ALPHAQUERY INTELLIGENCE

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CLASSIFICATION CLIENT RESEARCH

The Divergent Summit

S&P 500 Value prints an all-time high while the NDX sits −5.7% below its own. Seven prior episodes since 1997 say the first month belongs to value — with one expensive exception.

SIGNAL: DSS-01 · DIVERGENT SUMMIT | UNDERLYING: SVX (S&P 500 VALUE) · EXPRESSION: SPYV / IVE | STATUS: LIVE — TRIGGERED 07/02/26, RECONFIRMED 07/16/26

I. Signal definition & setup

On the close of July 16, 2026, the S&P 500 Value index (SVX) registered a fresh all-time high while the NDX stood 5.7% below a high it set only 26 trading days earlier and the SPX sat 1.0% below its own. That specific fingerprint — value at a summit, growth freshly broken, the cap-weighted index caught between them — is rarer than it sounds. Screening 1997–present for days where SVX closes at a new ATH, the NDX is at least 4% below an ATH set within the prior 90 trading days, and the SPX is below its high, the record produces exactly seven prior discrete episodes. The 90-day freshness filter is doing real work: without it, the screen drowns in 2000–2007 observations where value made highs against an NDX still 45–65% below its dot-com peak — a secular post-bubble regime, not a live rotation. What triggered on July 2 and reconfirmed today is the eighth genuine occurrence.

> DSS-01 TRIGGER CONDITIONS (CLOSE BASIS)
>
> SVX close ≥ running ATH ∧ NDX drawdown ≤ −4% ∧ NDX ATH within trailing 90 trading days ∧ SPX below ATH. Episodes separated by >30 trading days. Entry measured from first trigger day of each episode.

II. The precedent record

Seven episodes, three regimes. The pre-2022 cohort (1997, 1999, 2016, 2021) resolved as near-riskless value carries: maximum path drawdowns of 0.4–1.3% against entries that returned +2.6% to +5.9% within a month. The post-2021 cohort (2022, 2024, February 2026) is a different animal — every one of them traded 4–7% against the entry before resolving, and January 2022 never resolved at all: it was the opening tremor of a full bear market, the one episode where the value summit marked a top for everything.

