

# Santa Delivers, But Storm Clouds Gather on the Horizon

The day after Christmas lived up to its sleepy reputation. The Nasdaq slipped 0.09%, the Dow shed 0.1%, and the S&P 500 spent the session bouncing between positive and negative territory before settling essentially flat. Small caps fared the worst, with the Russell 2000 dropping 0.52%. With many traders still enjoying holiday leftovers, the shortened week saw muted volume and tight trading ranges throughout.

Yet beneath the quiet surface, the bulls maintained control. The S&P 500 notched fresh all-time highs on both Wednesday and Friday, while the Nasdaq and Dow finished within striking distance of their own records. Market breadth painted an encouraging picture as well—the Equal Weighted S&P 500 ETF (RSP) closed Friday in the green, and the NYSE advance-decline line continues trending higher near its best levels of the year. Mega caps pulled their weight, with Nvidia, Meta, Broadcom, and Google all posting weekly gains. Micron remained standout, lifting the semiconductor group along with it, though the software sector (IGV) treaded water and closed red on Friday.

All told, a solid week that aligns perfectly with the seasonal bullishness typical of this time of year.

## The Bullish Case for 2025

Wall Street strategists are calling for a fourth consecutive winning year for the S&P 500, projecting 15% upside from current levels based on consensus estimates. Technology is projected to grow by 19.8%, while real estate follows with a 17% increase, and consumer discretionary is anticipated to advance by 16.8%.

## The Caution Flags Worth Watching

While the long-term outlook remains constructive—and this rally could very well extend for years, several under-the-surface signals suggest a near-term pullback, or even a correction exceeding 10%, may be on the horizon:

**Momentum divergence:** The pace of price gains is slowing relative to the broader market advance, hinting at waning momentum.

**Seasonal headwinds ahead:** The holiday rally typically fades by mid-January, giving way to a consolidation phase that often lasts through March. Profit-taking during this period is routine, and aggressive sectors like technology, discretionary, and communications frequently pause or retreat.

**Sector rotation underway:** Despite markets reaching new highs, technology, which represents 38% of the S&P 500, is lagging behind healthcare, financials, and materials. This suggests capital is quietly rotating from higher-risk to lower-risk areas.

**Discretionary vs. Staples divergence:** The XLY-to-XLP ratio is not confirming new highs, indicating investors are favoring defensive staples over the riskier discretionary sector that typically leads during bull runs.

**Bitcoin's warning signal:** Historically, Bitcoin has topped before the S&P 500 over the past decade. As the most volatile asset class, crypto often sees capital exit first when markets turn defensive.

### The Bottom Line

Given these crosscurrents, investors would be wise to stay nimble—particularly when initiating positions in aggressive sectors. Raising cash by trimming winners to protect capital is a prudent strategy here. A correction is never guaranteed, but periodic resets are healthy for markets, allowing new bases to form and fresh opportunities to emerge.

Performance of major markets during last one week and the month is as follows:

### Market Scorecard

Ticker	Last Day	Weekly	Monthly	YTD	1 Yr
S&P 500	-0.02%	1.42%	1.55%	17.77%	14.78%
Nasdaq Composite	-0.09%	1.21%	1.58%	22.01%	17.71%
Nasdaq 100	-0.01%	1.11%	1.57%	22.04%	17.80%
Dow Jones Ind	0%	1.22%	2.67%	14.46%	12.42%
Russell 2000	-0.52%	0.24%	1.65%	13.77%	11.39%

### Sector Pulse

S&P 500 Sector	Weekly	Monthly
Consumer Cyclical (XLY)	+0.36%	+4.08%
Healthcare (XLV)	+1.15%	-1.08%
Basic Materials (XLB)	+2.16%	+4.28%
Consumer Defensive (XLP)	+0.10%	-0.07%
Financial Services (XLF)	+1.78%	+5.41%
Communication Services (XLC)	+1.57%	+3.40%
Utilities (XLU)	+1.10%	-4.21%

<b>S&amp;P 500 Sector</b>	<b>Weekly</b>	<b>Monthly</b>
Real Estate (XLRE)	+1.57%	-1.22%
Industrials (XLI)	+1.21%	+3.24%
Technology (XLK)	+1.49%	+3.43%
Energy (XLE)	+1.01%	-0.14%

## Sector Spotlight

A clean sweep for the bulls—all eleven S&P 500 sectors closed the week in positive territory. Basic Materials (XLB) stole the show, surging over 2% as precious metals staged an impressive breakout. Gold, silver, platinum, and their related mining stocks all caught fire, with platinum leading the charge. Gold continues to attract strong demand from central banks and foreign governments, with analysts projecting prices could climb to the 5500-6000 range over the coming year.

