Market Volatility Intensifies as Uncertainty Persists

For the third consecutive Friday, the market has reversed course, erasing gains from what otherwise appeared to be a strong week. This recurring pattern highlights a growing sense of unease among investors, largely driven by the shifting and often unpredictable policy landscape in Washington. The uncertainties surrounding trade tariffs, geopolitical tensions, and potential shifts in administration continue to weigh on market sentiment, leading to increased volatility.

One of the most telling signs of this heightened nervousness is the CBOE Volatility Index (VIX), which has been fluctuating since December. Despite multiple attempts to break above the 20 level, the VIX has consistently pulled back, though it continues to establish progressively higher lows. This pattern suggests that market participants are becoming increasingly jittery, making the environment more susceptible to sharp downturns triggered by unexpected economic reports or policy shifts, such as surprise tariff announcements or inflation data exceeding expectations.

Here is how the major indices performed last week:

Index	Friday (2/07)	Weekly	Monthly	YTD	1 Year
S&P 500	-0.95%	-0.24%	+1.98%	+2.45%	+20.64%
Dow Jones Industrial	-0.99%	-0.54%	+4.17%	+4.13%	+14.55%
Nasdaq 100	-1.30%	+0.06%	+1.50%	+2.28%	+21.04%
Nasdaq Composite	-1.36%	-0.53%	+0.17%	+1.10%	+23.91%
Russell 2000	-1.16%	-0.21%	+1.47%	+2.28%	+18.34%

The past week saw major indices initially rebounding from Monday's intraday lows, which were triggered by tariff-related fears. However, optimism faded as inflation concerns resurfaced, causing markets to relinquish gains and end the week in negative territory. Notably, the Nasdaq Composite encountered a sharp Friday sell-off below its 20-day moving average, signaling potential weakness ahead.

Despite the broader market's struggles, several leading stocks—particularly within the Chinese tech sector—held up well. Meanwhile, Treasury yields, and crude oil prices continued their downward trajectory, though yields managed to recover from their lowest levels of 2025.

Economic Data Clouds Rate Cut Expectations

Friday's January jobs report added another layer of uncertainty, casting doubt on the likelihood of further Federal Reserve rate cuts. Even if President Trump had not been on the verge of implementing a sweeping economic agenda, the labor market data alone would have complicated expectations for monetary easing.

Key takeaways:

- Hiring slowed, with only 143,000 jobs added in January, including 111,000 private sector jobs. However, upward revisions of 100,000 jobs for the prior two months provided some optimism.

- The unemployment rate dropped to 4%, the lowest since May, suggesting labor market resilience.
- Average hourly earnings surged, reflecting continued wage growth pressure.
- External factors such as winter storms and the Los Angeles wildfires may have contributed to weaker job growth figures.

Adding to inflationary concerns, the University of Michigan's Consumer Sentiment Survey reported a sharp rise in 12-month inflation expectations, jumping to 4.3%—a 15-month high—from 3.3% in the previous report. Meanwhile, long-term inflation expectations climbed to 3.3%, their highest level since 2008.

Sector Performance Overview

The performance of the eleven S&P sectors was as follows:

Sector	Weekly Performance	Last One month
Communications – XLC	+0.35%	+5.01%
Healthcare – XLV	-0.30%	+4.81%
Industrial – XLI	-0.74%	+3.80%
Technology – XLK	+0.87%	-0.49%
Financials – XLF	+0.68%	+7.22%
Real Estate – XLRE	+1.33%	+4.98%
Staples – XLP	+0.47%	+2.73%
Utilities – XLU	-0.33%	+2.78%
Materials – XLB	-0.56%	+5.48%
Discretionary – XLY	-2.84%	+1.44%
Energy – XLE	+1.05%	+0.71%

As previously noted, Healthcare (XLV) and Communications (XLC) have exhibited strong performance patterns in January, a trend that is once again playing out this year. The Communications sector has been driven higher by Meta Platforms (META), which continues to surge, alongside solid momentum from Netflix (NFLX). Meanwhile, the Healthcare sector is rebounding from long-term support levels, with Eli Lilly (LLY) and AbbVie (ABBV) playing key roles in its resilience.

Energy (XLE) showed relative strength this week despite heightened market volatility due to tariff-related concerns. However, its broader performance this year has remained lackluster, reflecting an overall cautious sentiment toward the sector.

