QUANTIFIABLE EDGES SUBSCRIBER LETTER
ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 6, 2026 Volume 20 Issue 125

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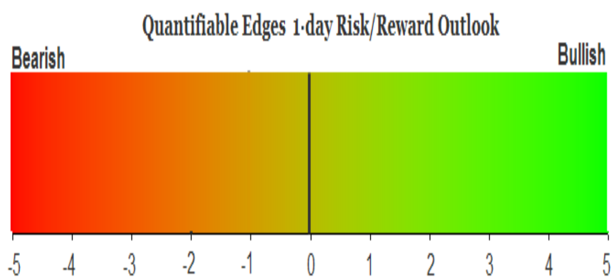
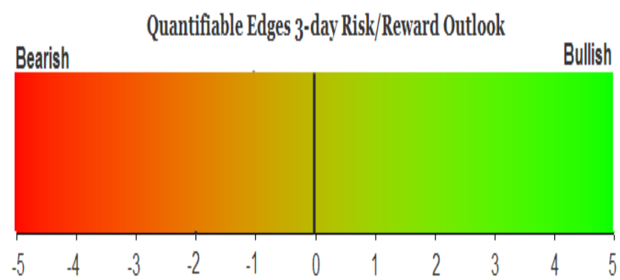
Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Short-term seasonality looks good for this upcoming week.
- The Nasdaq continues to lag.
- The SOMA shrank again and the Fed is appearing more hawkish.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. That's where I'm at as well.

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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						
July 1, 2026	NYSE Up Vol % < 40% w/ SPX up, > 200ma	1-6 days	Bullish	1.51%	-1.39%	-2.74%
Active - Long Term						
July 6, 2026	No QE. Rate rise probable. Fed hawkish	int term	Bearish			
June 29, 2026	1st two weeks of July bullish - NDX	1-10 days	Bullish	4.26%	-2.66%	-5.95%
June 29, 2026	NASDAQ lagging	int term	weak			
June 18, 2026	SPX -1% while SOX finishes positive	1-17 days	Bullish	5.37%	-2.79%	-5.71%
May 27, 2026	NDX > 18% above 200ma	1-90 days	Bullish	13.80%	-9.37%	-18.64%
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			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			

The Evidence

The market was mixed on Thursday. SPX rose 0.01 *points*, the NASDAQ lost 0.8%, and the Russell 2000 declined 0.5%. Breadth was positive as the NYSE Up Issues % closed at 60% and the NYSE Up Volume % posted a 63% reading. NYSE total volume dropped sharply from Wednesday's level (thanks to the three-day weekend).

The basically flat close for SPX did little to generate compelling new studies. Nothing emerged in the Quantifinder that was worth consideration. So I will keep the discussion fairly short here. And we can skip ahead and look at the SPX seasonality calendar for the upcoming few weeks.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
7/1/2026	65.84	1.880	0.203
7/2/2026	60.72	1.558	0.105
7/6/2026	59.02	1.788	0.154
7/7/2026	55.19	1.555	0.076
7/8/2026	61.82	1.770	0.145
7/9/2026	58.66	1.505	0.053
7/10/2026	59.38	1.822	0.151
7/13/2026	56.03	1.156	0.040
7/14/2026	51.67	1.114	0.032
7/15/2026	52.88	0.913	-0.036
7/16/2026	51.23	0.955	-0.014
7/17/2026	48.52	0.926	-0.024
7/20/2026	61.32	1.406	0.093
7/21/2026	56.20	1.417	0.104
7/22/2026	57.02	1.360	0.088
7/23/2026	58.23	1.396	0.099
7/24/2026	57.19	1.260	0.058
7/27/2026	55.57	1.311	0.083
7/28/2026	51.46	1.115	0.035
7/29/2026	45.88	1.014	-0.002
7/30/2026	53.08	1.148	0.044
7/31/2026	52.05	1.012	0.003
Baseline	***54.84***	***1.170***	***0.057***

