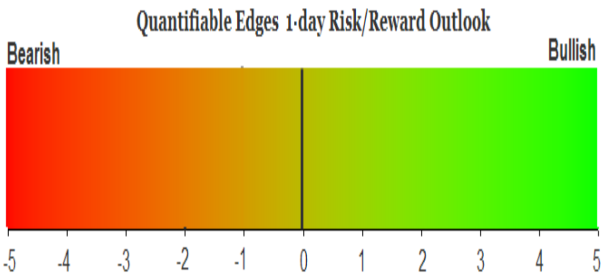
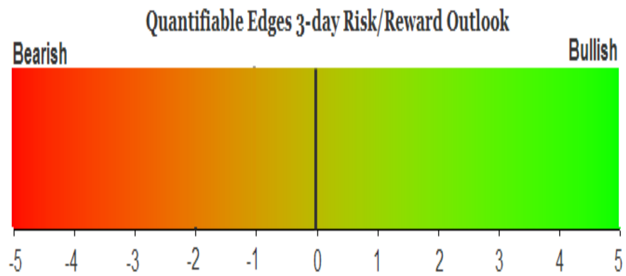
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 20, 2026 Volume 20 Issue 135

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce the next day.
- Seasonality looks fairly strong the next couple of weeks.
- The SOMA rose for the 2nd week in a row, but Fed policy still appears neutral or potentially hawkish.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I'm semi-enthusiastic.

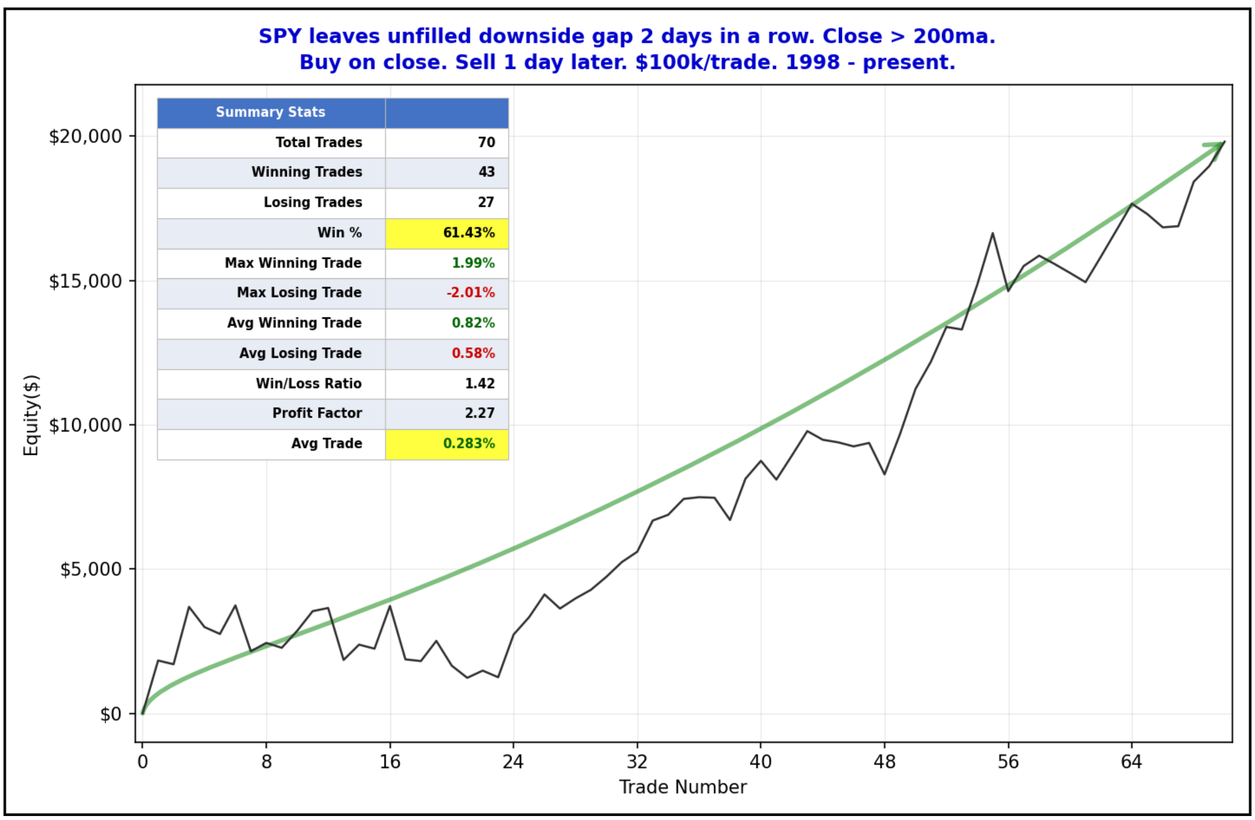
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 20, 2026	SPY 2 unfilled gaps down, above 200ma	1 day	Bullish			
Active - Long Term						
July 6, 2026	No QE. Rate rise probable. Fed hawkish	int term	Bearish			
June 29, 2026	NASDAQ lagging	int term	weak			
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

