# The Tape That Wouldn't Give It Back

*The Russell 2000's best mid-August in three decades, the two years that looked like this one, and why the drawdown column matters more than the return column*

## EXECUTIVE SUMMARY

**The Russell 2000's +23.6% YTD through August 14 is the best mid-August reading in at least 31 years, and in every prior year that remotely resembled it, the index never meaningfully traded below the mid-August level again.** The hot-tape cohort (YTD ≥ +10% at mid-August, n=5) posted a 100% positive rest-of-year record with a mean gain of +10.0% — but the statistically strongest finding is the risk profile, not the return: the cohort's mean worst closing drawdown against the anchor was **−1.3%**, versus **−10.0%** in all other years, a result at the 99th percentile of a random-anchor null. The two closest analogs — 2003 and 2013, the only prior years above +18% — finished +18.0% and +13.2% higher. We recommend expressing the thesis through short put structures struck just beneath the anchor, where the cohort's tight downside history does the underwriting.

| | | | |
|---|---|---|---|
| **+23.63%** | **100%** | **−1.3% vs −10.0%** | **99th pct** |
| 2026 YTD AT ANCHOR — #1 OF 31 | HOT-COHORT REST-OF-YEAR WIN RATE | MEAN WORST DIP, HOT VS OTHER | DIP RESULT VS RANDOM NULL |

## SITUATION — WHERE THE TAPE STANDS

Through Friday, August 14, 2026 the Russell 2000 closed at 3,068.42, up 23.63% on the year — the strongest mid-August year-to-date print in our 31-year sample, edging out 2003 (+23.19%) by 44 basis points. The first half of August added +4.68%, the fourth-best start to the month in the sample and the best ever recorded on a positive year-to-date tape. Small caps lead large: the RUT–SPX YTD gap stands at +9.9 points, the third-widest mid-August lead in the sample behind only 2003 and 2008.

