MONTHLY MARKET INTELLIGENCE

STATE OF THE BANDS

Halftime Report · Korean Leverage · AI & Robotics

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Where do we go when the AI trade is done? Or is it?

A NOTE BEFORE THE NUMBERS

WHY WE TRADE

Markets are how time gets converted into freedom.

THE WORK

Patterns, not predictions.

Every issue of State of the Bands shows you what the tape is actually doing: where price has been, where it tends to go from here, and what conditions usually look like just before a move.

THE TOOLS

Built by traders.

Proprietary bands and signals — the Arbitrage Band, Atlas Band and, Apocalypse Band — distill decades of market behavior into levels you can act on, not narratives you have to interpret.

THE POINT

Time, eventually back.

Trading isn't the goal. The goal is what comes next: the trip, the house, or the morning that doesn't start with a commute. Markets are the bridge — and we're here to help you cross it.

MARKETS OVERVIEW

A look at broader markets and their moves.

S&P 500 - Halftime Report

$SPY

After a rough start to the year, the S&P has recovered and is up 8.19% year to date. That performance is skewed by the decline that began in January and ended in April, followed by a historic 8-week rally fueled almost solely by the AI trade. Since the June highs, price action has remained flat to choppy, driven by a classic summer trading lull and by the market now demanding some return on AI spend, which has yet to materialize.

In early June, we discussed how the S&P showed asymmetric downside probability on the weekly Apocalypse Band; it has since declined 2%. That isn't much, but recall the stagnant price action from November 2025 to February 2026, before the 8% decline. Markets tend to stall and then roll over all at once.

The S&P still shows downside probability. Looking at the weekly Novice Band, there's a possible 2.7% upside move into the second standard deviation, and a 10% downside move to the Novice Relative Strength Index (RSI). Historically, when the market has rolled over, price has tended to reach the Novice RSI, which has recently been acting as support.

KEY LEVELS

Resistance (2rd std dev)	$758.40
Support (RSI)	$663.74
Signal	UDZ Support
Symmetry	Downside

The U.S. Dollar

$DXY

The Dollar (DXY) began its bear market in late 2022 and appears to be emerging from a large bottoming pattern. DXY is up 3.35% year to date as of July 28. While that move is far from impressive, our focus is on where the Dollar could be headed and what that means for markets.

As of July 23, DXY entered a new buy trend on the daily Apocalypse Band. Conditions now show a medium to long-term asymmetric skew to the upside. Short-term moves remain fairly neutral, with less than a 1% move in either direction over the coming weeks, while the medium-term structure leaves scope for a 6% to 10% upside move over the next 12 to 18 months.

During Trump's first term, DXY peaked in the opening days of 2017, declined through that year into a bottoming pattern in early 2018, then rallied roughly 17% into the March 2020 high. The breakout point for DXY then was a downtrending Apocalypse RSI between the Apocalypse Mean line and the Lower Danger Zone (LDZ), with price breaking up into a buy trend.

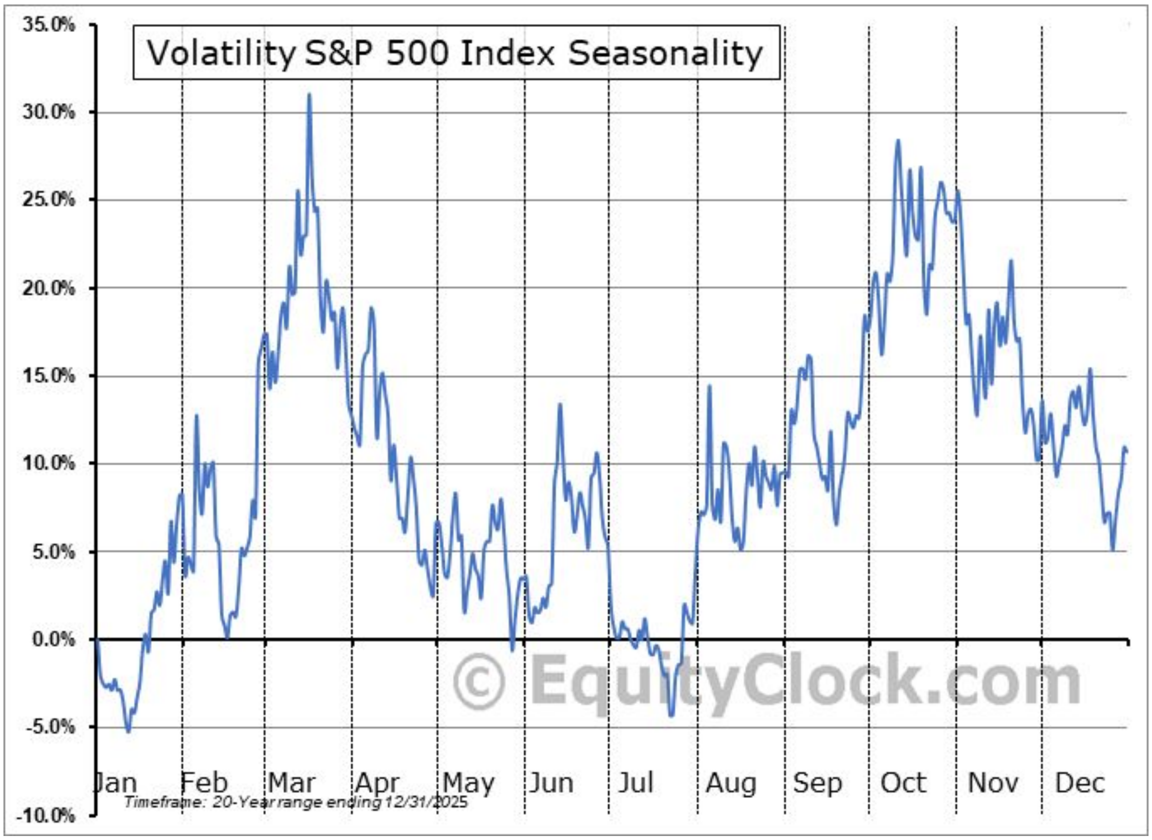
History doesn't repeat itself, but it often rhymes. Right now, DXY looks like it's writing a rap song.

