A Rocky Start to the Year: Market Analysis and Outlook

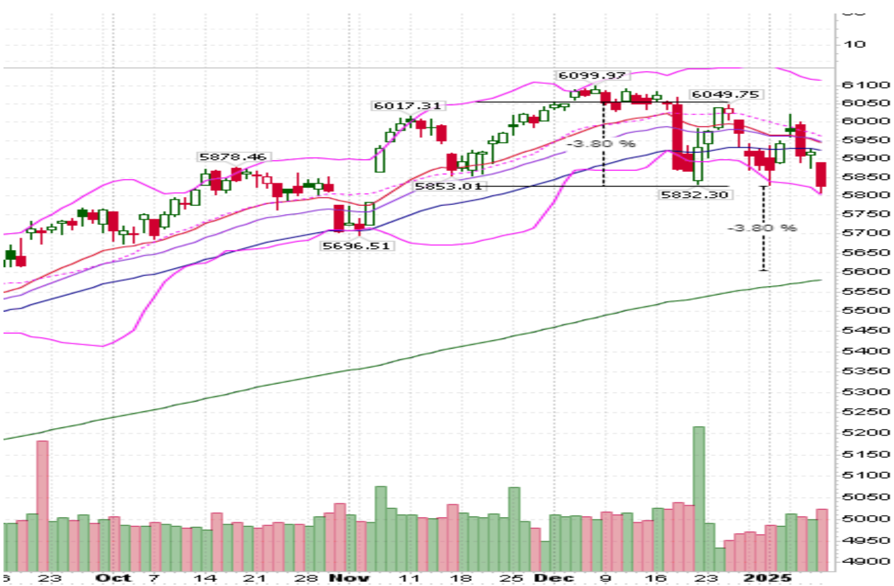
The second week of the year brought renewed concerns about a deeper market pullback, as losses mounted across major indices. A brief recovery attempt was overshadowed by widespread declines, with small- and mid-cap stocks crashing into key support levels. The week began with weak Chinese manufacturing data and a declining yuan, while U.S. markets fluctuated on the back of Nvidia's initial gains, later reversing as Treasury yields climbed in response to robust job and services data.

A significant warning sign emerged with Nvidia's pullback on Tuesday. On social media, we noted the troubling pattern: reaching a 52-week high before closing near its 50-day low. This pattern, often a precursor to broader tech sector weakness, proved prophetic as Nvidia's slump rippled through the Nasdaq Composite and other indices.

Here's how major indices performed last week:

Index	Friday (1/10)	Weekly	Monthly	YTD	1 Year
S&P 500	-1.54%	-1.94%	-3.44%	-0.93%	+21.82%
Dow Jones Industrial	-1.63%	-1.86%	-5.22%	-1.42%	+11.26%
Nasdaq 100	-1.57%	-2.24%	-2.44%	+0.78%	+24.14%
Nasdaq Composite	-1.63%	-2.34%	-2.67%	-0.77%	+28%
Russell 2000	-2.20%	-3.39%	-8.12%	-1.87%	+12.46%

The Nasdaq fell below its 10-week moving average for the first time since September, while other indices, including the S&P 500 and Dow Jones, plunged deeper into bearish territory. A head-and-shoulders pattern observed in the S&P 500 since November suggests a potential decline to the 200-day exponential moving average (EMA), approximately 3.8% below Friday's close.



Key Factors Driving Market Sentiment

1. Rising Bond Yields: Higher yields, spurred by economic growth and persistent inflation, signal fewer or no rate cuts from the Federal Reserve. For equities, rising yields reduce the attractiveness of Price/Earnings ratios and narrow the return gap between stocks and debt securities.
2. Policy Uncertainty: Concerns about the incoming U.S. administration's fiscal, trade, and geopolitical policies—along with tariff implications—have heightened market volatility.
3. Strong Job Market: December's robust nonfarm payroll report boosted medium- and long-term yields, diminishing prospects for further Fed rate cuts. Markets appear to adopt a "good news is bad news" reaction, typical during corrections.