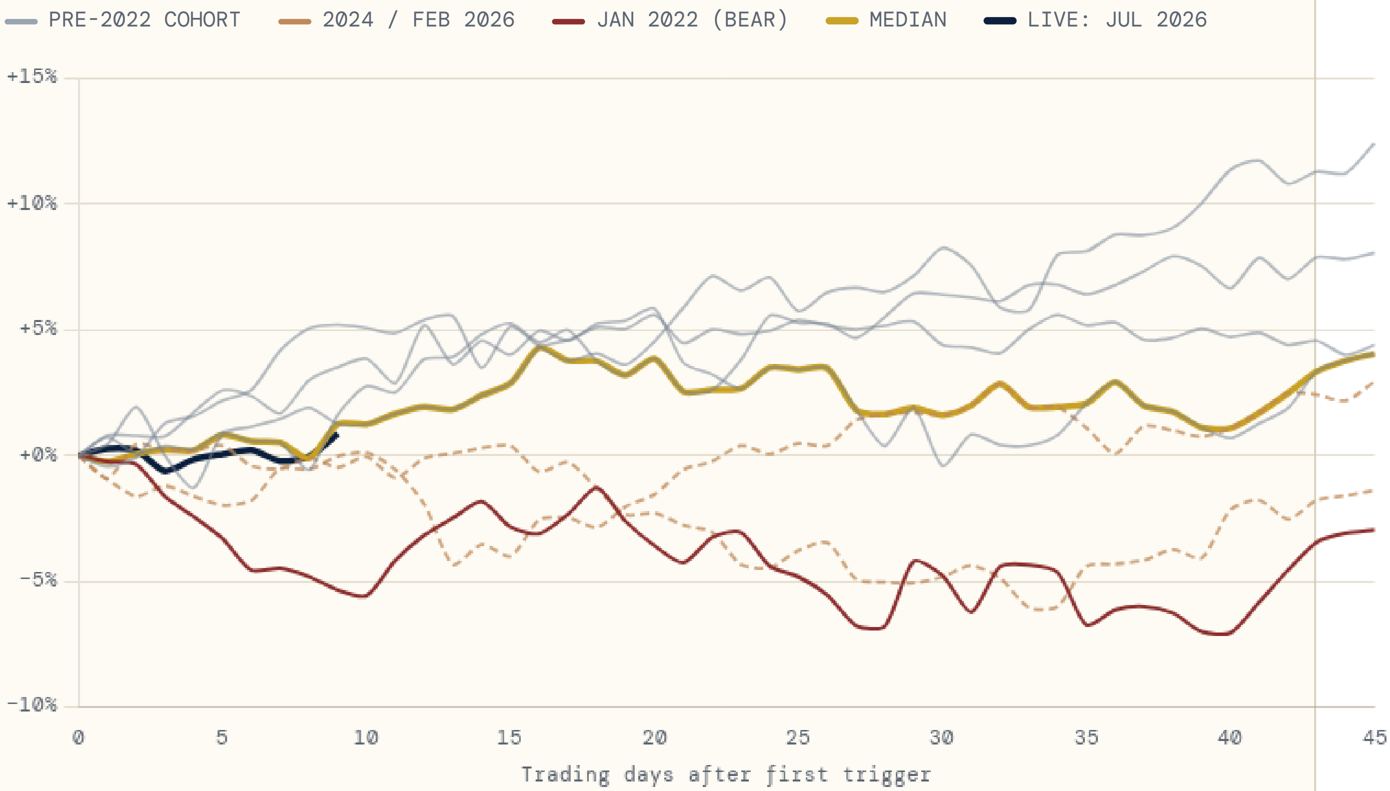
EPISODE	NDX DD AT SIGNAL	SVX +21D	SVX +45D	MAX PATH DD	RESOLUTION
Jun 1997	-5.6%	+5.88%	+12.42%	-0.44%	Melt-up, both legs
Apr 1999	-6.5%	+3.70%	+4.05%	-0.41%	Old-economy catch-up
Nov 2016	-4.2%	+4.48%	+4.40%	+0.07%	Reflation rotation
Feb 2021	-4.2%	+2.55%	+8.07%	-1.28%	Duration shock, value led
Jan 2022	-4.0%	-4.26%	-2.96%	-7.05%	Regime change — bear
Jul 2024	-4.1%	-0.56%	+2.94%	-4.32%	Carry unwind, recovered
Feb 2026	-4.7%	-2.77%	-1.38%	-6.05%	Chop, late recovery

III. The spaghetti: every path, no averaging

Averages flatter this signal; the paths tell the truth. Each line below is one episode's cumulative SVX return, t+1 through t+45 trading days from first trigger. The gold line is the cross-episode median; the navy line is the live 2026 episode, nine trading days in and tracking slightly above the median path. Note the visual bifurcation: the pre-2022 cohort never meaningfully visits negative territory, while all three recent episodes spend most of the window underwater before (mostly) recovering. The median's local peak near day 16 (+4.3%) is the profit-taking marker used in the ticket below.

Fig. 1 — SVX cumulative forward returns by episode (spaghetti)

