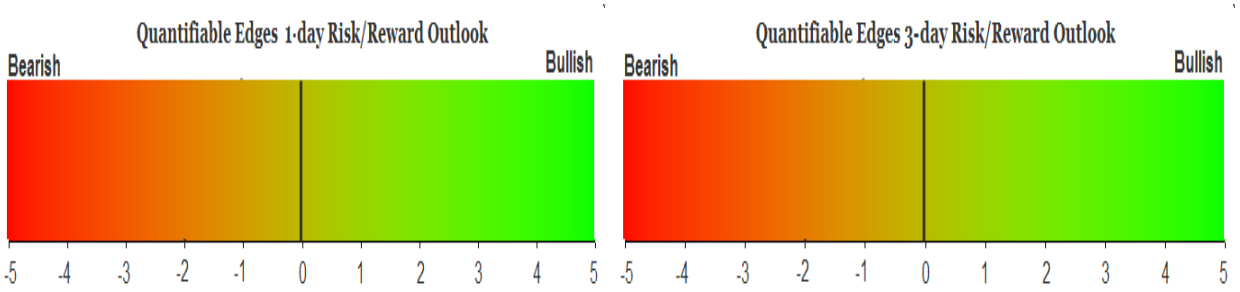
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 8, 2026 Volume 20 Issue 170

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Labor Day week has performed well when the SPX has declined into it, which is the case this year.
- Poor seasonality numbers are on the way but not until after this upcoming week.
- The Nasdaq took a leading position versus the S&P. This is an intermediate-term positive for the market.
- The SOMA increased some this past week, but I am still viewing the Fed as neutral/hawkish.

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						
September 8, 2026	Labor Day week after SPX declines 20 days	1-5 days	Bullish	2.19%	-1.59%	-3.21%
September 2, 2026	SPY gaps below a 5-day low, closes below op	1-5 days	Bullish	1.91%	-1.40%	-3.03%
Active - Long Term						
September 8, 2026	NASDAQ leading	int term	Bullish			
August 12, 2026	Hindenburg Omen - 4th signal in 30 days	1-35 days	Bearish	-6.54%	2.95%	4.86%
August 5, 2026	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.91%	-4.26%	-8.73%
August 3, 2026	Down June & down July -> weak Aug & Sep	1-2 months	Bearish			
July 6, 2026	No QE. Rate rise probable. Fed hawkish	int term	Bearish			
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 down 0.4%, the NASDAQ lost 0.3%, and the Russell 2000 rose 0.2%. Breadth was moderately negative as the NYSE Up Issues % closed at 49% and the NYSE Up Volume % posted a 42% reading. NYSE total volume declined some from Thursday's level.

Over the last several years I have demonstrated that the performance during the week of Labor Day has been impacted by the performance in the weeks leading up to it. Interestingly, is has been somewhat of a momentum reversal week. When SPX has rallied up to Labor Day, then it has struggled that week. And declines into Labor Day have seen positive performance. Below is an updated look at the two scenarios.

Today is the Friday before Labor Day. SPX closes < the close 20 trading days ago.
Buy on close. Sell X days later. 1969 - present.

