

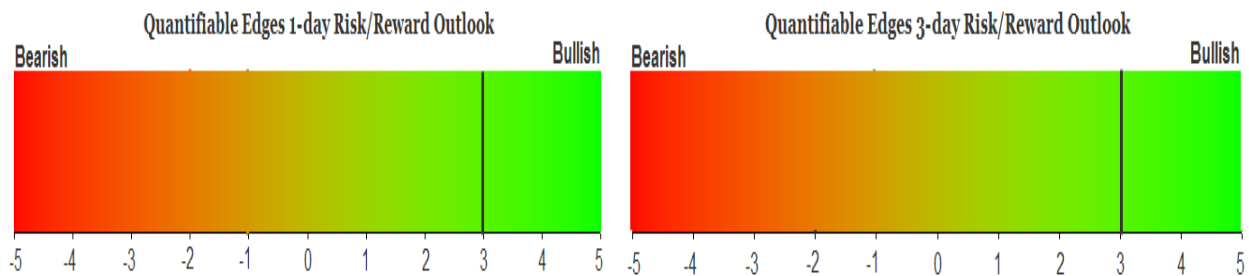
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 5, 2026

Volume 19 Issue 2

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Friday's moderate bounce suggests Monday could see more of a bounce.
- The SOX strength on a day NASDAQ declined suggests a rise on Monday.
- The January Seasonality Calendar looks quite bullish.
- Despite a dip in the SOMA this last week, Fed policy still appears dovish.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Reward/risk appears favorable for the long side.

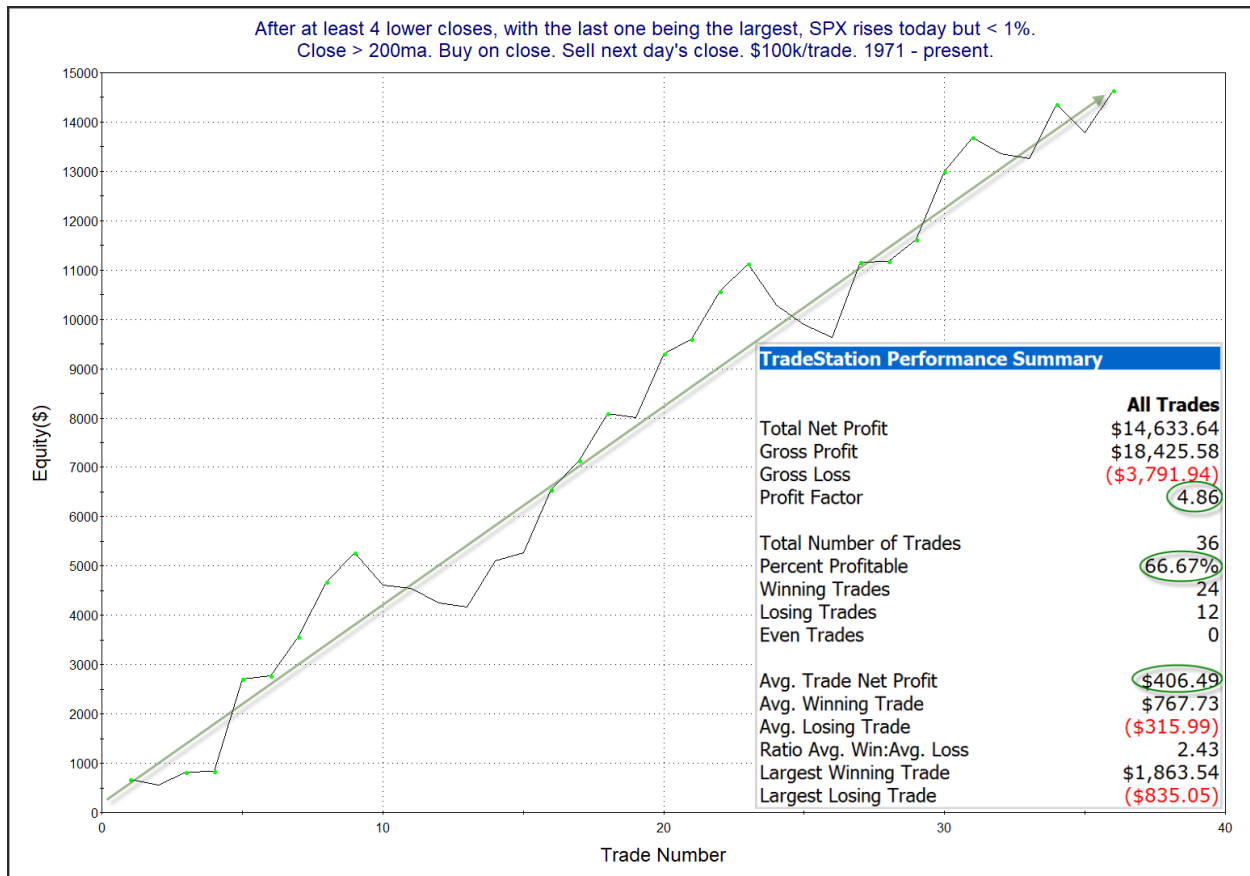
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 5, 2026	NASDAQ down. SOX up > 1%	1 day	Bullish			
January 5, 2026	Dn 4. Yest biggest. Up small today	1 day	Bullish			
January 2, 2026	Dn 4. Today biggest. Close > 200	1-5 days	Bullish			
January 2, 2026	Btm Rng 5-low not Monday	1-5 days				
December 23, 2025	Twas 3 night before Christmas	1-8 days	Bullish			
Active - Long Term						
December 29, 2026	5 up to 50-high then down 1.	1-10 days	Bullish	1.80%	-1.10%	-2.30%
December 15, 2025	QE active. Rates dropping. Fed dovish	int term	Bullish			
December 15, 2025	QQQ 5 lower lows & big 1-day drop	1-18 days	Bullish	9.00%	-4.20%	-7.60%
December 15, 2025	Dec Opex week bullish	1-15 days	Bullish	3.30%	-1.90%	-4.10%
December 15, 2025	NASDAQ lagging	int term	Neutral			
November 3, 2025	Best 6 Months	1-6 months	Bullish			
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			

