QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 5, 2026 Volume 20 Issue 189

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- Seasonality indications are mixed for the upcoming week.
- There was a bit of a liquidity drain this past week. But some of that has already reversed itself.
- Despite a weak jobs report the Fed still appears likely to raise rates again between now and the end of the year.
- Breadth indicators are looking weak.
- Price indicators are generally favorable and the Nasdaq is maintaining strong leadership.

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						
October 2, 2026	SPX higher high & down, then lower low & u	1-5 days	Bullish	2.07%	-1.18%	-2.38%
October 1, 2026	SPX bottom 10% of range at 5-day low	1-5 days	Bullish	1.64%	-1.30%	-2.72%
Active - Long Term						
September 22, 2026	RUT low in 20-day range, SPX high in range	1-40 days	Bullish	5.17%	-3.67%	-6.92%
September 18, 2026	SPX 20-day low close to 4-day high close	1-20 days	Bullish	3.95%	-1.99%	-4.27%
September 14, 2026	SPX up after 21-day low, on a Friday	1-15 days	Bullish	3.99%	-2.95%	-6.45%
September 8, 2026	NASDAQ leading	int term	Bullish			
August 5, 2026	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.91%	-4.26%	-8.73%
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

Friday was a good day for the market. SPX finished up 0.7%, the NASDAQ gained 1.2%, and the Russell 2000 climbed 0.9%. Breadth was positive as the NYSE Up Issues % closed at 61% and the NYSE Up Volume % posted a 59% reading. NYSE total volume declined some from Thursday's level.

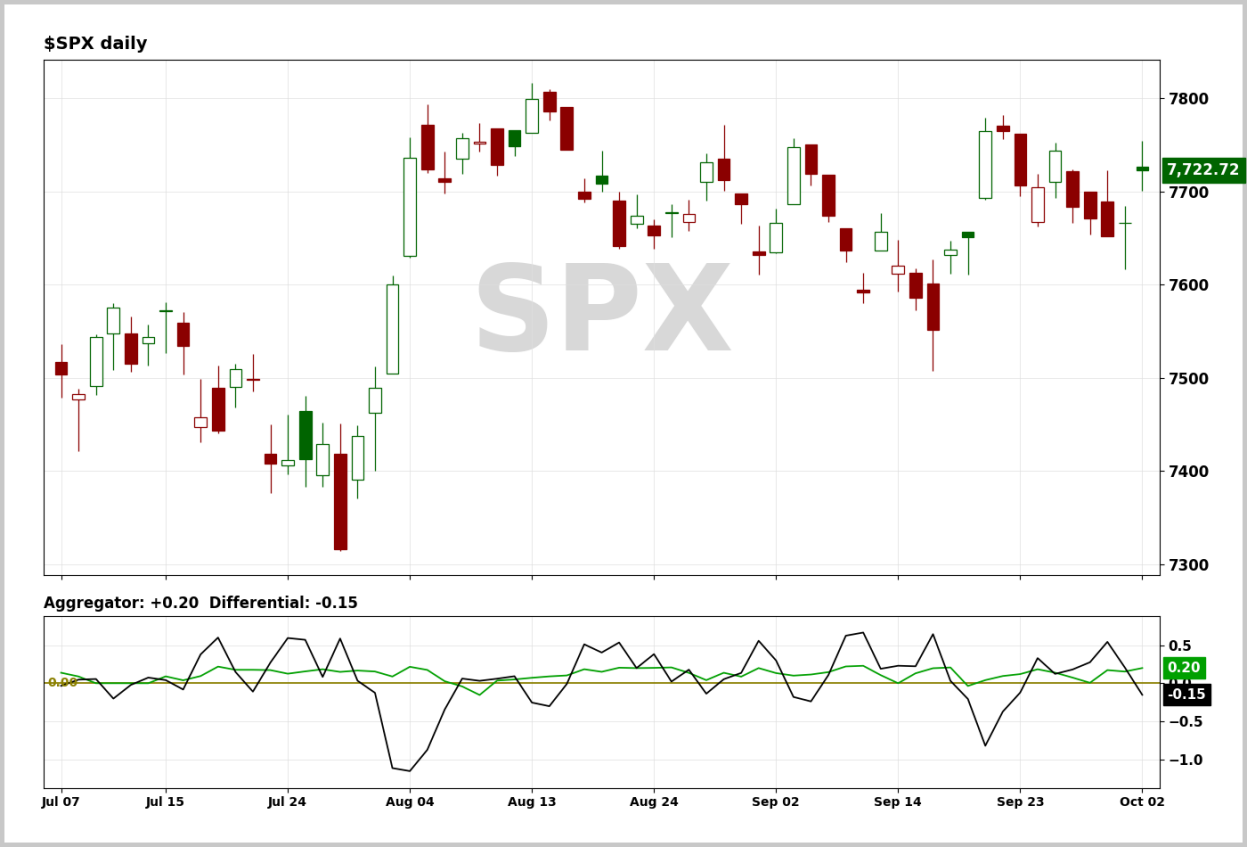
Despite the NDX closing at a new all-time high and the generally positive market action on Friday, nothing compelling triggered in the Quantifinder. The move was initiated by a weak jobs report that the stock market saw as allowing the Fed to push off an additional rate increase. I'll discuss the Fed a bit more in the intermediate-term section.