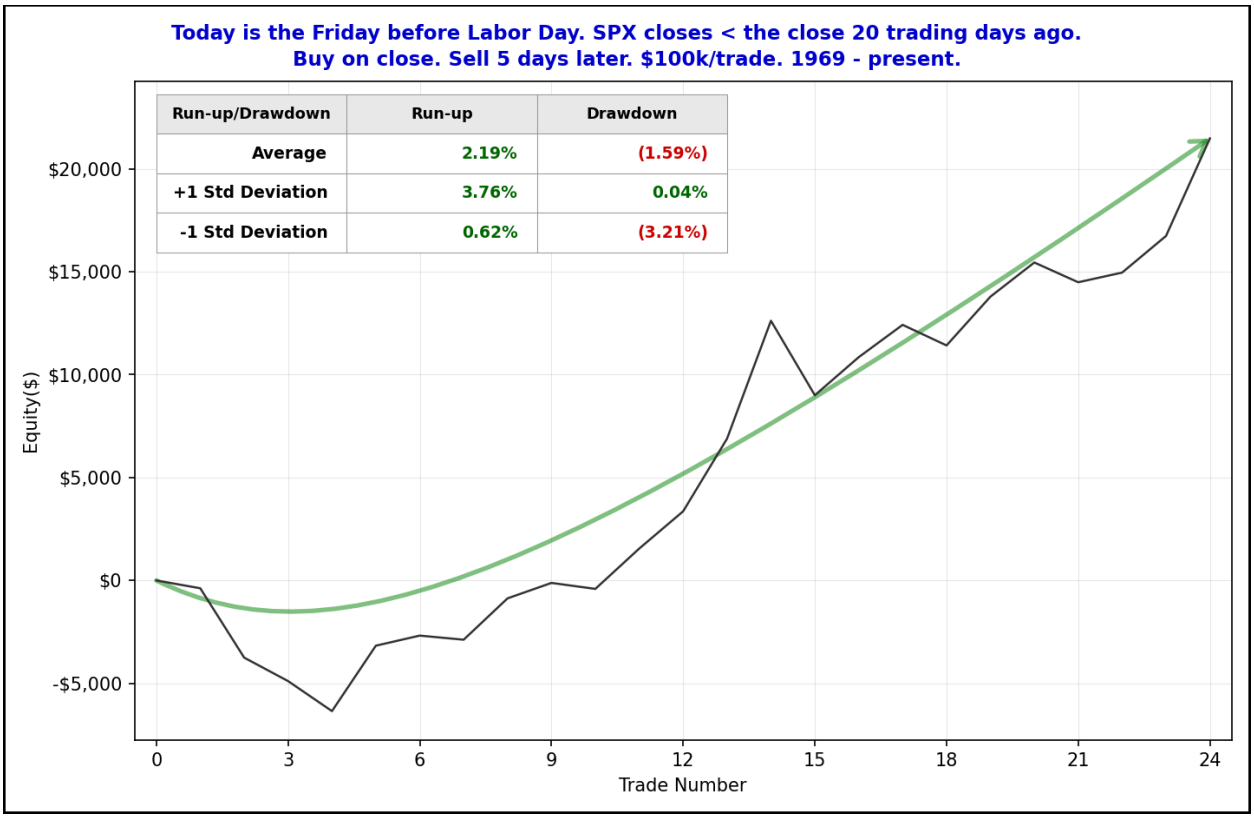
X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	24	15	9	62.50%	5.73%	-3.62%	2.26%	1.38%	1.64	2.73	0.896%
4	24	16	8	66.67%	3.65%	-4.22%	1.68%	1.58%	1.06	2.12	0.593%
3	24	15	9	62.50%	3.49%	-2.40%	1.14%	0.82%	1.38	2.31	0.402%
2	24	15	9	62.50%	3.32%	-4.80%	1.25%	1.11%	1.12	1.87	0.363%
1	24	12	12	50.00%	5.09%	-2.26%	1.25%	0.95%	1.31	1.31	0.149%

Today is the Friday before Labor Day. SPX closes > the close 20 trading days ago.
Buy on close. Sell X days later. 1969 - present.

X Days	Total Trades	Winning Trades	Losing Trades	Win %	Max Winning Trade	Max Losing Trade	Avg Winning Trade	Avg Losing Trade	Win/Loss Ratio	Profit Factor	Avg Trade
5	33	9	24	27.27%	3.24%	-3.14%	1.31%	1.29%	1.01	0.38	-0.583%
4	33	11	22	33.33%	2.59%	-4.25%	1.16%	1.52%	0.76	0.38	-0.627%
3	33	13	20	39.39%	2.73%	-4.03%	1.09%	1.50%	0.73	0.48	-0.475%
2	33	8	25	24.24%	3.06%	-2.67%	1.37%	0.93%	1.47	0.47	-0.374%
1	33	13	20	39.39%	1.75%	-4.15%	0.74%	1.01%	0.73	0.47	-0.323%

The 4-day numbers are basically inverted. So the Tues-Fri after Labor Day have not seen any consistency without the delineator. But the trend filter reveals a striking difference. Over the last

several weeks the market is down (slightly). Below is a look at the profit curve for the 5-day exit following the current setup.



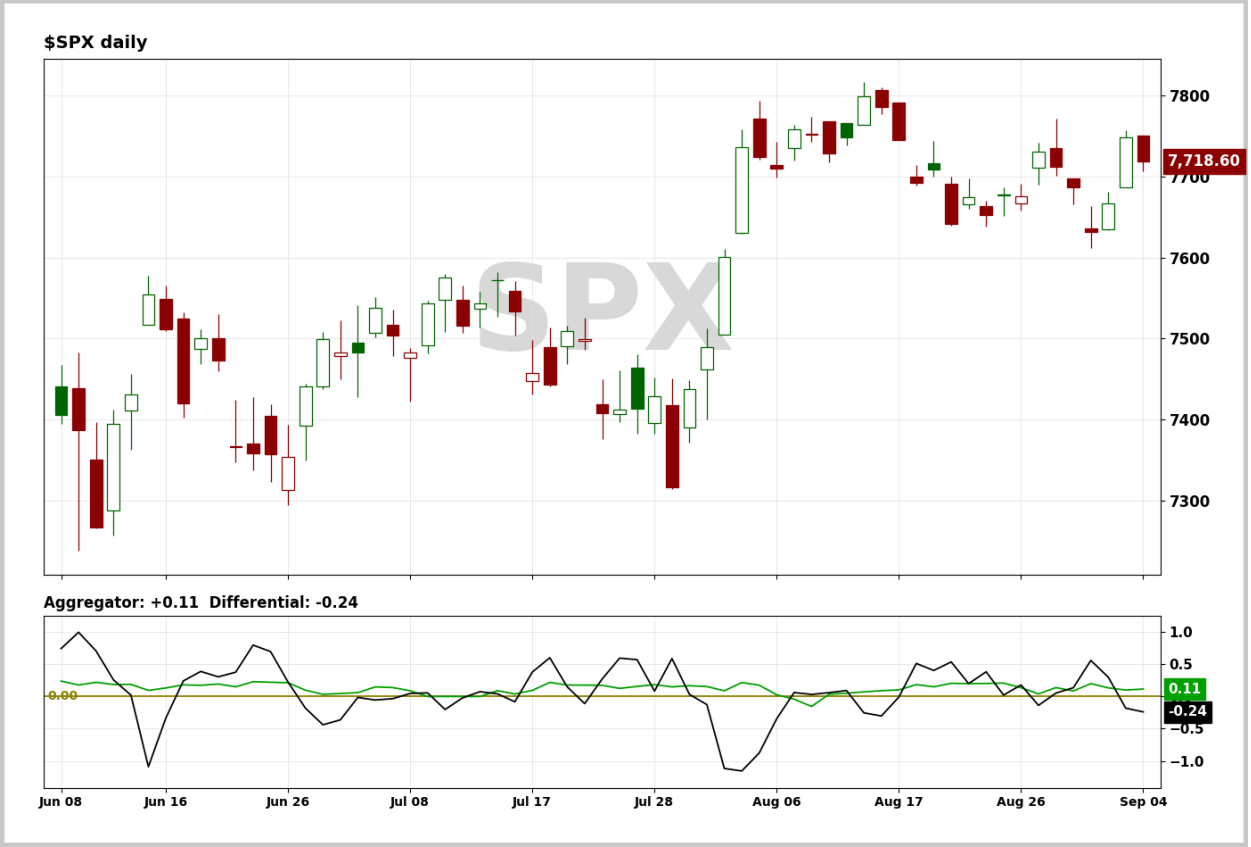
Tough start the 1st few instances, but it has pushed persistently higher since then. This seems to be worth some consideration and I have added it to the active list. I will note that the current setup barely qualified. If we looked back 21 days instead of 20 days, then the S&P 500 would have been up instead of down over the measured period. We've been looking at this study for many years, and I've always used 20 days, so I'm not inclined to change it today. But I did want to note the borderline nature of the current setup.

Let's also take a look at the SPX seasonality calendar.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
9/1/2026	54.60	1.137	0.032
9/2/2026	58.72	1.492	0.121
9/3/2026	54.55	1.151	0.031
9/4/2026	58.35	1.254	0.061
9/8/2026	52.14	1.199	0.055
9/9/2026	55.20	1.287	0.084
9/10/2026	53.12	1.041	-0.001
9/11/2026	55.73	1.319	0.085
9/14/2026	56.81	1.135	0.032
9/15/2026	53.01	1.140	0.040
9/16/2026	48.22	0.793	-0.082
9/17/2026	52.00	0.934	-0.022
9/18/2026	50.24	0.921	-0.027
9/21/2026	53.70	0.993	-0.022
9/22/2026	49.95	0.957	-0.023
9/23/2026	50.01	0.938	-0.028
9/24/2026	51.06	0.977	-0.016
9/25/2026	50.62	0.885	-0.043
9/28/2026	58.25	1.301	0.077
9/29/2026	54.33	1.084	0.025
9/30/2026	54.39	1.065	0.019
Baseline	*54.64*	*1.167*	*0.056*
		QuantifiableEdges.com	

This upcoming week shows some bullish numbers. But after this we have a few weeks that seasonality suggests the market could be susceptible to a sell-off.