KEY LEVELS

Resistance (UDZ)	$104.548
Support (LDZ)	$99.183
Signal	RSI Bounce
Symmetry	Asymmetric Upside

Volatility & Seasonality

$VIX



S&P Volatility (VIX) isn't normally something you'd include in a halftime market report, but seasonality can be an important factor when it comes to understanding moves in markets, especially during a midterm election year.

As the VIX goes higher (market volatility increases), the stock market typically trends lower. As you can see, we typically see higher volatility early in the year, usually peaking in March, which releases pressure on the market and allows it to run. We saw a perfect example of this at the beginning of the year, with the market going flat, taking a hit, and then turning in April for a historic run.

Volatility picks up again in June (the market topped in June), cools off, then jumps from the end of August through October as fund managers return from summer and reduce exposure heading into an uncertain election cycle.

While the future always remains unknown, the Arbitrage Band system is giving multiple indications across the S&P and the Dollar that conditions favor headwinds ahead, and the VIX seasonality may be the writing on the wall.

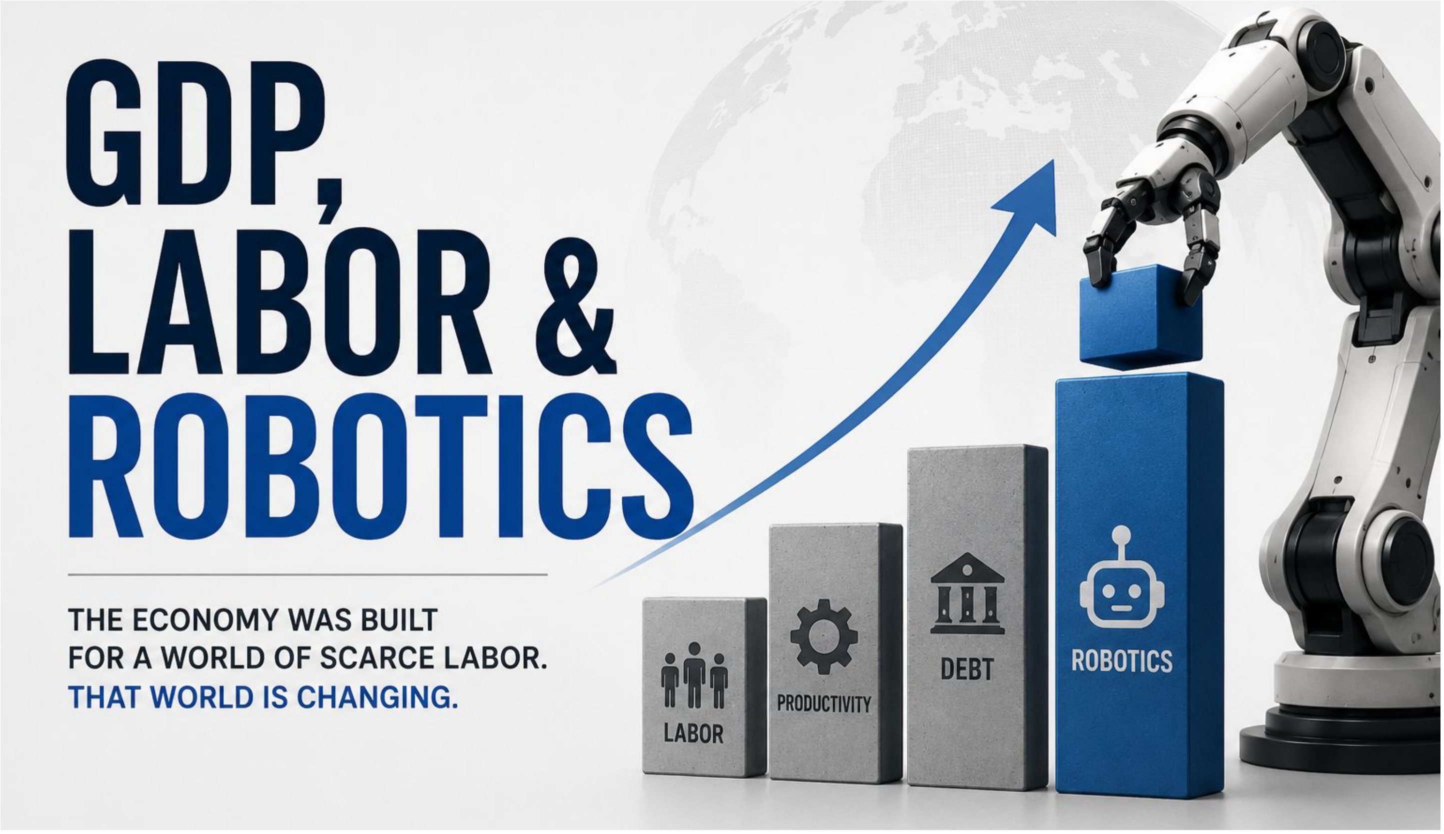
KEY LEVELS

Resistance (RSI)	**$75.95**
Support (Mean Line)	**$63.80**
Signal	**Intermediate Entry**
Symmetry	**Mild Upside**

MARKET MOVING STORIES

Stories that are shaping the markets

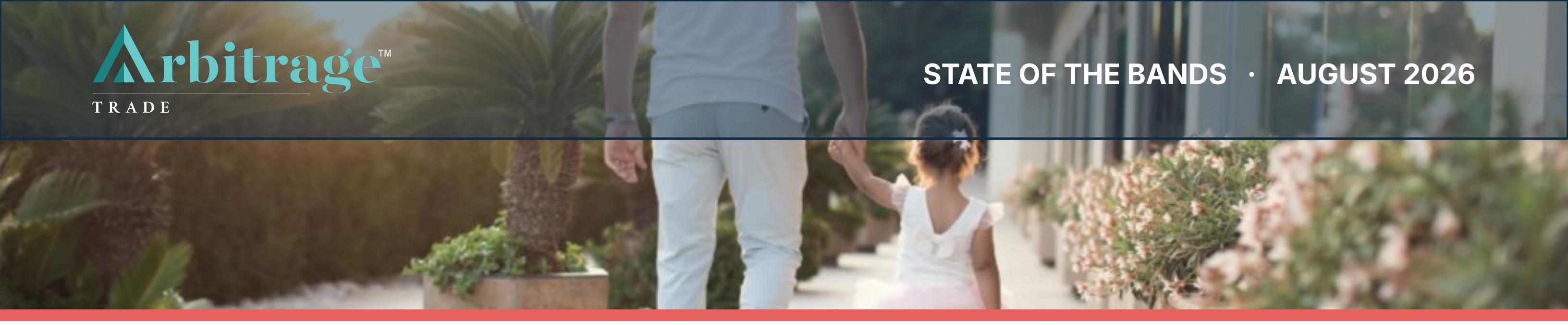
GDP, Labor & Robotics



Every number we use to navigate the economy was built for a world where workers are scarce. GDP growth comes down to population growth, productivity growth, and debt growth, and, as Raoul Pal laid out in his [Economic Singularity piece](), two of those engines have been dead for decades. Birth rates collapsed, and the workforce is shrinking, which left debt doing all the work. Pal argues that robotics changes the very idea of population. Labor stops being a birth rate problem and becomes a manufacturing problem. In other words, workers get built rather than born.

