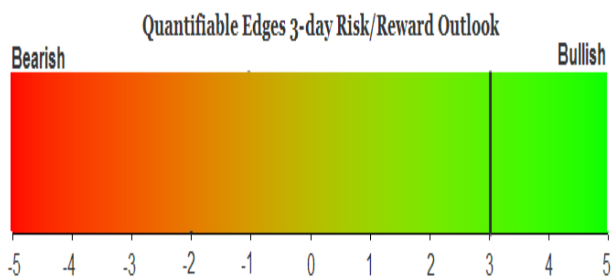
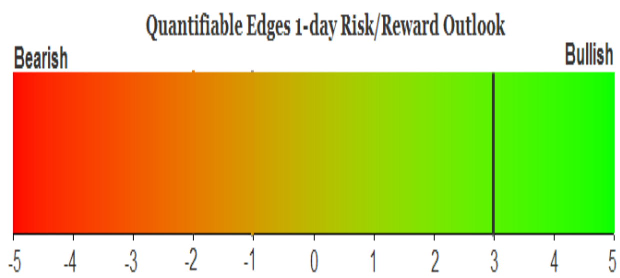
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 27, 2026 Volume 20 Issue 140

Market Overview





Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Some old studies that looked at slight up or down closes after two down days have both flattened out badly over the last several years. Neither setup offers much of an edge anymore.
- Tuesday's action could have a big impact on Wednesday's Fed Day odds.
- The QE Seasonality Calendar is suggesting neutral to mildly bullish odds for this upcoming week.
- The SOMA inched up a little bit this past week. The Fed still appears neutral to hawkish.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There appears to be a moderate upside edge.

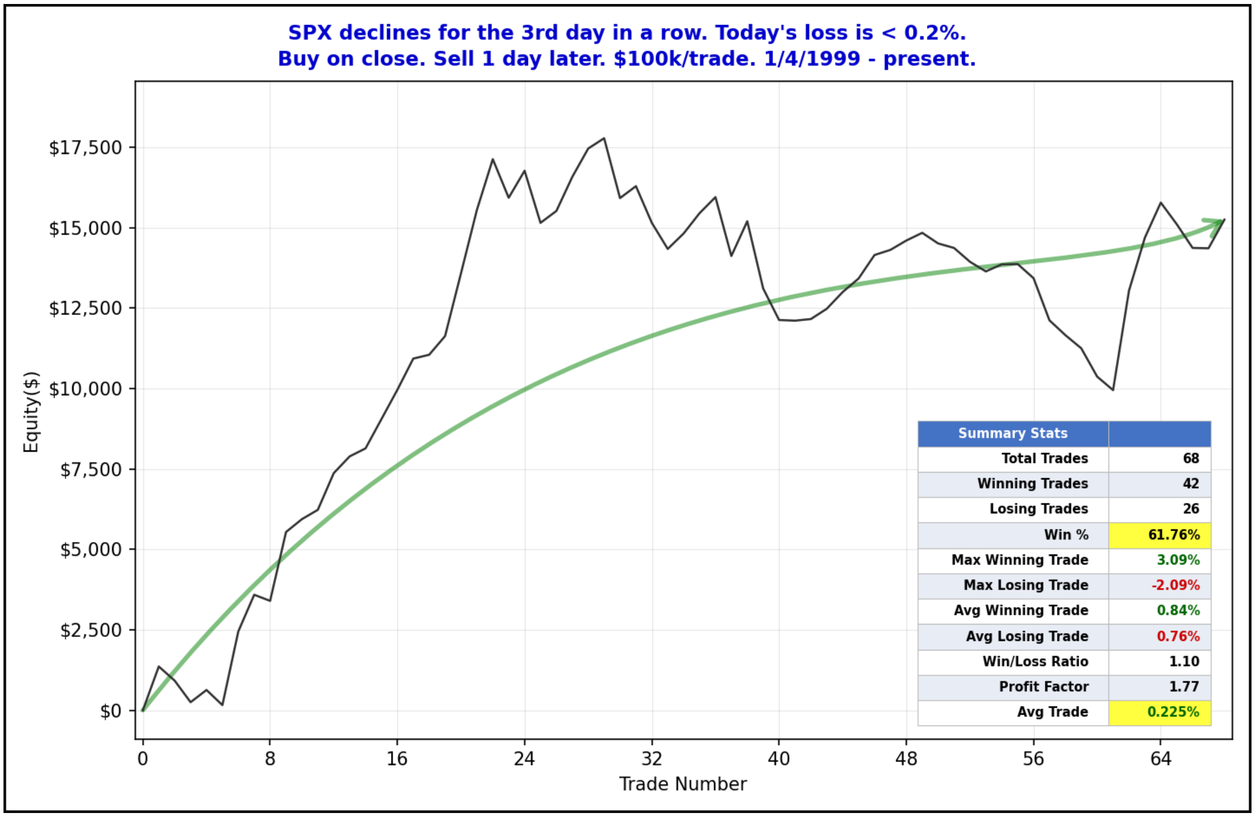
Summary of Recent Active Studies (see Letters from listed dates for details