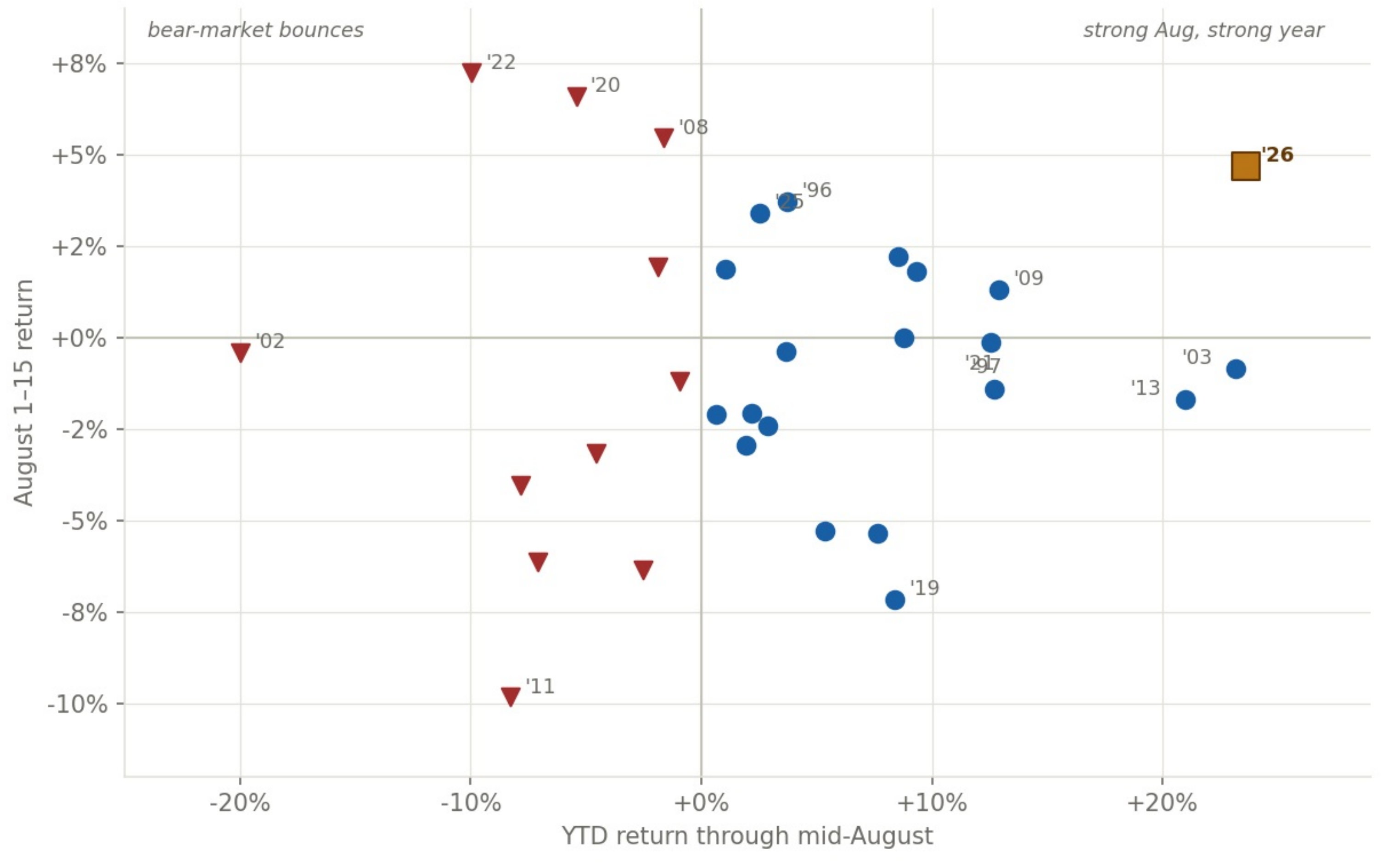


Exhibit 1 — August 1–15 return vs YTD-through-mid-August, RUT closes, 1996–2026. Squares/triangles by YTD sign; 2026 in amber. Note the empty space around 2026: no prior year combined a top-five August with a +20% tape.

## TENSION — THE SEDUCTIVE WRONG COMPARISON

The raw leaderboard invites a bearish read. The three Augusts stronger than 2026's — 2022 (+7.2%), 2020 (+6.6%), 2008 (+5.4%) — were followed by some of the ugliest stretches in the sample: 2008 was −24% eight weeks later, 2022 −16%. But all three were bear-market bounces on negative year-to-date tapes. Conditioning on YTD sign splits the strong-August population cleanly in two: strong August starts on negative tapes averaged −11.0% at eight weeks; strong August starts on positive tapes averaged **+1.8%**, with an 80–100% win rate through six weeks. 2026 belongs to the second family. The question is what the tape's own strength — not August's — has historically implied.

| Cohort (forward from mid-Aug anchor) | 1w | 2w | 4w | 6w | 8w | 12w |
|---|---|---|---|---|---|---|
| All 30 years | +0.35% | +0.93% | +0.97% | +0.11% | −0.20% | +2.44% |
| Hot tape ≥ +10% (n=5) | +1.22% | +2.85% | +5.01% | +6.15% | +7.98% | +8.30% |
| Strong Aug, positive YTD (n=5) | +1.35% | +2.28% | +3.60% | +3.37% | +1.79% | +1.13% |
| Strong Aug, negative YTD (n=4) | −1.82% | −1.45% | −5.00% | −9.20% | −11.01% | −8.42% |

Exhibit 2 — Mean forward returns from the mid-August anchor, 1996–2025. "Strong Aug" = Aug 1–15 ≥ +1.5%. The negative-YTD row is the 2008/2020/2022 bear-bounce family — the regime 2026 is not in.

## THE COHORT — FIVE HOT TAPES, TWO TWINS

Five prior years entered mid-August up 10% or more: 1997, 2003, 2009, 2013, 2021. Two of them — 2003 (+23.2%) and 2013 (+21.0%) — cleared +18% and constitute the only true analogs to 2026. We treat the twins as named case studies rather than statistics: two observations is a pair of roadmaps, not a distribution, and we will not pretend otherwise.

| Year | YTD at anchor | Rest of year | Worst close vs anchor | Full year | Regime |
|---|---|---|---|---|---|
| **2003** | +23.19% | **+18.01%** | **+1.91%** (never below) | +45.37% | Year one off the 2002 bear bottom |
| **2013** | +20.99% | **+13.24%** | −1.63% | +37.00% | QE3 melt-up, taper-tantrum digested |
| 2009 | +12.90% | +10.90% | −2.79% | +25.22% | Post-GFC recovery year one |
| 1997 | +12.68% | +6.96% | +0.04% | +20.52% | Mid-cycle expansion; Asia crisis shrugged off |
| 2021 | +12.57% | +1.00% | −4.08% | +13.70% | Post-COVID reflation, tightening ahead |

Exhibit 3 — The hot-tape cohort. 2003 is the singular fact of this study: after mid-August its *worst* subsequent close was still 1.9% above the anchor.

