

RESEARCH NOTE 09 · MACRO & POSITIONING

Follow the Credit: the September–October rotation

Why the AI-equipment book was bought into the mid-September lows and sold in the first week of October, why half of the account now sits in Treasuries, and what the direction of credit expansion says about the next quarter.

From its September 11 low to October 2 the portfolio index rose 13.6% while the S&P 500 rose 1.0%. From October 5 to October 16 the Philadelphia Semiconductor Index (SOXX) fell 16.3%; the portfolio fell 3.4% from its October 2 high. Between August 21 and October 16 the account returned +7.1% against –0.1% for SPY (total return) and –5.1% for SOXX. Three decisions produced that path: adding to semiconductor equipment and AI-optical names in the mid-September sell-off, selling the entire AI book between October 1 and 7, and moving 50% of the account into U.S. Treasuries (TLT 35%, IEI 15%) at the October yield highs.

The framework behind all three is the one I have run all year: *follow the direction of credit expansion*, read on three dials — quantity, price and breadth. In September the quantity dials were still expanding (bank credit +6.2% y/y, C&I loans +10%, AI-related debt issuance about \$466bn year-to-date against \$101bn a year earlier) while the price dial turned sharply (the 10-year real yield from 2.40% to 2.95%, the Fed's first hike in three years on September 16) and the breadth dial narrowed (high-yield spreads +65bp from their August 28 low, CoreWeave's 2031–32 notes at 15–16% yields, AI issuance down to \$23bn in September from a record \$113bn in June). Credit that is still growing but getting dearer and narrower is late-expansion credit. For a debt-financed capex cycle that is a sell signal for the last leg of the chain — equipment — and an entry signal for duration. On Holding (+22%) was the one trade outside that frame: a brand mispriced after a guidance cut, bought on Asia-Pacific data and sold once the mispricing closed.

Key calls (prices at the October 16, 2026 close)

Position	View	Price	Weight	What changes it
TLT — 20+ year Treasuries	POSITIVE Duration built as the 10-year peaked at 5.31% and the 30-year at 5.66–5.67%, the highs of the cycle; real yields, not breakevens, did the work	\$80.05	35%	A close above 5.31% on the 10-year or 5.67% on the 30-year cuts the sleeve, whatever the macro view
IEI — 3–7 year Treasuries	POSITIVE The belly: yields about 4.9–5.0% with a third of TLT's duration; the sleeve that wins if the Fed keeps hiking into a slowing credit impulse	\$114.24	15%	Two-year above 5.0%
AMAT · LRCX — wafer-fab equipment	RE-ENTRY CONDITIONAL Sold at ≈\$540 / ≈\$346; 2% AMAT kept. The thesis (capex lags memory pricing) is intact; the funding of the capex is not	\$409 / \$264	2% / 0%	HY OAS back under 280bp, DRAM 1Q27 contract prices flat-to-up, and AMAT's Nov 12 WFE guide not down
MU — Micron	WATCH Sold at ≈\$1,075 on diluted cost; the HBM view is unchanged, the cycle's price momentum is decelerating (TrendForce 4Q26 PC DRAM +3–8% q/q after +98% in 1Q)	\$879	0%	Re-underwrite after the December print; no re-entry on price alone

Position	View	Price	Weight	What changes it
ONON — On Holding	CLOSED · +22% Mispricing closed at the investor-day targets; from here it is a U.S. wholesale execution story, not a valuation one	\$34.75	0%	Americas wholesale returning to double-digit growth would reopen it
OSCR · INTC	STARTER POSITIONS 10% and 2%; theses to be published separately before the Q3 prints (Nov 5, Oct 29)	\$31.89 / \$89.85	12%	—
Cash	36%, after the Treasury sleeve; the dry powder for the re-entry rule above	—	36%	—

Weights are shares of total account value as of October 16, 2026. Exit prices for the October trades are approximate and marked as such in the closed-trade table on the site; the broker export reconciles them later. Personal account, no outside capital; nothing here is investment advice.

1. What happened

The quarter had three phases and the book was on the right side of each by a margin that was partly judgement and partly luck. I will try to separate the two.

+13.6%

Portfolio index, Sep 11 → Oct 2 (SPY +1.0%, SOXX +11.7%)

−3.4%

Portfolio, Oct 2 → Oct 16 (SOXX −16.2%, SPY −0.8%)

+7.1%

Portfolio, Aug 21 → Oct 16 (SPY −0.1%, SOXX −5.1%)

