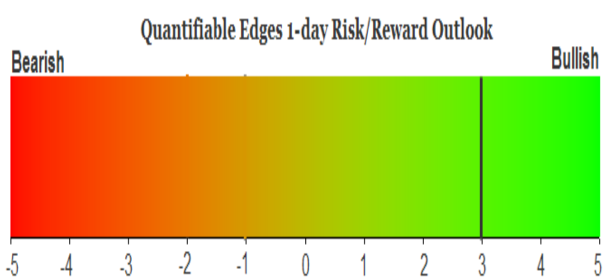
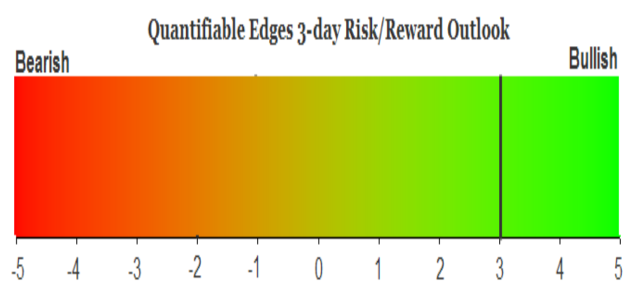
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 20, 2026 Volume 19 Issue 12

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- The SOX strength on a day NASDAQ declined suggests a rise on Tuesday.
- The tight consolidation near a new high suggests an upside edge.
- Seasonality appears mildly positive this upcoming week.
- The SOMA grew this past week as Fed QE stimulus is occurring.
- Breadth remains positive, suggesting a major top is not near.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is a moderate long-side edge.

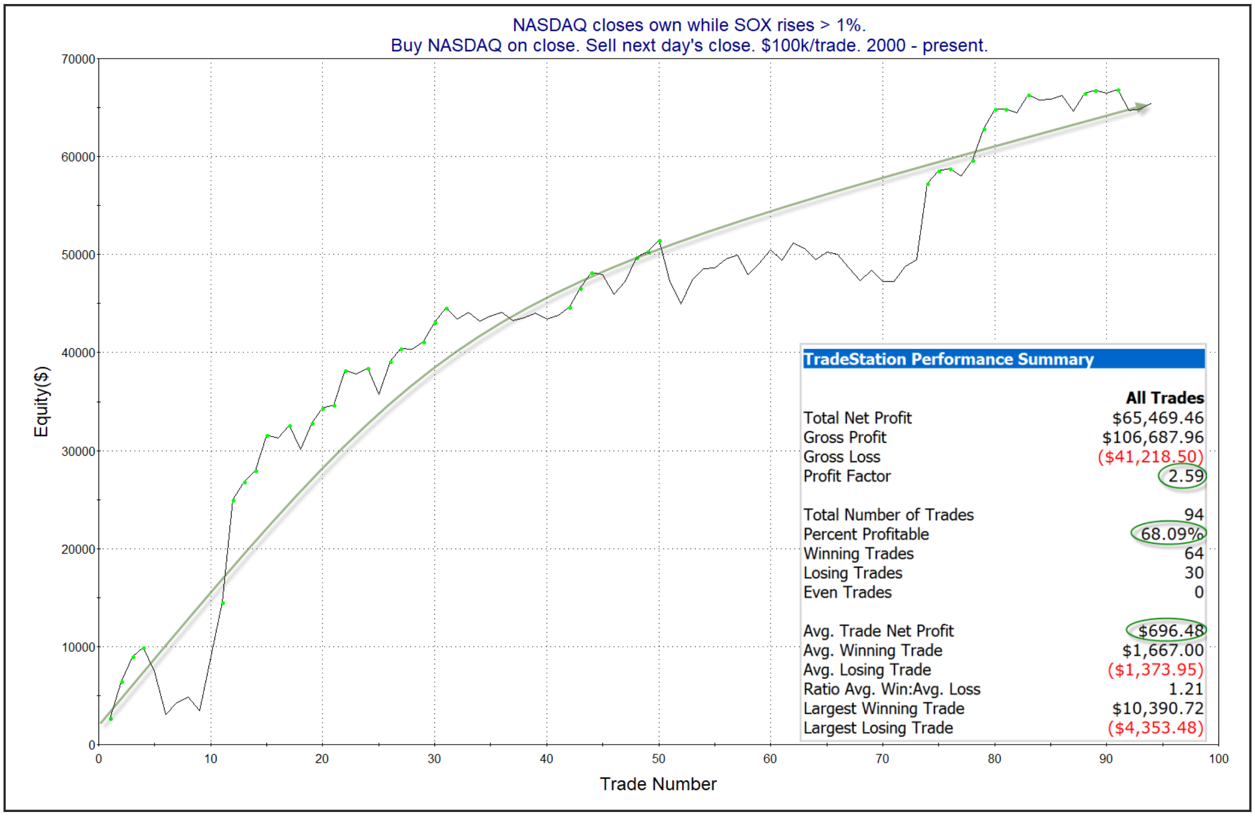
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 15, 2026	SPX down & > 200ma. NYSE Up Iss > 60%	1-3 days	Bullish	1.30%	-0.60%	-1.50%
Active - Long Term						
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	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			