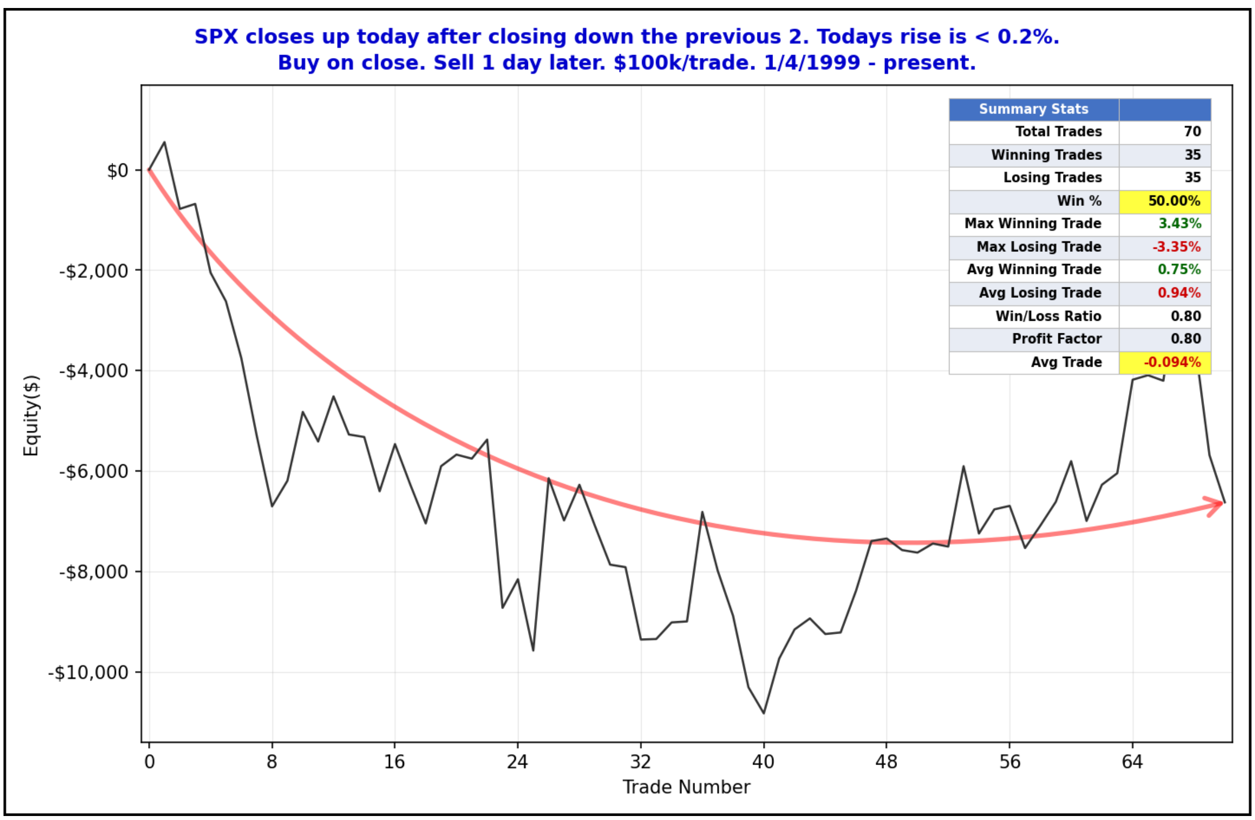
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 24, 2026	SPY gaps below a 5-day low, closes below op	1-5 days	Bullish	1.92%	-1.40%	-3.04%
July 21, 2026	SPX weak close at a 5-day low on a Monday,	1-5 days	Bullish	1.97%	-1.09%	-2.22%
Active - 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

The market was mixed on Friday. SPX finished up 0.05%, the NASDAQ lost 0.6%, and the Russell 2000 declined 0.3%. Breadth was positive as the NYSE Up Issues % closed at 60% and the NYSE Up Volume % posted a 61% reading. NYSE total volume dropped sharply from Thursday's level.

Way back in the 7/10/19 letter I looked to see whether there was a substantial difference in performance following a small move down after two down days versus a small move up after two down days. The original results seem to suggest that a slight down day meant a good chance of a bounce the following day while a slight up day suggested a bearish implication for the next day. I have updated that research below.


SPX declines for the 3rd day in a row. Today's loss is < 0.2%.
Buy on close. Sell 1 day later. $100k/trade. 1/4/1999 - present.
Equity($)
Trade Number
Summary Stats
Total Trades 68
Winning Trades 42
Losing Trades 26
Win % 61.76%
Max Winning Trade 3.09%
Max Losing Trade -2.09%
Avg Winning Trade 0.84%
Avg Losing Trade 0.76%
Win/Loss Ratio 1.10
Profit Factor 1.77
Avg Trade 0.225%


SPX closes up today after closing down the previous 2. Todays rise is < 0.2%.
Buy on close. Sell 1 day later. $100k/trade. 1/4/1999 - present.
Equity($)
Trade Number
Summary Stats
Total Trades 70
Winning Trades 35
Losing Trades 35
Win % 50.00%
Max Winning Trade 3.43%
Max Losing Trade -3.35%
Avg Winning Trade 0.75%
Avg Losing Trade 0.94%
Win/Loss Ratio 0.80
Profit Factor 0.80
Avg Trade -0.094%

The tendencies suggested by the study years ago really have not played out. In fact *both* curves have flattened out. The modest close, whether it's up or down, in similar situations, really hasn't mattered and hasn't been strongly suggestive of either a bullish or bearish edge. I did not spot any other short-term evidence suggesting a substantial edge. Not surprising. At some point the S&P will move out of this range that it has been in since mid-May. When it eventually does, we might find that more studies are beginning to trigger more often. No new studies are being added to the short-term active list today.

