Below is the complete English version of the independent research project initiated by Final Resurrection Ltd. for the owner of HB005.

**IS THE AI TRADE FACING A RESET?**

**Independent Research Report on the AI, Semiconductor and Memory Markets**

**Research initiated and conducted by Final Resurrection Ltd.**
**Prepared for the owner of Portfolio HB005**
**Research date: 30 July 2026**
**Period under review: May–July 2026**

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**Research Background and Mandate**

Final Resurrection Ltd. initiated this independent market review after the owner of Portfolio HB005 questioned whether the current weakness across artificial intelligence, semiconductor and memory-related equities represented:

- a temporary market correction;
- a broader rotation away from AI investments;
- the beginning of a structural decline in the AI investment cycle; or
- a fundamental reset requiring material changes to the portfolio strategy.

The concern arose after several days of unusually broad losses across AI infrastructure, semiconductor equipment, memory, networking and data-centre-related equities.

The owner of HB005 observed that many positions had continued to weaken despite strong corporate earnings, continued hyperscaler investment and apparently favourable long-term demand projections.

The purpose of this report is therefore to provide an independent decision framework.

The central questions are:

1. Has the AI market been declining since May 2026?
2. Is the current correction mainly technical or fundamental?
3. Is demand for AI chips, memory and infrastructure weakening?
4. Are current equity valuations still supported by expected future earnings?
5. Is the AI trade entering a temporary reset or a longer structural decline?

6. What are the implications for a portfolio with substantial exposure to AI, semiconductors and memory?

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**1. Executive Summary**

The AI, semiconductor and memory trade is clearly undergoing a reset.

However, it is essential to distinguish between different types of reset.

There is currently insufficient evidence of a fundamental collapse in demand for AI computing, advanced semiconductors, High-Bandwidth Memory, data-centre networking or semiconductor manufacturing equipment.

On the contrary:

- TSMC continues to report exceptional revenue and margins.
- Micron reports that DRAM and NAND demand continues to exceed available industry supply.
- TrendForce continues to forecast substantial growth in the global memory market.
- Microsoft, Meta, Alphabet, Amazon and other hyperscalers continue to invest extraordinary amounts in AI infrastructure.
- ASML has increased its full-year 2026 outlook.
- Samsung expects semiconductor supply constraints to remain relevant into 2028.

At the same time, the equity-market environment has deteriorated sharply since late June:

- the Philadelphia Semiconductor Index entered a technical bear market;
- many leading AI and semiconductor equities declined despite strong operational results;
- the Nasdaq moved close to correction territory;
- Samsung and SK Hynix experienced historic one-day declines;
- highly leveraged and crowded AI positions were reduced rapidly;
- capital rotated into financials, healthcare, consumer-related companies and other previously neglected sectors.

The principal conclusion is:

The fundamental AI expansion has not yet ended, but the first phase of the AI equity trade has ended.

The period in which almost any company associated with GPUs, memory, optical connectivity, networking, cooling, power supply or data-centre construction received a higher valuation is being replaced by a much more selective market.

The current correction is therefore best described as a combination of:

- a valuation reset;
- a positioning reset;
- a confidence reset;
- and an emerging financing-risk reset.

The correction is no longer merely approaching. It is already under way.

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**2. Final Resurrection's Principal Finding**

The owner of HB005 was correct to question the market.

However, the precise sequence since May must be understood correctly.

The AI market did not decline continuously throughout May.

The more accurate chronology is:

**May 2026: final acceleration.**
**June 2026: overextension and peak formation.**
**July 2026: broad valuation and positioning reset.**

This distinction is important.

The market initially continued to reward AI-related companies in May and parts of June. The major change occurred when increasingly strong operating figures no longer produced equally strong share-price reactions.

That was the first indication that expectations had become too high.