+158.7%

Since inception (Jan 6, 2025) vs SPY +30.7%; weekly series, self-reported

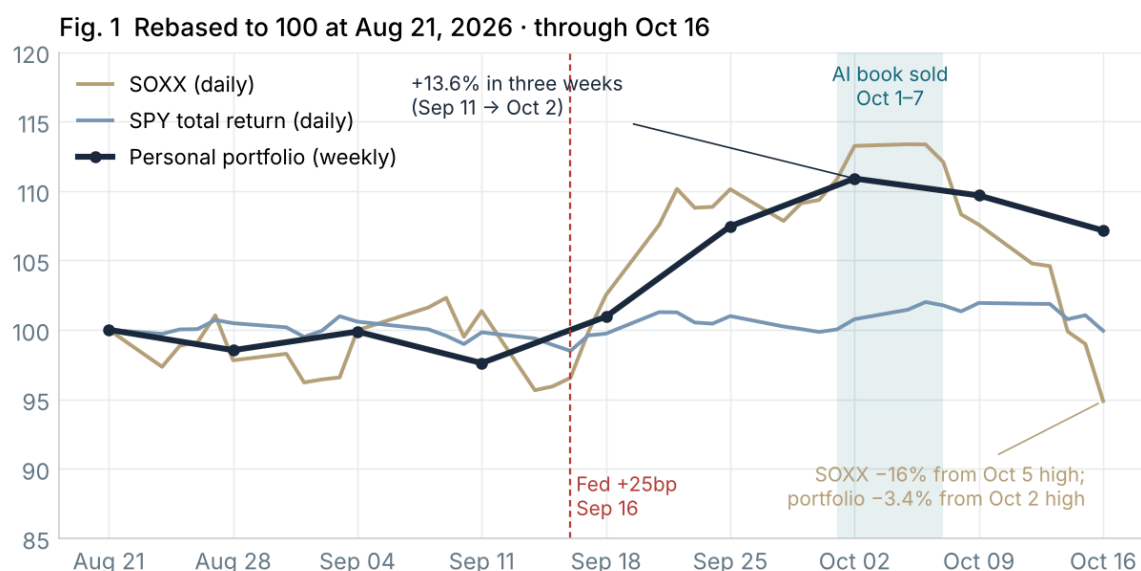


Fig. 1 — Portfolio (weekly Friday points) against SPY total return and SOXX (daily), rebased to 100 at Aug 21, 2026. The AI book was sold between Oct 1 and Oct 7; SOXX peaked on Oct 5 and had lost 16.3% by Oct 16. Sources: brokerage weekly returns; FMP; author.

Phase one, September 10–16: the sell-off I bought. Semiconductor equipment fell with memory after Micron's run into its September 30 print stalled. AMAT fell from \$482 (Aug 27) to \$415 (Sep 16) and LRCX from \$319 to \$269, 14% and 16% in three weeks; SOXX closed 6% below its 50-day average on September 14. The weekly index made its low on September 11 at 235.7. I nearly doubled the LRCX position near \$270, averaged AMAT down to a \$440 cost, and opened AI-optical (Lumentum), neocloud (Nebius), connectivity (TE Connectivity) and a small Flex position on the same logic (\$3.1).

Phase two, September 18 – October 7: the rally I sold into. Three weekly gains of +3.4%, +6.5% and +3.2% took the index to 267.8 on October 2. SOXX rose 18.5% in fifteen sessions from its September 14 low to its October 5 close of 589.5. MU made a second high of \$1,097 on October 1, LRCX \$347 on October 2, AMAT \$542 on October 5, Lumentum \$1,133 and Nebius \$250 on October 6. Between October 1 and 7 I sold MU, AMAT, LRCX, LITE, NBIS, FLEX and TEL, keeping a 2% AMAT position; On Holding followed in the second week of October (\$3.2–3.3).

Phase three, October 6–16: the drawdown I mostly missed. SOXX fell for nine consecutive sessions, 16.3% from the October 5 close. The proximate triggers were a rout in SK Hynix and Samsung after ChangXin Memory (CXMT) said it would begin mass production of a next-generation, denser (4F²) DRAM this year, a September CPI print of 3.7% against 3.6% expected with producer prices up 6.3%, and market pricing of a 92% probability of another Fed hike by year-end. The names I had sold fell 20–34% from their highs (AMAT –25%, LRCX –24%, MU –20%, LITE –27%, NBIS –34%); TE Connectivity, which I sold with the rest, fell 3%. The weekly index lost 1.1% and 2.3% over the two weeks, most of it from the AMAT stub, OSCR and INTC.

I did not forecast Korea, CXMT or the CPI print. What I had was a framework that said the funding of the AI build-out had turned expensive and narrow, and a set of price indicators that said the rally had run further than that funding could support. The exit came two to six sessions before the drawdown. That gap is where the luck lives, and I do not intend to pretend otherwise.

2. The framework: the direction of credit expansion

Every position I have held this year has been underwritten on one question: which way is credit expanding? Not whether it is expanding — it almost always is — but whether it is getting cheaper and broader, or dearer and narrower. Equity cycles rarely turn because credit stops growing; they turn because the marginal borrower stops being able to borrow at the old price. I read that on three dials.

- **Quantity.** Is the stock of credit still rising? Bank credit (H.8), commercial and industrial loans, M2, and the gross issuance of the sector I am invested in.
- **Price.** What does the marginal borrower pay? The real 10-year yield, the 30-year, high-yield yields, the mortgage rate — and the policy rate's direction.
- **Breadth.** Who can still borrow? Spread dispersion between investment grade and high yield, the issuance window month by month, and the credit default swaps of the weakest issuers in the chain.

The AI capex cycle is a credit cycle. AI capital expenditure is set to exceed \$750bn this year and \$1tn in 2027, ahead of free cash flow; Goldman Sachs estimates that at least 35% of the cloud majors' 2027 capex will be debt-funded, implying over \$400bn of technology bond supply next year. Morgan Stanley puts AI-related debt issuance at about \$466bn so far in 2026 against \$101bn in the same period of 2025; the hyperscalers alone had issued over \$180bn of dollar bonds by early September, placed 41% of their 2025–26 issuance beyond 15 years against 16% for the index, and now make up about 4.5% of the ICE BofA U.S. Corporate Index. When the marginal dollar of demand for memory and equipment is borrowed, the price and breadth of credit decide the order book two quarters out — before memory pricing shows it.

2.1 The dashboard, August 21 to October 16

Dial	Indicator	Aug 21	Oct 5 (SOXX high)	Oct 15–16	Read
Quantity	Bank credit, y/y (H.8, weekly)	+6.4%	+5.9%	+6.2%	Still expanding
	C&I loans, y/y (monthly)	+8.3% (Jul)	+9.5% (Aug)	+10.0% (Sep)	Accelerating — corporate borrowing is funding capex
	AI-related debt issuance, monthly	\$113bn (Jun, record)	\$23bn (Sep)	—	The window narrowed; U.S. IG AI issuance stopped in September