Friday was a down day for the market. SPX finished lower by 1.0%, the NASDAQ lost 1.4%, and the Russell 2000 declined 0.4%. Breadth was weak as the NYSE Up Issues % closed at 35% and the NYSE Up Volume % posted a 30% reading. NYSE total volume rose from Thursday's level.

Notable about Friday's action is that it was the 2nd day in a row that SPY left an unfilled gap down. The study below suggests there has been a bullish tendency the following day after similar historical occurrences. Last featured recently in the 7/9/26 letter, results are updated.



The curve is certainly choppy, but it continues to make new highs. I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

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

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***
QuantifiableEdges.com			

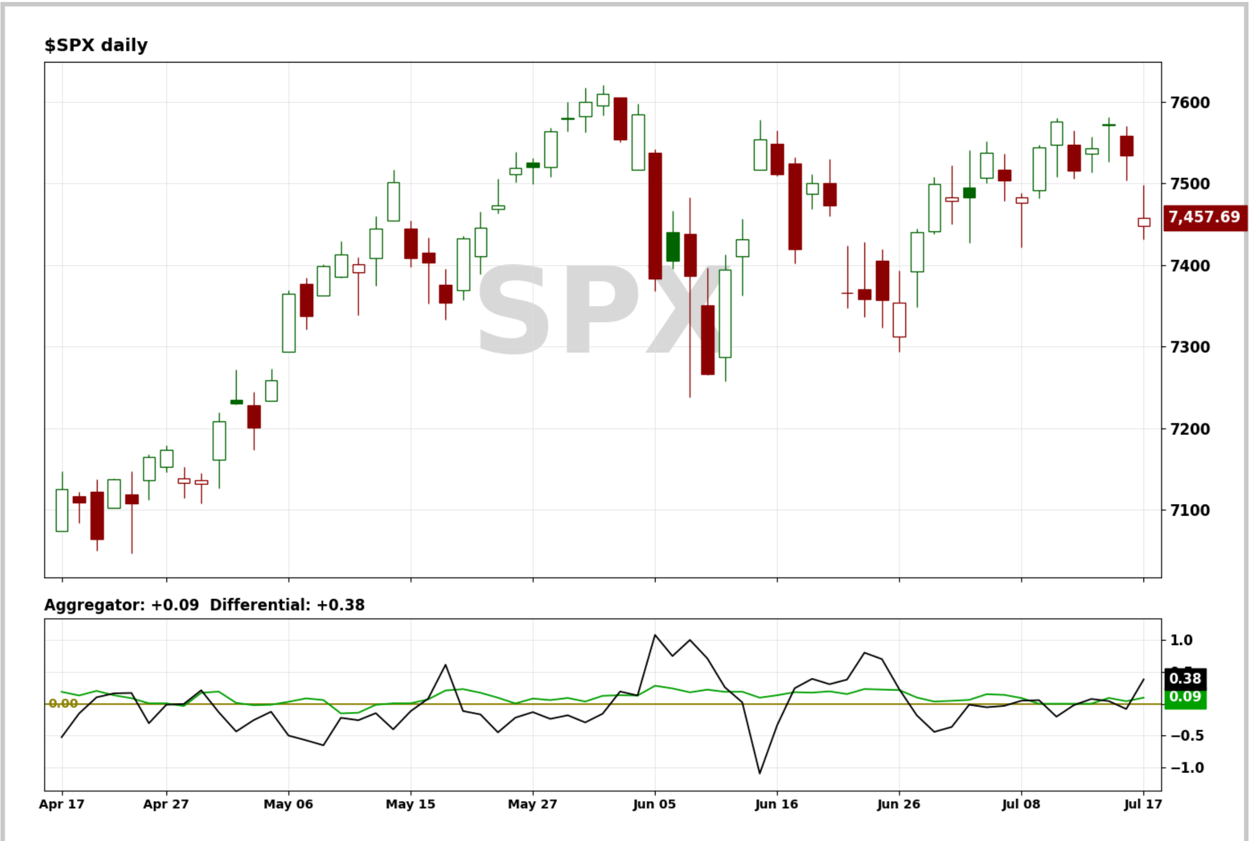
This past week wasn't great, and that played out, but next week shows some strong numbers all around.

