

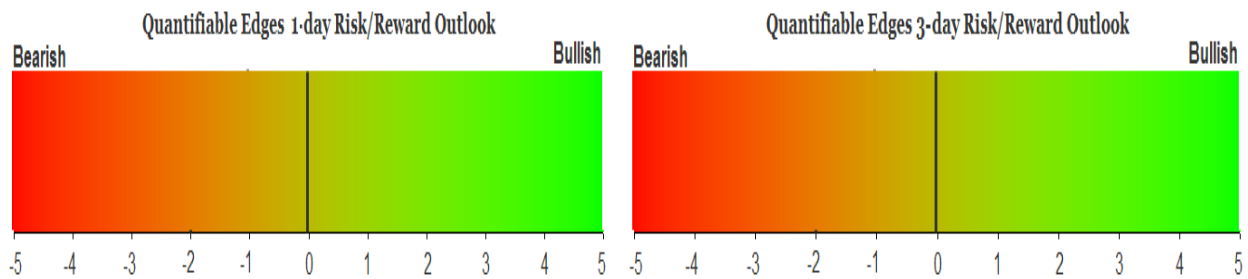
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 22, 2025

Volume 18 Issue 243

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Seasonality is looking strong.
- The Fed is dovish.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am too.

The Evidence

Friday saw the market pop higher and then drift upwards for much of the day. SPX finished up 0.9%, the NASDAQ gained 1.3%, and the Russell 2000 rose 0.9%. Breadth was positive as the NYSE Up Issues % closed at 51% and the NYSE Up Volume % posted a 54% reading. NYSE total volume spiked higher as it typically does on options expirations.

I am away this weekend with very limited time to produce a letter, so this is going to be unusually brief. We anticipated the bounce of the last two days, so it was not a surprise. Friday's action did not generate compelling new short-term evidence based on the studies in the Quantifiable Edges database. I did not spot anything new that would suggest a strong short-term edge either.

Seasonality should be strong over the next couple of weeks. Below is a look at the SPX Seasonality Calendar:

