

Rotation, Resilience, and the Real Story Behind the Market's Tug-of-War

When Technology and Software begin to weaken, the ripple effects can threaten the entire market. Growth-heavy sectors carry significant weight in both the Nasdaq and the S&P 500, so any sustained decline can quickly drag broader indexes lower.

Yet this time, the bulls refused to surrender. While tech stumbled, capital rotated decisively into Industrials and Transportation stocks. That rotation helped push the Dow Jones Industrial Average to a new high, reinforced by a breakout in transport stocks. Meanwhile, small-cap stocks — which had already shown relative strength before the tech pullback — regained momentum and ultimately helped stabilize growth sectors. By week's end, both the Nasdaq and S&P 500 had reversed higher.

Value and dividend-oriented sectors also attracted capital. Energy stocks, in particular, have historically outperformed the S&P 500 during the first four months of the year (January–April) since 2013. The key message here is flexibility. There is no need to be excessively bullish or overly bearish unless the data clearly justifies it.

The Russell 2000 staged a breakout on Friday. While the S&P 500 and Nasdaq did not formally break out, their rebound was powerful. Notably, the S&P 500 briefly closed below its 50-day moving average on Thursday before quickly reclaiming ground on Friday. The Equal Weight S&P 500 ETF (RSP) found support at its 20-day EMA and surged to new highs — a strong indication of improving market breadth. Every attempted breakdown continues to attract dip buyers.

Why We Turned Bearish in December

The bearish shift in December stemmed from structural concerns. In prior years, the market's leadership was heavily concentrated in Mega Cap stocks — specifically the “Magnificent Seven.” These names drove growth, particularly throughout 2024–2025.

However, aside from Alphabet (and more recently Apple), several mega caps struggled to sustain earnings growth. Ongoing heavy investment in AI-related capital expenditure raised legitimate questions about near-term cash flow and return on investment.

The broader Software group also lagged, partly due to competitive pressures and uncertainty surrounding AI's long-term impact on traditional software business models. Much of the weakness has reflected capital rotation — shifting from higher-risk growth areas into Staples, Industrials, Transportation, and Healthcare.

The magnitude of declines in certain software leaders has been striking. Companies such as Oracle, CrowdStrike, and ServiceNow have lost 50% or more of their market value within just a few months — a sobering reminder of how quickly sentiment can shift.

Cryptocurrencies: Broken Charts or Reset Opportunity?

Cryptocurrencies have added further complexity for aggressive investors. Major coins, including Bitcoin and Ethereum, have flashed sell signals after losing up to 50% or more from recent highs. The technical damage appears significant, and many charts look broken.

However, history suggests that 50% drawdowns are not unprecedented in crypto markets. Bitcoin has experienced similar declines in prior cycles, only to stage substantial recoveries.

Prudent investors may consider waiting for structured technical setups before re-entering. Patience, particularly in highly volatile asset classes, often proves more profitable than urgency.

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	+1.97%	-0.10%	-0.18%	+1.27%	+13.95%
Nasdaq Composite	+2.18%	-1.84%	-2.19%	-0.91%	+16.37%
Nasdaq 100	+2.15%	-1.87%	-2.20%	-0.69%	+15.16%
Dow Jones Ind	+2.47%	+2.50%	+1.32%	+4.27%	+12%
Russell 2000	+3.59%	+2.07%	+3.49%	+7.66%	+17.21%

Sector Pulse

S&P 500 Sector	Weekly	Monthly
Basic Materials (XLB)	+4.55%	+8.44%
Real Estate (XLRE)	+1.35%	+3.17%
Industrials (XLI)	+4.68%	+6.89%
Consumer Defensive (XLP)	+5.30%	+13.51%
Energy (XLE)	+4.31%	+16.67%
Utilities (XLU)	+0.23%	+1.03%
Technology (XLK)	-1.91%	-3.76%
Consumer Cyclical (XLY)	-2.62%	-2.54%
Healthcare (XLV)	+1.92%	-0.24%
Financial Services (XLF)	+1.53%	-3.79%
Communication Services (XLC)	-3.60%	-1.34%

Energy (XLE) and Industrials (XLI) were among the strongest performers of the week. Both sectors traditionally perform well in the early months of the year.

Within Energy, the Solar ETF (TAN) surged 3.42% on Friday alone and is approaching recent highs in a potential breakout attempt. Materials (XLB) also gained roughly 2% on Friday, supported by a rebound in gold and silver. Gold stabilized after sharp recent moves, while silver remains volatile following a steep prior decline.

