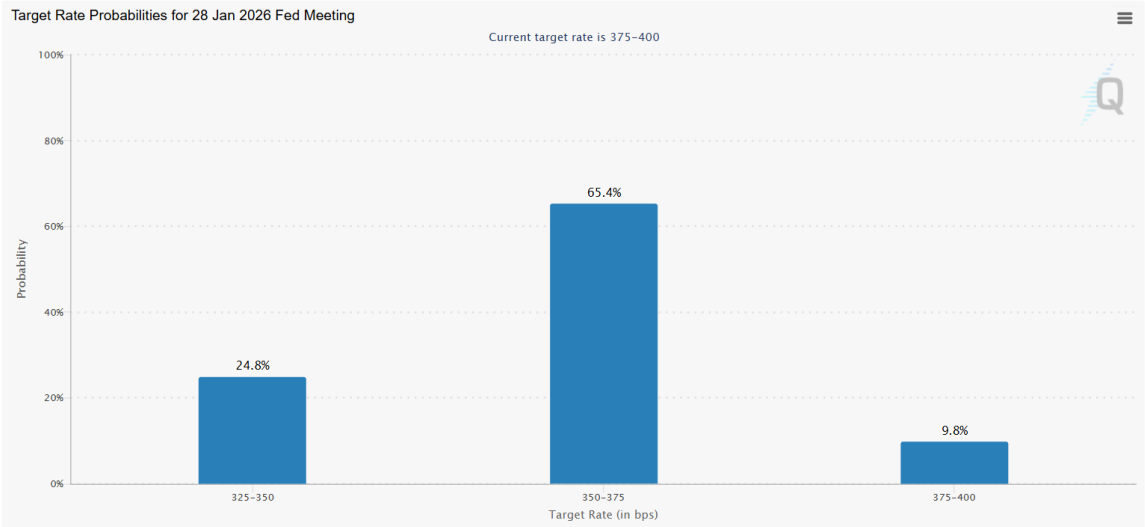
- Current
- Compare
- Probabilities
- Aggregated

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
28 Jan 2026	ZQF6	30 Jan 2026	96.3450	59,375	795,151	90.2 %	9.8 %	0.0 %

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TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 5 DEC 2025	1 WEEK 28 NOV 2025	1 MONTH 6 NOV 2025
325-350	24.8%	24.8%	23.0%	24.6%
350-375	65.4%	65.4%	67.1%	55.7%
375-400 (Current)	9.8%	9.8%	10.0%	19.6%

* Data as of 6 Dec 2025 04:30:41 CT

As we have seen over and over, odds continually shift, so we may see further refinement as we get closer to the January date. But right now, it appears we are highly likely to see at least one more cut.

Nothing really changed this week from an intermediate-term perspective. Last week we saw momentum and leadership studies pointing higher. The trend appears strong as SPX and NASDAQ are near new highs, and the Russell 2000 made a new high this past week. Seasonality is mixed but overall showing a bullish tilt – at least through the end of the year. The Fed has ended Quantitative Tightening (QT) and now appears dovish. Strong breadth back in April helped carry this market to new highs and beyond, but breadth recently showed split market conditions. The Hindenburg Omen cluster from the end of October is one indication of a split market, and a potentially bearish setup. The recent 5% pullback may be all the trouble that this Hindenburg Omen cluster is going to cause. We'll see. Stock valuations, geopolitics, and the economy are all potential catalysts for selling. With most evidence pointing higher, I will maintain my bullish bias. This means that I will be more inclined to take advantage of long-side opportunities than shorts.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

JNJ – 1/3 @ \$201.9 (buy @ limit)

LLY – 1/3 @ \$1010.31 (buy @ limit)

Broad Market Large Cap CBI – 2 (JNJ, LLY)

Additional New Trade Ideas

JNJ – Buy 1/3 index position @ \$201.93 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of JNJ.

LLY – Buy 1/3 index position @ \$1010.31 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of LLY.

Current Open Trade Ideas

None

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