By July, investors were no longer asking whether AI demand existed. They were asking:

- whether demand could continue growing at the same rate;
- whether the enormous investment commitments would produce acceptable returns;
- whether memory and GPU shortages would remain permanent;
- whether hyperscaler expenditure would continue rising indefinitely;

- and whether some AI infrastructure projects were becoming dependent on increasingly complex financing arrangements.

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**3. What Happened Between May and July 2026?**

**Phase One: May 2026 — The Final Acceleration**

The AI investment narrative strengthened further during May.

The principal drivers were:

- continuing increases in hyperscaler capital expenditure;
- rapidly rising DRAM and NAND prices;
- severe supply constraints in High-Bandwidth Memory;
- expectations of sustained GPU shortages;
- rapidly increasing demand for inference and agentic AI;
- and the assumption that the AI infrastructure cycle would extend for several years.

TrendForce materially increased its forecasts for the global memory market.

Its projections included:

| Segment | 2026 Forecast | 2026 Growth | 2027 Forecast |
|---|---|---|---|
| DRAM | USD 618.7 billion | Approximately 303% | USD 903.3 billion |
| Total memory market | USD 889.3 billion | Substantially increased | Approximately USD 1.28 trillion |

The growth was attributed to:

- AI training;
- AI inference;
- agentic AI applications;
- higher memory content per server;
- HBM capacity requirements;
- and the fact that HBM production consumes significantly more wafer capacity than conventional DRAM.

These conditions created a strong investment case for memory manufacturers, semiconductor equipment providers and companies supplying the AI data-centre ecosystem.

**Phase Two: June 2026 — Overextension and Initial Warning Signals**

During June, valuations in several AI-related segments became increasingly difficult to justify without assuming almost perfect future execution.

The most heavily favoured areas included:

- GPU designers;
- HBM and DRAM manufacturers;
- semiconductor manufacturing equipment;
- optical and networking suppliers;
- power and cooling infrastructure;
- specialist connectivity companies;
- and data-centre construction providers.

Several warning signs began to appear:

- strong results produced weaker share-price reactions;
- investors increasingly sold good news;
- hedge funds reduced semiconductor exposure;
- concerns emerged over the level of borrowing used to finance AI infrastructure;
- the market became more sensitive to interest rates and bond yields;
- and capital began rotating into sectors that had underperformed the AI trade.

The market was therefore beginning to change before the most dramatic July declines.

**Phase Three: July 2026 — The Broad Reset**

In July, the correction became global and sector-wide.

The weakness was no longer limited to individual companies.

It affected:

- Nvidia and other GPU-related companies;
- Micron, Samsung and SK Hynix;

- semiconductor equipment companies;
- networking and optical suppliers;
- power and cooling companies;
- AI data-centre operators;
- and highly leveraged AI investment products.

The Philadelphia Semiconductor Index fell sufficiently far from its June high to enter a technical bear market.

At the same time:

- the Magnificent Seven traded materially below their June levels;
- the Nasdaq approached technical correction territory;
- the semiconductor sector experienced one of its most severe monthly declines in many years;
- and the South Korean equity market suffered exceptional volatility because of its concentration in Samsung and SK Hynix.

This was not simply a normal one-day profit-taking event.

It represented a broad reduction in exposure to the entire AI infrastructure complex.

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**4. The Four Components of the Current AI Reset**

**4.1 Valuation Reset**

Many AI-related equities were priced on the assumption that:

- AI demand would grow almost without interruption;
- HBM and advanced GPUs would remain structurally scarce;
- exceptionally high margins would be maintained;
- hyperscaler capital expenditure would increase every year;
- Chinese competitors would remain significantly behind;
- and companies would continue to exceed already elevated expectations.

At such valuation levels, good results were no longer sufficient.

Companies had to deliver:

- higher-than-expected revenue;
- higher-than-expected margins;
- stronger guidance;
- rising order backlogs;
- and further increases in expected future demand.

When results were merely strong rather than exceptional, shares frequently declined.

This is classic valuation compression.

The underlying company may remain profitable and continue growing, while the share price falls because investors are no longer willing to pay the same multiple for future earnings.

