MINDFORGE INTELLIGENCE

THE ESCALATION RECORD

The worst drawdowns begin while VIX is still calm.

When risk escalates, our system publishes an Event Risk Brief (an ongoing status escalation) and scores itself by what the market does next.

Since 1990, here's how often our escalations proved real:

Across all four tiers: **170 of 198**, 86%.

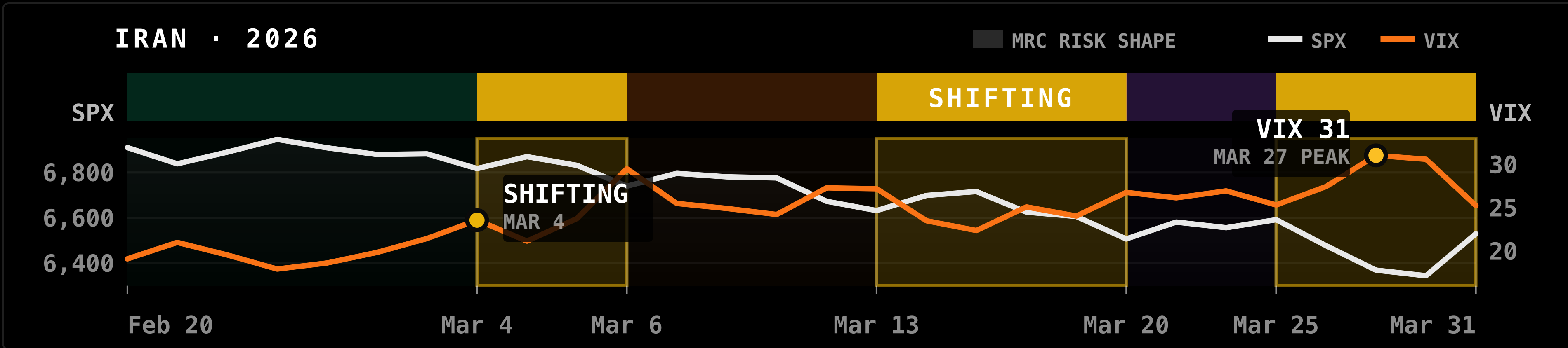
BACKTESTED 1990–2025 | LIVE SINCE APRIL 2025 | PROPRIETARY | MINDFORGE.TECH

2024 · 2026

THE CLASSIFIER MOVED BEFORE VIX CONFIRMED

Iran Tensions SHIFTING

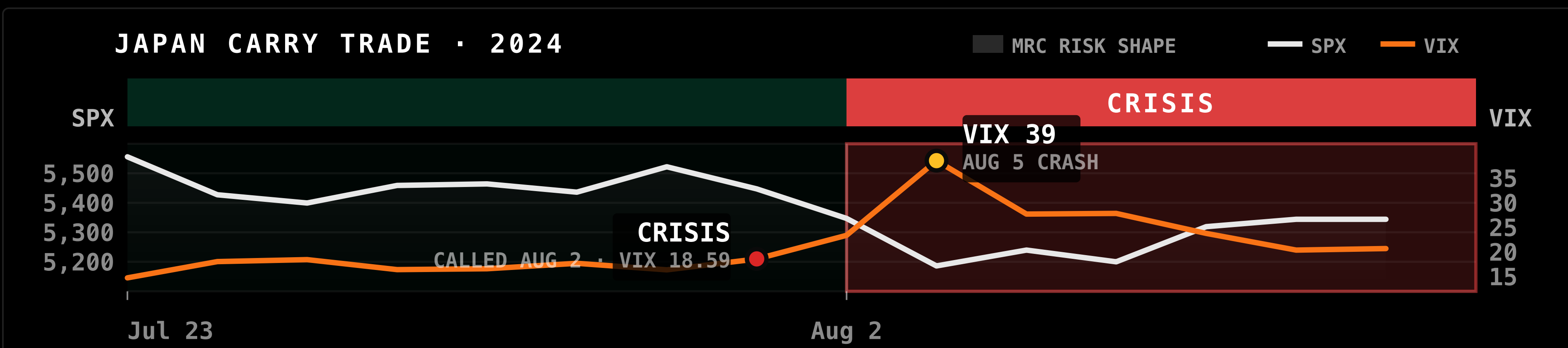
LIVE MARCH 2026



VIX was 23.57, drifting but confirming nothing. The classifier moved to SHIFTING, the mildest warning: conditions moving off baseline. Over the next four weeks the episode escalated through ELEVATED and SHOCK and VIX rose to 31.05. The mildest tier caught the start of a real move before VIX confirmed it was one.

Japan Carry-Trade Unwind CRISIS

AUGUST 2024



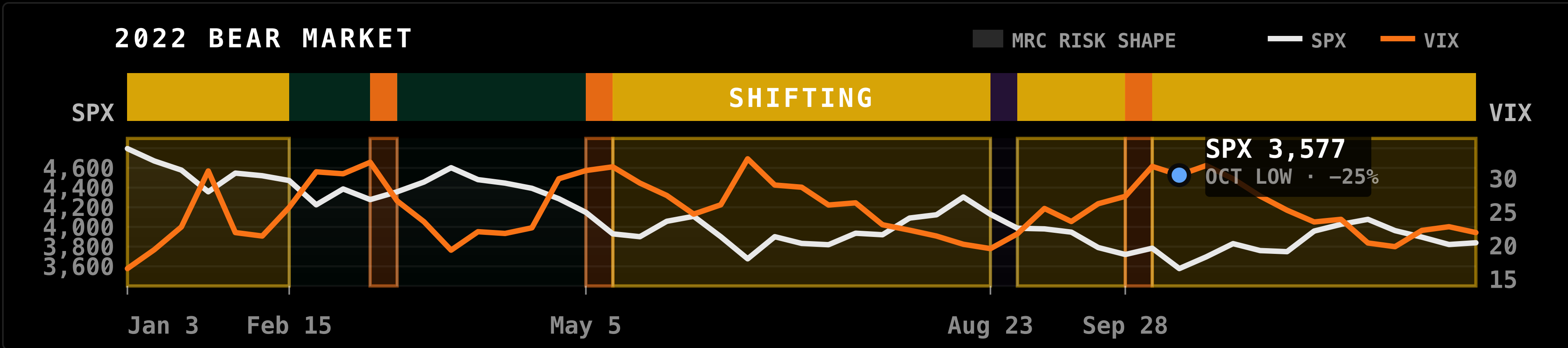
Friday August 2: VIX was 18.59 and nothing looked like a crisis. The classifier moved to CRISIS, the most severe tier: systemic financial-system stress. Monday, the carry trade unwound. VIX hit 65 intraday, its highest since the 2020 pandemic, and the S&P 500 fell 3%, its worst day since 2022. A risk team with this classification had the entire weekend to prepare.

2022 · 2025

SLOW GRIND AND ACUTE SHOCK

2022 Bear Market SHIFTING / ELEVATED

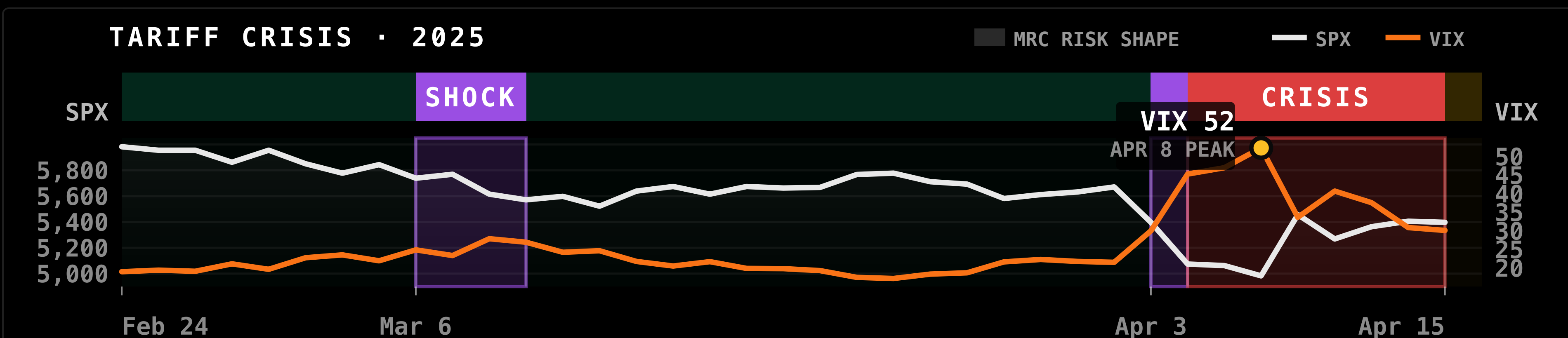
2022



The S&P 500 fell 25% over several months. It was never an acute crisis, and the classifier never called it one. But the system classified SHIFTING 15 separate times and ELEVATED 3 times through the year. A system that only speaks in crises would have missed 2022. The lower tiers told a portfolio manager, through most of the year, that conditions were not normal.

