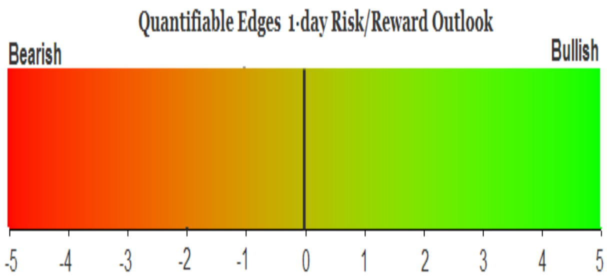
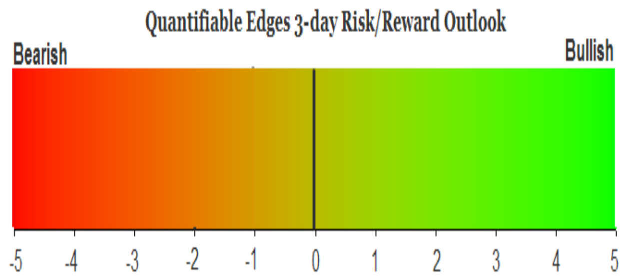
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 26, 2026 Volume 20 Issue 98

Market Overview





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Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Memorial Day week used to be quite bullish. In recent years, only Thursday has seen the bullish tendency persist.
- The trend remains higher and the Nasdaq is leading it. Both of these things are positives
- The rise in reverse repos temporarily overshadowed the increase in the SOMA this past week. I do not expect that to persist and believe the Fed will continue to provide liquidity - at least until the next meeting.
- Rate hikes over the next few months are now starting to look more likely than rate cuts. Still the most likely scenario is that rates remain the same.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Same here.

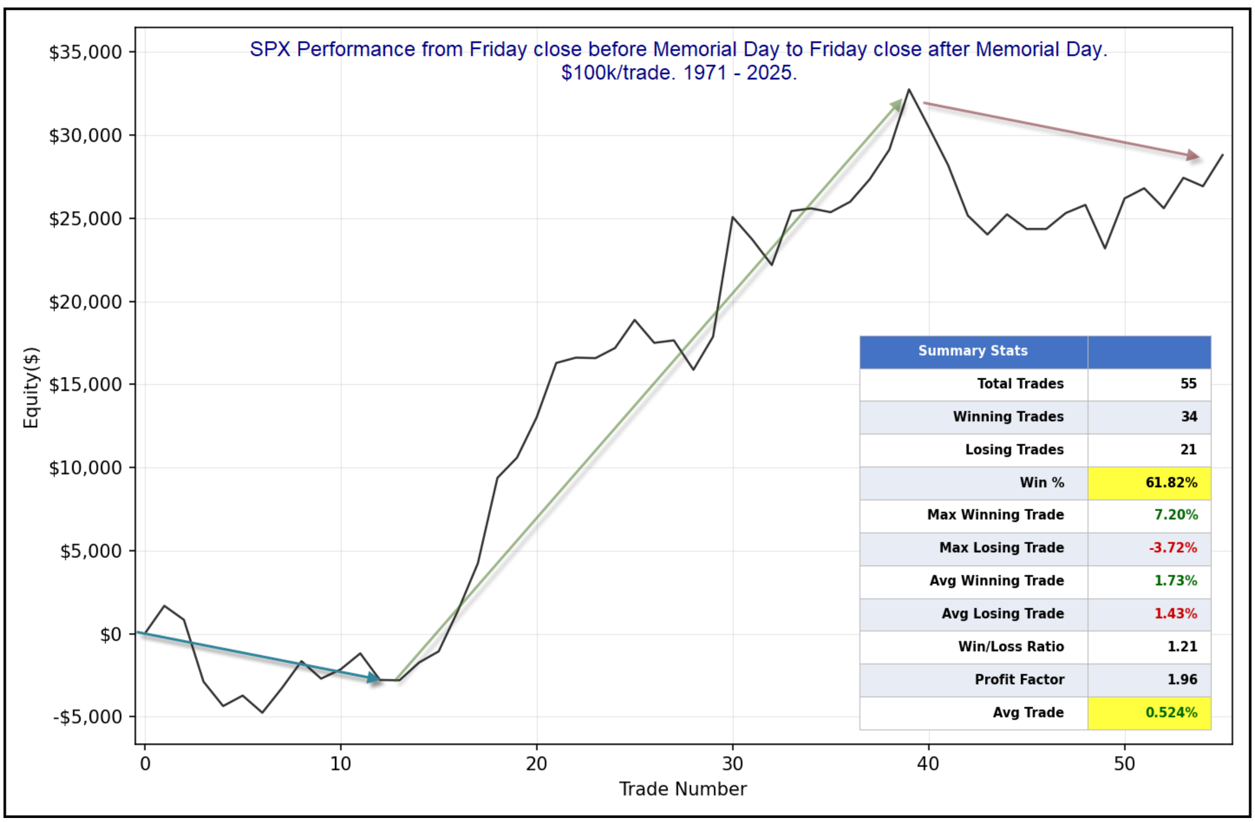
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 20, 2026	SPX dips below 10ma after 25+ days above	1-9 days	Bullish	2.49%	-1.19%	-2.41%
Active - Long Term						
May 13, 2026	SPX historically strong 6-week rally	1-12 months	Bullish	18.96%	-8.29%	-10.88%
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
April 6, 2026	NASDAQ leading	int term	Bullish			
December 15, 2025	QE active. Rates dropping. Fed dovish	int term	Bullish			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			
Dropped Tonight (target hit, or avg drawdown + 1 std dev exceeded)						
May 20, 2026	SPY down 3 days from a 50-day high, closes	1-4 days	Bullish	1.56%	-0.86%	-1.81%