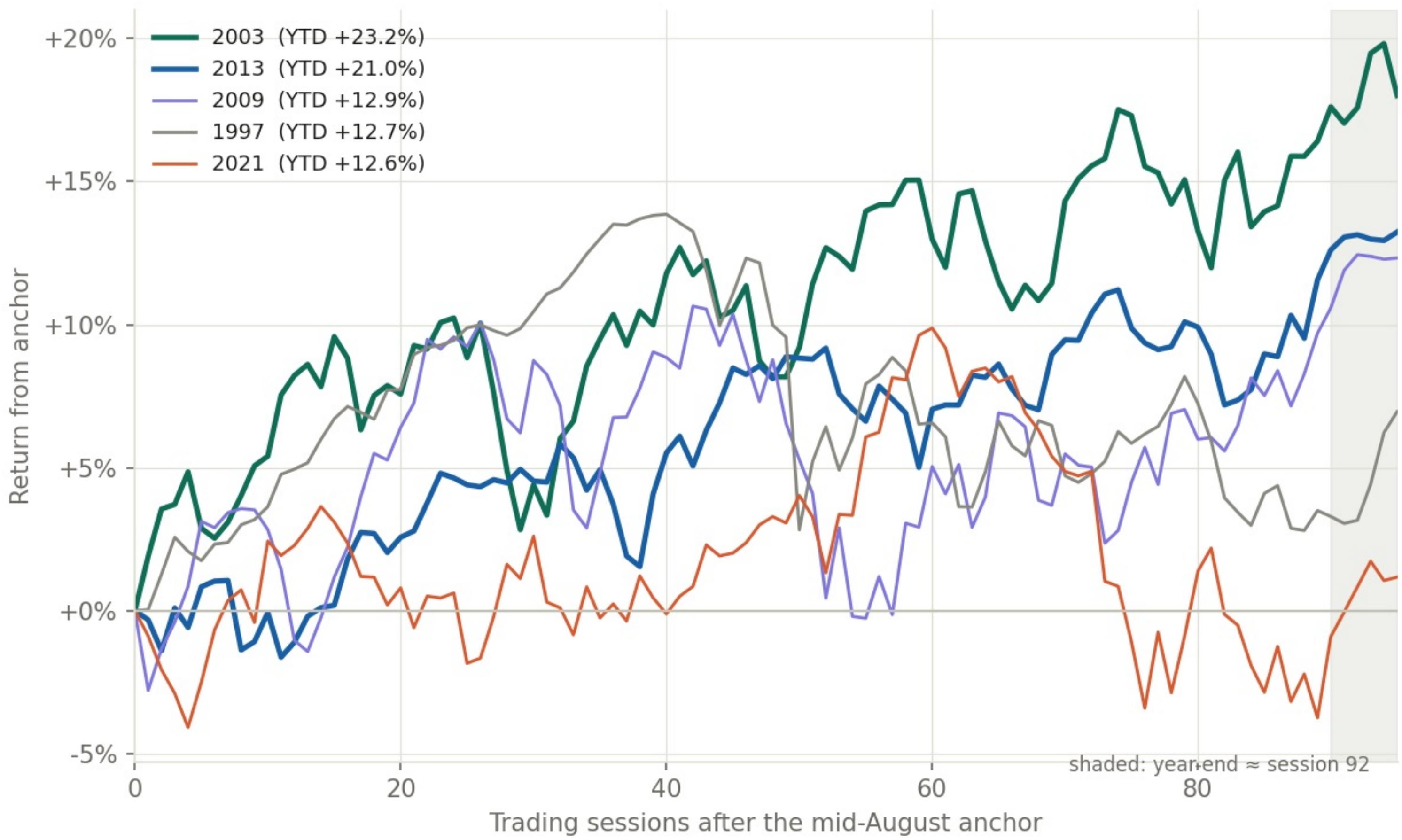


Exhibit 4 — Cohort paths from the mid-August anchor through ~95 sessions (year-end ≈ session 92). The twins (2003, 2013, heavy lines) never spent meaningful time below zero. 2021 (coral) is the cautionary member: it chopped sideways and 2022 followed.