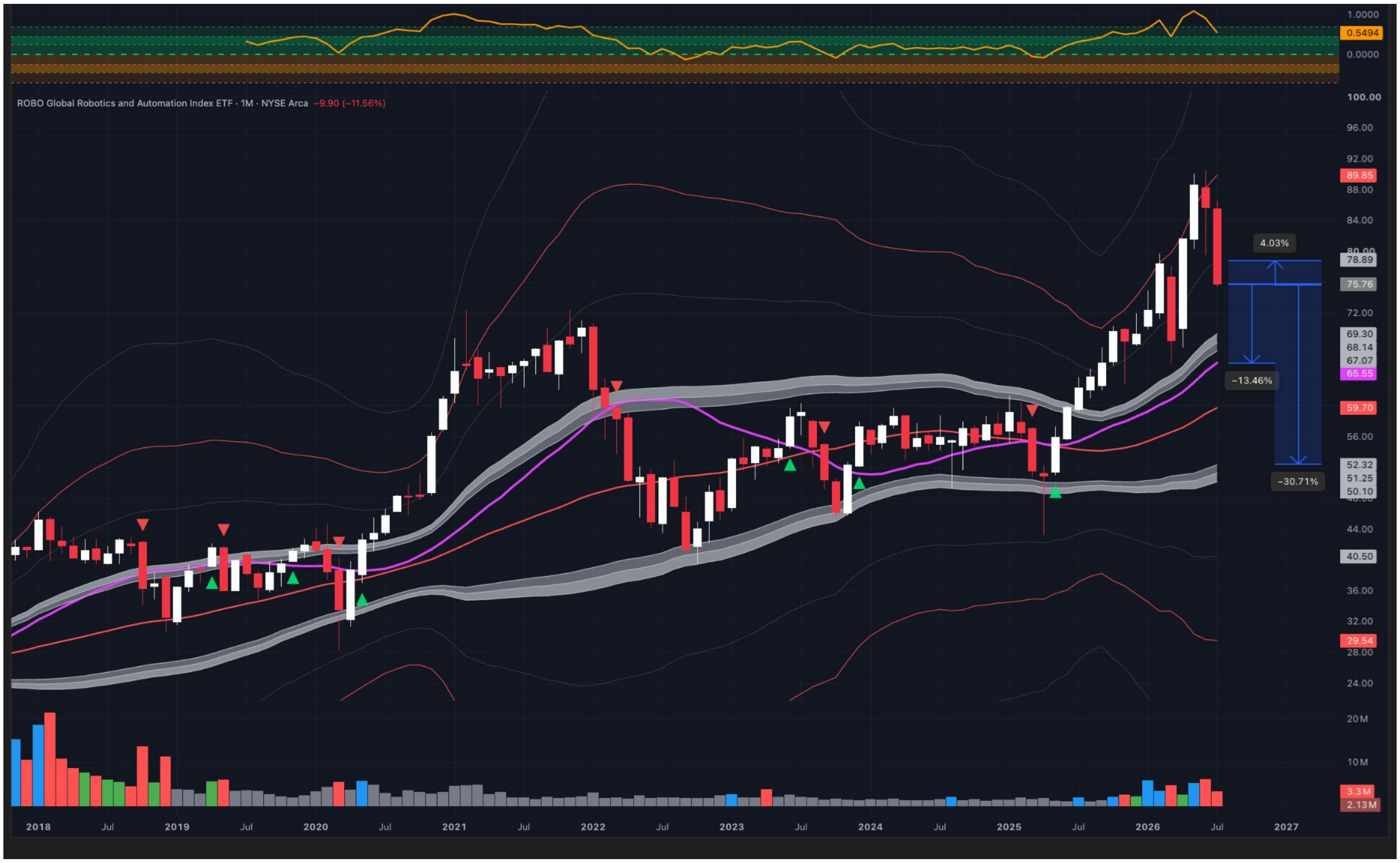
Pal's view is that GDP counts output because output was the constraint, and a gauge built for a few percent of annual growth says little about an economy that can double in a year. He applies the same logic to company valuations, arguing that any moat not built on human trust will be breached once anyone can build a business in a weekend with AI agents. He puts the window at 2030 to 2032 to reach this economic singularity.

The debate over what will replace the current setup is already underway. [Richard Excell tied Pal's work to distributism](), the Chesterton and Belloc idea that rejected both monopoly capitalism and state socialism in favor of widespread ownership of productive property. That same argument runs today as universal basic income versus universal basic equity, a check from the machines or a stake in them. Positioning for a shift Pal places in the early 2030s is a tough task, but understanding the machines being built today can set up investments for the future.



ROBO Global Robotics

$ROBO

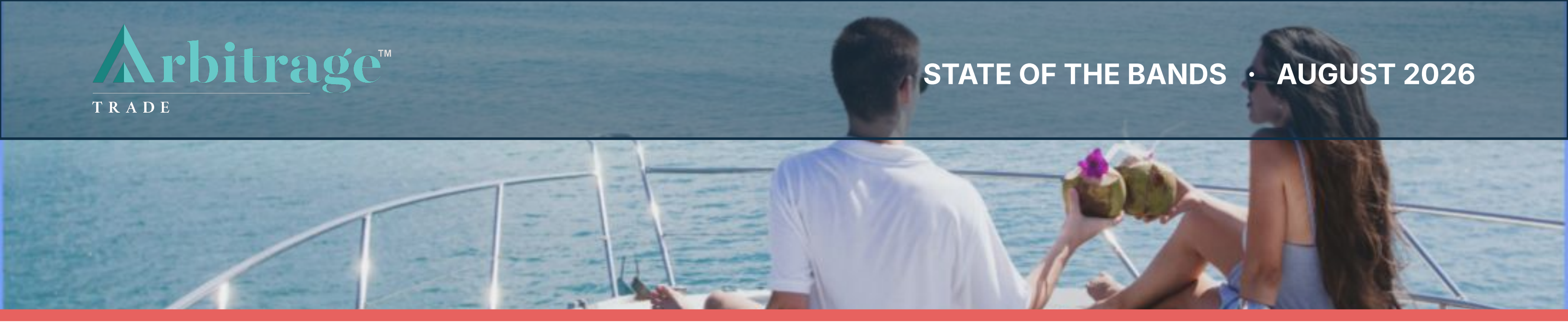


ROBO Global Robotics and Automation Index ETF tracks global robotics and automation stocks. It has traded closely with the broader AI trade, which makes sense given how much the holdings overlap. As you can see, ROBO has been running hot lately and bumping its head along the third standard deviation of the Apocalypse Band, where it has found resistance in the past.

