Market Encounters Resistance Amid Breakout Attempts

Last week we mentioned that turbulence is expected from several uncertainties like Deep Seek announcement, looming tariff war (add US-EU strains over Ukraine to this list), the S&P 500 scored an all time high on Wednesday only to retreat significantly and moved back to its 50-days moving average while small stocks index which were already weak took it to chin and undercut its long-term moving average of 200-days moving average line. Several other bearish signs have been on horizon for sometimes like weak performance of aggressive sectors like Discretionary against the defensive sectors like Staples and Healthcare, and continuous weekly closure of VIX (CBOE Volatility index) at higher lows during the last two months. These are the signs that fear in the market is at elevated levels and when this happens Wall Street starts rotating from aggressive to defensive areas such as Gold and Staples.

Major Indices Performance:

Index	Friday (2/21)	Weekly	Monthly	YTD	1-Year
S&P 500	-1.71%	-1.66%	-0.60%	+2.24%	+20.70%
Dow Jones Industrial	-1.69%	-2.51%	-1.36%	+2.08%	+12.47%
Nasdaq 100	-2.06%	-2.26%	+0.22%	+2.86%	+23.66%
Nasdaq Composite	-2.20%	-2.51%	-1.18%	+1.10%	+25.31%
Russell 2000	-2.88%	-3.62%	-5.22%	-1.43%	+11.33%

The S&P 500 dipped back to its 50-day moving average, sliding 1.7% both on Friday and for the week. Nevertheless, the index still holds a 2.2% year-to-date gain, attributed to its relatively modest technology exposure. The Dow Jones Industrial Average faced a steep drop, tumbling 749 points (-1.7%) on Friday, its worst day this year—and slipping beneath its 50-day line. UnitedHealth (UNH) plunged 7.2% following a *Wall Street Journal* report indicating a Justice Department probe into its Medicare billing methods. Nvidia (NVDA) also declined, compounding the overall market downdraft.

Market breadth was noticeably skewed, with losers surpassing winners by approximately 3-to-1 on both the NYSE and Nasdaq. Downward momentum that began on Thursday intensified further on Friday, with leading stocks weakening, small caps hit hard, and the Nasdaq crossing below its 50-day average.

Upcoming Economic Data & Earnings:

Looking ahead, the market is poised for a barrage of economic releases, headlined by Friday's Personal Consumption Expenditures (PCE) price index for January—the Federal Reserve's preferred yardstick for inflation. Consensus forecasts call for headline PCE to rise by 2.5% year-over-year, while core PCE (excluding food and energy) is anticipated at 2.6%. These figures will heavily influence expectations regarding interest rate trajectories.

Although the earnings season is winding down, several high-profile reports remain on the calendar. During the weekend, Warren Buffett's Berkshire Hathaway (BRKB) will reveal its fourth-quarter results, foreshadowing a notable week of corporate disclosures. Companies expected to announce earnings include:

- Nvidia (NVDA) – A heavyweight in artificial intelligence
- Home Depot (HD) – An important barometer for retail and housing
- Salesforce (CRM) – A dominant player in enterprise software
- Duolingo (DUOL) – A prominent growth stock story

With markets at a critical juncture and fresh inflation data on the horizon, investors are encouraged to approach the week ahead with caution, balancing risk while monitoring significant economic developments.

Sector Performance Overview:

Sector performance last week was as follows:

Sector	Weekly Performance	Last One Month
Staples (XLP)	+1.95%	+5.36%
Utilities (XLU)	+1.48%	+10.24%
Health Care (XLV)	+1.13%	+4.21%
Energy (XLE)	+0.95%	-1.26%
Real Estate (XLRE)	+0.40%	+5.39%
Industrials (XLI)	-1.97%	+4.52%
Materials (XLB)	-1.98%	+2.42%
Financials (XLF)	-2.03%	+5.1%
Technology (XLK)	-2.13%	+2.31%
Communications (XLC)	-2.17%	+7.36%
Discretionary (XLY)	-3.79%	-5.42%

Wall Street's capital flow reflects a risk-off environment, with defensive sectors such as Consumer Staples, Utilities, Real Estate, and Health Care leading market performance. Investors are shifting away from growth-oriented sectors like Technology, Communications, and Consumer Discretionary, prioritizing stability over aggressive market plays. Even Industrials and Materials, often considered mid-range or cyclical sectors, lagged behind their more defensive counterparts.