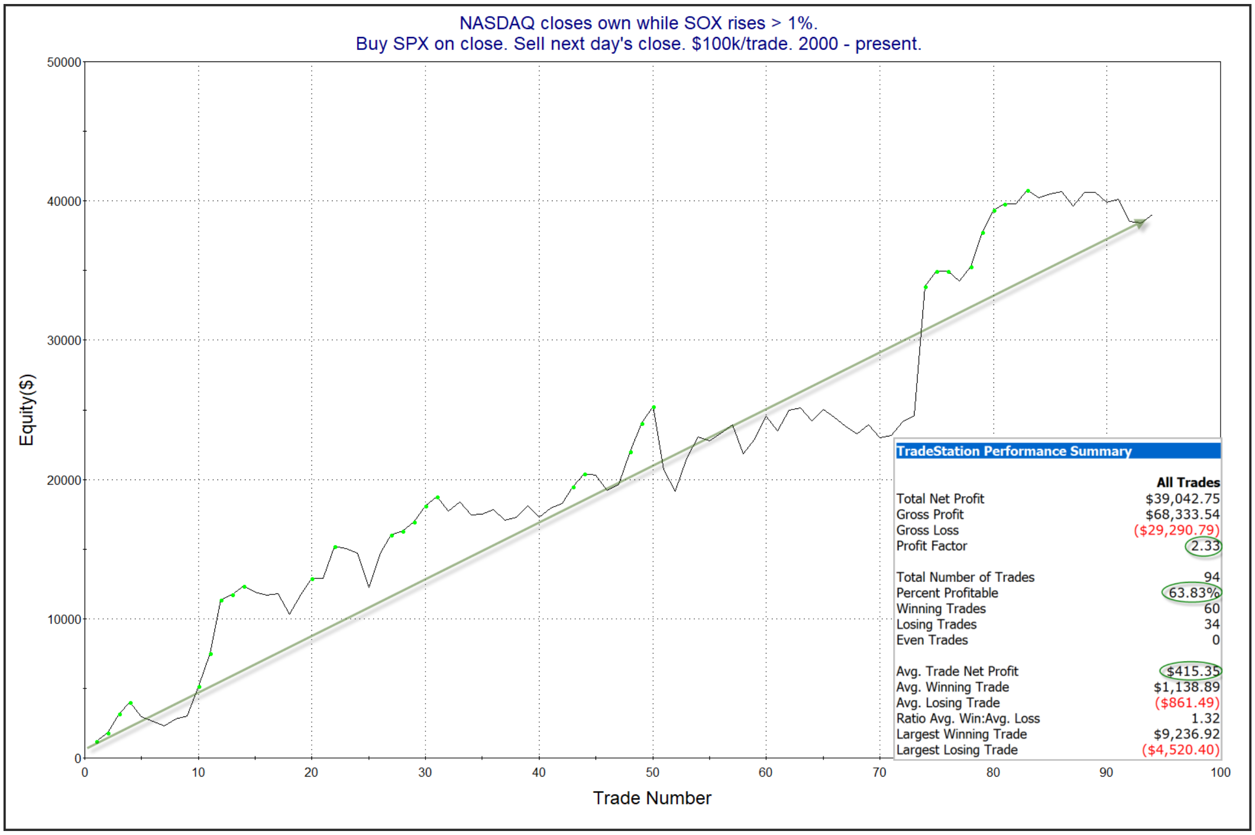
The Evidence

The market started strong but finished mixed on Friday. SPX and NASDAQ both finished down 0.06%, and the Russell 2000 gained 0.12%. Breadth was weak as the NYSE Up Issues % closed at 43% and the NYSE Up Volume % posted a 45% reading. NYSE total volume was high as it often is on opex Friday.

Despite the small decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 1.15%. 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 1/5/26 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.

