

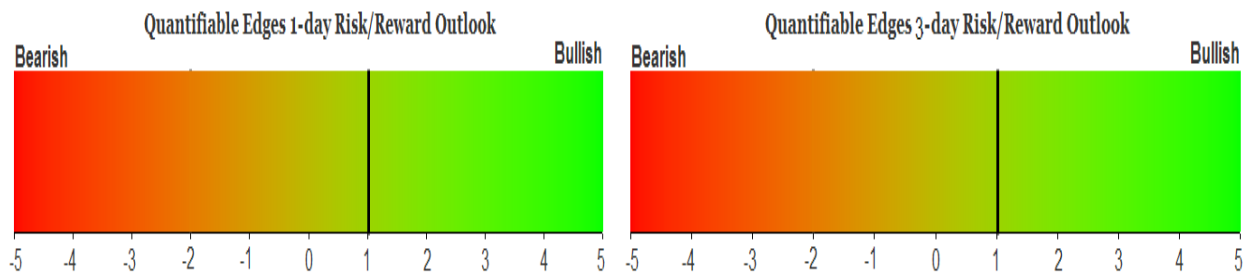
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 12, 2026

Volume 19 Issue 7

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	3

## Tonight's Research Points

- Opex week in January used to appear bearish. Not anymore.
- The Seasonality Calendar this upcoming week looks solidly bullish.
- The Fed is buying bonds and providing liquidity, and now Fannie Mae and Freddie Mac will be too.
- It looks like rates will be holding firm for a while now.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but short-term evidence is weak and SPX could easily flip to overbought on Monday. So I am not enthusiastic about the setup.

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

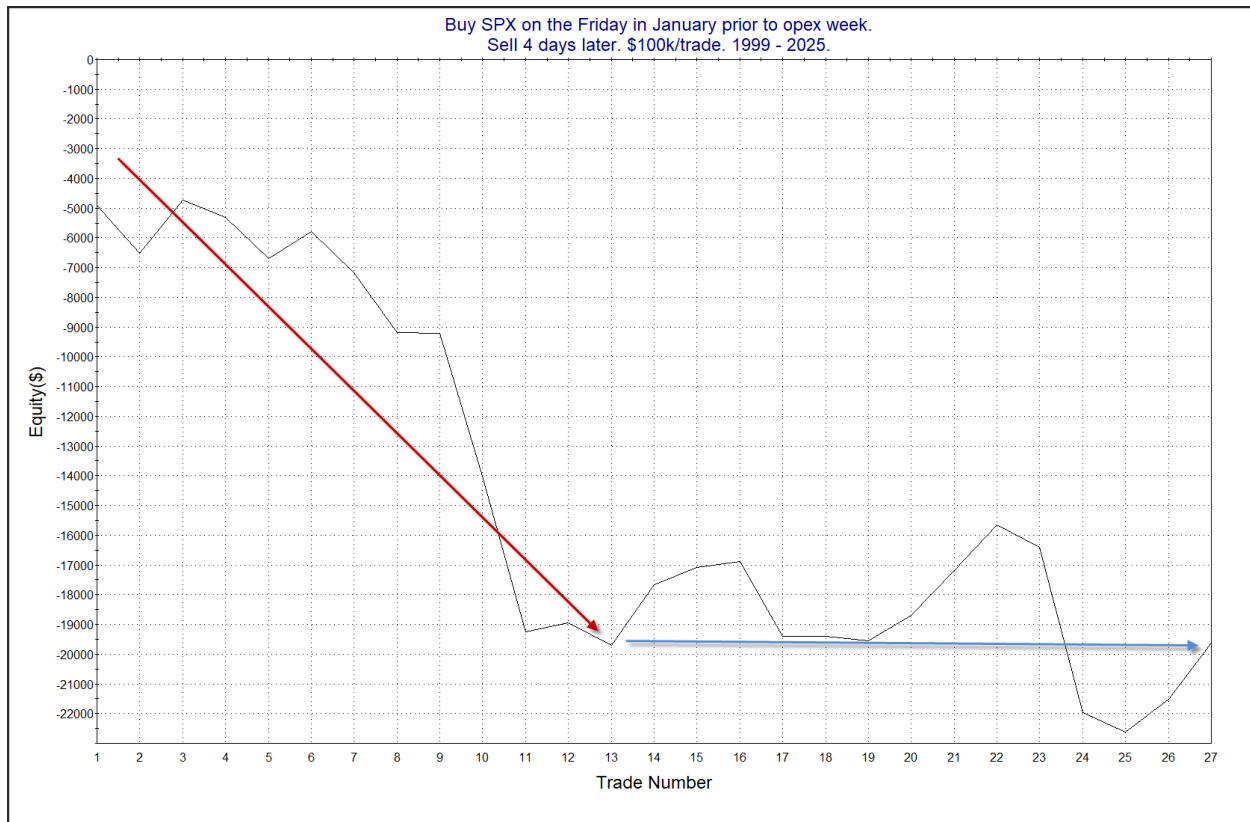
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
January 7, 2026	SPY 2 unfilled up & 50-day high	1-4 days	Bullish	1.00%	-0.80%	-1.80%
<b>Active - Long Term</b>						
January 8, 2026	SPX 20-day high and close btm 10% rng	1-10 days	Bullish	2.00%	-1.40%	-2.70%
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**

