

A Tale of Two Markets: Blue Chips Shine While Tech Takes a Holiday

Last week, our main heading for the weekly commentary was “The Fed's Final Act: Why Santa Claus May Deliver One Last Rally Before Reality Sets In”.

It appears Saint Nick has made an early appearance—at least for the venerable blue-chip benchmark. This divergence offers a glimpse of what may unfold as we approach year-end. On the surface, the week delivered middling results, with rekindled anxiety over artificial intelligence expenditures weighing heavily on technology names. Yet the small-cap Russell 2000 and the equally weighed S&P 500 also posted solid performances—and therein lies the real story.

The greenback softened this week as traders held their breath for the Federal Reserve's latest policy announcement. Equities kicked off the week on a sour note, and President Trump continued his public auditions for the central bank's top job just as the Fed delivered a quarter-point rate reduction—though not without some internal disagreement. Crude prices initially spiked following Washington's seizure of a sanctions-violating tanker near Venezuelan waters, only to retreat when peace negotiations in Ukraine gathered momentum. Technology shares cratered after Oracle's revenue disappointment and announcement of elevated capital expenditures. When the dust settled, the Dow industrials climbed 1%, the S&P 500 surrendered 0.6%, and the Nasdaq Composite dropped 1.6%.

With the Fed having trimmed borrowing costs, banking deregulation appearing increasingly certain, and economic fundamentals remaining resilient, investors found compelling reasons to rotate away from AI darlings toward cyclical names more sensitive to economic conditions.

Whether this rotation persists—and whether it can sustain the broader market's upward trajectory—may hinge on an unusually concentrated burst of government economic releases in mid-December. The November employment report arrives Tuesday, December 16, departing from its customary first-Friday schedule. Meanwhile, the November Consumer Price Index, a critical inflation gauge, lands Thursday, December 18, roughly a week behind its typical timing.

Friday's session saw enthusiasm from the Fed announcement evaporate as the artificial intelligence trade unwound, dragging indexes lower. The tech-heavy Nasdaq bore the brunt of the damage, slipping beneath its 21-day line but managing to hold its 50-day moving average—a crucial technical support level. Declining stocks outnumbered advancers roughly two-to-one on both the NYSE and Nasdaq, painting a broadly negative picture across the board. Small caps couldn't escape the downdraft either, though they still eked out modest weekly gains.

What does this mean for investors? Unless the aggressive areas of market like Tech sector, Communications and Discretionary sectors get their act together, we could see a very choppy trading environment and ultimately a sell-off or correction till the aggressive areas line up again to lead the market again. Till then, expect periods of higher uncertainties and capital rotation to areas

like home builders, Healthcare and Industrials which could provide support to an otherwise falling market.

Market Scorecard

Index	Friday Close	Weekly	Monthly	YTD	1-Year
S&P 500	-1.07%	-0.63%	-0.34%	+16.08%	+12.83%
Dow Jones	-0.51%	+1.05%	+0.42%	+13.90%	+10.35%
Nasdaq 100	-1.91%	-1.93%	-1.26%	+19.91%	+16.57%
Nasdaq Composite	-1.69%	-1.62%	-0.90%	+20.12%	+16.54%
Russell 2000	-1.53%	+1.23%	+4.19%	+15.79%	+9.34%

Sector Pulse

Sector	Weekly Change	One-Month Trend
Health Care (XLV)	+0.52%	+0.81%
Materials (XLB)	+2.40%	+2.44%
Industrials (XLI)	+1.40%	+1.52%
Real Estate (XLRE)	-0.59%	+1.50%
Financials (XLF)	+2.37%	+2.38%
Communications (XLC)	-0.50%	+2.65%
Energy (XLE)	-0.89%	+0.85%
Discretionary (XLY)	+0.81%	+1.45%
Utilities (XLU)	-1.09%	-4.74%
Staples (XLP)	+1.22%	+2.72%
Technology (XLK)	-1.98%	-2.23%

Communications (XLC) has been continuously the strongest sector during last one month mainly because of a rise in Google. However, Friday's price action in META shows a shooting star as it sharply pulled back and could not sustain these gains. META is now risking again a roll over to recent highs which could pressurized the broader Communications sector.