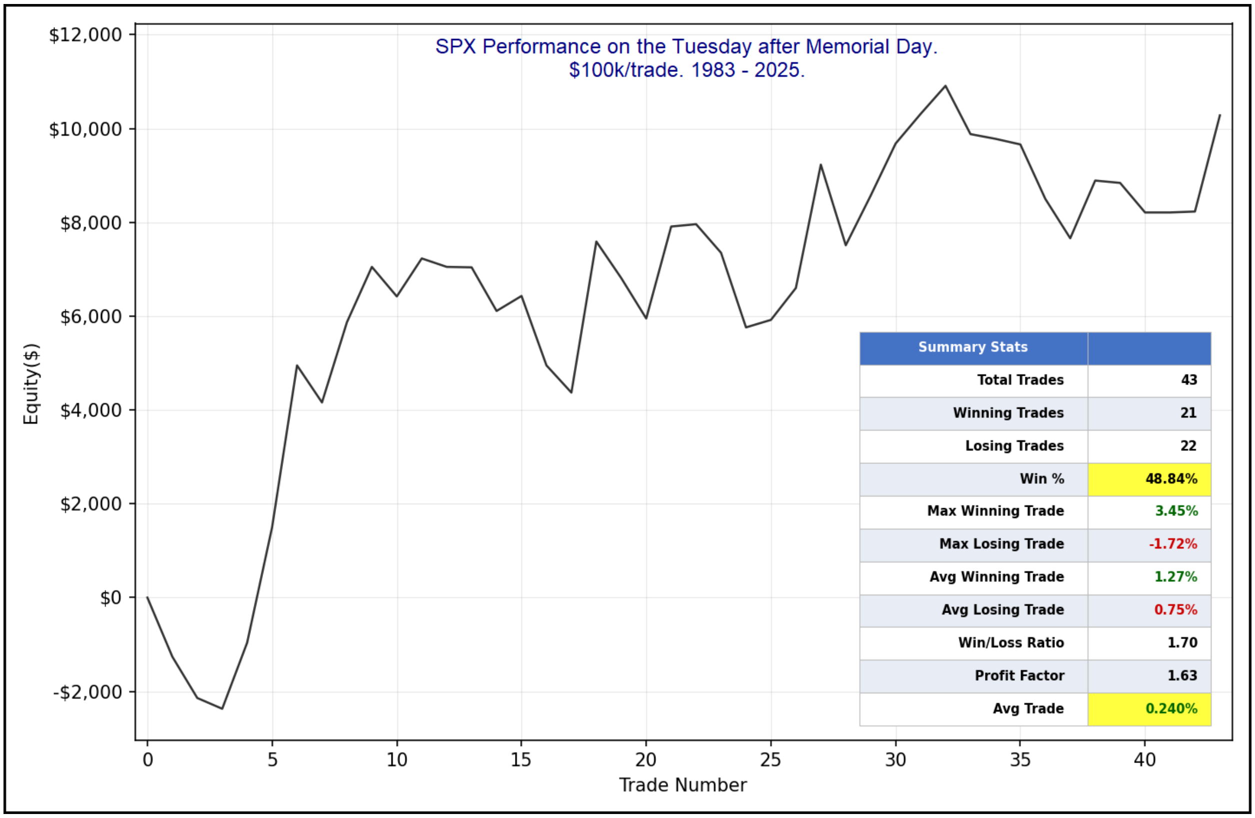
The Evidence

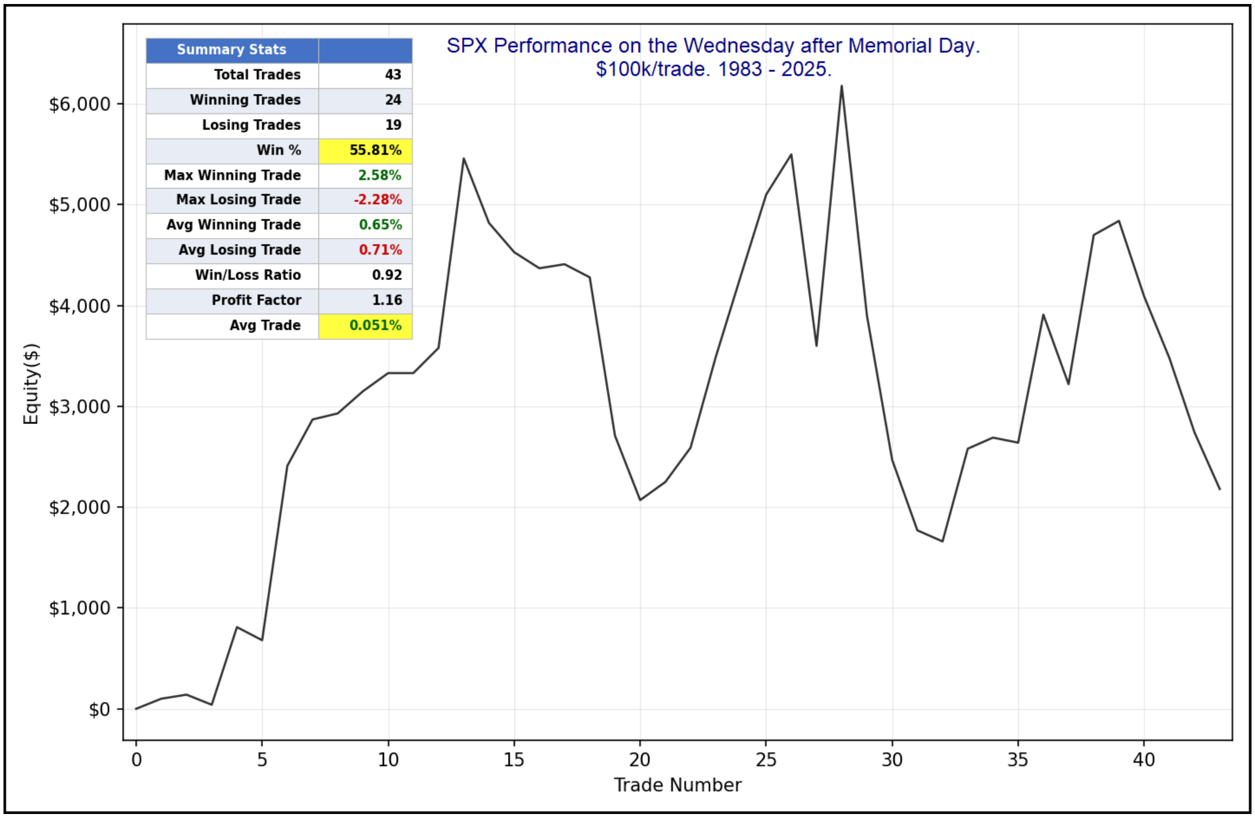
Friday saw modest gains for the indices. SPX finished up 0.4%, the NASDAQ gained 0.2%, and the Russell 2000 climbed 0.9%. Breadth was positive as the NYSE Up Issues % closed at 58% and the NYSE Up Volume % posted a 61% reading. NYSE total volume declined some from Thursday's level.