But let's take a look at the Quantifiable Edges seasonality calendar as we head into the last week of the month.

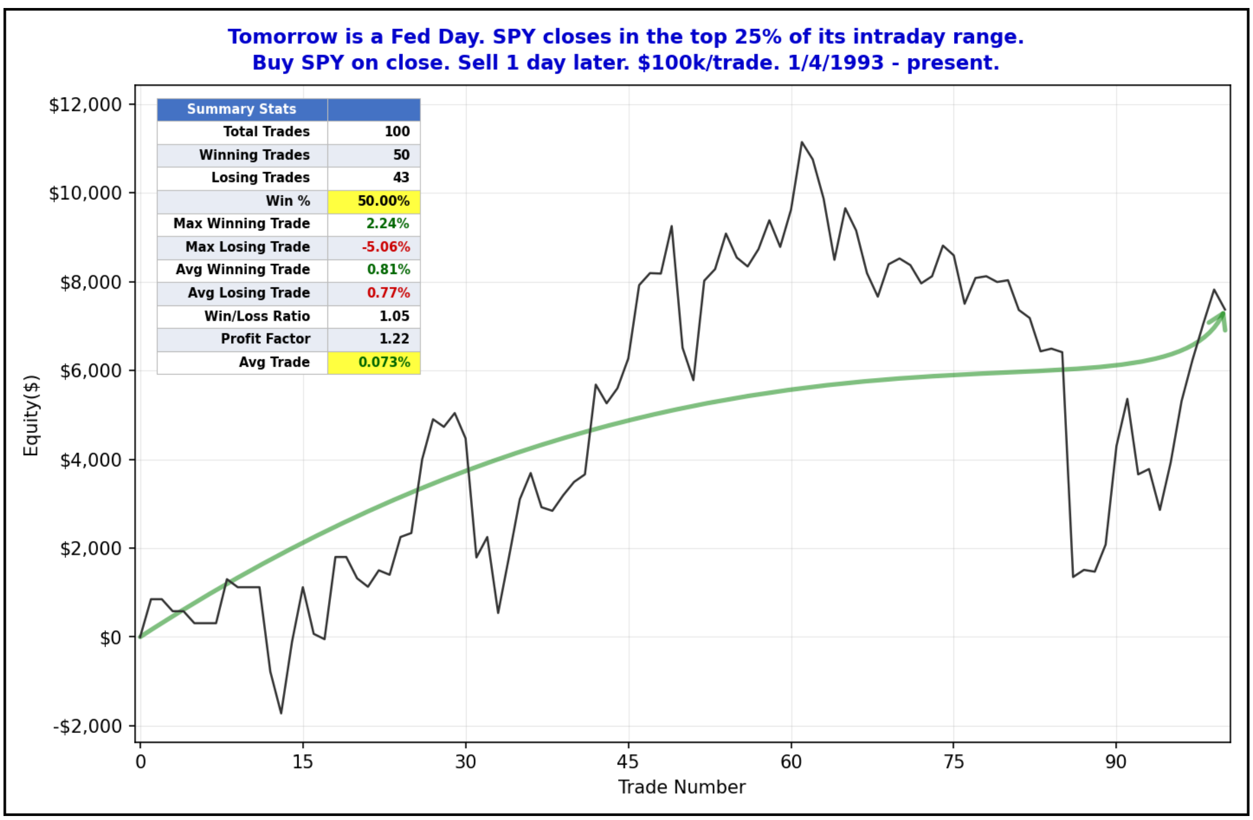
Quantifiable Edges Seasonality Calendar
$SPX S&P 500 Index