The Evidence

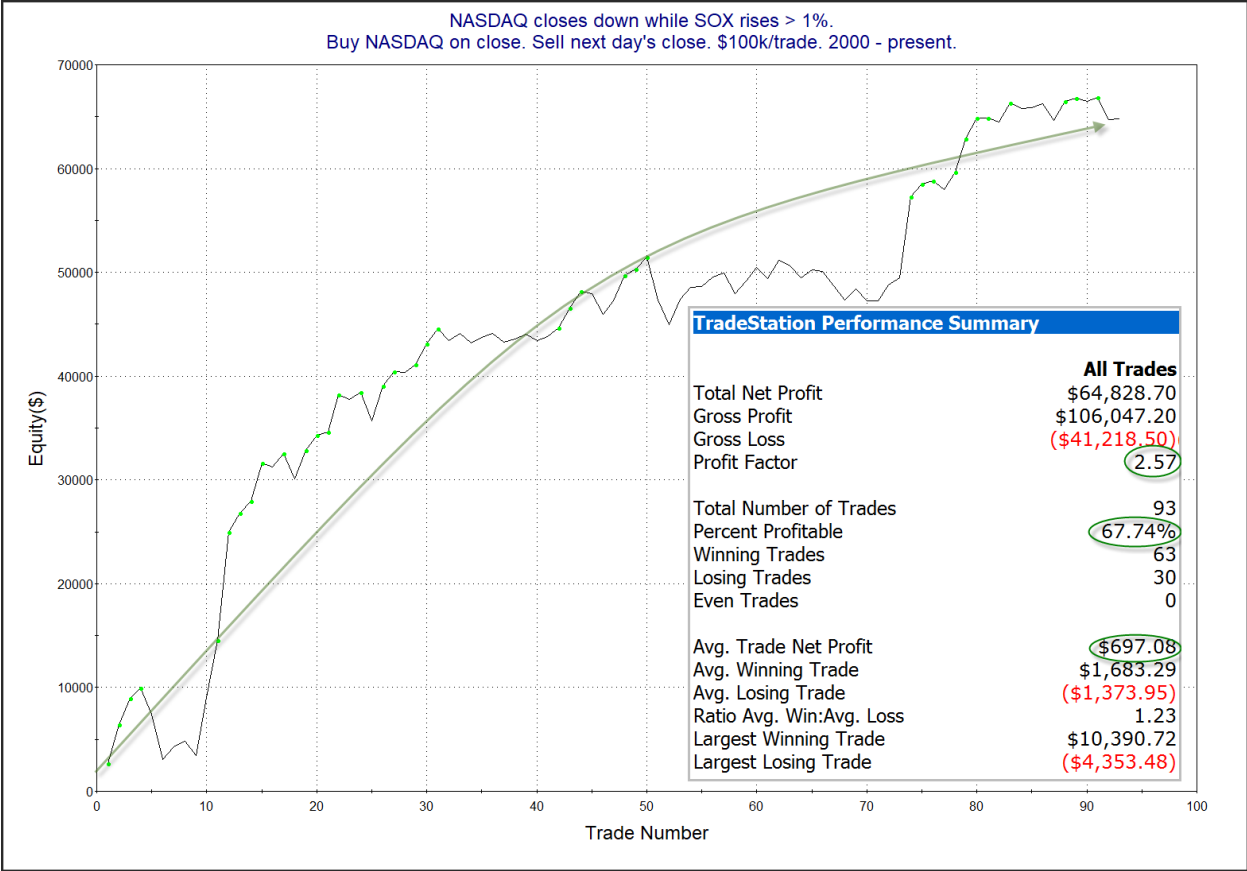
Friday started strong but finished mixed. SPX rose 0.2%, the NASDAQ dropped 0.03%, and the Russell 2000 rallied 1.1%. Breadth was strong as the NYSE Up Issues % closed at 67% and the NYSE Up Volume % posted a 70% reading. NYSE total volume rose some from Wednesday's level.

So after 4 days in a row of closing lower and an acceleration down on Wednesday, SPX had a moderate up close on Friday. This somewhat muted action triggered the study below, which was last featured in the 12/19/25 letter.