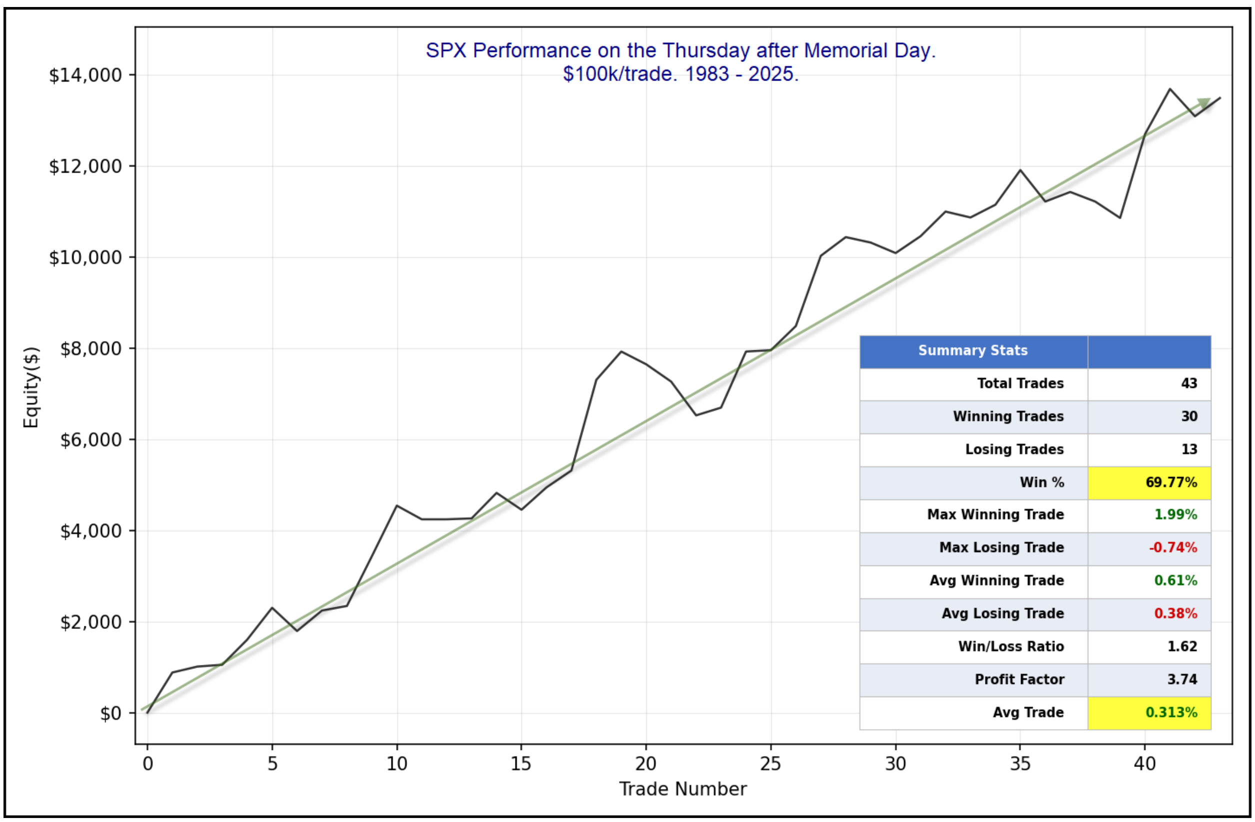
Price action did not generate anything in the way of compelling new evidence. But Monday is Memorial Day. The week of Memorial Day has shown some interesting tendencies over the years. It has been less consistent recently. The chart below is updated from the 5/27/25 letter. It examines SPX performance from the Friday before Memorial Day to the Friday after it.

