Residual Inertia | 余势

WEEKLY REVIEW / U.S. EQUITIES

2026.10.17

Fragile internals; AI hardware weakens

After the framework change, focus on absolute risk and market internals

58.1 is a retained Oct 15 reading; no cross-vintage weekly comparison.

Composite state	AI hardware	SMH / 20 sessions
58.1	11.5	-5.8%
Caution / retained Oct 15	Weak / as of Oct 16	Five sessions: -10.5%

Weekly model: Level 5 / 35% · Effective Oct 19
Credit input lagged one session; not actual holdings.

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RI-WR-2026-W42 / v1.0

Main cutoff 2026-10-16 · Regime / ACM through Oct 15

Published 2026-10-18 · Independent research, from simplicity

01 / EXECUTIVE VIEW

A new score does not establish an all-clear

This review uses October 16 as its main observation cutoff. The latest retained composite is 58.1 / Caution, dated October 15 and still marked PENDING_SOURCE. The framework and source transition changed this week. Subtracting 58.1 from last week's 65.8 would mix vintages and cannot establish a material decline in market risk.[1]

Regime / retained snapshot	Fragility	AI hardware
58.1	93.3	11.5
Oct 15 / Caution	Oct 15 / Stress	Oct 16 / Weak

Within the retained snapshot, Market Risk is 55.5 and Participation risk 56.8, both Caution. Financial Stress is 26.9 / Constructive, while Fragility remains 93.3 / Stress. The risks are uneven rather than uniformly systemic, but internal pressure has not disappeared. Monthly composite breadth is about 40%; a lower headline score alone is insufficient evidence of a healthy market.[1]

Semiconductors and AI hardware offer more direct evidence of weakness: the composite is 11.5 / Weak, demand momentum is near zero, and SMH fell 10.53% over five sessions and 5.80% over 20. The research stance remains defensive, pending joint confirmation from participation, trends and input completeness. Model reference exposure is not the author's or any account's actual holdings.[1]

Comparison rule for this edition

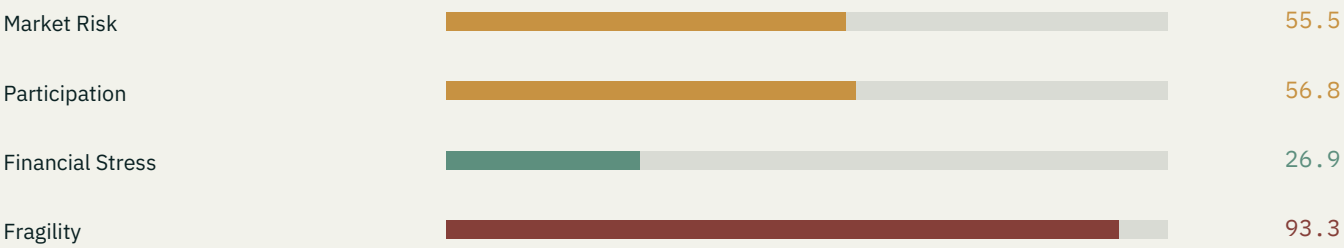
Do not interpret a model-version change as a decline in market risk. Separate observation dates, source readiness and model outputs.

02 / MARKET REGIME

Separate the retained reading from the model revision

58.1 combines the four displayed pillars under this vintage; it is not a crisis probability. The gap between Fragility at 93.3 and Financial Stress at 26.9 shows that structural pressure and financial conditions do not send equally strong signals. Caution still calls for attention to participation, concentration and correlated adjustment, rather than treating a state label as a trading instruction.[1]

Four pillars / higher scores indicate greater risk



Observed October 15. Retained snapshot, not a complete October 16 recalculation.[1]

The page explicitly dates the composite to October 15 and labels the update COMPLETED_WITH_SOURCE_GAP / PENDING_SOURCE. The factor-source migration has not fully cleared its publication gate, so existing composite and related displays are retained. This report preserves those observation dates and statuses; neither screenshot creation nor task completion is substituted for a data date.[1]

Accordingly, this edition draws no cross-vintage weekly comparison line and calculates no week-on-week reduction in risk. Testing improvement requires a comparable series under one published methodology, followed by joint checks of participation, fragility and credit inputs. The retained legacy weighted value of 57.2 is also distinct from the official displayed 58.1.[1]

Validate comparability before discussing change

Framework revision and source migration remain relevant. No strict weekly comparison of 58.1 with 65.8; the legacy 57.2 is separate.

