THREE HORIZONS CAPITAL · RESEARCH

The Spillover Stopped at the Chip.

China's AI chip shares gave back their whole 2026 gain after a June peak. US chipmakers fell with them; the companies building the AI cloud kept rising.

–47.9%

China's AI chip shares from their 30 June peak, an equal-weight basket of six names

0.22 to 0.42

How closely US chip shares moved with China each day, before and after June, on a scale where 1 is lockstep

+12.7%

Microsoft, Meta, Alphabet and Amazon since China's peak

THE FINDING IN ONE LINE

China's AI sell-off reached US chips, not the US cloud: the link to China runs through the chip supply chain, so measure it holding by holding.

Three Horizons Capital, Portfolio Analytics. Daily prices in each name's own currency, 2 Jan to 22 Oct 2026; Nasdaq-100 and S&P 500 weekly to 23 Oct 2026.

01 The question every allocator is asking has a measurable answer

China's AI chip makers rallied into the summer. Since 30 June they have fallen hard, and two questions follow in every investment meeting: has China's AI bubble burst, and will it spread to the US?

The first is a matter of valuation and opinion. The second can be measured. If China's fall is spreading, US AI shares should be falling with it and moving more in step with it. We tested both, across six China AI chip names and 19 US names in three groups: semiconductors, AI infrastructure and the hyperscalers, the four companies building the AI cloud (Microsoft, Meta, Alphabet and Amazon).

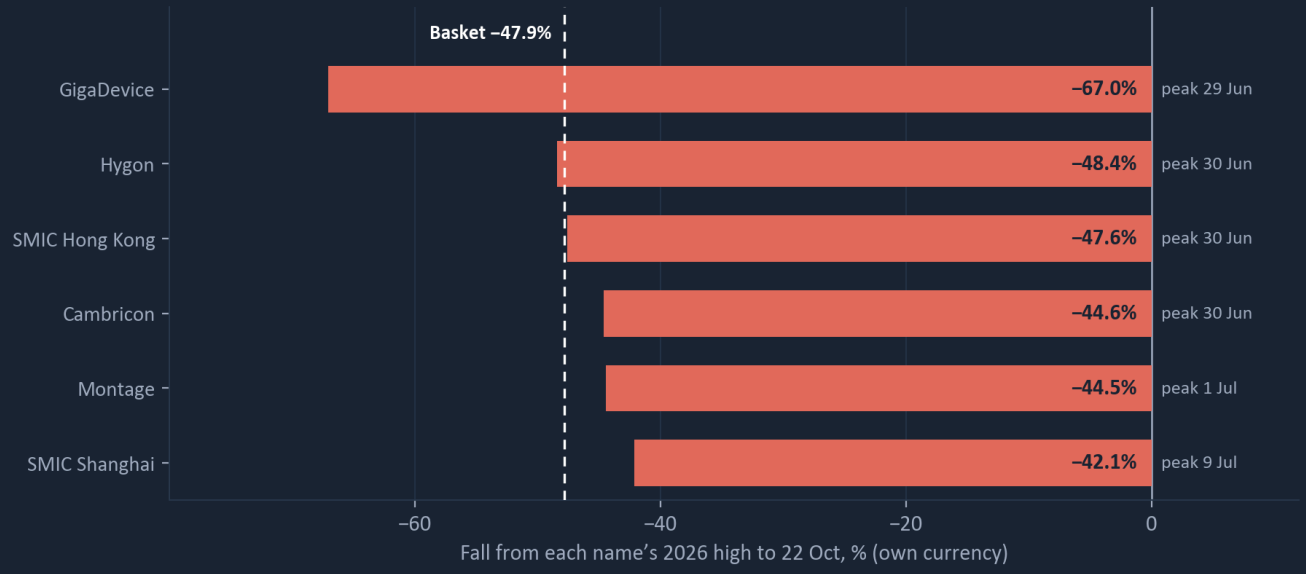
02 China's AI chips fell 47.9% from 30 June and gave back the year

Our equal-weight basket holds SMIC (its Shanghai and Hong Kong lines), Cambricon, Hygon, Montage and GigaDevice. It peaked on 30 June and fell 47.9% to 22 October. That gave back the whole of 2026: the basket is down 1.6% for the year.

