QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 12, 2026 Volume 20 Issue 194

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- Columbus Day is often bullish – especially when the market has been up the week before.
- October opex week has been historically bullish, suggesting an upside edge over the next several days.
- The SOMA rose and liquidity was positive this past week, but the Fed still appears hawkish, which could provide a market headwind.
- New all-time highs for the SPX and NASDAQ confirm the long-term uptrend remains in place.
- Diverging breadth is a bearish warning.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. There appears to be a decent chance of gains in the next few days.

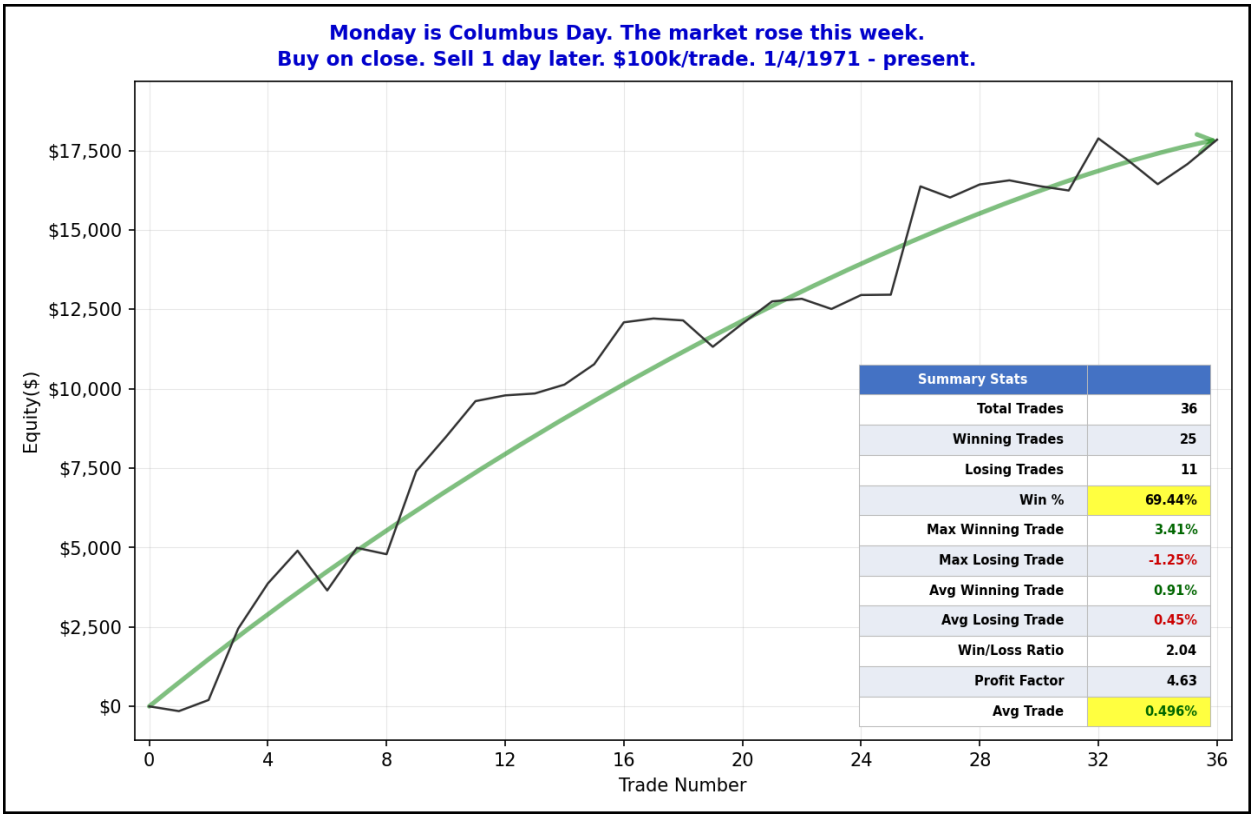
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 12, 2026	October opex week	1-4 days	Bullish	1.80%	-1.15%	-2.53%
October 12, 2026	Columbus Day Monday after an up week	1 day	Bullish			
October 9, 2026	SPX down, Up Issues & Up Volume % > 60%	1-2 days	Bullish	0.98%	-0.61%	-1.40%
October 7, 2026	SPY 50-day high with unfilled gap up	1-5 days	Bullish	1.37%	-0.96%	-1.97%
October 7, 2026	SPX 50-day high, lower volume, 3+ up days	1-5 days	Bullish	1.54%	-0.91%	-1.90%
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 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 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