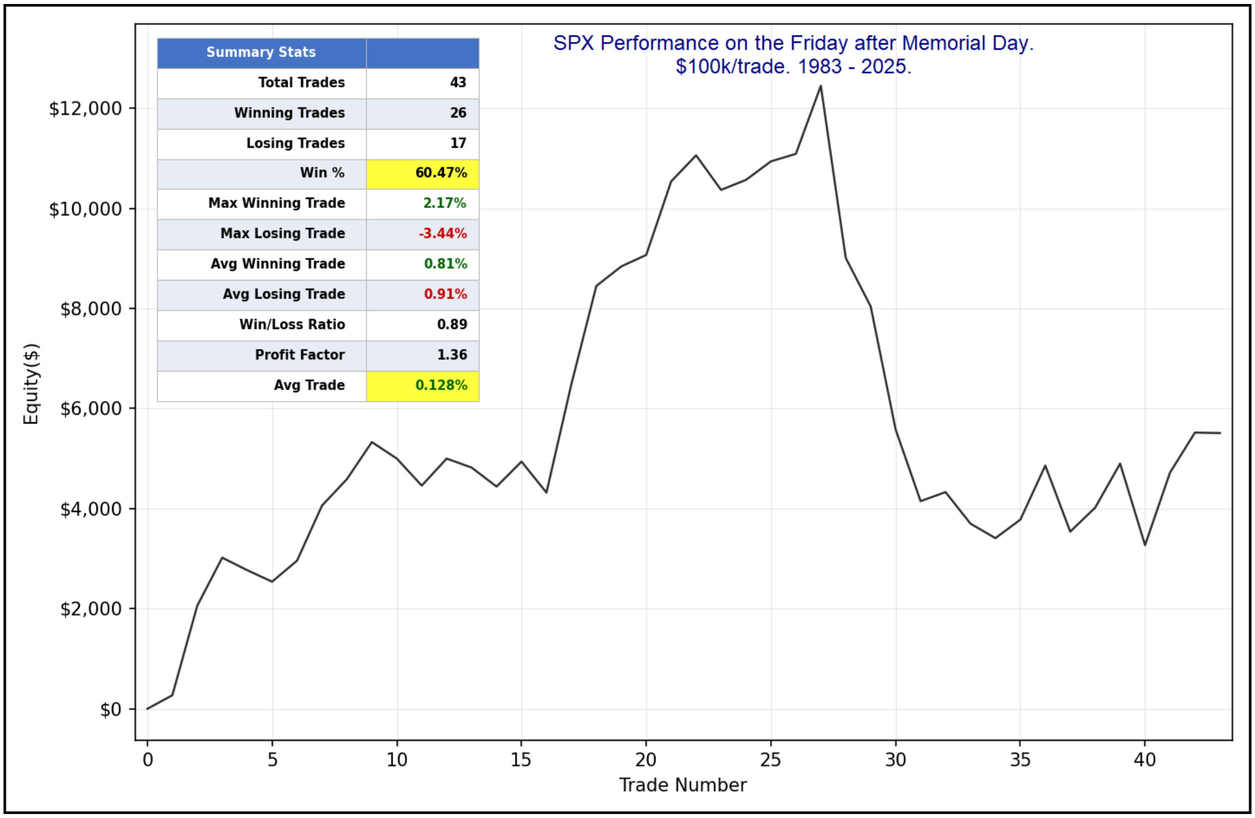


There was no substantial edge apparent throughout the 70s, but starting in 1983 through 2009 there was a bullish tendency. The last 15 years this week has seen more of a struggle. Last year I took a day-by-day look. I decided to do that again to see where the market has struggled recently. Here are the charts for each day of the week, going back to 1983.




