Weekly Market Update: Volatility Returns, Rotation Toward Defense

Volatility picked up again last week—largely in line with expectations. Over the past two months, we've highlighted that market "under-the-surface" conditions have been less supportive than last year, making choppy trading and a tougher tape more likely.

Several major headlines triggered last week's selloff and volatility:

1. **AI-related fears** that pressured the broader software group.
2. **Cisco earnings**, including a weaker profit-margin outlook, which weighed on select areas of technology sector.
3. **Renewed concerns tied to AI and financial risk**, which contributed to sharp selling in bank stocks and heightened financial sector volatility.

The **VIX moved back above 20** and finished the week above that level, reflecting higher investor nervousness. In this backdrop, **defensive areas outperformed**, while higher-beta growth segments lagged.

Interestingly, **equal-weight benchmarks**, including **RSP** (equal-weight S&P 500) and **QQQE** (equal-weight Nasdaq-100)—both finished the week in the green, along with the **Dow**. This divergence continues to underscore ongoing rotation away from concentrated growth leadership and into more economically defensive areas such as **Utilities** and **Consumer Staples**.

Looking ahead, markets will digest **core PCE inflation** later in the week, along with additional **housing data**. On the earnings front, **Walmart** will be closely watched (increasingly viewed as a major competitor to **Amazon** and **Costco**), while **Toll Brothers** reports Tuesday and could influence homebuilder sentiment.

From a technical perspective, the **S&P 500** closed below its **50-day EMA** but held support near the **100-day moving average**. The next key test is whether that level continues to hold. The **Nasdaq** is already below that threshold and fell **2.1%** for the week, keeping downside risk in view, including a possible test of the **200-day EMA**. **PPO and RSI** readings are also trending negative. **Small caps** held up better and remain above the **50-day EMA**, though they could still weaken if risk-off pressure broadens.

On the policy front, the Fed may be encouraged by the January inflation picture. **January CPI came in at 2.4% year-over-year**, below expectations and down from **2.7%** in December. As a result, markets are increasingly pricing in additional easing, including the possibility of another quarter-point cut by year-end—supporting the view that rate expectations could remain a tailwind for equities in the long run.

Market Scorecard

A summary of how major markets performed last week is as follows:

Ticker	Last Day	Weekly	Monthly	YTD	1 Yr
S&P 500	+0.05%	-1.39%	-1.83%	-0.14%	+11.79%
Nasdaq Composite	-0.22%	-2.10%	-4.91%	-2.99%	+13.04%
Nasdaq 100	+0.18%	-1.37%	-3.92%	-2.05%	+12.26%
Dow Jones Ind	+0.10%	-1.23%	+0.63%	+2.99%	+10.71%
Russell 2000	+1.32%	-0.78%	+0.62%	+6.82%	+17.59%

Sector Pulse

S&P 500 Sector	Weekly	Monthly
Basic Materials (XLB)	+3.49%	+9.40%
Real Estate (XLRE)	+3.60%	+6.28%
Industrials (XLI)	+0.57%	+6.19%
Consumer Defensive (XLP)	+1.79%	+10.36%
Energy (XLE)	+2.07%	+15.64%
Utilities (XLU)	+7.27%	+8.52%
Technology (XLK)	-1.11%	-4.72%
Consumer Cyclical (XLY)	-1.53%	-6.46%
Healthcare (XLV)	-0.03%	+0.59%
Financial Services (XLF)	-4.81%	-4.76%
Communication Services (XLC)	-1.02%	-1.98%

The rotation is clear in this snapshot: **growth-heavy, aggressive areas** (Communication Services, Technology, Discretionary) continued to bleed, while **defensive groups** (Utilities, Real Estate, Staples) outperformed. At the same time, **Energy, Industrials, and Materials** are showing renewed strength.

Industrials continue to stand out broadly—strength is showing up across Machinery, Heavy Construction, Defense, Trucking, and Aerospace. The **Transportation ETF (IXT)** was hit hard Thursday but stabilized near its **20-day moving average** on Friday. **Aerospace & Defense (ITA)** gained roughly **5%** on the week.

Energy also remains constructive, which is notable given the sector's tendency to perform well in Q1. The Oil & Gas ETF **XOP** dipped on Thursday but rebounded on Friday; the **142 level** remains a key reference point, with a break below potentially signaling a cooling phase after a strong run.

Within defensives, **Utilities (XLU)** led the market with a **7.27% weekly gain**, including a strong move Friday, and is once again approaching breakout territory near prior highs. **Consumer Staples (XLP)** has now posted **six consecutive green weeks**, reinforcing the "safety trade," with money rotating into names like

Walmart and Costco. **XRT (Retail ETF)** is also attempting to reclaim its **50-day EMA** after briefly breaking below it.

Healthcare was essentially flat, with a modest Friday rebound helping stabilize the group. Biotech (**XBI**) pulled back about **2%** as it consolidates after last year's strong run, while large components such as **LLY** and **UNH** acted as a drag.

