

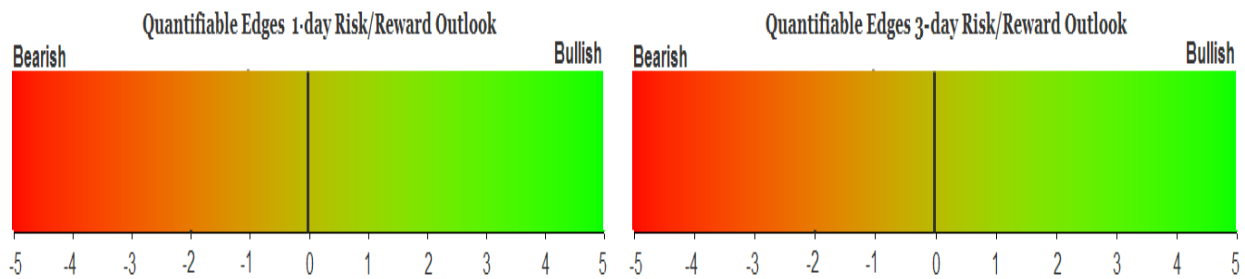
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 26, 2026

Volume 19 Issue 16

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- Tuesday's action will help determine how strong the edge is for Wednesday's Fed Day.
- The Seasonality Calendar is mildly bullish this upcoming week.
- QE continues with the Fed adding to the SOMA. Their dovish policy is bullish market force.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am keeping my eye out for a potential bullish Fed Day set up.

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 23, 2026	2-low. Then unfilled gap up 2x. Close > 200	1-6 days	Bullish	2.00%	-1.20%	-2.50%
January 23, 2026	Dn 1.75%. Then up 2 close < 3 ago	1-4 days	Bullish	2.10%	-1.00%	-2.30%
January 22, 2026	SPX dn 2% to 10-low. Then up 1% < 2 ago	1-5 days	Bullish	2.90%	-1.40%	-2.70%
January 21, 2026	Numbered method 110524	1-7 days	Bullish			
Active - Long Term						
January 20, 2026	SPY 50-high then sideways for 5 days	1-10 days	Bullish	2.10%	-1.10%	-2.40%
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 was mixed ahead of the weekend. SPX rose 0.03%, the NASDAQ finished up 0.28%, and the Russell 2000 tumbled 1.82%. Breadth was weak as the NYSE Up Issues % closed at 39% and the NYSE Up Volume % posted a 43% reading. NYSE total volume declined for the 4th day in a row.

I did not spot anything compelling from the Quantifinder. There was one study that looked at 3-day rallies that failed to make up for the loss of 4 days ago, but we already have similar studies on the Active List from the past couple of nights. That does not mean there is nothing to talk about.

Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I [have documented this tendency in great detail](#) over the years. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last did this in the 7/28/25 letter. I have updated that research below.

Tomorrow is a Fed Day. SPY closes in the top 25% of its intraday range. Buy on close. Sell Fed Day close.
\$100k/trade. 1993 - present.

TradeStation Performance Summary

	All Trades
Total Net Profit	\$11,964.34
Gross Profit	\$40,881.65
Gross Loss	(\$28,917.31)
Profit Factor	1.41
Total Number of Trades	99
Percent Profitable	50.51%
Winning Trades	50
Losing Trades	47
Even Trades	2
Avg. Trade Net Profit	\$120.85
Avg. Winning Trade	\$817.63
Avg. Losing Trade	(\$615.26)
Ratio Avg. Win:Avg. Loss	1.33
Largest Winning Trade	\$2,238.25
Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day.
SPY closes > 50% and <= 75% of its intraday range.
Buy on close.Sell Fed Day close.\$100k/trade.93-present

TradeStation Performance Summary

	All Trades
Total Net Profit	\$12,521.66
Gross Profit	\$34,924.11
Gross Loss	(\$22,402.45)
Profit Factor	1.56
Total Number of Trades	60
Percent Profitable	51.67%
Winning Trades	31
Losing Trades	28
Even Trades	1
Avg. Trade Net Profit	\$208.69
Avg. Winning Trade	\$1,126.58
Avg. Losing Trade	(\$800.09)
Ratio Avg. Win:Avg. Loss	1.41
Largest Winning Trade	\$4,704.07
Largest Losing Trade	(\$2,971.65)

Tomorrow is a Fed Day.