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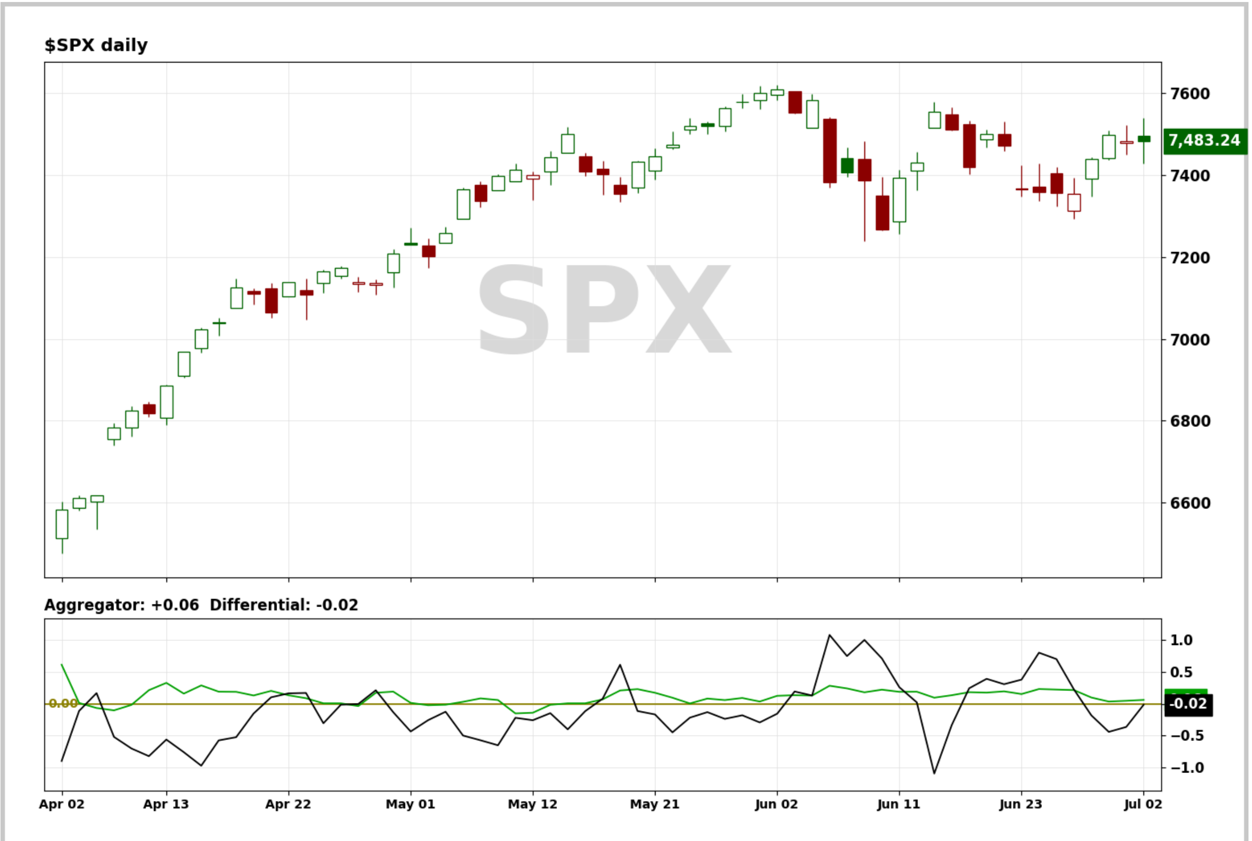
This week's numbers are all solid green *and* substantially above the baselines. Based on the seasonality calendar it appears the bulls should have a wind at their back for the upcoming week. Monday and Tuesday of the following week also look good before we hit a little mid-month lull.

No new studies are being added to the short-term active list tonight.

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 slightly 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.j

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 *inverted at* 7525.06. That is 0.6% *above* Thursday'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 0.6% on Monday in order to remain overbought. Anything other than that and it will flip to oversold versus recent expectations as of Monday's close.

So the Aggregator is again neutral. Short-term evidence is pretty weak at this point as well. We only have one active study, which is leaning bullish. I am not inclined to get involved in a new short-term index trade at the moment. I will continue to wait for a more compelling reward/risk opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/6 – neutral

Combo #1	Combo #2	Combo #3	Combo #4
Flat	Flat	Flat	Flat

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 four combo models are now flat.*