Dial	Indicator	Aug 21	Oct 5 (SOXX high)	Oct 15–16	Read
	Fed balance sheet / net liquidity	\$6.73tn / \$5.8tn	\$6.75tn / \$5.9tn	\$6.76tn / \$5.9tn	No central-bank impulse either way; reverse repo at zero
Price	Fed funds (effective)	3.63%	3.88%	3.88%	First hike in three years, Sep 16, unanimous
	10-year nominal / real (TIPS)	4.74% / 2.40%	5.31% / 2.95%	5.10% / 2.78%	+57bp nominal, +55bp real: the move was all real yield
	30-year	5.27%	5.66%	5.43%	5.67% on Oct 7, a 19-year-plus high
	High-yield effective yield	7.08%	8.15%	8.08%	The marginal corporate borrower pays 100bp more
	30-year mortgage (weekly)	6.65%	7.28% (Oct 1)	7.40%	The household borrower too
Breadth	HY OAS (ICE BofA)	270bp (260 low, Aug 28)	312bp	323bp (325 Oct 14)	+65bp from the low; widening began Sep 23, before the equity top
	IG OAS	81bp	84bp	84bp	+11bp from the May low: dispersion is HY vs IG, not IG itself
	CoreWeave 5-year CDS / 2031–32 note yields	≈855bp (Jul–Aug)	rising	1,195bp / 15–16%	Second-tier AI borrowers priced for distress; implied 5-year default odds above 60%
	Oracle / SoftBank 5-year CDS	—	—	288bp / 424bp	Leverage inside the hyperscaler set is being priced

Table 1 — Sources: Federal Reserve H.8 (Oct 16 release); FRED (DGS10, DFII10, DGS30, DFF, BAMLH0A0HYM2EY, BAMLH0A0HYM2, BAMLC0A0CM, MORTGAGE30US, WALCL, RRPONTSYD, WTRGEN); Morgan Stanley issuance data via the Financial Times (Oct 10); S&P Global Market Intelligence and ICE Data Services on CoreWeave as reported Oct 14–15; CNBC/Bloomberg Oct 15 on Oracle and SoftBank. Net liquidity = Fed assets – reverse repo – Treasury General Account.

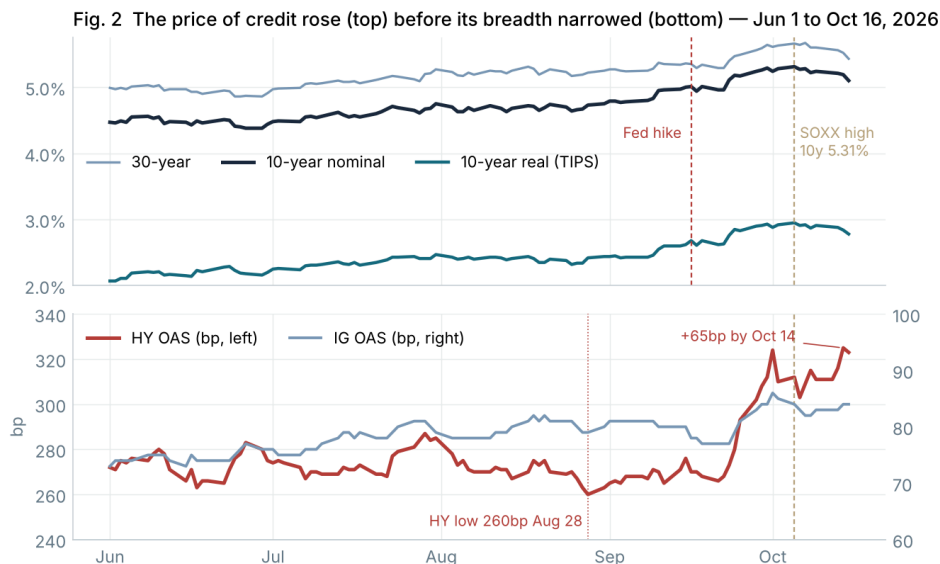


Fig. 2 — The price of credit (top) rose from June and jumped after the September 16 hike; breadth (bottom) held until the last week of September, then high-yield spreads widened 65bp in three weeks while investment grade barely moved. The HY low was August 28; the SOXX high was October 5. Source: FRED.

2.2 Reading the dials

Quantity says expansion. Bank credit is growing 6.2% a year and C&I lending 10%, the fastest since 2022; M2 is up 5.7%; AI-related issuance in 2026 is more than four times last year's. Anyone reading only this dial would have stayed long, and most did. It is the dial that lags: banks and bond markets fund what was agreed a quarter ago.

Price says tightening, and the tightening is real. The 10-year rose 57bp between August 21 and October 5 and 55bp of that was the real yield; the 10-year breakeven sat between 2.3% and 2.4% throughout. The market was not repricing inflation, it was repricing the cost of capital — term premium and the Fed. The policy rate rose on September 16 for the first time since 2023, the vote was 12–0, and by October 15 the market priced a 92% chance of another hike by December. The 30-year reached 5.67% on October 7, the highest in more than nineteen years, with the Treasury already doubling its long-bond buybacks (from \$2bn to at least \$4bn an operation, from September 9) to lean against it. Mortgage rates went through 7.4%. This is the dial that matters for a capex cycle, because the hurdle rate on a data centre underwritten at a 17–18% return on capital is one thing at a 5.5% coupon and another at 7%, and because every hyperscaler century bond competes with Treasuries for the same liability-matching buyers.

Breadth says the expansion is narrowing to the strongest balance sheets. High-yield spreads bottomed at 260bp on August 28 and were 325bp on October 14; investment grade moved 11bp. The dispersion is the signal: the market was not fleeing credit, it was discriminating. CoreWeave — the marginal buyer of GPUs and the marginal issuer of AI debt — saw its five-year CDS go from about 855bp in July–August to a record 1,195bp on October 14–15, its 2031 and 2032 notes trade at 76–81 cents on the dollar to yield 15–16%, and market-implied five-year default odds pass 60%, on a B/B+ rating and \$35.6bn of debt principal. Oracle's CDS was 288bp and SoftBank's 424bp on October 15, and Oracle's roughly \$18bn of Project Jupiter loans were being quoted privately near 85 cents. AI-related issuance fell from \$113bn in June to about \$23bn in September, and in the U.S. investment-grade market it stopped. The window for the second tier closed before the equity market noticed; the strongest balance sheets can still borrow for a century — Alphabet's £1bn bond due 2126 drew a £9.5bn book in February — which is exactly what "narrowing" means.

