

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 17, 2026

Volume 19 Issue 31

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- Seasonality does not appear as it will be helpful for the bulls over the next couple of weeks.
- Quantitative Easing continues to provide liquidity to the market.
- Rate cuts in the next few months are appearing less likely.
- Compelling intermediate-term evidence is starting to fade in this choppy environment.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is pointing higher and the market is short-term oversold. I believe there is a 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 13, 2026	Dn 1%. Bad breadth. 4-day low close.	1-5 days	Bullish	2.30%	-2.05%	-4.50%
February 13, 2026	Btm 10% rng 2 of 3 days. Cls < 10ma > 200	1-9 days	Bullish	3.05%	-1.30%	-2.70%
Active - Long Term						
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 saw mixed results for the major indices. SPX rose 0.05%, the NASDAQ dropped 0.2%, and the Russell 2000 rallied 1.2%. Interestingly, breadth was strong as the NYSE Up Issues % closed at 69% and the NYSE Up Volume % posted a 68% reading. NYSE total volume declined some ahead of the holiday weekend.

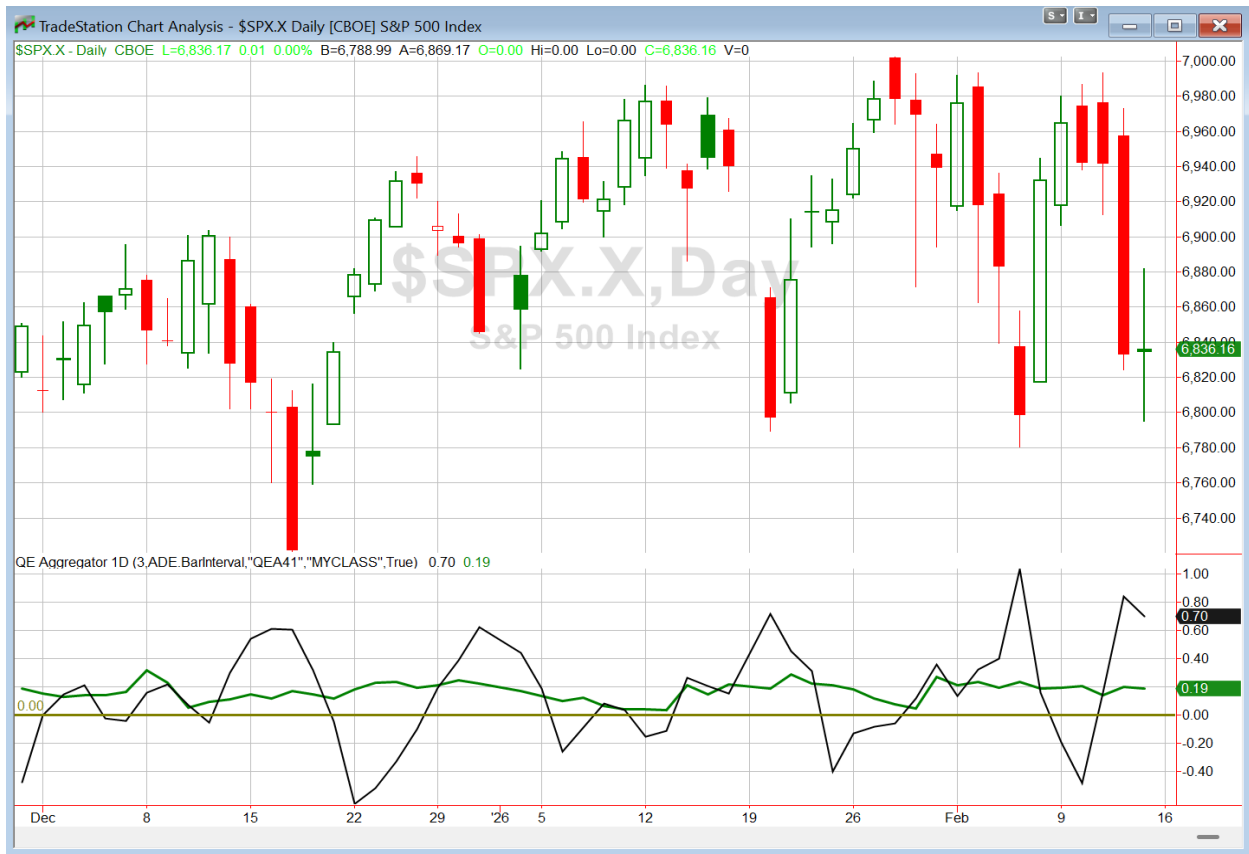
From a price action perspective, the mixed and mild action failed to trigger any compelling studies in the Quantifinder, and I did not uncover anything worth detailed discussion either. So this is going to be a bit of a short report for a long weekend.