In the short term, ROBO sits in a rather neutral spot, with about equal probability of an upside and a downside move. Over a longer horizon, price has historically trended along the third standard deviation before coming back down to find support at the LDZ. That would be a 30.7% move lower from where price sits today.

KEY LEVELS

Resistance (2nd stan div)	$78.89
Support (RSI)	$65.55
Signal	Apocalypse Sell Trend
Bias	Asymmetric Downside

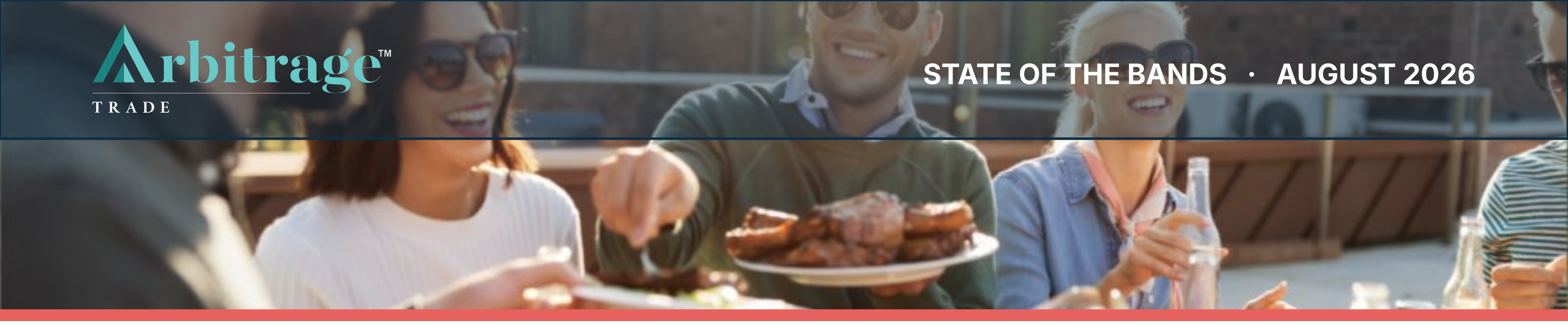


Korean Style Leverage

Korea ran one of the best-performing markets in the world this year, and by late May it wasn't really a market anymore. Samsung Electronics and SK Hynix went from a combined 22.6% of the KOSPI (Korea's version of the S&P 500) at the end of 2025 to more than 50% by May 27. Goldman later put the figure at around 60%, close enough to a threshold that would trigger US diversification rules requiring foreign funds to start selling. The index has triggered circuit breakers five times in 2026. There have only been eleven since the mechanism was introduced in 2000.

Then came the leverage. Korea listed 16 single-stock leveraged ETFs on Samsung Electronics and SK Hynix on May 27th, the same day the concentration crossed half the index. They traded about $3B USD on day one, grew from about $3B to $9.1B within weeks, and were 92% retail-owned. At the peak, the two chipmakers and their associated ETFs accounted for roughly 73% of all Korean market turnover, up from 31% before the products existed. The head of Korea's financial regulatory body publicly said on June 22 that he regretted having approved them.

The KOSPI has since fallen more than 33% from its June peak. It's estimated that more than 1.2 million accounts got hit with margin calls by July 13, with 320,000 to 360,000 fully liquidated. This isn't new behavior in Seoul. It was contracts for difference (CFDs) in 2023 and bank-sold structured products tied to Chinese equities in 2024. What's different is what the leverage was pointed at. The correlation between the KOSPI and the Nikkei ran to 0.84, which means Korea and Japan had effectively become the same AI hardware trade. When the most levered expression of a theme unwinds first, it's worth asking what that says about the theme.