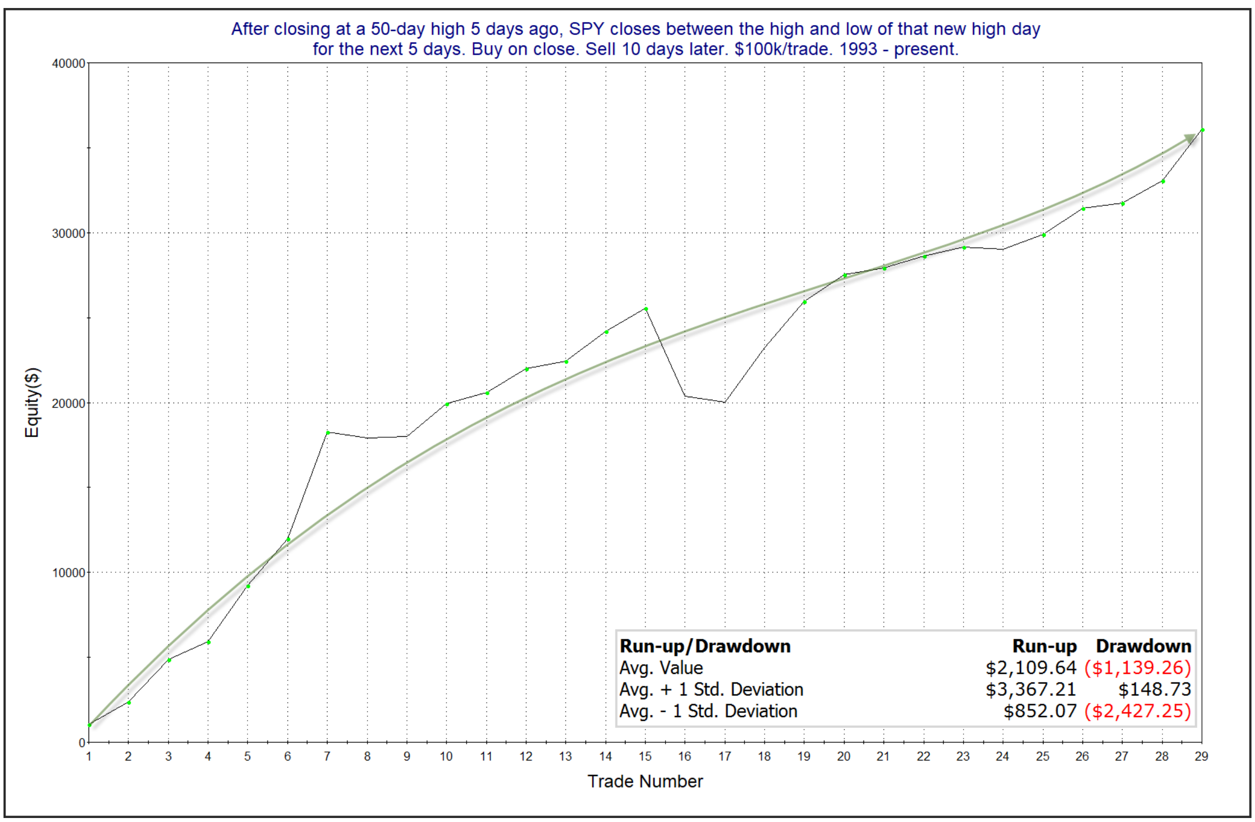
The range over the last week has been very tight. Every SPY close in the 5 trading days since 1/9 has been within the intraday range of that 1/9/26 bar. It is said that consolidations are often resolved in the direction of the trend. This guideline suggests that we're more likely to see another leg up from here than a breakdown. The study below tests this concept. It was last seen in the 6/26/24 letter and has been updated.

After closing at a 50-day high 5 days ago, SPY closes between the high and low of that new high day for the next 5 days. Buy on close. Sell X days later. $100k/trade. 1993 - present.