**4.2 Positioning Reset**

The AI trade had become exceptionally crowded.

Many investors simultaneously owned combinations of:

- Nvidia;
- Broadcom;
- TSMC;
- Micron;
- Lam Research;
- Arista Networks;
- Marvell;
- Vertiv;
- Astera Labs;
- Samsung;
- SK Hynix;
- semiconductor ETFs;
- and leveraged single-stock or sector products.

Although these companies operate in different areas, they respond to many of the same underlying factors:

- hyperscaler capital expenditure;
- data-centre construction;
- GPU deliveries;
- HBM supply;
- interest rates;
- risk appetite;
- and valuation multiples.

In a rising market, these positions appear diversified.

During a market decline, they can behave like one highly concentrated position.

The decline was intensified by:

- stop-loss orders;
- margin calls;
- forced deleveraging;
- volatility-control models;
- leveraged ETFs;
- hedge-fund risk reduction;
- and profit-taking after exceptional gains.

The extreme losses in South Korea demonstrated how concentrated exposure and leveraged products can transform a normal valuation correction into a market dislocation.

**4.3 Confidence Reset**

Investors are beginning to question the economic quality of the AI investment cycle.

The central issue is no longer whether AI infrastructure is being built.

It clearly is.

The new question is:

How much additional revenue, operating profit and free cash flow will be generated by every additional dollar invested in AI infrastructure?

During the first phase of the cycle, higher capital expenditure was interpreted as evidence of stronger future demand.

It benefited the suppliers of:

- GPUs;
- CPUs;
- memory;
- networking;
- optical equipment;
- cooling systems;
- power systems;
- and semiconductor manufacturing equipment.

The market is now considering the negative side of the same expenditure:

- higher depreciation;
- faster hardware obsolescence;
- lower free cash flow;
- possible overcapacity;
- increased electricity costs;
- rising network expenditure;
- uncertain monetisation;
- and potential margin pressure.

The market is therefore moving from enthusiasm about expenditure to scrutiny of the returns generated by that expenditure.

**4.4 Financing Reset**

The most important potential systemic risk concerns the financing of the next stage of AI infrastructure development.

The first major wave of AI expenditure was largely financed by highly profitable companies such as:

- Microsoft;
- Alphabet;
- Meta;
- and Amazon.

These companies possess substantial operating cash flows and can, in principle, finance large investments internally.

The greater risk lies with:

- smaller GPU-cloud providers;
- highly leveraged data-centre operators;
- companies with long-term purchase commitments;
- projects dependent on private credit;
- businesses with high customer concentration;
- and financing structures in which suppliers, customers and investors become increasingly dependent on one another.

Concerns about circular financing arise when:

1. a chip supplier invests in or finances a customer;
2. the customer uses that capital to purchase the supplier's products;
3. the resulting order is then treated as evidence of independent market demand.

There is not yet sufficient evidence that this has become a systemic problem.

However, this is the mechanism most capable of converting a stock-market correction into a real investment contraction.

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**5. Hyperscaler Capital Expenditure: Strength and Risk**

**Microsoft**

Microsoft reported quarterly capital expenditure of approximately USD 41 billion.

Approximately two-thirds of this expenditure related to shorter-lived assets, particularly CPUs and GPUs.

This matters because such assets:

- depreciate more rapidly;
- require replacement more frequently;
- and may become technologically outdated before a traditional data-centre building or physical facility.

Microsoft also reported that its AI business had reached an annualised revenue run rate exceeding USD 37 billion, representing growth of approximately 123% compared with the previous year.

This demonstrates that Microsoft is generating real and substantial AI-related revenue.

However, the company also illustrates the principal market concern:

- AI revenue is rising strongly;
- cloud demand is growing;
- but infrastructure expenditure and depreciation are also increasing rapidly.

Microsoft therefore supports both the bullish and bearish interpretations of the AI cycle.