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 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 7698.33. That is 0.3% below Friday's close. Therefore, SPX will need to close down at least 0.3% on Tuesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. We have some evidence suggesting higher prices over the next few days but with the market already overbought, reward/risk is not terribly favorable. I will wait for a more compelling setup before considering taking on a new index position.

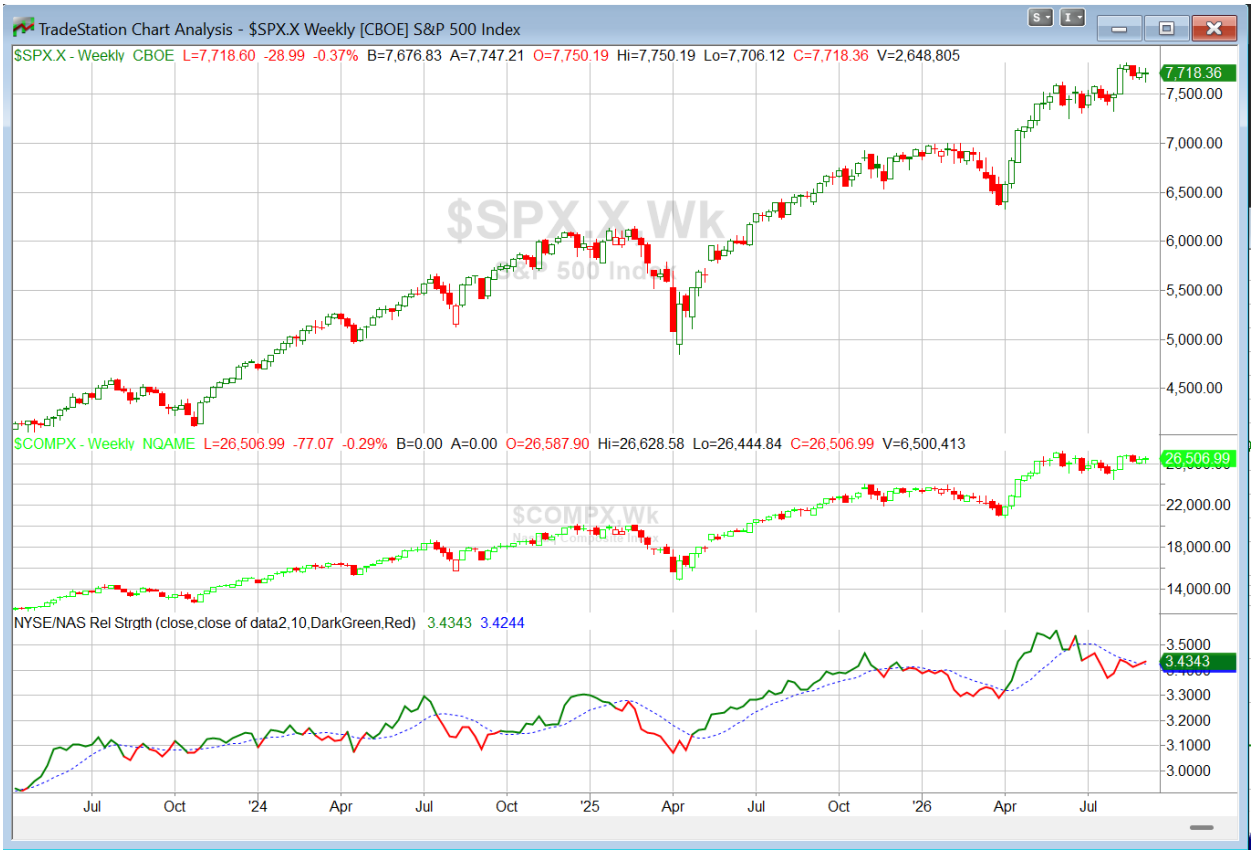
Intermediate-term Outlook (2 weeks – 2 months) – updated 9/8 – slightly bullish

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. *Combos 2, 3, and 4 all flipped to "Long NDX".*

This past week was one of mild gains. The SPX rose 0.09%, the NASDAQ gained 0.4%, and the Russell 2000 inched up 0.11%. Bonds were down slightly. The US Aggregate Bond ETF (AGG) dipped 0.2%. TLT, the 20-year Treasury Bond ETF, fell 0.4%. SPX is still near new all-time highs, so the long-term uptrend appears to be in place.

One notable indicator that changed position is our NASDSAQ/SPX Relative Leadership indicator. This week's action caused the NASDAQ to gain leading position. This can be seen in the chart below.