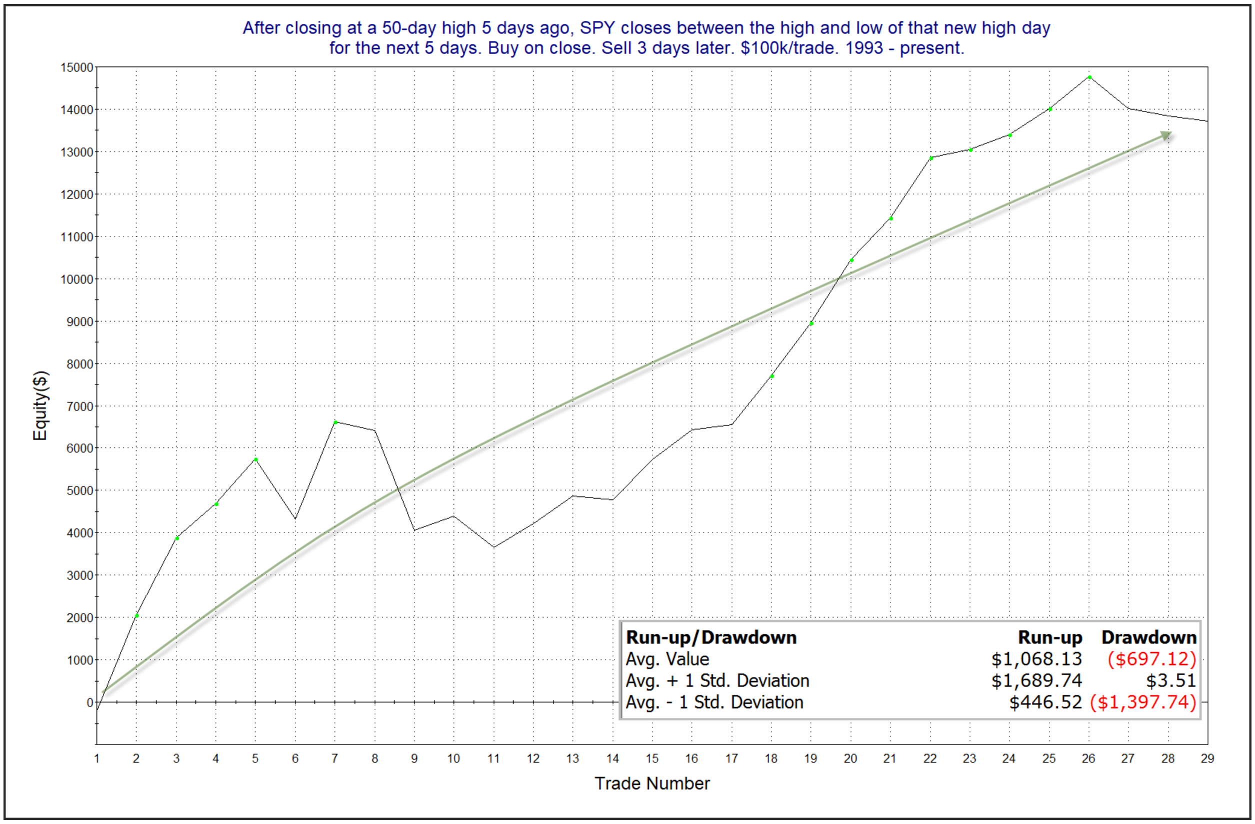
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	36,089.68	29	25	4	86.21	6,287.04	-5,182.56	1,683.94	-1,502.23	1.12	7.01	1,244.47
9	33,308.97	29	26	3	89.66	6,322.56	-2,251.44	1,400.95	-1,038.54	1.35	11.69	1,148.59
8	29,108.76	29	24	5	82.76	6,287.04	-2,060.28	1,489.18	-1,326.29	1.12	5.39	1,003.75
7	18,587.53	29	22	7	75.86	5,339.84	-3,472.29	1,333.88	-1,536.85	0.87	2.73	640.95
6	11,413.11	29	20	9	68.97	3,362.56	-2,992.38	1,151.22	-1,290.14	0.89	1.98	393.56
5	10,869.28	29	17	12	58.62	3,031.04	-3,767.97	1,321.87	-966.87	1.37	1.94	374.80
4	12,691.37	29	20	9	68.97	2,806.08	-2,690.19	1,020.41	-857.42	1.19	2.64	437.63
3	13,724.41	29	20	9	68.97	2,296.96	-2,368.80	989.57	-674.11	1.47	3.26	473.26
2	7,282.43	30	21	8	70.00	1,817.10	-1,963.86	731.58	-1,010.10	0.72	1.90	242.75
1	2,967.41	30	18	12	60.00	1,433.49	-1,100.97	499.64	-502.18	0.99	1.49	98.91

100% of instances closed above the entry price at some point in the next 2 weeks.

It certainly appears to confirm the old technical adage. Results favor the long side over the immediate 3-day period and they are even more impressive when looking out 8 to 10 days. Below are some equity curves to see how the edge has played out over time. First, the 10-day.



The persistent move from lower left to upper right serves as some confirmation of the upside edge. Next is the 3-day curve.