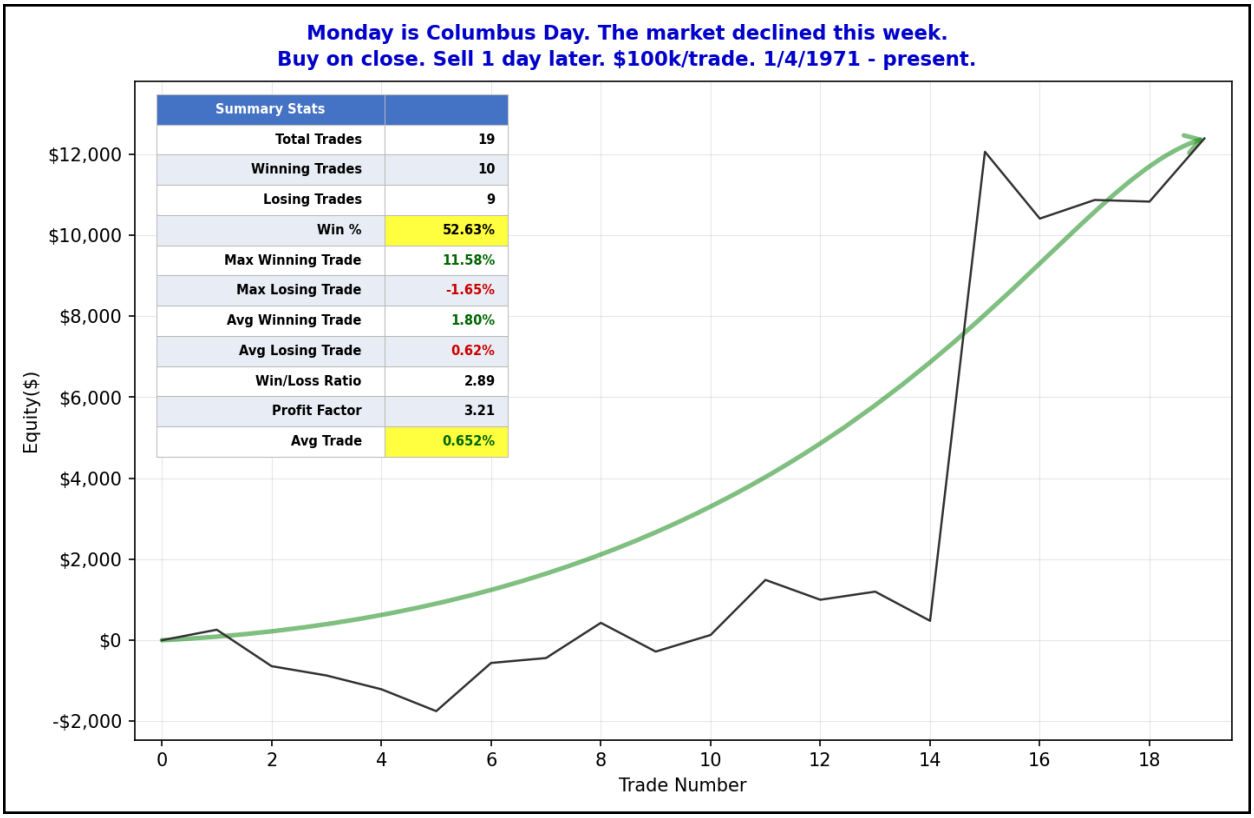
Friday was a good day for the market. SPX finished up 0.6%, the NASDAQ gained 0.6%, and the Russell 2000 climbed 0.5%. Breadth was moderately positive as the NYSE Up Issues % closed at 57% and the NYSE Up Volume % posted a 56% reading. NYSE total volume dropped sharply from Thursday's level.

While the stock market is open on Monday, banks, schools, government offices, and the bond market are closed. In past years with the bond market closed, the stock market has done quite well on Columbus Day. Of course the most famous Columbus Day rally was in 2008 when the market gained over 11% after having crashed the week before. In the 10/10/22 subscriber letter I showed that positive momentum leading up to Columbus Day has generally led to a positive Columbus Day. But there has not been a strong edge when the market stumbled heading into Columbus Day. Columbus Day has been celebrated on the 2nd Monday of October since 1971. Below is an updated breakdown of the study. First, times like now where SPX closed up on the week.



With 69.4% of trades profitable and winners 2x the size of losers, risk/reward has been very favorable. I also find it interesting that the size of the average winning trade has been so large, with a 0.9% gain. That seems surprising for a day where the bond market is closed and many traders would be taking the day off. The profit curve slopes nicely from lower left to upper right. It certainly appears Columbus Day with upside momentum appears to provide a solid seasonal edge.