Let's take a brief look at the seasonality calendar for October.

Quantifiable Edges Seasonality Calendar $SPX S&P 500 Index			
Date	Win%	Profit Factor	Avg % Chg
10/1/2026	56.31	1.111	0.024
10/2/2026	56.20	1.062	0.025
10/5/2026	57.45	1.327	0.090
10/6/2026	51.21	0.969	-0.017
10/7/2026	57.87	1.303	0.071
10/8/2026	53.02	0.898	-0.047
10/9/2026	54.69	1.281	0.065
10/12/2026	55.16	1.373	0.091
10/13/2026	51.25	1.377	0.095
10/14/2026	55.65	1.431	0.116
10/15/2026	50.67	1.198	0.044
10/16/2026	49.48	1.201	0.044
10/19/2026	56.00	1.139	0.034
10/20/2026	51.25	1.165	0.049
10/21/2026	52.60	0.928	-0.032
10/22/2026	53.06	1.121	0.037
10/23/2026	53.12	1.045	0.016
10/26/2026	59.06	1.397	0.113
10/27/2026	54.92	1.205	0.065
10/28/2026	49.29	1.066	0.015
10/29/2026	56.40	1.224	0.072
10/30/2026	56.45	1.148	0.050
Baseline	*54.64*	*1.168*	*0.057*
		QuantifiableEdges.com	

This upcoming week is mixed and mildly bullish. The seasonality calendar views seasonality multiple different ways. Last week I showed one specific view of seasonality, which looked at how the market has performed over the last 41 years, broken down by the week of the month and what month it was. That study found that some of the weakest weeks of the year historically have occurred after the first Friday in October and the third Friday in October. The first Friday in October was Friday so this upcoming week does have some bearish potential when you view it that way. But those numbers over the years were very inconsistent. Overall it appears seasonality this upcoming week may be basically neutral.

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 fell 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 turned flat 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 7670.53. That is 0.7% below Friday's close. Therefore, SPX will need to close down at least 0.7% on Monday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is neutral. Evidence is mildly bullish and the market is a bit overbought. I don't see a strong edge here. This seems like a decent time to flatten out index exposure and wait for the next compelling setup to emerge before considering new index positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/5 – bullish