The fall was broad. Every name lost between 42.1% and 67.0% from its own 2026 high, an average of 49.0%. GigaDevice fell furthest, 67.0% from 29 June. Hygon fell 48.4%, SMIC's Hong Kong line 47.6%, Cambricon 44.6% and Montage 44.5%. Unitree, which listed on 19 August, is 38.5% below its first close.

Every China AI chip name fell between 42.1% and 67.0% from its 2026 high

Six names, sorted by fall; average 49.0%; dashed line is the equal-weight basket from 30 Jun

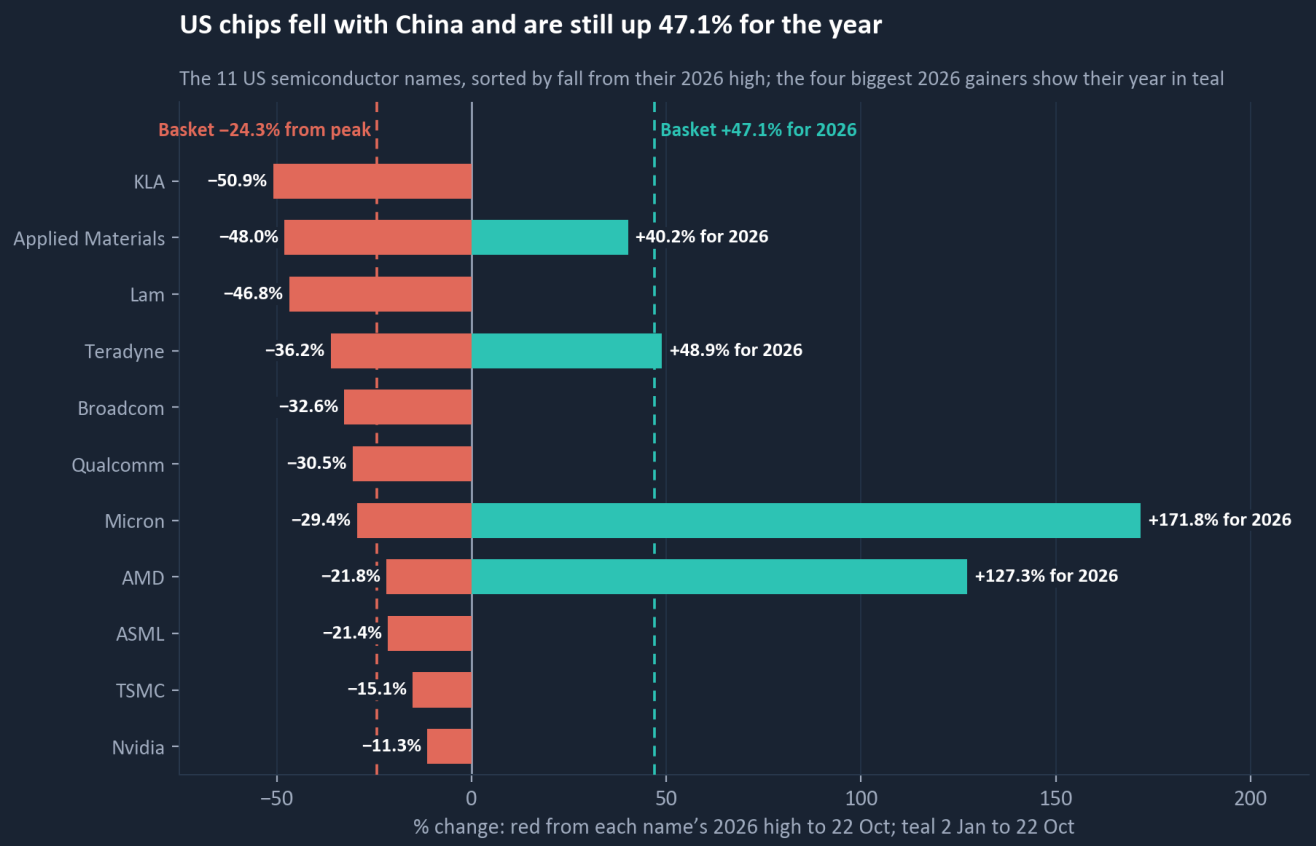


Source: Three Horizons Capital data platform. Daily adjusted close, local currency, 2 Jan to 22 Oct 2026.

03 US chips peaked the same day and fell half as far