What about times without positive momentum? Below is an equity curve showing results of that setup.



As I mentioned above, 2008 was a huge outlier. Take away that one year and Columbus Day showed a barely positive return when the prior week was down. Overall, it does not appear to be a dependable edge.

But it is also notable that next week is options expiration. Looking back to 1985 October Opex has seen the 3rd best average gains of any week of the year (the best if you don't count 5th weeks of months, which don't happen every year). This can be seen in the chart below, which I copied from the 9/28/26 letter a few weeks ago.

SPX Performance in the Week that Followed the Month and Friday Specified
1985 - present. Top 10 and Bottom 10 Results (by Avg Trade) Shown.

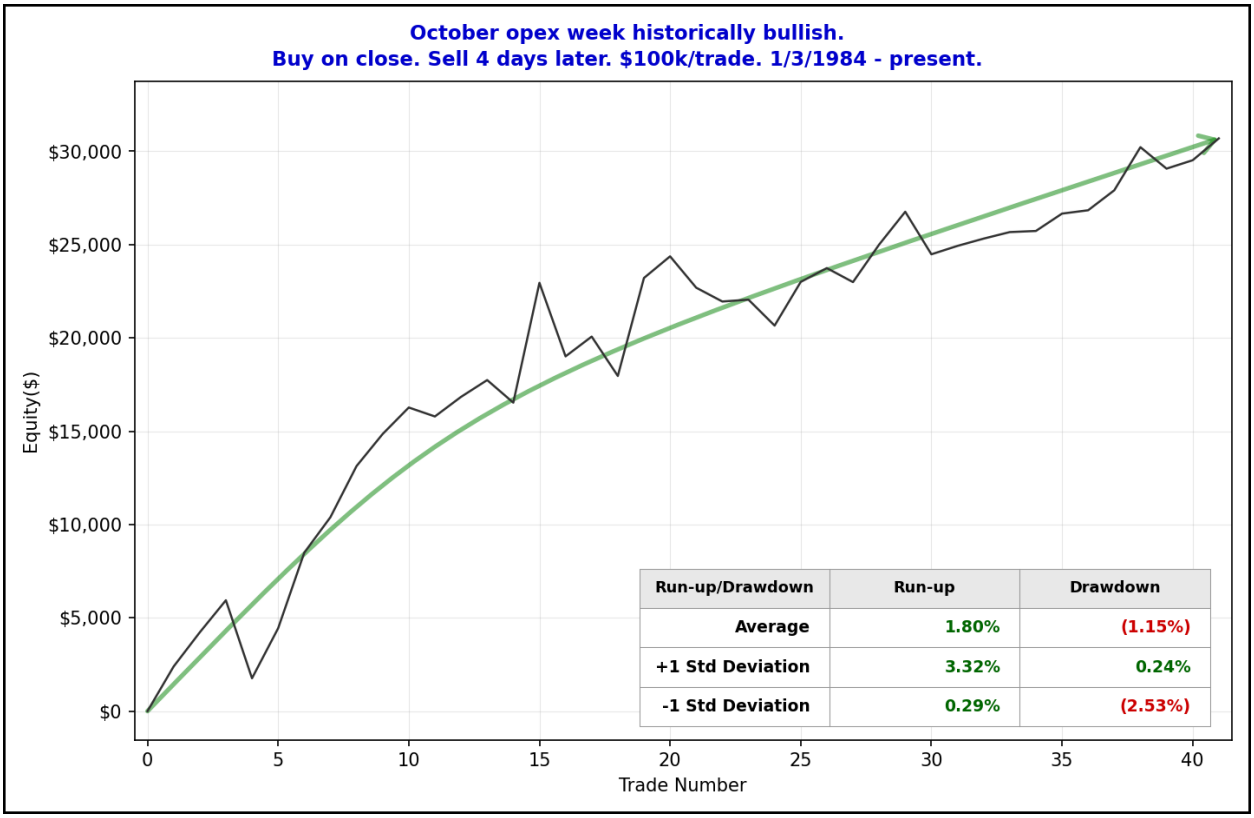
Month of Year	Fri of Month	Net % (sum)	Total Trades	Winning Trades	Losing Trades	% Profitable	Max Win %	Max Loss %	Avg Win %	Avg Loss %	Win/Loss Ratio	Profit Factor	Avg Trade %
10	5	19.61	17	12	5	70.59	7.32	-3.90	2.31	-1.62	1.43	3.42	1.154
1	5	15.22	19	12	7	63.16	5.17	-3.14	2.33	-1.82	1.28	2.20	0.801
10	2	31.50	41	31	10	75.61	7.32	-9.12	1.98	-2.98	0.66	2.06	0.768
4	2	32.25	42	25	17	59.52	5.68	-3.59	2.30	-1.48	1.55	2.28	0.768
5	4	31.97	42	28	14	66.67	7.20	-3.02	1.86	-1.45	1.29	2.58	0.761
1	4	31.50	42	27	15	64.29	4.87	-3.85	2.05	-1.59	1.29	2.32	0.750
10	4	30.19	41	29	12	70.73	10.49	-5.64	2.04	-2.42	0.84	2.04	0.736
11	4	27.66	41	31	10	75.61	7.39	-6.83	1.42	-1.63	0.87	2.70	0.675
6	4	26.41	42	26	16	61.90	5.77	-5.03	1.88	-1.41	1.34	2.17	0.629
11	3	24.76	41	26	15	63.41	12.03	-4.69	1.77	-1.41	1.25	2.17	0.604
11	5	-1.87	12	8	4	66.67	1.72	-4.60	0.96	-2.38	0.40	0.80	-0.156
6	1	-9.21	42	20	22	47.62	4.11	-5.05	1.19	-1.50	0.79	0.72	-0.219
6	3	-9.92	42	16	26	38.10	6.45	-3.65	1.64	-1.39	1.18	0.73	-0.236
10	3	-9.92	41	20	21	48.78	4.35	-12.20	1.89	-2.27	0.83	0.79	-0.242
7	5	-5.86	18	9	9	50.00	3.58	-7.19	1.49	-2.14	0.70	0.70	-0.326
10	1	-16.77	41	23	18	56.10	5.98	-18.20	1.77	-3.20	0.55	0.71	-0.409
8	5	-7.88	18	9	9	50.00	3.29	-4.25	1.26	-2.14	0.59	0.59	-0.438
2	3	-26.11	42	19	23	45.24	2.11	-11.49	0.90	-1.87	0.48	0.39	-0.622
4	5	-7.94	11	4	7	36.36	1.25	-6.39	0.93	-1.66	0.56	0.32	-0.722
9	3	-33.08	42	12	30	28.57	7.78	-6.54	1.52	-1.71	0.89	0.35	-0.788

