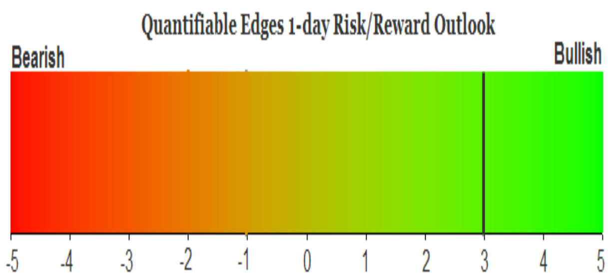
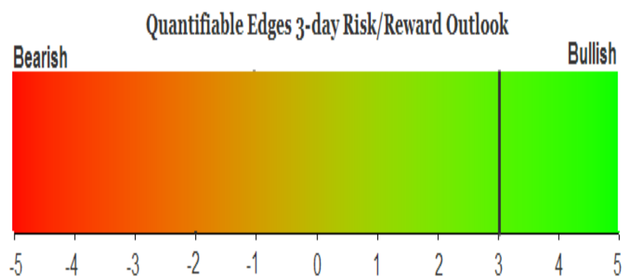
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 2, 2026 Volume 19 Issue 21

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- Selling on and after a Fed Day does not tend to last much longer than we have seen.
- The increasing volume on the selloff over the last few days suggests a short-term rebound.
- The move up in the afternoon on Friday hurt the odds of a strong day on Monday.
- Seasonality looks favorable for the 1st two weeks in February, but not great over the last 2 weeks.
- The Fed continues to increase the SOMA and pump liquidity, which can provide a nice tailwind for the market.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There appears to be a decent long-side edge.

Summary of Current 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						
February 2, 2026	Fed 2 ago. Down 3+ days.	1-4 days	Bullish	1.70%	-1.05%	-2.10%
February 2, 2026	Down 3 on rising volume. Today biggest	1-2 days	Bullish			
January 28, 2026	VXX & SPX close at 5-day highs	1-4 days	Bearish			
January 28, 2026	2 unfilled gaps up & a 50-day high	1-4 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

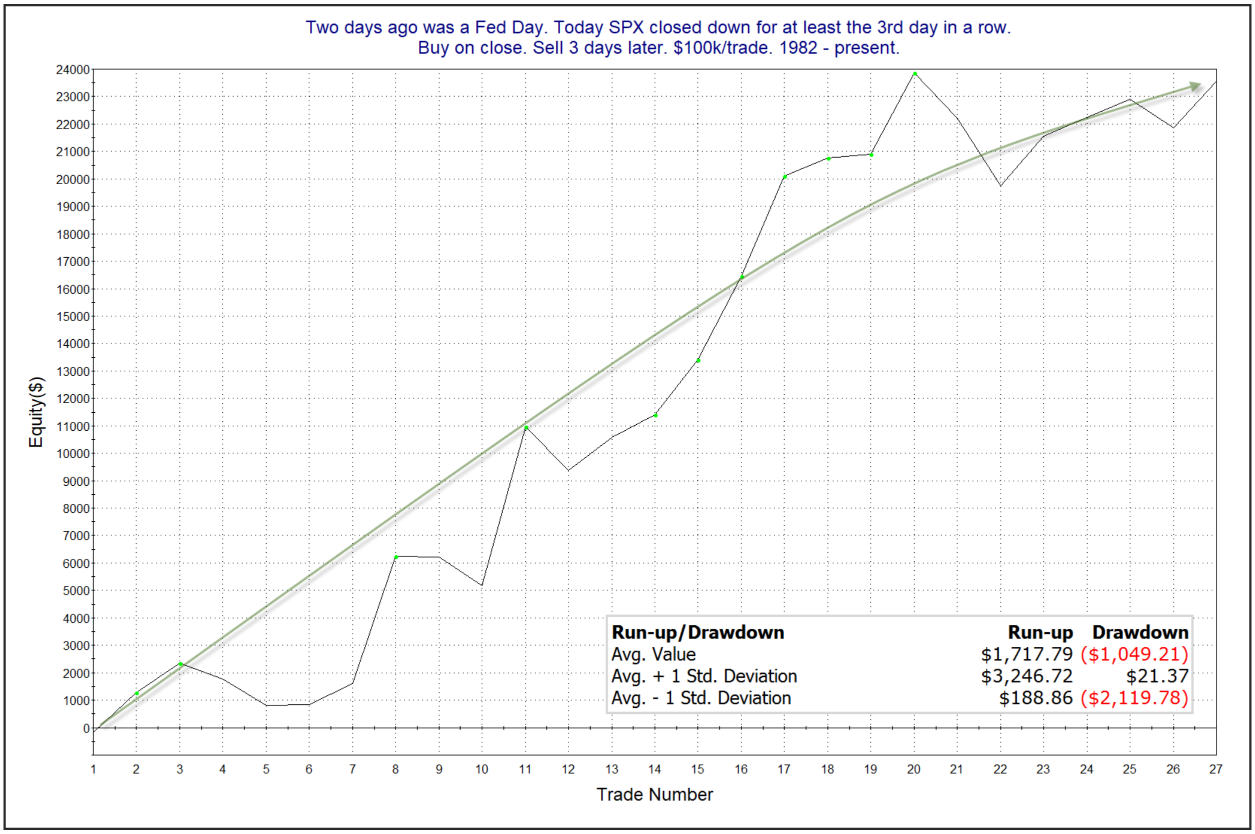
Friday was a tough day for the market. SPX closed down 0.4%, the NASDAQ lost 0.9%, and the Russell 2000 declined 1.55%. Breadth was weak as the NYSE Up Issues % closed at 41% and the NYSE Up Volume % posted a 39% reading. NYSE total volume rose quite a bit from Thursday's level.