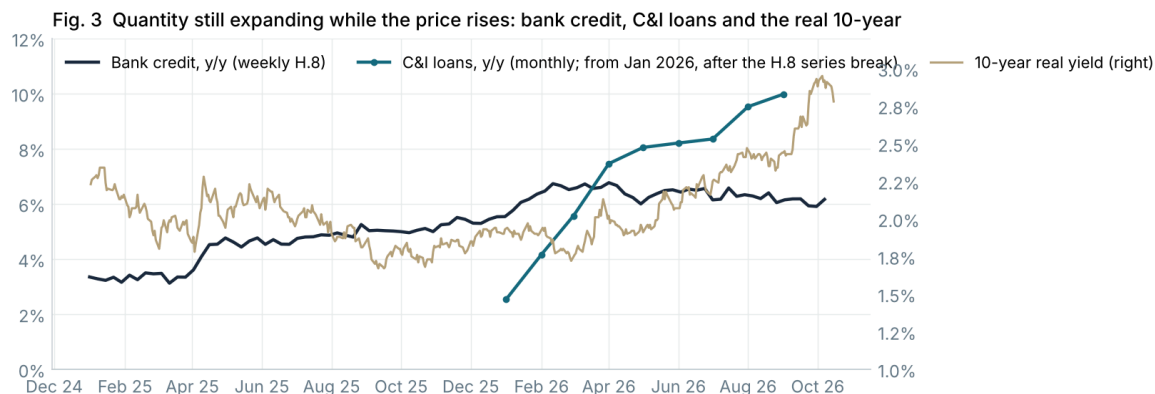


Fig. 3 — Quantity and price diverging: bank credit and C&I growth kept rising through September while the real 10-year yield went from 1.7% a year ago to 2.95% on October 5. C&I y/y shown from January 2026 because of a series break in the H.8 data in January 2025. Sources: Federal Reserve H.8, FRED.

What it means for each asset I own or owned.

- Equipment is the last leg of the chain, so it goes first.** Hyperscaler orders are funded; neocloud and second-tier orders are the ones priced at 16%. Memory makers see that as a mix shift; equipment makers see it as a deferred tool. On top of the funding signal, the memory-price impulse that drives equipment orders with a lag is decelerating: TrendForce's conventional DRAM contract-price path is +98% q/q in 1Q26, +58–63% in 2Q, +15–20% (PC) and +13–18% (server) in 3Q, and +3–8% in 4Q. Prices are still rising; the second derivative turned in the summer. Both legs of the equipment thesis — cheap funding and accelerating memory prices — weakened in the same month the stocks made their highs.
- Duration is the one asset that is long the same thing the AI book was short.** If the expansion is narrowing and the real cost of capital has risen 55bp in six weeks, growth and the term premium are what give way next, and they give way through real yields. Breakevens flat near 2.3% mean the long end is not pricing an inflation problem; it is pricing supply and the Fed. That is a better entry than an inflation-driven sell-off would be, and October 5 was the top of the price of credit for this cycle so far.
- Retail leverage is the amplifier.** FINRA margin debt reached a record \$1.50tn in June (+49% y/y) and fell \$85bn in July, -5.6%, the largest monthly dollar decline in the series. Drawdowns in crowded sectors get amplified by forced deleveraging; the nine-day SOXX streak had that shape.
- China's credit dial points the other way, and it matters for one position.** Total social financing through September was ¥27.5tn, ¥2.6tn below a year earlier; loans to the real economy were ¥3.0tn lower; household loans contracted by ¥1.03tn year-to-date; M1 growth slowed to 3.2%. What growth there was came from corporate lending and government bonds, not households. A consumer brand growing 50% in Asia-Pacific against that backdrop is taking share, not riding credit — which is why On's China numbers were evidence of mispricing rather than beta (\$3.3).

3. The trades

3.1 Buying equipment and AI optics into the September lows

The August 25 thesis on AMAT and LRCX was that memory capex follows memory pricing with a two-to-four-quarter lag and that the market was pricing the current level of wafer-fab equipment spending as the peak. On September 16, with AMAT at \$415 and LRCX at \$269, the dials had not turned: high-yield spreads were 270bp, ten basis points off their low; C&I lending was accelerating; the Fed had hiked that afternoon, but into a 12–0 vote and a 10-year that closed a single basis point higher at 5.01%. The price had moved and the thesis had not, so I added. The same funding logic opened Lumentum (AI optical transceivers, \$850), Nebius (neocloud capacity, ≈\$214 average), TE Connectivity (data-centre connectivity, \$203) and a small Flex position (\$110): the parts of the chain that are ordered after the GPU and before the equipment.

What I would do differently: the Nebius position was a second-tier AI borrower bought a week before the breadth dial turned against second-tier AI borrowers. It worked (+17%) because I sold it with everything else on October 6; it was the wrong expression of the view.

3.2 Selling the AI book in the first week of October

Two sets of indicators turned at once, and the rule is that when the price indicators and the credit indicators agree, the position goes regardless of the thesis.

Price and momentum. SOXX had risen 18.5% in fifteen sessions. On October 2, 5 and 6 its 14-day RSI printed 85 and it stood 11% above its 50-day average; the last comparable readings were at the June 22 high. More important than either: the October 5 close of 589.5 was 10% *below* the June 22 close of 655.0. A rally of that speed that fails to make a new high is distribution, not a breakout. AMAT's \$542 on October 5, LRCX's \$347 on October 2 and MU's \$1,097 on October 1 were all made inside that window; MU's was its second high, \$116 below the June 25 close of \$1,213.