The study below looks at October Opex from 1984 – present. It is updated from the 10/13/25 letter.

October opex week historically bullish.
Buy on close. Sell X days later. 1/3/1984 - 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	41	31	10	75.61%	7.32%	-9.12%	1.90%	2.98%	0.64	1.98	0.712%
4	41	30	11	73.17%	6.42%	-4.18%	1.69%	1.81%	0.93	2.54	0.749%
3	41	27	14	65.85%	3.13%	-3.78%	1.28%	1.24%	1.03	1.98	0.416%
2	41	28	13	68.29%	5.50%	-1.76%	1.16%	0.76%	1.53	3.29	0.550%
1	41	29	12	70.73%	2.77%	-1.94%	0.79%	0.60%	1.32	3.18	0.382%

Results 1-4 days out look solid. I found the profit curve for the 4-day hold the most compelling. It can be found below.



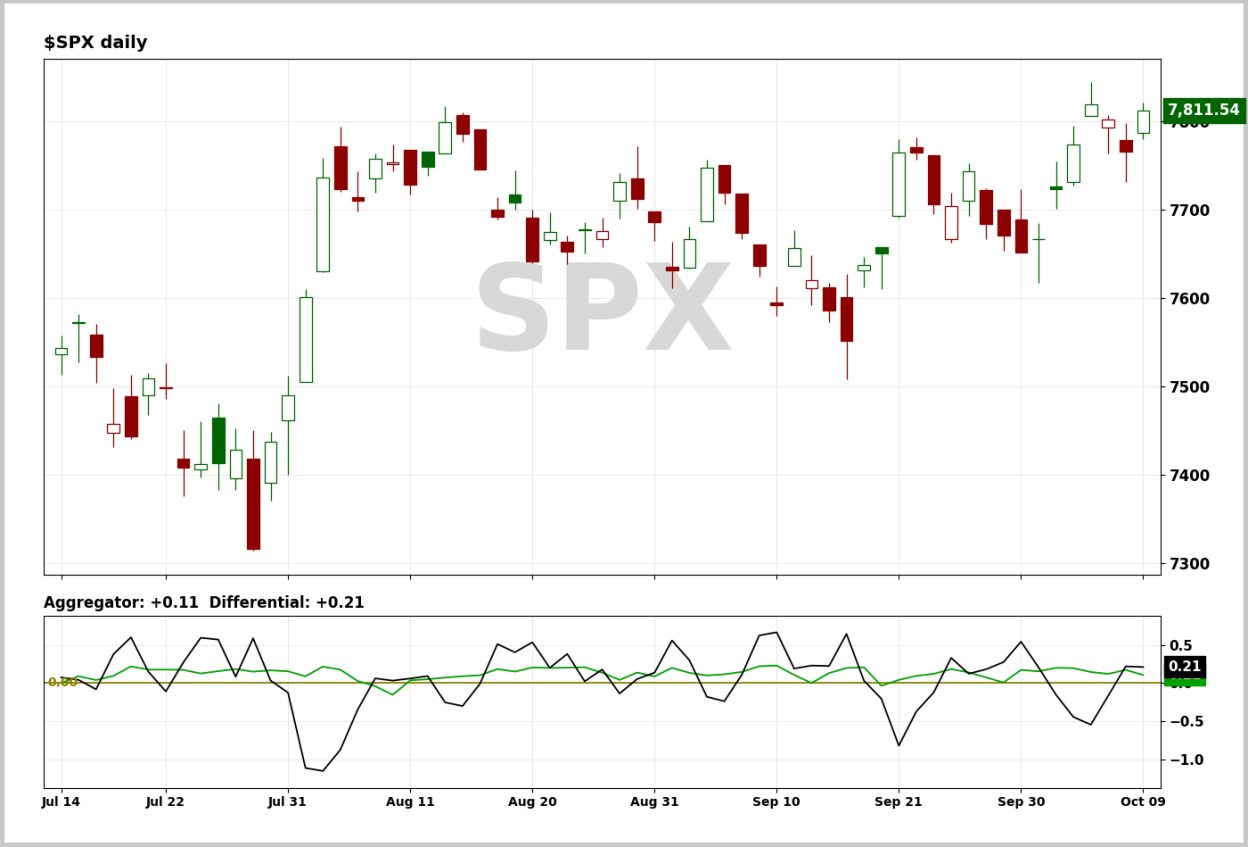
That is an impressive move from lower left to upper right. I have included this study on the active list tonight.

But let's also take a quick peek at the SPX seasonality calendar.

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*

As you can see we have some solidly green numbers until you get to Friday of this upcoming week. So the seasonality calendar algorithms are also viewing this week as potentially bullish.

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 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 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 7837.57. That is 0.3% above Friday's close. Therefore, SPX will need to close up at least 0.3% on Monday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish. Bullish evidence continues to build, but with Friday's move higher there isn't a whole lot of room left to the upside before SPX would flip from short-term oversold to overbought versus expectations. I like the long side and I do think the next few days have decent upside potential. I suggested a trade idea in Friday's nightly letter that did not get a fill. I will try again on Monday to see if I can get some index exposure, but only if a favorable entry is available.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/12 – bullish