A standout performer in recent weeks has been Financials (XLF), which benefited from strong earnings reports from major banks. This sector's momentum underscores investor confidence in the broader financial system, despite ongoing economic uncertainties.

Riskier Assets Face Headwinds

In the Technology sector, Nvidia (NVDA) remains a key driver, helping offset some of the recent sector-wide pullbacks. However, Consumer Discretionary (XLY) and Industrials (XLI) have faced considerable weakness. Discretionary stocks, in particular, have been negatively impacted by a sharp decline in Tesla (TSLA) and post-earnings volatility in Amazon (AMZN). This pullback suggests that investors are rotating away from high-growth, high-risk assets.

On the defensive side, Real Estate (XLRE) and Consumer Staples (XLP) have posted solid gains, reinforcing a broader shift toward safer, defensive plays. Investors seeking stability have also driven gold prices to record highs, indicating a move toward wealth preservation strategies in the face of market uncertainty.

Investor Takeaways: Proceed with Caution

Given these evolving trends, investors should remain cautious. The market appears to be signaling an increased risk of a deeper pullback, particularly in sectors with higher volatility, such as Discretionary, Technology, and Communications. As sentiment shifts toward capital preservation, reducing exposure to high-risk assets and increasing allocations to defensive sectors may be a prudent strategy. In an environment marked by mixed signals, adopting a balanced approach—adjusting risk exposure while maintaining flexibility—will be critical for investors seeking to navigate market fluctuations effectively.

Important Events next week:

A big week for economic data on tap:

Tuesday (02/11): Fed Chair Powell testifies.
Wednesday (02/12): Core CPI (MoM) and (YoY), Fed Chair Powell testifies.
Thursday (02/13): Initial Jobless Claims, PPI (MoM), Fed's balance sheet.
Friday (02/14): Core Retail Sales (MoM), Retail Sales (MoM)

Important Earnings this week:

Coming week is also full of important earning reports and announcements just like the prior one:

Monday (02/10): ALAB, ON Semiconductors (ON)
Tuesday (02/11): Shopify (SHOP)
Wednesday (02/12): Applovin (APP), HUBS (HubSpot), Robin Hood (HOOD), Reddit (RDDT)
Thursday (02/13): Applied Materials (AMAT), Coinbase (COIN), PANW (Palo Alto)

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:	After a large drop last week, Microsoft drifted another 1.28% this week. With the bearish market environment being developed it is suggested to close existing positions in Microsoft and wait for a better entry at a later stage in this long-term leader.
NVDA:	Nvidia got a boost from tech titans reiterating their pricey data center spending plans (Google, Meta and Microsoft). Nvidia could face another leg down in the coming days due to a market drop because of the overall bearish conditions and it has overhead resistance as well. Aggressive investors could buy it at the current range with a wider loss or opt to wait for another leg down to 110-113 levels. Nvidia remains on our long-term favorites list.
AAPL:	Apple also dropped by 3.55% amid weakness in the Tech sector. It was least impacted by the fall led by DeepSeek revelations and it has the least AO capital expenditure planned ($10 billion USD) compared to other Big Techs. However, the current Tech sector weakness could lead to another drop in Apple shares which will be more attractive around 218-219 levels. Apple remains our long-term favorite leader.
COST:	Costco continued its march higher with a 6.6% gain last week. It remains a long-term leader and after the recent breakout to new highs is **actionable** in current range, but with the bearish signals in the overall market, it is suggested to take some profits off the existing positions (if any) and let the rest for the long run.

Medium- and Short-Term Picks:

GOOGL:	Google stock was hit hard after Q4 results announced on Tuesday with a weekly drop of 9.16%. Although its numbers were impressive, cloud earnings missed slightly, and it also gave a soft guidance for 2025. Investors did not like the idea of decelerating growth in Cloud business, which pressured shares over the past week and the trend may not be over. Nevertheless, this gives us an opportunity to watch if it drops to a range close to its 40-week EMA at 170, which will be a very good entry.
META:	Meta, as expected, continues to rise with a 3.64% gain this week and hit another high showing its leadership. It rose in the last 15 trading days and 7 weeks in a row. If some profits are not made so far then position size should be reduced as Meta is likely to consolidate (or even come down due to market pressures) thus providing a good entry point.
AMZN:	Amazon also reported good Q4 results but like Google cloud numbers missed and investors did not like soft growth guidance in the AWS cloud business going forward. Its Advertising revenue also fell short of expectations, and it dropped by 3.59% during the week. We think the pullback is not over and it could further come down to the 205-214 range where it will be more attractive.
PLTR:	Palantir is not passing our ethical and moral screens and hence is being dropped from our list going forward.