Combo #1	Combo #2	Combo #3	Combo #4
Flat	Long NDX	Long NDX	Long NDX

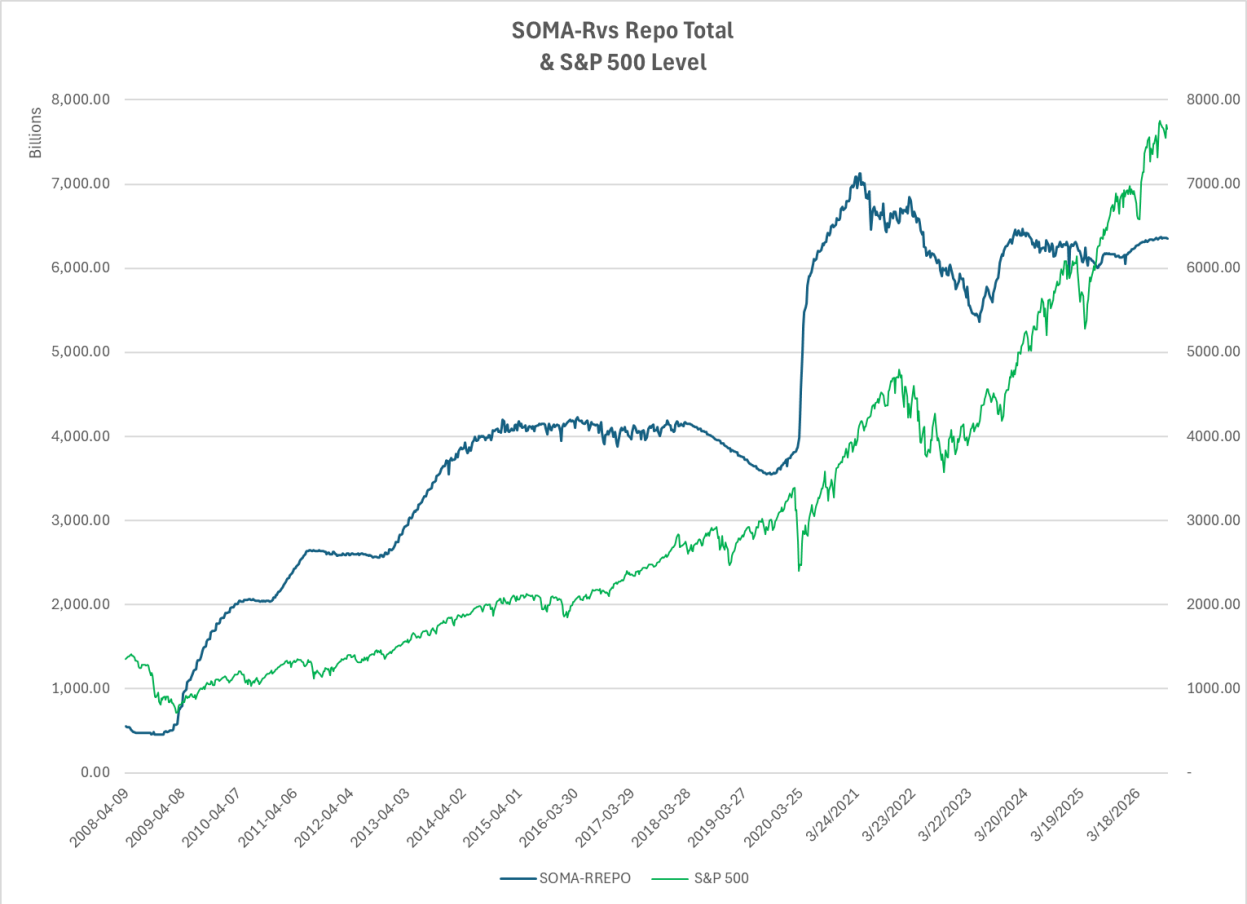
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, which is included with all annual subscriptions. *There were no changes to the Combo model signals this week.*

This past week saw mixed results for the major indices. The SPX dropped 0.3%, the NASDAQ rallied 0.45%, and the Russell 2000 declined 0.2%. Bonds were again weak. The US Aggregate Bond ETF (AGG) dropped 0.6%. TLT, the 20-year Treasury Bond ETF, tumbled 1.9%. The NASDAQ 100 made a new closing high on Friday and the S&P 500 is only about 1% away from a new all-time closing high. The long-term uptrend appears to remain intact. There were no new studies with intermediate-term implications that emerged over the last few days.