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

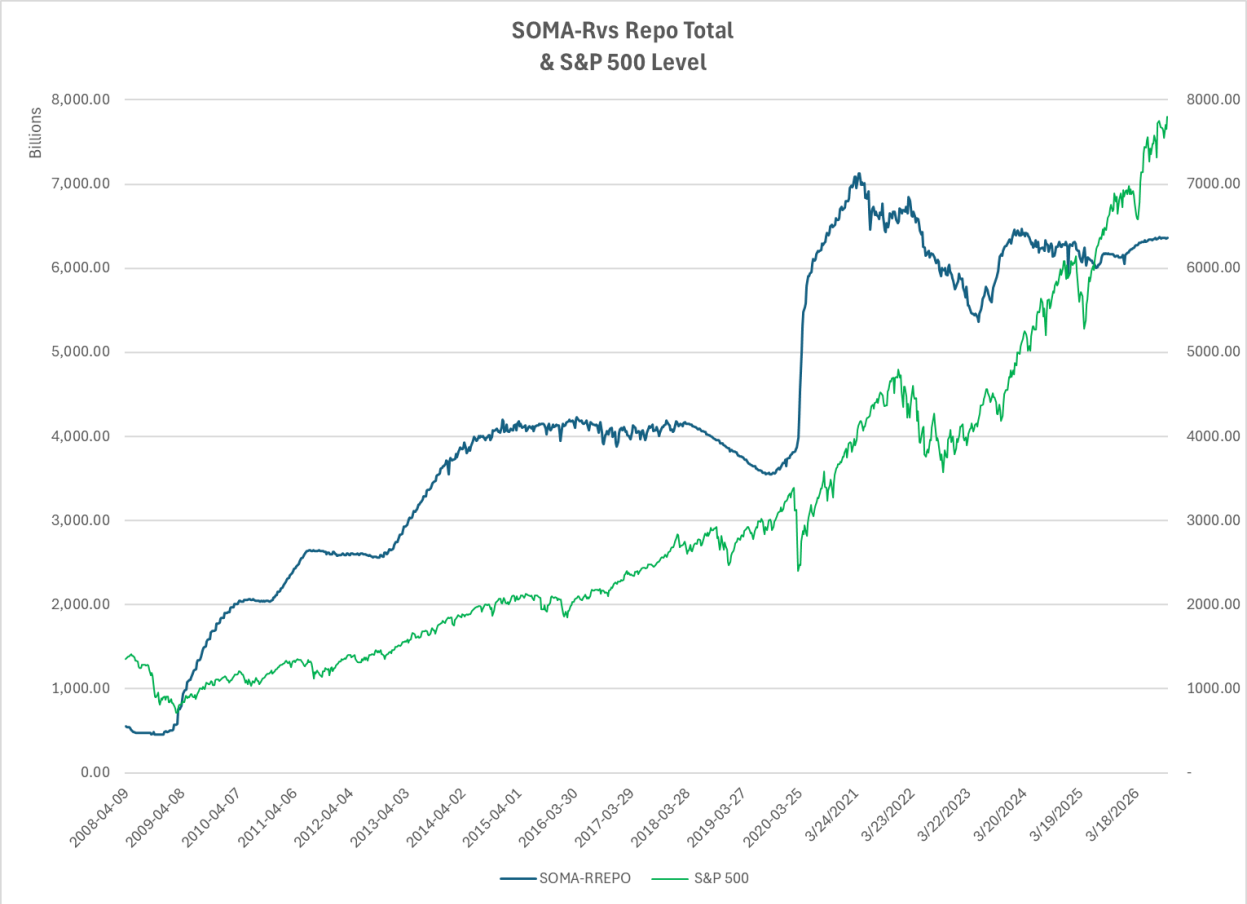
Above is the status of the different Combination Signals from the Quantifiable Edges Market Dynamics Course. Signals are long-term in nature. All 4 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Dynamics Course, 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 rose 1.15%, the NASDAQ gained 0.6%, and the Russell 2000 declined 0.9%. Bonds bounced back a little from recent beatings. The US Aggregate Bond ETF (AGG) rose 0.4%. TLT, the 20-year Treasury Bond ETF, rallied 0.65%. Both the NASDAQ and the SPX made new highs this week, so the long-term uptrend remains 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 2026-10-07	
SECURITY TYPE	TOTAL ($Thousands)
US Treasury Bills	562,156,926.7
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	**6,360,519,997.9**
Change From Prior Week	**+1,946,000.0**