The Communication Services sector (XLC) saw a pullback, largely due to profit-taking in Meta and continued weakness in Alphabet (GOOGL) following its recent earnings report. However, an outlier in the market was Chinese equities, particularly China's internet stocks (tracked by the ETF KWRD), which surged on the back of strong momentum in Alibaba (BABA).

Meanwhile, the Financials sector (XLF) faced notable declines over the last two trading sessions, possibly signaling a temporary consolidation phase. The Consumer Discretionary sector struggled as well, weighed down by Tesla and Amazon, both falling below their 50-day moving averages, indicating growing pressure on these high-profile stocks.

Important Events next week:

Important economic events planned for the upcoming week are:

Tuesday (02/25): CB Consumer Confidence (Feb)
Wednesday (02/26): New Home Sales, Crude Oil Inventories
Thursday (02/27): Durable Goods Orders, GDP (QoQ) Q4, Initial Jobless Claims, Pending Home Sales (MoM)
Friday (02/28): Core PCE Price Index (MoM and YoY), Retail Inventories, Personal Spending (MoM)

Important Earnings this week:

Several important earning reports and announcements are due in the coming week:

Monday (02/24): Hims & Hers (HIMS), Axon Enterprise (AXON)
Tuesday (02/25): Cava (CAVA), Home Depot (HD)
Wednesday (02/26): Corcept Therapeutics (CORT), Nvidia (NVDA), Snowflake (SNOW), TJX Cos. (TJX), eBay (EBAY), Vista (VST)
Thursday (02/27): Dell Technologies (DELL), Duolingo (DUOL)

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.

MSFT:	Microsoft was flat last week but its last one-year price action and current overall market sentiments could cause it to dip further below to 383 level before finding support. We mentioned last week that it is better to close existing positions in Microsoft and wait for a better entry in this long-term leader.
NVDA:	Nvidia showed strength as usual in the month of February so far (except for Friday). Its earnings are due on Feb 26th and during the earnings it becomes risky especially for a growth stock of this weightage. Therefore, if investors are long with some good 10-15% cushion in it then it is suggested to keep a hold and avoid new entries at this stage. The market is waiting to see the next growth driver in Nvidia's report to further take it above its recent highs otherwise a sharp sell-off is also possible. The most important part will be its future guidance. If it breaks out above 153.13 it could eventually go all the way up to 200. On the flip side it might face resistance which could turn it away back to recent lows.
AAPL:	Besides the market drop, Apple was able to eke out a small gain of 0.39% last year. It is still in an **actionable early buy range** for aggressive investors as the all-time highs at 259.81 level is not far (although it might consolidate at these levels before attempting a breakout). Apple remains our long-term favorite leader.
COST:	Costco came under pressure with Walmart on weak consumer sentiments in the overall retail market. It is again suggested to take some profits from the existing positions (if any) as it

	could come down to test its 20-day EMA at 958.37 or 50-day EMA at 873 at which points it will again become attractive for anxious investors. It remains our long-term pick.

Medium- and Short-Term Picks:

GOOGL:	Further to our last week note, Google lost another 3% and could further go down to test its 50-dayu EMA at 170.97 at which it could find support for an entry
META:	Meta finally took a pause after 21 days of rise. It was mentioned that it could take a pause after a great run and hence it is time to reduce exposure which exactly it did. Meta is likely to consolidate further and could provide support at its 50-day EMA at 656 which could provide a **reentry** depending upon the overall market environment.
AMZN:	For the third week in a row, Amazon registered a red week with a loss of 5.29%. Its current weakness could lead it to 196.56 (50-day EMA) or even below where it will become more attractive for long-term investors.

Interesting Stocks for Actions and Watchlist:

New Picks:

Due to recent developments discussed above, markets could remain choppy and even a pullback or correction (10-20% downside) is on cards. Investors should therefore remain very nimble in their risk management and take small losses instead of allowing them to grow bigger while assessing the opportunities more carefully.