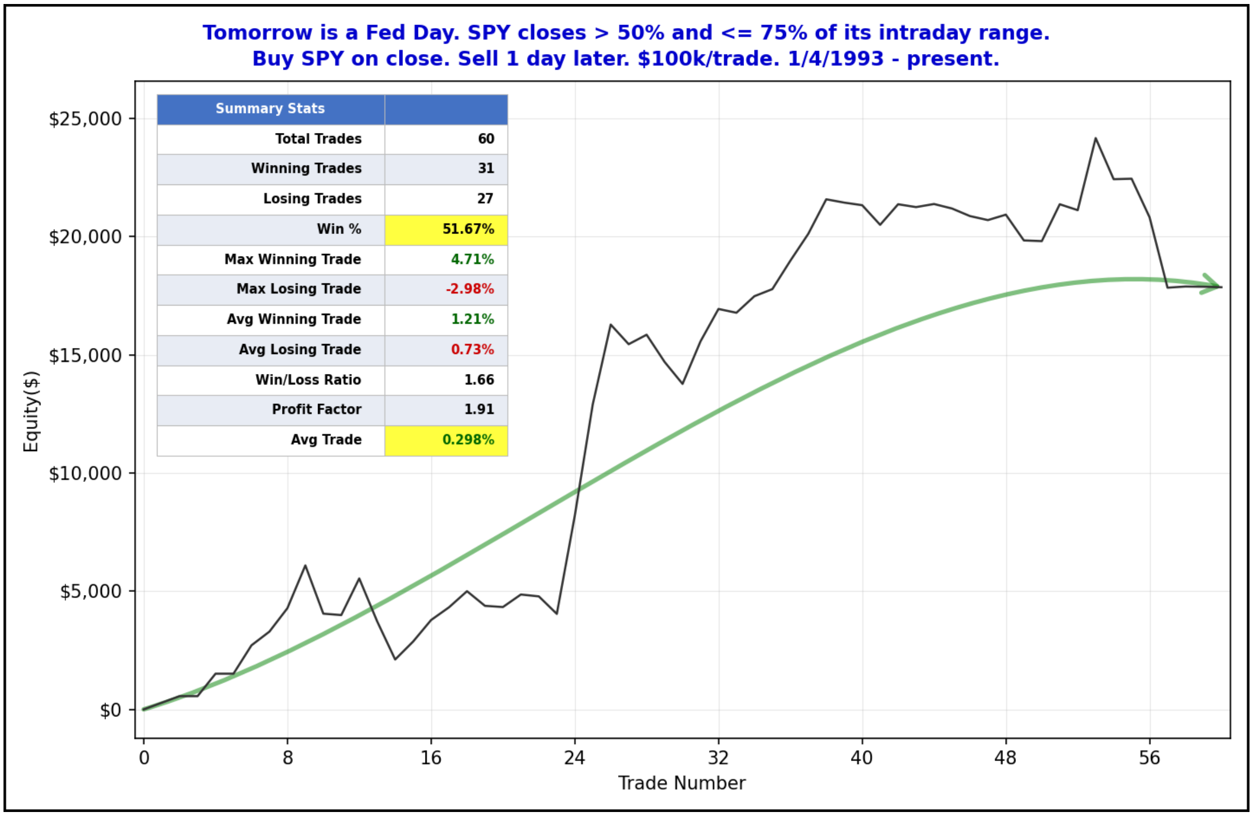
Date	Win%	Profit Factor	Avg % Chg
7/1/2026	65.84	1.880	0.203
7/2/2026	60.72	1.558	0.105
7/6/2026	59.02	1.788	0.154
7/7/2026	55.19	1.555	0.076
7/8/2026	61.82	1.770	0.145
7/9/2026	58.66	1.505	0.053
7/10/2026	59.38	1.822	0.151
7/13/2026	56.03	1.156	0.040
7/14/2026	51.67	1.114	0.032
7/15/2026	52.88	0.913	-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***

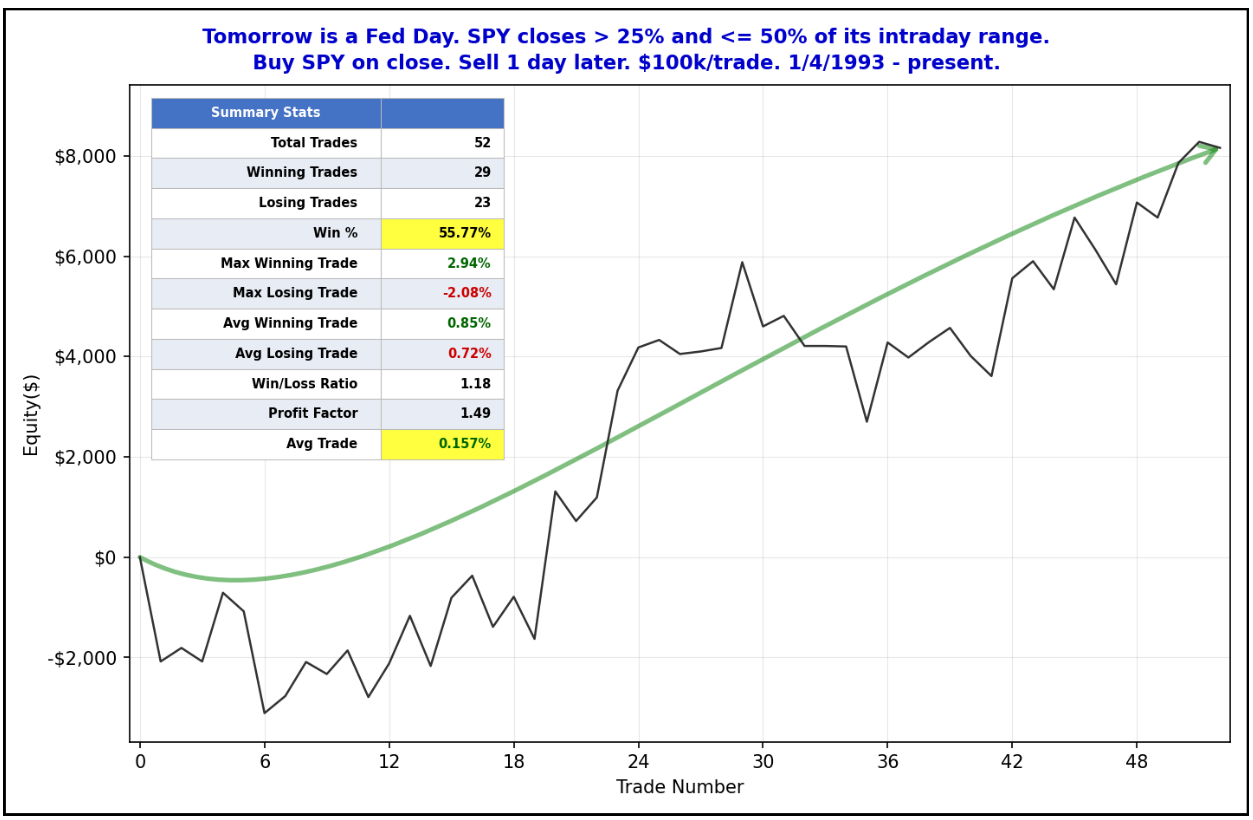
QuantifiableEdges.com

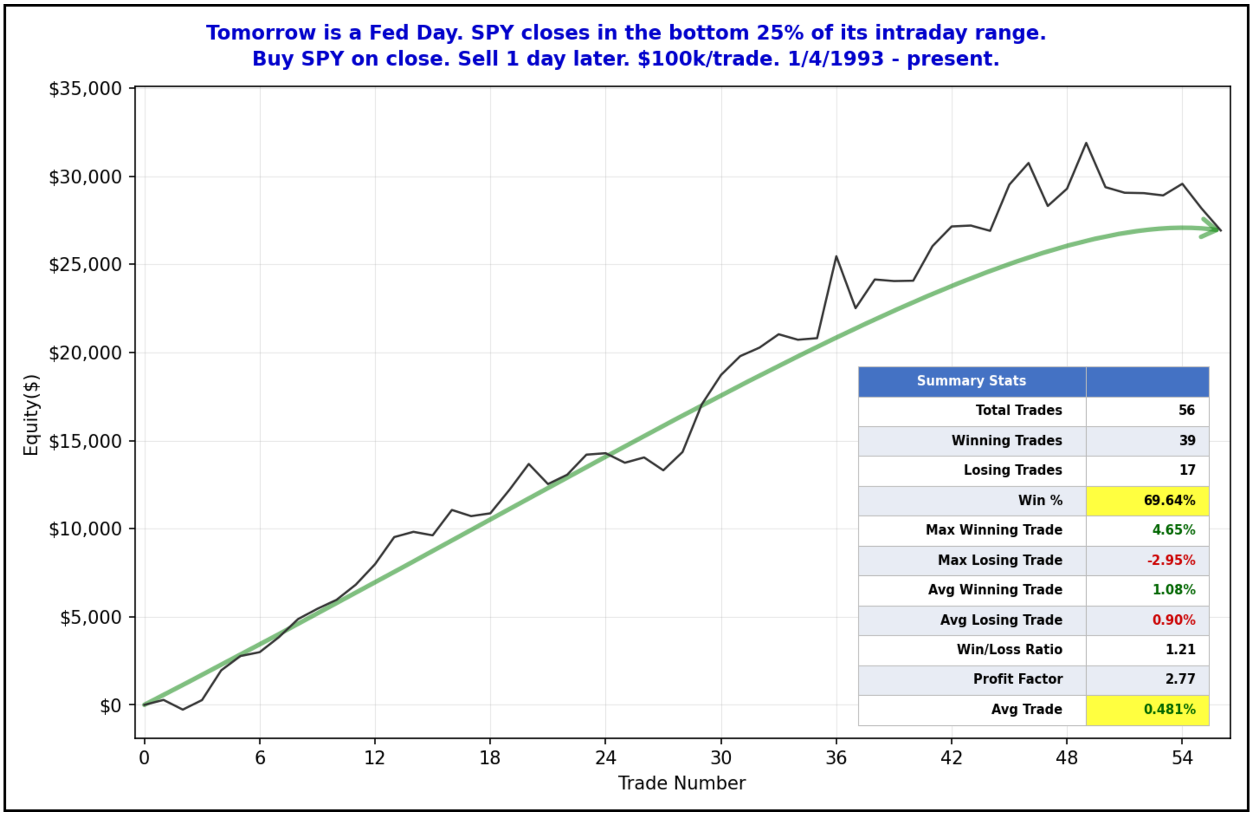
This upcoming week is showing mildly bullish numbers aside from Wednesday, which is basically neutral. It does not appear that seasonal forces will have a strong impact this upcoming week. But we do have a Fed Day.

Fed Days have historically shown an upside tendency. [I have documented this tendency]in great detail over the years, including the 2011 book, [The Quantifiable Edges Guide to Fed Days]. One interesting observation I have noted about Fed Days is that the bullish tendency is greatly impacted by stock market action leading up to the Fed Day. This is something that often happens with other seasonal tendencies as well (like turn of the month). In the past I have broken down Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. Below are updated results for the 4 quartiles from highest to lowest in the daily range.