It's interesting that the selling has continued right through and after a Fed Day. In the 9/25/23 letter I examined other times where the Fed failed to inspire confidence and a selloff of at least 3 days (including the Fed Day) ensued. Results here are updated.

Two days ago was a Fed Day. Today SPX closed down for at least the 3rd day in a row.
Buy on close. Sell X days later. $100k/trade. 1982 - 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	14,587.71	27	13	14	48.15	5,555.16	-3,477.69	2,633.26	-1,403.19	1.88	1.74	540.29
4	21,739.62	27	16	11	59.26	5,564.00	-2,266.11	2,140.97	-1,137.81	1.88	2.74	805.17
3	23,567.04	27	18	9	66.67	5,801.02	-2,476.50	1,839.61	-1,060.67	1.73	3.47	872.85
2	16,571.24	27	17	10	62.96	4,670.25	-1,709.52	1,436.33	-784.64	1.83	3.11	613.75
1	9,351.50	27	17	10	62.96	2,671.02	-2,968.54	1,106.64	-946.14	1.17	1.99	346.35

The edge looks quite strong over the next few days. Below is a look at a 3-day profit curve.



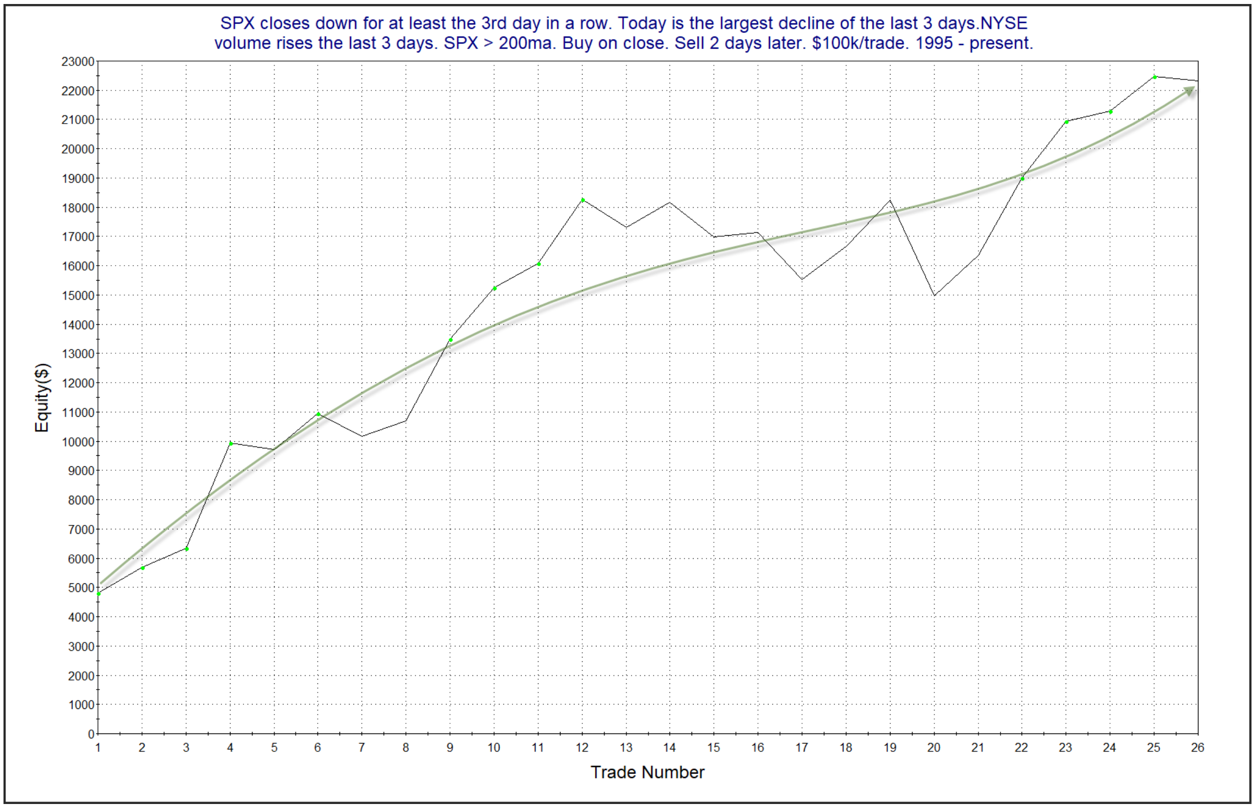
There was a stumble a few instances ago, but the strong move from lower left towards upper right still serves as some confirmation of the upside edge. I have included this study on the active list.

