

U.S. Equities Near Highs as Earnings Drive Rotation Within Technology

U.S. equities traded near record levels last week, supported by strength in small caps and improved market breadth. While major indexes were range-bound, participation broadened across sectors and leadership groups, suggesting the rally is not solely concentrated in mega-cap names.

Weekly performance was modestly negative for several large indexes. The Nasdaq Composite declined on Friday (~0.2%), marking its third loss in four sessions, and finished the week down roughly 0.7%. The S&P 500 eased about 0.4% for the week, while the Dow also ended lower. In contrast, the Russell 2000 edged higher and recorded a new closing high, reinforcing continued risk appetite beneath the surface. Sector results were mixed: real estate and industrials outperformed, while health care and communication services lagged.

Key Drivers

Markets reacted to multiple catalysts, including the start of earnings season and key inflation data. CPI came in below expectations, supporting the view of easing price pressures, while PPI was mixed. Policy commentary also influenced sentiment, particularly around consumer finance, after President Trump referenced reducing credit card interest rates. Consumer sentiment improved, though manufacturing activity remained in contraction. Oil experienced increased volatility amid Iran-related geopolitical developments.

Technology Divergence

Although index-level movement has been muted, dispersion within sectors has increased. Technology—approximately 36% of S&P 500 market cap—is showing clearer internal divergence, particularly across the AI theme. Semiconductor and memory companies continue to benefit from strong demand visibility as infrastructure enablers, while portions of the software segment face increasing scrutiny due to less proven monetization and revenue durability. This separation has been reinforced by industry signals pointing to accelerating hardware and infrastructure demand.

Market Scorecard

A summary of how major markets performed last week is as follows:

Ticker	Last Day	Weekly	Monthly	YTD	1 Yr
S&P 500	-0.08%	0.31%	1.88%	1.43%	16.91%
Nasdaq Composite	-0.09%	-0.69%	1.53%	1.16%	21.43%
Nasdaq 100	-0.08%	-0.86%	1.55%	1.13%	21.08%
Dow Jones Ind	-0.18%	-0.32%	2.37%	2.67%	14.33%
Russell 2000	0.09%	2.12%	6.34%	7.95%	18.37%

Sector Pulse

S&P 500 Sector	Weekly	Monthly
Basic Materials (XLB)	4.28%	8.18%
Real Estate (XLRE)	4.22%	4.09%
Industrials (XLI)	4.20%	6.95%
Consumer Defensive (XLP)	3.61%	3.57%
Energy (XLE)	2.20%	8.87%
Utilities (XLU)	2.07%	0.81%
Technology (XLK)	0.95%	2.14%
Consumer Cyclical (XLY)	-0.50%	0.30%
Healthcare (XLV)	-1.49%	1.10%
Financial Services (XLF)	-2.31%	-0.37%
Communication Services (XLC)	-2.33%	-1.28%

Sector Spotlight

Seven of the S&P 500's eleven sectors finished last week in positive territory. **Industrials (XLI)** and **Materials (XLB)** led performance—not only over the past week, but also over the last two months. This strength has been driven by continued momentum in **aerospace and defense, machinery and equipment manufacturers**, and sustained demand across **precious metals** (gold and silver producers/miners) as well as **rare-earth materials**.

Real Estate (XLRE)—typically viewed as a more defensive segment—found support the prior week and extended gains, appearing positioned to challenge and potentially break above its recent highs. Another defensive group, **Consumer Staples (XLP)**, also rebounded and delivered a solid week of performance.

Energy (XLE) has continued to trend higher in recent sessions as geopolitical developments and oil supply concerns have supported crude pricing. Notable drivers include evolving Venezuela-related headlines and expectations around resumed supply flows.

On the weaker side, **Financials (XLF)** came under pressure amid renewed concerns about potential **credit card rate cuts**, alongside mixed earnings results from major banks such as **JPMorgan** and **Citigroup**. These factors weighed on sentiment and contributed to the sector's decline. However, when larger banks cratered, regional banks performed very well as shown by KRE (regional banks ETF) which was up 1% for the week and this was one of the factors contributing towards overall better performance by small stocks (Russell 2000), 17% of which comprises of smaller bank stocks. **Health Care (XLV)** also paused last week, although it remains positive over the past month and quarter. A near-term pullback could help establish a more constructive base and set the stage for a potential rebound in the weeks ahead.