The major indices all did well on Friday. SPX closed up 0.65%, the NASDAQ gained 0.81%, and the Russell 2000 rose 0.78%. Breadth was positive as the NYSE Up Issues % closed at 64% and the NYSE Up Volume % posted a 58% reading. NYSE total volume rose some from Thursday's level.

Friday's rally meant another new high for SPX. The Russell 2000 also made a new high. The NASDAQ still has not eclipsed the all-time high set back near the end of October, but it is not far from it at this point. Despite the new highs, price action did not generate any compelling edges that I was able to identify.

Opex week (which occurs this upcoming week) is often bullish. But January opex week struggled for several years. At one point I viewed it as a potential negative. But that edge has not persisted. This can be seen in the chart below.



From 1999 to 2011 we almost always saw January opex week struggle (at least for the 1<sup>st</sup> 4 days of the week). But since then there has not been any substantial progress in either direction. So it is not something on its own that I would view as a potential positive or negative.

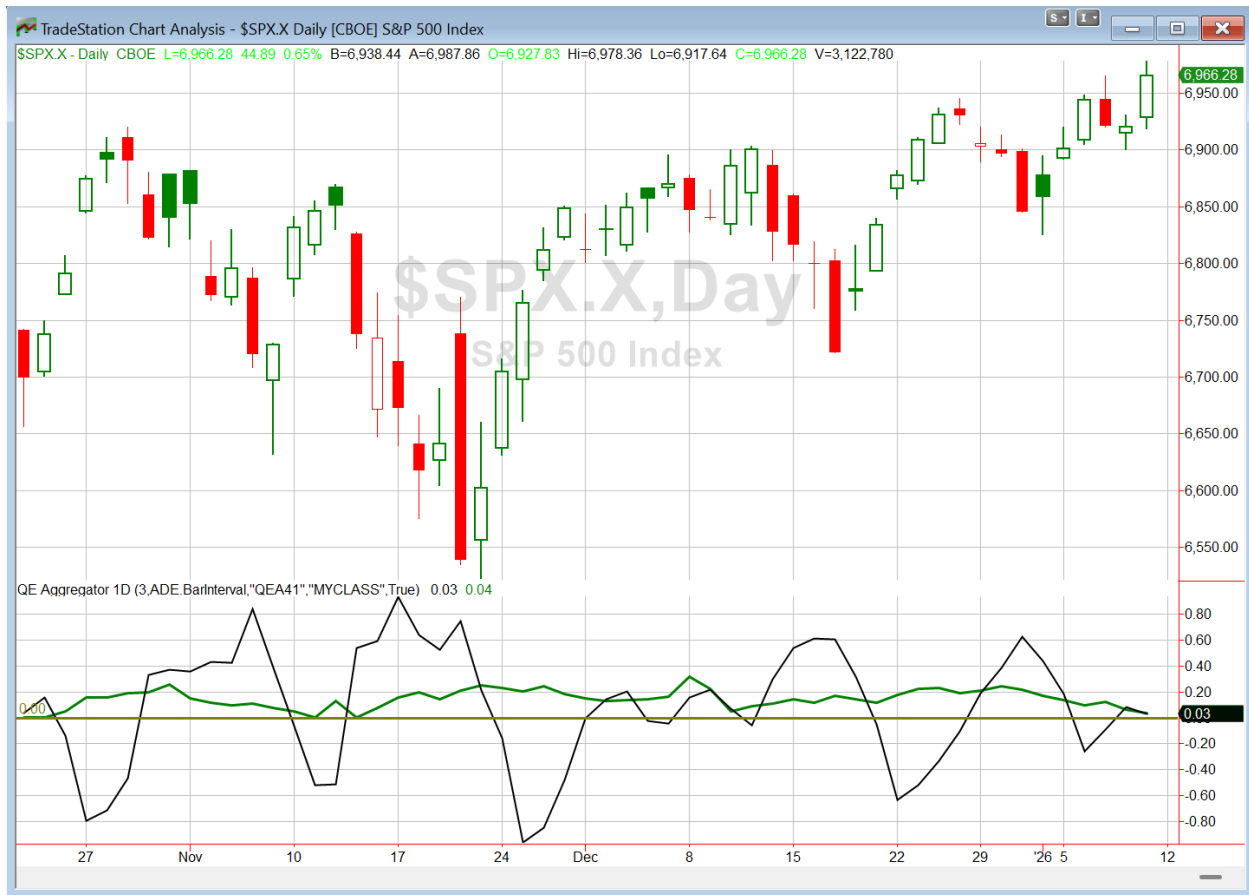
Of course the QE Seasonality Calendars use multiple algorithms to generate stats. It isn't just looking at week of month and month of year. And it also does not look back as far as this study. So let's see how this upcoming week looks on the SPX Seasonality Calendar.