## THE FINDING — IT'S THE DRAWDOWN COLUMN

Rank all 30 completed years by their mid-August YTD and the rest-of-year return bars are noisy — strong years continued, but plenty of weak years rallied too (2004, 2010, 2020 all put up double-digit recoveries off soft tapes). What separates the hot cohort is not the height of the bars; it is the red dashes beneath them. Hot tapes did not revisit their anchor. Everything else routinely did.

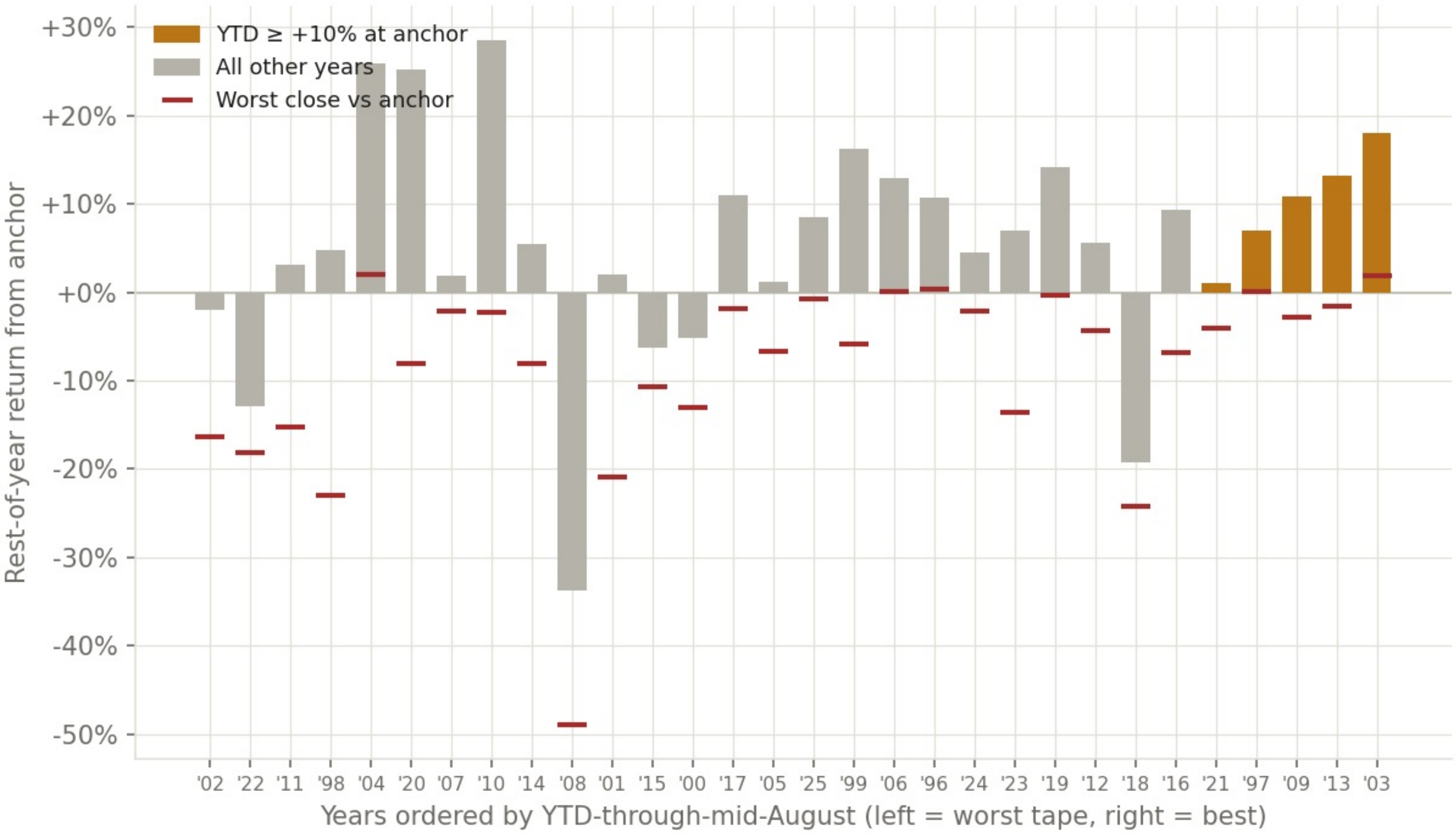


Exhibit 5 — Rest-of-year return (bars) and worst subsequent close vs the anchor (red dashes), years ordered left-to-right by mid-August YTD. The amber bars cluster at the right with dashes hugging the zero line.

