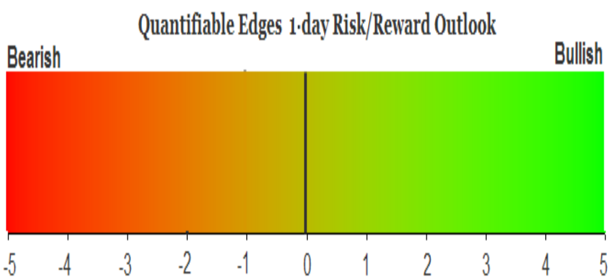
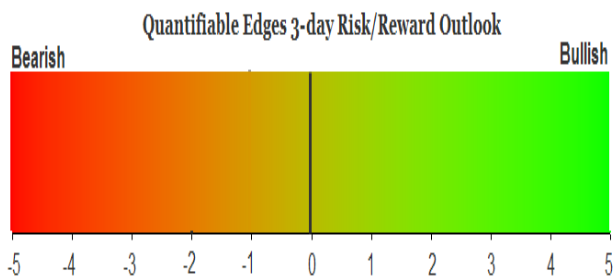
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 11, 2026 Volume 20 Issue 88

Market Overview





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Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- No compelling new short-term evidence emerged on Friday.
- The QE seasonality calendar shows this week to be "meh" before turning more bullish for the 2nd half of the month.
- Momentum has been historic, but breadth is still lagging.
- The Fed continues to add liquidity by increasing the size of the SOMA.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

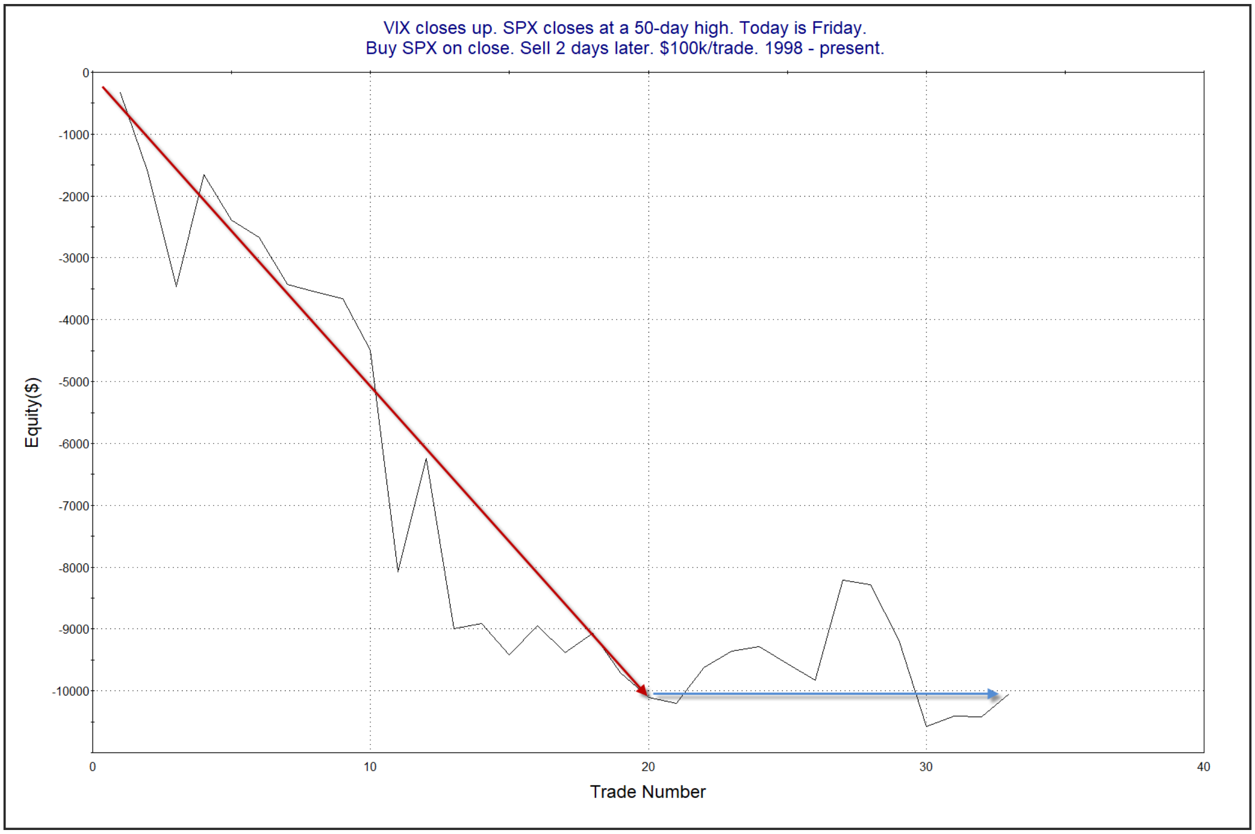
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 7, 2026	SPY 2 unfilled up gaps + 50-day high	1-4 days	Bullish	0.94%	-0.87%	-1.90%
Active - Long Term						
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
April 20, 2026	SPX 50-day %b > 100	1-50 days	Bullish	4.90%	-4.30%	-8.75%
April 6, 2026	NASDAQ leading	int term	Bullish			
March 30, 2026	SPX down 5 straight weeks	1-6 months	Bearish	-13.10%	8.60%	16.80%
December 15, 2025	QE active. Rates dropping. Fed dovish	int term	Bullish			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			