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
<b>Baseline</b>	<b>54.68</b>	<b>1.161</b>	<b>0.055</b>

The numbers here are strong. Every day this upcoming week sees numbers above 50/1/0. Additionally, the Profit Factor and Avg % Chg exceed the baseline numbers every single day. So the market seems more likely to have a seasonal breeze at its back this upcoming week than it does a breeze in its face.

No new short-term studies are being added to the Active List this weekend. Several studies have expired over the last few days, leaving us with just one active short-term study, but still numerous intermediate-term studies.

I have updated the Aggregator chart below.



Without new and impactful studies triggering, 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 back 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 long at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. But with the last of the short-term active studies set to expire, those expectations will be entirely due to the intermediate-term evidence. So any new short-term studies that emerge over the next few days could have a substantial impact on expectations. Meanwhile, the Differential Pivot will be *inverted* at 6945.43. That is 0.3% *below* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, it will need to close down at least 0.3% on Monday in order to remain oversold. Anything other than that and it will flip to "overbought" versus recent expectations as of Monday's close.

So the Aggregator is bullish. But evidence is underwhelming and the Differential Pivot is inverted. I generally view inverted pivots as good opportunities to take profits – not good opportunities to take on new positions. So I won't be looking to add any new index exposure on Monday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 1/12 – *bullish***