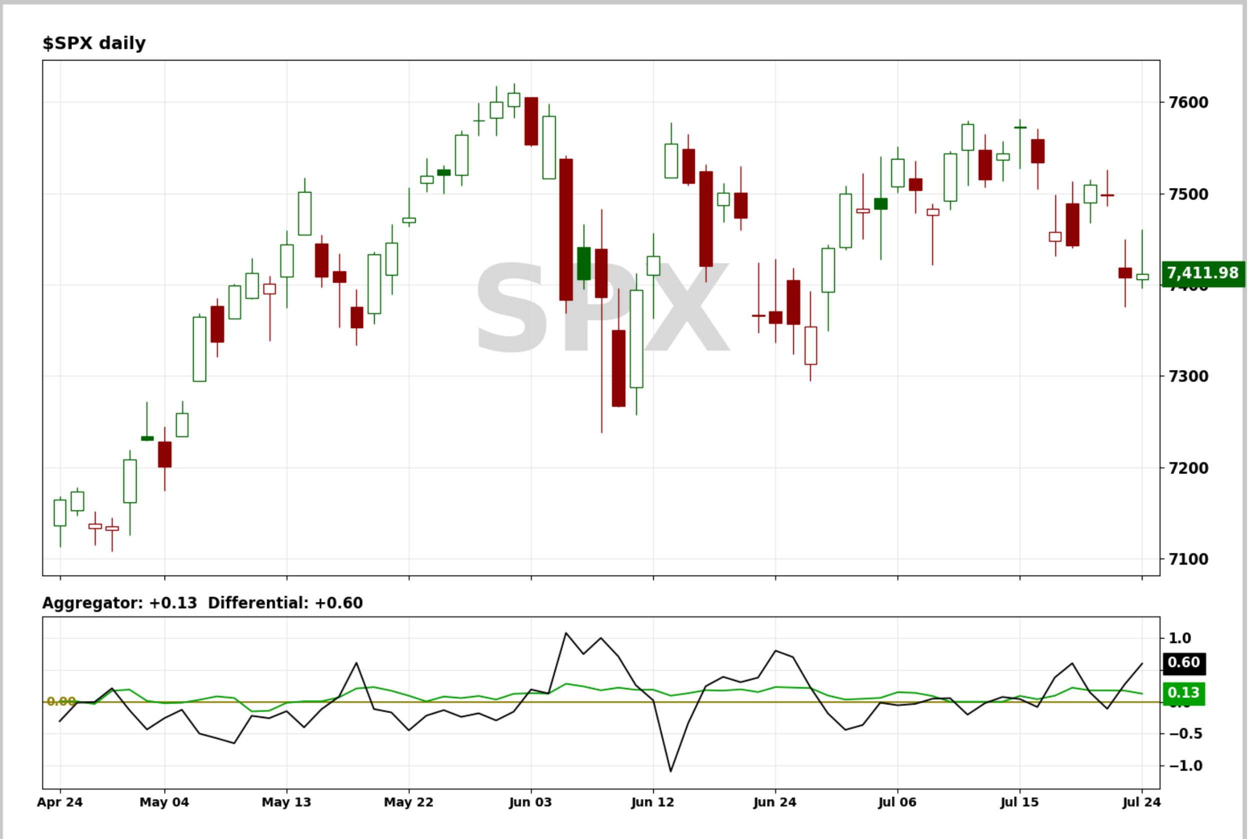

Tomorrow is a Fed Day. SPY closes > 50% and <= 75% of its intraday range.
Buy SPY on close. Sell 1 day later. $100k/trade. 1/4/1993 - present.
Summary Stats
Total Trades 60
Winning Trades 31
Losing Trades 27
Win % 51.67%
Max Winning Trade 4.71%
Max Losing Trade -2.98%
Avg Winning Trade 1.21%
Avg Losing Trade 0.73%
Win/Loss Ratio 1.66
Profit Factor 1.91
Avg Trade 0.298%
Equity($)
$25,000
$20,000
$15,000
$10,000
$5,000
$0
0
8
16
24
32
40
48
56
Trade Number


Tomorrow is a Fed Day. SPY closes > 25% and <= 50% of its intraday range.
Buy SPY on close. Sell 1 day later. $100k/trade. 1/4/1993 - present.
Summary Stats
Total Trades 52
Winning Trades 29
Losing Trades 23
Win % 55.77%
Max Winning Trade 2.94%
Max Losing Trade -2.08%
Avg Winning Trade 0.85%
Avg Losing Trade 0.72%
Win/Loss Ratio 1.18
Profit Factor 1.49
Avg Trade 0.157%
Equity($)
$8,000
$6,000
$4,000
$2,000
$0
-$2,000
0
6
12
18
24
30
36
42
48
Trade Number



So what we see here, is that the lower SPY has closed in its range the day before, the stronger the Fed day edge has been. When there has been a lot of confidence or complacency leading up to the announcement, that has nearly eliminated the edge. This might also be attributed to some frontrunning. On the other hand, when there has been anxiety heading into the announcement, then the bullish edge has been greatly enhanced. This could be worth keeping in mind as we approach the close on Tuesday. Those looking to play for a bounce on Wednesday would prefer to see SPY close at least in the bottom 50% of its range on Tuesday.