Another possible sign that a bounce may be imminent is coming from the increased volume the last few days. The study below was last seen way back in the 5/18/12 subscriber letter. Stats have been updated.

SPX closes down for at least the 3rd day in a row. Today is the largest decline of the last 3 days.NYSE volume rises the last 3 days. SPX > 200ma. Buy on close. Sell X days later. $100k/trade. 1995 - 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	33,478.78	26	19	7	73.08	7,070.28	-4,069.80	2,418.89	-1,782.89	1.36	3.68	1,287.65
4	22,910.20	26	19	7	73.08	4,731.13	-8,150.10	2,189.17	-2,669.14	0.82	2.23	881.16
3	19,913.50	26	17	9	65.38	3,574.08	-7,413.90	1,975.80	-1,519.45	1.30	2.46	765.90
2	22,321.96	26	19	7	73.08	4,809.66	-3,285.00	1,604.37	-1,165.86	1.38	3.74	858.54
1	10,640.58	27	17	10	62.96	5,117.46	-2,930.40	1,173.45	-930.80	1.26	2.14	394.10

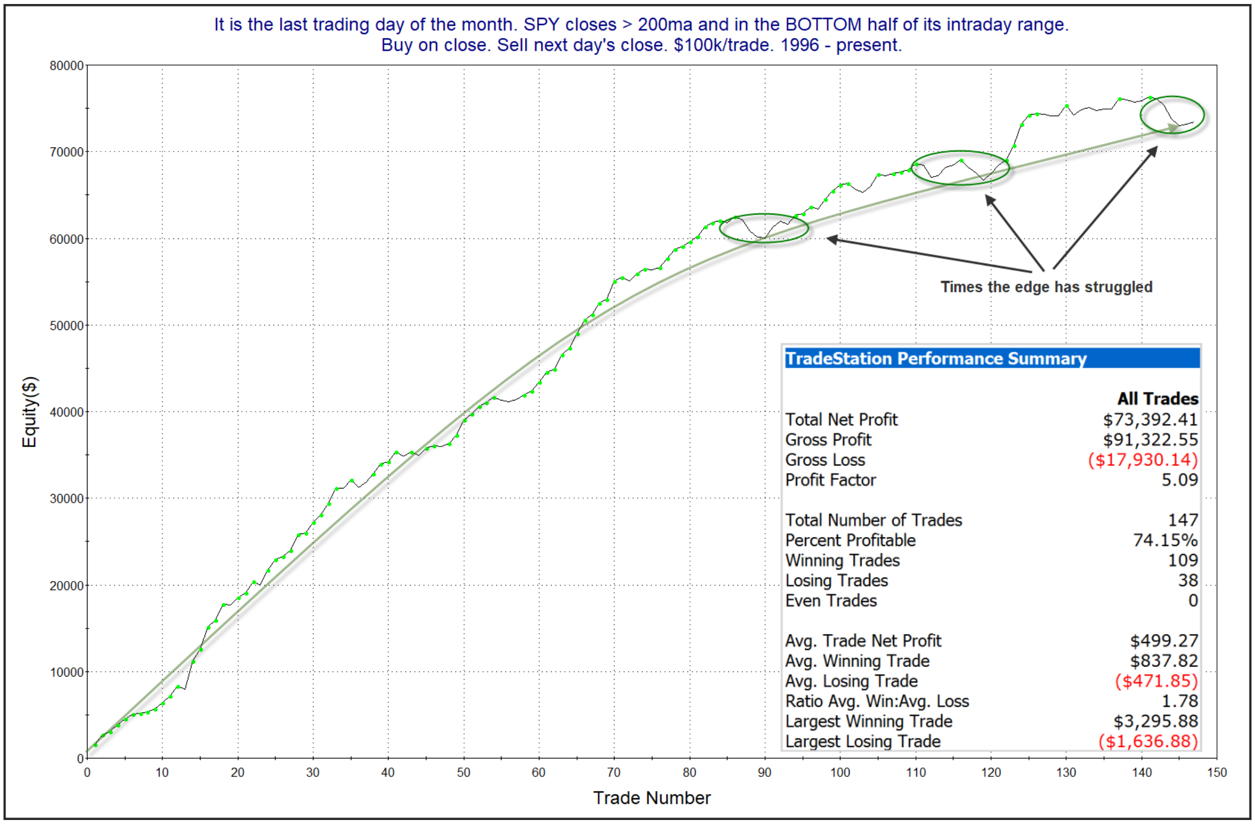
Stats here suggest an upside edge. Below is a look at the profit curve using a 2-day exit strategy.