South Korea Index ETF

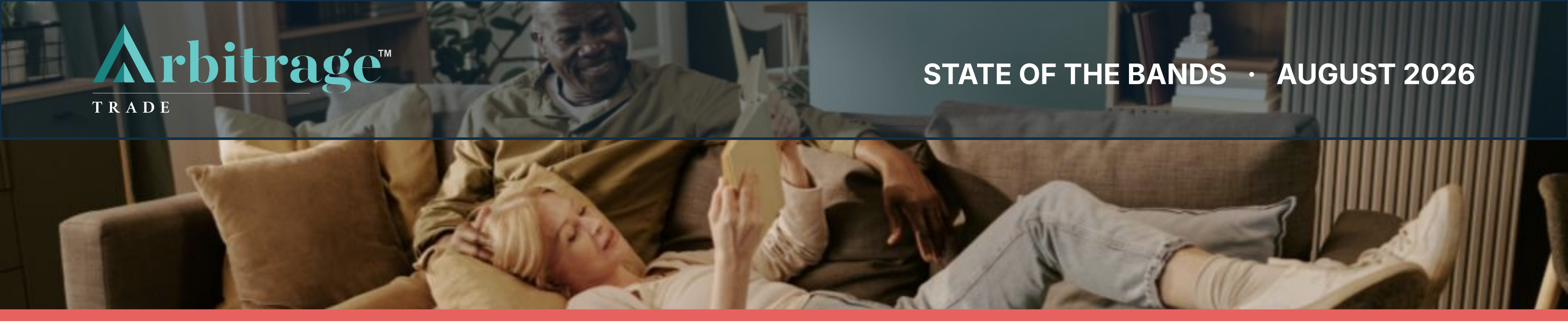
$EWY

Korea has been one of the greatest beneficiaries of the AI trade because Samsung and SK Hynix account for more than half of the KOSPI. Since the April 2025 lows, the S&P has returned 49% while the KOSPI has returned 140%. That's after a 38% drop off the June peak. At that peak, it was up 289%. Remember that this is a stock market index representing South Korea's best companies, not a meme stock.

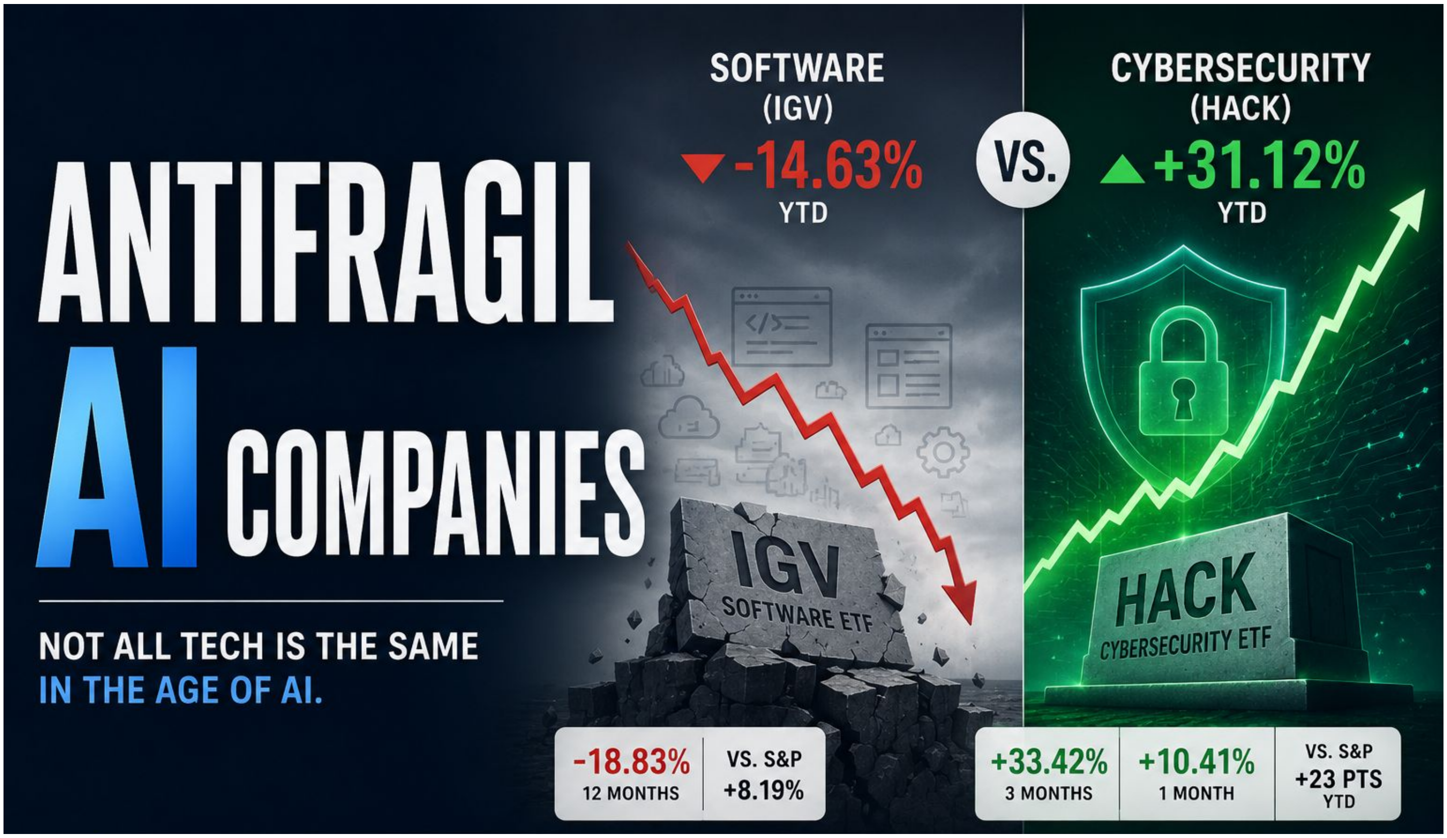
The KOSPI traded outside the fourth standard deviation for almost three months and has only now returned to its probable range. It shows strong downside asymmetry with very little upside probability. A 43.7% downside move would bring it well within its probable range, which shows how far this has run.