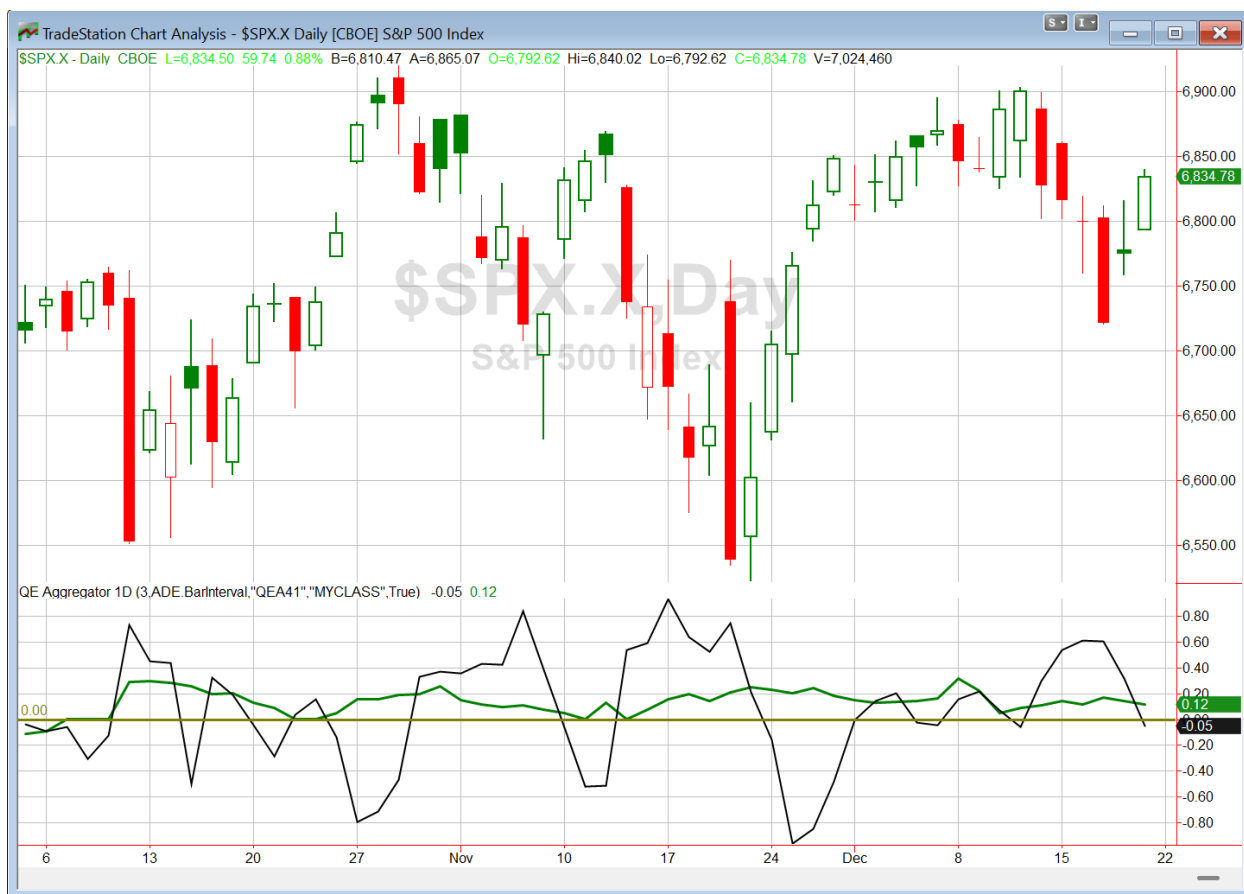
Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
12/1/2025	57.91	1.449	0.134
12/2/2025	49.42	1.084	0.023
12/3/2025	58.89	1.410	0.113
12/4/2025	52.47	1.050	0.011
12/5/2025	55.66	1.215	0.075
12/8/2025	53.09	1.076	0.014
12/9/2025	50.67	1.112	0.030
12/10/2025	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 this upcoming week and for the rest of the year are quite bullish. We will also see the “Twas 3 Nights Before Christmas” study kick in Monday night. I will discuss it in detail in Monday night’s letter, but here is a preview from the blog a few years ago:

<https://quantifiableedges.com/twas-3-nights-before-christmas-updated-nasdaq-version-2/>

No new studies are being added to the active list tonight, but we will have the “Twas 3 Nights Before Christmas” study kick in Monday night.

I have updated the Aggregator chart below.



With all the current 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 dropped 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. This is unlikely to change. Meanwhile, the Differential Pivot will be 6749.22. That is 1.25% below Friday's close. Therefore SPX will need to close down at least 1.25% on Monday in order to flip from overbought to oversold versus expectations.

So the Aggregator is now neutral. Expectations are positive we have a strong seasonal period the next couple of weeks. So trying to short at this time would be risky. But with SPX now short-term overbought, reward/risk potential for bulls also is not great. I'll be looking to flatten out current short-term index trade ideas, and will wait for a more compelling reward/risk setup before looking to take on new index positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/22 – *bullish*