Within the more growth-oriented areas, major aggressive sectors—**Technology (XLK)**, **Consumer Discretionary (XLY)**, and **Communication Services (XLC)**—either retreated or lost ground, reinforcing the view that **capital is rotating toward more defensive positioning**. In effect,

institutional investors are reducing exposure to higher beta segments and reallocating toward sectors perceived as more stable.

Looking Ahead

Next week's focus shifts to additional macro data, particularly Core PCE inflation (Thursday) and the GDP report, alongside ongoing geopolitical risk monitoring. However, we are now in the second half of market where generally a consolidation or retreating phase begins. The market may be near record levels, but this doesn't guarantee it will keep rising. There are several under the surface warning signs (like capital rotation, outperformance of defensive areas etc.) which warrant a cautious approach towards opening new positions. Good news is that small caps are relatively strong and some of its bullishness could also provide support to S&P 500 and mega stocks as well (which honestly are not looking very well except for Google). We therefore will continue to look for good opportunities in areas which are expected to perform well while maintaining a cautious overall approach.

Important Economic events next week:

Shortened trading week since US markets will remain closed on Monday Jan 19 in observance of Martin Luther King Jr.

Wednesday, Jan 21: US President Speaks, Pending Home Sales (Dec)

Thursday, Jan 22: US GDP (QoQ), Initial Jobless Claims, Core PCE Price Index (MoM and YoY)

Important Earnings this week:

Earnings week is kicking off this week with last quarter results. Some important results scheduled for this week are listed below. Big banks are first to announce their results:

Tuesday, Jan 20: Interactive Brokers (IBKR), United Air Lines (UAL)

Wednesday, Jan 21: Charles Schwab (SCHW), Johnson & Johnson (JNJ), Halliburton (HAL)

Thursday, Jan 22: GE Aerospace (GE), Intuitive Surgical (ISRG), KLAC (KLA), Intel (INTC)

Friday, Jan 23: SLB (SLB)

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 continued to struggle with a nominal gain of 0.74% during the week. It is not trending downward, but compared to other semiconductor stocks, it is at a 52-week low. We mentioned earlier that it has been failing to come out of the range it established since
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	<p>September. 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 but for the time being it is better to wait and observe its behavior. After absorbing last few years' gain, it has the potential to move back to new highs once the semiconductors as a group get more traction.</p>
AAPL	<p>Although we currently do not have an open position, Apple remains our long-term leader. As mentioned last week, current period (Dec-Feb) is historically weak and hence we should wait for another suitable entry past this period. Apple lost another 1.48% and is slowly drifting towards further low. Watch for a test of its 200-day EMA line around 245 at this time and a falling market could further pull it down which would provide us with a better entry.</p>
GOOGL	<p>While Google was flat with a 0.44% gain last week, it looks like it might roll over a little bit along with a broader pullback in the market. Google is still a strong long-term performer and the only Mag7 stock with a healthy chart. It is getting increased support from the best mutual funds who injected billions into this stock last month. However, considering a slack market period ahead we think it is time to wait for a better buy point for Google.</p>

Interesting new picks:

We continue to maintain our cautious outlook given the fact that market seems poised for a pullback. However, this action could also generate some good opportunities as well:

MEDP: Medpace Holdings, Inc. (MEDP) is a scientifically-drive, full-service clinical research organization. displaying strong bullish momentum with price above key EMAs and positive trend confirmation across multiple time frames. **The stock is in an entry zone** with favorable risk/reward to ratio.

NVT: nVent Electric plc is a global provider of systems protection and electrical connection solutions. It broke out on Friday from a buy point of 109.68 as per the TR indicator. **It is still in buy zone and looks good for further increase** although it is trading at high P/E ratio. Keep your stop loss tight if you decide to go for it.