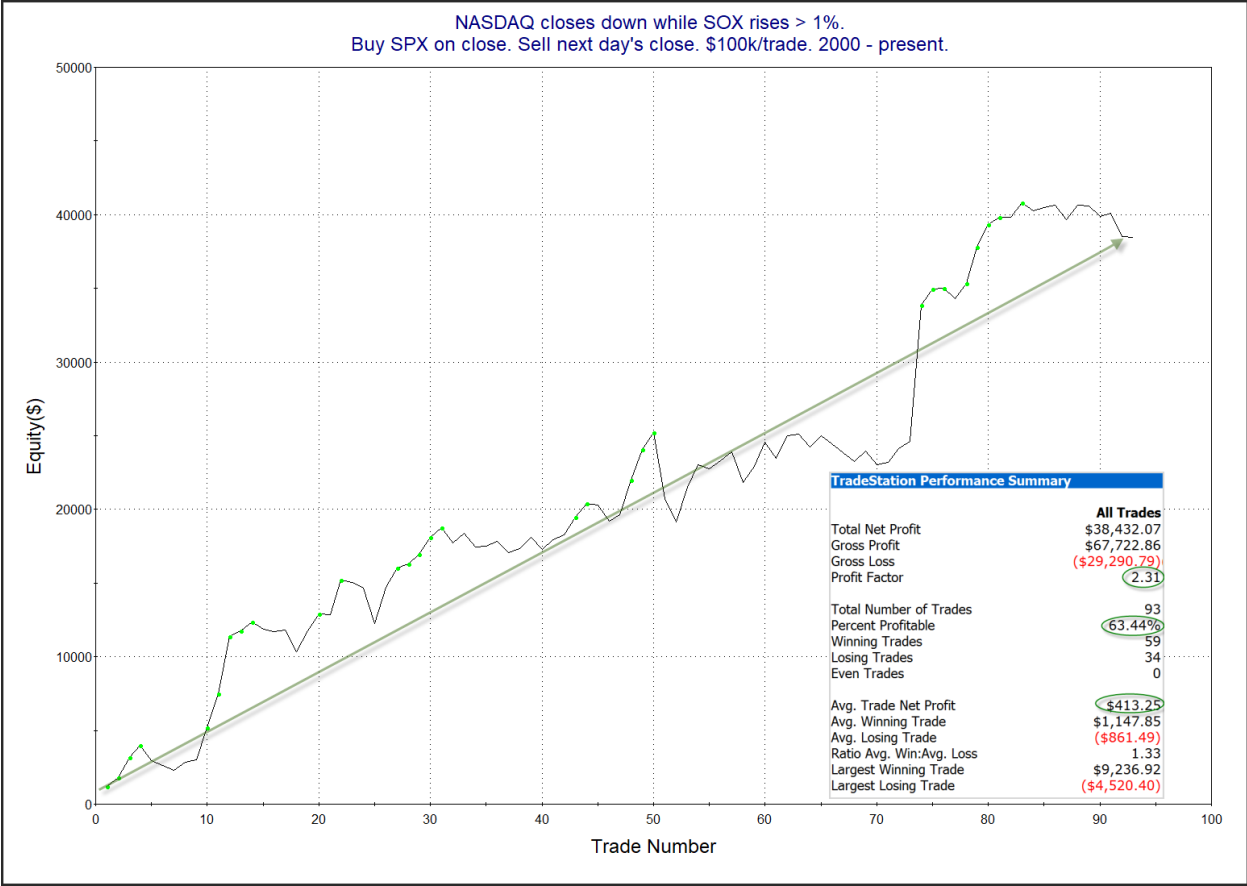


The stats and the curve are both impressive. I have put this back on the active list today.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 4.0%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which was last seen in the 12/9/25 letter. Results are updated.