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

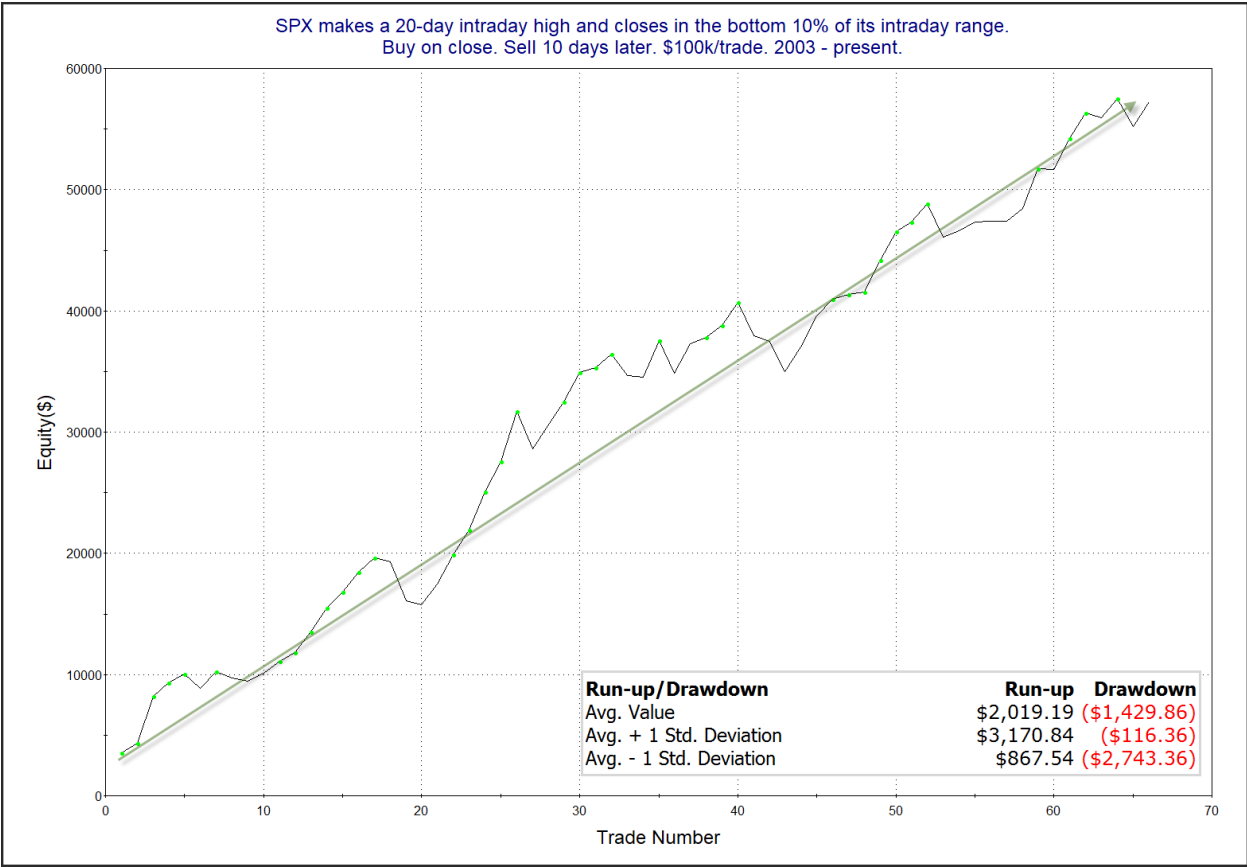
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course,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

The major stock indices all made nice progress this past week. The SPX rose 1.6%, the NASDAQ gained 1.9%, and the Russell 2000 jumped 4.6%. Bonds also rallied. The US Aggregate Bond ETF (AGG) closed up 0.3%. TLT, the 20-year Treasury Bond ETF, climbed 1.0%. The SPX and Russell 2000 both closed at new highs on Friday, so the long-term uptrend remains intact. In Wednesday night's letter I shared a study with potential intermediate-term implications. I have copied that study below.

*Early in the day the SPX managed to make a new intraday high. The new high followed by a poor close triggered the study below, which was last seen in the 7/16/25 subscriber letter. Results are updated.*

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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
10	57,234.40	66	49	17	74.24	4,119.18	-3,210.80	1,672.09	-1,452.81	1.15	3.32	867.19
9	52,684.85	67	48	19	71.64	3,613.36	-3,775.10	1,639.12	-1,368.05	1.20	3.03	786.34
8	52,565.13	68	50	18	73.53	4,483.84	-3,803.24	1,601.71	-1,528.90	1.05	2.91	773.02
7	43,193.41	69	50	19	72.46	3,761.94	-4,159.32	1,441.60	-1,520.34	0.95	2.50	625.99
6	40,119.55	70	51	19	72.86	3,703.30	-3,567.90	1,260.74	-1,272.52	0.99	2.66	573.14
5	23,011.58	70	43	27	61.43	4,377.84	-3,566.84	1,094.35	-890.57	1.23	1.96	328.74
4	20,964.62	73	48	25	65.75	5,024.25	-2,435.84	984.44	-1,051.55	0.94	1.80	287.19
3	18,613.37	73	46	27	63.01	3,368.93	-3,384.50	894.34	-834.30	1.07	1.83	254.98
2	21,817.75	73	45	28	61.64	3,288.48	-1,575.22	826.46	-549.04	1.51	2.42	298.87
1	15,364.78	74	50	24	67.57	2,588.08	-2,471.25	556.58	-519.35	1.07	2.23	207.63

*Results here seem to suggest an upside edge...*



*The persistent upslopes appear to confirm the upside edge suggested by the statistics.*