The Evidence

Friday was yet another positive day for the market. SPX finished up 0.8%, the NASDAQ gained 1.7%, and the Russell 2000 climbed 0.8%. Breadth was mixed as the NYSE Up Issues % closed at 57% and the NYSE Up Volume % posted a 47% reading. NYSE total volume declined from Thursday's level.

There were a few studies that triggered in the Quantifinder but nothing that looked terribly compelling. There was one study that looked at VIX closing higher on a Friday while the SPX closed at a 50-day high. I did feature it fairly recently but recent instances have struggled. Below is a look at an updated two-day profit curve, which is actually the most appealing of any of the curves.



It is now at a point where there has not been any progress for basically the last fifteen instances. That's over one third of the instances in the chart. That's enough time for me to now put this one on hold. I am not including it on the active list today. In fact there are no new short-term studies that I will be adding.

But let's take a look at the seasonality calendar for SPX. I've drawn the blue box around this upcoming week in the table below.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
5/1/2026	59.78	1.260	0.079
5/4/2026	56.97	1.359	0.104
5/5/2026	50.56	0.985	-0.010
5/6/2026	57.71	1.336	0.084
5/7/2026	51.47	0.961	-0.014
5/8/2026	52.69	1.209	0.059
5/11/2026	57.75	1.178	0.048
5/12/2026	54.11	1.178	0.051
5/13/2026	57.88	1.225	0.069
5/14/2026	53.74	0.925	-0.036
5/15/2026	50.58	0.978	-0.007
5/18/2026	60.32	1.466	0.108
5/19/2026	55.16	1.497	0.125
5/20/2026	57.13	1.440	0.086
5/21/2026	56.29	1.492	0.111
5/22/2026	58.95	1.514	0.108
5/26/2026	53.03	1.539	0.124
5/27/2026	52.31	1.541	0.124
5/28/2026	54.18	1.575	0.135
5/29/2026	55.20	1.429	0.090
Baseline	***54.68***	***1.165***	***0.056***

