

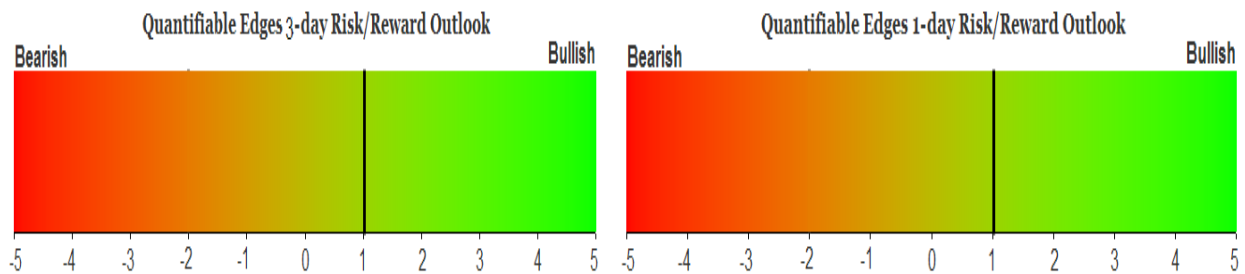
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 7, 2026

Volume 19 Issue 4

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	2

Tonight's Research Points

- 2 unfilled up gaps and a 50-day high are a short-term positive.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Evidence continues to point higher but SPX is now overbought.

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 7, 2026	SPY 2 unfilled up & 50-day high	1-4 days	Bullish	1.00%	-0.80%	-1.80%
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	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			

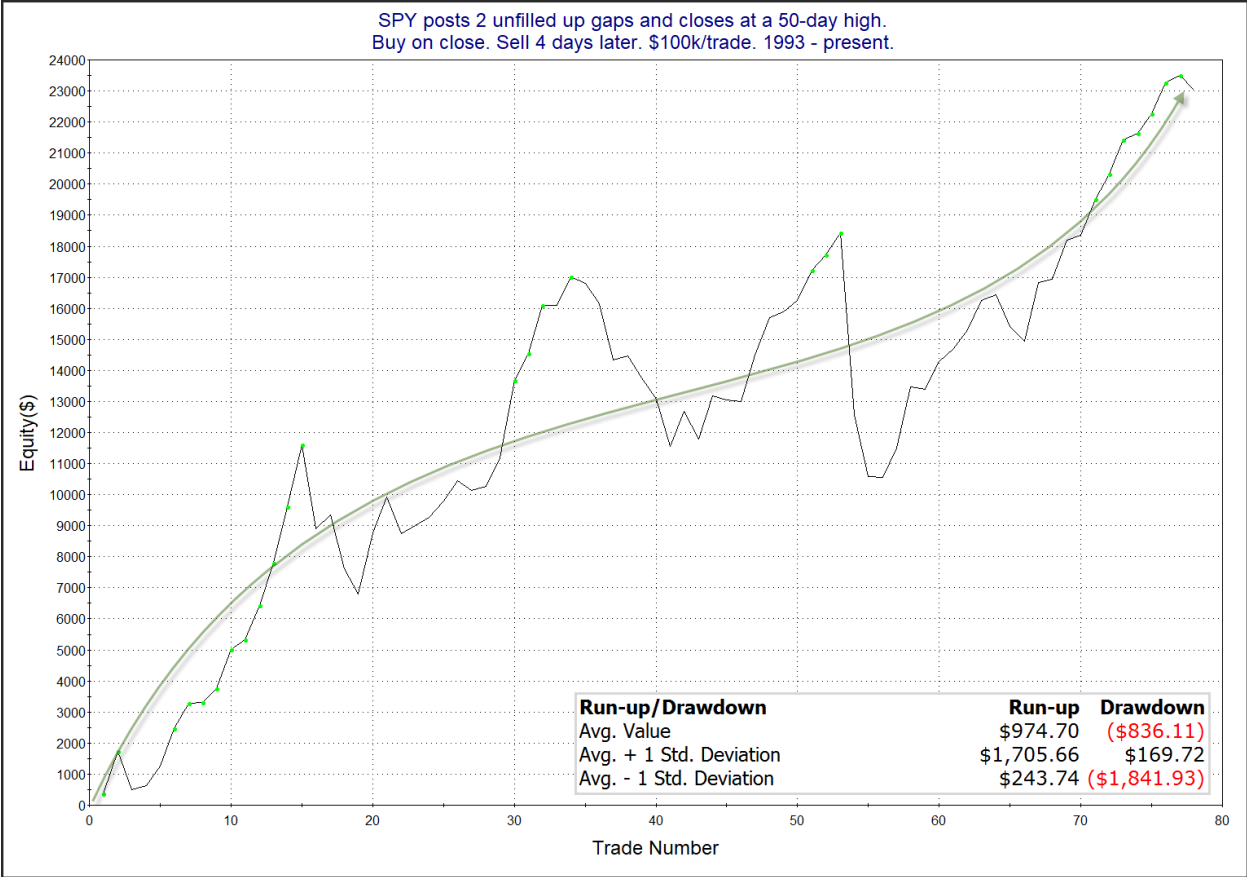
The Evidence

SPX closed higher for the 1st 3 days of a new year for the 1st time since 2018. SPX finished Tuesday up 0.6%, the NASDAQ climbed 0.65%, and the Russell 2000 rallied 1.4%. Breadth was strong as the NYSE Up Issues % closed at 65% and the NYSE Up Volume % posted a 69% reading. NYSE total volume declined some from Monday's level.

Tuesday not only saw SPY make a new high, but it was also the 2nd day in a row with an unfilled gap up. The study below was last seen in the 10/28/25 letter. It examined other times SPY left at least 2 unfilled up gaps and closed at a 50-day high.