The US semiconductor basket, 11 names from Nvidia and TSMC to Applied Materials and KLA, peaked on 30 June too, and fell 24.3%. The equipment makers that peaked that day fell hardest: KLA −50.9%, Applied Materials −48.0%, Lam −46.8%, Teradyne −36.2%. The compute names held up better and peaked later, in October: AMD −21.8%, TSMC −15.1%, Nvidia −11.3%.

The year still belongs to US chips. The basket gave back half its peak gain and remains up 47.1% for 2026, with Micron up 171.8% and AMD 127.3%.



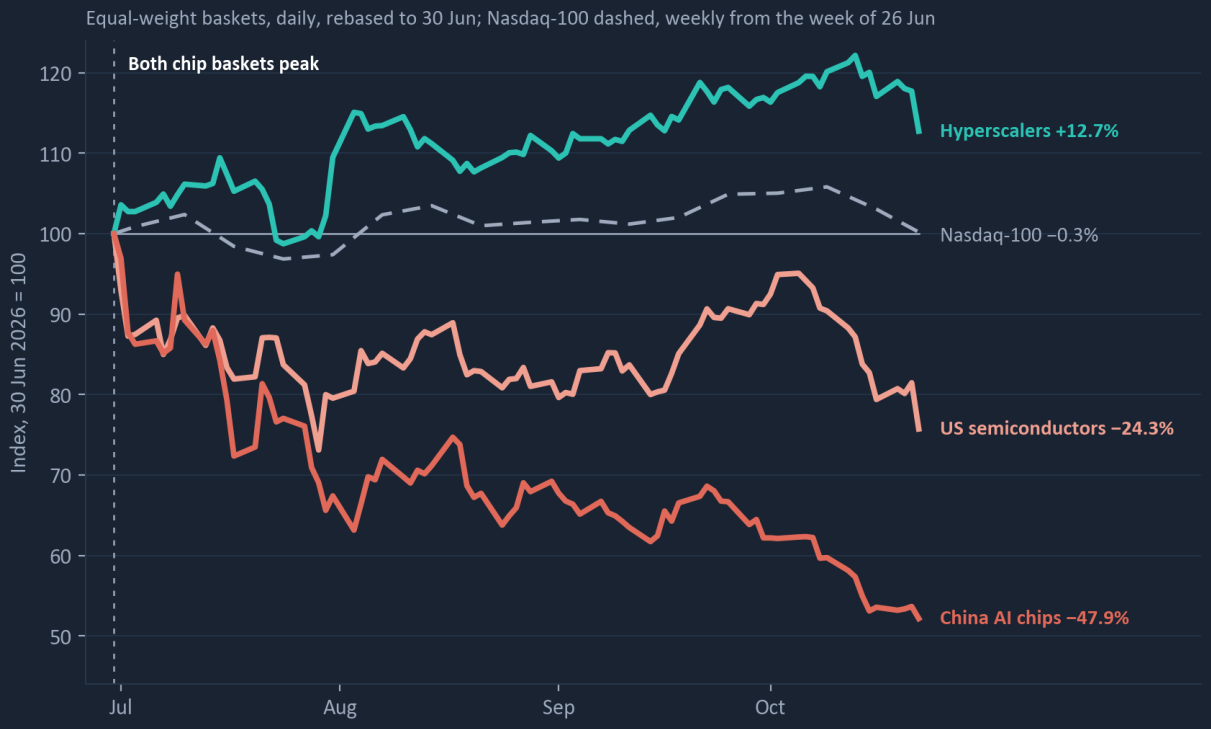
Source: Three Horizons Capital data platform. Daily adjusted close, 2 Jan to 22 Oct 2026. Equal-weight basket, rebalanced daily.