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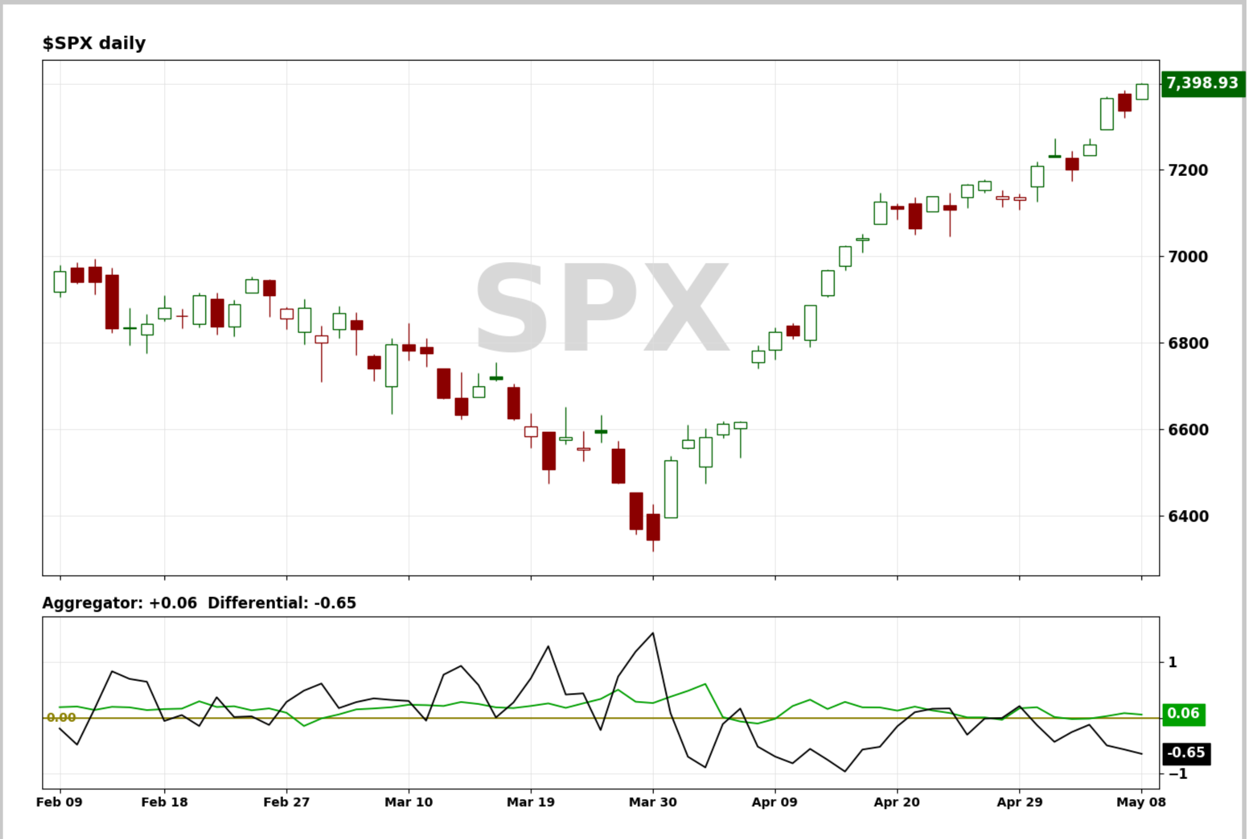
So we have three fairly positive days followed by two basically neutral days. This past week and this upcoming week are not supposed to be all that strong from a seasonality standpoint. Of course the market didn't care about that this past week. So we'll see if the rally slows down at all this upcoming week. The second half of May looks quite strong from a seasonality standpoint.

I have updated the Aggregator chart below.



Without any new studies being added, 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 below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is strongly 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 stayed flat 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 7364.01. That is 0.5% below Friday's close. Therefore, SPX will need to close down at least 0.5% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Not much has changed the last couple of nights. SPX is still overbought and we are still lacking strong evidence suggesting we should short. Essentially SPX remains too strong to short and too overbought to buy. I'll continue to wait for a more compelling setup to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/11 – bullish

Combo #1	Combo #2	Combo #3	Combo #4
Flat	Long $NDX	Long $NDX	Long $NDX

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. *Combo 1 switched to Flat while the other models remained Long $NDX this week.*