Transportation stocks continued to shine. The iShares Transportation ETF (IYT) pushed to new highs, contributing to the Dow's strength. This group includes companies such as FedEx, UPS, CSX, logistics firms, and major airlines. The airline ETF (JETS) posted an impressive 11.47% increase for the week.

On the weaker side, Communications (XLC) declined Friday, largely due to Alphabet cooling after an extended run. Consumer Discretionary (XLY) also struggled, pressured primarily by Amazon following its earnings report and investor concerns surrounding AI-related capital expenditures.

Staples (XLP), one of the strongest sectors over the past month, broke out to new highs last week but lagged on Friday relative to Industrials, Transportation, and Technology. Technology (XLK) managed a modest bounce but finished the week roughly flat overall.

Financials (XLF) and Real Estate (XLRE) both advanced, supported by inflows into dividend-oriented assets. REITs benefited from renewed interest in income-generating plays, while large and regional bank ETFs (KBWB and KRE) also staged breakouts.

Healthcare (XLV) showed mixed performance, consolidating after a solid run. Individual components such as Merck and Pfizer moved sharply, though the broader sector appears to be digesting gains.

The Key Question Ahead

The remaining question is whether semiconductors — one of the strongest recent growth areas — can continue to support the Technology sector. If chip stocks hold firm, tech may stabilize. If they falter, the broader Technology complex could face renewed pressure.

For now, the market's message is clear: leadership is rotating, breadth is improving, and resilience remains intact. The disciplined approach is not to predict, but to observe, adapt, and remain flexible.

Important Economic events next week:

Some important economic events in the upcoming week are:

Tuesday, Feb 10: Retail Sales (Dec), Employment Cost Index (QoQ), Atlanta Fed GDPNow (Q4)

Wednesday, Feb 11: Average Hourly Earnings (MoM), Nonfarm Payrolls (Jan), Unemployment Rate (Jan), Average Hourly Earnings (YoY)

Thursday, Feb 12: Initial Jobless Claims, Existing Home Sales (Jan)

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:

Monday, Feb 9: ON Semiconductor (ON)

Tuesday, Feb 10: Astera Labs (ALAB), Astra Zeneca (AZN), BP (BP), Edwards Lifesciences (EW), Quest Diagnostics (DGX), Robinhood (HOOD), Cloudflare (NET)

Wednesday, Feb 11: Applovin (APP), Cisco (CSCO), CVS Health (CSCO), Shopify (SHOP), Tower Semiconductor (TSEM), Vertiv Holdings (VRT)

Thursday, Feb 12: Agnico Eagle Mines (AEM), Applied Materials (AMAT), Arista Networks (ANET)

Friday, Feb 13: Cameco (CCJ)

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	<p>Although Nvidia's 7.87% increase on Friday is a technical buy signal but fact remains the same that 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 170 and any further test to this level will automatically be a buy signal. Another strategy could be if it crosses level 196.</p> <p>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.</p>
AAPL	<p>We mentioned last week Apple's potential buy signal and alerted them that it has given a fresh buy signal on our TR indicator. It is still in a buy zone and is likely to hold recent lows. Its ER rating is 56 showing continuous increase in earnings and increasing revenues as well. Although February is traditionally a weaker month for Apple, its price action is the key.</p>

GOOGL	After a tremendous 70% run during last one year, Google seems to be entering into a consolidation period. It came along with the broader market but found support at 306 (note: it was mentioned last week that it is likely to find support between the range 296-310). Although Google has been the best performer recently among the Mag7 stocks, February has been traditionally a weaker month for Google. Better entry options will be to buy it on pullbacks to 50-day or 200-day EMAs.
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Interesting new picks:

We continue to maintain our cautious outlook given the fact that market seems poised for a pullback. However, this action could also generate some good opportunities as well:

1. **VLO:** The energy sector is performing well and is likely to maintain its momentum through at least April. VLO is a dominant player in downstream energy sector and is **currently flashing a buy signal** both on daily and weekly time frames.
2. **KLIC:** Despite pressure in the tech sector, several semiconductor stocks are stable; Kulicke and Soffa Industries (mid-cap) gained 23.7% last week. **Aggressive investors may consider this stock at its current buy point;** however, since the tech market is experiencing some distribution, it's advisable to wait for pullbacks toward the 20-day EMA (58.35) for a better entry opportunity.