Technology remains split. Software (**IGV**) looks oversold and has retraced to last spring's levels, while semiconductors (**SMH**) held above its **20-day EMA** and gained about **1.5%** for the week. That strength has persisted even with **Nvidia** stuck in a prolonged range, offset by relative strength from names such as **Micron**, **TSM**, and storage-related players.

Materials saw mixed action: silver remains highly volatile, while gold gained about **1.5%** on the week after a sharp Friday rebound. Gold miners (**GDX**) also rallied strongly following a rough Thursday.

Meanwhile, Discretionary and Communications continued to struggle as major names stayed under pressure. **Google** fell roughly **5.31%** and is now below its **50-day EMA**, while **Amazon** slipped below the **200 level** in the near term.

The Key Question Ahead

The key issue remains whether **semiconductors**, a major pillar of recent growth leadership, can continue supporting the broader Technology complex. If chips stay firm, tech may stabilize. If they falter, pressure could spread across the wider growth landscape.

For now, the market's message is consistent: leadership is rotating, breadth is improving, and resilience remains intact. The goal is not to predict, but to observe, adjust, and stay flexible.

Important Economic events next week:

Some important economic events in the upcoming week are:

Monday, Feb 16: US holiday (President's Day)
Wednesday, Feb 18: Durable Goods Orders, Building Permits, Housing Starts, FOMC Meeting Minutes
Thursday, Feb 19: Philadelphia Fed Manufacturing Index, Retail Jobless Claims, Retail Inventories
Friday, Feb 20: Core PCE Price Index, GDP (Q4), Personal Spending, S&P Global Manufacturing & Services PMI, New Home Sales, Michigan Consumer Sentiment

Important Earnings this week:

Earnings week is kicking off this week with last quarter results. Some important results scheduled for this week are listed below. Big banks are first to announce their results:

Wednesday, Feb 18: Analog Devices (ADI), B2Gold (BTG), Kinross Gold (KGC), Triple Flag Precious Metals (TFPM)

Thursday, Feb 19: Comfort Systems (FTI), Globus Medical (GMED), Newmont (NEM), Quanta Services (PWR), Walmart (WMT)
Friday, Feb 20: Anglo Gold (AU)

Long-Term Stock Picks:

Our long-term stocks are those in which we have the conviction that they have strong business fundamentals and enjoy moats in their respective industries; hence the chances of long-term profits are high.

NVDA	Nvidia was once again flat with a 1.4% loss. It is still in the middle of its trading range, established since June last year. It found support at its rising 200-day EMA at 171 and any further test to this level will **automatically be a buy signal**. Another strategy could be if it crosses level 196. In case of a sharp pullback in market, Nvidia could again slip to 171 or even below to find a support level. Nvidia is still a long-term player and enjoys support from investors on every pullback as shown by higher lows but for the time being it is better to wait and observe its behavior. After absorbing last few years' gain, it has the potential to move back to new highs once the semiconductors as a group get more traction.
AAPL	Apple's 5% decline on Thursday is concerning, and current action does not look conducive anymore. Do not let the losses mount over 8-10% range as this week has changed the situation. It looks like Apple is on its way to having another test of its recent lows of 243 where **another entry could be tried**. We mentioned earlier that February is traditionally a weaker month for Apple and its price action is the key.
GOOGL	Google lost 5.31% last week and is now in a cooling period. Like said earlier, February has been traditionally a weaker period for Google hence profits should be secured, and position could be closed in the short-term (if not for long haul). It has slipped below the 50-day EMA and could very well test its 200-day level.

Interesting new picks for your watchlist:

We continue to maintain our cautious outlook given the fact that market seems poised for a pullback. Heavy Construction group in the Industrial sectors has recently shown tremendous relative strength. There are several good stocks in this group:

1. **ROAD:** Also appearing in our Earning stars list, Construction Partners is an infrastructure and road construction company. Long-term indicators fully support a continuation of the trend; however, it looks like that is about to form a handle on a cup pattern. It is advisable to wait until the price comes down to 120 to form a cup with handle pattern, as this would be an ideal point to enter with an 8% stop loss.

2. **IESC:** IES Holdings provides electrical contracting and maintenance services. It produced significant return (13.66%) last week and looks a bit extended at current levels. Keep it on your watchlist and any pullback to the 50-day EMA at 438 level will provide better entry.