**Bullish interpretation**

- strong existing customer base;
- real AI revenue;
- strong cloud demand;
- large contractual backlog;
- significant recurring revenue;
- and substantial internal financing capacity.

**Risk interpretation**

- rapidly rising capital expenditure;
- shorter useful life of hardware;
- pressure on gross margins;
- increased depreciation;
- and possible pressure on future free cash flow.

**Meta**

Meta reported quarterly capital expenditure exceeding USD 31 billion, including principal payments on finance leases.

Its total costs and expenses increased substantially compared with the previous year.

Meta's annual capital-expenditure expectations also remain exceptionally high.

The market therefore evaluates more than revenue growth.

Investors are also assessing:

- infrastructure costs;
- depreciation;
- staffing costs;
- restructuring expenditure;
- and the timing of measurable AI returns.

Meta demonstrates that a company can possess a highly profitable core business while still being penalised if the market believes that AI expenditure is rising faster than the associated financial return.

**Alphabet**

Alphabet has also increased its AI and data-centre investment programme substantially.

As with Microsoft and Meta, the relevant question is no longer merely whether cloud and AI revenue are growing.

The question is whether they are growing quickly enough to justify the speed of capital deployment.

**The Central Hyperscaler Contradiction**

Increasing hyperscaler capital expenditure remains positive for suppliers such as:

- Nvidia;
- TSMC;
- Micron;
- Broadcom;
- Arista Networks;
- Marvell;
- Vertiv;

- and semiconductor equipment companies.

However, the same expenditure can be negative for hyperscaler valuations when it leads to:

- weaker free cash flow;
- higher depreciation;
- pressure on margins;
- and uncertain return on invested capital.

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**6. The Semiconductor Market: Fundamentals Remain Strong**

**TSMC**

TSMC reported exceptionally strong second-quarter 2026 results.

The company reported:

- revenue of approximately USD 40.2 billion;
- gross margin of 67.7%;
- and operating margin of 60.3%.

For the third quarter, TSMC expected:

- revenue between approximately USD 44.6 billion and USD 45.8 billion;
- gross margin between 65% and 67%;
- and operating margin between 56% and 58%.

These are not figures associated with a semiconductor demand collapse.

TSMC continues to experience strong demand for:

- advanced logic;
- high-performance computing;
- AI accelerators;
- custom silicon;
- and leading-edge manufacturing nodes.

The company's operational position remains one of the strongest in the semiconductor industry.

The principal risks remain:

- geopolitical exposure to Taiwan;
- customer concentration;
- the high cost of overseas fabrication capacity;
- potential margin dilution from new facilities;
- and the possibility of future capital-expenditure normalisation.

**ASML**

ASML reported:

- quarterly revenue of approximately EUR 9.3 billion;
- gross margin of approximately 54%;
- and net profit of approximately EUR 2.9 billion.

The company increased its full-year 2026 outlook to:

- revenue between EUR 43 billion and EUR 45 billion;
- and gross margin between 54% and 56%.

Memory represented approximately 49% of ASML's system revenue during the quarter, with logic accounting for approximately 51%.

This demonstrates that both leading-edge logic and memory investment remain strong.

ASML's business remains exceptionally difficult to replicate because of its position in advanced lithography.

However, even a structurally strong business can experience a significant share-price correction when:

- the valuation is high;
- order expectations are elevated;
- export restrictions create uncertainty;
- and the market begins anticipating future capital-expenditure normalisation.

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**7. Memory: The Central Market Contradiction**

**7.1 The Fundamental Position**

Micron reported record third-quarter 2026 results.

The company reported approximately:

- USD 41.46 billion in revenue;
- USD 28.24 billion in GAAP net income;
- and USD 25.39 billion in operating cash flow.

Micron also stated that:

- data-centre revenue exceeded USD 25 billion during the quarter;
- this represented an annualised run rate exceeding USD 100 billion;
- and demand for DRAM and NAND continued to exceed available industry supply.