The SOMA rose by $1.9 billion this past week, providing some additional liquidity to the system. Meanwhile, reverse repos dropped by about $9.2 billion for the week ending 10/7/26. That's quite a large amount but it rose and fell quickly at the end of the quarter, and is now back at very low levels (about $2 billion). I have seen these kinds of end-of-quarter reverse repo shenanigans before. 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 $11.1 billion (through Wednesday the 7th). Below is an updated SOMA-Reverse Repo and SPX chart looking back to 2008.



Reverse repos are very low. So unless they rise substantially, 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 18% chance of another rate increase. That is down substantially from where it was a couple of weeks ago. Looking out to December, odds currently show an 81% chance that rates are elevated vs today's rates. That's down some from the 85% 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

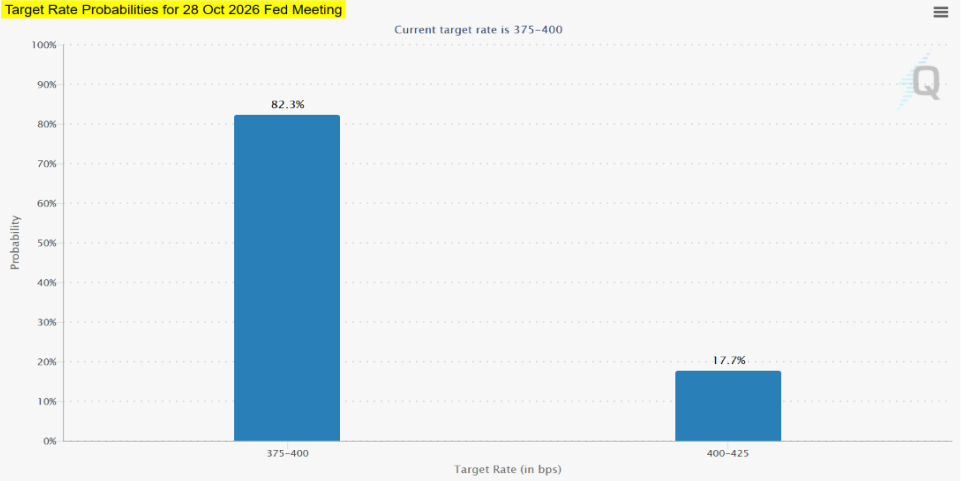
Dot Plot
Chart
Table

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	96.1150	19,370	725,289	0.0 %	82.3 %	17.7 %