Combo #1	Combo #2	Combo #3	Combo #4
Long \$SPX	Long \$SPX	Flat	Long \$SPX

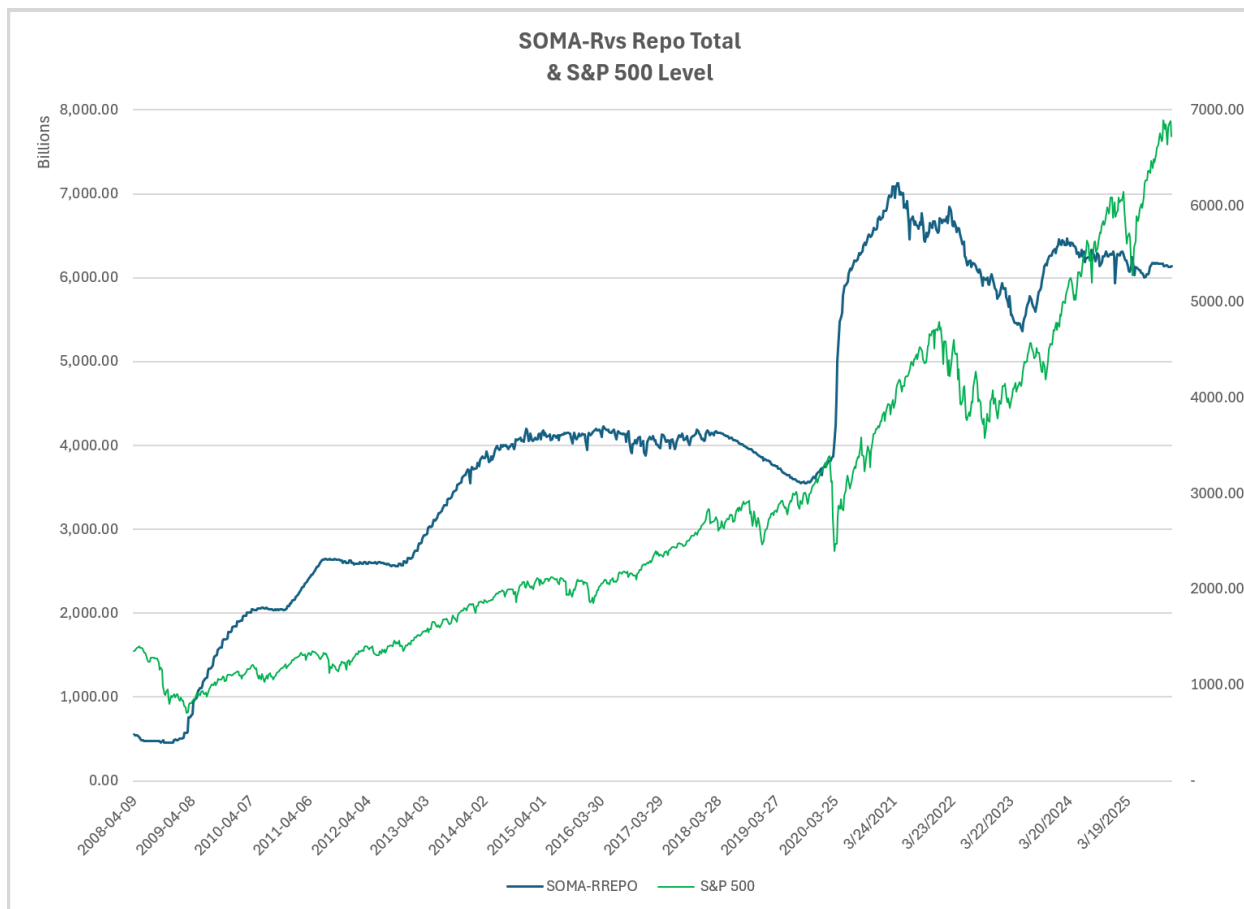
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, which is included with all annual subscriptions. *All 4 Combo models saw their signals remain the same this week.*

The major stock indices were mixed this past week. The SPX rose 0.1%, the NASDAQ gained 0.5%, and the Russell 2000 lost 0.9%. Bonds rose. The US Aggregate Bond ETF (AGG) climbed 0.6%. TLT, the 20-year Treasury Bond ETF, increased 0.6%. The SPX is only about 1% from a new all-time high, so the long-term uptrend appears to still be intact. No new studies emerged with intermediate-term implications.

