

A much-awaited rally attempt!!!

Earnings season gave the market a noticeable boost this week, as major banks delivered impressive results that lifted investor sentiment. Taiwan Semiconductor added to the optimism surrounding chip stocks, and with more high-profile companies set to announce their earnings in the coming weeks, analysts are bracing for increased market volatility.

On Friday, Treasury yields ticked slightly higher, yet the 2-year note still ended the week at 4.27%. Meanwhile, the 10-year yield dipped to 4.61%, and the 30-year yield declined to 4.84%. These moves followed unexpectedly mild producers and core consumer inflation figures, easing concerns about additional Federal Reserve rate hikes. These cooler inflation reports also fueled hopes that the Fed could pivot toward cutting interest rates this year. Fed Governor Christopher Waller's CNBC remarks—suggesting the potential for multiple rate cuts if inflation remains contained—reinforced that view. These factors sparked a bond rally and hence a drop in yields.

Capping off the week, the stock market recorded its strongest performance since early November. The Dow Jones Industrial Average gained 0.8%, while the S&P 500 rose by 2.91%, and the Nasdaq Composite advanced 1.5%. Both the Dow and the S&P notched their best weekly results since Nov. 8, offering investors some welcome relief while all three major indices ending a two-week losing streak.

There were monthly options expirations on Friday, and this brought increased volatility even though both S&P 500 and Nasdaq closed above their 20-days and 50-days moving averages. This is important going into the longer weekend and confirming the rally attempt started on Tuesday. U.S. markets will pause on Monday in observance of Martin Luther King Day. When trading resumes on Tuesday, Donald Trump will take office as the 47th U.S. president. His platform, which includes tax cuts, deregulation, and tariffs, is expected to shape market sentiments in the months ahead.

The RSP (Equal weight version of S&P 500 ETF) has been positive for the last 5 days, showing a broader market recovery rather than just the Mag7 stocks only. It is at its 50-day moving average and bulls would like to see it above that key moving average. Small Stocks also recovered with a 4% gain as the Russell 2000 index moved above the 20-day moving average showing that the rally attempt was broad based. It was a very positive week for the broader market as many more stocks participated in the rally signaling a character change from the first two weeks of January.

Here's how major indices performed last week:

Index	Friday (1/17)	Weekly	Monthly	YTD	1 Year
S&P 500	+0.99%	+2.91%	-0.89%	+1.96%	+26.53%
Dow Jones Industrial	+0.78%	+3.69%	+0.09%	+2.22%	+16.69%
Nasdaq 100	+1.66%	+2.85%	-2.55%	+2.04%	+28.11%
Nasdaq Composite	+1.51%	+2.45%	-2.38%	+1.65%	+32.14%
Russell 2000	+0.43%	+3.98%	-2.43%	+2.04%	+20.39%

Sector Highlights:

Sector	Weekly Performance Last One month	
Energy (XLE)	+6.30%	+9.40%
Financials (XLF)	+6.15%	+2.74%
Materials (XLB)	+6.04%	+2.88%
Industrial (XLI)	+4.89%	+1.58%
Real Estate (XLRE)	+4.85%	-2.12%
Utilities (XLU)	+4.31%	+3.64%
Discretionary (XLY)	+3.80%	-4.08%
Technology (XLK)	+2.33%	-2.29%
Communications (XLC)	+1.65%	-2.91%
Staples (XLP)	+1.18%	-4.08%
Health Care (XLV)	+0.39%	+1.15%

Energy has been riding well on the heels of rising crude oil prices during the last one month and had another very solid week. Besides that, Financials also performed well due to strong earnings reported by major banks and financial institutions while the Materials sector also gained 6%. The aggressive sectors took a back seat but nevertheless recovered from earlier losses to end the week on a positive note. This has much to do with recoveries noted in Nvidia, Tesla and other big players. Clearly, more value-oriented stocks in Materials, Energy, Industrials and Utilities were catching up with Growth stocks which traditionally outperform the value stocks because of their aggressive nature.

While the newly born rally is welcome, investors should remain cautious as the period starting from Jan 18 is not traditionally as strong as the previous month has been, but every day is a new day in the market and any unpredictable events like favorable or unfavorable policies of new US administration could cause big swings in the market in either direction.

Important Events next week:

Not much economic news due to the shortened trading week.

Monday (01/20): US Holiday, New US President oath ceremony

Thursday (01/23): Initial Jobless Claims

Friday (01/24): S&P Global Manufacturing and Services PMI, Michigan Consumer Sentiment

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.