Over the weekend I also ran the preliminary numbers for August. Here's how it looks:

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
8/3/2026	56.72	1.357	0.104
8/4/2026	50.12	0.990	-0.007
8/5/2026	57.01	1.354	0.090
8/6/2026	51.54	0.983	-0.008
8/7/2026	54.08	1.099	0.038
8/10/2026	55.87	1.283	0.074
8/11/2026	51.71	1.236	0.065
8/12/2026	55.77	1.307	0.090
8/13/2026	52.70	1.045	0.000
8/14/2026	53.52	1.374	0.101
8/17/2026	59.98	1.165	0.039
8/18/2026	54.63	1.157	0.046
8/19/2026	56.49	0.946	-0.026
8/20/2026	54.36	0.976	-0.009
8/21/2026	51.77	0.956	-0.016
8/24/2026	57.51	1.385	0.103
8/25/2026	53.08	1.141	0.044
8/26/2026	53.83	1.150	0.046
8/27/2026	54.64	1.171	0.052
8/28/2026	54.02	1.087	0.028
8/31/2026	57.19	1.324	0.084
Baseline	***54.80***	***1.169***	***0.057***
QuantifiableEdges.com			

Not the strongest month but not bad. The first week and the third week are fairly neutral. Other than that, the bulls should have a bit of a seasonal breeze at their back.

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 moved 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 turned long at the close.

Based on the current list of active studies, expectations are set to turn flat on Monday. Of course any new studies that occur should have a strong influence on expectations. Meanwhile, the Differential Pivot will be 7577.79. That is 1.6% above Friday's close. Therefore, SPX will need to close up at least 1.6% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. There appears to be an upside edge. Unfortunately, evidence is a bit lacking. Our only short-term study is set to expire at the close on Monday. So I'm not inclined to get too aggressive here. Still, there is an edge now, and if we close down Monday that will be three days in a row heading into a potential turnaround Tuesday during a long-term uptrend. I'm quite confident that would generate some bullish evidence if it occurs. So I won't be looking to just buy at any price on Monday, but if I can get a favorable fill, I may look to take on some long exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/20 – 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 again flat.*