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

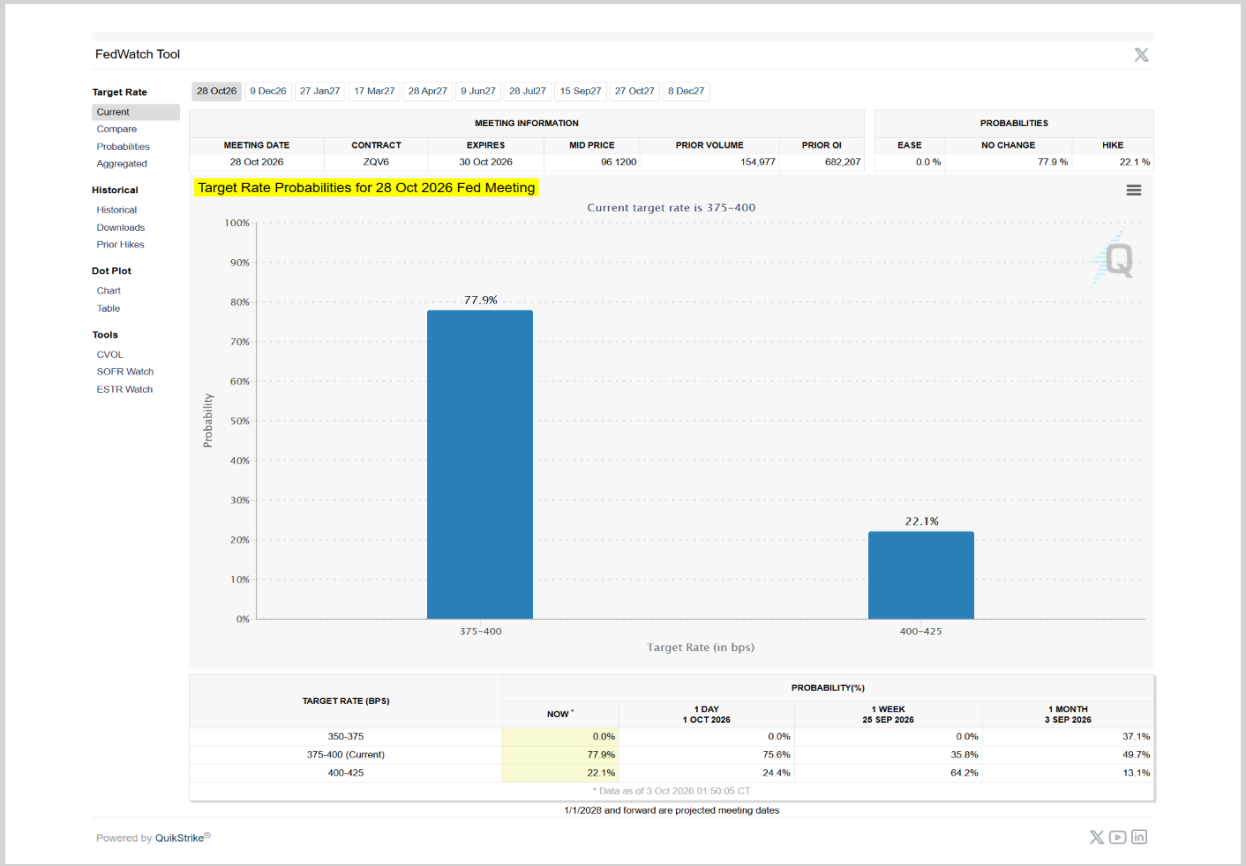
Domestic Security Holdings as of 2026-09-30	
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills	560,210,926.7
US Treasury Notes and Bonds	3,597,915,855.2
US Treasury FRNs	20,045,553.8
US Treasury TIPS	279,965,204.5
Federal Agency Securities	2,347,000.0
Agency MBS	1,890,705,863.5
Agency CMBS	7,383,594.1
Total SOMA Holdings	**6,358,573,997.9**
Change From Prior Week	**-6,481,223.3**

The SOMA declined by $6.5 billion this past week, sucking liquidity from the system. Meanwhile, reverse repos rose by $11.1 billion for the week ending 9/30/26. That's quite a large amount but it seems it was all done right at the end of the quarter and most of it is already gone as of 10/2. I have seen these kinds of end-of-quarter reverse repo shenanigans before. I don't believe it is meaningful in any way. Still a decline in reverse repos can act as a liquidity reduction. Combined for the week, SOMA and reverse repo action accounted for a liquidity drain of about $17.6 billion (through Wednesday the 30th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are very low. So unless they rise substantially (and stay there for more than 1-2 days), they will not be providing much influence on liquidity flows. Quantitative Easing had been providing some support for the bulls early in the year, but that no longer appears to be the case since Warsh took over. Fed policy seems to be getting more hawkish and the recent rate increase is evidence of that.

With regards to future rate moves, the market suspects the Fed is not done with just the ¼ point move we saw at the September meeting. The October meeting now shows about a 22% chance of another rate increase. That is down substantially from where it was even on Thursday. The weak jobs report really pushed odds down on Friday. Looking out to December, odds currently show an 85% chance that rates are elevated vs today's rates. That's down some from the 93% we saw last week but still suggests strong odds of a rate increase at one (or both) of the next two meetings. 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
28 Oct26
9 Dec26
27 Jan27
17 Mar27
28 Apr27
9 Jun27
28 Jul27
15 Sep27
27 Oct27
8 Dec27
MEETING INFORMATION
PROBABILITIES
MEETING DATE
CONTRACT
EXPIRES
MID PRICE
PRIOR VOLUME
PRIOR OI
EASE
NO CHANGE
HIKE
28 Oct 2026
ZQV6
30 Oct 2026
96.1200
154,977
682,207
0.0 %
77.9 %
22.1 %
Target Rate Probabilities for 28 Oct 2026 Fed Meeting
Current target rate is 375-400
Probability
77.9%
22.1%
375-400
400-425
Target Rate (in bps)
TARGET RATE (BPS)
PROBABILITY(%)
NOW *
1 DAY 1 OCT 2026
1 WEEK 25 SEP 2026
1 MONTH 3 SEP 2026
350-375 0.0% 0.0% 0.0% 37.1%
375-400 (Current) 77.9% 75.6% 35.8% 49.7%