TrendForce continued to forecast substantial increases in contract prices.

Samsung also indicated that semiconductor supply constraints could remain relevant into 2028.

South Korean export data showed very strong year-on-year growth in semiconductor exports.

These figures indicate that the memory industry remains in a fundamental boom.

**7.2 Why Memory Shares Can Fall During a Boom**

Memory equities rarely reflect only current earnings.

They normally reflect expectations for pricing, capacity and profitability six to eighteen months into the future.

The traditional memory cycle operates as follows:

1. Demand rises.
2. Prices increase.
3. Margins expand.
4. Profits rise sharply.
5. Manufacturers increase investment.
6. Customers order additional inventory.
7. New capacity is introduced.

8. Supply improves.
9. Prices begin to normalise.
10. Equity markets anticipate the downturn before reported earnings decline.

This explains why memory shares may begin falling while:

- current prices are still rising;
- margins remain exceptionally strong;
- orders exceed supply;
- and companies continue to report record profits.

The equity market may already be anticipating:

- improved production yields;
- increased capacity;
- reduced scarcity;
- a normalisation in HBM pricing;
- additional competition;
- and a future reallocation of production from HBM back into conventional DRAM.

Micron itself acknowledges that weaker HBM demand could cause manufacturers to return capacity to conventional DRAM, increasing supply in that market.

The correct conclusion is therefore:

Memory remains fundamentally strong but may already be entering a late-cycle equity-market phase.

This is especially relevant for HB005 because memory positions may continue to report excellent business performance while still suffering further valuation compression.

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**8. China: A Genuine Risk, but Not Yet an Immediate HBM Replacement**

Recent concerns about China include progress in:

- DRAM;
- NAND;

- domestic lithography;
- AI accelerators;
- lower-cost AI models;
- and semiconductor manufacturing capacity.

These developments have increased market concern about future competition.

However, the risk must be divided into two time horizons.

**Short-Term Risk**

China remains behind the market leaders in:

- the most advanced HBM products;
- advanced packaging;
- leading-edge semiconductor nodes;
- and the highest-performance lithography systems.

The immediate threat to:

- SK Hynix HBM4;
- Samsung HBM4;
- Micron's advanced HBM products;
- TSMC's leading-edge manufacturing;
- and ASML's EUV position

therefore remains limited.

**Medium-Term Risk**

The medium-term threat is more meaningful in:

- standard DRAM;
- older NAND generations;
- Chinese domestic demand;
- import substitution;
- lower-cost AI systems;

- and commodity memory pricing.

China does not need to become the global technology leader to affect the valuation of western or Korean semiconductor companies.

It only needs to:

- satisfy a larger share of Chinese domestic demand;
- increase supply in standard memory;
- reduce the expected duration of scarcity;
- or force established manufacturers to invest more heavily.

The principal China risk is therefore not an immediate collapse in high-end HBM demand.

It is the possibility that additional Chinese capacity weakens future pricing in conventional memory and reduces the scarcity premium currently embedded in many valuations.

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**9. Assessment by Market Segment**

| Market segment | Fundamental position | Equity-market risk | Final Resurrection assessment |
|---|---|---|---|
| HBM and advanced DRAM | Very strong demand and restricted supply | High after extreme gains | Fundamentally strong, but late-cycle risk rising |
| Conventional DRAM and NAND | Strong pricing and low inventories | Very high because of future capacity | Highest cyclical risk |
| GPU designers | Demand remains strong | High valuation and custom-chip competition | Quality and valuation must be separated |
| Foundries | Strong utilisation of advanced nodes | Geopolitical and capital-expenditure risk | Relatively resilient |
| Semiconductor equipment | Strong current investment cycle | Expectations may already be priced in | Structurally attractive but cyclical |
| Networking and optical equipment | Strong data-centre demand | High valuation and customer concentration | Particularly vulnerable to compression |

| Market segment | Fundamental position | Equity-market risk | Final Resurrection assessment |
|---|---|---|---|
| Power and cooling infrastructure | Supported by data-centre construction | Crowded positioning | Further correction possible |
| Hyperscalers | Strong revenue and cash generation | CapEx, depreciation and ROI concerns | More resilient than pure suppliers |
| Neoclouds and smaller GPU-cloud providers | Strong demand | High leverage and customer concentration | Highest financing risk |