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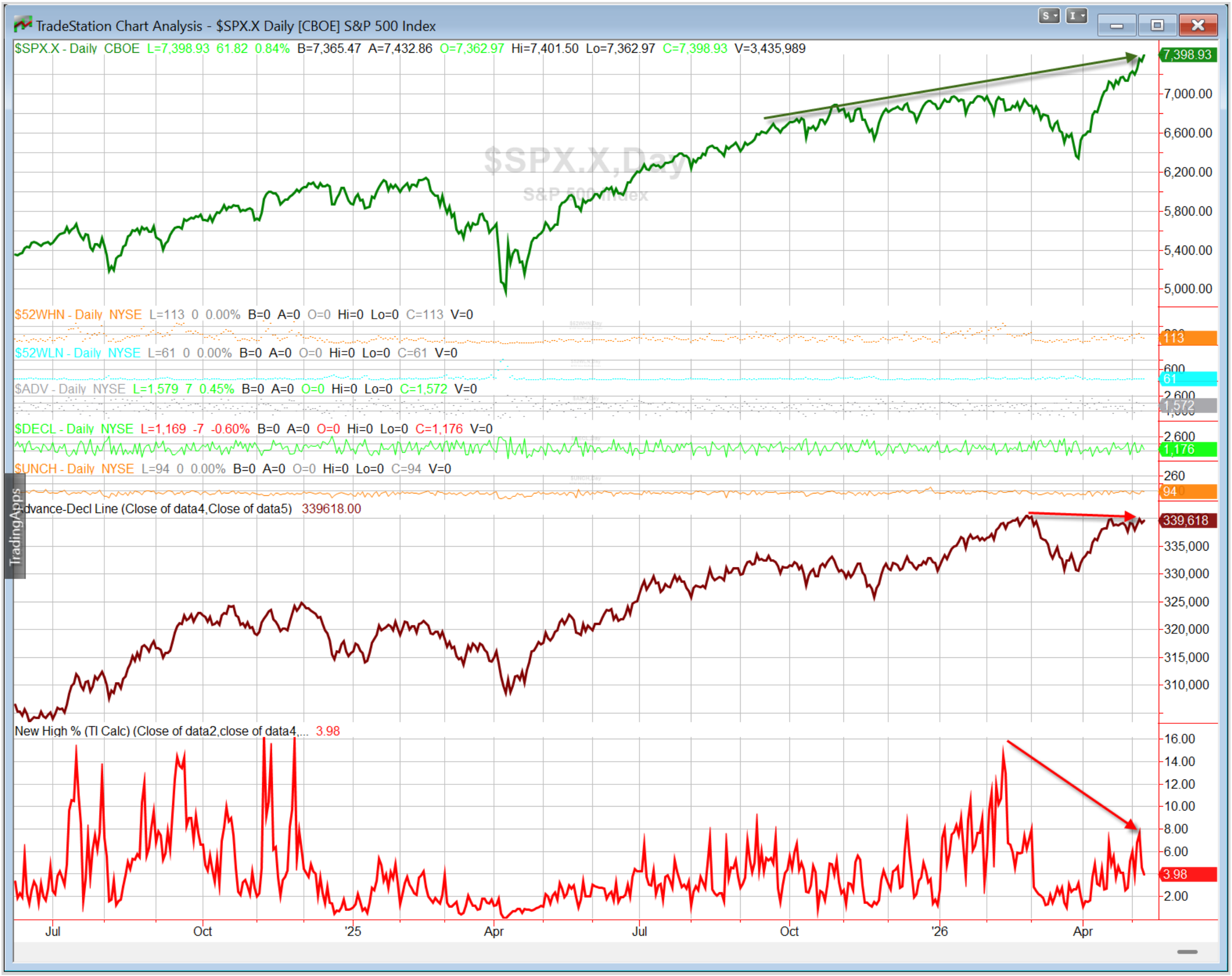
Stocks rose for the sixth week in a row. The SPX this week gained 1.5%, the NASDAQ rallied 2.75%, and the Russell 2000 rose 0.95%. Bonds were up too. The US Aggregate Bond ETF (AGG) climbed 0.3%. TLT, the 20-year Treasury Bond ETF, advanced 0.55%. The SPX and NADSAQ are both at all-time highs, so clearly we are in a long-term uptrend. There were no studies that emerged in the last few days with intermediate-term implications.