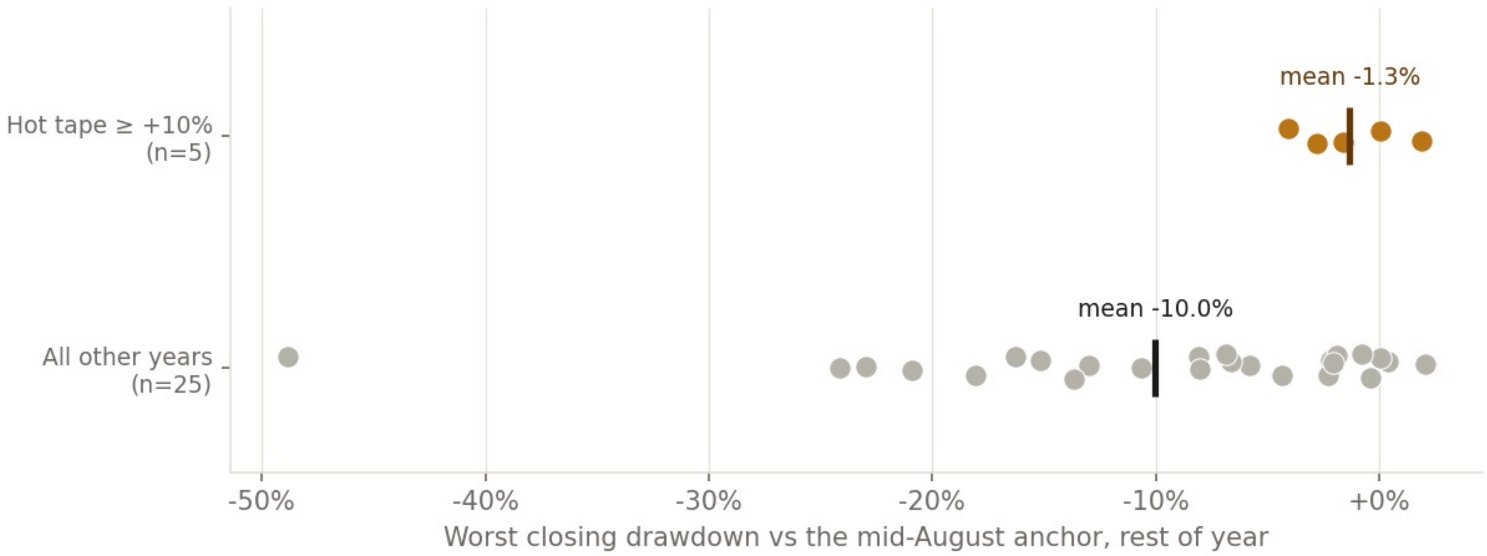


Exhibit 6 — The asymmetry in one picture: worst rest-of-year closing drawdown vs anchor. Hot-cohort mean −1.3%; all other years −10.0%. The worst hot-cohort experience (2021, −4.1%) is better than the *average* experience elsewhere.

## VALIDATION — WHAT SURVIVES, WHAT DOESN'T

**The return leg is suggestive, not significant.** The cohort's mean 90-session forward return of +8.6% sits at the 83.9th percentile of 20,000 random five-anchor draws from the full history — good, but short of our 95th-percentile bar, and with n=5 we say so plainly.