T+0 = FIRST TRIGGER CLOSE · 45 TRADING DAYS · N=7 HISTORICAL + LIVE

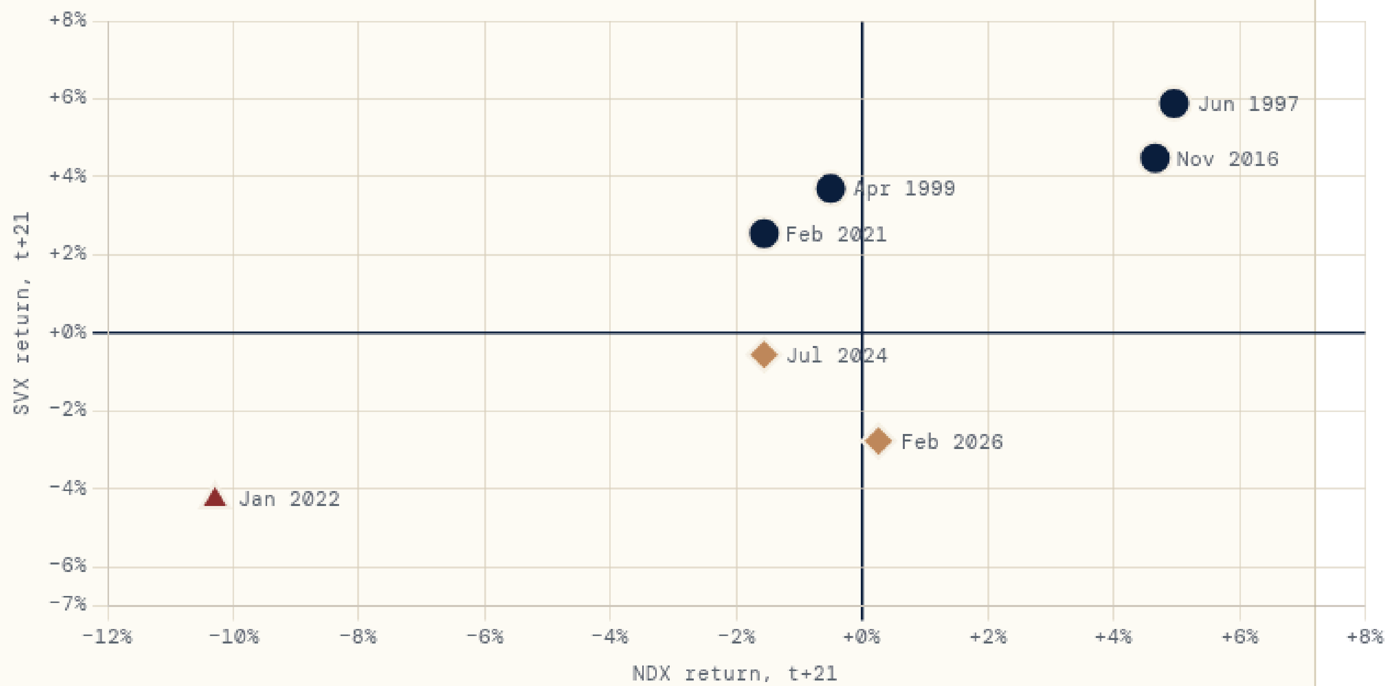


IV. Where each episode landed at one month

The scatter places each episode by its 21-trading-day outcome: SVX outright on the vertical axis, NDX outright on the horizontal. The upper-left quadrant — value up, growth down — is the rotation thesis working outright; the upper-right is the benign “everything heals” resolution; the lower-left is January 2022, where the value summit was simply the last thing standing. What is conspicuously empty is the lower-right: in no episode did growth recover at one month while value bled. The signal’s downside is systemic, not idiosyncratic to value — which is precisely why the hedged expression is a spread and not a pair of independent bets.

Fig. 2 — 21-day forward outcomes: SVX vs. NDX by episode

EACH POINT = ONE EPISODE · AXES = CUMULATIVE RETURN T+21 · QUADRANT LINES AT ZERO



V. Trade construction

The statistics support a lean, not a conviction: SVX's median 21-day forward return of +2.55% is roughly double its unconditional baseline (+1.14%), but the hit rate is 4-of-7 and the post-2021 path drawdowns run to −7%. On the 21-day outcome distribution ($p = 0.571$, avg win +4.15%, avg loss −2.53%, payoff ratio 1.64), full Kelly computes to 31% of risk capital — a number that deserves no respect at $n=7$. We apply an eighth-Kelly discount for sample-size and regime uncertainty, yielding a ~4% risk allocation, deployed in tranches whose spacing is set by the recent cohort's drawdown signature rather than the flattering pre-2022 one.