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Stocks we're mixed on the shortened week. The SPX rose 1.8%, the NASDAQ gained 2.1%, and the Russell 2000 declined 0.5%. Bonds struggled. The US Aggregate Bond ETF (AGG) lost 0.4%. TLT, the 20-year Treasury Bond ETF, tumbled 1.8%. The long-term trend has not yet rolled over, but we have now seen about a month and a half of chop and net sideways movement. There were not any new studies that emerged with intermediate-term implications over 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 2026-07-01	
SECURITY TYPE	**TOTAL ($Thousands)**
US Treasury Bills	489,292,926.7
US Treasury Notes and Bonds	3,593,418,008.9
US Treasury FRNs	18,382,825.8
US Treasury TIPS	282,633,819.5
Federal Agency Securities	2,347,000.0
Agency MBS	1,940,863,715.8
Agency CMBS	7,533,878.4
Total SOMA Holdings	**6,334,472,175.1**
Change From Prior Week	**-9,873,392.4**

The SOMA declined by $9.9 billion this week, draining liquidity from the system. This is the second week in a row that the SOMA has declined. That is something that has not happened since they began increasing the SOMA again after the Jan 27-28 meeting. There was no obvious change announced that I noticed a couple of weeks ago, but I took a closer look at the statement this weekend. You can see it below with the yellow highlighted area perhaps being the most important.

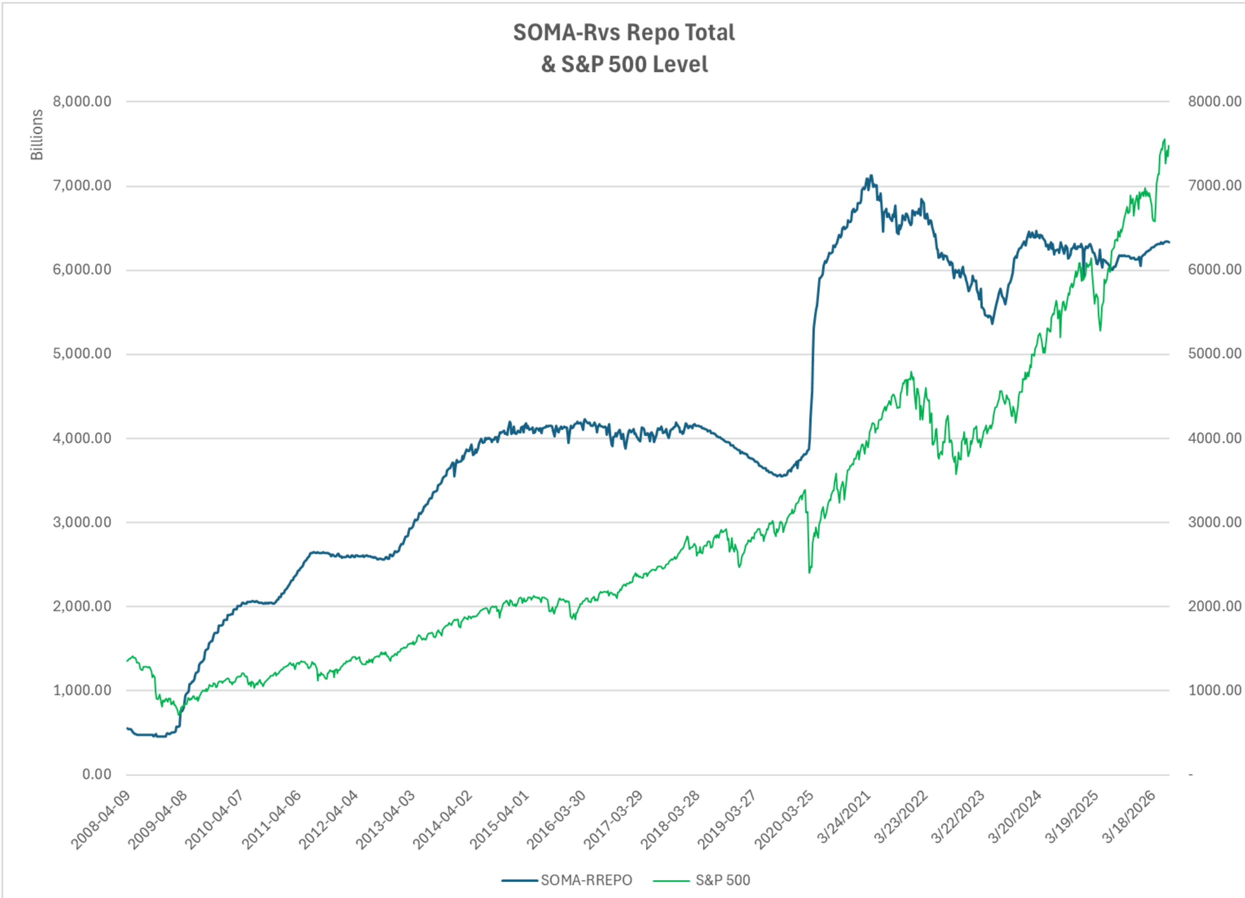
- As part of its policy decision, the Federal Open Market Committee voted to direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