It is worth noting the SPX Seasonality Calendar below.

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

Numbers this upcoming week are basically neutral. Even the green “bullish” days barely qualify, and fail to meet the average “baseline” numbers. And the last week of February is quite similar. The strongest part of the month from a seasonality perspective is already behind us. And SPX returns over the last couple of weeks have not been good. SPX is down 1.5% so far in February. There is plenty of time to get positive again, but it seems seasonality will not be helping any effort for the bulls.

I have updated the Aggregator chart below.



Without any new studies making the cut, 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 is also well above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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 strongly compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 6976.26. That is 2.0% above Friday's close. Therefore, SPX will need to close up a very sizable 2.0% on Tuesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Evidence from Thursday's action is still suggesting a bounce, and SPX is oversold with ample room to the north before it will flip to overbought. This suggests decent reward/risk for the bulls. I'll also note that the CBI is 7. That is not quite the bullish 10+ that I often look for, but additional selling could get it there in the coming days. I like the long side. I have added a trade idea that could enter a 2nd lot of SPY if there is a favorable entry available on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/17 – neutral

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

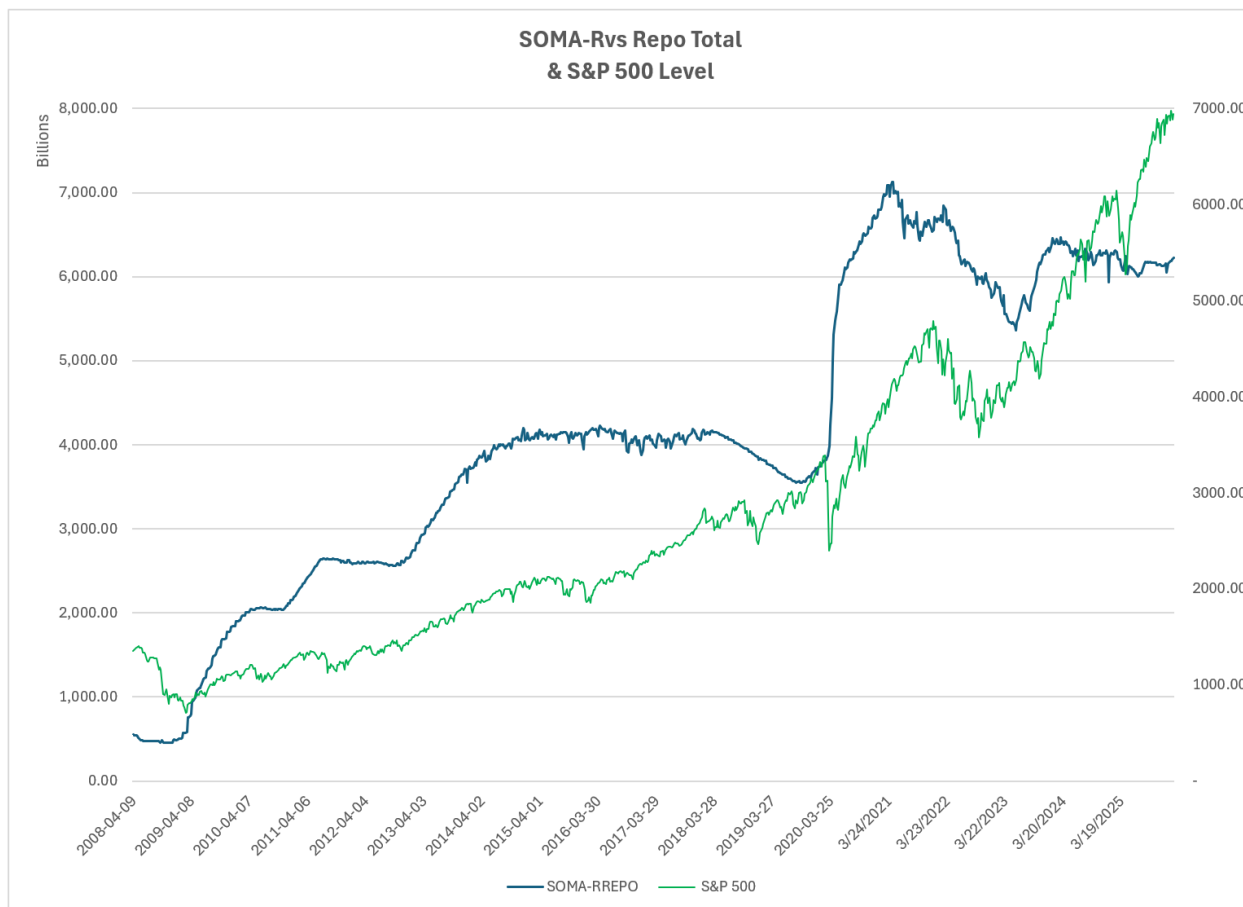
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course,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