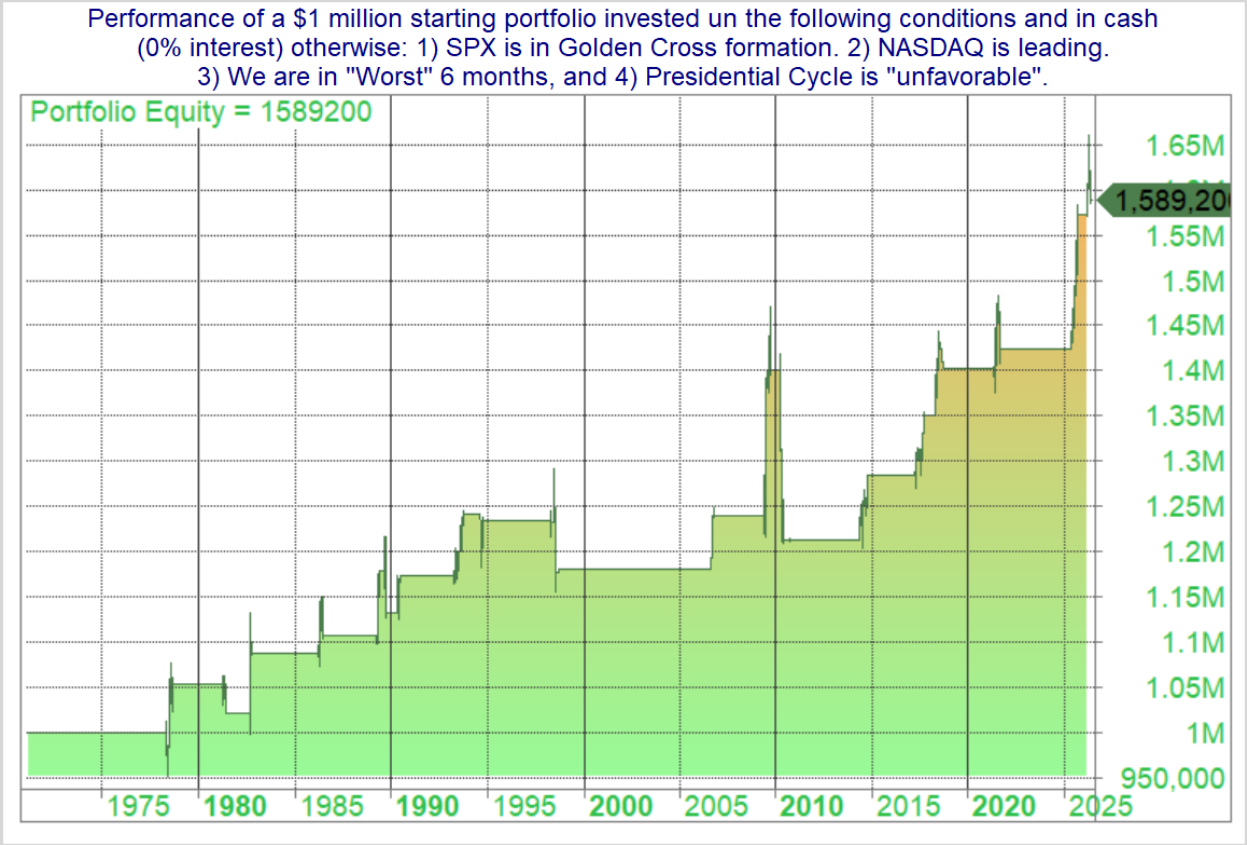
In the bottom pane, the movement of the red line (which is about to turn green) above the blue dotted line is our indication that the NASDAQ is in a leading position. Since 12/31/1971, the market has performed substantially better when the NASDAQ has been leading. This can be seen in the table below.

Historical Compound Returns of $100,000 Starting Portfolio Using the NASDAQ/SPX Relative Leadership Indicator as a Filter. 12/31/71 - 9/4/26.

	Compound Annual Growth Rate	Max Drawdown	End Value of $100,000
S&P 500 Index	8.23%	-56.78%	$7,560,583.99
SPX when NASDAQ lags	0.03%	-67.21%	$101,407.17
SPX when NASDAQ leads	8.20%	-33.92%	$7,455,669.28
NASDAQ Composite	10.47%	-77.93%	$23,227,295.21
NASDAQ when lagging	-1.38%	-85.53%	$46,831.32
NASDAQ when leading	12.01%	-40.62%	$49,597,782.50
NASDAQ when leading (with interest when in cash)*	14.50%	-37.64%	$165,176,630.73
*interest on cash calculated at historical 30-day Fed Funds rate			

SPX performance has seen an 8.23% compound annual growth rate (CAGR) when the NASDAQ is leading vs ***0.03%*** when NASDAQ is lagging. The NASDAQ performance difference is even more dramatic. It has returned 12.01% CAGR when leading versus ***-1.38%*** when lagging. More on this indicator can be found in the Market Dynamics Course. (Free for all annual subscribers.)