Fig. 4 SOXX: an 18.5% rally in 15 sessions into a lower high · RSI(14) 85 on Oct 2–6

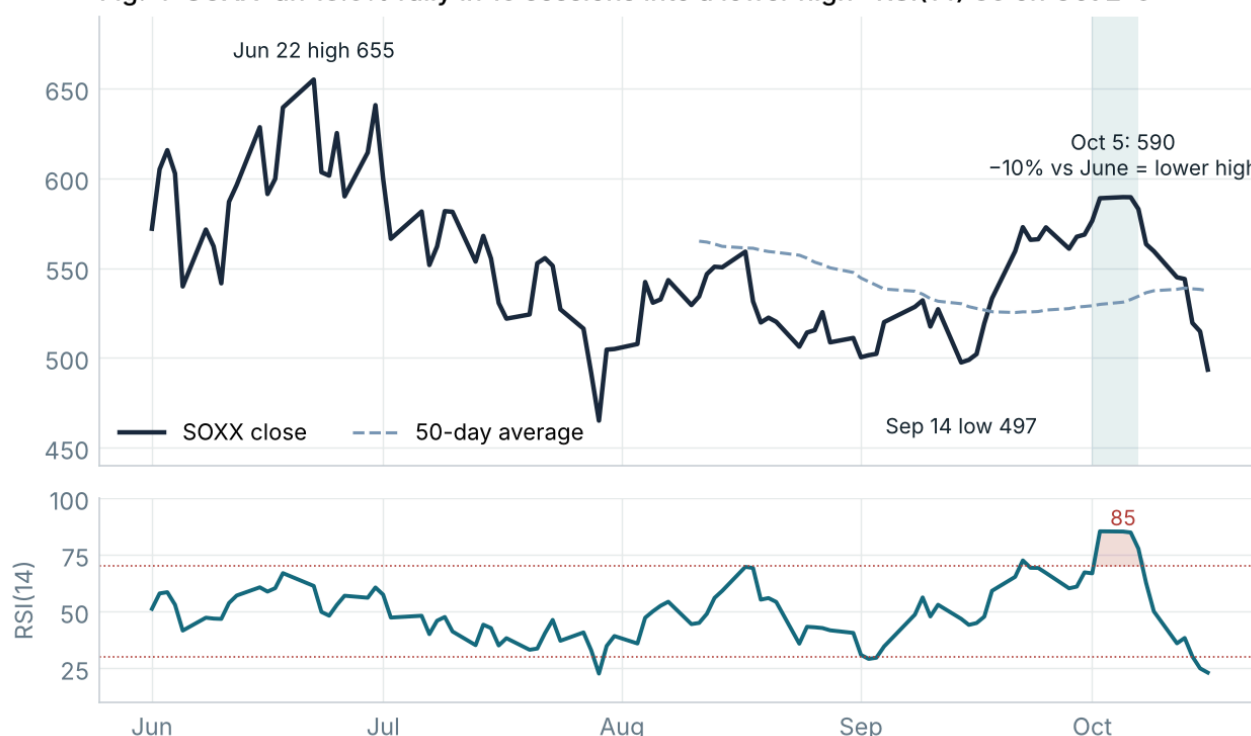


Fig. 4 — SOXX, June 1 to October 16, with its 50-day average and 14-day RSI. The October 5 close was a lower high against June 22; RSI(14) was 85 on October 2–6 and 23 on October 16. Shaded: the October 1–7 selling window. Source: FMP; author's calculation.

Credit. By October 2 high-yield spreads had widened 50bp from their August 28 low (64bp at the October 1 close) while SOXX made its high — credit led equity by a week. The 10-year was at 5.28%, on its way to 5.31% on October 5; the real yield at 2.92%. September's AI issuance total had collapsed to about \$23bn and U.S. investment-grade AI issuance had stopped. Read on the framework in §2, the marginal buyer of the equipment I owned had lost its funding at the moment the equipment stocks were pricing the strongest order book of the cycle.

Between October 1 and 7 the AI book was sold: MU at about \$1,075, AMAT at about \$540, LRCX at about \$346, Lumentum near \$1,100, Nebius near \$250, Flex near \$120, TE Connectivity near \$219. I kept 2% of AMAT as the placeholder for the re-entry rule. The thesis on memory capex is not dead — equipment orders do lag pricing — but a thesis is a claim about the world, and a position is a claim about the price; the price had stopped agreeing.

Attribution. Most of the 13.6 points gained between September 11 and October 2 came from the semiconductor and AI-optical names bought at the lows, with On Holding the largest contributor outside them. Of the drawdown avoided between October 5 and 16, I claim the decision to sell and not the date: a rule that fires on RSI 85, a lower high and a 50bp widening in high-yield spreads would have fired within a week on either side of October 5 in any similar episode. Two to six sessions of lead is the difference between a good process and a good quarter, and this one was both.

3.3 On Holding: the mispriced one

On reported second-quarter results on August 11: net sales of CHF 850.3m, up 13.5% reported and 21.6% in constant currency, against CHF 881m expected; full-year constant-currency growth guidance cut to "the low-20% range" from "at least 23%"; Americas growth slowed to 13.0% in constant currency (4.5% reported) as management restricted wholesale sell-in "in a more promotional environment, particularly in the Americas". The stock fell 20.3% in a day to \$30.91, its worst session since listing, and drifted to \$26.76 by September 15. The sell side's question — Bernstein's August 12 title was "*Transitory pressure or structural slowdown?*" — framed it as a brand losing momentum. I built the position in the last week of August at an average of about \$28.8, held through the September 15 low and added to it there.

My read was mispricing, on three pieces of evidence.

1. **Asia-Pacific and China.** Asia-Pacific net sales were CHF 170.5m in the quarter, up 54.7% in constant currency and a fifth of the group; first-half Asia-Pacific sales grew 43.7% reported (58.1% constant currency) and first-quarter shipments rose about 50% to nearly 2.5 million units. On ran 89 directly operated stores in China at the end of 2025 and plans to pass 100 by the end of 2026, about half of its 20–25 new stores a year. Penetration is still thin: among sub-three-hour finishers at the 2025 Beijing and Shanghai marathons, 0.2% and 1.9% wore On, against 3.7% of all U.S. race finishers in Running USA's 2024 sample and 21.3% for Nike. Against a Chinese consumer whose household credit is contracting (\$2.2), that is a brand taking share, not a cycle.
2. **The Americas slowdown was chosen.** Management is restricting wholesale sell-in to protect full-price integrity — Citi's read on the day was that guidance "was lowered as management deliberately manages wholesale sell-in to protect full-price integrity" — with no discounting, an average shoe price up from about \$145 to over \$170, and the \$290 LightSpray model capacity-constrained. Wholesale grew 12.7% in constant currency; direct-to-consumer grew 34.3% and reached 45.7% of sales. A company can cut its revenue guide and raise its gross-margin guide in the same quarter only if the lost sales were the lowest-margin ones.
3. **The margin structure is the moat.** Gross margin was a record 65.4% (61.5% a year earlier) and the full-year floor was raised to 65%, against the mid-40s to low-50s that Nike and adidas run. Own technology (CloudTec, LightSpray), own channel and own pricing, in that order — a footwear company with a hardware company's economics. The analogy I used in my notes was Apple circa the iPhone 4: a premium product whose maker controls the design, the technology and increasingly the distribution, and whose pricing power shows up precisely in the quarter the volume guide disappoints. Whether the analogy survives the U.S. wholesale transition is the open question; the gross margin says it has so far.