400-425 22.1% 24.4% 64.2% 13.1%
* Data as of 3 Oct 2026 01:50:05 CT
1/1/2028 and forward are projected meeting dates
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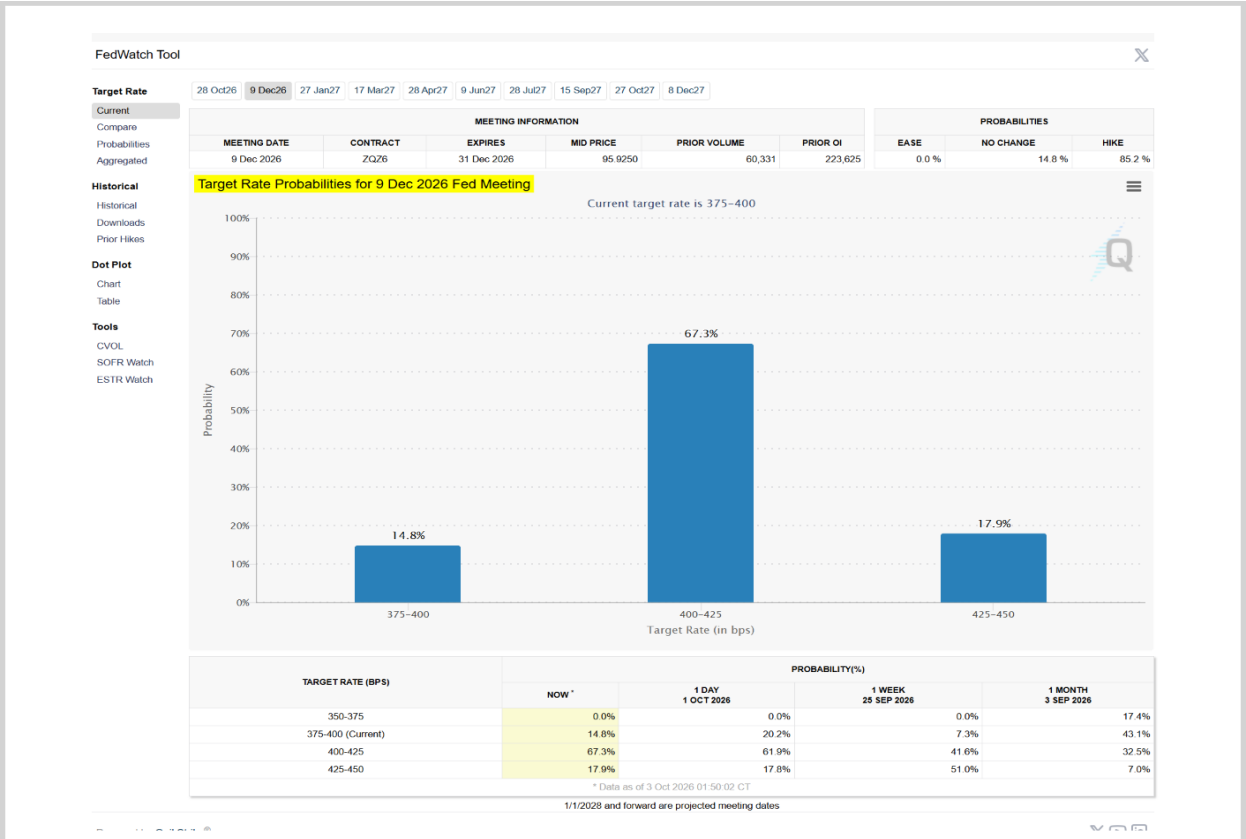
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28 Oct26
9 Dec26
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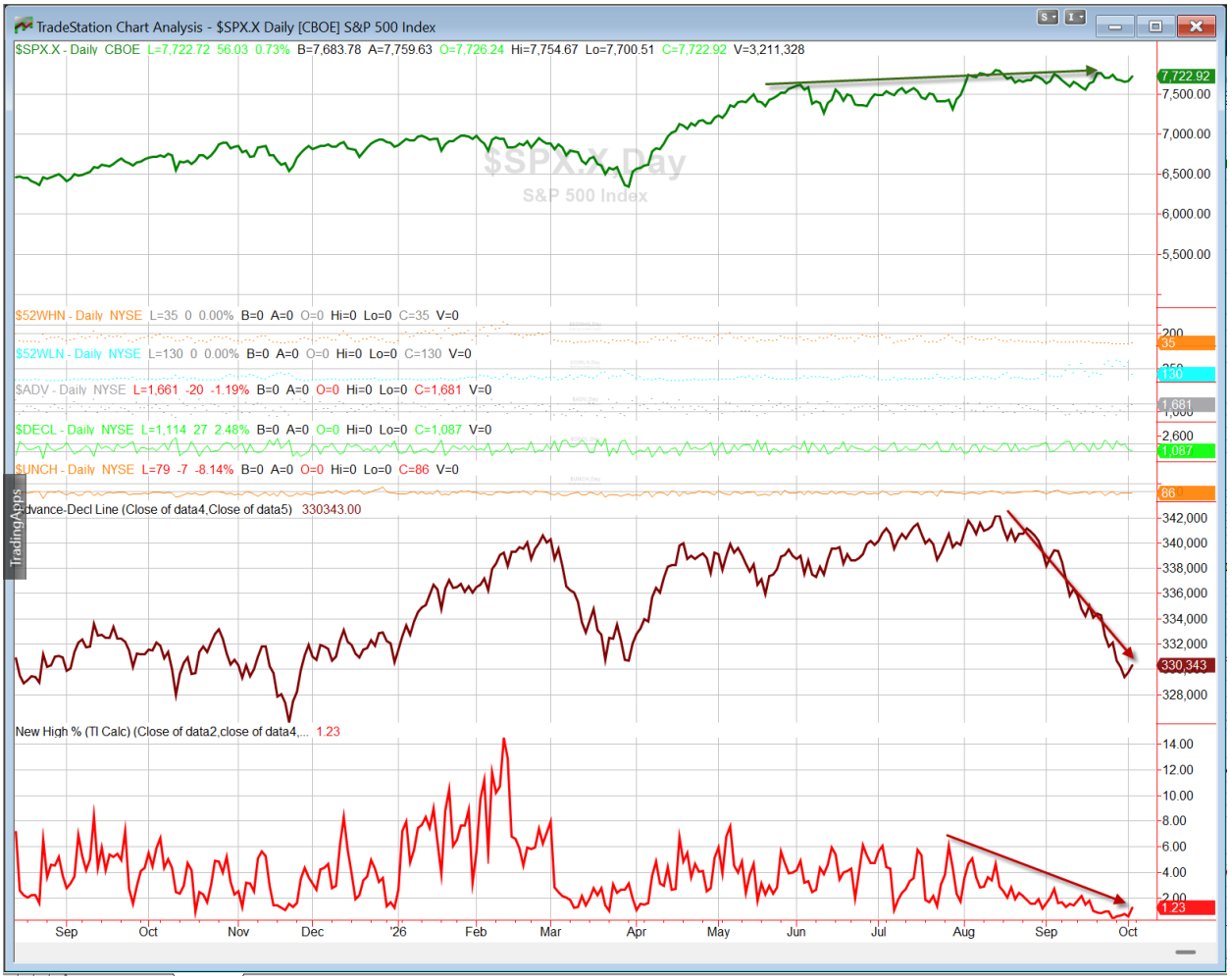
17 Mar27
28 Apr27
9 Jun27
28 Jul27
15 Sep27
27 Oct27
8 Dec27
MEETING INFORMATION
PROBABILITIES
MEETING DATE
CONTRACT
EXPIRES
MID PRICE
PRIOR VOLUME
PRIOR OI
EASE
NO CHANGE
HIKE
9 Dec 2026
ZQZ6
31 Dec 2026
95.9250
60,331
223,625
0.0 %
14.8 %
85.2 %
Target Rate Probabilities for 9 Dec 2026 Fed Meeting
Current target rate is 375-400
Probability
14.8%
67.3%
17.9%
375-400
400-425
425-450
Target Rate (in bps)
TARGET RATE (BPS)
PROBABILITY(%)
NOW *
1 DAY 1 OCT 2026
1 WEEK 25 SEP 2026
1 MONTH 3 SEP 2026
350-375 0.0% 0.0% 0.0% 17.4%
375-400 (Current) 14.8% 20.2% 7.3% 43.1%
400-425 67.3% 61.9% 41.6% 32.5%
425-450 17.9% 17.8% 51.0% 7.0%
* Data as of 3 Oct 2026 01:50:02 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. 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 chance that move could come soon.