I decided also to take a look at how the market has done when all original 4 Market Dynamics Course indicators have been aligned as they are now. That means: 1) SPX "Golden Cross" in effect, 2) the NASDAQ is leading, 3) unfavorable Presidential Cycle, and 4) "Worst" 6 months in effect. Below is a chart showing SPX performance during this alignment.

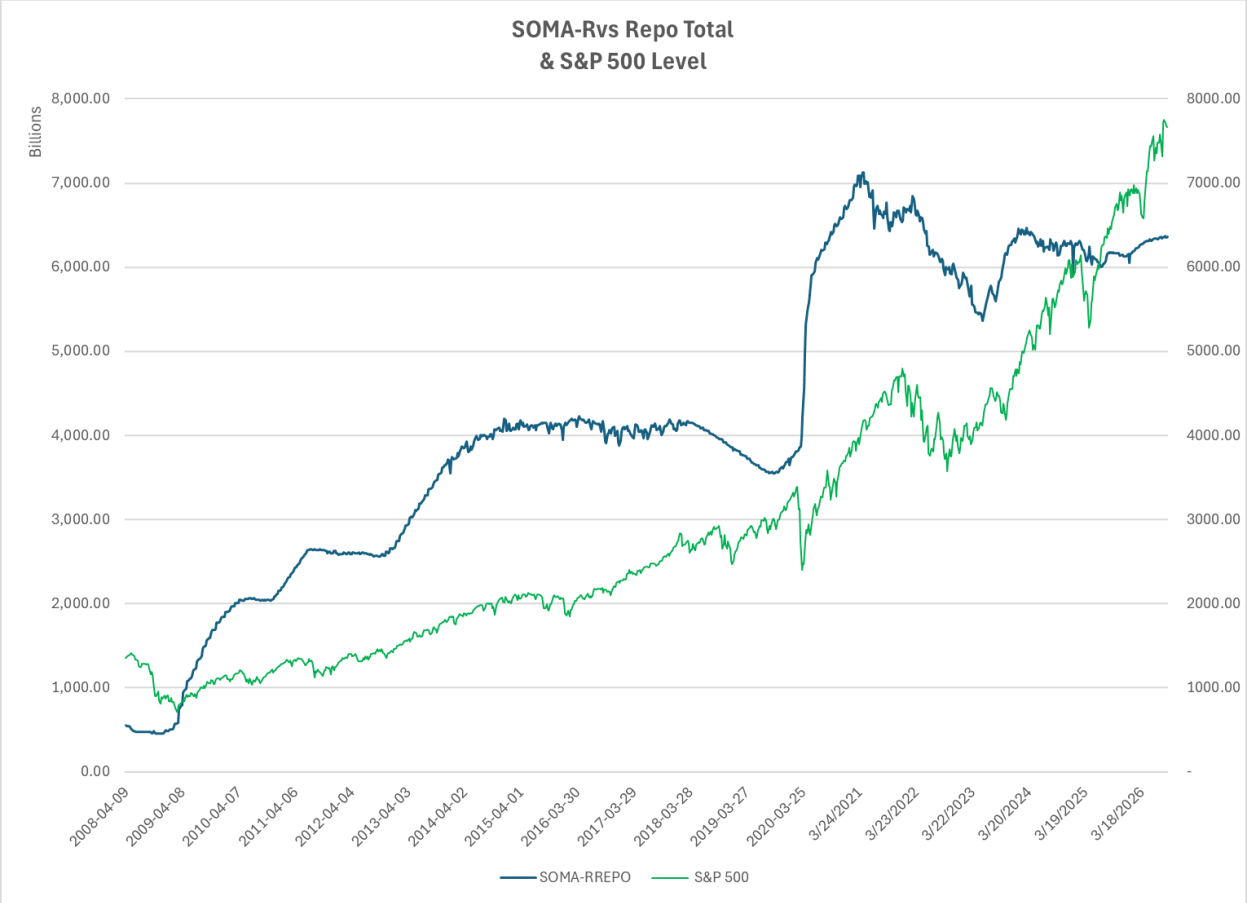


That is a good looking curve. You will also note that due to the current formation, several of combo models are now long NDX.