The major stock indices all finished down this past week. The SPX lost 1.4%, the NASDAQ fell 2.1%, and the Russell 2000 dropped 0.9%. Bonds, on the other hand, rallied. The US Aggregate Bond ETF (AGG) closed up 0.9%. TLT, the 20-year Treasury Bond ETF, gained 2.5%. The long-term trend is becoming less clear. No real progress has been made since October and SPX and NASDAQ are now both trading below their 50-day moving averages. 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.

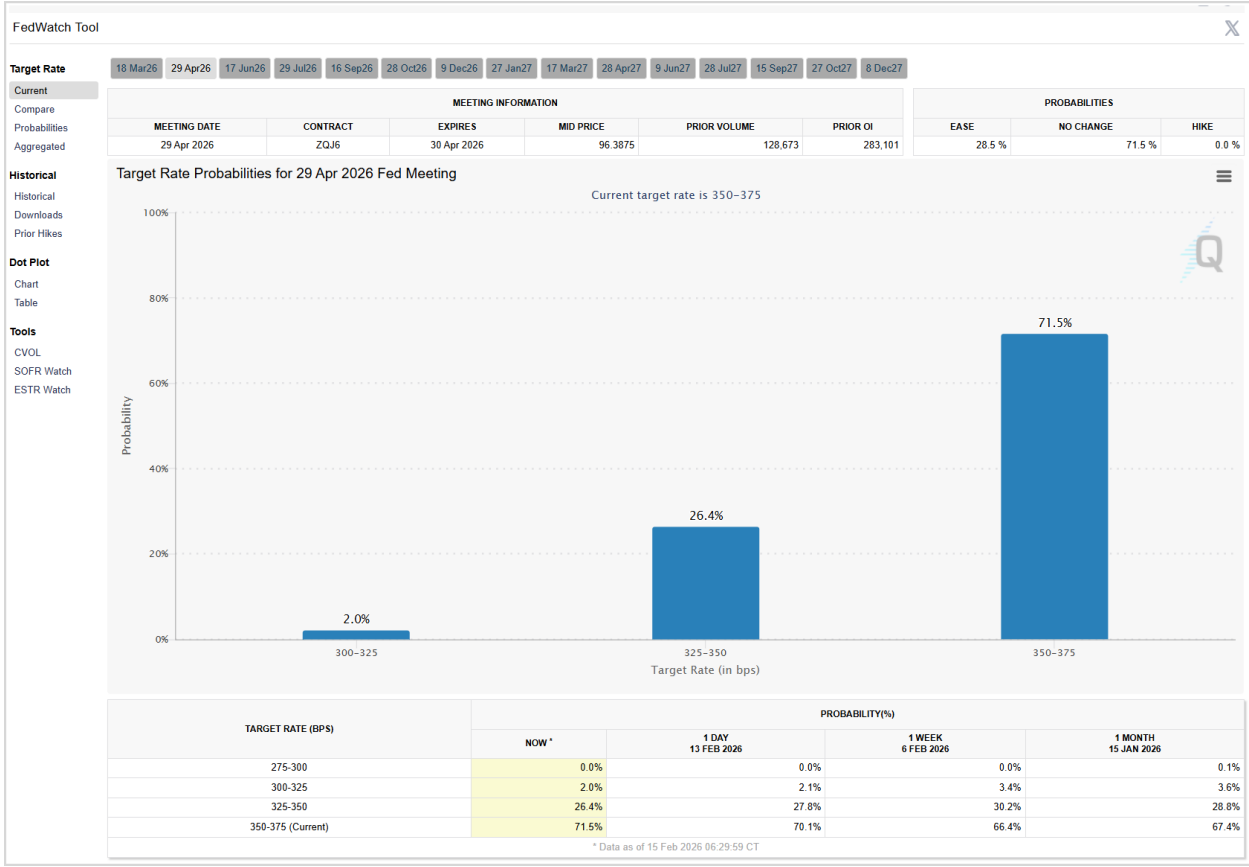