Target Rate Probabilities for 28 Oct 2026 Fed Meeting



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 8 OCT 2026	1 WEEK 2 OCT 2026	1 MONTH 10 SEP 2026
350-375	0.0%	0.0%	0.0%	17.2%
375-400 (Current)	82.3%	82.3%	77.9%	55.5%
400-425	17.7%	17.7%	22.1%	27.2%

* Data as of 10 Oct 2026 01:50:20 CT

1/1/2028 and forward are projected meeting dates

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FedWatch Tool

Target Rate
Current
Compare
Probabilities
Aggregated

Historical
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Downloads
Prior Hikes

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Tools
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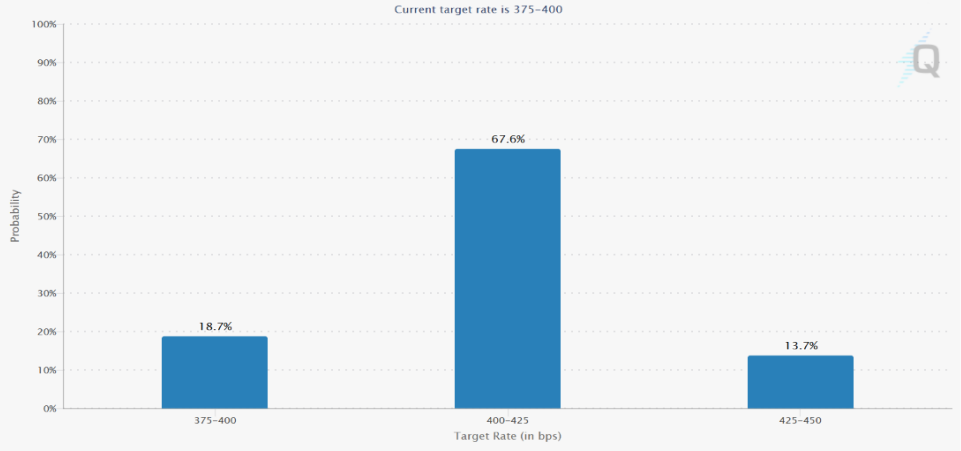
ESTR Watch

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
9 Dec 2026	ZQZ6	31 Dec 2026	95.9350	9,414	225,842	0.0 %	18.7 %	81.3 %