Not exactly a smooth ride higher, but it has persisted over a long period of time and is again very close to a new high. I elected to include this study on the active list today as well.

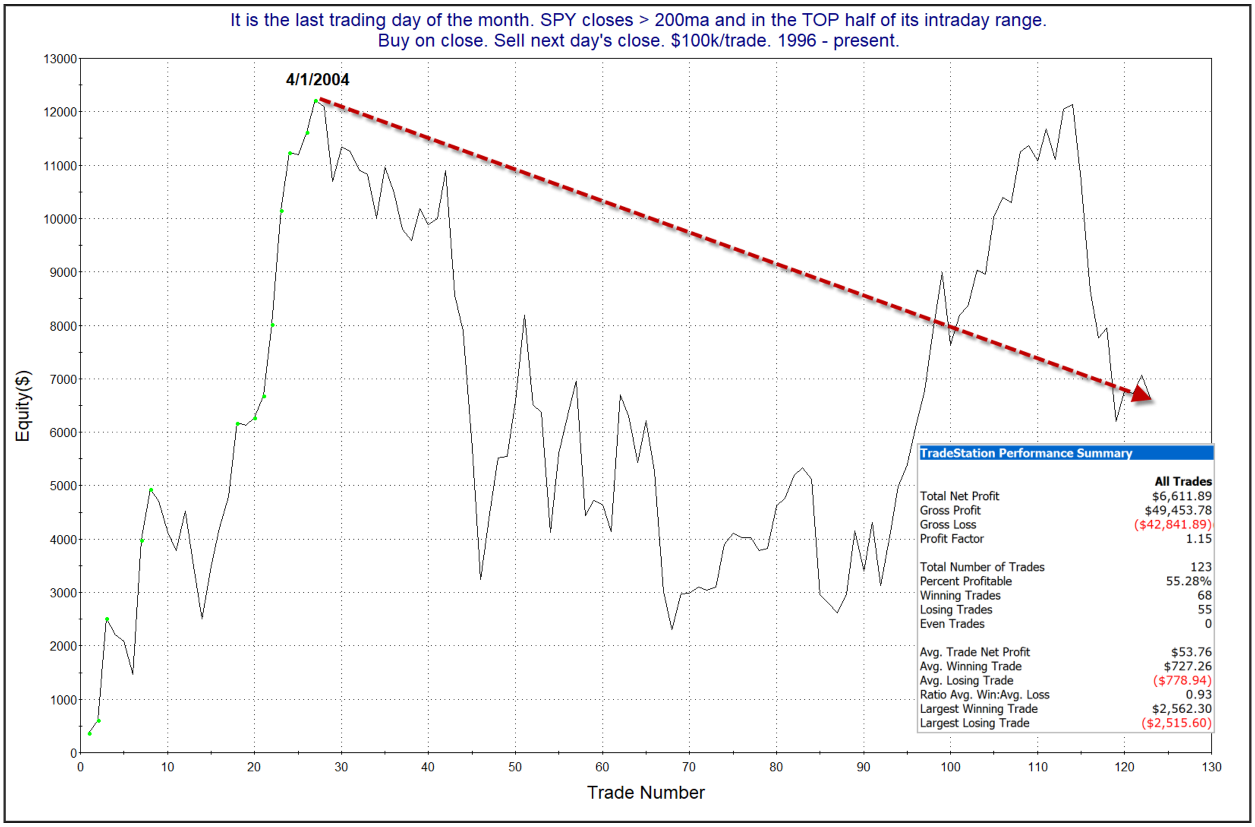
There were several new-month studies that triggered on Friday. But SPY closed in the top half of its intraday range. And that has been incredibly significant over the last several years. I discussed this in Thursday night's letter, and have copied that research below as a reminder.