**The drawdown leg clears the bar.** The cohort's mean worst-dip of −1.3% within 90 sessions sits at the **99.0th percentile** of the same null (shallower than 99% of random draws). This is the study's payload: the historical edge is not "hot tapes return more," it is "hot tapes at mid-August did not give the level back."

**The calendar anchor adds something beyond generic momentum.** A control cohort of all days — any calendar date — with trailing 155-session returns in the same +10% to +24% band (n=151 de-clustered) returned a mean of just +2.1% over 90 sessions with a 58% win rate and a −7.6% mean worst dip. The mid-August conditioning is doing real work over and above "the market has been going up," plausibly because a tape still strong at mid-August has already absorbed the year's seasonal soft patch without breaking.

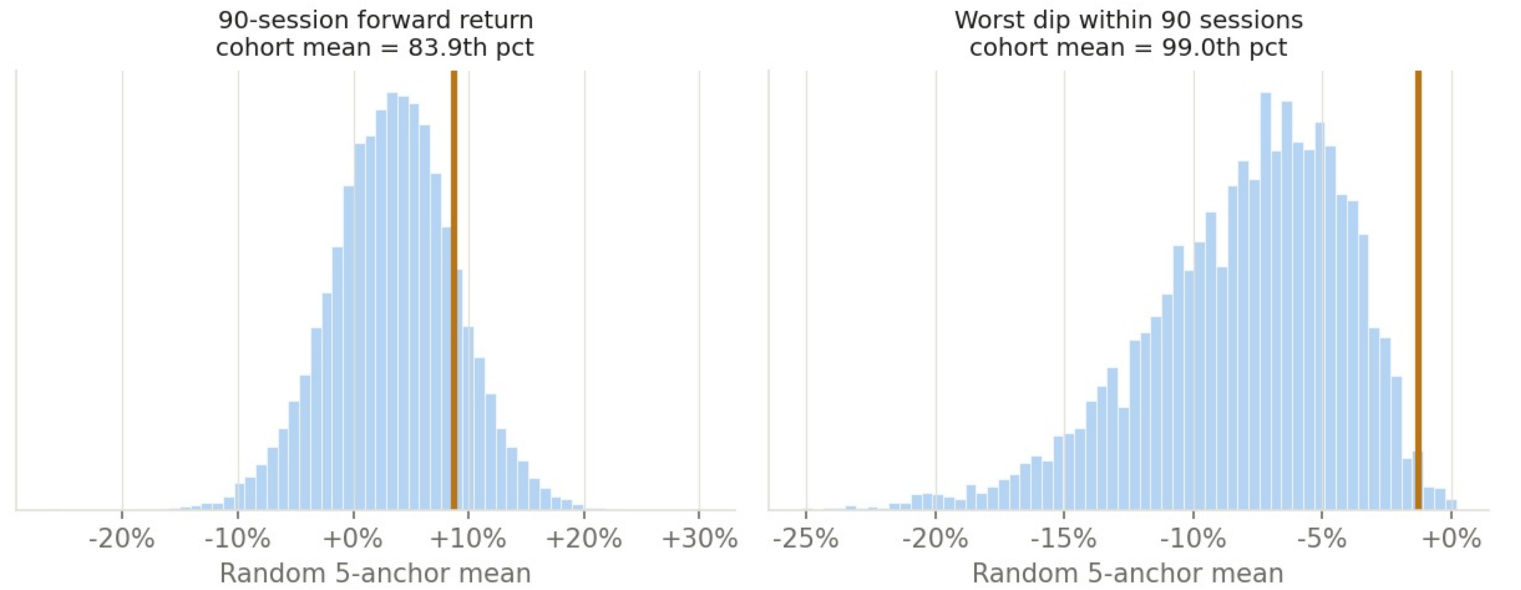


Exhibit 7 — Bootstrap nulls, 20,000 draws (returns) / 5,000 draws (dips). Amber line = observed cohort mean. The dip result is the significant one.

