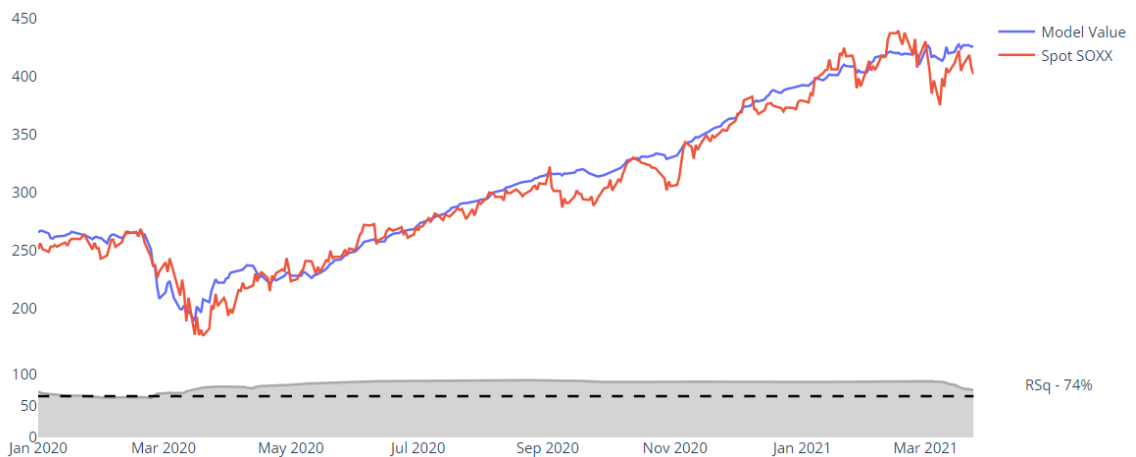




## Semiconductors

- Earlier this month "[Regime Shift in Tech](#)" flagged how **Technology was falling out of a macro regime**. But while NASDAQ, US IT & European Technology all saw macro's explanatory power fall, Semiconductors were the outlier – still a macro play.



- Now [SOXX](#) too is starting to see a fall in macro's explanatory power. Having been high & stable for months, model confidence has fallen 12% in the last 2 weeks alone.
- **Semiconductors are the latest area of technology to potentially become less a function of macro fundamentals**; more at the whim of positioning, sentiment & other non-macro factors. An environment which back-tests suggest is often associated with higher volatility.
- At 74% model confidence, SOXX is still currently in regime & macro fair value is flat-lining while the spot price has rolled over. That's opened up a  $-0.5\sigma$  (-6.2%) Fair Value Gap but any valuation signal needs to be monitored in conjunction with model confidence.
- Asian Tech, which led the move out of macro regime in 2020, is however showing tentative signs of responding to macro fundamentals once again. [ChiNext](#) model confidence is at 65% & the cusp of a new regime.

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