03 / BREADTH & FACTORS

Breadth, financial conditions and factor definitions

Monthly breadth mean	Daily 200DMA breadth	Long-short crowding
40.0%	41.7%	0.758
Sep 30 / two measures	Oct 16 / 1,395 of 3,344	Aug 31 / L3

The roughly 40% homepage breadth reading is the mean of two September 30 monthly measures: 43.51% above the 200-day average and 36.52% outperforming the benchmark over 12 months, averaging 40.02%. The separate October 16 daily 200DMA estimate is 41.72%, or 1,395 of 3,344 eligible observations. These differ in frequency and definition.[1]

NFCI and ANFCI are dated October 9, at -0.499 and -0.485, a difference of -0.014. Negative levels are consistent with relatively loose financial conditions, but their four-week increases of 0.037 and 0.068 warrant attention to the direction of change. A low Financial Stress pillar neither removes the credit-input gap nor proves that every liquidity channel is free of pressure.[1][4]

Long-short crowding excluding the market factor is 0.758 / L3; beta-adjusted long-only crowding is 0.872 / L4. Both are end-August observations. In the separate valuation layer, HML is near its 98.8th percentile, displayed as 99%: higher means value is relatively cheaper, not 99% crowded. UMD's 25.7th percentile has the opposite direction. These remain retained displays during the source migration, rather than newly validated factor releases this week.[1]

Direction check: HML at its 98.8th percentile means value is relatively cheaper; it is not 99% crowding.

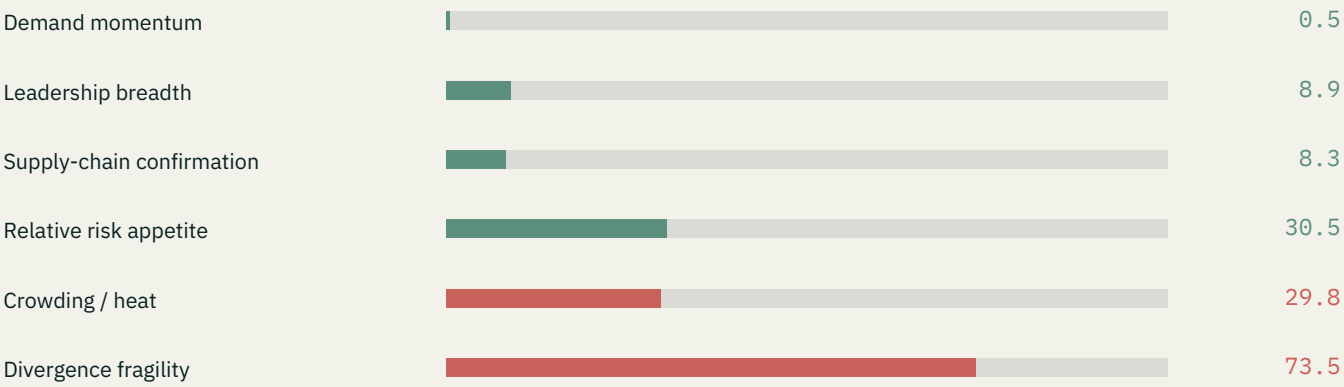
04 / SEMICONDUCTORS & AI

AI hardware loses both trend support and participation

AI hardware composite	Above 20DMA	Above 50DMA
11.5	0 / 28	2 / 28
Weak / Oct 16	Monitored stocks / 0%	Monitored stocks / 7.1%

As of October 16, the semiconductor and AI hardware composite is 11.5 / Weak. Demand momentum is about 0.5, rounded to 0 on the dashboard; leadership breadth is 8.9, supply-chain confirmation 8.3 and relative risk appetite 30.5. Lower scores mean weaker trend support in this model, unlike the higher-is-riskier direction of the broad-market regime score.[1]

Six pillars / trend support and risk differ



Green: higher means stronger support. Red: higher means greater risk; these are not uniform trading thresholds.[1]