Medium- and Short-Term Picks:

META	Meta hit our stop loss mentioned last week as it lost 7.68% during the week. Currently, its stock is struggling to regain its strength and close above the key moving averages. No new entries at the moment.
GEV	Our last week pick GEV gained 7.29% justifying its selection. Although still at the top of the buy zone, it has resistance at 795.50. WR and ER ratings 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.
CVX	Chevron also gained 2.24% 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 selected in early January (during the mid-week) since then it has given a 23% profit and some profits should be made by now.

BKV	BKV gained 1.9% for the week although experienced some wild swings amid changes in natural gas prices. It is still within the buy range and profits and expected to rise along with an increase in revenues and earnings for 2026
BJ	Selected two weeks ago, BJ incurred heavy losses in the prior week but reversed higher with a decent 8.61% gain. Although showing a choppy action but it is expected to cross the current buy point and move to the next resistance around 107 level where profits could be taken.
MEDP	This position was closed as it closed below 550. No new entries at this time.
NVT	Selected three weeks ago, nVent was flat last week with a modest 0.34% gain. No new entries at the moment
COST	Costco recovered from its losses with a 6.48% weekly gain as it closed above 1000 again. Our TR indicators are flashing buy signals both on daily and weekly time frames. Next resistance level is at 1044.
TSM	No matter what happens to other semiconductors, TSM seems to be in a sweet spot as it gained 5.53% last week. TSM is a strong stock and is likely to continue its growth as it is showing characteristics of a long-term leader. For aggressive investors, it is flashing an early entry at current levels with a stop loss at 325. Being a tech stock, overall market preference on tech sector could slow its progress but long-term indicators are in full favor of a bullish trend.
APH	APH showed weakness last week as it lost 5.45% although it found support at 50-week EMA. No new entries for now as we would like to give some room to see if it comes close to 148-149 level where it should be closed in profits.
GH	Guardant Health lost 10% for the week and its breach below the 50-day EMA was a sell signal. Accordingly, the position has been closed and moved to a watchlist.
NEM/KGC	It was mentioned last week that NEM should find support between 100-105 where it should be considered for re-entry and it found support at 108. Similarly, KGC was expected between 29-30 but found support at 31. Both of these miners are offering high reward-to-risk entries at current levels but amid the sharp pullback recently, it is prudent to wait for better buy points in near future.
LLY	Although Eli Lilly gained 2% for the week, it experienced 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 should consider entry at current levels with a stop loss below 977.
AMZN	Amazon's breakdown after its earnings (12.11% weekly loss) is a sell signal as it will take some time to repair its chart. The symbol is now moved to a watchlist for any possible future opportunity.
FTI	TechnipFMC gained another 6% last week (now six weeks in a row). As mentioned, it seems extended and some profits should be made to reduce the position size. Watch a pullback to 20-day EMA (54.25) for another entry. It did try a pullback last week but reversed higher even before this level.
IBM	While we still have IBM's position open but its 2.53% loss week and failure to move is a cautionary sign. It is at a resistance now and could move in any direction. Therefore, no new entries at the moment. Consider reducing your position while in profits.
WDC	WDC (along with SNDK) seems to be unstoppable. It is in a strong uptrend and any move to the rising 20-day EMA (247.65) is likely to find support and provide an entry point.
AMD	Mentioned last week that any pullback to 200-210 range is likely to find support. AMD's pullback was deeper on results as it went all the way to 190 before bouncing back on Friday to close at 208. The chart is broken and needs sometimes to play out. Meanwhile, watchout for another leg down to the 200-day EMA which is likely to find support.
FIX	Comfort Systems did another breakout with a 7.72% gain. In this market what is working let it work. 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 finally broke its bullish trend by losing 4.87% after a spectacular run of 10 green weeks. 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.
MPLX	Our favorite dividend player was flat last week. It seems a bit extended and above the last available buy point. Long-term indicators are fully in support of a continuation of the trend and any pullback to its 50-day or 200-day EMA will automatically be a buy just like on Tuesday it experienced a sharp pullback to its 50-day EMA.
GLDM	We mentioned last week that Gold is likely to find support between 88-92 and this is exactly what it did as it reversed at 91. Gold can enter into a short consolidation phase before picking up the trend again. Another pullback to this range will likely again find support and should be a buy opportunity .

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/FwjzhhKSL8399XSzEhOiXy>

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