Fig. 5 On Holding (ONON), Jul 1 – Oct 16, 2026

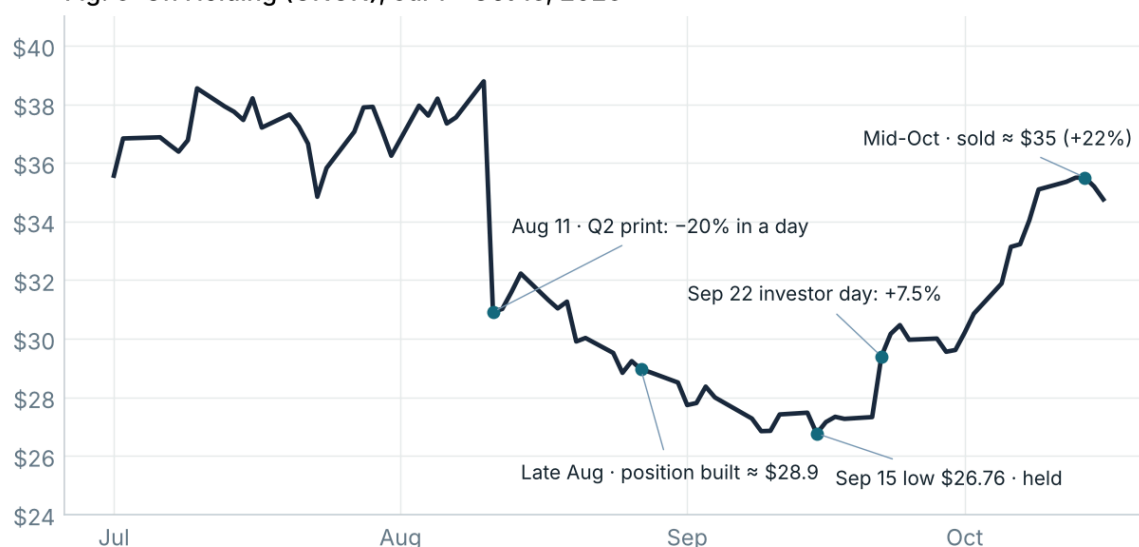


Fig. 5 — On Holding, July 1 to October 16, 2026: the August 11 print, the late-August entry, the September 15 low, the September 22 investor day and the mid-October exit. Source: FMP; author.

Q2 2026 (Aug 11)	Value	Growth	Investor day (Sep 22)
Net sales	CHF 850.3m	+21.6% cc	At least CHF 5.6bn of net sales by 2029 on high-teens constant-currency growth; an adjusted EBITDA margin of at least 22% by 2029; an "industry-leading" gross margin through the period; the company's first buyback, up to \$1bn through 2029; football and golf as new categories. BMO's target went to \$33 from \$28 (Market Perform); Morgan Stanley had initiated at Overweight, \$39, on September 10. The stock closed up 7.6% on the day (13% intraday) and reached \$35.50 on October 14.
Asia-Pacific	CHF 170.5m	+54.7% cc	
EMEA / Americas	CHF 228.2m / 451.6m	+20.5% / +13.0% cc	
DTC / wholesale	CHF 388.4m / 461.9m	+34.3% / +12.7% cc	
Gross margin / adj. EBITDA margin	65.4% / 19.8%	+390bp / +160bp	
FY26 guide	low - 20s% cc; GM ≥65%	cut from ≥23%	

Table 2 — Sources: On Holding Q2 2026 release and six-month MD&A (Aug 11, 2026); Investing.com and Citi on the day; investor-day coverage (24/7 Wall St., Sep 22, 2026); StreetInsider rating history; Running USA 2024; 悦跑圈 (Joyrun) 2025 marathon samples as reported by Huxiu, Aug 24, 2026.

The investor day supplied the catalyst and the targets; the stock went from \$27.32 on September 21 to \$35.50 on October 14. I sold in the second week of October at about \$35 for +22%. The mispricing — a structural-slowdown multiple on a company guiding to high-teens growth at a 65% margin — had closed; the stock had retraced most of the August 11 gap from \$38.78. From here the debate is about U.S. wholesale execution in 2027, which I have no edge on, and the position had done what it was bought for.

3.4 Where the money went: half the account into Treasuries

The Treasury sleeve started with a small TLT purchase in the last week of September and was built mostly in the first week of October: 35% in TLT and 15% in IEI. The 10-year closed at 5.31% on October 5, the highest since 2007; the 30-year at 5.66% (5.67% on October 7); TLT closed at \$77.11 on October 5, its low. The reasoning is §2 run in reverse: when the expansion narrows and the real cost of capital jumps 55bp in six weeks, the next thing to move is the growth impulse, and the long end is the only liquid asset that is long the thing the AI book was short. Breakevens near 2.3% said the long end was pricing supply and the Fed rather than inflation; supply is being leaned against (the doubled buybacks) and the Fed is the swing factor.

The Fed is also the risk. September CPI was 3.7% and re-accelerating from 3.3% in July; producer prices were up 6.3%; the market prices another hike. A central bank hiking into narrowing credit breadth is the classic late-cycle configuration, and it can push long yields higher before it pushes them lower. That is why the sleeve is a barbell rather than a single bet: TLT for the growth-impulse view, IEI — 3-to-7-year, yielding about 4.9–5.0% with a third of the duration — for the case where the Fed keeps going and the curve bear-flattens. The kill criteria are mechanical: a 10-year close above 5.31% or a 30-year close above 5.67% cuts TLT regardless of what I think the Fed should do; a two-year above 5.0% cuts IEI. By October 15 the 10-year was 5.10%, and TLT closed October 16 at \$80.05.