Not exactly a steady rise, but the move and numbers are impressive nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



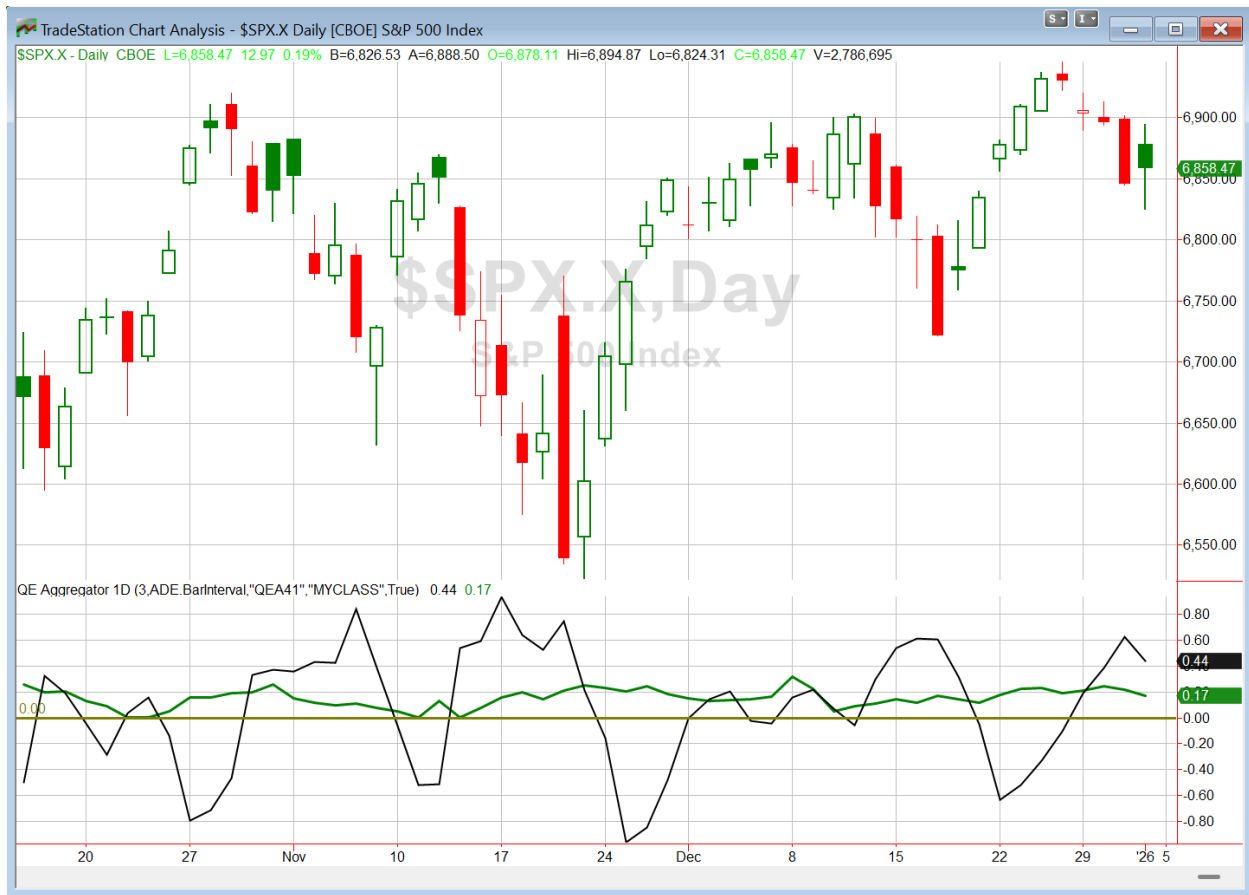
Results here appear steady but less explosive. Overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