The Financials sector (XLF) has experienced notable gains following the recent quarter-point interest rate cuts implemented by the Federal Reserve. These rate cuts have provided a catalyst for the sector, allowing financial stocks to break out from a multi-month base, supported by robust trading volumes. The positive impact of these rate cuts highlights the sensitivity of financial institutions, especially regional banks, to changes in monetary policy.

Basic Materials (XLB) also fared well last week amid strength in silver stocks (Silver also hit new all-time highs last week) and renewed strength in gold. Gold is also poised for a potential two-month breakout, offering another entry. Consumer Staples (XLP), a defensive sector, has been

consolidating for a year and remains below its 200-day SMA. Some specialty retailers like URBN (Urban Outfitters) reported strong earnings and holiday seasonal tailwinds also lifted retail stocks. On aggressive side, Discretionary (XLY) is also breaking out from a six-week base. Tesla (TSLA) is a major component of this sector which is showing strength on every pullback while it tries to break out although Meta was a laggard on Friday. IGV (a software ETF) also pulled back on Friday and is risking a roll over to recent lows going forward.

Industrials (XLI) is another economically interest rates sensitive sector which is also trying to march towards a new all-time high. Strength in these areas could be an attempt of rotating capital out of Technology sector (XLK) which closed below its 50-day MA on relatively high volumes mainly related to sharp pullbacks in groups like semiconductors and software. SOXX (a semiconductor ETF) lost 4.8% on Friday mainly on heels of an 11% drop in Broadcom (AVGO), which came out with a strong quarterly report but expected weaker than expected profit margins going forward.

Healthcare (XLV), which has been performing well for the last two months, experienced a sharp pullback in late November although recently a recovery attempt has been made. Within healthcare, the pharmaceutical subgroup is still looking attractive as it is forming a high tight flag which often leads to breakouts.

Important Economic events next week:

The main event scheduled for coming week is Fed Interest Rate decision.

Tuesday (12/16): Average Hourly Earnings (MoM), Housing Starts (MoM), Nonfarm Payrolls (Nov), Retail Sales (MoM), S&P Global Manufacturing PMI and Services PMI

Wednesday (12/17): Core Retail Sales

Thursday (12/18): CPI (MoM) and (YoY), Initial Jobless Claims, Philadelphia Fed Manufacturing Index (Dec)

Friday (12/19): PCE Price Index (MoM) and (YoY), Existing Home Sales (Nov), Consumer Sentiment

Important Earnings this week:

Tuesday, December 16: Lennar (LEN)

Wednesday, December 17: Micron (MU)

Thursday, December 18: Nike (NKE), FedEx (FDX), CarMax (KMX), KB Home (KBH)

Friday, December 19: Carnival Corp (CCL)

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 4% last week as Tech sector came under pressure. As mentioned last week, Nvidia is still below its key moving averages of 20-day and 50-day EMA. It appears that Nvidia is likely to lose further ground and a test of 165 is possible.
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	Nvidia is still a long-term player and enjoys support from investors on every pullback, but we think any further addition at these levels is not warranted as further pullback is not off the card.
AAPL	Apple was flat last week again but still 40% up during the last six months. While we think Apple is on its way to touch 300 soon and remains a long-term buy at current levels but in the short-term it may start a consolidate period as it has already risen significantly recently. Period from Dec-Feb is also a weaker period for Apple compared to May-Aug.
AVGO	Broadcom experienced a huge drop on earnings as it guided weaker than expected profit margins going forward. Besides, an 11% drop on Friday and losing the 50-day EMA line, the basic story of AVGO is still intact as long as it does not break the lows at 329 and does not close below it. If it does not lose this level then there are still chances that Broadcom consolidates and then slowly makes a move earlier, otherwise position should be closed.
GOOGL	Google finally gave back 3.67% after a tremendous rally which increased it by 76% during last six months. This was expected as we mentioned last week that stock was extended and due for a pullback. Now testing its 20-day EMA could provide an aggressive entry but we think after a bounce, current market conditions could make it test its 50-days EMA between the range 285-290 which could provide a better entry.

Interesting new picks:

Current market conditions are tricky, and it looks like Tech sector and aggressive areas of the market will continue to pressurize the broader market hence new entries if any should be done with caution as a 10-15% correction is not unlikely at this stage going into the new year.