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

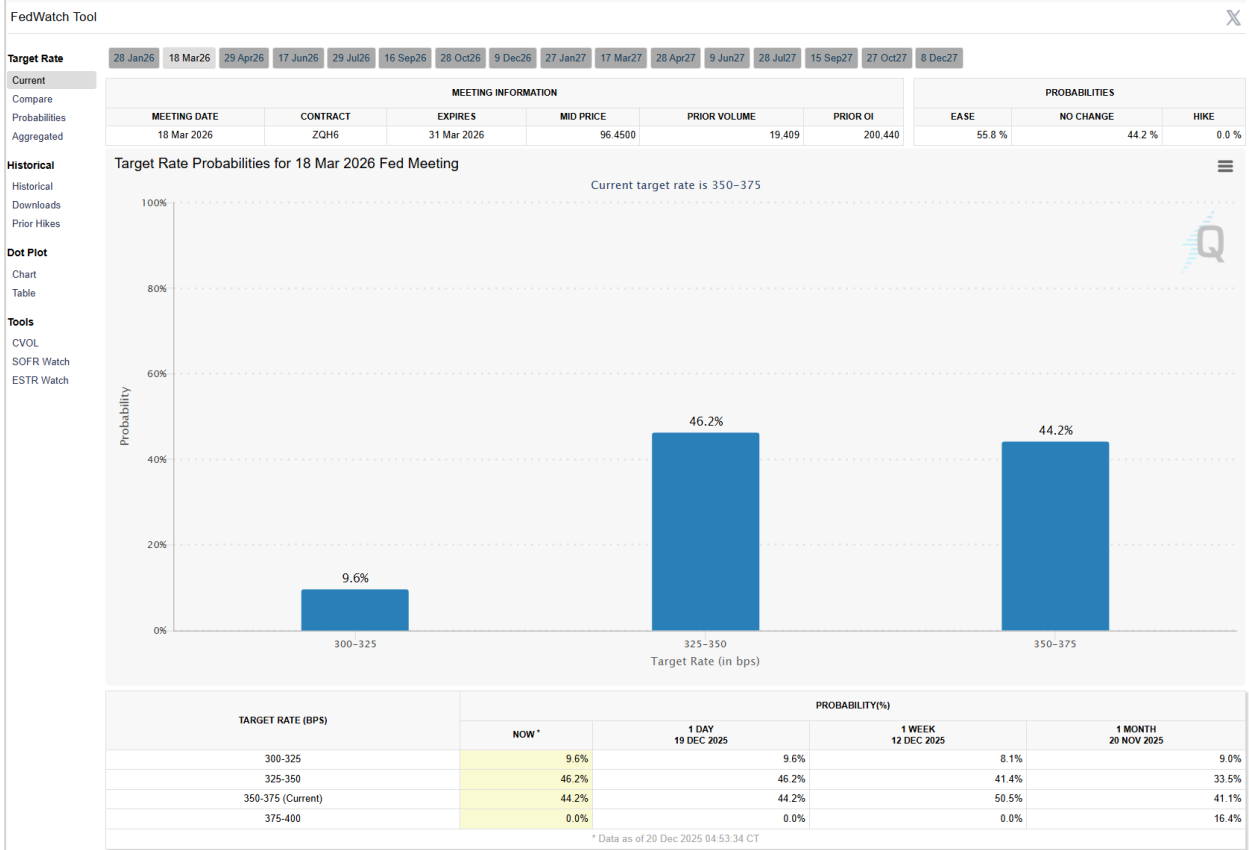
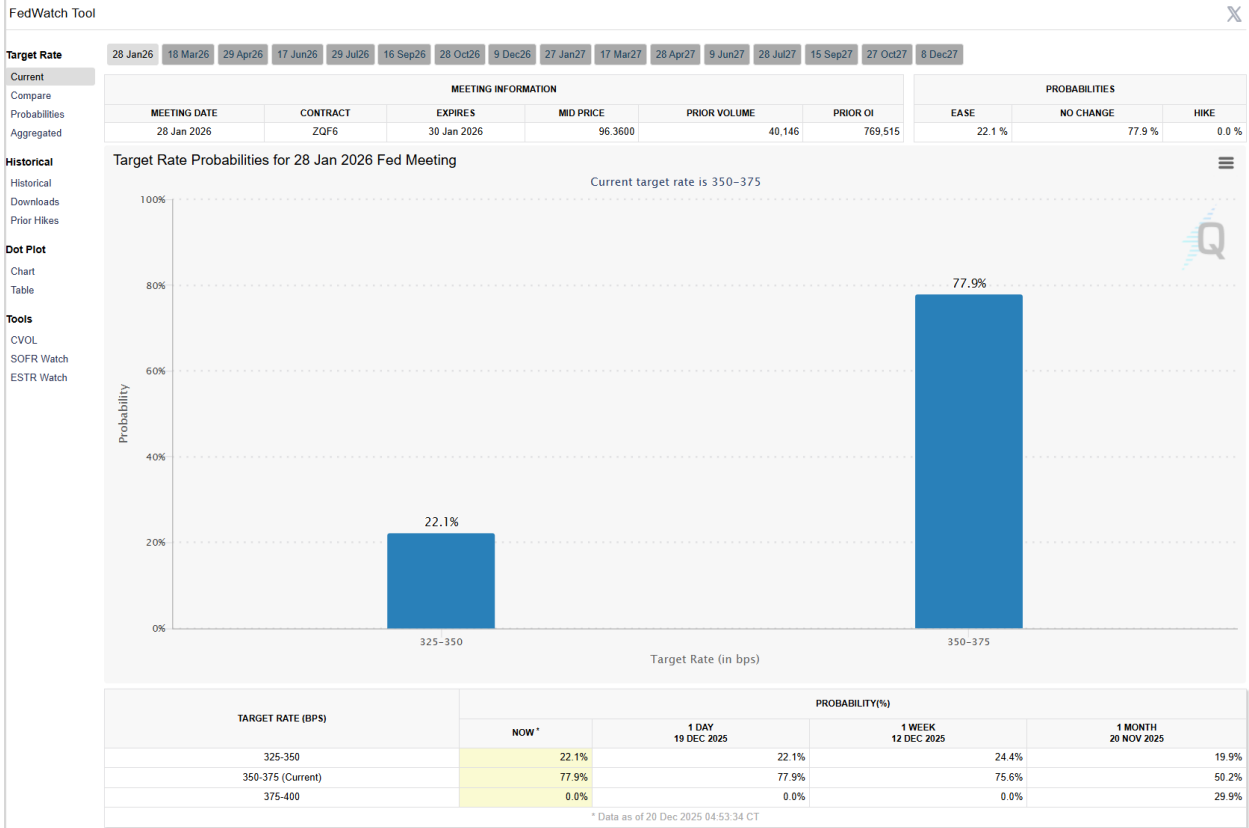
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	210,460,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,555,730,144.9
US Treasury Floating Rate Notes (FRNs)	14,298,365.0
US Treasury Inflation-Protected Securities (TIPS)*	309,716,153.4
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,045,638,704.8
Agency Commercial Mortgage-Backed Securities***	7,837,683.5
Total SOMA Holdings	6,146,028,978.3
Change From Prior Week	14,779,085.6