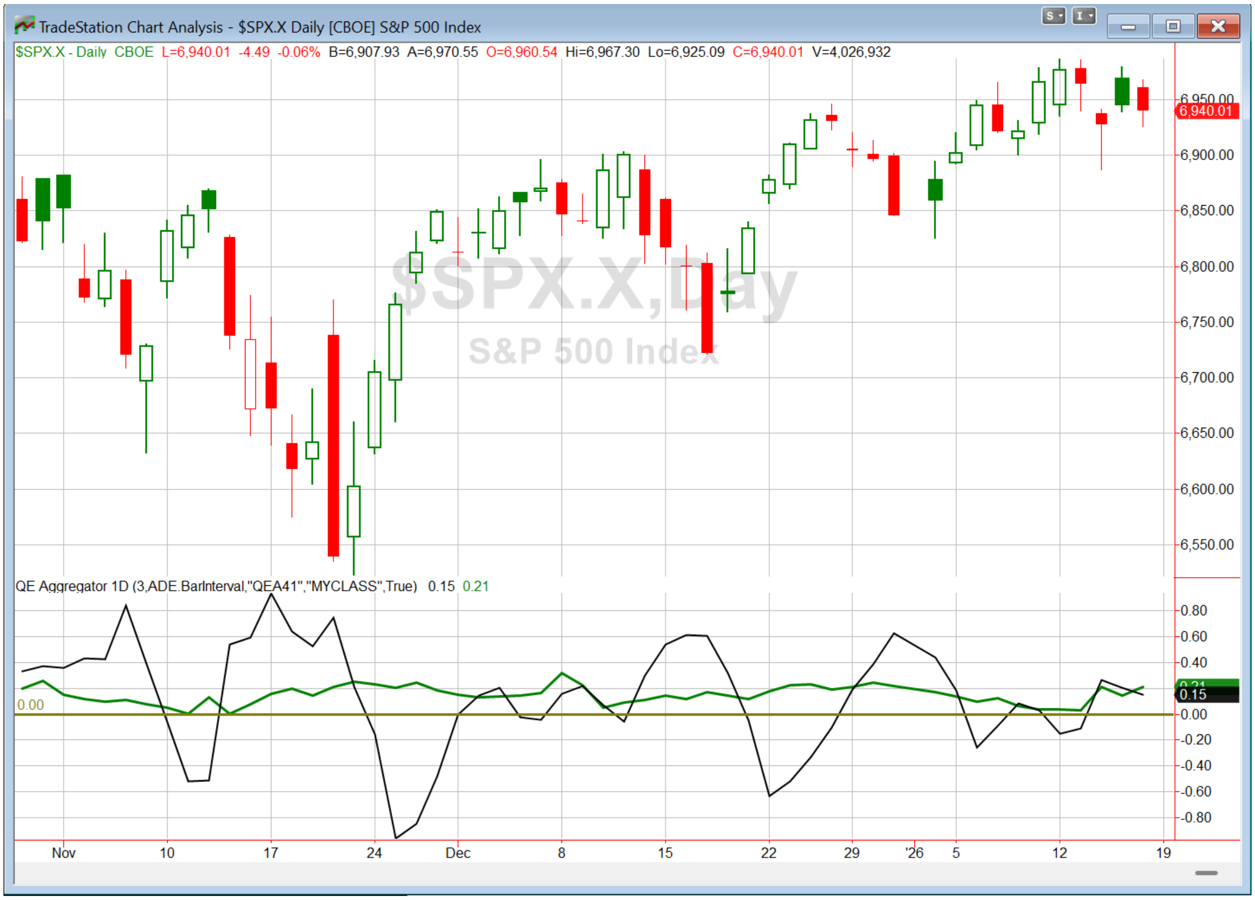
While mostly up the curve is a bit choppy. Over the 3-day period the average run-up was 1.1% and the average drawdown was 0.7%. That is a comparatively large drawdown. It isn't very surprising though. Risks tend to be higher when you are trading near the upper end of a range. And a tight consolidation near a 50-day high seems to qualify. All considered, I find this study appealing and believe it is worth considering over both very short and intermediate-term timeframes.

Next let's take a lot at the SPX Seasonality Calendar for this upcoming week.

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***

This upcoming week is showing basically all mildly bullish numbers. So no headwind, but likely not a strong help for the market.

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 also 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 long at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if strong bearish evidence emerges. Meanwhile, the Differential Pivot will be 6946.15. That is just 0.1% above Friday's close. Therefore, SPX will only need to close up 0.1% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. There appears to be a long-side edge, but with the Differential Pivot so close by, there is not great reward potential. I may look to take on some new index exposure, but I'd prefer to do so near the close on Tuesday if we see market close down a bit further.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/20 – 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.*

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The major stock indices were mixed this past week. The SPX declined 0.4%, the NASDAQ fell 0.7%, and the Russell 2000 rallied 2.0%. Bonds struggled. The US Aggregate Bond ETF (AGG) closed down 0.11%. TLT, the 20-year Treasury Bond ETF, dipped 0.15%. The SPX and Russell 2000 both made new all-time highs during the week, so the long-term uptrend appears intact. Other than the 50-high and 5-day sideways study discussed above, there were not any new studies with intermediate-term implications that triggered in the last few days.