The rally over the last six weeks has been historic. I tried looking back at other comparisons but really it stands on its own. I could not find any other instance where the S&P 500 rallied six weeks in a row, gained over 16%, and made a new all-time high. So trend is obvious and momentum is off the charts.

But breadth is ***still*** lagging. As I have discussed the last several weeks, the QE Study of Tops shows that nearly every major market top since 1970 saw a breadth divergence occur ahead of it. The lone exception was 2020. The measurements the study looks at are 1) the NYSE Advance/Decline Line, and 2) the Net % of NYSE stocks making new highs (vs new lows). When SPX topped at the end of January, there was no divergence. Breadth was strong by both measures. This led me to believe that a major selloff (20% +) seemed unlikely. But here is an updated look at where we are now:

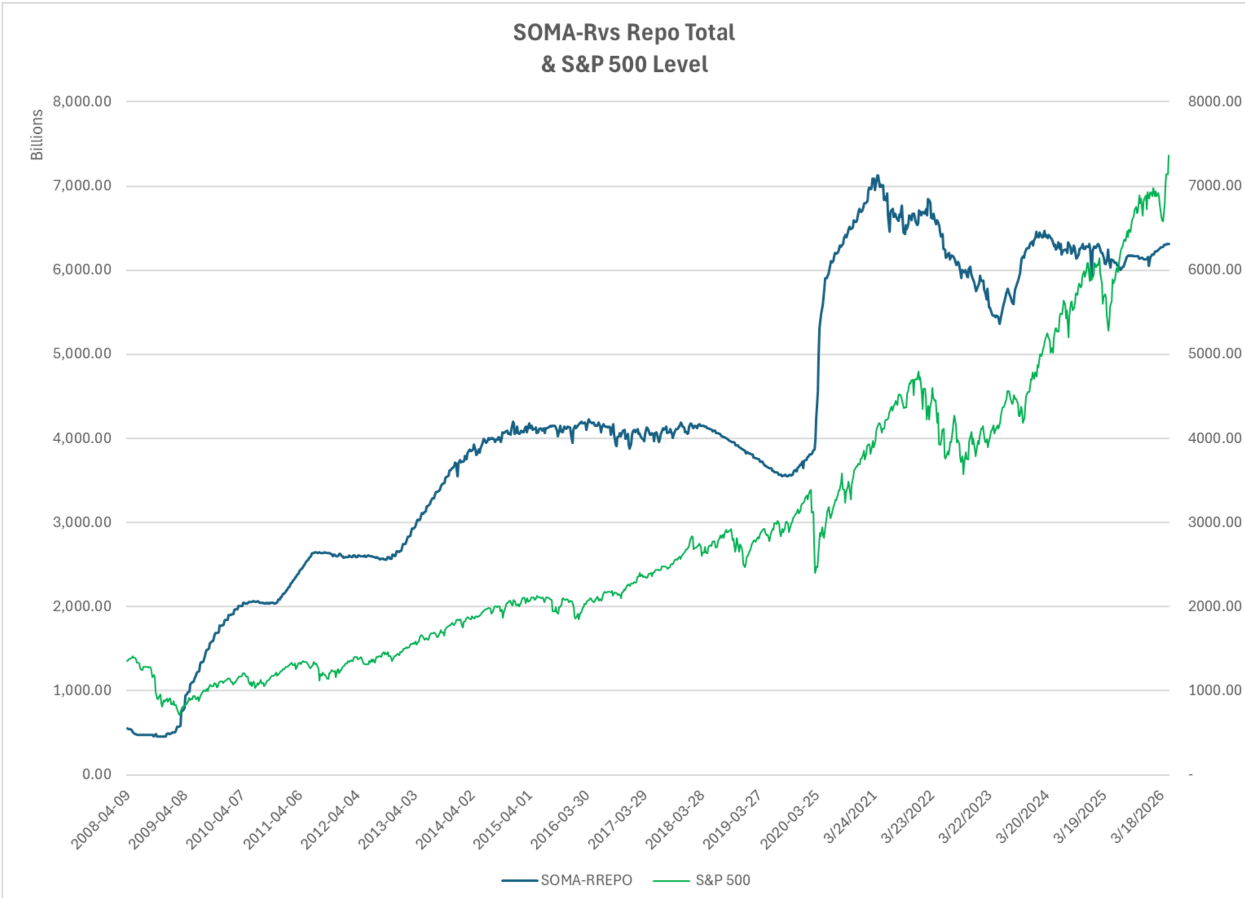


The Advance/Decline line is still lagging. The Net New High % is ***way*** off. This is not a trigger to sell. It is a condition that sets the stage for a possible major top. But that top could still be many weeks or months away. If this divergence resolves itself and the Net New High % and the NYSE Advance/Decline Line make new highs, then we will be back to a point where the market would be unlikely to top out for at least 2-3 more months. So it is nothing to act on yet. But it is something that bears watching. I'll especially be watching the Net New High % very closely should this rally continue, since that is lagging by such a large amount.