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

Quantifiable Edges Seasonality Calendar			
\$SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
1/2/2026	56.72	1.222	0.066
1/5/2026	55.38	1.270	0.082
1/6/2026	51.92	1.060	0.008
1/7/2026	61.99	1.430	0.109
1/8/2026	56.06	1.026	-0.008
1/9/2026	56.82	1.337	0.092
1/12/2026	57.37	1.277	0.074
1/13/2026	55.28	1.329	0.094
1/14/2026	59.97	1.537	0.148
1/15/2026	55.94	1.349	0.088
1/16/2026	54.12	1.282	0.061
1/20/2026	52.91	1.367	0.100
1/21/2026	52.50	1.090	0.012
1/22/2026	54.05	1.320	0.091
1/23/2026	55.96	1.208	0.060
1/26/2026	58.12	1.305	0.089
1/27/2026	55.06	1.171	0.056
1/28/2026	49.96	1.067	0.024
1/29/2026	56.08	1.185	0.060
1/30/2026	55.55	1.089	0.034
Baseline	54.68	1.161	0.055

That is a strong-looking month, with nearly every day showing up green. So we may still have a seasonal breeze at our back for much of January despite exiting the Christmas/New Years period.

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 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 bullish 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 6940.35. That is 1.2% above Friday's close. Therefore, SPX will need to close up 1.2% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. I like the reward/risk potential and believe there is an upside edge. I have some long index exposure already. I will simply look to maintain that position for now – neither looking to add nor looking to trim it.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/5 – bullish