LLY: Eli Lilly (biggest Pharma stock) was in our list, and we alerted our readers that in the range 980-1000 it is likely to find support which it did as it is now trading in a buy zone above 1000. It is

Medium- and Short-Term Picks:

APP	Although entered last week but caution is warranted amid a drop of 6% on Friday, accordingly it is suggested to close the position as market looks like is not favoring tech stocks now.
VRT	VRT, with a 14.68% loss last week, was a disappointment and hence the position was closed as soon as it hit 8% loss.
BABA	Alibaba lost another 1.67% as it continued to consolidate in the lower recent trading range. Although Dec is not a strong month, January has been traditionally a strong month for BABA. It is trading under its 50-day EMA and any move above the 50-day EMA could provide an entry. On the downside, any close below 148 would warrant a complete revaluation of the situation.

	Please note that being a Chinese, BABA is a volatile stock and normally moves in a wider range above than our usual threshold of 8-10%.
AMZN	<p>Amazon lost another 1.4% last week as it is trying to find support at current levels.</p> <p>While aggressive investors might find current levels interesting, but it can come down further below 210.59 if market stages a 10-15% correction which could provide a better entry.</p>
XPO	XPO was a winner last week as it rose 4.6% and as expected it came out of the current consolidation. Any pullback to its rising 20-day EMA (currently at 141) could provide another entry in this logistics stock.
FTI	TechnipFMC gained another 0.65% last week, making it eighth week in a row. It is now out of the buy zone, and some profits should be made when it reaches 15-20% range.
IBM	<p>IBM gained 0.42% last week and remained strong during even besides a weakness in the Tech sector. IBM is positioned as an IT/AI leader that is well positioned to benefit from several tailwinds, including enterprise AI adoption, and Quantum differentiation etc.</p> <p>Given IBM's last two years' performance, it could be given even wider stoploss amid market enthusiasm behind its recent move. We do not recommend any new positions at these levels given the overall market conditions and any pullback to its 20 or 50-day EMA could provide another entry.</p>
WDC	<p>WDC gained another 4.4% last week although it lost 5.8% on Friday. It was suggested last week that it was due for a pullback, and some profits should have been made.</p> <p>Given that it looks extended, no new entries now but we will continue to monitor the stock performance for a new buy signal.</p>
ATAT	ATAT was flat for the week although it gained 2.54% on Friday, which is notable. Though volatile, the stock's price movement indicates underlying strength. Aggressive investors could add position at current levels (reduced size suggested or wait for a pullback to its rising 20-day or 50-day EMA for a better entry.
AMD	AMD broke the 200 level and found support at 20-week EMA, but broader market is not conducive for Tech stocks, and this could pressure AMD stock to consolidate or even come down recent lows. It is still in our watchlist for a buy signal but for the time being wait and see is a better approach.
PWR	Quanta Services lost 4.87% last week and flashed a sell signal on Friday. Given the market conditions, if profit levels of 15-20% are still available then existing positions now should be trimmed as it is more likely to consolidate or further come down.
GEV	GEV finally broke out last week, but it lost almost \$60 from its weekly highs of 731. It is still actionable for aggressive investors as it closed the gap around 656 on Friday but with a reduced position size given the overall market condition.

FIX	Comfort Systems moved past its buy point at 1020.26 but lost it to close the week at 9.67%. No new entries at this time as stock seem to continue its recent consolidation.
MU	MU has had a great run this year with 187% increase so far. It has earnings scheduled for Wednesday (12/17) and its loss of 6.7% on Friday is concerning. While it may find support in the range of 200-211 as mentioned last week but given its recent run and the overall market conditions, it would be better not to take any new entry at this time around earnings while taking some profits if greater than 15-20% range on existing positions.
TSLA	Despite the recent weakness in the overall market, Tesla looked firm as it eyes its recent all-time high at 488 and beyond. Tesla investors are interested in its new initiatives, especially robotaxi and stock offering of Elon Musk's space initiative SpaceX. A new buy point will be 474 but history tells us that Tesla normally falls back after achieving new highs, hence waiting for a decent pullback could be a better strategy.
MPLX	MPLX gave back 1.81% last week as it ended its last 8-week profitable run. This pipeline operator has increased its dividend yield recently and still offers 7.85% yield at current prices. Ideal for dividend seekers although still seem extended at current prices.
GLDM	As mentioned last week, Gold's long-term indicators fully support a continuation of the trend. It also poised for a potential two-month breakout , offering another entry at current levels.

Website:

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