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

Domestic Security Holdings as of 2026-05-06	
SECURITY TYPE	**TOTAL ($Thousands)**
US Treasury Bills	437,856,926.7
US Treasury Notes and Bonds	3,597,035,598.2
US Treasury FRNs	18,357,825.8
US Treasury TIPS	279,041,230.2
Federal Agency Securities	2,347,000.0
Agency MBS	1,973,437,803.3
Agency CMBS	7,622,211.7
Total SOMA Holdings	**6,315,698,595.9**
Change From Prior Week	**+7,585,000.0**

The SOMA rose about $7.6 billion this week, adding some liquidity to the system. Meanwhile, reverse repos rose by nearly $900 million for the week ending 5/6/26. 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 $6.7 billion (through Wednesday the 6th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are still extremely low. So unless that changes, they will not be providing much influence on liquidity flows. Quantitative Easing has kicked in and is providing some support for the bulls. But while current Fed policy is a bit dovish, the market is unsure of what or when the next policy move will be.

With regards to rates, odds of a cut at the next couple of upcoming meetings barely changed and still appear low. The June meeting shows a 7% chance of a decrease from current levels. And looking out to July, odds currently show a 13% chance that rates are lower than today. 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

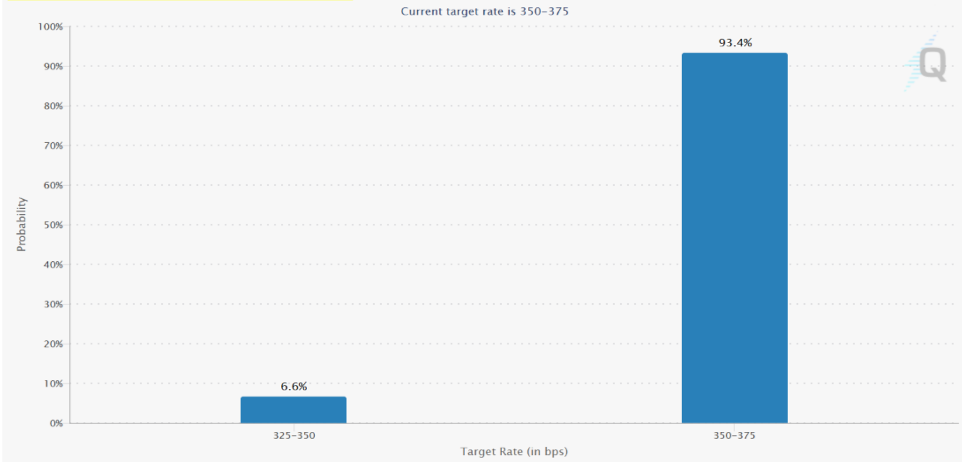
Dot Plot
Chart
Table

Tools
CVOL
SOFR Watch
ESTR Watch

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
17 Jun 2026	ZQM6	30 Jun 2026	96.3750	54,633	242,550	6.6 %	93.4 %	0.0 %