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**10. Is This Comparable to the Dotcom Bubble?**

**Similarities**

The current AI cycle shares several features with the technology boom of the late 1990s:

- concentrated market leadership;
- extreme share-price appreciation;
- elevated valuation multiples;
- optimistic long-term growth assumptions;
- enormous infrastructure investment;
- some circular commercial relationships;
- and a widespread belief that demand could remain almost unlimited.

**Differences**

The leading AI companies today generally possess:

- substantial existing revenue;
- high profitability;
- strong operating cash flow;
- established customers;
- genuine product scarcity;
- and technologies that are difficult to replace.

This differs significantly from many companies during the dotcom period that had:

- little revenue;
- no profit;
- weak balance sheets;
- and unproven commercial models.

The more appropriate comparison is therefore not necessarily a complete repeat of the 2000 collapse.

A more realistic possibility is:

A severe infrastructure and valuation cycle in which genuine long-term winners can still lose 30% to 60% of their market value before the next sustainable expansion begins.

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**11. Scenario Analysis Through the End of 2026**

**Scenario A: Extended Valuation Normalisation**

**Estimated probability: 45%**

In this scenario:

- semiconductor and AI equities remain volatile for several months;
- rallies are initially sold;
- corporate fundamentals remain strong;
- valuations normalise through a combination of lower prices and rising earnings;
- leadership becomes narrower;
- and high-quality companies stabilise before speculative infrastructure companies.

This is currently Final Resurrection's base case.

**Scenario B: Orderly Bottom Formation and Renewed Rally**

**Estimated probability: 30%**

This scenario would require:

- continued strong Nvidia demand;
- stable or rising HBM pricing;

- no material reductions in hyperscaler capital expenditure;
- stable credit markets;
- continued positive guidance from TSMC and ASML;
- and a technical recovery in the semiconductor index.

A sustainable recovery would require more than a one- or two-day rebound.

It would likely need:

- a higher low;
- a higher high;
- improving market breadth;
- recovery above key moving averages;
- and positive share-price reactions to strong earnings.

**Scenario C: Fundamental AI Capital-Expenditure Reset**

**Estimated probability: 20%**

This scenario could be triggered by:

- a major hyperscaler reducing capital-expenditure guidance;
- AI revenue failing to justify investment growth;
- a significant neocloud financing problem;
- declining HBM contract prices;
- delayed GPU orders;
- or increasing memory inventories.

In this scenario, additional substantial declines across the AI complex would be likely.

**Scenario D: Systemic AI-Related Market Crisis**

**Estimated probability: 5%**

This would require several events to occur together:

- major credit defaults;
- broad capital-expenditure reductions;

- substantial memory price declines;
- weakening cloud demand;
- stress within private-credit or banking systems;
- and a serious global recession.

There is not currently sufficient evidence to identify this as a probable outcome.

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**12. Early-Warning Framework**

**Yellow Warning Signals**

- shares fall despite strong results;
- the semiconductor index remains below its 50-day moving average;
- rallies last only a small number of days;
- hyperscaler capital expenditure rises faster than cloud revenue;
- management teams increasingly emphasise efficiency rather than capacity shortages;
- suppliers report longer customer decision cycles;
- and China gains market share in standard memory.

Several yellow warning signals are already active.

**Orange Warning Signals**

- HBM prices stop rising;
- DRAM or NAND inventories increase for several quarters;
- TSMC reduces its growth outlook;
- ASML order intake declines materially;
- Nvidia customers delay system deployments;
- memory manufacturers increase output faster than demand;
- and credit spreads for AI infrastructure companies widen materially.