SPY closes > 50% and <= 75% of its intraday range.

Buy on close.Sell Fed Day close.\$100k/trade.93-present

TradeStation Performance Summary

	All Trades
Total Net Profit	\$15,830.10
Gross Profit	\$29,625.35
Gross Loss	(\$13,795.25)
Profit Factor	2.15
Total Number of Trades	54
Percent Profitable	62.96%
Winning Trades	34
Losing Trades	20
Even Trades	0
Avg. Trade Net Profit	\$293.15
Avg. Winning Trade	\$871.33
Avg. Losing Trade	(\$689.76)
Ratio Avg. Win:Avg. Loss	1.26
Largest Winning Trade	\$2,943.00
Largest Losing Trade	(\$2,066.62)

Tomorrow is a Fed Day.SPY closes in the bottom 25% of its intraday range. Buy on close.Sell Fed Day close. \$100k/trade. 1993-present

TradeStation Performance Summary

	All Trades
Total Net Profit	\$25,994.84
Gross Profit	\$38,388.74
Gross Loss	(\$12,393.90)
Profit Factor	3.10
Total Number of Trades	49
Percent Profitable	69.39%
Winning Trades	34
Losing Trades	15
Even Trades	0
Avg. Trade Net Profit	\$530.51
Avg. Winning Trade	\$1,129.08
Avg. Losing Trade	(\$826.26)
Ratio Avg. Win:Avg. Loss	1.37
Largest Winning Trade	\$4,645.80
Largest Losing Trade	(\$2,945.28)

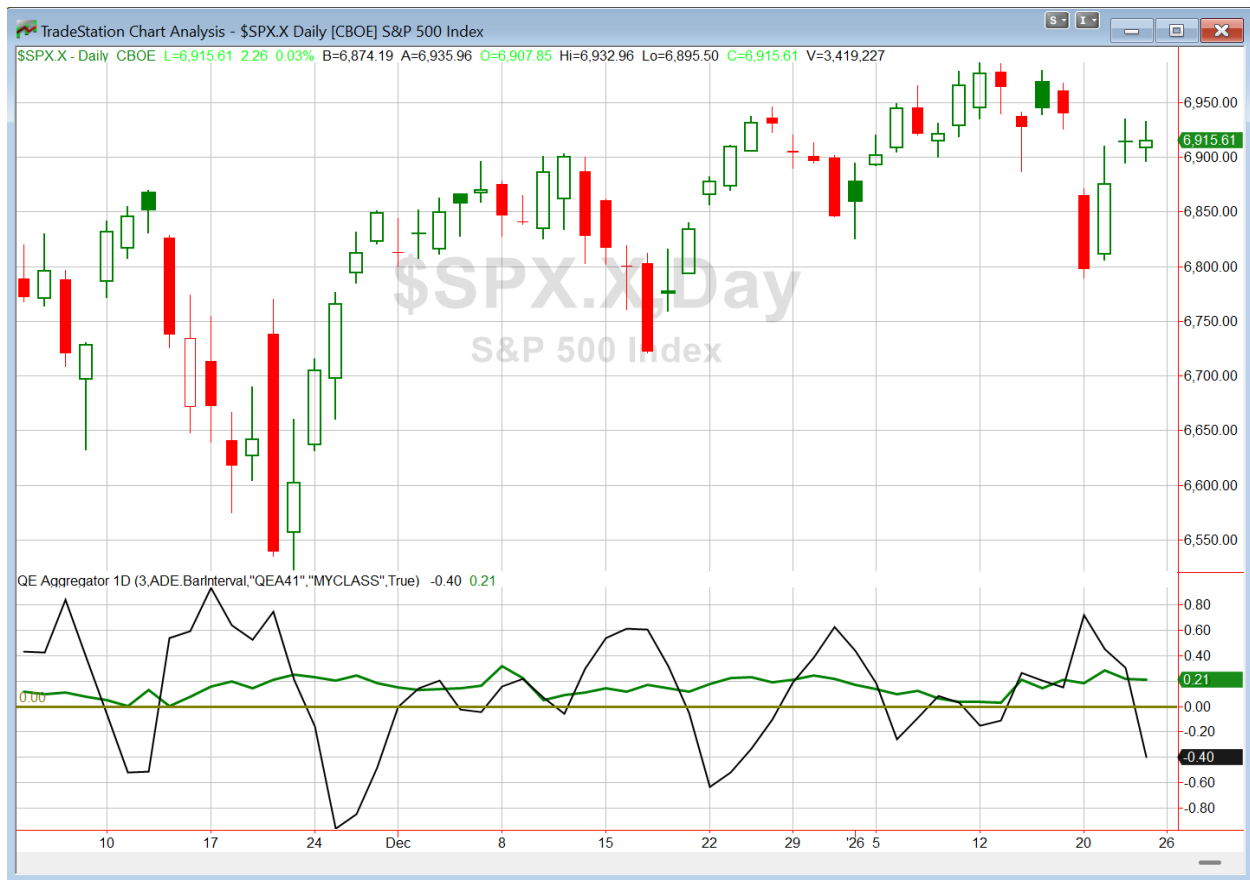
So what we see here is that the lower SPY has closed in its range the day before, the stronger the Fed Day edge has been. When there has been a lot of confidence / complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday.