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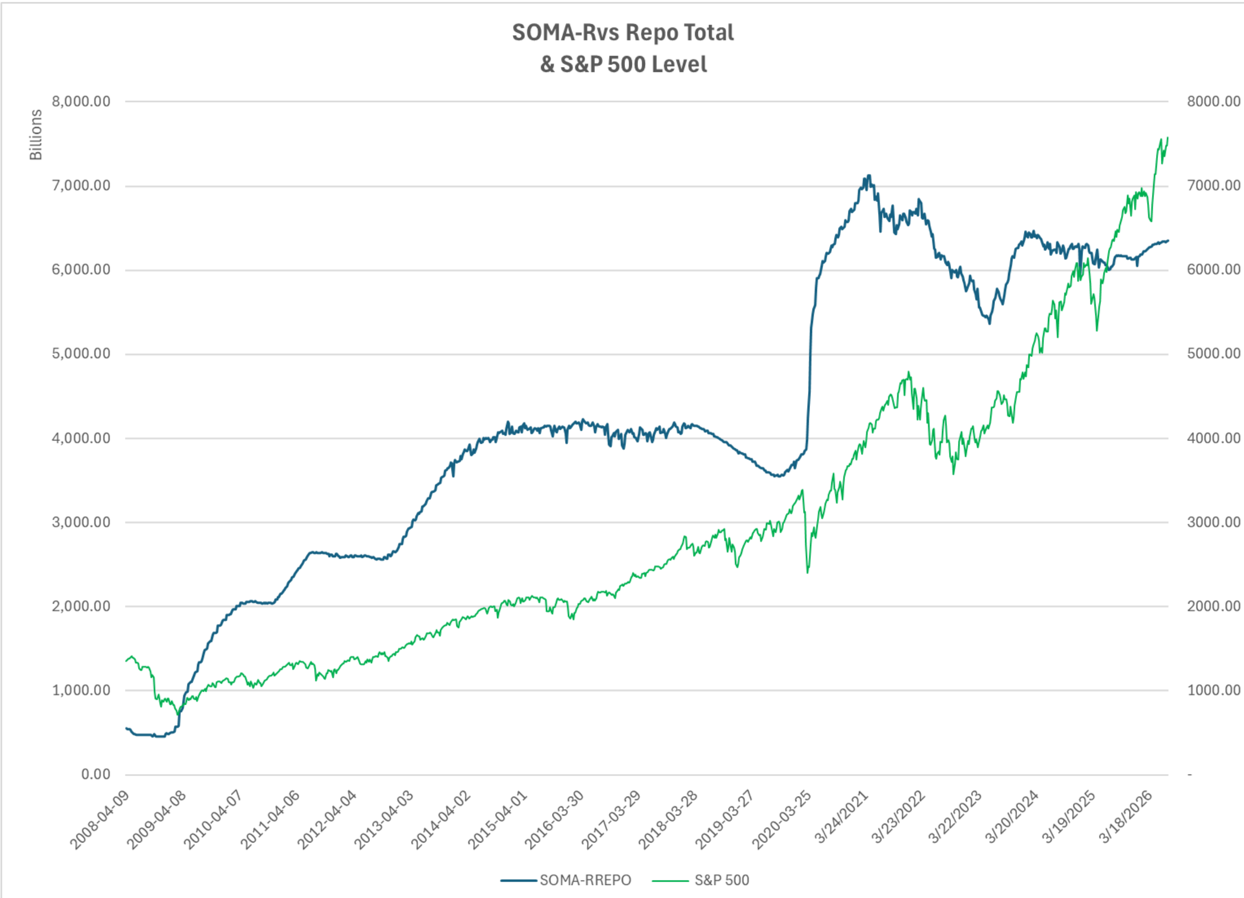
Stocks struggled this past week. The SPX dropped 1.55%, the NASDAQ tumbled 2.9%, and the Russell 2000 declined 0.5%. Bonds saw very mild gains. The US Aggregate Bond ETF (AGG) rose 0.12%. TLT, the 20-year Treasury Bond ETF, inched up 0.06%. The long-term trend has not yet rolled over, but we have now seen about a month and a half of chop and net sideways movement. The S&P 500 and NASDAQ Composite both closed Friday below their 50-day moving averages yet above their 200-day moving averages. 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 2026-07-15	
SECURITY TYPE	**TOTAL ($Thousands)**
US Treasury Bills	505,885,926.7
US Treasury Notes and Bonds	3,605,789,260.7
US Treasury FRNs	18,382,825.8
US Treasury TIPS	273,754,527.0
Federal Agency Securities	2,347,000.0
Agency MBS	1,940,803,306.4
Agency CMBS	7,533,878.4
Total SOMA Holdings	**6,354,496,725.0**
Change From Prior Week	**+10,068,550.0**

The SOMA rose by about $10 billion this week, adding liquidity to the system. Meanwhile, reverse repos declined by $3.2 billion for the week ending 7/15/26. A drop 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 $13.3 billion (through Wednesday the 15th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos remain 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 since the last Fed meeting. 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 14% chance of a rate increase, down sharply from 34% last week. Looking out to September, odds currently show a 59% chance that rates are elevated vs today’s rates. That’s down from 70% last week. 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