  "Effective June 18, 2026, the Federal Open Market Committee directs the Desk to:

  - Undertake open market operations as necessary to maintain the federal funds rate in a target range of 3-1/2 to 3-3/4 percent.
  - Conduct standing overnight repurchase agreement operations at a rate of 3.75 percent.
  - Conduct standing overnight reverse repurchase agreement operations at an offering rate of 3.5 percent and with a per-counterparty limit of $160 billion per day.
  - When appropriate, increase the System Open Market Account holdings of securities through purchases of Treasury bills and, if needed, other Treasury securities with remaining maturities of 3 years or less to maintain an ample level of reserves.
  - Roll over at auction all principal payments from the Federal Reserve's holdings of Treasury securities. Reinvest all principal payments from the Federal Reserve's holdings of agency securities into Treasury bills."

While they don't come out and say it, it appears after two weeks of declines that the Fed does not view current circumstances as an appropriate time to increase the SOMA holdings, or that they feel the SOMA already has an ample level of reserves. This change was not as obvious as changes under Powell were, and that is something we will need to get accustomed to with Warsh now as chairman. Based on this statement and the fact that the SOMA has been shrinking the last two weeks, I would say the small amount of QE that was in the works, no longer is.

Meanwhile, reverse repos dropped by $3.5 billion for the week ending 7/1/26. A drop in reverse repos can act as a liquidity infusion. Combined for the week, SOMA and reverse repo action accounted for a liquidity drain of about $6.3 billion (through Wednesday the 1st). 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 had been providing some support for the bulls, but that no longer appears to be the case. Fed policy seems to be getting more hawkish and we could see a rise in rates at some point over the next few meetings.

With regards to rates, odds shifted again this past week. The July meeting now shows about a 22% chance of a rate increase, down from 40% two weeks ago. Looking out to September, odds currently show a 55% chance that rates are elevated vs today's rates. That's down from 59% last week and 72% two weeks ago. 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

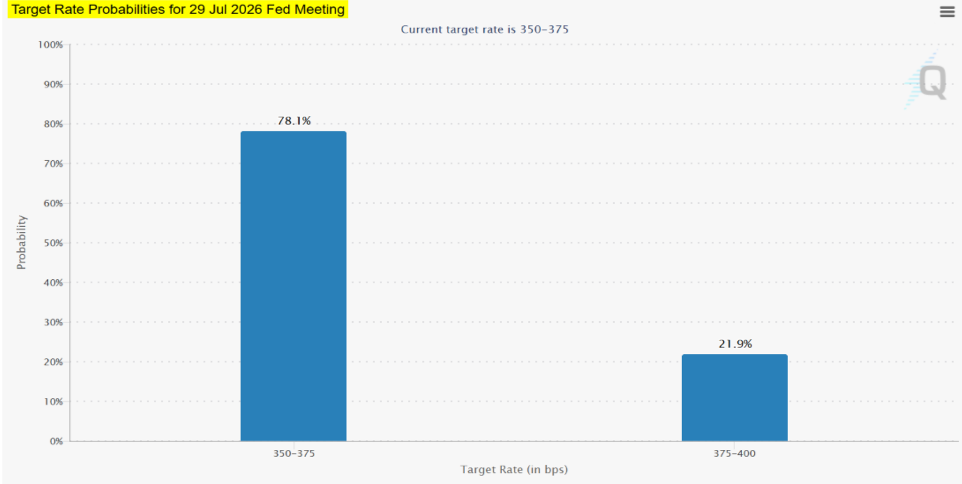
Tools
- CVOL
- SOFR Watch
- ESTR Watch

29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27

MEETING INFORMATION					
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI
29 Jul 2026	ZQN6	31 Jul 2026	96.3688	138,767	383,247