Another look at seasonality can be seen with the 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
Baseline	54.68	1.161	0.055

Odds are just mildly bullish for most of the week. Wednesday is neutral, but I already discussed how that could be greatly impacted based on how Tuesday closes ahead of Wednesday's Fed Day.

I have updated the Aggregator chart below.



Without any new studies being added to the active list, 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 *inverted* at 6922.74. That is 0.1% *above* Friday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.1% in order to remain overbought. Anything other than that and SPX will flip from overbought to oversold versus recent expectations as of Monday's close.

So the Aggregator is neutral. It could easily flip back to bullish if it does not rally on Monday. But it is not there yet. I'll hold off a day before considering a new index position. But a bullish Aggregator and a poor close on Tuesday could certainly get me interested in at least a Fed Day trade for Wednesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/26 – *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 closed mildly lower this past week. The SPX declined 0.35%, the NASDAQ fell 0.06%, and the Russell 2000 lost 0.32%. Bonds saw mild gains. The US Aggregate Bond ETF (AGG) closed up 0.06%. TLT, the 20-year Treasury Bond ETF, rose 0.15%. The Russell 2000 made new all-time highs during the week, and the SPX is not far from a new high, so the long-term uptrend appears intact. No new studies emerged in the last few days with intermediate-term implications.

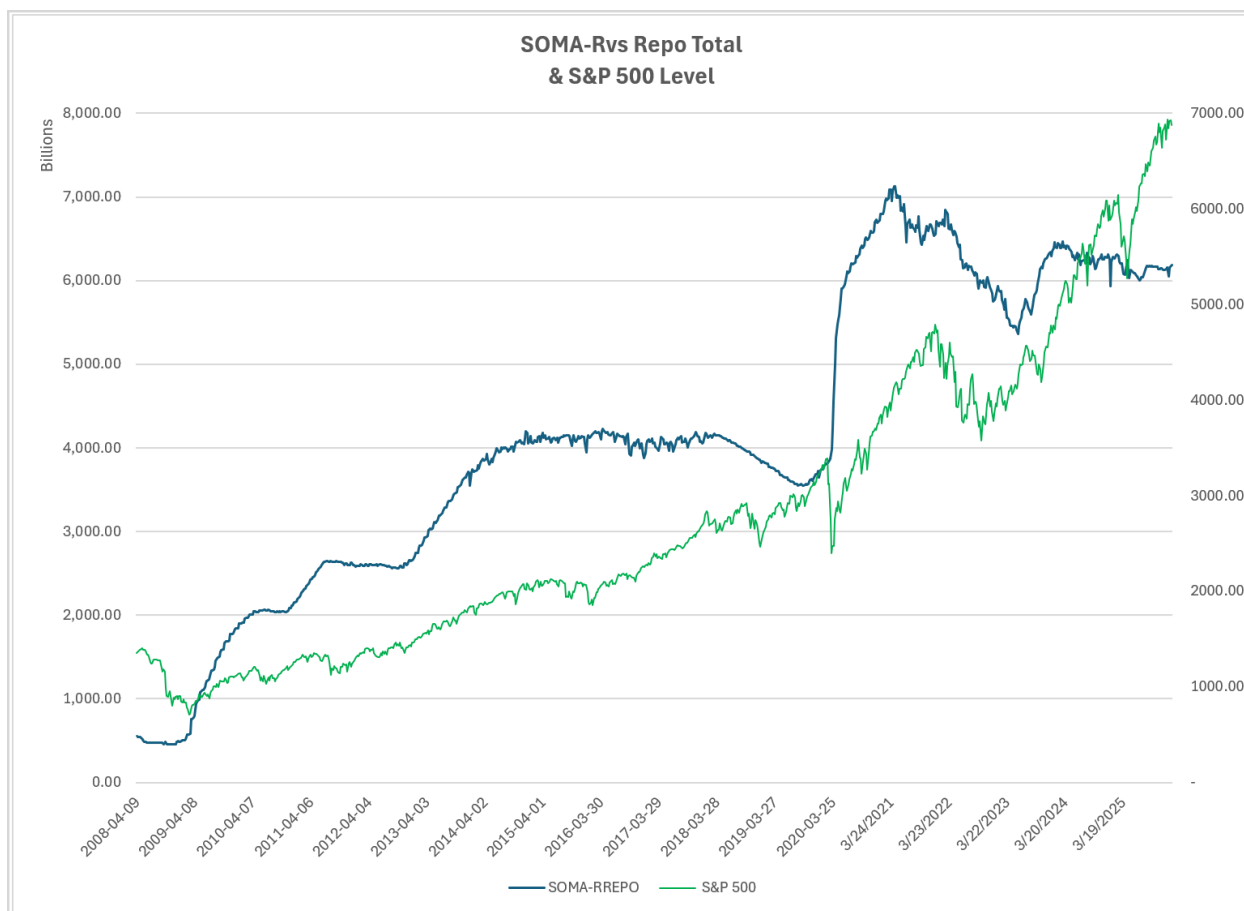
The Fed posted the latest update to the SOMA holdings on Thursday. It can be found below.

Domestic Security Holdings as of
[◀ Previous](#) **January 21, 2026** 📅
Posted January 22, 2026 at 4:30 PM