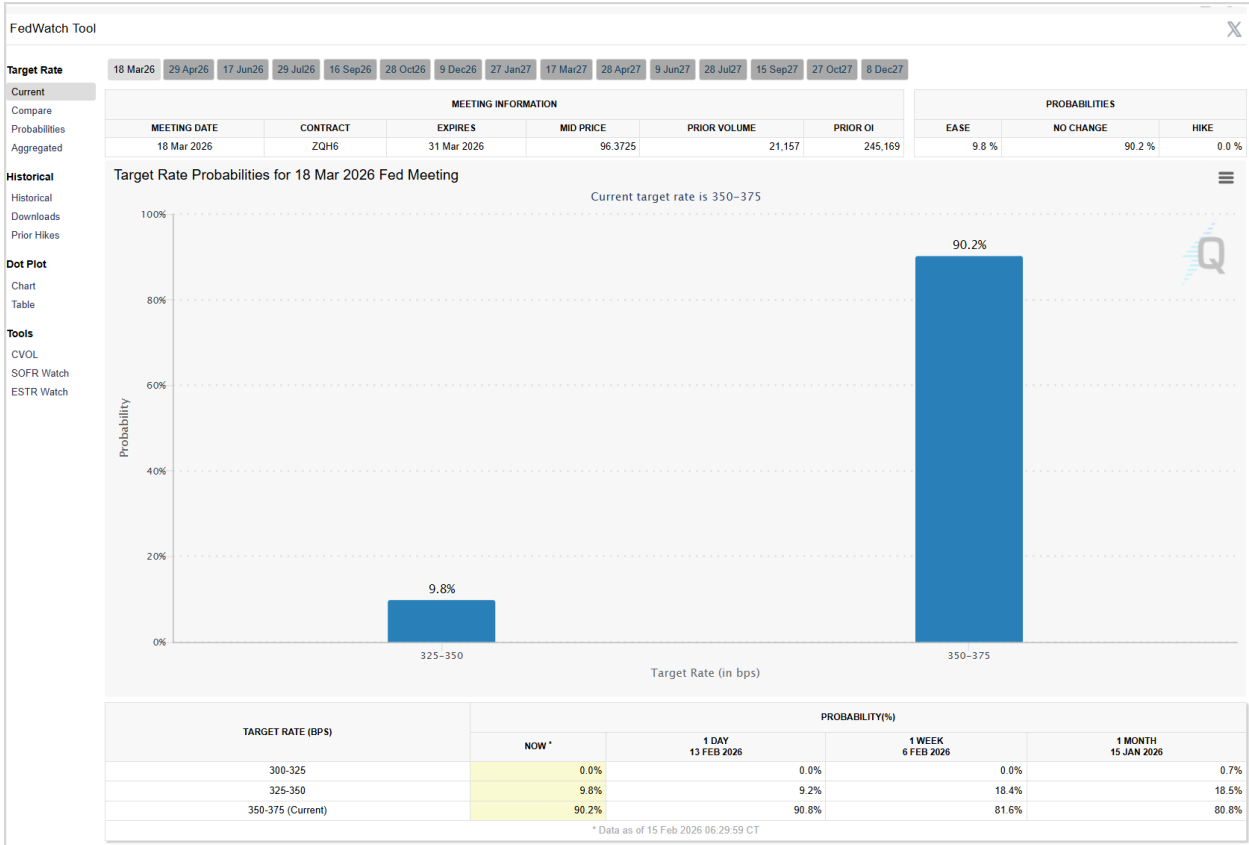
Domestic Security Holdings as of	
February 11, 2026	
Posted February 12, 2026 at 4:30 PM	
◀ Previous	
SUMMARY T-BILLS T-NOTES AND T-BONDS FRNS TIPS AGENCY DEBTS MBS CMBS	
SECURITY TYPE	TOTAL (\$Thousands)
US Treasury Bills (T-Bills)	305,284,926.7
US Treasury Notes and Bonds (Notes/Bonds)	3,585,696,264.4
US Treasury Floating Rate Notes (FRNs)	16,412,388.3
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	6,222,156,453.4
Change From Prior Week	16,608,000.0