KEY LEVELS

Resistance (2nd stan div)	$169.52
Support (LDZ)	$84.72
Signal	Downside Continuation
Bias	Downside



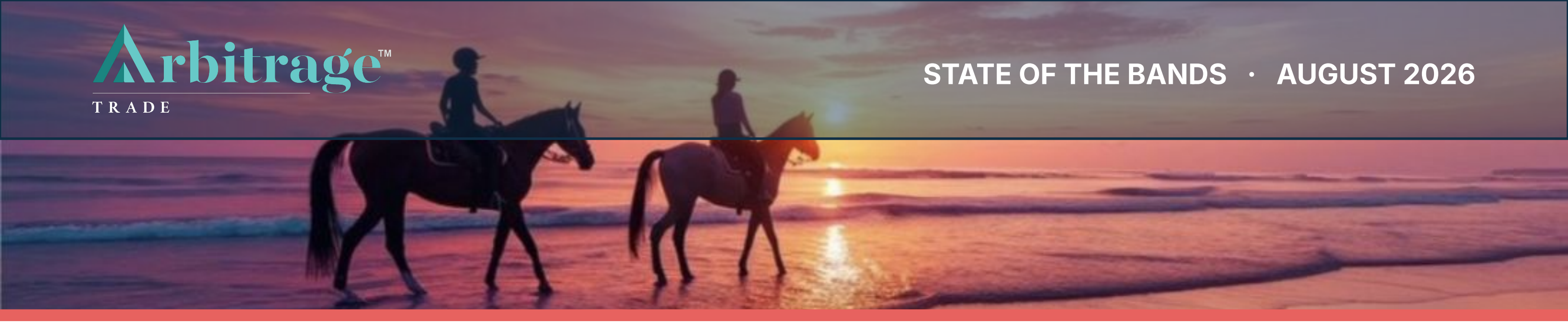
Antifragil AI Companies



Software has been the casualty of the AI trade this year. IGV, the iShares software ETF, is down 14.63% year-to-date and 18.83% over 12 months, while the S&P is up 8.19%. The reason is the one Pal points at. When anyone can stand up a business over a weekend with AI, seat-based pricing looks impaired. The market has repriced the entire category on that logic rather than on any specific earnings miss.

Cybersecurity didn't follow. HACK is up 31.12% year to date, putting it roughly 23 points above the S&P, while software sits roughly 23 points below it. Both sides of the index, almost the same margin. The recovery is the part worth studying. Measured over three months, which captures the April turn, HACK ran 33.42% against 6.65% for IGV. Everything got hit in the drawdown. One of them came back, and the other barely participated.

The last month is what earns the label. That window contains the Magnificent Seven shedding $797B in a single session and the worst S&P day in a month, and HACK gained 10.41% through it. That isn't defense; that's gaining from the disorder. The mechanism is straightforward. Every agent with system access is a new attack surface, and every AI-enabled attacker lowers the cost of an attempt, so the same force compressing software multiples expands the security budget. Pal argues that the only durable moats left are those built on human trust. Security is a trust business. It is worth noting that the five-year numbers are far less flattering, so this reads more like the best house in a rough neighborhood than a decade-long compounder; price returns as of July 28.



CrowdStrike Holdings

$CRWD

CrowdStrike (CRWD) is a provider of cybersecurity products and services built to stop breaches and attacks. When the market sold software on the idea that anyone would soon build their own applications, it forgot that all those applications still need protecting. CRWD was one of the biggest movers in the cybersecurity rebound due to the breadth of its protection.

CRWD currently shows short-term upside probability but substantially larger medium-term downside probability. The thing to note is that price has been running against the third standard deviation, which has acted as major overhead resistance. That has pushed Z-Pro out of probability and driven the Apocalypse RSI further into the UDZ, conditions that have historically preceded downside moves.