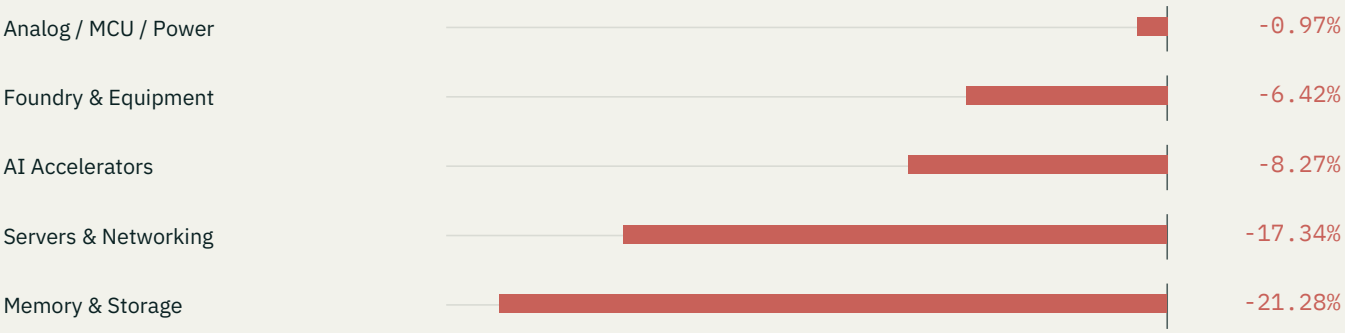
None of the 28 monitored stocks is above its 20-day moving average, and only two are above the 50-day average, or 7.1%. This is not 200DMA breadth. The proportion with positive 20-day returns is 17.9%. Weakness appears in short- and medium-term participation and in most constituent price changes, not just the composite score.[1]

Sector crowding / heat has cooled to 29.8 / Cool, while divergence fragility is still 73.5 / Elevated. Cooling does not establish trend repair: with weak demand, leadership and supply-chain confirmation, lower heat can coexist with falling prices. A more constructive view requires more stocks to regain moving averages and joint improvement in relative performance and several research pillars.[1]

05 / SECTOR INTERNALS

Relative semiconductor strength has also weakened

Sub-industry mean 20-session price changes



SMH lost 5.80% over 20 sessions, trailing SPY by 6.00 percentage points and QQQ by 4.18 points; its five-day loss was 10.53%. Over the same 20-day window SPY gained 0.20% and QQQ lost 1.61%. Sector pressure therefore includes both an absolute drawdown and underperformance relative to broad benchmarks.[1]

ETF	Five sessions	Twenty sessions
SPY	-1.97%	+0.20%
QQQ	-5.52%	-1.61%
SMH	-10.53%	-5.80%
SOXQ	-11.41%	-6.63%
SOXX	-11.80%	-7.44%
XSD	-12.48%	-8.81%

All five monitored industry groups have negative mean 20-day price changes: Analog / MCU / Power -0.97%, Foundry & Equipment -6.42%, AI Accelerators -8.27%, Servers & Networking -17.34%, and Memory & Storage -21.28%. These are simple means within the monitored groups, not investable portfolio returns or capitalization-weighted industry performance.[1]

A few relatively resilient stocks do not establish broad leadership repair. ADI, TXN and ON lead the 20-day ranking while COHR, STX and WDC lag, yet every monitored stock remains below its 20-day average. Participation diffusion, relative trends and supply-chain confirmation matter more than inferring a broad recovery from a few resilient names.[1]

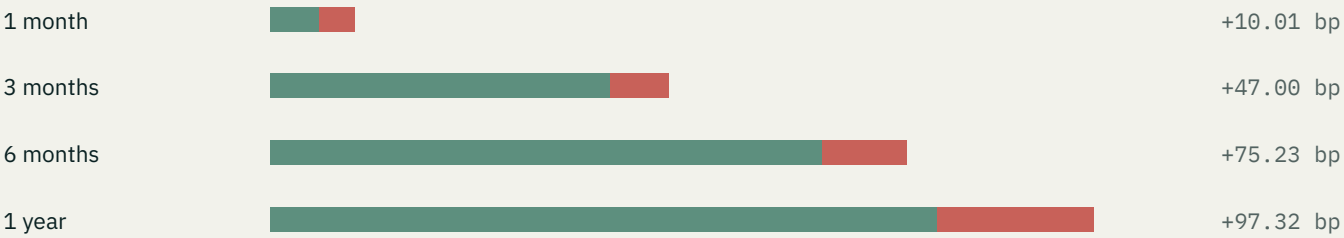
06 / RATES & VALUATION

Rates ease over the week but remain a medium-term constraint

10Y ACM fitted yield	Expected-rate component	Term premium
5.075%	4.327%	0.747%
Data through Oct 15	Model component	Model component

The New York Fed ACM ten-year fitted yield is 5.075% as of October 15, comprising a 4.327% expected average short-rate component and a 0.747% term premium. Their sum is the fitted yield, not a traded Treasury quote; it does not directly forecast the next policy decision.[1][3]