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 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 Monday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 7540.31. That is 1.7% above Friday's close. Therefore, SPX will need to close up at least 1.7% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. There is a good bit of room to the upside before SPX will turn overbought, but we didn't get any confirming bullish evidence today. I took some long exposure on Friday, but without new supporting evidence this weekend, I'm not inclined to add to that trade idea. I'll just let it ride another day. If Monday or Tuesday evening we get more compelling evidence then I may look to add to the position, or if we get a strong bounce I may look to take profits. As of now there appears to be a decent, but not enormous, upside edge

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/27 – 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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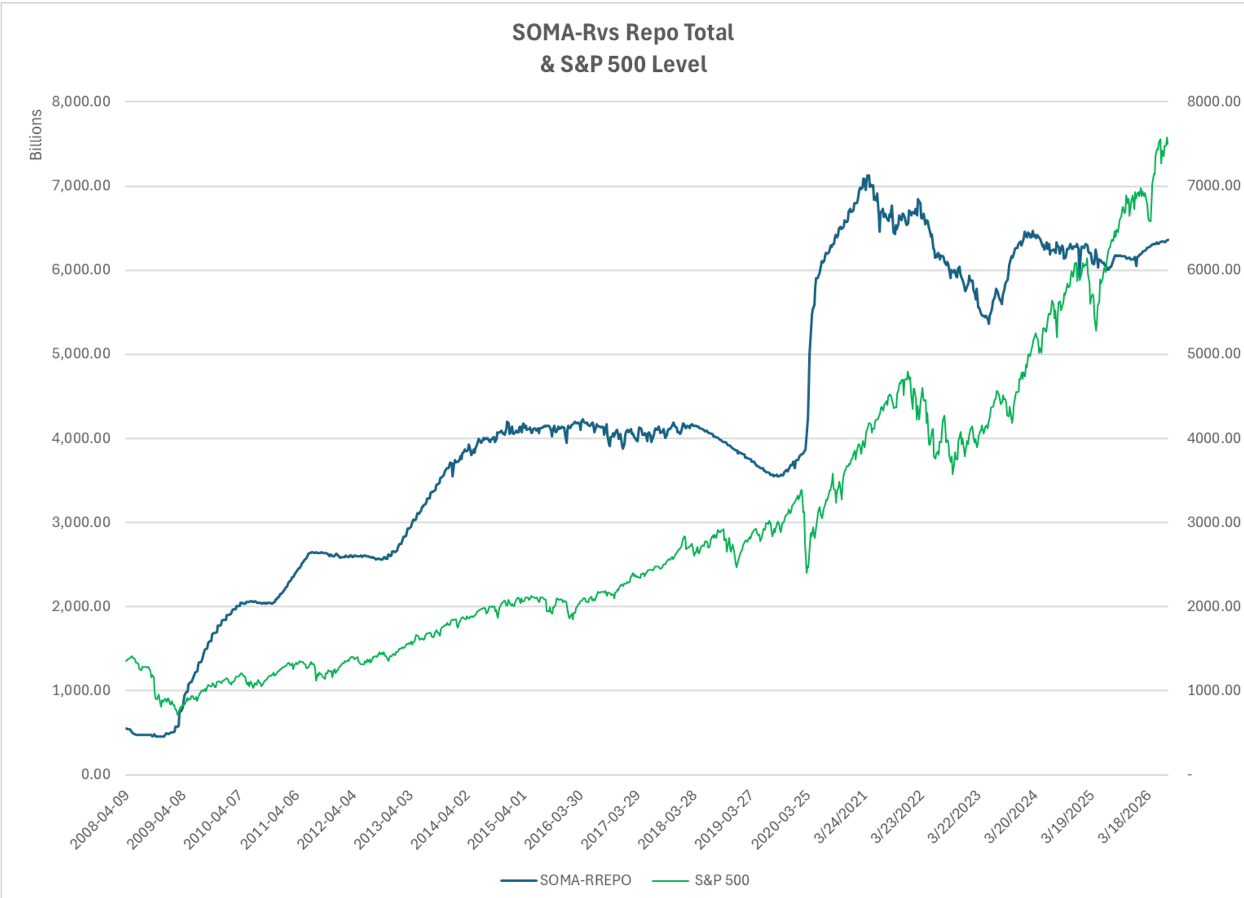
Stocks struggled for the second week in a row. The SPX dropped 0.6%, the NASDAQ tumbled 2.1%, and the Russell 2000 declined 1.1%. Bonds also had a rough time. The US Aggregate Bond ETF (AGG) fell 0.75%. TLT, the 20-year Treasury Bond ETF, lost 1.5%. The long-term trend has not yet rolled over, but we have now seen about 2 months 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 2026-07-22	
SECURITY TYPE	**TOTAL ($Thousands)**
US Treasury Bills	511,065,926.7
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	1,937,256,962.5
Agency CMBS	7,531,350.7
Total SOMA Holdings	**6,356,127,853.4**
Change From Prior Week	**+1,631,128.4**