SPX Performance on the Wednesday after Memorial Day.
$100k/trade. 1983 - 2025.
Summary Stats
Total Trades 43
Winning Trades 24
Losing Trades 19
Win % 55.81%
Max Winning Trade 2.58%
Max Losing Trade -2.28%
Avg Winning Trade 0.65%
Avg Losing Trade 0.71%
Win/Loss Ratio 0.92
Profit Factor 1.16
Avg Trade 0.051%
Equity($)
Trade Number


SPX Performance on the Thursday after Memorial Day.
$100k/trade. 1983 - 2025.
Summary Stats
Total Trades 43
Winning Trades 30
Losing Trades 13
Win % 69.77%
Max Winning Trade 1.99%
Max Losing Trade -0.74%
Avg Winning Trade 0.61%
Avg Losing Trade 0.38%
Win/Loss Ratio 1.62
Profit Factor 3.74
Avg Trade 0.313%
Equity($)
Trade Number



Thursday is the only day that has appeared to show a persistent seasonal edge. This will be something to keep in mind later this week.

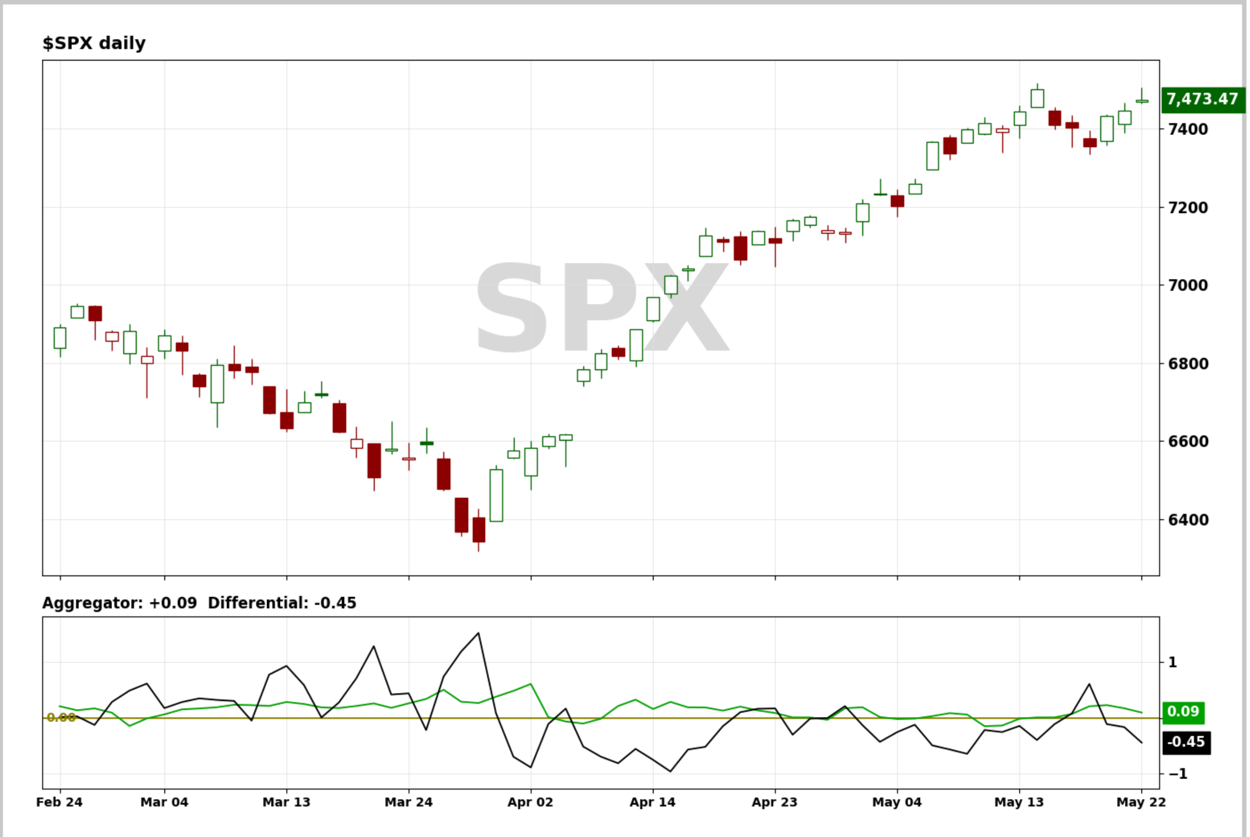
Next let's take a quick look at the QE seasonality calendar for the upcoming week.

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***

QuantifiableEdges.com

Based on the seasonality algorithms this upcoming week does look fairly bullish. So bulls may have a seasonal wind at their back for the next several days.