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

Domestic Security Holdings as of

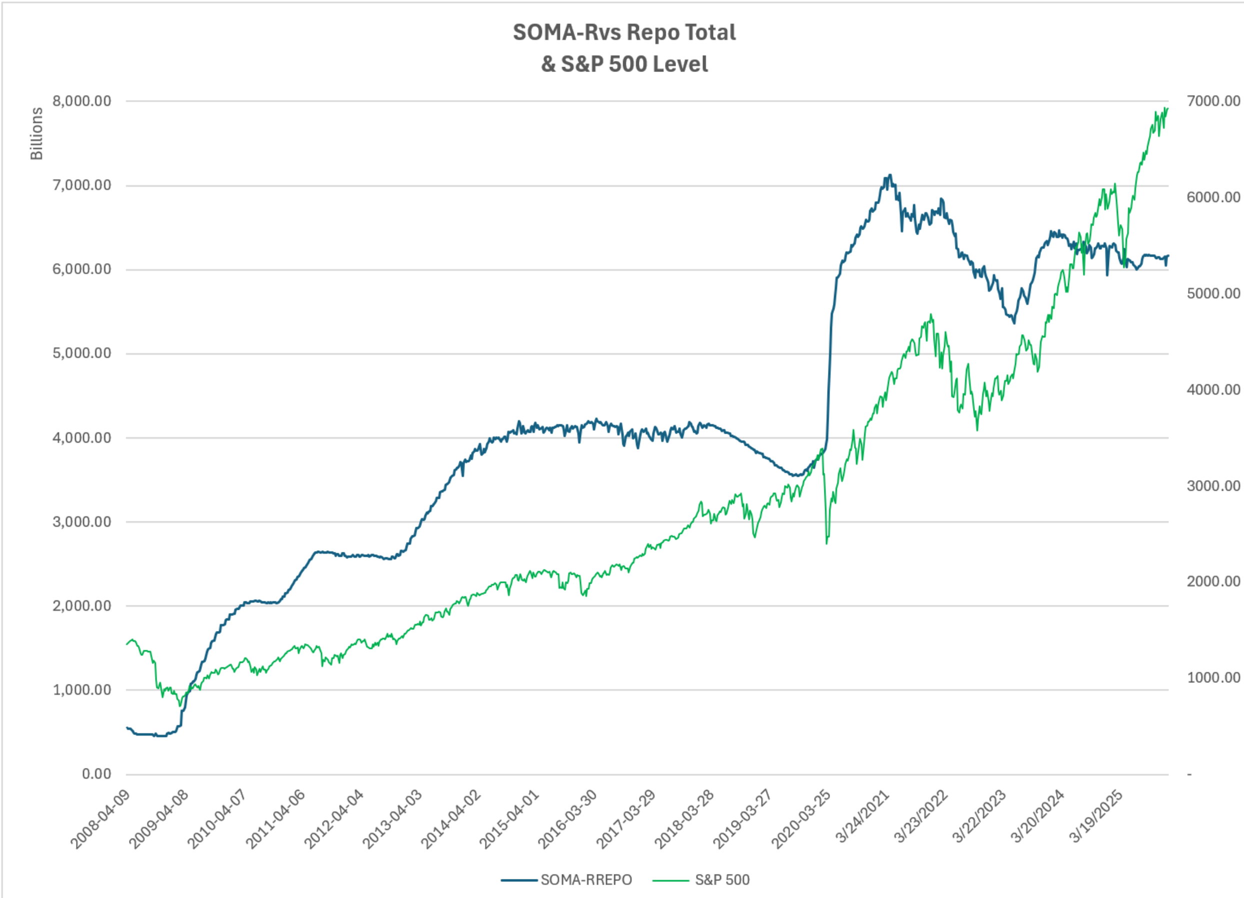
Previous January 14, 2026

Posted January 15, 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)	249,921,926.7
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	6,171,037,149.7
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 $1.36 billion for the week ending 1/14/26. 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 $9.5 billion (through Wednesday the 14th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are 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 recently announced 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 4% (not gonna happen). Meanwhile, March odds now show just a 21% chance they will be lower than they are currently. That is down from 51% just 2 weeks ago. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