The SOMA rose by about $1.6 billion this week, adding liquidity to the system. Meanwhile, reverse repos increased by $225 million for the week ending 7/22/26. A rise in reverse repos can act as a liquidity reduction. Combined for the week, SOMA and reverse repo action accounted for a liquidity infusion of about $1.4 billion (through Wednesday the 22nd). 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 34% chance of a rate increase, up sharply from 14% last week, but still suggesting no move will be made on Wednesday. Looking out to September, odds currently show an 82% chance that rates are elevated vs today's rates. That's up from 59% 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

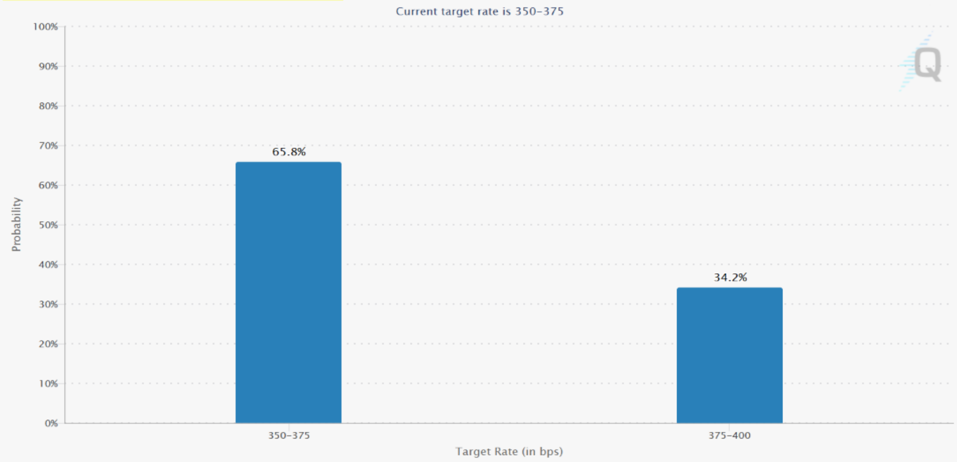
Dot Plot
- Chart
- Table

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	96.3650	31,909	321,369	0.0 %	65.8 %	34.2 %

Target Rate Probabilities for 29 Jul 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 23 JUL 2026	1 WEEK 17 JUL 2026	1 MONTH 25 JUN 2026
350-375 (Current)	65.8%	65.8%	87.2%	67.9%
375-400	34.2%	34.2%	12.8%	32.1%

* Data as of 25 Jul 2026 01:46:35 CT

1/1/2028 and forward are projected meeting dates

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FedWatch Tool

Target Rate
- Current
- Compare
- Probabilities
- Aggregated

Historical
- Historical
- Downloads
- Prior Hikes

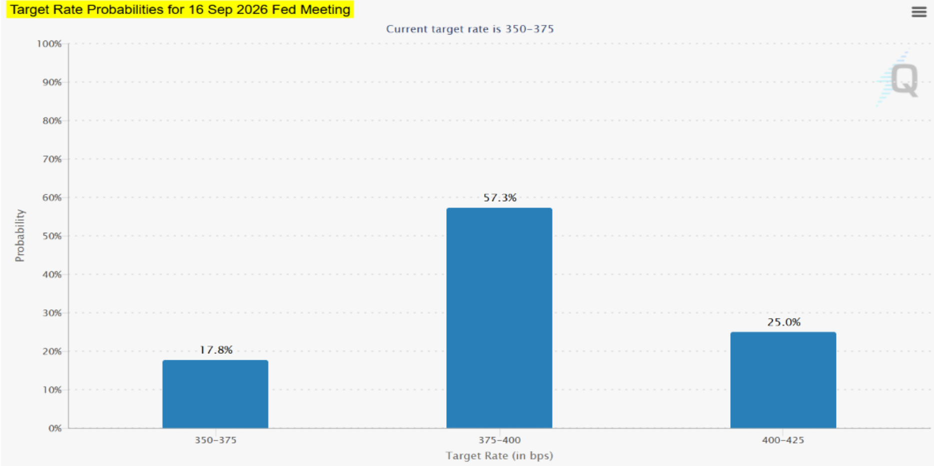
Dot Plot
- Chart
- Table

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
16 Sep 2026	ZQU6	30 Sep 2026	96.2000	39,603	195,410	0.0 %	17.8 %	82.2 %

Target Rate Probabilities for 16 Sep 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 23 JUL 2026	1 WEEK 17 JUL 2026	1 MONTH 25 JUN 2026
350-375 (Current)	17.8%	17.8%	42.2%	36.8%
375-400	57.3%	57.3%	51.2%	48.5%
400-425	25.0%	25.0%	6.6%	14.7%

* Data as of 25 Jul 2026 01:47:12 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. And that move very well could come in the next few months.

Intermediate-term evidence remains mixed and basically nothing that happened this past week changed that. There are still some studies on the 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 discouraging. 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. The lagging 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

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	7/24/2026	$738.18	$738.93	0.10%	Aggregator