Target Rate Probabilities for 9 Dec 2026 Fed Meeting



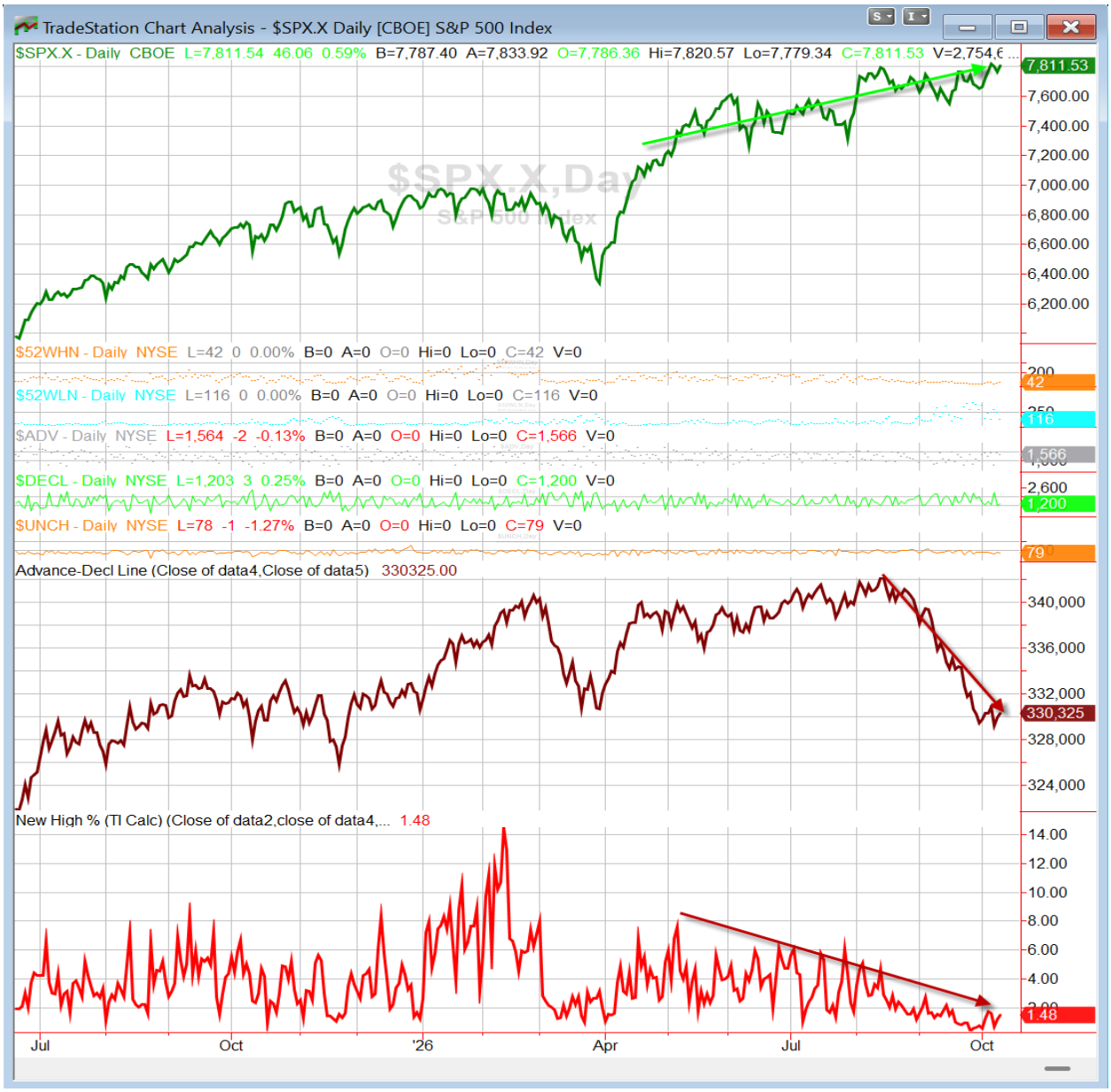
TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 8 OCT 2026	1 WEEK 2 OCT 2026	1 MONTH 10 SEP 2026
350-375	0.0%	0.0%	0.0%	5.6%
375-400 (Current)	18.7%	18.7%	14.8%	29.8%
400-425	67.6%	67.6%	67.3%	46.3%
425-450	13.7%	13.7%	17.9%	18.3%

* Data as of 10 Oct 2026 01:50:08 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.

While the market made new all-time highs this past week, breadth is ***still*** lagging. As I have discussed in the past, the QE Study of Tops shows that nearly every major market top since 1970 saw a breadth divergence occur ahead of it. The lone exception was 2020. The measurements the study looks at are 1) the NYSE Advance/Decline Line, and 2) the Net % of NYSE stocks making new highs (vs new lows). Here is an updated look at where we are now:



The Advance/Decline is lagging badly. The Net New High % is also way off. This is not a trigger to sell. It is a condition that sets the stage for a possible major top. But that top could still be many weeks or months away. If this divergence resolves itself and the Net New High % and the NYSE Advance/Decline Line make new highs, then we will be back to a point where the market would be unlikely to top out for at least 2-3 more months. So it is nothing to act on yet. But it is something that bears watching.

Intermediate-term evidence remains mixed, but it is again tilting 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, which has been a favorable market condition over the long run. 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)
CMCSA – 1/3 @ $20.94 (bought @ limit)

***Broad Market Large Cap CBI* – 2(GD, CMCSA)**

Additional New Trade Ideas

SPY – Buy ¼ index position @ $773.92 LIMIT. Based on the short-term outlook above, there still appears to be an upside edge. If Monday struggles and I'm able to get in at a price below Thursday's close, then I will look to activate this trade idea.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
GD(1/3)	9/25/2026	$336.21	$331.27	-1.47%	Catapult
RTX(1/3)	10/6/2026	$183.55	$185.97	1.32%	*sell on open*
RTX(1/3)	10/7/2026	$182.99	$185.97	1.63%	*sell on open*
RTX(1/3)	10/8/2026	$180.25	$185.97	3.17%	*sell on open*
CMCSA(1/3	10/8/2026	$20.91	$20.66	-1.20%	Catapult

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