Financials (XLF) posted a solid 1.78% gain as banks continued to benefit from rate cuts—both recent and anticipated—sparking a breakout across the sector. Healthcare (XLV) climbed 1.15%, with biotech (XBI) leading the way. Industrials (XLI) advanced 1.21%, buoyed by strength in aerospace and defense names following SpaceX's announcement of a potential 2026 public offering, which sent ripples through related stocks like Rocket Lab.

On the growth front, Technology (XLK) and Communications (XLC) both flexed their muscles, riding renewed momentum in semiconductor names like Nvidia and Micron. Communications also drew strength from mega-cap stalwarts Google and Meta, both of which appear to be building constructive bases at current levels.

Consumer Discretionary (XLY) eked out a 0.36% gain, though the sector's performance is increasingly a two-stock story—Amazon and Tesla together account for roughly 40% of its weight, while the rest of the group traded largely sideways.

The laggards told an interesting tale. Consumer Staples (XLP) barely budged as investors favored risk-on plays. Utilities (XLU), once a darling of the AI data center narrative, has been the weakest sector over the past month. Real Estate (XLRE) managed a 1.57% weekly gain on hopes that rate cuts will ease financing costs, but the sector remains stuck below its 200-day EMA with lackluster relative strength. Energy (XLE) finished flat despite Friday weakness, still trading below its 50-day EMA as crude prices continue to struggle.

One notable watch: Bitcoin posted weekly gains but still looks technically damaged with deteriorating relative strength—a headwind that may soon spill over into crypto-related equities.

### **Important Economic events next week:**

Shortened week due to new year holiday. No important economic events scheduled for this week.

### **Important Earnings this week:**

Not many important earnings are scheduled for release towards the end of the year.

### **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.

<b>NVDA</b>	<p>Nvidia rallied by 5.27% for the week and near 9% since last Thursday and has settled above its 20-day and 50-day EMA lines. As mentioned last week we said that if it holds the low of 173.67 then it has a chance of moving upwards which exactly happened. This is a potential setup based on optimism about increased chip sales in China. <b>It seems to be actionable at current prices and then at 196</b> (Nov 20<sup>th</sup> reversal day) where it has a chance to move back above 200 and test the highs at 212.18. However, the end of the bullish period after mid-January could also trigger a rollover which is yet to be seen.</p> <p>Nvidia is still a long-term player and enjoys support from investors on every pullback.</p>
<b>AAPL</b>	<p>Apple is still rebounding from its 50-day EMA line and still in a buy zone. Aggressive investors could add further for a short-term test back to recent highs at 288.62. However, if Apple loses its recent low of 266.95 (which is expected with a broader market pullback) then position should be closed although AAPL is a long-term leader and its long-term trend is intact. We have also should consider that period from Dec-Feb is also a weaker one for Apple compared to May-Aug.</p>
<b>AVGO</b>	<p>Broadcom is trying to bounce from the recent sell-off as it is getting near the overhead resistance of 356-358 range as explained last week. It is, therefore, suggested to close this position at the test of this level to protect gains. Being a long-term leader, it will remain in our watchlist for another entry.</p>
<b>GOOGL</b>	<p>Google gained another 2.07% last week and continues to prove its dominance among the Mag7 stocks. If profits are above 15–20%, reduce your position. Google remains our long-term leader and is actionable at current levels for aggressive long-term investors who do not care about a 10-15% drop.</p>

### **Interesting new picks:**

Given current market conditions, a defensive approach is necessary since our goal of 15-20% returns per trade is challenging for most stocks now. After the holidays period, it is wise to be cautious as market conditions may shift unfavorably for bullish investors. Adapt sound risk management strategies and strict stop losses when considering new positions.