Medium- and Short-Term Picks:

COST	<p>Picked last week, Costco gained 4.2% last week and was a major factor (along with Walmart) for a strong performance of Staples sector last week. It is in a V-shape recovery and now it is back above its 200-day EMA, however, we think that another test of its 200-day EMA is possible since it is slightly overbought in the short-term. While it appears likely to surpass 1000 in the long run, a weak market could cause it to fall back, so it's wise to be cautious before making any new investments at this time.</p>
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TSM	We picked TSM last week and it justified its selection as it moved past previous highs around 311. TSM is a strong stock and is likely to continue its growth as it is showing characteristics of a long-term leader. At least five analysts have increased their price targets after its recent results. No new entries at this time as any pullback in the market could also put pressure on TSM as well.
CRM	CRM flashed a sell signal as it breached its all-major moving averages this week with a brutal 12.63% reversal. Therefore, this position was exited when the 200-day EMA was breached at the 243 level. While salesforce could bounce back from here but prolonged weakness in the software group requires an exit from software stocks at this time.
APH	Selected two weeks ago, APH was a winner last week with a 10.15% gain. While long-term indicators continue to point towards a continuation of trend, it is extended and we should wait for a better buy point around a buy zone. At this point, it seems a bit extended.
GH	Guardant Health gained another 1.79% gain. The stock seems strong and could extend its recent gains as it is currently around a buy point of 112.43.
GE	General Electric gained another 1.1% last week. Its earnings are due on 21 st January (Wednesday). It is in a buy zone of a flat-based entry at 316.67, however, observe its reaction after earnings as a breakout or a pullback to key moving averages could provide a better entry.
NEM/KGC	Along with a breakout in gold, NEM and KGC made decent gains of 4.71% and 7.75% last week. We continue to think gold miners will perform well overall if gold continues to run higher amid geopolitical uncertainties. For both companies, the best opportunities for entry are expected to emerge around their 20-day and 50-day exponential moving averages (EMAs). Pullbacks to these levels are likely to be met with buying interest, making them ideal spots for another round of investment.
LLY	Eli Lilly lost 2.37% last week as staged a breakout but reversed from fresh new high around 1133. It was also mentioned that 50-day EMA would likely provide some support which it did. Currently, it offers another entry with a low below 977.12 as the long-term trend is still in place. Its multiple quarters of double and triple-digit earnings and sales growth make it a strong contender and leader among the Medical-diversified industry group.
AMZN	Amazon fell 3.34% last week after encountering resistance around 250. Overall market conditions suggest a cautious approach as it could pull back Amazon stock further, however, it will still be a good buy between 215-225 range.

FTI	TechnipFMC continued its rise and gained another 4.17% last week (now three in a row). As mentioned, it tested the 50 level 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. Watch a pullback to 20-day EMA for another entry.
IBM	IBM was flat last week with a 0.48% gain as it continued to consolidate in a range. A move above 312.81 will provide another early entry (reduced size suggested) while a close below 288 should lead to closing the position.
WDC	WDC along with AMD, MU and SNDK continued to surprise us with a gain of 10.5% for the week. Its recent price action makes it more suitable for buying on pullbacks at test of its rising 20-day or 50-day EMA lines.
ATAT	ATAT lost another 6.94% last week as it failed to break out from the 43.17 buy point. As such, position is closed this week, and the symbol is moved to a watchlist.
AMD	AMD surprised last week with a 14.11% gain along with other memory stocks as it found support at 200 level. AMD is trying to form a base at current levels and any further pullback to 200-210 range is likely to find support and should be bought with a reduced position amid market conditions.
FIX	Comfort Systems made another breakout last week after a consolidation with a 10.84% gain. It was mentioned last week that next buy point was around 1020 which was cleared with a bang. If the gains are within 20-20% range or more then some profits should be taken. No more entries at this level.
MU	MU jumped another 5.12% last week, which is the eighth street week of gains. The stock is now extended and could experience a pullback. Any pullback to 300-320 range is likely to find support.
TSLA	Tesla continues to flirt with its 50-days EMA line as it lost 1.69% last week. It failed to clear the 458-level mentioned last week. If it clears 458 then it still has chance to move to its recent highs. Its 20-day EMA line is getting close to cross below the 50-day EMA line which is an indication of rolling over and we don't want to see this happening. There are good chances that it will fall back to 424 or even towards the 400 level, which may present an opportunity to consider entering. Till that time, no entry.
MPLX	Our favorite dividend player and pipeline operator made a 6.75% gain last week as it found support 2-3 weeks ago. It was mentioned last week that another entry in this high-dividend payer was possible (7.61% at current prices). Right now, it seems a bit extended and above the last available buy point. Long-term indicators are fully in support of a continuation of the trend.
GLDM	Gold reversed higher and made a new high by registering a 1.66% gain for the week. It continues to look like a long-term holding and any pullback in gold will not be likely to persist and hence could provide a better entry.

Website:

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<https://chat.whatsapp.com/F1I6mn7fXA60wltZvRxOvm>

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