Market Breadth and Sector Performance

Market breadth remains lackluster, with the Equal Weight S&P 500 ETF (RSP) nearing its 200-day moving average. Returns have been concentrated in a handful of mega-cap stocks (the "Meg7"), while small- and mid-caps continue to struggle. For example, the Russell 2000 index briefly bounced off its 200-day moving average.

Sector Highlights:

Sector	Weekly Performance	Last Month
Energy (XLE)	+1.05%	-1.24%
Health Care (XLV)	+0.49%	-2.66%
Technology (XLK)	-2.96%	-2.88%
Real Estate (XLRE)	-4.06%	-8.22%

Defensive sectors like Staples and Real Estate saw steeper losses, while aggressive sectors (Technology, Discretionary, and Communications) held up slightly better. Notably, Utilities gained traction due to AI-related developments, as companies invest in dedicated power infrastructure for AI data centers.

Outlook: Cyclical Corrections in a Secular Bull Market

While recent corrections may feel daunting, they align with the broader framework of a secular bull market since 2013. These pullbacks often present opportunities for strategic profit-taking and reentry at attractive valuations.

The coming weeks will provide further clarity, with several major banks set to report fourth-quarter earnings. Strong earnings, coupled with a resilient job market, could support consumer spending, and boost corporate profits. While the path may remain choppy, a few strong follow-up days on high volume could mark the end of this downturn and signal the start of a recovery.

As always, patience and vigilance remain key. Let us keep an eye on market movements and be ready to act when opportunity knocks.

Important Events next week:

Tuesday (01/14): PPI (MoM)
Wednesday (01/15): Core CPI (MoM) and (YoY), NY Empire State Manufacturing Index
Thursday (01/16): Core Retail Sales, Initial Jobless Claims, Philadelphia Fed Manufacturing Index
Friday (01/17): Building Permits, Housing Permits, Baker Hughes rig count.

Important Earnings this week:

Several banks like GS, JPM, EFG and Citigroup will report on Wednesday (01/15) to kick off the fourth quarter earnings season.

Thursday (01/16): Taiwan Semiconductor (TSM), United Health (UNH)
Friday (01/17): Schlumberger (SLB)

Long-Term Stocks:

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 continued to consolidate in the current range with a 1% loss last week with a retest of its 200-day EMA line. The range from 384-415 provides decent support to this long-term stock and any further test of the 200-days EMA line (416.40) will again attract the value buyers of this long-term leader.
NVDA:	The market leader tumbled after its CEO Jensen Huang's speech. The chart needs to repair itself. Till that time, it is recommended to park Nvidia at this stage and let us wait for its price action. Though, Nvidia still offers the 146.54 buy point but we think in the current scenario, Nvidia could come down further before finding a support.
AAPL:	Our long-term leader Apple closed below its 50-days EMA line on Friday. With the current market sentiments, we think there is a possibility that it will further go down and could test the 220 level.
COST:	Costco found support at its 50-week EMA line and increased by 2.22% showing the character of a long-term leader. As written earlier, it tested the 900-911 range and provided an opportunity for investors who like this long-term leader. Although a long-term leader, we think that it could further drift below this level and anything close to 866 will make Costco attractive from a long-term perspective.

Medium- and Short-Term Picks:

GOOGL	Google was flat last week and supported our bias for **high risk-to-reward entry** at current prices as it bounced from the 20-Days EMA line with a stop loss below 180

	level. It is part of the Communications sector which has January and May being the bullish months.
META:	Meta gained 1.86% for the week. Although the market was under pressure, Meta increased by +0.84% on Friday. It is forming another base and if it moves past Friday's high at 629.91 then it will **become actionable** again. Being another strong player in the Communications sector which typically beats S&P 500 during January, Meta is in a good position to advance as its relative strength compared to other stocks in S&P 500 is very high.
AMZN:	Amazon lost 2.34% last week. It is consolidating in a narrow range before attempting another breakout. Aggressive investors could **add to their positions** to take advantage of this minor pull-back.
PLTR:	PLTR pulled back 16% last week, triggering a sell signal or profit covering for anyone who bought this stock at lower prices. It is time to put this in a watchlist to avoid any further corrections or wild moves till a buy signal is encountered.