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

Domestic Security Holdings as of

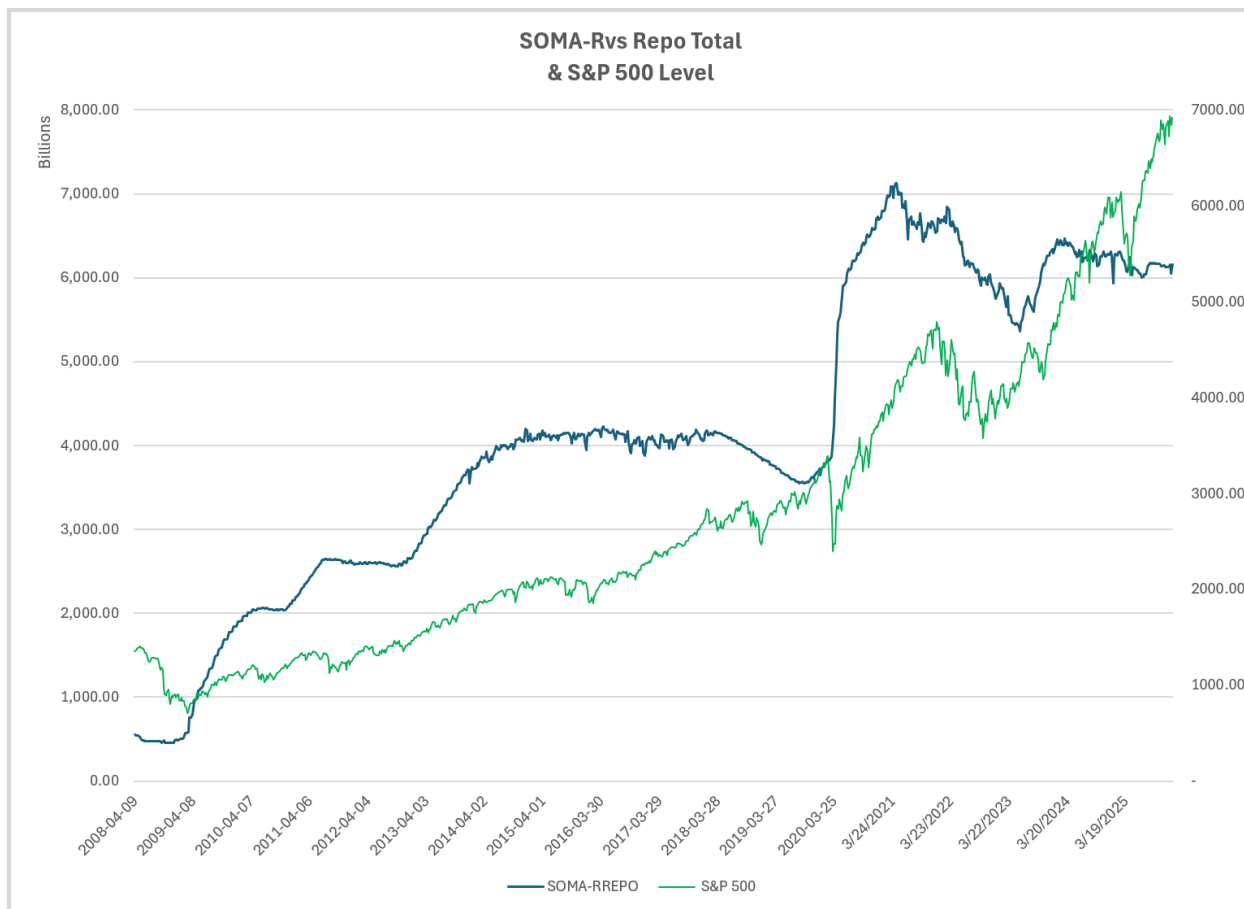
◀ Previous **January 7, 2026** 📅  
Posted January 8, 2026 at 4:30 PM

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**SUMMARY** | T-BILLS | T-NOTES AND T-BONDS | FRNS | TIPS | AGENCY DEBTS | MBS | CMBS