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

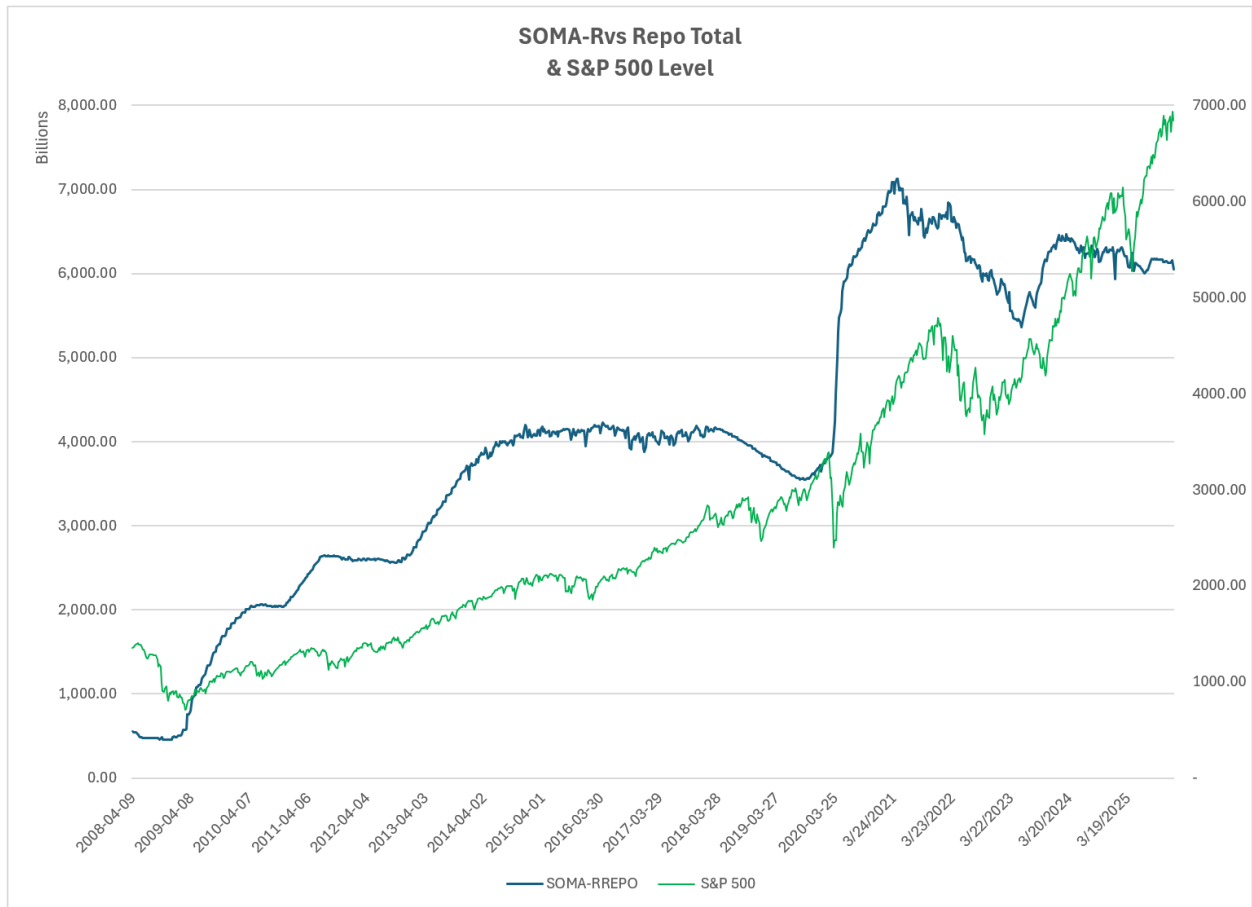
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course,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

The major stock indices all struggled this past week. The SPX lost 1.0%, the NASDAQ fell 1.5%, and the Russell 2000 declined 1.0%. Bonds also had a tough week. The US Aggregate Bond ETF (AGG) closed down 0.2%. TLT, the 20-year Treasury Bond ETF, dropped 0.8%. The indices remain well above their long-term averages, so the uptrend appears to be intact. There were no new 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.