PROBABILITIES		
EASE	NO CHANGE	HIKE
0.0 %	78.1 %	21.9 %

Target Rate Probabilities for 29 Jul 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 2 JUL 2026	1 WEEK 26 JUN 2026	1 MONTH 4 JUN 2026
325-350	0.0%	0.0%	0.0%	4.2%
350-375 (Current)	78.1%	81.8%	70.1%	87.7%
375-400	21.9%	18.2%	29.9%	8.2%

* Data as of 4 Jul 2026 01:48:57 CT

1/1/2028 and forward are projected meeting dates

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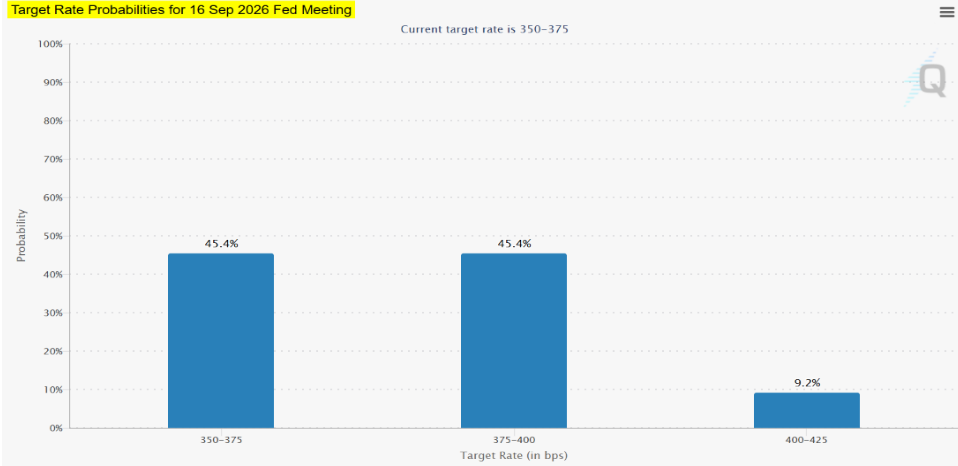
29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27

MEETING INFORMATION					
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI
16 Sep 2026	ZQU6	30 Sep 2026	96.2650	30,837	169,833

PROBABILITIES		
EASE	NO CHANGE	HIKE
0.0 %	45.4 %	54.6 %

Target Rate Probabilities for 16 Sep 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 2 JUL 2026	1 WEEK 26 JUN 2026	1 MONTH 4 JUN 2026
325-350	0.0%	0.0%	0.0%	3.4%
350-375 (Current)	45.4%	45.9%	40.6%	72.0%
375-400	45.4%	46.1%	46.8%	23.0%
400-425	9.2%	8.0%	12.6%	1.5%

* Data as of 4 Jul 2026 01:48:57 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 at this point it certainly seems that the next Fed move is quite a bit more likely to be a hike in rates than it is to be a cut. Overall, with Quantitative Easing apparently no longer active, and a rate hike seeming likely at some point in the next few meetings, I am beginning to view the Fed as hawkish, which can be a headwind for the market.

Intermediate-term evidence remains mixed. There are still some studies on the intermediate-term active list suggesting gains in the coming weeks. These include price thrust type studies from May. Last weekend's study looking at the 1st ten trading days of July is also encouraging – especially for the NDX. But the overall market trend is starting to look questionable. The Nasdaq being in a lagging position is somewhat discouraging, but one strong NASDAQ week could change that. The Fed now appears more hawkish, or at best neutral. Breadth was poor for much of the rally out of the March lows and continues to struggle. We have seen several Hindenburg Omen signals trigger in the last few weeks, and they always carry some potential for downside. I last discussed Hindenburgs in detail in the March 9th letter if you want to take a detailed look at them. Also from a breadth standpoint, the lagging A/D line and New Highs % have created a divergence that could lead to trouble. But that is not a great timing signal. Outside of early-July, long-term seasonality is now bearish through October. Geopolitical risks seem to be decreasing. Overall, there is still some bullish evidence, and the long-term trend has not rolled over. But no leading NASDAQ, no dovish Fed, weak breadth, and weak intermediate-term seasonality could combine for some tough times. I am now neutral for the intermediate-term. I will likely trade more conservatively both to the long and the short side.

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