Target Rate Probabilities for 17 Jun 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 7 MAY 2026	1 WEEK 1 MAY 2026	1 MONTH 9 APR 2026
325-350	6.6%	3.6%	6.7%	3.8%
350-375 (Current)	93.4%	96.4%	93.3%	94.2%
375-400	0.0%	0.0%	0.0%	2.0%

* Data as of 9 May 2026 01:46:15 CT

1/1/2028 and forward are projected meeting dates

FedWatch Tool

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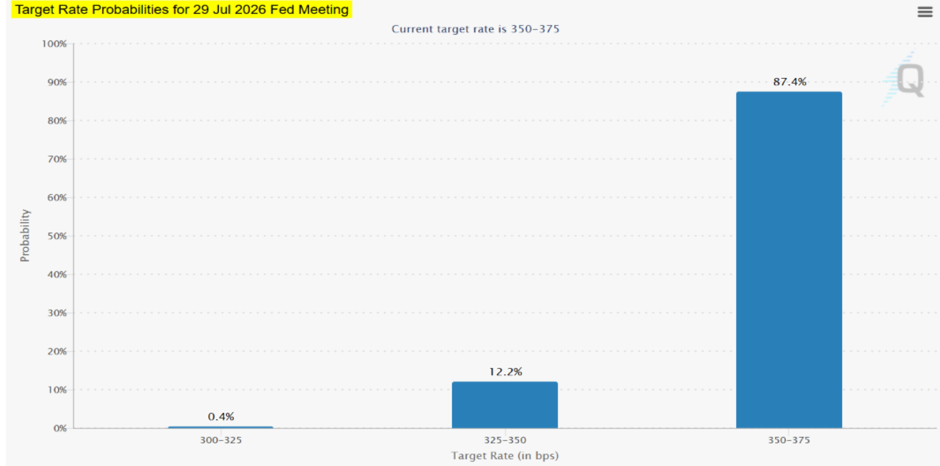
MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
29 Jul 2026	ZQN6	31 Jul 2026	96.3850	53,510	258,149	12.6 %	87.4 %	0.0 %

Target Rate Probabilities for 29 Jul 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 7 MAY 2026	1 WEEK 1 MAY 2026	1 MONTH 9 APR 2026
300-325	0.4%	0.2%	0.3%	0.1%
325-350	12.2%	9.5%	10.4%	5.7%
350-375 (Current)	87.4%	90.2%	89.3%	92.3%
375-400	0.0%	0.0%	0.0%	1.9%

* Data as of 9 May 2026 01:46:06 CT

1/1/2028 and forward are projected meeting dates

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, any move looks unlikely for the next few months.

It is tough to argue with a market that just keeps going up. We have seen several price momentum studies with bullish intermediate-term implications trigger in the last few weeks. The NASDAQ took leadership from the SPX almost exactly when the market bottomed at the end of March and has remained the leader since. A leading NASDAQ is generally a positive. Additionally, the Fed appears dovish since it is increasing the size of the SOMA, so liquidity is positive. Of course the Fed could turn more neutral if rates hikes come into play, but that is looking highly unlikely at this point. Long-term seasonality is now bearish for through October. The lagging A/D line and Net New Highs % have created a divergence that could lead to trouble at some point, but that is not a great timing signal. Risks remain elevated in a news-driven environment. Overall, I am leaning bullish. I am always willing to change my stance if new evidence emerges, but for now I remain more willing to take long positions than short positions.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

LMT – 1/3 @ $509.81 – (bought @ limit)
MDT – 1/3 @ $79.37 – (bought @ limit)
ABT – 1/3 @ $86.30 – (bought @ limit)

***Broad Market Large Cap CBI* – 3 (LMT, MDT, ABT)**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
LMT(1/3)	4/30/2026	$509.81	$506.51	-0.65%	Catapult
MDT(1/3)	4/30/2026	$79.37	$76.15	-4.06%	Catapult
ABT(1/3)	5/7/2026	$86.30	$84.32	-2.29%	Catapult