04 The AI cloud rose 12.7% while China's chips fell

The hyperscalers went the other way. From China's 30 June peak to 22 October, the basket rose 12.7%; it set its own high on 13 October. The Nasdaq-100 was flat over the same weeks, at −0.3%, and the S&P 500 rose 4.8%.

AI infrastructure sits in between. Oracle, Vertiv, Super Micro and Constellation Energy peaked earlier, on 2 June, and are down 9.7% since China's peak. Their falls are their own story: Oracle −49.0% from 1 June and Vertiv −48.0% from 14 May, both before China turned.

From the same peak, chips fell and the cloud rose: China AI chips −47.9%, hyperscalers +12.7%



Source: Three Horizons Capital data platform. Daily prices in local currency, 30 Jun to 22 Oct 2026; Nasdaq-100 weekly, 26 Jun to 23 Oct 2026.

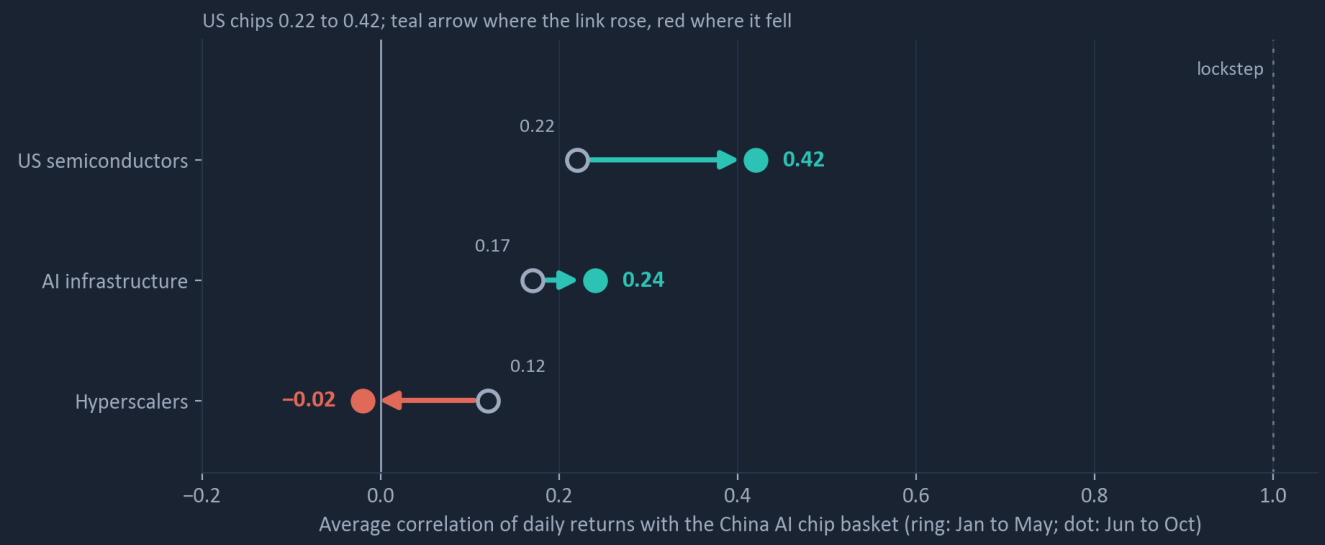
05 After June, US chips moved with China twice as closely

Prices show who fell; correlation shows who moves together. It measures how closely two sets of daily returns move: 1 means lockstep, 0 means unrelated, and a negative number means they tend to move in opposite directions.

