Alpha Query Intelligence (**AQI**)

Semiconductor Drawdown Signals

Fast Breaks, Base Rates, and Tactical Execution

Report ID: AQI-ES-2026-014 | Target: SMH / SOX | Live Setup: July 2026

I. The Dislocation

Semiconductors are 10 sessions removed from an all-time high and -17% below it.

II. The Historical Edge

This specific sequence has occurred 9 times since 1997. 6 of 8 completed instances resolved higher within a year.

Median +21%

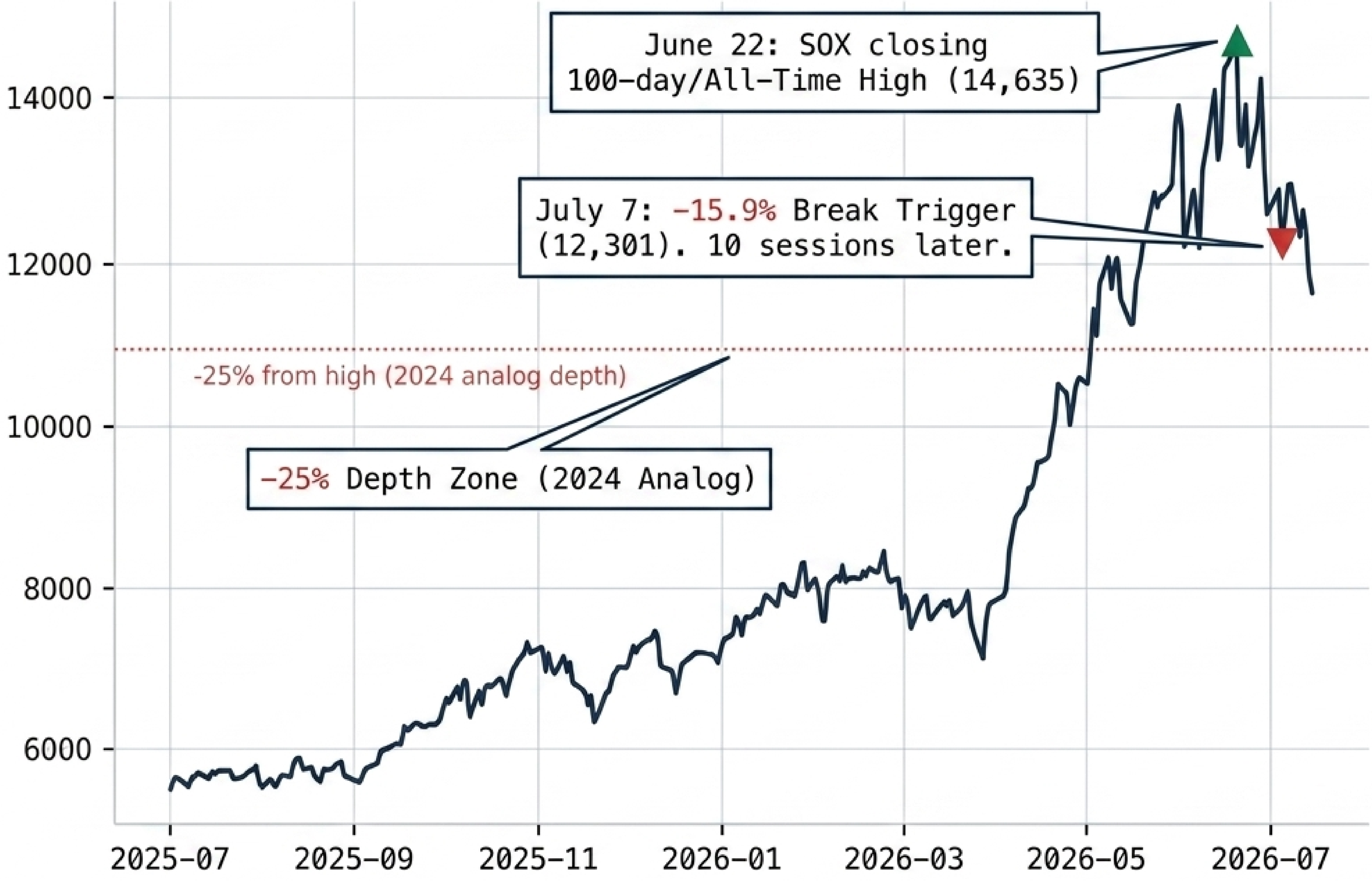
III. The Velocity Discriminator

The speed of the break dictates the outcome. “Fast” breaks (like the current setup) suffer brutal near-term follow-through, but historically produce the best one-year outcomes with zero cycle-top failures.

IV. The Execution

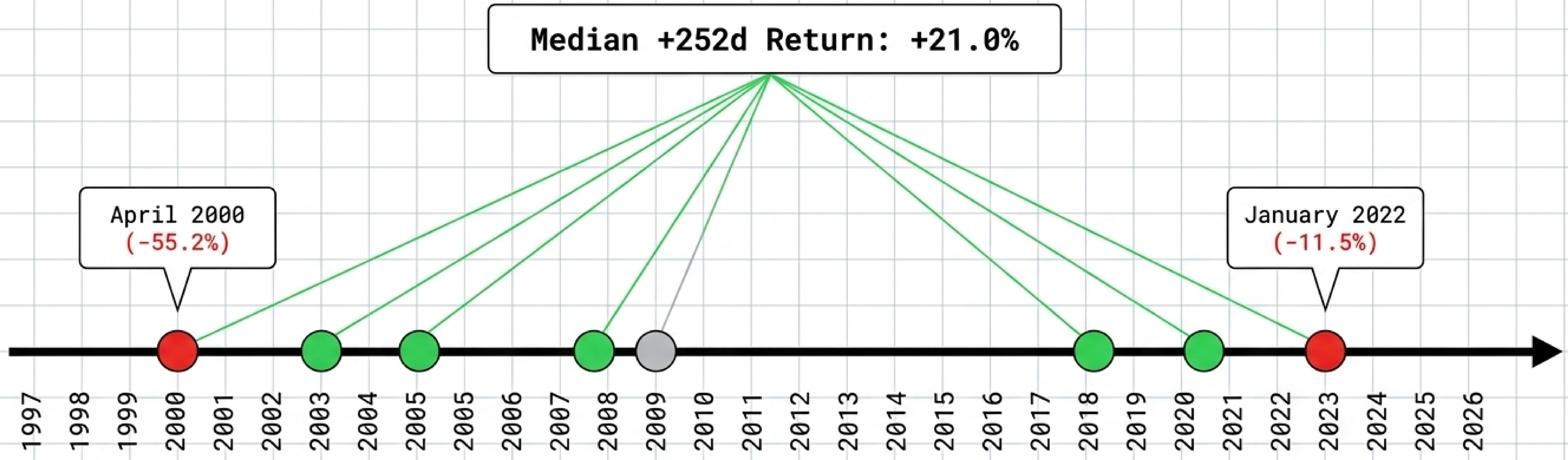
This is a buyable dislocation, but the trigger is rarely the low. Execute via a 3-tranche scale-in across -17% / -20% / -25% depth zones with a hard -28% invalidation.

SOX, trailing 12 months: the live signal



The Live Setup.

The tape is already showing the signature whipsaw of historical fast breaks: a +5% bounce by t+3, fully retraced by July 17 to -20.2% below the high.



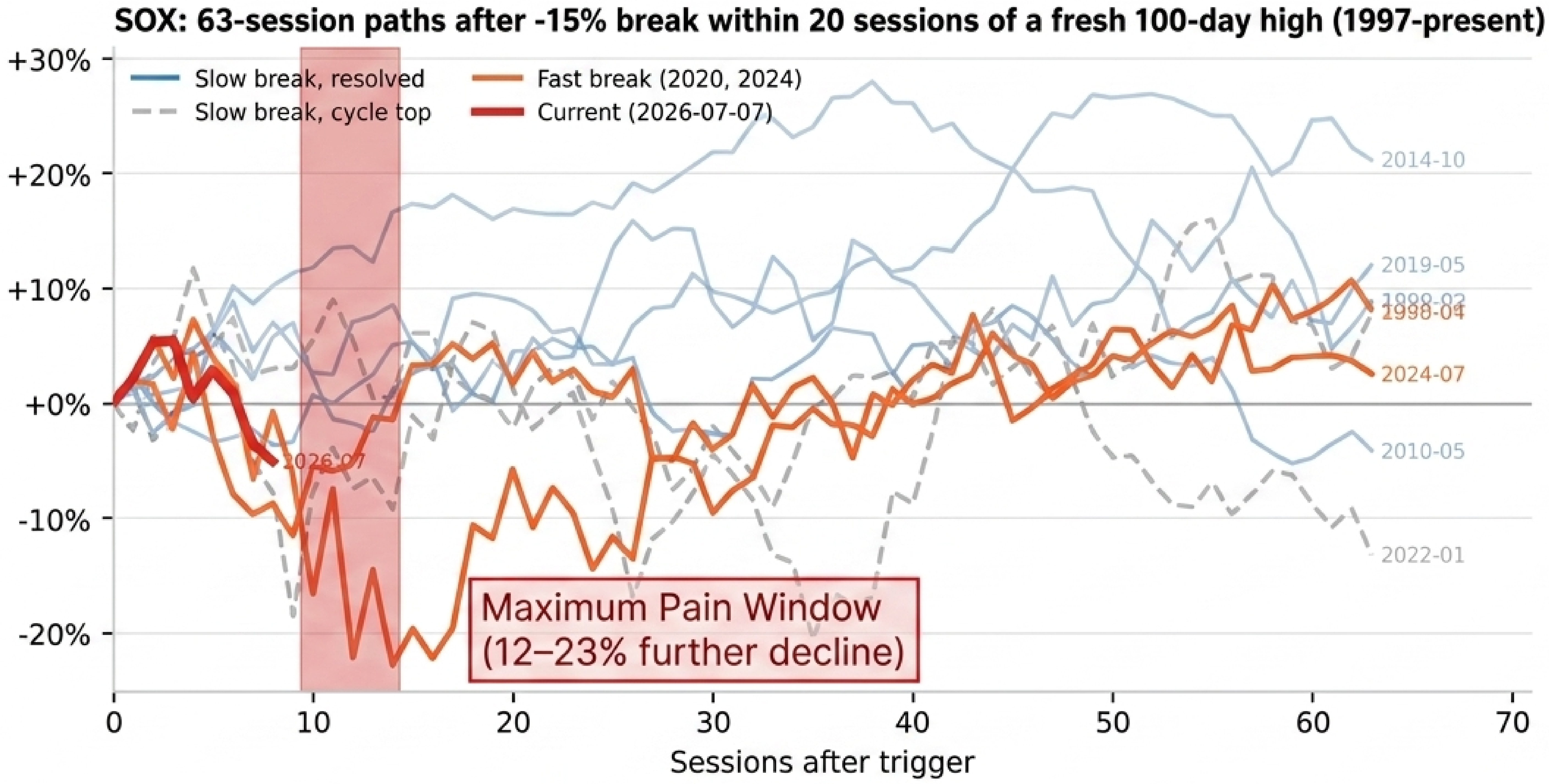
Study 1: The 100-Day High Break.

A -15% close within 20 sessions of a fresh high. Historically, the sequence resolves higher, but the failure states (2000, 2022) are severe cycle tops. A discriminator is required to isolate the cycle-top risk.

	Fast Breaks (<=12 sessions)	Slow Breaks (>=16 sessions)
Instances	Fast (2020, 2024)	Slow (1999, 2000, 2010, 2014, 2019, 2022)
+10d Mean	-11.0%	+2.5%
Max Add'l Drawdown	-17.2% avg	-7.5% avg
+252d Mean	+49.3%	+32.6%
Cycle Tops in Cohort	None	Both (2000, 2022)

The Velocity Split.

Fast breaks resemble panic and forced selling; slow breaks resemble distribution.
The July 2026 event (10 sessions) belongs to the Fast cohort.

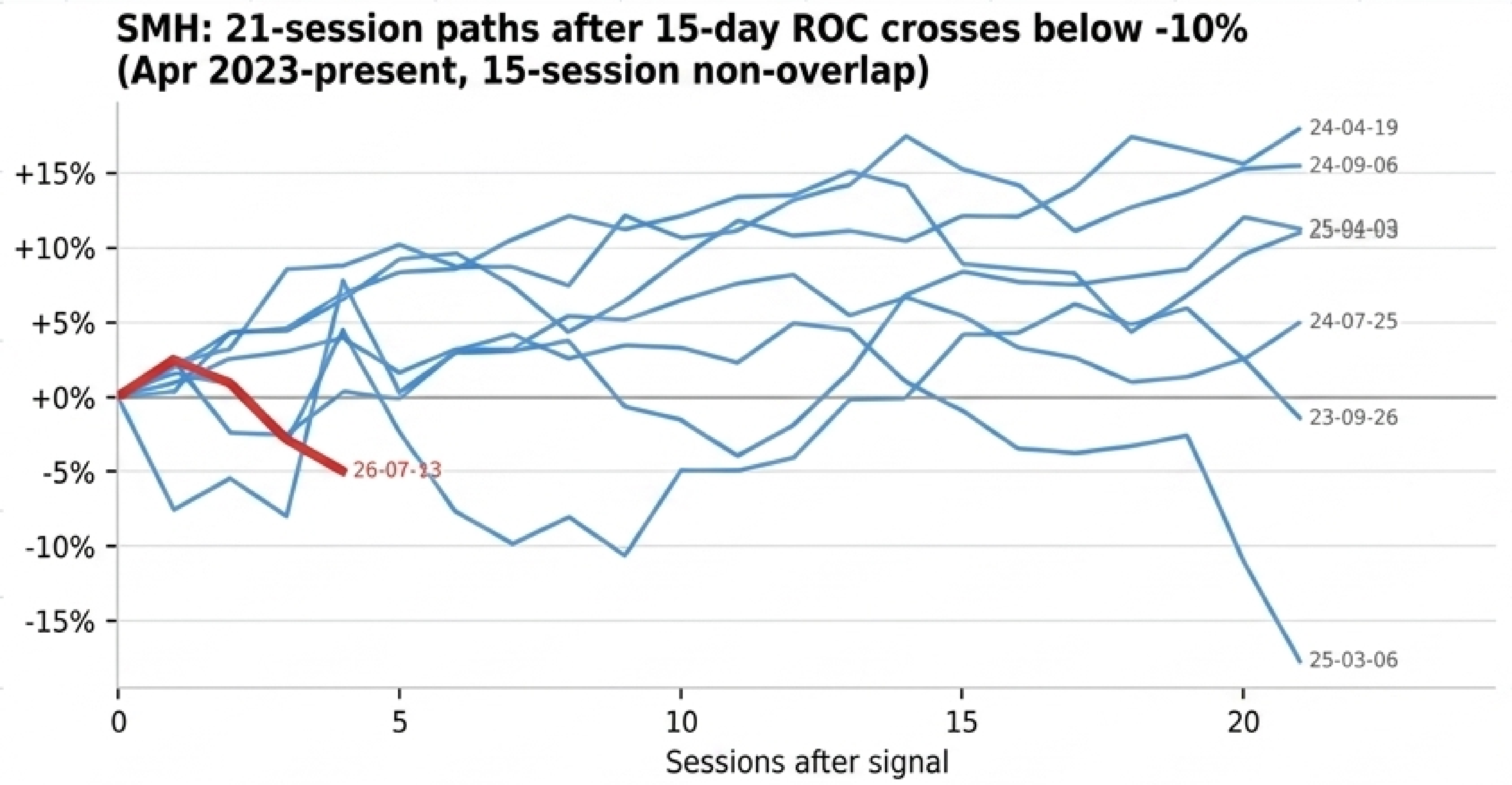


Projecting the Path.

The Fast classification argues the July 7 trigger will not hold.

Historical precedents bottomed 9–14 sessions after triggering.

Projected depth zone: 10,200–11,000 on SOX (Late July/Early August).



Signal: SMH 15-day ROC crosses below -10%.

Regime Base Rate: 7 of 7 completed post-Apr 2023 signals positive at 60 days.

Median +60d Payoff: +20.9%

Current Signal:
Fired July 13 (-11.3% ROC).
Weakest start in cohort at t+4.

Study 2: The Momentum Washout. In the post-2022 regime, these systematic washouts are consistently bought. The base case implies structural recovery.

Study 2:
The Regime

Buy the washout.
The post-2022 uptrend systematically rewards buying dislocations.

The Unresolvable Tension.

We cannot definitively distinguish a routine correction from a new bear market in real time (e.g., the 2022 failure).

Resolution requires tiered execution, not binary forecasting.

Study 1:
The Depth

Wait for lower lows.
Fast breaks almost never bottom at the trigger (median additional -5%, up to -23%).

Accumulation Staircase

Tranche 1: 25% Size

Depth: -17% | SMH ~$556 / SOX ~12,300

Rationale: Washout fired; regime base rate favorable.

Tranche 2: 35% Size

Depth: -20% | SMH ~$535 / SOX ~11,700

Rationale: Final-week zone of the 2024 analog decline.

Tranche 3: 40% Size

Depth: -25% | SMH ~$502 / SOX ~11,000

Rationale: 2024 capitulation depth; fast-cohort projected maximum-pain zone.

Blended Entry if fully filled: ~ -21% from June 22 high.

NotebookLM

THE INVALIDATION FLOOR

Price Invalidation

Close below -28% (SMH ~$482 / SOX ~10,540).

Exceeds every non-cycle-top analog. Flips hypothesis to regime break.

Time Invalidation

Mid-August.

If making new lows beyond t+15 of ROC signal, the template fails regardless of price.

9% blended risk

2:1

+20% expected 60-day payoff

Kelly-Thorp Note: Sample-size discount applied (n=8). Due to the historical -55% tail, size the full three-tranche fill to a survivable fraction of book, not a Kelly-optimal maximum.

MONITORING DASHBOARD

1. FAST-ANALOG CLOCK

Target durable low formation between **July 20** and **August 8**.

2. FAILED-BOUNCE COUNT

Monitor for the required second flush (first bounce already failed).

3. MOVING AVERAGES

Observe the SMH **200-day** test currently underway.

4. INTERNALS

Demand breadth and credit confirmation on retest. (Deteriorating internals signaled the **2000/2022** cycle tops).

INSTRUMENTS: SMH or SOXX. SOXL explicitly out of scope due to path-dependency (-23% drawdowns are construct-ending in 3x leverage).