Interesting Stocks for Actions and Watchlist:

New Picks:

Due to recent development on several fronts, markets could remain choppy and irrational for extended period of times. A pullback or even a correction is possible because of the looming uncertainties. 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.

GLDM: Gold is at all time high and currently in an actionable range. GLDM is Gold ETF with very low expense ratio and is currently trading in a buy range. For people who are cautious or want to move some money from riskier assets like FANGs, Tech stocks etc., GLDM could be a safer heaven in the short-term.

BYDDY: The Chinese EV manufacturer is on a roll with a 20.62% gap up. It could be another Tesla in the coming days; therefore, it is included in our watchlist for a possible entry. The stock is already at new highs and any pullback to 72-74 range will **be actionable**.

SERV: If you are looking for a riskier but high potential candidate in AI space, then consider Serve robotics. This stock gained 16.59% on Friday but is highly volatile in nature. We are adding it to our watchlist for a better buy point between 12-14 range.

Recently Picked Stocks:

HIMS:	Picked last week, HIMS was a winner last week with a 14.14% gain making it four weeks in a row. But with these types of gains, it might pull back in the short term (35 will be an ideal level) giving investors an opportunity to get on board.
KVYO:	We picked KVYO two weeks ago and it increased by another 2.06% (total 7.38%) confirming our bias. With the current market conditions, it is time to wait and see as it could move in either direction. It is a new IPO; it could make a sweeping move if the broader market comes under pressure due to Tarriff developments.
NOW:	The software giant slipped another 1% last week after breaking down in the prior week on its Q4 earnings. There is a fair chance that it could break the 1000 level and if it gets closer to its 200-days EMA or the lower Bollinger band at 958 then it will be a good entry point.
VIK:	Picked three weeks ago, Viking gained another 4.23% last week and reached new highs confirming our upward bias. A **better entry** would be its rising 20-day EMA at 49.30. Aggressive investors, however, could **add incremental positions** at the current levels.

ATEC:	ATEC failed to cross the 12.22 level and lagged with a 3.65% loss. Looks like it is consolidating in a tight range and should be watched for an entry **it leaps past 12.22**.
WMT:	Walmart gained another 3.05% last week, making it now three in a row. It recorded another all-time high and crossed past 100. It is likely to continue its up trend in the long run but could pause around this key level for a brief consolidation.
TSLA:	As mentioned last week, Tesla dropping below 377.29, was a sell signal. It closed the week with a 10.62% loss and closing at 361.62. Tesla could be forming a double-bottom at this level but could even break down further amid weak sales in Europe and falling behind BYD. Therefore, wait and see will be a better approach for Tesla now.
TSM:	TSM lost 2% on Friday but still above key averages. However, its price action shows weakness in the short term. An **alternate entry** b/w 200-202 is available if the stock drifts further low.
ANET:	After the huge drop in the prior week, ANET recovered 2.28% further last week but we would like to rise above 120 and maintain it. Right now, there is still a chance to roll over and test the lows again. Therefore, the stock remains on hold and on our watchlist.
GE:	GE gained another 0.84% in a row, making it four in a row. Now it is time to make some profits and reduce the position size (if any. The stock is somewhat extended and could consolidate amid the expected bearish market conditions.
AVGO:	Like Nvidia, Broadcom also increased this week with a 1.63% gain. It found support at its 20-week line and seems balanced in the current range. Any bearish pullback in the Tech sector could also pull back this solid performer but it is likely to find good support around 200 where it will definitely become an **actionable** stock.
ETR/ NI:	ETR and NI gained 1.63% and 2.46% respectively during the last week amid a recovery in the Utilities sector. These stocks are consolidating in the current range and suggest letting them catch up with their moving averages for an entry.
CCL:	CCL lost 3.32% last week. It was mentioned in our last commentary to book some profits and let the rest run but no new entry at this point.

Website:

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