Cumulative changes / green: expected rates; red: term premium



Start / end Oct 15	Expected bp	Premium bp	Total bp
2026-09-15	+5.79	+4.22	+10.01
2026-07-15	+40.14	+6.87	+47.00
2026-04-15	+65.22	+10.01	+75.23
2025-10-15	+78.82	+18.50	+97.32

From September 15 to October 15, the fitted yield rose 10.01 bp: expected rates contributed 5.79 bp and term premium 4.22 bp. Three-, six- and twelve-month increases remain 47.00, 75.23 and 97.32 bp, respectively, with the expected-rate component larger in each window.[1][3]

Within the same current dataset, the fitted yield fell 14.21 bp from October 8 to 15: expected rates rose 3.02 bp while term premium fell 17.23 bp. Weekly relief and a positive one-month change can coexist. These comparisons use one vintage and explicit endpoints; differences from last week's published vintage are not misidentified as market moves.[1]

07 / NEXT OBSERVATIONS

A defensive stance pending joint confirmation

Usable signal is not the same as complete inputs

35% is model reference exposure effective October 19, not actual account holdings. No missing credit observation is invented.

The weekly risk signal is dated October 16: Level 5, with 35% model reference exposure and an October 19 effective date. CURRENT_WITH_LAGGED_INPUTS means it is a current usable signal under the configured lag policy, rather than a retained prior-week signal; it is not an all-inputs-complete result.[1]

The high-yield spread input BAMLH0A0HYM2 only reaches October 15, one trading session short of the target cutoff. Its publication state is a normal wait. This edition invents no October 16 credit observation and makes no advance claim about how completion will affect the level. Once the official observation arrives, exposure, credit direction and the other risk pillars require another check.[1][5]

Check	This edition
Signal date	2026-10-16
Model / reference exposure	Level 5 / 35%
Effective date	2026-10-19
High-yield credit observation	2026-10-15 / one-session lag
Signal status	CURRENT_WITH_LAGGED_INPUTS

Keep the validation order clear: first verify the source and methodology transition, then broad participation and fragility, and then AI hardware moving-average breadth, relative performance, demand and supply-chain confirmation. Rate relief is a separate clue and does not alone offset structural pressure. The screenshot's Livermore S2 reading is 40.4 / Normal; it is not a direct systemic-liquidity measure.[1]

Validation order: sources / method → broad structure → sector participation → rates and credit.

08 / METHODS & SOURCES

Data, methodology and disclosure

Input	Observation dates / status
Regime / factor valuation	Oct 15 / retained; source validation pending
Equities / AI hardware	Oct 16
Weekly risk / credit input	Signal Oct 16; credit Oct 15; effective Oct 19
ACM / NFCI-ANFCI	Oct 15 / Oct 9
Monthly breadth / factor crowding	Sep 30 / Aug 31

The observation cutoff is October 16, 2026; the review period is October 17, and both editions were prepared and first published October 18. Inputs are frozen without model updates or re-estimation. Retained regime and valuation displays end October 15; equities and hardware end October 16; ACM October 15; NFCI / ANFCI October 9; monthly breadth September 30; factor crowding August 31.[1]

Broad risk and AI hardware use different models and score directions. Broad-risk ranges are below 35 Constructive, 35 to below 50 Neutral, 50 to below 65 Caution, 65 to below 80 Defensive, and 80 or above Stress. This edition retains displayed values, does not label the pending factor-source migration complete, and does not stitch different breadth definitions into one time series.[1]

Price changes use existing dashboard adjusted-price inputs, not independently reconstructed dividend-reinvested total returns. Hardware covers 28 monitored stocks; breadth eligibility and coverage depend on the definition. ACM is a model decomposition in percent, with changes in bp; 1 bp is 0.01 percentage points. The future-dated standalone WQS card is excluded as a realized observation. Cover mountains are brand imagery.[1][2][3]

Sources

[1] Frozen report inputs and status notes

[2] Massive adjusted-price methodology

[3] New York Fed ACM Treasury Term Premia

[4] Chicago Fed NFCI / ANFCI methodology

[5] FRED high-yield spread input

Disclosure

Prepared by Residual Inertia, author Taiyang Feng (Sunny), for independent research and information sharing. This is not investment or securities-trading advice. Model reference exposure is not actual holdings. Historical performance, model states and scenarios do not guarantee future outcomes.