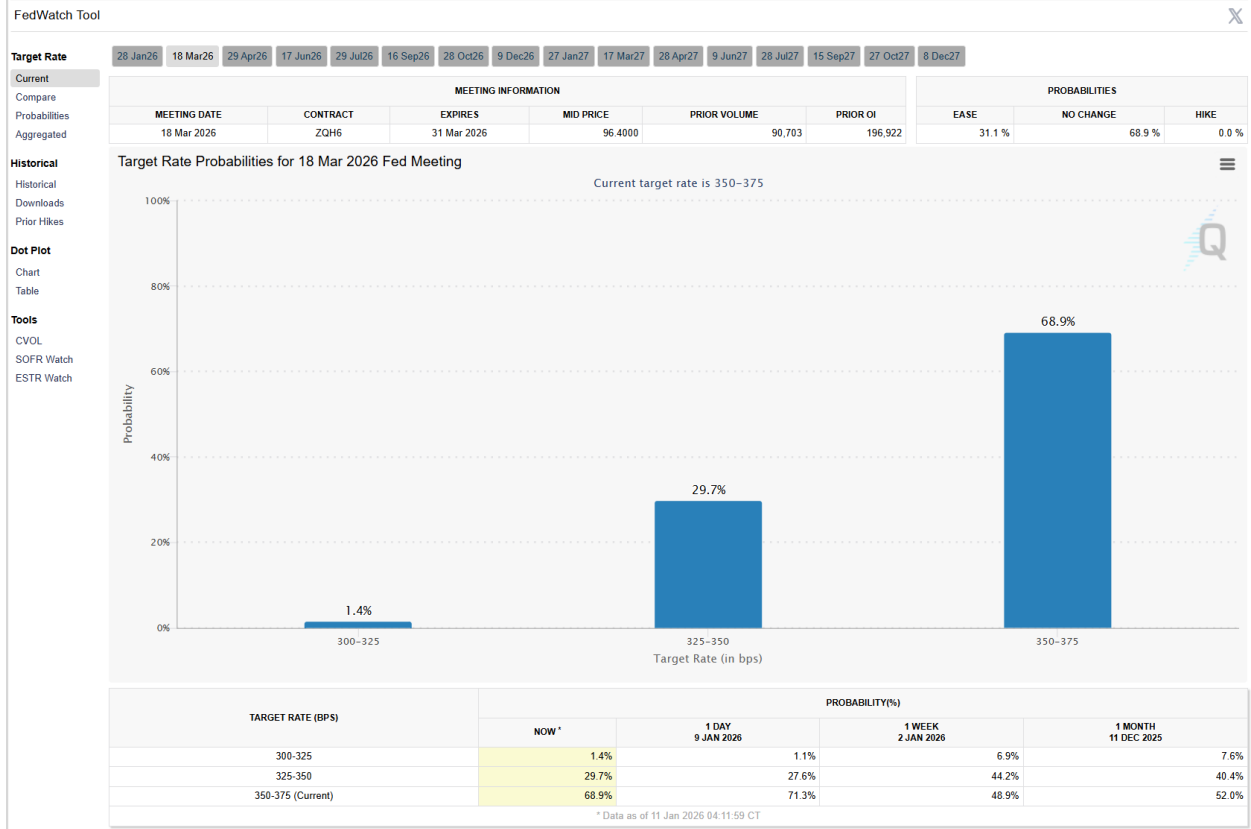
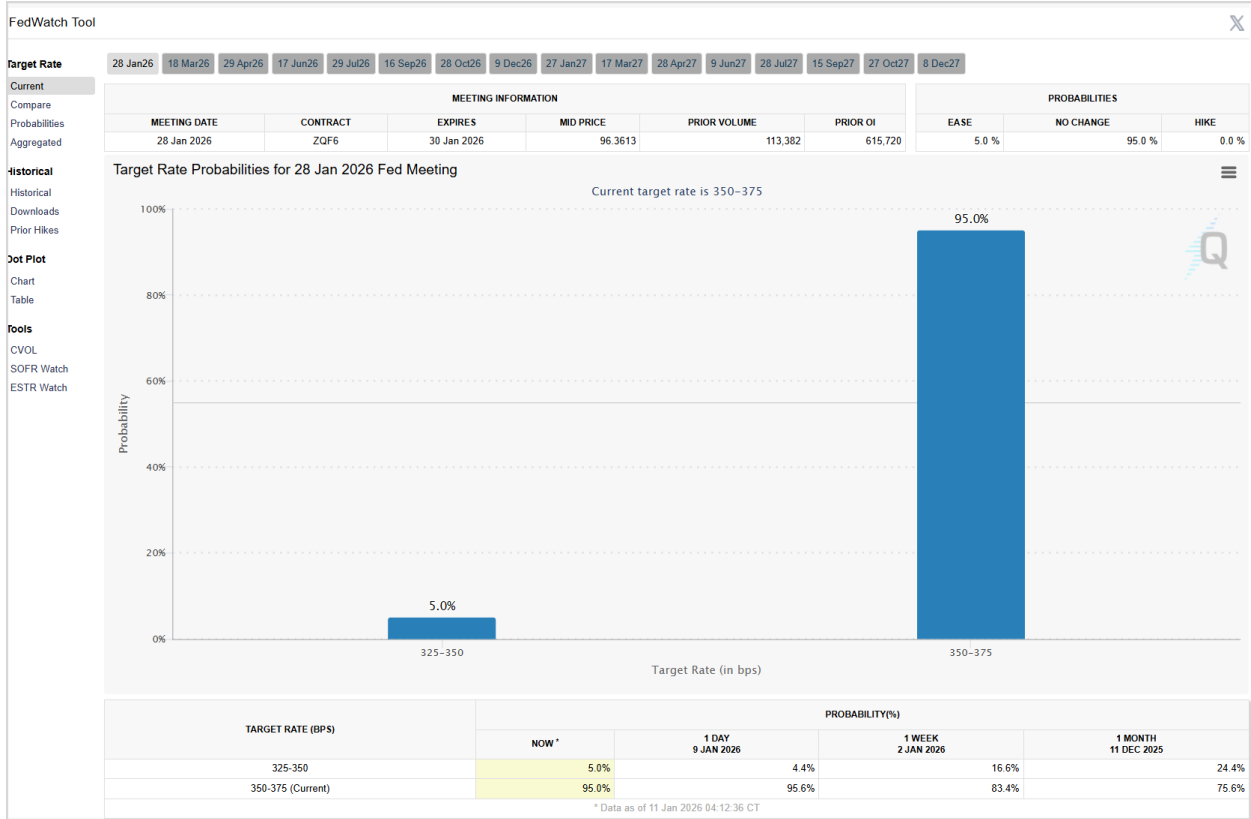
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	241,756,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,553,172,344.2
US Treasury Floating Rate Notes (FRNs)	14,298,365.0
US Treasury Inflation-Protected Securities (TIPS)*	312,273,954.1
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,031,271,929.8
Agency Commercial Mortgage-Backed Securities***	7,751,629.9
Total SOMA Holdings	6,162,872,149.7
Change From Prior Week	8,165,000.0