Medium- and Short-Term Picks:

VLO	Selected last week, VLO lost 1.25% after a solid run in the prior week. **The stock is still in a buy zone,** but reduced sizing is suggested as warning signs are emerging for the overall stock market.
KLIC	Selected last week, KLIC gained 1% after a huge gain of 23.7% in the prior one. As mentioned last week, it is advisable to wait for pullbacks toward the 20-day EMA (58.35) for a better entry opportunity.
GEV	Selected two weeks ago, GEV gained another 2.30% last week. It crossed the resistance at 795.5 and went as high as 846 before pulling back. Weight Rank (WR) and Earnings Ratings (ER) are lagging due to inconsistent sales and earnings growth. Therefore, no entries are suggested at this moment. However, it is a good candidate for every pullback to means.
CVX	Chevron also gained another 1.6% last week. It has broken out of a multi-year long base with a 16% gain in January. The stock is expected to continue to rise with a target to test 200 level and stop loss below 163. It is, however, also expected to close the gap around 170 which could be even a better entry.
XOM	ExxonMobil was flat for the week, but its price action points out towards a possible short-term pullback. It has made 23% profit since last month and some profits should be made by now.
BKV	BKV gained another 0.80% for the week although experienced some wild swings amid changes in natural gas prices. Aggressive traders could try at current levels although it is a bit extended from the last entry at 28.36.
BJ	Selected three weeks ago, BJ gained another 2.4% last week. Despite displaying erratic movement, it is anticipated to reach the next resistance level near 107, where taking profits may be advisable.
NVT	nVent was flat again last week with a modest 0.5% gain. **It is still in a buy range from 109.68 double-bottom buy point.**

COST	We mentioned last week that Costco was flashing buy signals. It broke out and closed above 1000. **It is still in a buy zone** as the move seems strong and could result in another 10% gain.
TSM	As expected, TSM made a new high and gained another 5% last week on top of a 5.53% gain in the previous one. On Thursday, it dipped and eventually found support at its 50-day EMA. Although long-term trend is in favor of this stock, but market forces could pull it back sharply. Therefore, caution should be exercised, and some profits should be made if in excess of 10-15%. No new entries at this time.
APH	APH bounced back and made a high around 148.82 where some profits should have been made. If it holds the 50-day EMA, maintain the position; if it falls below 140, close the position.
NEM/KGC	Another break- out in gold miners when NEM and KGC broke out by 9% and 7% respective. Both of them have earnings scheduled for the coming week and hence it is tricky to target them at this stage. However, **any pullback to 20-day EMA for either of them will automatically be a buy.**
LLY	Although Eli Lilly lost 1.5% for the week, it experienced a wild move after earnings at eventually it settled above its 50-day EMA. Eli Lilly has solid fundamentals and has raised its dividend for 11 consecutive years while analysts are expecting an upward trend in its earnings. Traders with a long-term view can **consider entry at current levels** with a stop loss below 977.
AMZN	Although we closed Amazon's previous position but for aggressive traders, it is offering an entry (reduced position suggested) to take advantage of this pullback which could easily move it back to 212 and 220.
FTI	TechnipFMC gained another 3.9% last week (now seven weeks in a row). Since its selection on 27th October, it has returned 53% in little over 3 months. It seems extended and some profits should be made to reduce the position size. **Watch a pullback to 20-day EMA (56.89) for another entry.**
IBM	We mentioned last week that IBM was at a resistance as it showed cautionary signs. It lost 11.73% for the week and hence the position closed at 288 when it breached this level in volume. The stock will need some time to repair and hence has been moved to a watchlist for the time being.
WDC	WDC was flat last week with a modest 0.35% loss. The strong uptrend is not giving up easily and is likely to continue. Any pullback to 237-245 range or RSI at 40 level is likely to find support and should be bought if market conditions are found supportive.
AMD	It was mentioned last week that AMD's chart is broken and will need some time to repair. No new entries at this moment as market conditions are not in favor of tech stocks.

FIX	Comfort Systems continued to march on with another 8.75% gain last week. Since its selection, it has increased by an astonishing 89% return. If the gains are within 20-20% range or more than some profits should be taken. Buy pullbacks to 50-day EMA for this consistently rising stock.
MU	MU shrugged last week's weakness by regaining 4.3%. We maintain our stance that stock is extended and could experience another sharp pullback. Any **pullback to 346-360 range** is likely to find support and could be bought for a short gain.
MPLX	Our favorite dividend player gained another 3.47% to break out to new highs. Long-term trend is in place and market is indicating support for a bullish trend **as our TR indicator on both time frames (daily and weekly) is flashing buy signals.** With a 6-month return of 15% and a hefty dividend of 7.73% .... What more should we expect from a pipeline operator?
GLDM	Gold was up by 1.58% but all gains were registered on Friday when a solid turnaround occurred and turned a negative week into a positive one. Two weeks 88-92 range was mentioned where it found support as expected. Gold is likely to continue its upward trend, **but it should be bought again on pullback** to 20-day EMA or RSI level between 40-50. See the RSI chart on Indicator Page of our Excel and Web-based app.

Website:

We have added a WhatsApp group where we post regular alerts on stocks and markets we follow. It could be found here:

https://chat.whatsapp.com/FwjzhbKSL8399XSzEhOiXy

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