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 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 Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7470.38. That is only 3 *points* below Friday's close. Therefore, SPX will only need to close down about 3 points on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Friday's action did not change anything. While the evidence is still suggesting there may be more upside to come, SPX is overbought. Overbought reduces potential reward and increases potential risk. So with the Aggregator neutral and the reward /risk no longer strongly favorable, I will just wait for the next favorable setup to emerge before considering new short-term exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/25 – 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. *There were no changes to the four combo models this week.*

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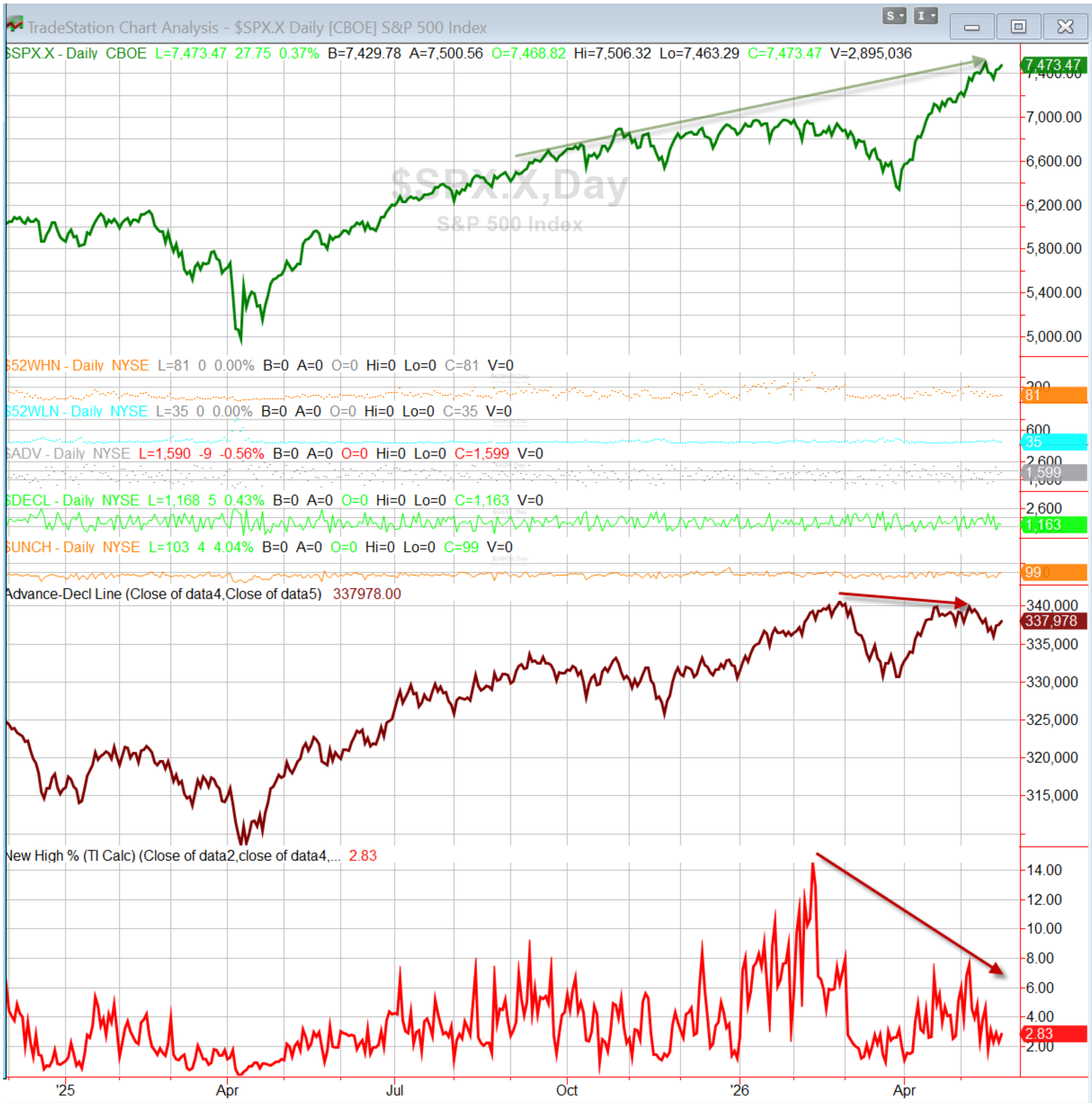
Stocks rallied again this past week. The SPX gained 0.9%, the NASDAQ rose 0.45%, and the Russell 2000 jumped 2.7%. Bonds also did well. The US Aggregate Bond ETF (AGG) climbed 0.4%. TLT, the 20-year Treasury Bond ETF, rallied 1.2%. The SPX and NADSAQ are both vall-time highs, so the long-term uptrend appears intact. As far as intermediate-term evidence goes, nothing new appeared in the last few days.