KEY LEVELS

Resistance (3rd stan div)	$207.52
Support (RSI)	$113.99
Signal	Downside Continuation
Bias	Downside

HOT STOCKS

Stocks that are hot and on the move

Five9

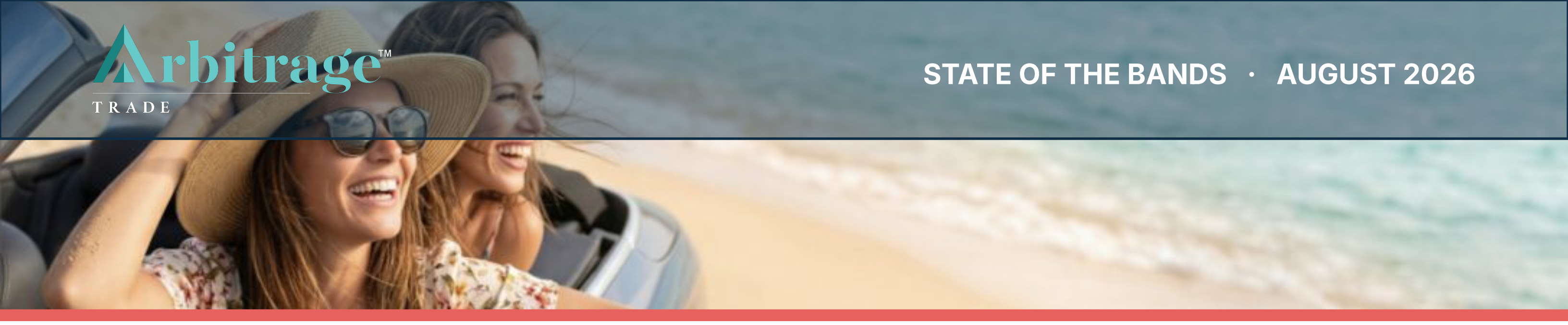
$FIVN

Five9 (FIVN) is a legacy cloud software business for contact centers. They provide omni channel routing, analytics, and workforce management tools. While none of this is groundbreaking, applying AI to their business could be. In its April 30 earnings report, the company said AI revenue was up 68% Year-over-year (YoY) and now represents 13% of subscription revenue, up from 8% a year earlier. That shift drove a 16% gap up the next session on the highest volume ever, which is huge for a stock that has traded since 2014.

The Apocalypse Band has not confirmed a trend change with an entry signal, but the upside asymmetry is setting up. Z-Pro has flipped positive, and price is holding well above its gap-up level and moved above the RSI. The coming earnings for FIVN will be a good indication of whether its AI business is continuing to grow and gaining enough momentum to shift into a new buy trend.

KEY LEVELS

Resistance (Mean Line)	$44.78
Support (Recent Lows)	$21.00
Signal	Upside Continuation
Symmetry	Asymmetric Upside



United Parcel Service

$UPS

United Parcel Service (UPS) experienced a significant decline beginning in February 2022 as pandemic-era freight demand normalized. Management then compounded the pressure by choice, targeting a 50% cut to its low-margin Amazon volume by June 2026. In Q1 2026, adjusted operating margin came in at 6.2%, down from 8.2% a year earlier, against management's reaffirmed full-year target of 9.6%. That gap implies a heavy second half, which management has flagged as the inflection point. If they deliver, it's a genuine business turnaround with real tailwinds behind it.

UPS entered a buy trend on July 6, based on the daily Apocalypse Band, with an upside-asymmetric probability. Price sits in the LDZ, which has been acting as support. There's 27.7% upside to the Apocalypse Mean line as resistance, and 50.7% upside to the Lower Danger Zone.

In a time when hype and euphoria no longer seem to work, well-structured old businesses tend to perform well.

KEY LEVELS

Resistance (Mean Line)	**$133.56**
Support (Recent Lows)	**$95.21**
Signal	**LDZ Support**
Symmetry	**Asymmetric Upside**

Meta Platforms

$META

The AI narrative has shifted from what these companies could earn by improving their business to what it costs them to build the infrastructure. Meta Platforms, in Q1 earnings, raised full-year CAPEX guidance to $125B-$145B, up from $115B-$135B, citing higher component prices. The top of that range approaches Meta's entire 2025 operating cash flow. The financing side is telling the same story. Last week, BlackRock priced $12.5B of bonds through an SPV to fund Meta's El Paso data center, The deal drew only 1.6 times coverage, and failed to tighten during syndication. That is rare for investment-grade paper, and it suggests the credit market is starting to charge for AI exposure.

It's easy to see why the market has become bearish on META, and the Apocalypse Band shows it. Price is currently down 25% from it's all-time highs with little room for an upside move: 11.4% upside into Apocalypse RSI as resistance, a 16.1% downside move into the Apocalypse Mean Line, and a 43.7% downside move into the Lower Danger Zone.

The AI trade may be taking a turn.

KEY LEVELS

Resistance (RSI)	$643.55
Support (Mean Line)	$491.31
Signal	Downside Continuation
Symmetry	Asymmetric Downside

DISCLOSURES

PURPOSE

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