

AI Market Correction Stress Test — Executive Summary

Scenario: AI valuation compression + recession repricing + flight-to-quality + tech credit widening.

Metric	Current	Moderate (10d)	Severe (60d)
S&P 500 (SPX)	6,977	-26.8% → 5,109	-47.0% → 3,699
QQQ	627.17	-34.3% → 412	-50.2% → 312
Custom AI Exposure ETF (base=100)	100.00	-39.7% → 60.3	-50.5% → 49.5
AI single names (NVDA/AMD/AVGO)		-40%	-50%
AI-exposed Utilities (VST/CEG)		-15%	-30%
VIX (spot)	15.12	38	58
VVIX	93.13	130	170
IG OAS (bp)	78.00	178	298
HY OAS (bp)	274.00	524	774
Intra-SPX corr (1M, model)	0.35	0.65	0.85
UST 10Y yield	4.19	3.79	3.39

Risk drivers

- AI multiple compression and earnings revisions.
- Credit spread widening in tech-heavy sectors; tightening funding.
- Systematic deleveraging (vol-control/CTA) and concentration unwind.
- Correlation spike reduces diversification; downside skew reprices.
- Rates rally and curve steepens; USD and gold benefit from safe-haven demand.

Implementation notes

All index returns are computed as $\Sigma(\text{weight} \times \text{shock})$ using public weight proxies; binding single-name and utility shocks are respected. Use the accompanying Excel appendix for auditable formulas and to run sensitivities (e.g., overlap weights, non-tech shock, credit spread multipliers).