ALPHAQUERY
INTELLIGENCE

AQI-RN-2026-0716
RESEARCH NOTE · EVENT STUDY
JULY 16, 2026 · INTERNAL / CLIENT BRIEFING

MOMENTUM · RATIO SPREAD · SPMO/SPY

Rip & Puke: The First of Its Kind

> *The SPMO/SPY ratio's 15-day rate of change hit −7.8% today, fifteen sessions after printing +9.7%. In ten and a half years of data, that combination has never occurred. The nearest historical cousin — February 2016 — argues for chop, not a V-bounce.*

-7.84%	+9.71%	17.1 pts	-11.1%
15-DAY ROC (7/16 CLOSE)	MAX 15D ROC, PRIOR 45 SESS	MOMENTUM SWING — LARGEST EVER	RATIO DRAWDOWN FROM 6/25 HIGH

The Setup

Momentum's relative bid has been pulled with unusual violence. The SPMO/SPY ratio peaked June 25 and has surrendered 11.1% in fifteen sessions, driving the 15-day ROC to −7.84% — a reading exceeded on fewer than 0.7% of all trading days since inception. What makes this episode singular is not the depth of the puke but its proximity to the rip: the same 15-day ROC printed +9.7% in late May. The resulting 17.1-point swing in momentum-of-momentum over 45 sessions is the largest in the dataset. The five largest such whipsaws on record are, in order, the last five qualifying sessions of July 2026.

A screen requiring 15-day ROC ≤ −7.5% arriving within 45 sessions of a ≥ +8% reading returns exactly one signal day in 2,705 sessions: **today**. There is no in-sample precedent for this pattern. What follows is therefore analog analysis, not backtest — and the analogs split cleanly into two camps.

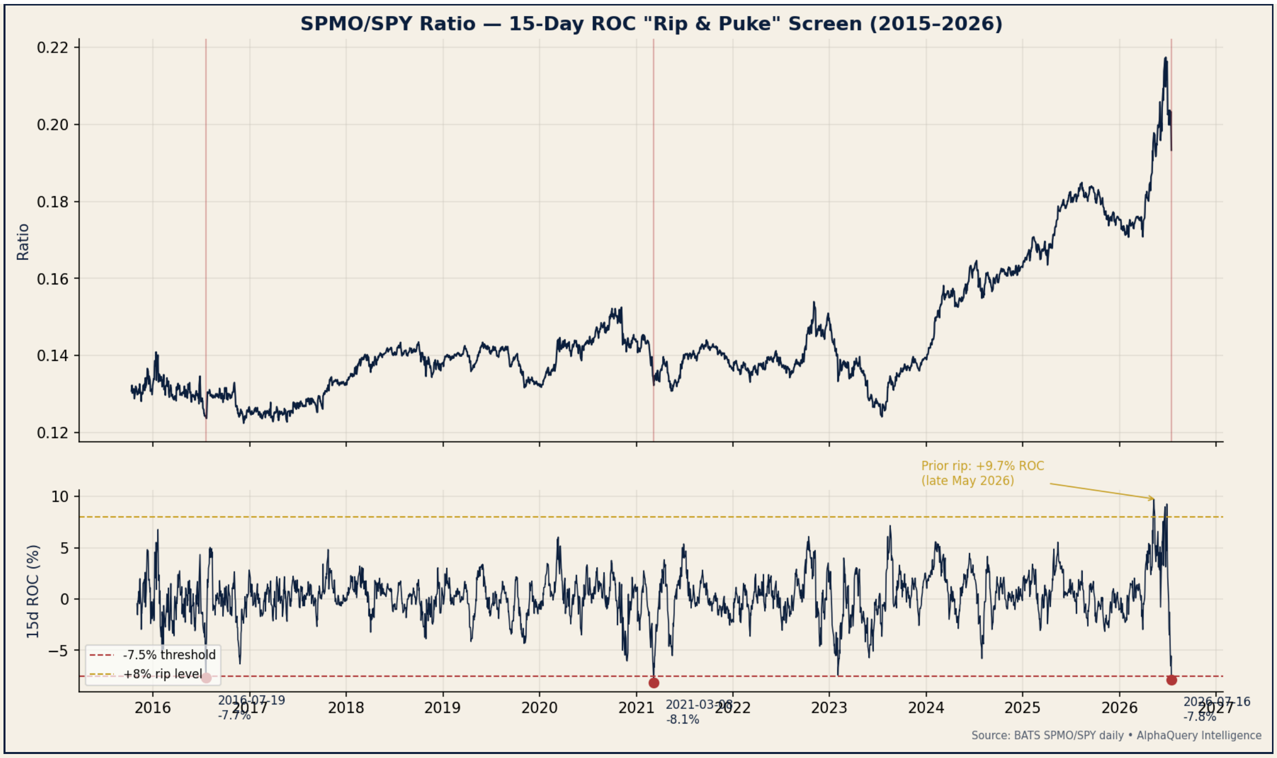

FIG. 1 — SPMO/SPY ratio (top) and 15-day ROC (bottom), Oct 2015 - Jul 2026. Red markers: the three ≤ -7.5% ROC events. Gold dashes: the +8% rip threshold; only the 2026 event was preceded by one.

Historical Precedent: Extreme Pukes

Dropping the rip condition, the ratio has closed with a 15-day ROC at or below −7.5% on only two prior occasions — July 2016 and March 2021 — with a third near-miss (−7.4%) in February 2023. Forward returns from the extreme tail have been uniformly positive:

Event	ROC15	Prior 45s Max	+5d	+10d	+21d	+42d	+63d
2016-07-19	-7.67%	+4.33%	+4.90	+5.49	+4.13	+4.69	+4.59
2021-03-08	-8.12%	+2.76%	+1.56	+2.94	+2.98	+0.76	+0.70
2023-02-02*	-7.42%	+2.10%	+2.54	+2.58	+3.31	+2.33	+1.85
2026-07-16	-7.84%	+9.25%	—	—	—	—	—

* Included at relaxed -6.5% threshold. Baseline (all days): +21d mean +0.39%, win rate 57%. Tail events: +21d mean +3.47%, win rate 3/3. Note the caveat in column three — none of the priors carried a preceding rip.

The edge is concentrated strictly in the tail. Broadening the screen to −5% (n=9 de-clustered events) collapses the signal entirely: mean 10-day forward return of roughly zero, one-in-three win rate, with the January 2023 and November 2020 episodes producing meaningful continued underperformance. This is not a generic "buy weakness in momentum" result; it has historically paid only at capitulation depth.

Two Scenarios

Scenario A — Momentum-Unwind Chop

ANALOG: FEB 2016 · OF PARTICULAR INTEREST

February 2016 is the only prior episode driven by the same mechanism as today: a positioning unwind in crowded momentum rather than a broad-tape washout. Its 12.0-point ROC swing was the record until this month. The aftermath was not a bounce — it was a grind. From the February 4, 2016 signal, the ratio spent **58 of the next 63 sessions below the entry print**, made its maximum forward gain of just +1.1% on day five, and bled to −3.9% by day 36. The full unwind ran 114 sessions and another −6.9% before the ratio finally bottomed in July 2016 — at which point the "clean" capitulation signal fired and the V-bounce arrived. The sequencing matters: in 2016, the momentum-unwind puke was the *beginning* of the repricing, not the end. If July 2026 rhymes, today's −7.8% print is the first flush of a multi-month rotation, the near-term is dead money with a downward drift, and the tradable capitulation comes later and lower.

Scenario B — Oversold Washout Bounce

ANALOGS: JUL 2016, MAR 2021, FEB 2023

The three completed tail events all mean-reverted: +2.9% to +5.5% over ten sessions, positive at every measured horizon, no drawdown worse than ~1% before the recovery. But each arrived from an already-depressed base — trailing 45-session max ROC of +2.1% to +4.3%, i.e., momentum had been underperforming for months before the final flush. These were exhaustion lows in established downtrends. Today's event arrives fifteen sessions off an all-time-high vertical, which is precisely the condition the bounce sample does not contain.

Mechanics & What to Watch

- **The 65-day regime is intact.** The 65-day ROC on the ratio still reads +6.3%. This is a violent give-back inside a positive intermediate regime — the definitional rip-and-puke texture — not yet a regime break. A 65-day ROC cross below zero would shift the weight of evidence decisively toward Scenario A's full 2016 sequence.
- **Watch the character of any bounce.** The Feb 2016 analog produced a feeble +1.1% max bounce inside a week, then rolled. A dead-cat rally that stalls under the 15-day ROC zero line within 5–7 sessions is the chop tell; a +3%+ thrust matching the 2016/2021/2023 washout paths argues the flush was sufficient.
- **Rebalance mechanics loom.** SPMO's semi-annual reconstitution will mark-to-market the momentum factor's new composition; a heavy turnover print would confirm the crowding thesis and extend the flow-driven overhang.
- **Sample-size honesty.** n=3 completed tail events, n=0 true precedents. Position sizing per Kelly-Thorp discipline should treat the bounce statistics as suggestive, not estimable — fractional at

most, with the Feb 2016 path as the risk case.