Tariff Crisis SHOCK → CRISIS

MARCH–APRIL 2025

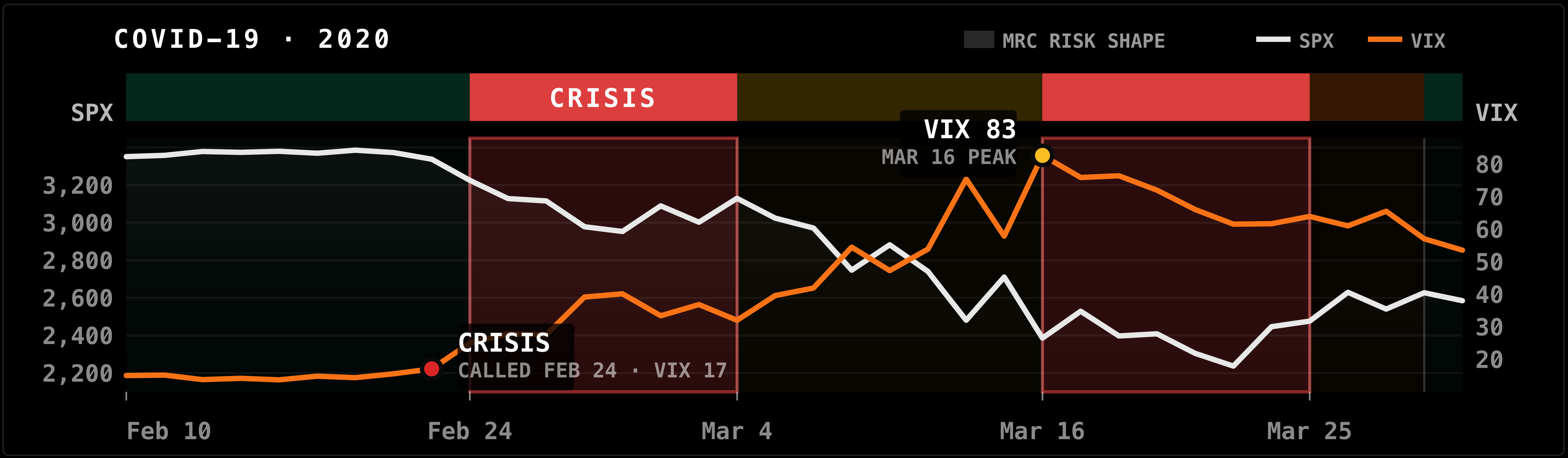


The classifier named the severity and updated it as conditions worsened. It classified SHOCK on March 6: an acute spike, not yet systemic. It classified CRISIS on April 4: systemic financial-system stress. VIX peaked at 60.13 one trading day later. The April 4 CRISIS call was delivered live, before the open. The March SHOCK call came earlier, before live delivery began that April.

2020 COVID-19

The classifier moved to CRISIS on Monday, February 24.

VIX was 17.08. Nothing looked like a crisis yet. 10 trading days later, the S&P 500 hit its first circuit breaker.



VIX AT CLASSIFICATION	LEAD TIME	VIX AT PEAK
17.08	**10 days**	**82**
Not crisis levels	Before first circuit breaker	Three weeks later

WHAT A PM SAW

The classifier moved to CRISIS on Monday, February 24, when VIX was 17.08 and markets looked normal. No price-based risk indicator was flagging systemic stress. A risk team with this classification had 10 trading days to prepare before the first circuit breaker on March 9.

WHAT FOLLOWED

VIX went from 17.08 to 82 over the next three weeks. The classifier held its CRISIS classification through the entire drawdown.

What did VIX miss last quarter?

The moves that hurt most begin while VIX is still calm. By the time VIX confirms, the first leg of the drawdown has already happened.

In twenty minutes, we will walk the last four quarters through the classifier's record, day by day, against the days you remember getting caught.

REQUEST A 20-MINUTE WALKTHROUGH

research@mindforge.tech

646-847-9889

Today's risk shape. In your inbox by 07:30 AM ET every U.S. trading day.

THE MISSES

WHERE IT'S WRONG

WEAKEST TIER	ELEVATED is the weakest call, right 76% of the time, wrong about one in four. A wrong ELEVATED is the harmless kind: the selloff it prepared for never came, and the system stepped back down to SHIFTING or STABLE within two to five sessions. The cost is a week of hedge carry in a calm market, never a book caught short in a rally.
ONE MISS IN 35 YEARS	CRISIS has fired 13 times and been right 12. The single miss: Yuan devaluation / US-China trade-war escalation, August 2019. China let the yuan weaken past 7 per dollar and the US labeled China a currency manipulator. The S&P 500 fell about 3% on August 5 and VIX jumped roughly 40%, triggering a CRISIS classification. Over the next 10 trading days the market stabilized and recovered: VIX never reached 35 and the S&P 500 did not fall the 3%, 6%, or 10% thresholds the scorer requires, so it counts as a false positive.
EVERYTHING ELSE HELD	170 of 198 escalations off STABLE were real, 86% across 35 years, with the strength where it counts: CRISIS at 92%, SHIFTING at 93%. The misses concentrate in the two middle tiers.

See the full record →

This brief is the escalation side: when the system leaves STABLE and the risk is real. The other side, when it classifies STABLE through a VIX scare or calls the end of a crisis before VIX confirms it, is The Whipsaw Record.