## THE RELATIVE LEG — TESTED AND SET ASIDE

Does a hot small-cap tape at mid-August predict continued outperformance of large caps? **No — and we report the null.** The hot-RUT cohort's mean rest-of-year RUT−SPX gap was +0.2% with a 40% hit rate; years where RUT led SPX at mid-August (n=10) show a mild +2.2% mean continuation with a 60% hit rate, and the correlation between the mid-August relative gap and the rest-of-year relative gap is a weak 0.19. The twins are the tease: 2003 and 2013 were both RUT-led years and both extended the lead (+5.8 and +2.0 points). But five cohort members and a coin-flip hit rate do not underwrite a relative trade. The thesis here is absolute, not relative: own the level, not the pair.

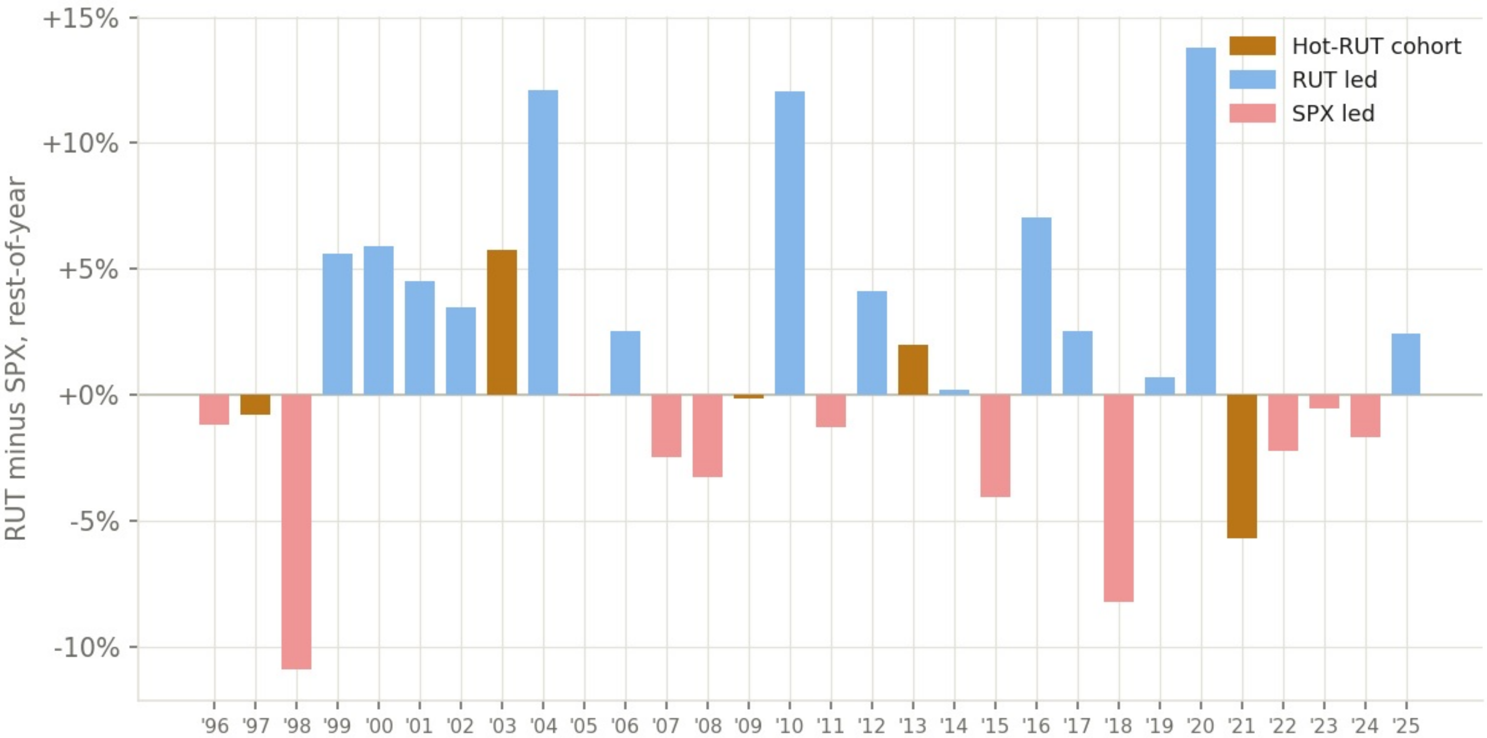


Exhibit 8 — Rest-of-year RUT−SPX spread by year. Amber = hot-RUT cohort: two extensions, two washes, one giveback. Not a signal.