The SOMA rose over \$16.6 billion this week, adding liquidity to the system. Meanwhile, reverse repos declined by \$1.4 billion for the week ending 2/11/26. 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 \$18 billion (through Wednesday the 11th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



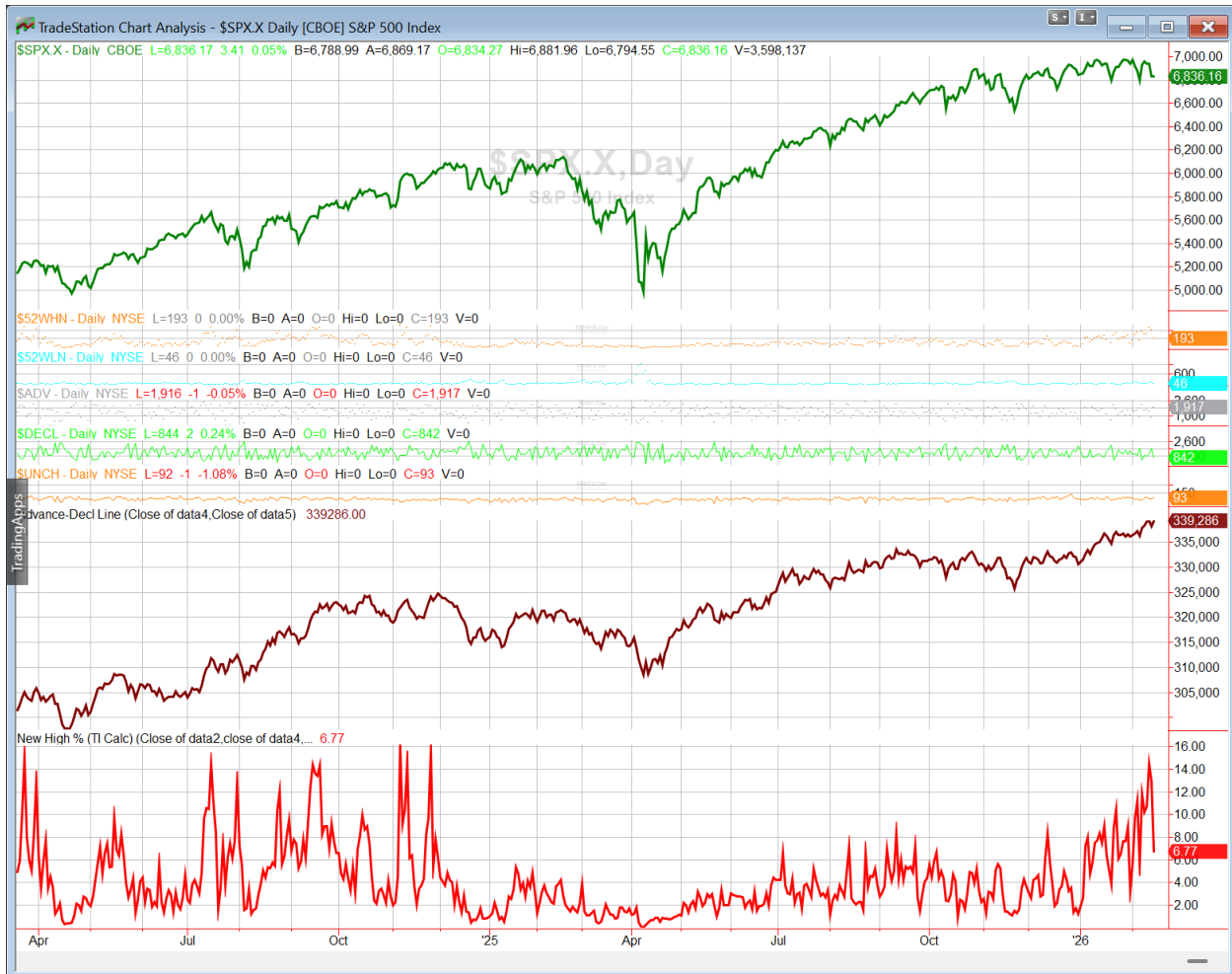
Reverse repos are near zero. So unless that changes, they will not be providing much influence on liquidity flows. Quantitative Easing has kicked in and is providing a nice tailwind for the bulls. Additionally, FNMA and Freddie Mac are in the process of purchasing mortgage bonds. This could have an additional 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 down to 10%. Meanwhile, April odds now show just a 28% chance they will be lower than they are currently. 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 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.