<u>Interesting Stocks for Actions and Watchlist:</u>

New Picks:

Besides markets under pressure last week, we found the following stocks interesting and ready to move in case of a strong follow-up day any time soon:

ATEC: Alphatec Holdings, Inc. is a medical technology company focused on the design, development, manufacturing, and marketing of products for the surgical treatment of spine disorders. The stock is **actionable** at current prices with a stop loss below 8.82 and an upside target of 20-25% as the uptrend has just started after a two-month consolidation.

WMT: The consumer retail giant has shown signs of renewed strength and a key leader in e-grocery market given its scope and network. It is well poised to test 100 level with a tight stop loss around 89 (just below its 50-days EMA line).

Recently Picked Stocks:

AMD	A series of analysts' downgrades caused AMD to touch a new recent low. It is still at a support but if it undercuts Friday's lows at 114.45 then according to our rules the positions should be closed.
GEV	Selected last week, GEV confirmed our upward bias and gained 3.69% by setting a new high. It is still in **actionable buy range** but beware that its earnings are scheduled for 22nd January.

TSLA	Tesla lost 3.83% during the last week and seem to struggle now before it established a trading range. Any sustained move below 373 will bring further weakness to this stock. Let it move upward to clear the previous buy point of 415 to make another entry. Otherwise, it is better to wait for now while the market itself is struggling.
TSM	Scheduled to report earnings on Jan 16, TSM is a critical part of the AI chip market. They make chips for Apple, Broadcom, Nvidia and other major companies as well. It was flat last week besides the broader market sell-off in the Tech sector. Given the current market trends, we suggest waiting to see the earnings reaction on its price although it is still in **an actionable** range.
ANET	ANET lost 1.01% last week to find support near 20 days EMA line. First mentioned in November, the stock is **actionable again if it crosses 116.94**. Suggest moving the stop loss to 100 or 102.49 to secure some profits.
ANF	ANF recovered on Friday with a 6% rise again, helping it to close green in the week. We still think it is setting up for a move either breaking out beyond 164.80 (at which point the **stock will become actionable** for a move) or moving back to 50-days EMA. Any move below 135 will be a signal if an 8% loss is not triggered.
ALAB	Astera Labs lost 8% during the week and gave back much of its gains during the last 1-1/2 months. Again, it is recommended to secure some profits at these levels if you have a minimum of 20-25% profit and keep riding the uptrend as long as it lasts. If the stock falls below 124 then it will be a sell signal.
GE:	GE was almost flat last week and showed resilience. The stock is **still actionable,** targeting a move above 194.80 while a stop loss below 159.
AVGO:	AVGO registered another loss of 3.54% last week. A high risk-to-reward trade is possible at current prices with a stop loss below previous gap support of 210.55. Beware that continuous market slide could also break the support hence it is recommended for aggressive traders only.
ETR/ NI	We mentioned ETR and NI as two potential Utilities two weeks ago. Both are trading in a narrow range and ETR is still in a **buy range** with a stop loss at 70. ETR also provides a dividend yield of 2.95%. NiSource (NI) is also **actionable** at the current levels with a tight stop below 34.
CCL	CCL lost another 0.45% this week and very close to our earlier stop loss but stock still has a chance since it is bouncing off from its 50-days EMA. Aggressive investors could **still make an entry** with a tight stop loss below 23.5 (or 8%) since this could be a temporary pullback.

DOCS	Doximity lost another 5.2.65% for the week and triggered our 8% lost rule to close the position. It will be kept in a watchlist for possible future action

Website:

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