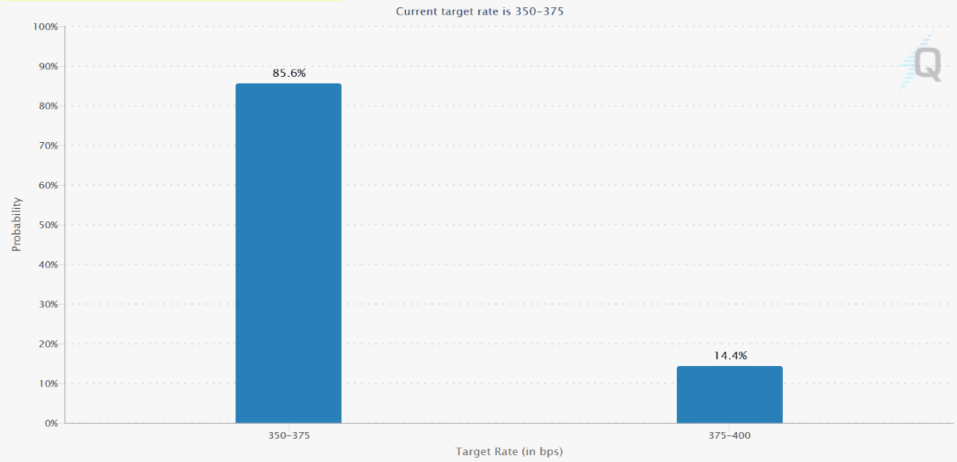
Dot Plot
- Chart
- Table

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						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
29 Jul 2026	ZQN6	31 Jul 2026	96.3713	68,592	342,535	0.0 %	85.6 %	14.4 %

Target Rate Probabilities for 29 Jul 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 16 JUL 2026	1 WEEK 10 JUL 2026	1 MONTH 17 JUN 2026
350-375 (Current)	85.6%	88.2%	65.8%	70.6%
375-400	14.4%	11.8%	34.2%	28.8%
400-425	0.0%	0.0%	0.0%	0.6%

* Data as of 17 Jul 2026 04:01:07 CT

1/1/2028 and forward are projected meeting dates

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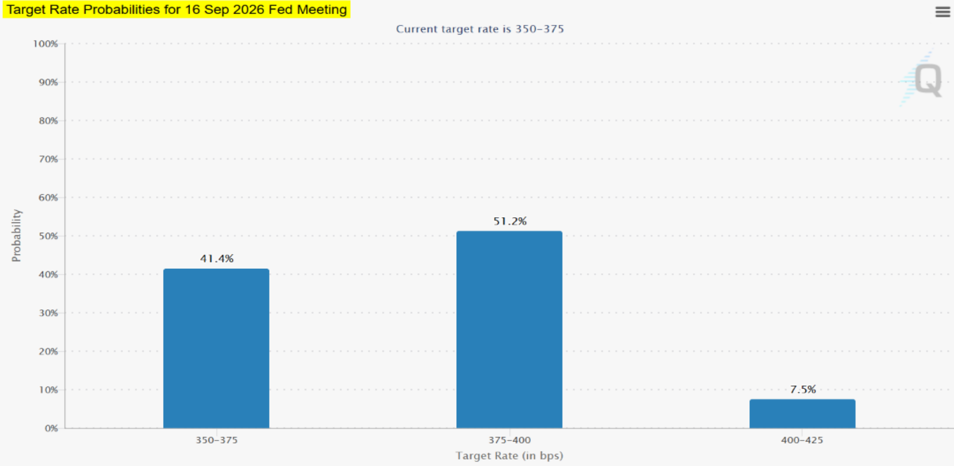
29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
16 Sep 2026	ZQU6	30 Sep 2026	96.2725	30,236	189,453	0.0 %	41.4 %	58.6 %

Target Rate Probabilities for 16 Sep 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 16 JUL 2026	1 WEEK 10 JUL 2026	1 MONTH 17 JUN 2026
350-375 (Current)	41.4%	47.6%	30.4%	45.1%
375-400	51.2%	47.0%	51.2%	43.9%
400-425	7.5%	5.4%	18.4%	10.8%
425-450	0.0%	0.0%	0.0%	0.2%

* Data as of 17 Jul 2026 04:01:07 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.

Intermediate-term evidence remains mixed and basically nothing that happened this past week changed that. There are still some studies on the intermediate-term active list suggesting further intermediate-term gains appear likely. These include price thrust type studies from May. But the overall market trend is 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 saw several Hindenburg Omen signals trigger fairly recently, 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. Long-term seasonality is now bearish through October. Geopolitical risks can pop up at any time. 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 remain 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

SPY – Buy ¼ index position @ $742.75 LIMIT ON OPEN. If not filled on open, cancel the order and then look to purchase at $743.28 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take on some long exposure if I can get a favorable entry either at the open or the close.

Current Open Trade Ideas

None