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

Domestic Security Holdings as of 2026-09-02	
SECURITY TYPE	**TOTAL ($Thousands)**
US Treasury Bills	548,359,926.7
US Treasury Notes and Bonds	3,600,776,303.2
US Treasury FRNs	20,045,553.8
US Treasury TIPS	277,104,756.5
Federal Agency Securities	2,347,000.0
Agency MBS	1,906,167,222.3
Agency CMBS	7,417,391.1
Total SOMA Holdings	**6,362,218,153.6**
Change From Prior Week	**+6,365,000.0**

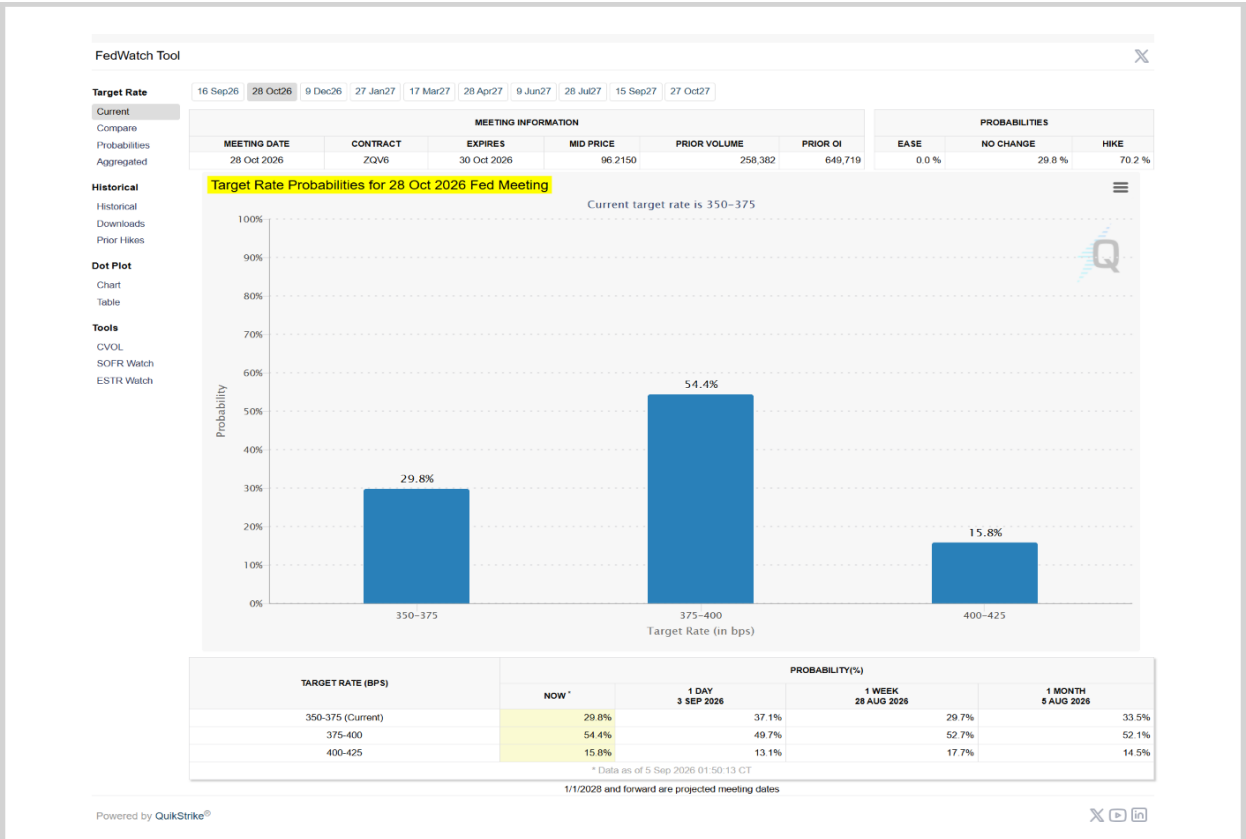
The SOMA rose by about $6.4 billion this week. This added some liquidity to the system. Meanwhile, reverse repos declined by $177 million for the week ending 9/2/26. A decline in reverse repos can act as a liquidity injection. Combined for the week, SOMA and reverse repo action accounted for a liquidity infusion of about $6.5 billion (through Wednesday the 2nd). 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 had been providing some support for the bulls, but that no longer appears to be the case since Warsh took over. Fed policy seems to be getting more hawkish and we could see a rise in rates within the next few meetings.