While the rally continues, 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:

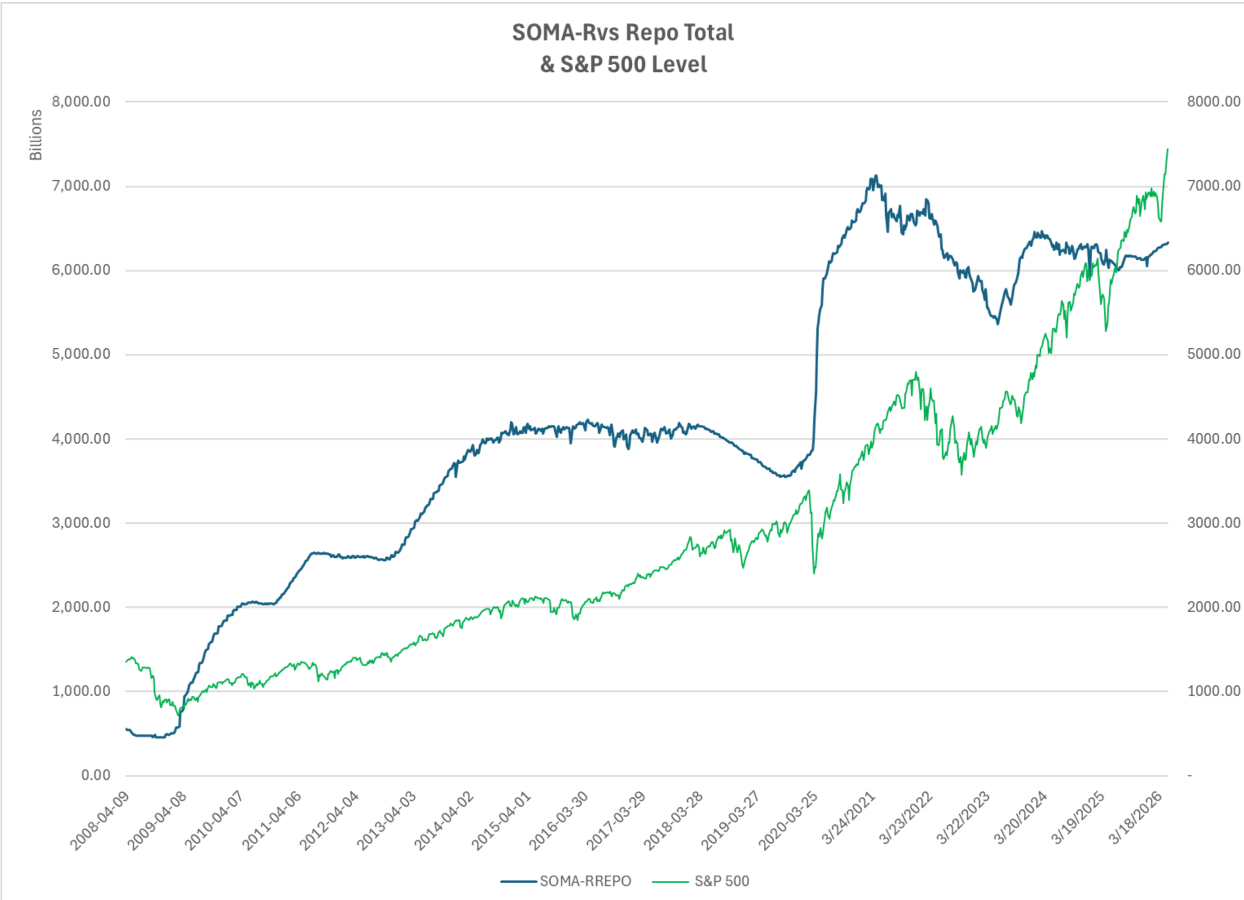


The Advance/Decline line is still lagging. I will note that some data providers did show the AD line making a new high a few weeks ago, but my TradeStation data did not. Either way the Net New High % is ***way*** off. This is not a trigger to sell. It is a condition that sets the stage for a possible 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 2026-05-20	
SECURITY TYPE	**TOTAL ($Thousands)**
US Treasury Bills	459,606,926.7
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	1,970,040,695.5
Agency CMBS	7,619,857.2
Total SOMA Holdings	**6,334,049,133.7**
Change From Prior Week	**+3,176,537.8**

The SOMA rose over $3 billion this week, adding liquidity to the system. Meanwhile, reverse repos rose by about $21 billion for the week ending 5/20/26. A rise in reverse repos can act as a liquidity drain. Combined for the week, SOMA and reverse repo action accounted for a liquidity drain of about $18 billion (through Wednesday the 20th). I will note that the spike in reverse repos quickly reversed the next day. Thursday saw reverse repos drop by about $18 billion. Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are still quite low. So unless that changes, they will not be providing too 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 have shifted a good bit over the last few weeks. They had been showing some chance that a cut could occur in the next few meetings. Odds of that are now zero, and we are seeing higher chances of a potential rate increase. The June meeting shows a 4% chance of an increase from current levels. And looking out to July, odds currently show an 18% chance of a possible increase. This can be seen in the graphics below, courtesy of the CME Fedwatch tool.