## OPTIONS — THREE WAYS TO HOLD THIS VIEW

**A — Do nothing / stay long.** Respects the 100% cohort win rate but ignores the study's actual edge, which is about the floor, not the ceiling.

**B — Buy the breakout.** Chasing +23.6% YTD with fresh outright length has the worst entry math of the three; the cohort's forward return leg is only 84th-percentile.

**C — Sell the anchor as a floor (recommended).** The 99th-percentile finding is that the anchor held. Short put structures struck at or just beneath 3,068 monetize precisely the thing history says: hot mid-August tapes don't trade back through the level.

## RECOMMENDATION & MECHANICS

**Core structure:** sell the IWM November 21, 2026 put spread with the short strike at or just below the anchor-equivalent (RUT 3,068 ≈ IWM ~304; short the 300 put, long the 285 put), targeting a credit of at least 30% of spread width at entry. The November tenor covers the seasonal 6–8 week soft window where the baseline — but not the cohort — historically sagged. **Optional convexity add:** for accounts wanting upside participation, fund a December 320/335 call spread from a portion of the put-spread credit, echoing the cohort's +8–10% mean drift into year-end.

**Sizing:** quarter-Kelly with our standard sample-size discount. At n=5 the discount factor is severe (×0.45), yielding roughly 11% of the book's risk budget for the put spread; the twins-only framing (n=2) supports no independent sizing and is used for scenario color only.

**Invalidation is unusually crisp:** a RUT close below 3,068 does not merely stop the trade — it removes 2026 from the cohort behavior that motivated it. Four of five cohort members never closed more than 2.8% below the anchor; a close below ~2,982 (−2.8%) puts 2026 outside four of five historical paths and warrants full exit of the short-put structure, not defense.

## TRIPWIRES

| # | Signal | Threshold | Action |
|---|---|---|---|
| 1 | RUT closes below the anchor | < 3,068.42 | Reduce short-put structure by half; thesis on probation |
| 2 | RUT closes below the cohort floor | < ~2,982 (−2.8%) | Full exit; 2026 has left the cohort |
| 3 | Seasonal window behavior | Weeks 6–8 (late Sep–mid Oct) drawdown > −4% from anchor | 2021-path warning; no adds, tighten call-spread take-profit |
| 4 | Rate regime | Material hawkish repricing (2s +50bp from Aug 14) | Cohort has zero tightening-regime members; cut sizing discount-adjusted exposure by half |
| 5 | Relative tape | RUT−SPX rest-of-year gap < −5 points | 2021 signature; treat as tripwire 3 confirmation |
| 6 | Twins pace check | Session 40–60 return from anchor < +2% | Below both twins' paths; downgrade to cohort-median expectations |

## BUSY-CEO STRESS TEST

**Is the ask clear after two sentences?** Yes: best mid-August tape in 31 years; history says the level holds; sell puts under it. **Weakest argument:** the return leg — 84th percentile is not significance, and we say so; the piece leans deliberately on the 99th-percentile drawdown result. **Verdict: act** — the structure risks defined premium against a historically 96%-tight floor, with an invalidation level that is unusually honest for an n=5 study.

**ALPHAQUERY INTELLIGENCE** — AQI-ES-2026-RUT-01 | Data: Russell 2000 (TVC:RUT) daily closes Sep 1995–Aug 14 2026; S&P 500 daily closes via public sources. Anchor = last close on or before August 15 each year. Rest-of-year = anchor to final close of calendar year; bootstrap windows use fixed 90-session horizons for comparability. Random-anchor nulls: 20,000 draws (returns), 5,000 draws (drawdowns), non-repeating anchors, full-history sampling. Momentum control: trailing 155-session return in [+10%, +24%], de-clustered at 21-session spacing, n=151. Sample sizes are small and disclosed throughout; the ≥18% "twins" cohort (n=2) is presented as case study, not statistics. This document is research, not individualized investment advice. Options involve risk, including loss of the full width of a spread; indicative strikes assume IWM ≈ RUT/10.1 and must be refreshed against live markets at execution. 