With regards to rates, odds shifted again this past week. The September meeting now shows about a 59% chance of a rate increase. That's similar to last week. Looking out to October, odds currently show a 70% chance that rates are elevated vs today's rates. That's also essentially the same odds as we saw 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
16 Sep26 28 Oct26 9 Dec26 27 Jan27 17 Mar27 28 Apr27 9 Jun27 28 Jul27 15 Sep27 27 Oct27
MEETING INFORMATION
PROBABILITIES
MEETING DATE | CONTRACT | EXPIRES | MID PRICE | PRIOR VOLUME | PRIOR OI | EASE | NO CHANGE | HIKE
16 Sep 2026 | ZQU6 | 30 Sep 2026 | 96.3025 | 59,418 | 241,034 | 0.0 % | 40.6 % | 59.4 %
Target Rate Probabilities for 16 Sep 2026 Fed Meeting
Current target rate is 350-375
Probability
40.6%
59.4%
350-375
375-400
Target Rate (in bps)
TARGET RATE (BPS) | PROBABILITY(%)
NOW * | 1 DAY 3 SEP 2026 | 1 WEEK 28 AUG 2026 | 1 MONTH 5 AUG 2026
350-375 (Current) | 40.6% | 50.6% | 43.0% | 45.6%
375-400 | 59.4% | 49.4% | 57.0% | 54.4%
* Data as of 5 Sep 2026 01:50:13 CT
1/1/2028 and forward are projected meeting dates
Powered by QuikStrike


FedWatch Tool
Target Rate
Current
Compare
Probabilities
Aggregated
Historical
Historical
Downloads
Prior Hikes
Dot Plot
Chart
Table
Tools
CVOL
SOFR Watch
ESTR Watch
16 Sep26 28 Oct26 9 Dec26 27 Jan27 17 Mar27 28 Apr27 9 Jun27 28 Jul27 15 Sep27 27 Oct27
MEETING INFORMATION
PROBABILITIES
MEETING DATE | CONTRACT | EXPIRES | MID PRICE | PRIOR VOLUME | PRIOR OI | EASE | NO CHANGE | HIKE
28 Oct 2026 | ZQV6 | 30 Oct 2026 | 96.2150 | 258,382 | 649,719 | 0.0 % | 29.8 % | 70.2 %
Target Rate Probabilities for 28 Oct 2026 Fed Meeting
Current target rate is 350-375
Probability
29.8%
54.4%
15.8%
350-375
375-400
400-425
Target Rate (in bps)
TARGET RATE (BPS) | PROBABILITY(%)
NOW * | 1 DAY 3 SEP 2026 | 1 WEEK 28 AUG 2026 | 1 MONTH 5 AUG 2026
350-375 (Current) | 29.8% | 37.1% | 29.7% | 33.5%
375-400 | 54.4% | 49.7% | 52.7% | 52.1%
400-425 | 15.8% | 13.1% | 17.7% | 14.5%
* Data as of 5 Sep 2026 01:50:13 CT
1/1/2028 and forward are projected meeting dates
Powered by QuikStrike

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. It currently seems that the next Fed move is more likely to be a hike in rates than it is to be a cut. There is a decent that move could come in the next few months.

Intermediate-term evidence remains mixed. The bulls can find some comfort in the NASDAQ relative leadership indicator discussed above. They can also point to the %b momentum study from August 5th, longer-term price thrust type studies from May, and the fact that the long-term trend remains up. But potential issues remain. The recent Hindenburg Omen Cluster is a warning sign that suggests the market is susceptible to selling at some point in the next couple of months. Since the August 12th discussion when the Hindenburg Omen cluster reached 4 triggers, it has increased even further and is now at 8. Split market conditions are not resolving themselves. We also have multi-month new-high divergence from the Study of Tops. Long-term seasonality is bearish through October, and the study looking at down June / down July I showed a few weeks ago suggests this September could be especially dangerous. The Fed appears somewhat hawkish, or at best neutral. Geopolitical risks can pop up at any time. And with mid-term elections coming up soon, that could add more uncertainty to the mix. But the bear case is largely seasonality and potential triggers. The bull case is mostly positive price action. I will lean with the bulls for now. But only a slight lean. If bearish potential starts to get realized I may quickly turn neutral or bearish. For now, I will view short side opportunities more cautiously than long side opportunities.

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)	*9/2/2026*	*$761.78*	*$772.01*	*1.34%*	*sold on open*

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