FedWatch Tool

Target Rate
- Current
- Compare
- Probabilities
- Aggregated

Historical
- Historical
- Downloads
- Prior Hikes

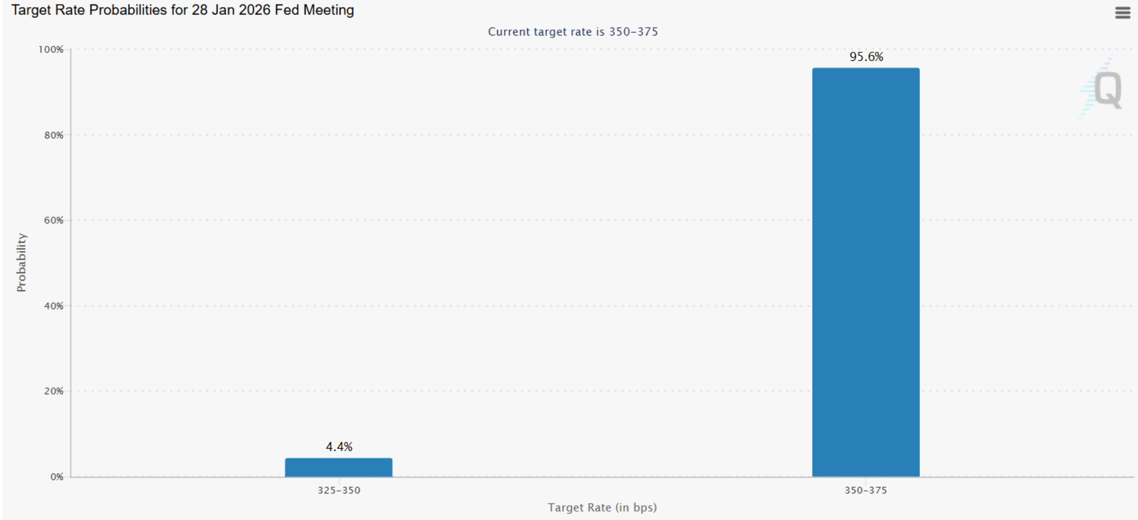
Dot Plot
- Chart
- Table

Tools
- CVOL
- SOFR Watch
- ESTR Watch

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 | 8 Dec27

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
28 Jan 2026	ZQF6	30 Jan 2026	96.3600	30,655	524,408	4.4 %	95.6 %	0.0 %

Target Rate Probabilities for 28 Jan 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 16 JAN 2026	1 WEEK 9 JAN 2026	1 MONTH 18 DEC 2025
325-350	4.4%	4.4%	4.4%	26.6%
350-375 (Current)	95.6%	95.6%	95.6%	73.4%

* Data as of 18 Jan 2026 08:43:56 CT

FedWatch Tool

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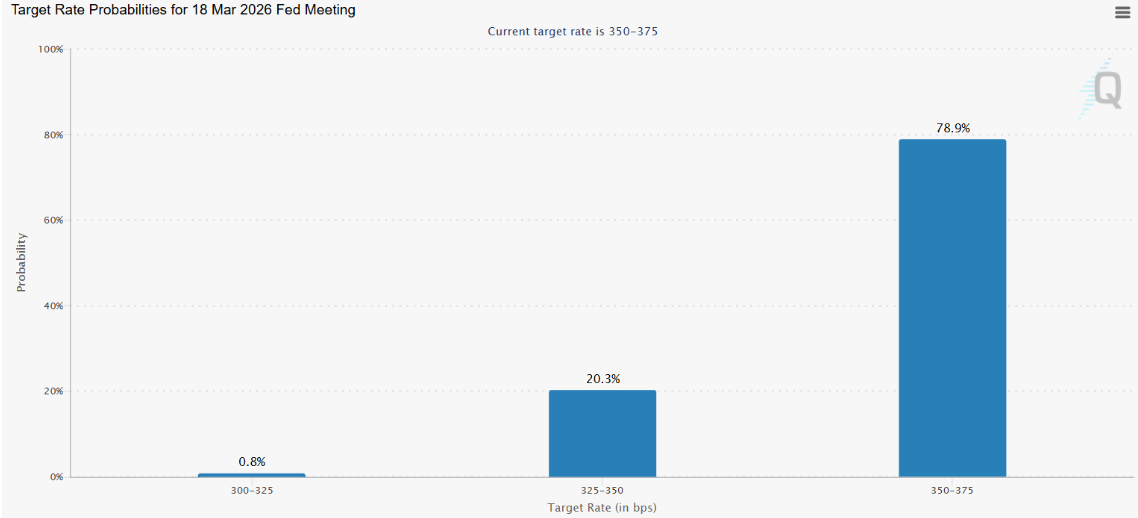
28 Jan26 | 18 Mar26 | 29 Apr26 | 17 Jun26 | 29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27 | 27 Oct27 | 8 Dec27

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
18 Mar 2026	ZQH6	31 Mar 2026	96.3900	31,171	192,377	21.1 %	78.9 %	0.0 %