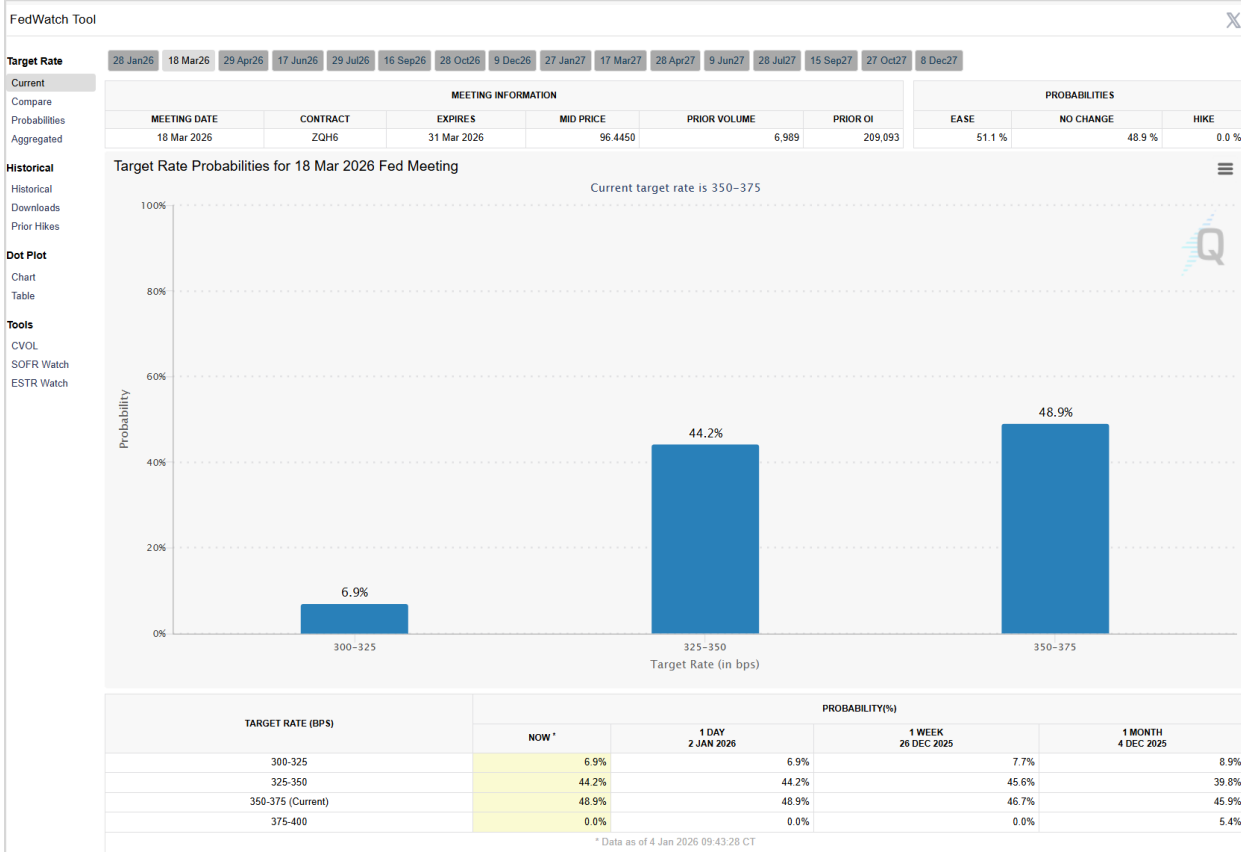
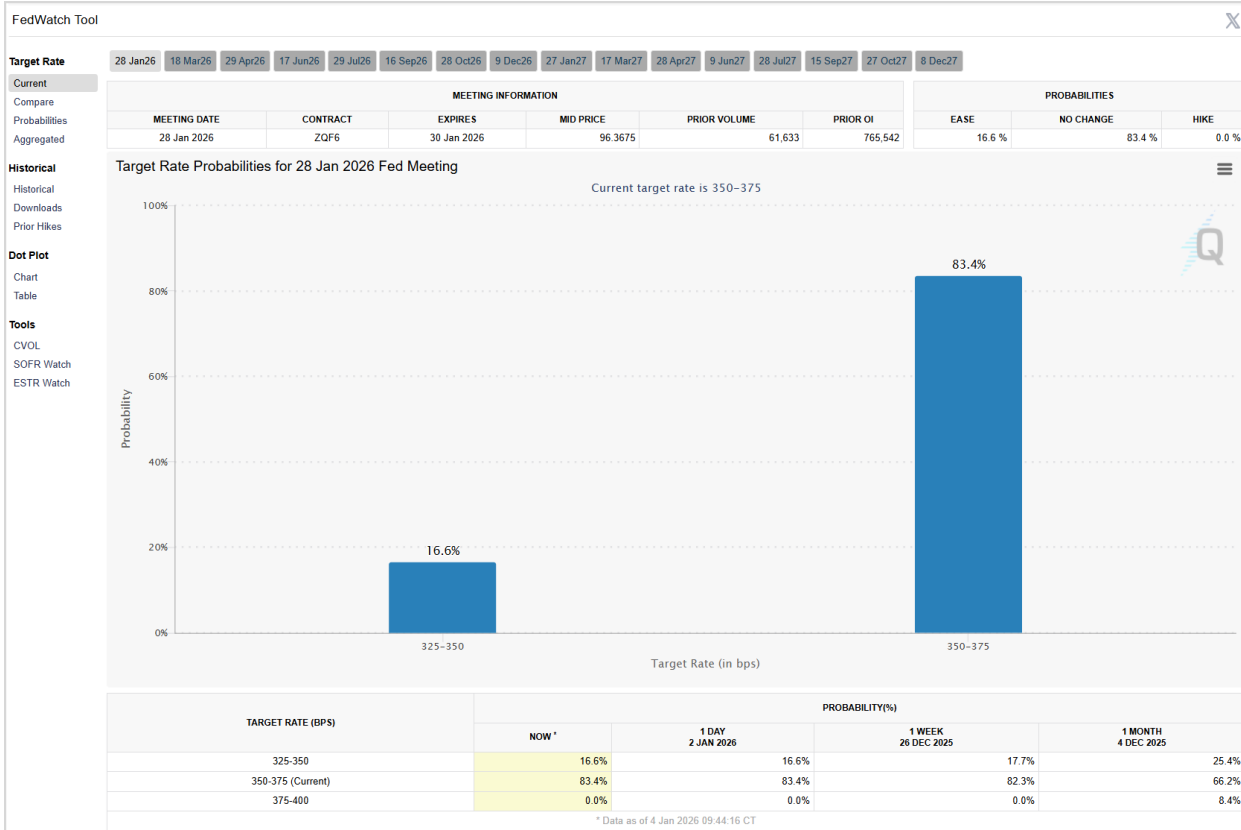
Domestic Security Holdings as of	
◀ Previous	December 31, 2025 📅
Posted January 2, 2026 at 4:30 PM	
SUMMARY	T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	233,591,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,553,172,344.2
US Treasury Floating Rate Notes (FRNs)	14,298,365.0
US Treasury Inflation-Protected Securities (TIPS)*	312,273,954.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,031,271,929.8
Agency Commercial Mortgage-Backed Securities***	7,751,629.9
Total SOMA Holdings	6,154,707,149.7
Change From Prior Week	-11,550,986.0