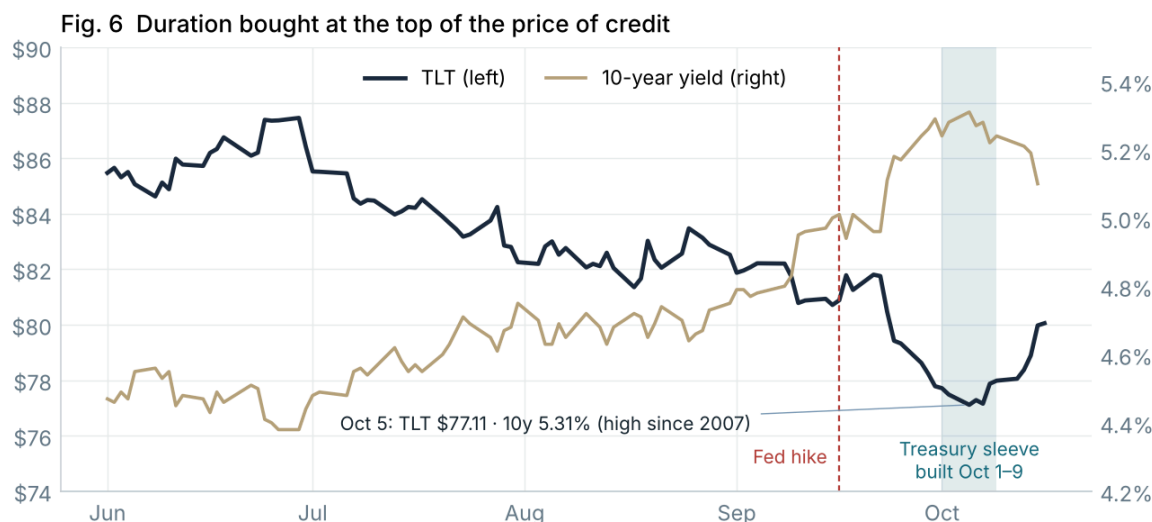


Fig. 6 — TLT and the 10-year yield, June 1 to October 16, 2026. The Treasury sleeve was built between late September and October 9; the 10-year peaked at 5.31% on October 5. Sources: FMP, FRED.

3.5 What did not work: Goldman Sachs

In the first days of September I bought Goldman Sachs at \$1,037 as a 2% position. The logic was the quantity dial: bank credit growing 6%, C&I lending 10%, record corporate issuance — a capital-markets franchise should earn fees and trading revenue on that, and the stock had lagged the money-centre banks. I did not write the thesis down before buying, which the process requires, and the two things I had not considered were both visible in the framework I was using for everything else.

The first was the price dial. A Fed hike into a bank is a multiple-compression event before it is a net-interest-margin event: on September 16, the day of the hike, Goldman fell 3.9% against 1.9% for J.P. Morgan and 3.4% for Bank of America, and kept falling as the 10-year went through 5%. The second was the quarter itself. At the Barclays financial-services conference that same day, David Solomon called fixed income, currencies and commodities "slightly softer" for the quarter, industry commentary pointed to third-quarter investment-banking fees down more than 10% and muted trading, and analysts questioned a large fixed-rate senior-notes issuance maturing 2028–2046 for its interest cost. The meeting was on the calendar and the fee softness had been flagged by peers; I had priced neither. I sold that week at about \$933 for –10%.

The lesson is not the size of the loss, which was small. It is that the position was a bet on the quantity of credit at the moment my own framework said the price and breadth of credit were turning — a long on the lender while I was preparing to sell the borrowers. Positions that contradict the framework need a written thesis more than the ones that agree with it, not less.

4. Scorecard

Position	Sleeve	Cost	Exit (≈)	Return	Window	Note
Lumentum (LITE)	AI optical	\$850.23	\$1,100	+29%	Sep → Oct 7	\$824 on Oct 16, below cost
Applied Materials (AMAT)	Equipment	\$439.71	\$540	+23%	Aug 25 → Oct 5	–25% after the exit; 2% kept
Lam Research (LRCX)	Equipment	\$283.69	\$346	+22%	Aug 25 → Oct 2	–24% after the exit
On Holding (ONON)	Consumer	\$28.76	\$35	+22%	Aug → Oct 12	Mispricing closed
Adecoagro (AGRO)	El Niño	\$10.50	\$12.50	+19%	Sep → Sep 10	Thesis open; position closed too early for its horizon
Nebius (NBIS)	Neocloud	\$214	\$250	+17%	Sep → Oct 6	–34% after the exit; wrong expression of the view

Position	Sleeve	Cost	Exit (≈)	Return	Window	Note
Micron (MU)	Memory	\$957.63*	\$1,075	+12%	Apr 3 → Oct 5	+193% against the \$366.79 re-entry
Flex (FLEX)	AI infrastructure	\$109.92	\$120	+9%	Sep → Oct 6	–25% after the exit
TE Connectivity (TEL)	Connectivity	\$202.57	\$219	+8%	Sep → Oct 2	Held up: –3% after the exit
Applied Optoelectronics (AAOI)	AI optical	\$108.42	\$111	+2%	Sep → Sep 9	–32% after the exit
Amazon (AMZN)	No thesis	\$257.74	\$250	–3%	Sep → Sep 24	Entered without a write-up
Goldman Sachs (GS)	No thesis	\$1,037.20	\$933	–10%	Sep → Sep 16	\$3.5
MasTec (MTZ)	Industrials	\$243.67*	\$210	–14%	Sep 9 → Sep 30	Second loss in a name Issue #7 rated avoid
Trip.com (TCOM)	China consumer	\$48.53	\$41	–15%	May 22 → Sep 4	Sold in the September reshuffle

Table 3 — Price returns on the instrument, exit over cost. Costs are the broker's average costs; * marks diluted costs after partial sales (MU's earlier trims, MTZ's September round trip). Exits marked ≈ are approximate and reconciled from the broker record later; "after the exit" moves are from the exit window to the October 16 close. Fourteen trades: ten gains, four losses, median +11%. Since inception: 33 closed trades, 67% winners.