While SPX has not quite made it back to a new high, breadth looks strong as measured by the 2 indicators I discuss in the Study of Tops: 1) the NYSE Advance/Decline line and 2) the NYSE New High %. This can be seen in the chart below.



The A/D Line made a new high on Friday. The New High % did so on Wednesday. In looking back at all the major declines of 20% or more since 1970, I found that the COVID Crash was the only one in which there was not a multi-week breadth divergence in at least one of these indicators prior to the ultimate SPX price top. In most cases, breadth divergences were in place for at least a couple of months. This suggests declines over the next couple of months are likely to be somewhat shallow and we likely have not yet reached a major price top.

I will again note that according to my data providers there have been a couple of Hindenburg Omen signals in the last few weeks. When multiple Hindenburg Omens trigger in a short time period it suggests split market conditions that could leave the market susceptible to a sharp decline. One or two more signals in the next few weeks would make a cluster and could be suggestive of an intermediate-term market pullback. Not there yet – but something to keep an eye out for. And if it occurs, I will discuss it in more detail.

Overall, intermediate-term evidence now appears quite moderate. We have not seen any strongly compelling new intermediate-term studies emerge in the last couple of weeks, and there have been several that have expired. The trend appears more uncertain with SPX and NASDAQ having chopped mostly sideways over the last few months. On the plus side, the Fed appears dovish since it is increasing the size of the SOMA. So liquidity is positive. 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. I am inclined to dial back my intermediate-term outlook to neutral for the time being. That could easily change if we see some additional evidence appear. For now, I will likely trade a bit more conservatively from both the long and the short side than I would if I had a strong directional conviction.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

INTU @ \$487.12 (bought @ limit)

PYPL @ \$52.33 (bought @ limit)

INTU @ \$434.09 (bought @ limit)

PYPL @ \$41.70 (bought @ limit)

PYPL @ \$41.03 (bought @ limit)

TMO @ \$509.82 (bought @ limit)

NEW

TMO @ \$504.82 (buy @ limit)

Broad Market Large Cap CBI – 7 (INTU-2, PYPL-3, TMO-2)

Additional New Trade Ideas

TMO – Buy 1/3 Catapult position @ \$504.82 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of TMO.

SPY – Buy ¼ index position @ \$681.25 LIMIT. Based on the short-term outlook above, this will look to add a 2nd lot of index exposure if SPY dips lower by a bit on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
PYPL(1/3)	2/3/2026	\$42.88	\$40.29	-6.04%	Catapult
INTU(1/3)	2/3/2026	\$468.50	\$399.40	-14.75%	Catapult
INTU(1/3)	2/4/2026	\$427.94	\$399.40	-6.67%	Catapult
PYPL(1/3)	2/4/2026	\$41.60	\$40.29	-3.15%	Catapult
PYPL(1/3)	2/5/2026	\$40.60	\$40.29	-0.76%	Catapult
SPY(1/4)	2/12/2026	\$691.95	\$681.75	-1.47%	Catapult
TMO(1/3)	2/13/2026	\$509.82	\$504.82	-0.98%	Catapult

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