The SOMA declined over \$11.5 billion this week in an unusual move. Meanwhile, reverse repos rose by a massive \$101 billion for the week ending 12/31/25. This all seemed to be a wild end-of-year adjustment as it was reduced by \$100 billion the very next day. Typically, a rise in reverse repos can act as a liquidity reduction. Combined for the week, SOMA and reverse repo action accounted for a liquidity reduction of about \$113 billion (through Wednesday the 31st), though much of it may have been artificial, since it unwound the following day. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are quickly back near zero. So unless that changes, they will not be providing much influence on liquidity flows. We are getting the first taste 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 a 17% chance of a cut right now. Meanwhile, March odds show a 51% 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.

Intermediate-term evidence still appears to be leaning bullish. We have some bullish price action studies still active from the last few weeks. The trend also appears to be on the side of the bulls with indices well above their long-term MAs. The Fed appears dovish since it is cutting rates and also increasing the size of the SOMA. Seasonality is mixed now as we are in the Best 6 Months (bullish) of a 2nd Presidential Year (bearish). 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 time being, since outright bearish signals are lacking. I remain more inclined to take advantage of long-side opportunities than shorts.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

AIG – 1/3 @ \$84.27 (buy @ limit)

Broad Market Large Cap CBI – 1 (AIG)

Additional New Trade Ideas

AIG – Buy 1/3 Catapult position @ \$84.27 LIMIT. From the Catapult section above, this is the 1st of up to 3 potential lots of AIG.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	12/30/2025	\$687.44	\$683.17	-0.62%	Aggregator
SPY(1/4)	12/31/2025	\$681.92	\$683.17	0.18%	Aggregator

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