**GH:** Guardant Health is a biotech company which is currently holding up very well and looks like it is forming a base which could be completed next week. It is just 5% above the 10-week line which is

racing to catch up with. Keep it on a watchlist as it could offer an entry towards the end of the coming week after completing the base.

**GE:** General Electric stock has all the characteristics of a long-term stock and currently is right below a flat-base entry at 316.67. Any pullback to a 50-day or 200-day EMA will automatically be a buy as it is likely to get support unless the overall market is in a correction. Again, caution with position sizing is warranted as market is likely to have a pullback soon which could give us a better entry in it.

**Medium- and Short-Term Picks:**

<b>NEM/KGC</b>	These two gold miners were picked last week, and they increased by 4.43% and 3.88% respectively justifying their selection as gold miners continue their run and these stocks made highs. Further incremental addition is possible at current prices, but position size should be reduced as profit taking could kick in any time.
<b>LLY</b>	Eli Lilly was mentioned two weeks ago around 1000. Last week it increased by another 0.59%. Any pullback to <b>its 50-day EMA will be a buy</b> as long-term trend is in place and expected to continue. Eli Lilly's competing weight loss pill (Forglipron) is expected for FDA approval by the end of first quarter 2026 and launch in the second quarter.
<b>APP</b>	APP lost 1% last week after a 7.56% gain in the prior week. With the regained momentum it is likely to test its recent highs at 745.61 and <b>the stocks seem to be actionable</b> (although a reduced size is recommended since it is a volatile stock).
<b>AMZN</b>	Amazon was flat last week as it continued to trade in a tight range It still offers <b>another aggressive entry</b> at current prices with a stop loss below 211.
<b>FTI</b>	TechnipFMC was flat last week as it is trying to move past its key moving averages. Some profits should be made when they reach 15-20% range and reduce the position size as it is likely to consolidate or even come down soon.
<b>IBM</b>	IBM slowly crept above 305 last week. IBM is positioned as an IT/AI leader, it benefits from several tailwinds, including enterprise AI adoption, and Quantum differentiation etc., but given the market conditions it could enter a consolidation phase. Its recent action is encouraging, and it provides an entry with a tight stop loss below 288 although reduced position size is recommended due to anticipated slowdown in tech stocks.
<b>WDC</b>	WDC gained another 0.25% for the week. It was suggested last week that it was due for a pullback, and some profits should have been made.  Given that it looks extended, and momentum seems to be fading, no new entries now but we will continue to monitor the stock performance for a new buy signal.
<b>ATAT</b>	ATAT was flat last week (0.14%) after making new highs in the prior one. It is a volatile stock and can reach new highs but can also swing low amazingly fast in case of a pullback. Therefore, now new entry currently.

<b>AMD</b>	AMD found support at its rising 20-week EMA line twice. We think anticipated weakness in aggressive areas of the market could also take a toll on AMD stock price and we should wait for a better entry point.
<b>FIX</b>	Comfort Systems gained another 2.45% last week, as it is trying to consolidate at current levels. This position was opened in September around 706 and some profits should be secured at this level. Although an entry is available, care should be taken with tight stop losses since it can come down quickly in case of a market pullback.
<b>MU</b>	MU continued its tremendous run, starting in August with another gain of 7.1% last week. The stock now seems extended and should find support around gap at 240-245 range or its rising 20-day EMA 254. Better to wait for these opportunities.
<b>TSLA</b>	Tesla cooled down by 1.25% as it was trying to break the 500 level. With market rising due to bullish patterns rally, it is expected to break this level but as its history suggests, it could experience a breathing period which could provide a better entry at low prices. We think any pullback to its moving averages around 400-420 level will again provide decent support.
<b>MPLX</b>	MPLX was flat with a modest 0.43% gain after two red weeks. This pipeline operator has increased its dividend yield recently and still offers 7.98% yield at current prices. Ideal for dividend seekers although seem extended at current prices. <b>Another entry is possible</b> at current prices as the stock is finding support at its 50-day EMA line.
<b>GLDM</b>	Gold broke out from the buy point of 85.90 (mentioned last week) as gold was up by 4.4% last week. Slightly above the buy point, it could be a bit late to join the party. Any pullback in gold will not be likely to persist and could provide a better entry.

**Website:**

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