The SOMA rose over \$8 billion this week, adding liquidity to the system. Meanwhile, reverse repos declined by a massive \$101 billion for the week ending 1/7/26. I believe this was primarily due to a wild end-of-year adjustment as it was increased by \$100 billion on 12/31, and then completely reversed the next day. Typically, a decline in reverse repos can act as a liquidity injection. Combined for the week, SOMA and reverse repo action accounted for a liquidity infusion of about \$110 billion (through Wednesday the 7<sup>th</sup>), though much of it may have been artificial. 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. Additionally, Trump announced this week that he has instructed the purchase on \$200 billion in mortgage bonds. That won't be done through the Fed. Instead it will be FNMA and Freddie Mac. But it could have an impact similar to QE as the government buys these bonds and provides more liquidity to the system.

With regards to rates, odds of a January cut are now just 5% (not gonna happen). Meanwhile, March odds now show just a 31% chance they will be lower than they are currently. That is down from 51% last week. 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 several meetings.

Intermediate-term evidence still appears to be leaning bullish. We saw a new bullish price action study emerge this week. The trend is on the side of the bulls with the SPX and Russell closing at all-time highs on Friday. The Fed appears dovish since it is increasing the size of the SOMA, and potentially cutting rates at one of the next few meetings. Seasonality is mixed now as we are in the Best 6 Months (bullish) of a 2<sup>nd</sup> 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. 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***

AIG – 1/3 @ \$84.27 (bought @ limit)

AIG – 1/3 @ \$78.07 (bought @ limit)

AIG – 1/3 @ \$77.07 (buy @ limit) – *not filled – try again on Monday*

#### ***Broad Market Large Cap CBI – 3 (AIG-3)***

### **Additional New Trade Ideas**

**AIG – Buy 1/3 Catapult position @ \$75.43 LIMIT.** From the Catapult section above, this is the 3<sup>rd</sup> and final lot of AIG.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
AIG(1/3)	1/5/2026	\$83.56	\$75.43	-9.73%	Catapult
AIG(1/3)	1/7/2026	\$77.43	\$75.43	-2.58%	Catapult

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