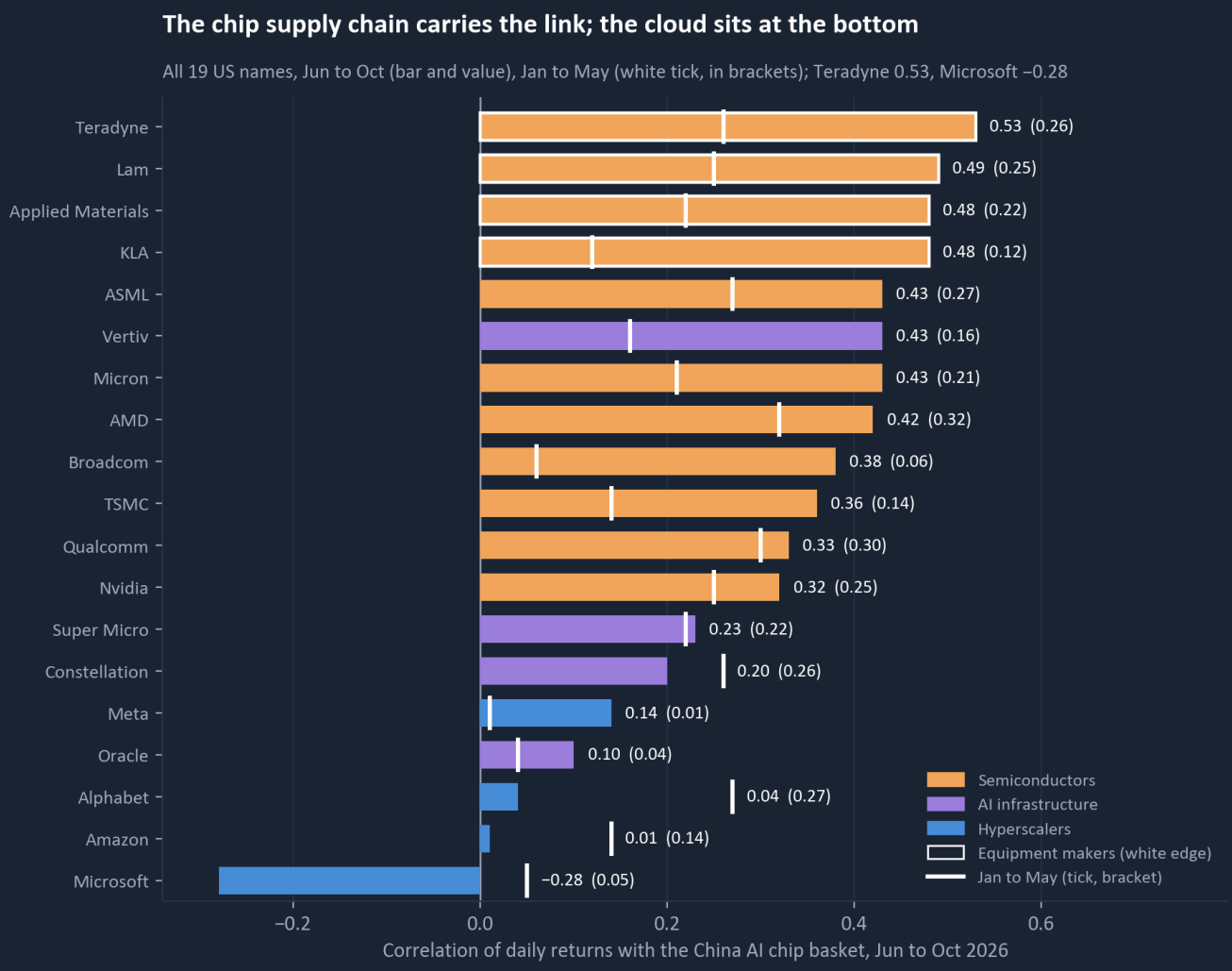
From January to May, the average US chip name scored 0.22 against the China basket. From June to October it scored 0.42, roughly double. The leaders are the equipment makers: Teradyne 0.53, Lam 0.49, Applied Materials and KLA 0.48. Broadcom rose from 0.06 to 0.38 and KLA from 0.12 to 0.48.