The SOMA jumped near \$15 billion this week as QE is back. Meanwhile, reverse repos rose a bit over \$5 billion for the week ending 12/17/25. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a liquidity injection of about \$9.5 billion (through Wednesday the 17th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are still near zero now. So unless that changes, they will not be providing much influence on liquidity flows. We are now getting the first bit of Quantitative Easing in a while, and that may provide a nice tailwind for the bulls.

With regards to rates, odds did not change much. January shows just 22% chance of a cut right now. Meanwhile, March odds show a 56% chance they will be lower than they are currently. 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 meeting dates. But right now, there appears to be a decent possibility of a 25 basis point cut at one of the next few meetings.

Nothing substantial changed from an intermediate-term standpoint this past week. We still have a price action study from last weekend that is active. We are in a bullish seasonal period for the next few weeks. The trend also appears to be on the side of the bulls with indices above long-term averages and not far from new all-time highs. The Fed also appears dovish since it is cutting rates and also increasing the size of the SOMA. But the NASDAQ remains in a lagging position versus the SPX, which is an unfavorable setup. Stock valuations, geopolitics, and the economy are all potential catalysts for selling. Still, I will maintain my bullish bias at least for the next week or two. We may be losing some of the intermediate-term influences as we get past the New Year, so it will be important to see what evidence emerges over the next few weeks. But for now, I am more inclined to take advantage of long-side opportunities than shorts.

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/15/2025	\$681.76	\$682.58	0.12%	div adjusted - sell on open
SPY(1/4)	12/17/2025	\$671.40	\$682.58	1.67%	div adjusted - sell on open

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