FedWatch Tool

Target Rate
- Current
- Compare
- Probabilities
- Aggregated

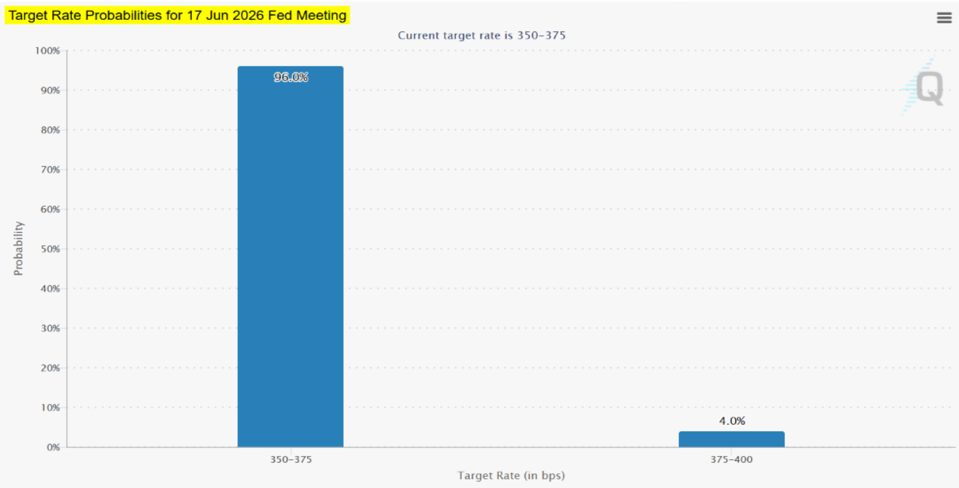
Historical
- Historical
- Downloads
- Prior Hikes

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

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	76,448	270,897	0.0 %	96.0 %	4.0 %



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 21 MAY 2026	1 WEEK 15 MAY 2026	1 MONTH 23 APR 2026
325-350	0.0%	0.0%	1.3%	3.7%
350-375 (Current)	96.0%	97.8%	98.7%	95.3%
375-400	4.0%	2.2%	0.0%	1.0%

* Data as of 23 May 2026 01:46:33 CT

1/1/2028 and forward are projected meeting dates

FedWatch Tool

Target Rate
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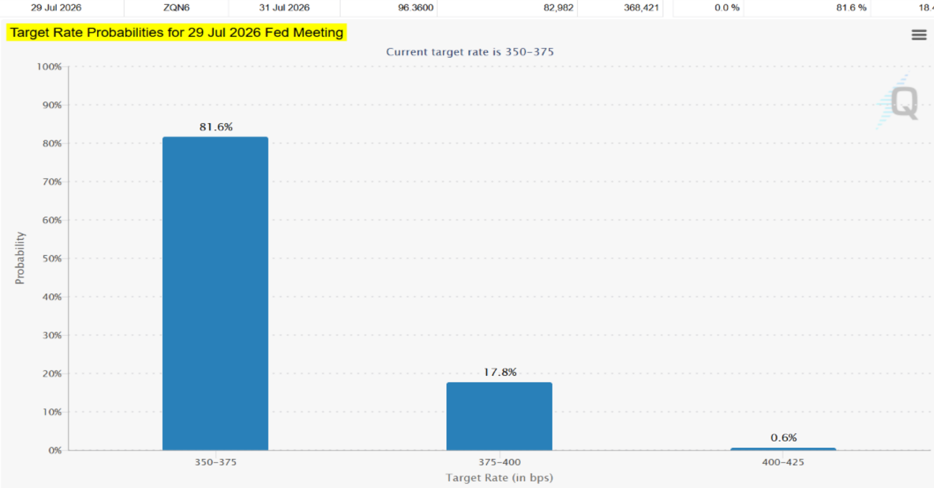
MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
29 Jul 2026	ZQN6	31 Jul 2026	96.3600	82,982	368,421	0.0 %	81.6 %	18.4 %



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 21 MAY 2026	1 WEEK 15 MAY 2026	1 MONTH 23 APR 2026
300-325	0.0%	0.0%	0.0%	0.2%
325-350	0.0%	0.0%	1.2%	7.6%
350-375 (Current)	81.6%	85.3%	94.6%	91.3%
375-400	17.8%	14.4%	4.2%	1.0%
400-425	0.6%	0.3%	0.0%	0.0%

* Data as of 23 May 2026 01:46:33 CT

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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. The next Fed meeting will also be the first one under Kevin Warsh, so it will be interesting to see how he differs from Powell in his opinions and how he delivers them during his press conference. Right now, any move still looks unlikely for the next few months.

Very little changed this week with regards to the intermediate-term outlook. It is still tough to argue with a market that just keeps going up. We have seen several price momentum studies with bullish intermediate-term implications trigger during the course of this recent rally. 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 still looking unlikely. Long-term seasonality is now bearish 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 with geopolitical and economic news capable of shifting the environment quickly. 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

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

None

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