These indicators now require close monitoring.

**Red Warning Signals**

- HBM contract prices decline quarter-on-quarter;
- a major hyperscaler reduces AI capital expenditure;
- a large GPU-cloud company cannot meet financial commitments;
- TSMC reduces revenue or margin guidance;
- Micron reports increasing inventories and weaker orders;
- several large data-centre projects are postponed;
- or Nvidia and Broadcom report order cancellations.

A genuine fundamental demand reset would only be confirmed if several red warning signals emerged.

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**13. Implications for Portfolio HB005**

Portfolio HB005 contains substantial direct and indirect exposure to the AI infrastructure cycle.

Companies such as:

- Arista Networks;
- Astera Labs;
- Marvell;
- Lam Research;
- Nvidia;
- Broadcom;
- Micron;
- TSMC;
- Vertiv;
- Oracle;
- and related warrants or leveraged instruments

are highly correlated through the same economic drivers.

The positions should not be viewed as fully independent simply because the businesses operate in different industry segments.

Their common risk factors include:

- hyperscaler capital expenditure;
- AI-cluster construction;
- GPU availability;
- memory pricing;
- data-centre financing;
- market risk appetite;
- and valuation compression.

**13.1 A Lower Price Does Not Automatically Mean Better Value**

A company that has already declined by 25% can decline by another 25% during a valuation reset without experiencing a major deterioration in its underlying business.

This is particularly relevant for highly valued AI infrastructure and connectivity companies.

**13.2 Loss Recovery Should Not Be Pursued Through Additional Leverage**

During a volatile reset, leveraged products face several simultaneous disadvantages:

- time-value decay;
- wide spreads;
- changes in implied volatility;
- unstable underlying trends;
- and the possibility of rapid intraday reversals.

Using additional warrants or leveraged products to recover losses would therefore increase rather than reduce portfolio risk.

**13.3 Short-Term Rebounds Are Not Proof of a New Bull Market**

Following a 20% to 30% decline, strong technical rebounds are normal.

A sustainable change in trend requires:

- a higher low;
- a higher high;
- improving market breadth;

- recovery above key moving averages;
- stronger volume on rising days;
- and constructive reactions to earnings announcements.

**13.4 Quality Must Be Separated From Cyclicality**

Relatively more resilient businesses may include:

- TSMC;
- Microsoft;
- Alphabet;
- ASML;
- and potentially Nvidia after sufficient valuation normalisation.

Higher-risk categories include:

- highly valued connectivity and optical-equipment companies;
- smaller AI infrastructure companies;
- strongly cyclical memory positions;
- highly leveraged AI-cloud and data-centre operators;
- and short-duration warrants.

This does not mean the lower-risk companies cannot decline.

It means that their business models, balance sheets and competitive positions may be better able to withstand a longer industry correction.

**13.5 Cash Is a Strategic Position**

Cash currently provides:

- protection against further losses;
- flexibility to act after genuine bottom formation;
- reduced risk of forced selling;
- lower dependence on an immediate rebound;
- and the ability to distinguish between a temporary recovery and a sustainable trend change.

Holding cash is therefore not equivalent to abandoning the AI investment thesis.

It is a risk-management decision during an unstable valuation regime.

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**14. Final Resurrection's Final Assessment**

**Is the AI trade facing a reset?**

Yes.

The reset is already taking place.

**Has the fundamental AI expansion ended?**

No.

There is currently insufficient evidence to support that conclusion.

TSMC, ASML, Micron, Microsoft, Meta, Samsung and the principal memory-industry research sources continue to report:

- strong demand;
- rising investment;
- limited supply;
- increasing AI-related revenue;
- and substantial long-term infrastructure requirements.

**What is currently being corrected?**

The market is correcting:

- excessive valuations;
- crowded positioning;
- leveraged speculation;
- unrealistic margin assumptions;
- the expectation of permanently rising capital expenditure;
- and the previous underestimation of financing and Chinese competition risks.