The 1st day of a new month (Monday) is often a bullish day. But over the years I have found the bullish tendency to be more consistent and powerful when SPY closes poorly on the last trade day of the month. The two studies below delineate between times SPY closed in the top half of its intraday range, and the bottom half. They also utilize a long-term trend filter. First, let's look at times SPY closed in the bottom half.



The stats here are very strong. Gains absolutely blow away losses in every category. Gross gains are over 5x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 147 instances. And despite a few recent failures, the curve has shown progress over a long period of time. The current dip is not completely out of character, either. I've shown a few instances on the chart where there have been similar struggles. This setup certainly appears to provide a 1-day bullish edge.

But what about times where SPY closed in the top half of its intraday range?



We see here huge inconsistency. And since 2004 there has been a sizable net loss. The 1st day of the month has performed much better with some afternoon selling leading up to the day. So traders may want to keep an eye on Friday's action to see how 1st-day-of-month odds set up for Monday.

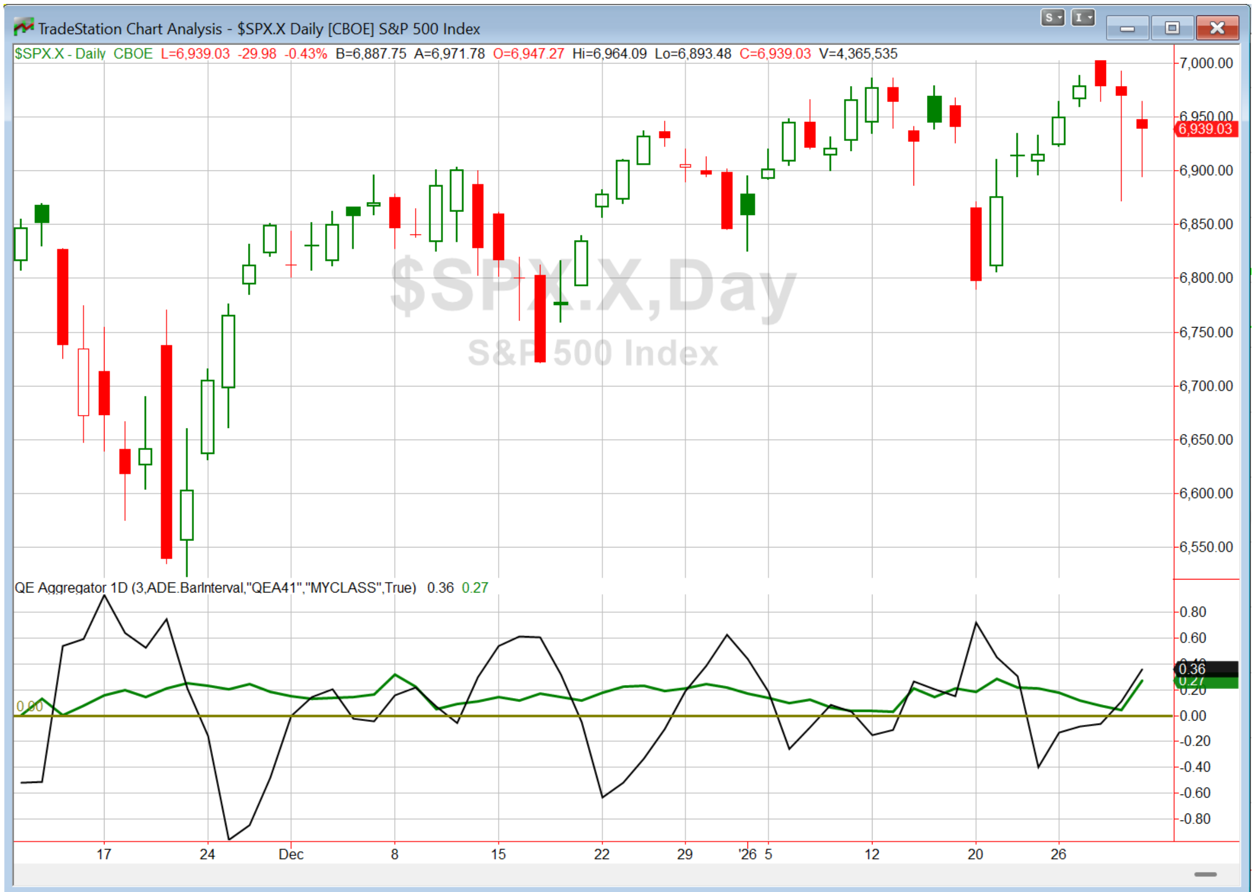
With this in mind, I am not adding any new turn-of-month studies to the active list.

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

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	**Win%**	**Profit Factor**	**Avg % Chg**
2/2/2026	59.25	1.404	0.122
2/3/2026	53.04	1.052	0.014
2/4/2026	60.47	1.408	0.107
2/5/2026	54.34	1.033	0.012
2/6/2026	57.10	1.152	0.057
2/9/2026	56.75	1.073	0.009
2/10/2026	54.28	1.111	0.026
2/11/2026	59.17	1.340	0.084
2/12/2026	56.54	1.083	-0.005
2/13/2026	58.59	1.427	0.092
2/17/2026	50.61	1.313	0.088
2/18/2026	50.76	1.081	0.012
2/19/2026	49.64	1.120	0.030
2/20/2026	49.17	1.102	0.025
2/23/2026	54.89	1.118	-0.021
2/24/2026	51.51	0.971	-0.057
2/25/2026	51.85	0.935	-0.067
2/26/2026	52.76	1.004	-0.048
2/27/2026	51.94	0.880	-0.082
Baseline	*54.80*	*1.172*	*0.058*

The 1st couple of weeks of the month look solidly bullish. The last couple of weeks do not look strong. From a seasonality standpoint, it appears the 2nd half of February could be a time where SPX might be more susceptible to a pullback,

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 long at the close.

Based on the current list of active studies, expectations are set to remain positive on Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7003.81. That is 0.9% above Friday's close. Therefore SPX will need to close up at least 0.9% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence is mostly bullish, there is a decent amount of room to the upside before SPX will turn overbought, and I strongly suspect another down day would generate some compelling Turnaround Tuesday studies. So traders may want to consider starting to builda long index position on Monday if a favorable entry becomes available.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/2 – 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 rose 0.3%, the NASDAQ fell 0.2%, and the Russell 2000 tumbled 2.1%. Bonds were also mixed. The US Aggregate Bond ETF (AGG) closed up 0.02%. TLT, the 20-year Treasury Bond ETF, declined 0.9%. The SPX made a new all-time high during the week, so the long-term uptrend appears intact. 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

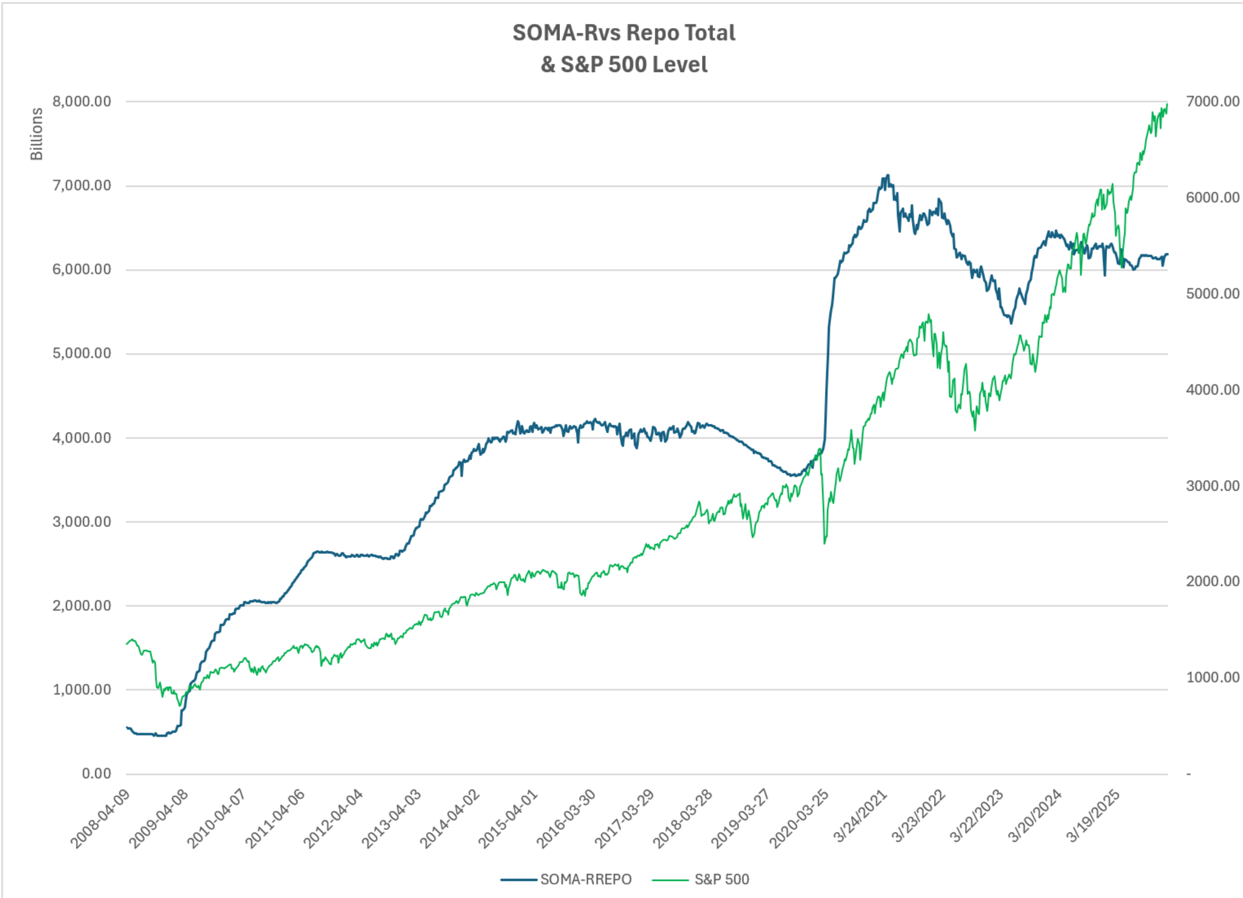
Previous January 28, 2026

Posted January 29, 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)	273,451,926.7
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***	2,016,004,496.1
Agency Commercial Mortgage-Backed Securities***	7,705,522.2
Total SOMA Holdings	6,190,323,453.4
Change From Prior Week	3,094,101.7

The SOMA rose over $3 billion this week, adding liquidity to the system. Meanwhile, reverse repos declined by $2 billion for the week ending 1/28/26. 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 $5.3 billion (through Wednesday the 28th). 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. Quantitative Easing is kicking in and providing a nice tailwind for the bulls. Additionally, FNMA and Freddie Mac are in the process of purchasing mortgage bonds. This could have an additional impact to QE as the government buys these bonds and provides even more liquidity to the system.

With regards to rates, odds of a March cut are now just 15%. Meanwhile, April odds now show a 32% chance they will be lower than they are currently. 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

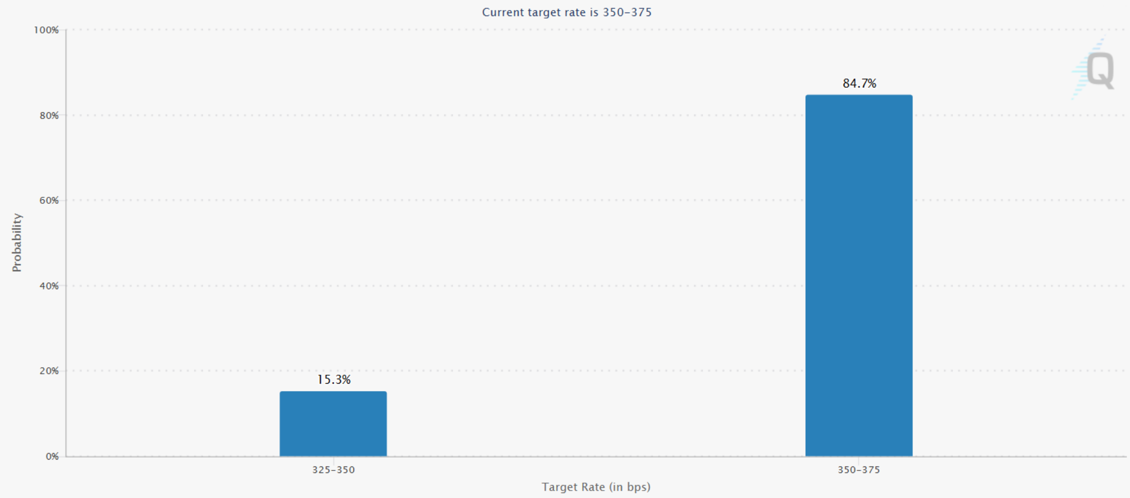
Tools

- CVOL
- SOFR Watch
- ESTR Watch

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	96.3825	22,297	203,603	15.3 %	84.7 %	0.0 %

Target Rate Probabilities for 18 Mar 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 30 JAN 2026	1 WEEK 23 JAN 2026	1 MONTH 31 DEC 2025
300-325	0.0%	0.0%	0.5%	6.1%
325-350	15.3%	13.4%	14.9%	42.6%
350-375 (Current)	84.7%	86.6%	84.6%	51.3%

* Data as of 1 Feb 2026 10:34:41 CT

FedWatch Tool

Target Rate

- Current
- Compare
- Probabilities
- Aggregated

Historical

- Historical
- Downloads
- Prior Hikes

Dot Plot

- Chart
- Table

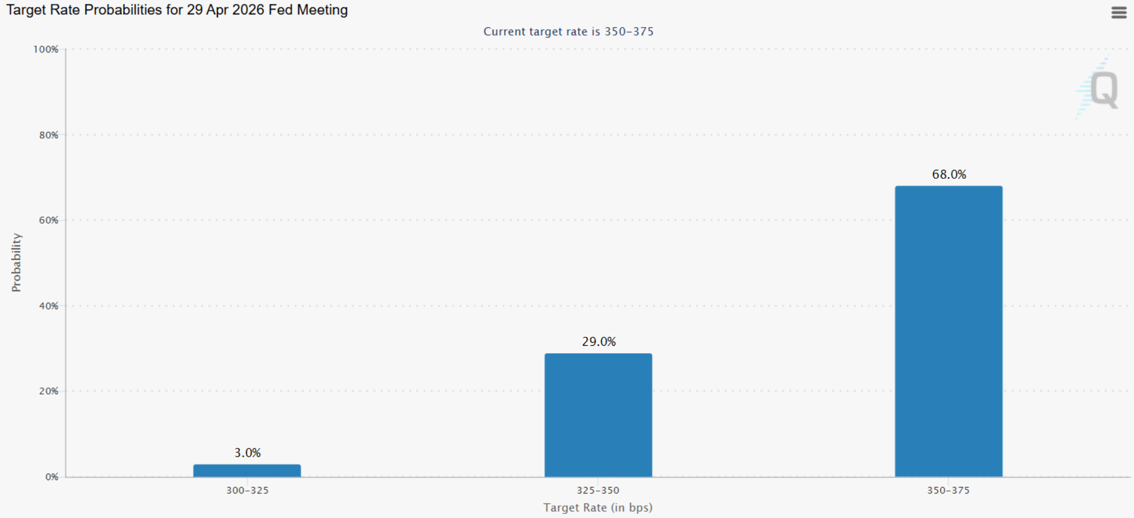
Tools

- CVOL
- SOFR Watch
- ESTR Watch

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
29 Apr 2026	ZQJ6	30 Apr 2026	96.4025	48,197	278,543	32.0 %	68.0 %	0.0 %

Target Rate Probabilities for 29 Apr 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 30 JAN 2026	1 WEEK 23 JAN 2026	1 MONTH 31 DEC 2025
275-300	0.0%	0.0%	0.1%	1.4%
300-325	3.0%	2.5%	2.9%	14.4%
325-350	29.0%	27.0%	26.4%	44.6%
350-375 (Current)	68.0%	70.5%	70.6%	39.7%

* Data as of 1 Feb 2026 10:34:05 CT

As we have seen over and over, odds continually shift, so we will likely 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. Price action studies are currently a plus. The trend is on the side of the bulls with the SPX making new all-time highs. The Fed appears dovish since it is increasing the size of the SOMA. I am not yet seeing the kind of breadth divergence that would cause concern that a major top is likely. 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

BA @ $234.04 (bought @ limit)

New

BA @ $233.72 (buy @ limit)

COST @ $940.25 (buy @ limit)

***Broad Market Large Cap CBI* – 3(BA-2, COST)**

Additional New Trade Ideas

SPY – Buy ¼ index position @ $689.00 LIMIT. If not filled during the day, raise the limit price to $691.96 LIMIT ON CLOSE. Based on the short-term section above, this will look to take on some SPY exposure if SPY dips some at the open or during the day. If price does not decline that much, this will fill on any down close on Monday.

BA – Buy 1/3 Catapult position @ $233.72 LIMIT. From the Catapult section above, this is the 2nd of up to 3 lots of BA.

COST – Buy 1/3 Catapult position @ $940.25 LIMIT. From the Catapult section above, this is the 1st of up to 3 lots of COST.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
BA(1/3)	1/30/2026	$233.50	$233.72	0.09%	Catapult