Three honest footnotes to the table. AGRO was sold two days after Issue #8 was published, at a +19% gain and against a thesis whose horizon is the 2026–27 El Niño peak; the position did not match the research and the research is still open. AAOI was right for the wrong reason — I sold it a week in, before the breadth signal, and it fell 32%. And the three positions that never had a written thesis (TCOM, AMZN, GS) produced three of the four losses; the fourth was a name my own research had rated avoid.

5. What changes the view

The framework gives re-entry and exit rules rather than targets. I would buy equipment back when the breadth dial reopens — high-yield spreads back under 280bp and a monthly AI issuance print above \$50bn — provided TrendForce's first-quarter 2027 contract-price survey is flat-to-up and Applied Materials' November 12 call does not guide calendar-2027 wafer-fab equipment down. Lam Research reports on October 21 and will give the first read. The Treasury sleeve is cut by the price rules in §3.4, not by a view. Intel (October 29) and Oscar Health (November 5) are starter positions with their own notes to come; the October 27–28 FOMC and the November 4 refunding announcement are the two macro dates that can move the sleeve.

Dated forecasts for the ledger

ID	Statement	P	Resolves	Settles on
cr9-01	SOXX closes 2026 below its October 5 close of 589.51.	65%	Dec 31, 2026	iShares/ICE closing value
cr9-02	The 10-year Treasury yield closes below 4.75% on at least one day before March 31, 2027.	55%	Mar 31, 2027	FRED DGS10
cr9-03	The 10-year closes above 5.31% (a new cycle high) at least once before December 31, 2026.	35%	Dec 31, 2026	FRED DGS10
cr9-04	ICE BofA U.S. high-yield OAS prints 400bp or wider on at least one day before March 31, 2027.	40%	Mar 31, 2027	FRED BAMLH0A0HYM2
cr9-05	Applied Materials' November 12 call characterises calendar-2027 WFE as flat-to-down (company language).	45%	Nov 12, 2026	FQ4 2026 call transcript

ID	Statement	P	Resolves	Settles on
cr9-06	TrendForce's conventional DRAM contract-price forecast for 1Q27 is negative q/q.	50%	Dec 31, 2026	TrendForce quarterly bulletin
cr9-07	The Fed raises the target range again at either the October 28 or the December 9 meeting.	60%	Dec 9, 2026	FOMC statement (market-implied 92% on Oct 15)
cr9-08	On Holding reports FY2026 constant-currency net-sales growth of 20% or more.	70%	Mar 2027	FY26 results release

Table 4 — Entered in the site's forecast ledger with these probabilities on publication; never edited afterwards, scored on resolution.

Sources and definitions

- Portfolio returns: brokerage weekly time-weighted returns, chain-linked from the August 21 point; self-reported and unaudited; methodology at mingyang.fund/methodology. SPY total return and SOXX from Financial Modeling Prep.
- Rates and spreads: FRED series DGS2, DGS3, DGS5, DGS7, DGS10, DGS30, DFII10, T10YIE, DFF, BAMLH0A0HYM2, BAMLH0A0HYM2EY, BAMLCOA0CM, MORTGAGE30US, WALCL, RRPONTSYD, WTREGEN (retrieved Oct 19, 2026).
- Bank credit: Federal Reserve H.8, release of October 16, 2026 (week ending October 7); FRED TOTBKCR and BUSLOANS (seasonally adjusted); H.8 has a level break in January 2025.
- FOMC: September 16, 2026 statement (target range 3.75–4.00%, 12–0). Treasury buybacks: Reuters, August 19, 2026. Market-implied hike probabilities and CPI/PPI prints as reported by Business Insider, October 15, 2026.
- AI credit: Morgan Stanley issuance data via the Financial Times, as reported October 10, 2026 (\$466bn year-to-date vs \$101bn; \$113bn June, \$23bn September); Goldman Sachs 2027 debt-funding estimate as reported October 2026; TwentyFour Asset Management, "How hyperscaler issuance is reshaping the Treasury curve," September 3, 2026 (41% vs 16% beyond 15 years; 4.5% index weight; 17.75% ROIC; Alphabet's £1bn 2126 bond and £9.5bn book). CoreWeave CDS, bond prices and implied default odds: S&P Global Market Intelligence and ICE Data Services as reported October 14–15, 2026; Oracle and SoftBank CDS: CNBC/Bloomberg, October 15, 2026; Project Jupiter loan marks as reported October 10, 2026.
- Chip sell-off: capital.com and Korean press on CXMT's 4F² DRAM announcement, October 12–13, 2026; Business Insider, October 15, 2026.
- Margin debt: FINRA customer margin statistics through July 2026 (June \$1,502bn, July \$1,417bn), as reported August 18 and September 10, 2026.
- Memory pricing: TrendForce DRAM contract-price forecasts as reported June 2026.
- China credit: People's Bank of China, financial statistics for January–September 2026 (October 14, 2026), as reported by SMM and Caixin.
- On Holding: Q2 2026 results release and Form 6-K MD&A (August 11, 2026); Investing.com, August 11, 2026 (consensus, prior guidance, Citi); 24/7 Wall St. on the investor day (September 22, 2026); StreetInsider rating history (BMO, Morgan Stanley); Bernstein, "On: Transitory pressure or structural slowdown?", August 12, 2026; Huxiu / 金角财经, August 24, 2026 (China store counts, pricing, 悦跑圈 marathon samples); Running USA 2024.
- Goldman Sachs: Reuters, September 16, 2026 (Solomon at the Barclays Global Financial Services Conference); TradingKey market movers, September 16, 2026.
- Definitions: RSI(14) on daily closes; 50-day simple moving average; HY/IG OAS are ICE BofA option-adjusted spreads; net liquidity = Fed total assets – overnight reverse repo – Treasury General Account; trade returns are price returns on the instrument.

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