In early August we saw a cluster of Hindenburg signals. Those have somewhat dissipated over the last few weeks and the initial cluster signal has now expired from the intermediate-term active list. But breadth has not gotten better over the last few weeks based on multiple measures. The chart below is the one that I often share with regards to the Quantifiable Edges study of tops.



The green line at the top is the S&P 500. The maroon line is the NYSE Advance-Decline line and the red line at the bottom is the % of NYSE stocks making new highs. While the S&P has continued to hold firm and did recently make a new high, the number of stocks participating has fallen dramatically. Unless this improves, the market could be at risk of a substantial decline. It would be especially notable if the S&P manages a new high and these breadth measures continue to look extremely weak.

Intermediate-term evidence remains mixed, but it is again tilting a little more towards the bulls. While nothing new emerged over the last few days, we still have multiple bullish studies from previous weeks that remain on the intermediate-term active list. One of them points to the fact that the NASDAQ continues to lead versus the SPX. The NASDAQ extended that lead further this past week. There are also 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. Of course potential issues remain. While not a great timing signal, we have the multi-month new-high divergence from the Study of Tops as well as the collapsing advance/decline line. Long-term seasonality is bearish through October, but October volatility can swing both ways. The Fed is looking hawkish, and further rate increases still appear likely. 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 think the bulls have a better case. I am keeping my bias bullish. I intend to trade more conservatively with short trades and potentially more aggressively with long trades.

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

GD – 1/3 @ $336.29 (bought @ limit)
LMT – 1/3 @ $505.50 (bought @ limit)
MS – 1/3 @ $188.01 (buy @ limit) – not filled – cancel for now
New
LMT – 1/3 @ $505.41 (buy @ limit)

***Broad Market Large Cap CBI* – 4(GD, LMT-2, MS)**

Additional New Trade Ideas

LMT – Buy 1/3 Catapult position @ $505.41 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots of LMT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
NEE(1/3)	***9/25/2026***	***$75.62***	***$76.67***	***1.39%***	***sold on open***
GD(1/3)	9/25/2026	$336.21	$330.09	-1.82%	Catapult
FDX(1/3)	9/25/2026	$279.54	$290.36	3.87%	*sell on open*
SPY(1/4)	9/30/2026	$762.63	$769.64	0.92%	*sell on open*
SPG(1/3)	***10/1/2026***	***$199.73***	***$201.00***	***0.63%***	***sold on open***
LMT(1/3)	10/2/2026	$505.50	$505.41	-0.02%	Catapult

I realized on Friday afternoon there was a typo with regards to the SPY trade idea in Tuesday night's letter. If you took it at the close on Wednesday or at some point on Thursday, then Monday morning would be the exit.

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