Target Rate Probabilities for 18 Mar 2026 Fed Meeting

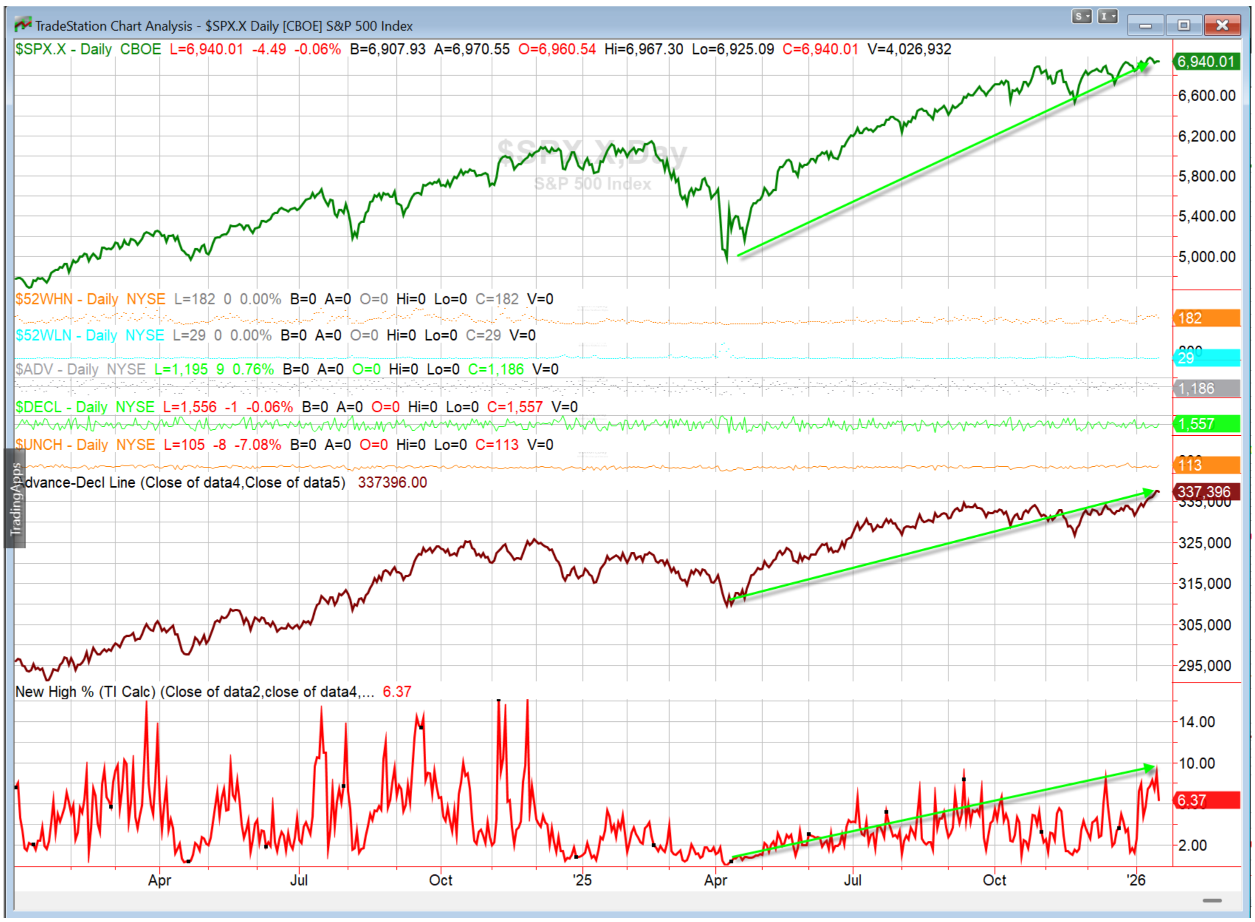


TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 16 JAN 2026	1 WEEK 9 JAN 2026	1 MONTH 18 DEC 2025
300-325	0.8%	0.8%	1.1%	11.5%
325-350	20.3%	20.3%	27.6%	46.8%
350-375 (Current)	78.9%	78.9%	71.3%	41.8%

* Data as of 18 Jan 2026 08:44:36 CT

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, a cut at either of the next 2 meetings appears unlikely.

Several years ago I wrote a special Study of Tops. The bottom line was that breadth deteriorated ahead of nearly every major SPX top. This could be seen in the NYSE Advance/Decline Line, or the % of NYSE stocks making new highs, or both. Basically the only exception to this rule since the inception of the SPX was the 2020 COVID Crash. That was a top unlike others in that there was a forced shutdown of the US (and most of the world) economy for a period of time. This quickly sent the world economy and markets into turmoil. But all other instances saw breadth suffer before a final price top. Below is a chart similar to the ones I showed in the study.



As you can see, the Advance/Decline Line and the New High % made new highs on Thursday. So the price high for a major rally is likely a ways off (at least a couple of months).

Overall, 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 making new all-time highs. The Fed appears dovish since it is increasing the size of the SOMA. And breadth remains strong with A/D and New Highs at posting their highest readings of the bull rally. 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. 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 (bought @ limit)
New
NOW – 1/3 @ $127.31 (buy @ limit)

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

Additional New Trade Ideas

SPY – Buy ¼ index position @ $691.50 LIMIT ON CLOSE. Based on the short-term outlook above. This was not filled on Friday. I will try again on Tuesday.

NOW – Buy 1/3 Catapult position @ $127.31 LIMIT. This was not filled on Friday. I will try again on Monday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
AIG(1/3)	1/5/2026	$83.56	$72.93	-12.72%	Catapult
AIG(1/3)	1/7/2026	$77.43	$72.93	-5.81%	Catapult
AIG(1/3)	1/12/2026	$75.43	$72.93	-3.31%	Catapult