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

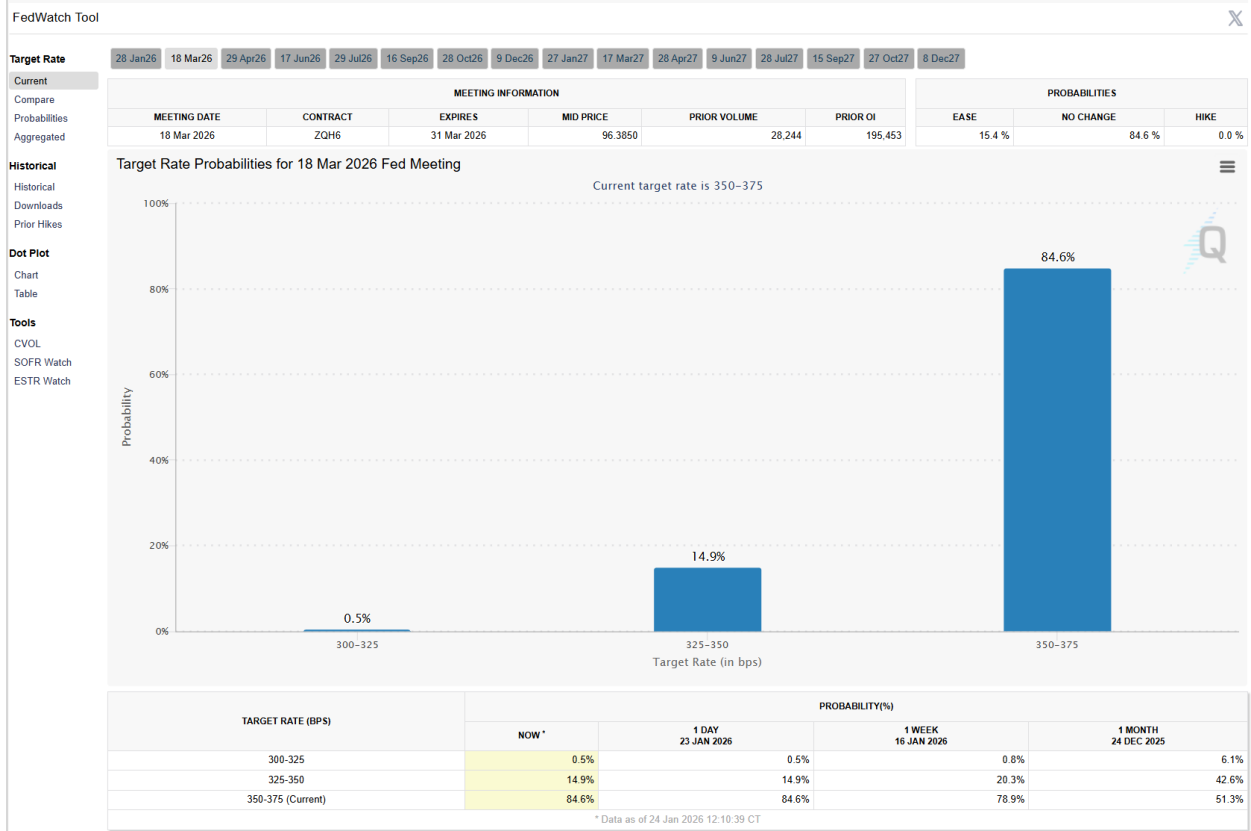
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	258,227,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,587,810,287.7
US Treasury Floating Rate Notes (FRNs)	14,298,365.0
US Treasury Inflation-Protected Securities (TIPS)*	288,705,855.7
Federal Agency Securities**	2,347,000.0
Agency Mortgage-Backed Securities***	2,028,094,389.6
Agency Commercial Mortgage-Backed Securities***	7,745,527.0
Total SOMA Holdings	6,187,229,351.7
Change From Prior Week	16,192,202.0

The SOMA rose over \$16.2 billion this week, adding liquidity to the system. Meanwhile, reverse repos rose by \$121 million for the week ending 1/21/26. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a liquidity infusion of about \$16.1 billion (through Wednesday the 21st). 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 15% chance they will be lower than they are currently. That is down from 51% just 3 weeks ago. 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, a cut at either of the next 2 meetings appears unlikely.

Overall, intermediate-term evidence still appears to be leaning bullish. We still have a bullish price action study from last week. The trend is on the side of the bulls with indices near 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 not showing divergences. 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 (barely), 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)

GM – 1/3 @ \$77.81 (buy @ limit) - *not filled – cancel for now*

Broad Market Large Cap CBI – 4 (AIG-3, GM)

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

AIG(1/3)	1/5/2026	\$83.56	\$72.32	-13.45%	Catapult
AIG(1/3)	1/7/2026	\$77.43	\$72.32	-6.60%	Catapult
AIG(1/3)	1/12/2026	\$75.43	\$72.32	-4.12%	Catapult
NOW(1/3)	1/20/2026	\$126.57	\$133.55	5.51%	<i>sell on open</i>
SPY(1/4)	1/20/2026	\$677.58	\$690.00	1.83%	<i>sold @ limit</i>
NOW(1/3)	1/21/2026	\$125.40	\$133.55	6.50%	<i>sell on open</i>
NOW(1/3)	1/22/2026	\$125.30	\$133.55	6.58%	<i>sell on open</i>

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