**Has the market been falling continuously since May?**

No.

The correct sequence is:

**May: final acceleration.**
**June: overextension and peak formation.**
**July: broad valuation and positioning reset.**

**Is further downside possible?**

Yes.

The semiconductor sector has already experienced a major correction, but further downside remains possible if:

- earnings reactions remain negative;
- capital-expenditure guidance weakens;
- HBM prices stop rising;
- memory inventories increase;
- or credit stress emerges.

At the same time, after declines of 20% to 30%, strong counter-trend rallies are also likely.

Such rallies should not automatically be interpreted as a new sustainable bull market.

**Final Conclusion**

The AI supercycle is probably not over. However, the period in which rising AI expenditure automatically justified rising equity prices has ended, at least for the present.

The next phase of the AI market will require:

- measurable AI revenue;
- credible return on invested capital;
- controlled leverage;
- sustainable free cash flow;
- realistic valuations;
- and demonstrable technological advantages.

The market is entering a more mature and selective phase:

- less reliance on narrative;

- greater emphasis on financial returns;
- less tolerance for leverage;
- increased focus on balance-sheet quality;
- and greater differentiation between structural winners and cyclical beneficiaries.

For the owner of HB005, the appropriate decision framework is therefore not to abandon AI entirely, but to reduce the assumption that all AI-related positions will recover together.

The portfolio should be judged by:

- concentration;
- correlation;
- leverage;
- balance-sheet quality;
- valuation;
- and sensitivity to hyperscaler investment.

The central strategic conclusion is:

**The AI investment case remains intact, but the previous AI trading model requires a reset.**

**Sources**

Sources used in the preparation of this report are listed alphabetically below.


**A**

**ASML Holding N.V.**

Second-quarter 2026 financial results, annual outlook and investor-call materials.

**D**

**DeepSeek**

Independent comparative AI, semiconductor and memory market assessment supplied for peer review.

**F**

**Fitch Ratings**

Commentary regarding technology-sector valuations, AI-related market risk and potential global credit implications.

**G**

**Gemini**

Independent comparative market report supplied for peer review.

**Goldman Sachs**

Market commentary concerning semiconductor deleveraging, memory-sector positioning and the reduction of crowded AI trades.

**J**

**JPMorgan Chase & Co.**

Research commentary regarding the memory correction, semiconductor fundamentals and the potential for a future recovery.

**M**

**Meta Platforms, Inc.**

Second-quarter 2026 financial results, capital-expenditure disclosures and investor-relations materials.

**Micron Technology, Inc.**

Third-quarter fiscal 2026 results, earnings-call material, risk disclosures and investor-relations publications.

**Microsoft Corporation**

Fiscal-year 2026 third- and fourth-quarter results, AI revenue information, capital-expenditure disclosures and investor presentations.

**P**

**Perplexity**

Independent comparative AI, chip and memory market assessment supplied for peer review.

**R**

**Reuters**

Reporting and market analysis concerning:
the Philadelphia Semiconductor Index;

the July semiconductor sell-off;
the rotation away from Magnificent Seven and AI equities;
Samsung and SK Hynix;
the South Korean equity-market decline;
China-related semiconductor competition;
AI infrastructure financing;
hedge-fund semiconductor positioning;
and comparisons between the current AI cycle and the technology and financial crises of 2000 and 2008.

**S**

**Samsung Electronics Co., Ltd.**

Second-quarter 2026 reporting and management commentary on semiconductor demand, supply conditions and multi-year customer agreements.

**T**

**Taiwan Semiconductor Manufacturing Company Limited**

First- and second-quarter 2026 results, revenue guidance, margin guidance and investor-call transcripts.

**TrendForce Corporation**

Research and forecasts covering:
the 2026 and 2027 global memory markets;
DRAM and NAND contract pricing;
HBM capacity requirements;
agentic AI and inference demand;
and projected semiconductor supply constraints.

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