TRADE TICKET — DSS-01 LONG VALUE	AQI-ES-2026-002
INSTRUMENT **SPYV (primary) / IVE** — S&P 500 Value trackers of SVX	DIRECTION / HORIZON **LONG · 45 trading days** (target window ~Sep 18, 2026)
REFERENCE LEVEL **SVX 2,290.52** (07/16/26 close, signal reconfirmation)	SIZING **⅛-Kelly ≈ 3.9% of risk capital** (full Kelly 31%, discounted for n=7)
TRANCHE 1 — 40% **At market** (signal live, day 9 of episode)	TRANCHE 2 — 35% **-2.5% from reference** (median recent-cohort pullback)
TRANCHE 3 — 25% **-4.5% from reference** (2024/Feb-26 trough zone; only if breadth intact)	PROFIT-TAKING **Scale ½ at +4.3%** (day-16 median peak); trail remainder to +45d

INVALIDATION — HARD EXIT, ALL TRANCHES

(a) SVX closes >2% below the 07/16 breakout level for 3 consecutive sessions (failed summit) · (b) 2022-analog confirmation: value ATH driven by rising real yields with deteriorating equal-weight breadth beneath it — monitor 10y TIPS trajectory and CWB oscillator; both deteriorating together overrides the price stop — exit, do not average

HEDGED VARIANT (THE ROBUST EXPRESSION)

Long SPYV / short QQQ, beta-neutral. The spread is positive in 6 of 7 episodes at t+21 (median ~+3pp) and converts the Jan-2022 tail from a -4.3% outright loss into a +6.0% win. Costs the day-40+ NDX snapback; appropriate where the mandate penalizes path over terminal.

VI. Risk discussion: the 2022 problem

Every quantitative signal has one episode it would rather not discuss, and this one's is January 12, 2022. The fingerprint that day was indistinguishable from today's — SVX at a fresh high, NDX 4% off a one-month-old peak, SPX in between — and it marked the front edge of a repricing that took the SVX itself down 7% over the following two months and the NDX down considerably more. The mechanical distinction, visible only in the surrounding data, was *what was driving the value high*: in 2022 it was real yields rising into deteriorating breadth — value winning by default as the discount rate broke growth — whereas in 2021, 2024, and February 2026 the growth drawdown was positioning unwind against stable rates, and value's bid was rotational rather than defensive. That is why the invalidation block above is two-headed: the price stop handles the ordinary failure, and the real-yield/breadth override handles the regime failure that a price stop alone catches too late. The current episode's context — a memory-complex-led NDX drawdown with the semiconductor capex question doing the damage — reads closer to the positioning-unwind template than the discount-rate one, but that judgment is the trade's actual risk, and it should be re-underwritten weekly, not assumed.

Two further honest caveats. First, the signal's character has visibly migrated: its "buy value and sleep" era is entirely pre-2022, and the three most recent episodes all required sitting through 4–7% adverse excursions — the tranche spacing above is built for the regime we are in, not the one that flatters the backtest. Second, n=7 is n=7. The eighth-Kelly discount is the quantitative expression of that humility; no amount of chart furniture changes the sample size.

VII. Methodology

Close-basis daily data, SVX / SPX / NDX, January 1995 – July 16, 2026 (signal screen restricted to 1997–present). Running all-time highs computed on full history; episode clustering at >30 trading-day gaps; forward returns measured from first trigger close of each episode, t+1 through t+45. Unconditional baselines computed on all 1997+ trading days. Kelly inputs from the seven 21-day episode outcomes. Block-bootstrap confidence bands (B=10,000, standard AQI replication protocol) reserved for the follow-up study; point estimates herein are raw historical medians and should be treated accordingly.

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