Tuesday (01/21): D. R. Horton (DHI), United Airlines (UAL), Interactive Brokers (IBKR)

Wednesday (01/22): Halliburton (HAL), Kinder Morgan (KMI), GE Vernova (GEV)

Thursday (01/23): GE Aerospace (GE), American Airlines (AAL)

Friday (01/24): Verizon (VZ), NextEra Energy (NEE)

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 it is 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 was flat for the week. Although META is actionable at current prices, we think the Friday action was not very favorable in a bullish environment. A better entry will be around 600 level.
AMZN:	Amazon gained a nice 3.2% last week. It is still in a consolidating but actionable range before attempting another breakout. Aggressive investors could add to their positions to take advantage of the current pull-back.

PLTR:	After a great run, PLTR took a pause in the prior week but once again rose by 6.70% this week to close above its 20-days EMA. We will continue to watch its behavior till a clear signal emerges.
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Interesting Stocks for Actions and Watchlist:

New Picks:

With the overall bullish action last week, several stocks flashed buy signal, however, we are conservative in our approach to select only those stocks which we believe are “leading stocks in leading groups showing a relative strength over their peers and broader market.” The following are our new picks for this month:

NOW:

ServiceNow Inc. provides cloud computing services that automate digital workflows to accelerate enterprise IT operations. Its stock is a consistent performer and a long-term grinder. It is currently in a buy range targeting a previous high of 1157.90 or even above.

VIK: Viking Holdings is a Bermuda based tour/cruise operator. Its IPO was held in May last year and hence it is new in the market. Nevertheless, it has shown good consistent appreciation and is currently trying to gap up. We think it has potential to move beyond 50 level, however, being an IPO its swings could be big. Suggest a stop loss below its rising 50-days EMA (currently at 43.66)

Recently Picked Stocks:

ATEC	Highlighted last week, Alphatec Holdings gained +16.05% last week and is now in a profit taking zone. Suggest a profit should be taken on 25-33% position while raising the stop loss to break-even level. The stock is showing strength and is likely to continue its upward journey.
WMT	Although Walmart lost 1% last week, it has been consolidating in the current range before preparing for a move. We think it has the potential to go up and test the 100 level with a stop loss just below its 50-days EMA line.
AMD	AMD resisted a series of analysts’ downgrades and so far is holding its support at 200-Days EMA. If it breaks last Friday’s lows at 114.41 then according to our rules the positions should be closed, otherwise aggressive investors could wait to see a test of 130 which is not far away.
GEV	Selected two weeks ago, GEV rose another 9.35% confirming our upward biased. The stock has come out of a buy range and its earnings are scheduled for 22 nd January. It is

	advisable to take some profits at 15% profit level and observe the stock behavior post earnings.
TSLA	Tesla came back strongly by gaining 8% last week. Tesla stock has a history of rising prior to its earnings (schedule for 29 th January). Aggressive investors could add to their position based on current momentum and Tesla history, which could test its prior high at 488 before earnings. Being a big mover, a wider stop loss will be required and any move below 400 could trigger an exit.
TSM	TSM beat its top and bottom-line estimates (Revenue and Earnings) resulting in a push higher (although Friday was a red day for TSM). The stock is in an actionable range, but we think that anything close to its 20-day EMA (205.26) will provide a better entry for this chip maker.
ANET	ANET flashed a buy signal as mentioned last week at 116.94. I gained 4.91% last week and reached a new high. First mentioned in November, the stock is slightly above its buy range. Suggest moving the stop loss to 100 or 102.49 to secure some profits.
ANF	ANF moved below 135 and as mentioned last week triggered an exit signal.
ALAB	After losing 8% in the prior week, ALAB made some recovery with a 2.78% gain. If it moves past 135.81 with high volumes, then it could be another aggressive entry targeting previous highs and 150 level.
GE:	GE's 6.5% gain last week was bullish showing its resilience. The stock is still actionable , but earnings are scheduled for 23 rd January, therefore, it is better to wait till earnings and it is better to wait for its latest results. However, its continuously rising relative strength shows that Wall Street is expecting a good report from this industrial bellwether.
AVGO:	AVGO came back with a 5.8% gain last week. We think stock is still actionable with a stop loss below previous gap support of 210.55. The stock is showing strength and any move past 250 will be a very bullish move.
ETR/ NI	ETR and NI are two potential utilities which were highlighted three weeks ago. Last week, ETR gained 7.61% while NI gained 5.77%, both confirming our upward bias. These stocks are gaining on behalf of their AI data centers prospects, however, slightly extended at current levels. Suggest letting them catch up with their moving averages for an entry at better prices.
CCL	CCL recovered 6.51% last week as we mentioned last week that stock still has a chance since it is bouncing off from its 50-days EMA. Aggressive investors could still make an entry with a stop loss below 23.5 (or 8%).

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