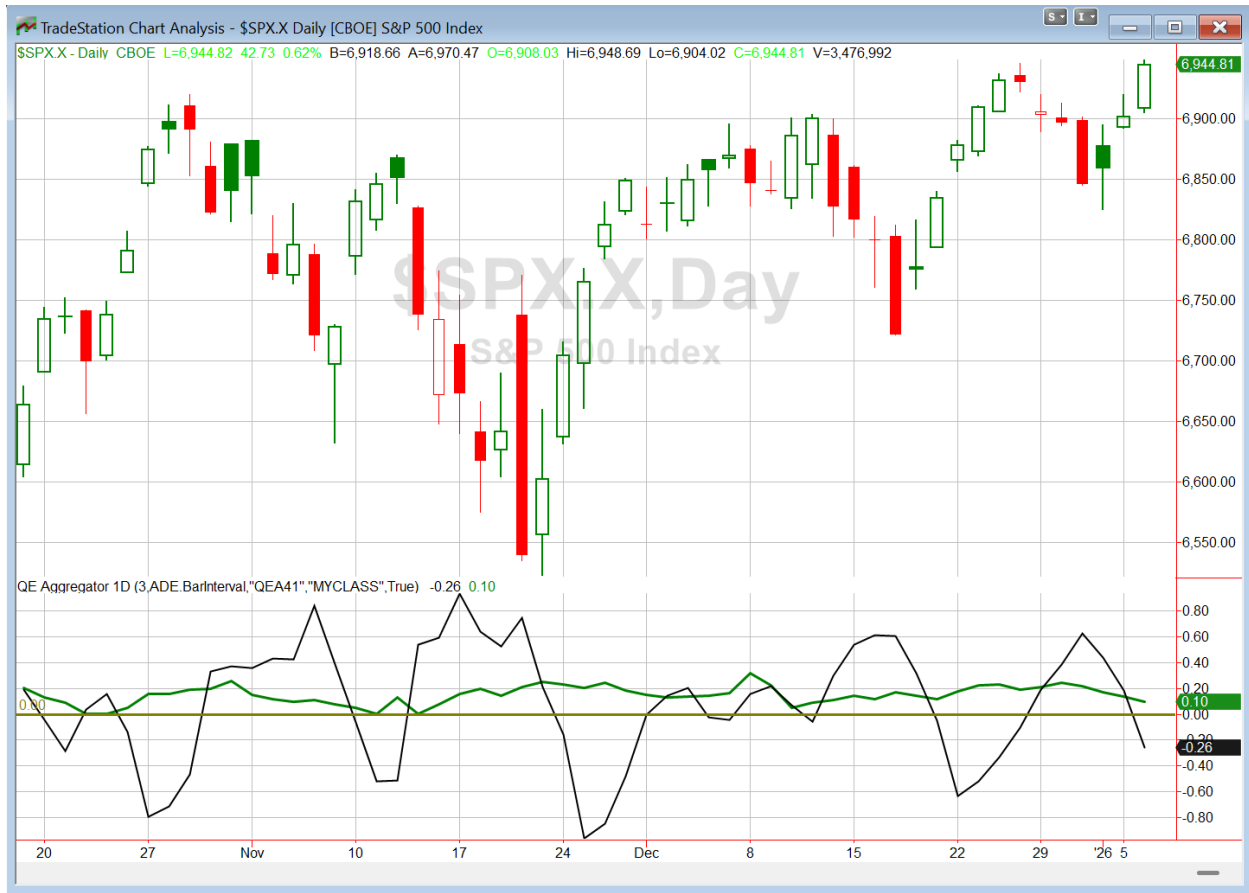
SPY posts 2 unfilled up gaps and closes at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	18,860.23	77	53	24	68.83	2,709.12	-4,990.35	897.95	-1,197.13	0.75	1.66	244.94
4	23,037.04	78	55	23	70.51	2,475.56	-5,867.91	865.94	-1,069.11	0.81	1.94	295.35
3	13,987.43	78	54	24	69.23	2,419.84	-6,980.31	637.50	-851.57	0.75	1.68	179.33
2	10,844.20	80	48	31	60.00	1,858.87	-1,729.75	533.11	-475.65	1.12	1.74	135.55
1	1,519.58	93	49	44	52.69	1,431.75	-1,942.24	328.20	-330.97	0.99	1.10	16.34

The size of the follow-through isn't terribly large, but the numbers appear consistent enough to warrant further examination. Below is the 4-day profit curve.



There were some sizable losers in 2020, including one in June of that year which lost nearly 6%. But the curve has certainly righted itself since then, rallying impressively since early 2021. I have decided to add this study to the active list.

I have updated the Aggregator chart below.



With tonight'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 dipped 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 Wednesday. This could change if strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 6901.77. That is 0.6% below Tuesday's close. Therefore, SPX will need to close down over 0.6% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. This was anticipated with the inverted pivot last night. It now seems like a good time to step out of short-term index positions and wait for the next compelling setup to emerge. That is what I will do in the Trade Ideas section down below.

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

AIG – 1/3 @ \$84.27 (bought @ limit)

New

AIG – 1/3 @ \$78.07 (buy @ limit)

Broad Market Large Cap CBI – 2 (AIG-2)

Additional New Trade Ideas

AIG – Buy 1/3 Catapult position @ \$78.07 LIMIT. From the Catapult section above, this is the 2nd of up to 3 potential lots of AIG.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
<i>SPY(1/4)</i>	<i>12/30/2025</i>	<i>\$687.44</i>	<i>\$688.00</i>	<i>0.08%</i>	<i>sold at limit</i>
SPY(1/4)	12/31/2025	\$681.92	\$691.81	1.45%	<i>sell on open</i>
AIG(1/3)	1/5/2026	\$83.56	\$78.07	-6.57%	Catapult

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