The hyperscalers moved apart, from 0.12 to −0.02. Microsoft scored −0.28 and Alphabet fell from 0.27 to 0.04. AI infrastructure edged up, from 0.17 to 0.24, with Vertiv at 0.43 and Oracle at 0.10.

US chips doubled their link to China; the cloud's link turned negative (0.12 to −0.02)



Source: Three Horizons Capital data platform. Daily returns; 105 trading days Jan to May, 104 Jun to Oct 2026. Group averages of name-level correlations.



Source: Three Horizons Capital data platform. Daily returns; 104 trading days Jun to Oct, 105 Jan to May 2026.

06 The link runs both ways, so read it as a shared catalyst

China's market closes before New York opens, so a same-day correlation could suggest China moves first. We checked the other direction: how a US chip move on one day lines up with China's move the next. For the chip names it scores 0.09 to 0.27 from June to October. Influence runs both ways.

The reading that fits is a shared catalyst: news that reaches one chip supply chain on two continents and is priced by whichever market opens next. For a US holder, the question to ask is which of their holdings sit on that supply chain.

07 What changes for a manager

The AI opportunity shows in the year's numbers: US semiconductors are up 47.1% for 2026, the hyperscalers 8.9% and the Nasdaq-100 14.9%. The lesson is in how the exposure is built and read.

- **Separate chip exposure from cloud exposure.** Both carry the AI label. Since June, against China, they have moved in opposite directions, and an AI sleeve that blends them blends two different risks.
- **Measure the link; don't assume it.** The average US chip name went from 0.22 to 0.42 in a single season. Correlations shift by regime, so re-run them name by name.
- **Know which holdings share China's chip cycle.** The equipment makers carry the strongest link, from 0.43 to 0.53. Size them as one exposure, whatever their sector label says.

> **WHERE DOES YOUR PORTFOLIO SIT?**
>
> Send us your holdings and we will measure each name's link to China's AI chips, before and after June, and show how much of your AI exposure is really one position. Get in touch

08 What this does and does not show

This measures how US AI shares moved with China's AI chips in 2026. It is not a forecast and it does not value either market.

- **One window.** Every figure covers 2 January to 22 October 2026, with correlations split at the end of May. A different year can show a different pattern.
- **Correlation is not causation.** It shows which shares move together, and the link runs both ways. We read it as a shared catalyst.
- **Our grouping.** The four groups and their members are our definition, held at equal weight. A different rule gives a different basket.
- **Constellation Energy.** Its 2026 high is 2 January, the first trading day, so we quote its change for the year (−30.0%) rather than a fall from a peak.

09 What we measured

- **Names:** the six China AI chip names and 19 US-traded names named above, in four groups. Hygon joins the China basket on 15 May, when its price history starts; Unitree is shown on its own from its 19 August listing.
- **Prices and baskets:** daily prices adjusted for dividends and corporate actions, 2 January to 22 October 2026, in each name's own currency, so a fall reflects the share, not the exchange rate. Baskets are equal weight, rebalanced daily. Falls run from each name's or basket's 2026 high.
- **Correlation:** daily returns of each US name against the China basket, January to May (105 trading days) and June to October (104 trading days). The two-way test compares each US day with the next China day.
- **Indices:** Nasdaq-100 and S&P 500 on weekly data, from the week of 26 June to 23 October 2026.
- Source: Three Horizons Capital data platform. Past performance is not indicative of future results. This paper is research, not investment advice, and is not a recommendation to buy or sell any security.