JD: With a lot of interest being built in Chinese stocks, JD.com (a direct sales company) is currently showing strong price action. It is in an **actionable range** and could touch 50 level before its next earnings on Mar 6.

Recently Picked Stocks:

BABA:	BABA gained another 15.25% last week, making it six weeks in a row and almost increasing by 80% from its recent lows. This show tremendous momentum behind this move considering the strength in Chinese stocks and its recent AI partnership with

	Apple. However, chasing stocks at extended levels is very risky and we are keeping an eye on it to find a better entry.
GLDM:	Gold gained another 1.70% last week, making it eight in a row. While it could consolidate at all time high levels, gold is in demand around the world and given the current market condition could continue to **provide a safe haven for people who want to play it safe.**
BYDDY:	The Chinese EV manufacturer seems again added another 8.05% last week and as we said it could be another Tesla in the coming day. However, we would like the stock to pull back to 83.67 levels to get some support as it seems extended at these levels
HIMS:	HIMS set another high at 72.98 before dropping like a rock for 18.51% for the week in huge volumes, triggering a sell signal. It closed below 50, which are not good signs as its retreat continues. It could form a base at lower prices where it would be more attractive to make a re-entry. Till that time, let's put it in a watchlist.
KVYO:	KVYO lost 10.96% last week, triggering a sell signal. With the current market conditions, it is recommended to close the existing position and put this stock to a watchlist for a better entry.
NOW:	The software giant continued its slide with another 4.89% loss last week which is another sell signal. For the time being we are taking this stock out as it looks like it is all set to test its 50-day EMA at 905. Being a solid company, we would like to keep it on our watchlist to pick a better entry in future.
VIK:	VIK lost 6.66% last week, which shows short-term weakness. Given the current market environment, it would not be a surprise if VIK loses further ground before finding support around 42-43 levels.
ATEC:	ATEC lost another 1.21% last week and as mentioned last week its price action is not encouraging and if it breaks 10.40 on volumes then positions should be closed.
WMT:	The retail giant had a strong 4th quarter but missed its full-year forecast. It issued a warning that inflation and consumer spending could slow down the anticipated growth in 2025 which (along with a weak consumer sentiment index) was enough to knock down the shares by over 6% while the weekly loss was 8.90% triggering a sell signal for us. For the time being it is suggested to close the remaining position (as partial sell-off was recommended last week) and wait for better price action for Walmart.
TSLA:	Tesla broke its support at 20-day EMA line, lost 5.07% for the week and is in danger of pushing further down to test 295-300 levels. We think that Elon Musk's involvement in politics and using Tesla and Twitter to spread his words is causing concerns among

	Tesla investors who are currently dumping stock. Tesla sales are dropping all over the world including China, Europe, and USA. For the time being it is better to get out of any position in Tesla and wait for a better entry in future.
TSM:	TSM continued to consolidate in a narrow range with a 2.78% loss during the week and is at its 50-day Ema support. The stock could find support at these levels to move upwards and hence an **entry** is available for interested investors with a stop loss below 187.
GE:	GE lost 4.05% last week to come down from 160 levels. Again, it is time to take some profits and reduce the position (if any). The stock is somewhat extended and could consolidate to form another base.
AVGO:	Broadcom lost 6.17% last week and could test its 20-day EMA at 207.81 at which point it could get a short-term bounce. With the current market conditions, it is suggested to put any new entry on hold and watch for a consolidation.
ETR/NI:	ETR and NI gained +3.95 and +0.98% last week as Utilities sector continued to rise after the Deep Seek shock. These stocks are at all-time highs and right now is the time to make some profits (if not taken yet) and let the rest run. These two Utilities have been a slow performer but have met our expectations.
CCL:	CCL suffered a blow of -11.48 % and triggered a sell signal loss last week as the new of a possible U.S. tax policy sift could impact cruise line operators. Although it found support at its 50-day moving average, it is possible that it further drifts unless the authenticity and effect on its profitability is fully known which might take some time. Till then, put it on a hold.

Website:

Subscribe to our YouTube channel to obtain the latest news and information about our products at

https://www.youtube.com/channel/UC8aS_P5xpWUDVG5IDdSjGEg

Happy Trading and best regards,

Disclaimer: