## Markets in limbo as Middle East conflict escalated

President Trump asked markets for patience—two weeks' worth—only to reverse his course on Saturday to directly get involved in the Middle East conflict but stocks might require much longer to reignite their rally.

As the Israel-Iran conflict simmers without resolution, investors anxiously await further development, aware that further escalation could threaten U.S. troops and disrupt vital trade routes through the Strait of Hormuz. Trump's direct involvement in the conflict has markets holding their collective breath except for the oil which is expected to rise 7-10% when futures open on Sunday.

Meanwhile, trade talks have taken a backseat. Investors hoped for progress at the recent G-7 summit but left disappointed after Trump exited early, securing only a previously finalized deal with the U.K. With his self-imposed July 9 trade deadline looming, investors must again sit tight.

Back home, the ambitious bill continues to face Congressional wrangling over Medicaid cuts, green-energy incentives, and state and local tax deductions. Legislators aim for a July 4 resolution, yet uncertainty reigns—and markets wait.

Adding to the suspense, the Federal Reserve decided to keep interest rates steady, suggesting months, not weeks, of contemplation ahead. Investors remain in limbo.

Market strategists encapsulate the mood: Investors are stuck "wait-and-see," eyeing potential impacts from geopolitical tensions, tariff-induced inflation, and federal budget outcomes.

Despite uncertainties, the S&P 500 hovers close to record highs, recently experiencing its narrowest two-week trading range since December 2024. Analysts humorously suggest imagining a market free of crises—a fantasy scenario given current realities.

Yet, beneath calm surfaces lurks turbulence. While stock volatility remains subdued, oil markets have reacted sharply to geopolitical fears, indicating underlying investor caution. Additionally, fewer stocks are driving the rally, signaling internal market weakness. Technical indicators suggest that the market could be vulnerable if aggressive sectors, including technology, lose momentum.

Ultimately, market patience has its limits. Like the President, investors may soon run short on time—and tolerance.

The performance of major US indices during the last week was as follows:

| Index | Friday (6/20) | Weekly | Monthly | YTD | 1-Year |
|---|---|---|---|---|---|
| S&P 500 | -0.22% | -0.15% | 0.46% | 1.47% | 9.04% |
| Dow Jones Industrial | 0.08% | 0.02% | -1.1% | -0.79% | 7.85% |
| Nasdaq 100 | -0.43% | -0.02% | 1.21% | 2.92% | 9.49% |
| Nasdaq Composite | -0.51% | 0.21% | 1.59% | 0.71% | 9.74% |

| Index | Friday (6/20) | Weekly | Monthly | YTD | 1-Year |
|---|---|---|---|---|---|
| Russell 2000 | -0.21% | 0.43% | 0.34% | -4.84% | 5.85% |

The current period till 26th of every month, especially the Monday after monthly options expiration (last Friday), is the weakest period historically markets have had since 1950s. S&P 500 is already testing its 20-day, and therefore further weakness could bring it down below this moving average before founding a bottom. Nasdaq is above its 20-day moving average but could pull back to it along with the S&P 500.

## Sector Check-In: Energy sizzles, Healthcare fizzles

This past week brought a mixed bag for the 11 S&P 500 sector ETFs, with Energy leading the pack while Healthcare again rolling back.

| Sector | Weekly Change | One-Month Trend |
|---|---|---|
| Energy (XLE) | 1.00% | 6.45% |
| Financials (XLF) | 0.80% | -1.91% |
| Technology (XLK) | 0.57% | 2.94% |
| Communications (XLC) | 0.25% | 1.19% |
| Staples (XLP) | 0.07% | -1.91% |
| Real Estate (XLRE) | -0.14% | -0.12% |
| Industrials (XLI) | -0.20% | -0.96% |
| Discretionary (XLY) | -0.50% | -2.48% |
| Utilities (XLU) | -0.79% | -2.40% |
| Materials (XLB) | -1.1% | -0.80% |
| Health Care (XLV) | -2.59% | -1.56% |

Energy continued to outperform for the second week in a row because of rising Oil prices amid tensions in the Middle East. Materials (XLB) turned back at 200 day moving average and seems that it is rolling over. Communications (XLC) which is dominated by Meta and Google is still above the 20-day moving average line and comparatively a stronger sector mainly because of strength in Meta.

Healthcare again fizzled, falling below its 200 and 50-day moving averages. Some biotech stocks on individual basis look strong but XLV as a whole in on the weaker side. Technology was not too bad last week as it registered a 0.57% increase besides being in red on Friday. It is still above its 20-day moving average line despite Apple struggling in last few weeks. Current period till mid-August is a strong one (particularly the month of July). Nvidia in particular and other AI stocks have been performing well and holding up this key sector. Microsoft is also another big stock which is holding well close to its recent highs.

Real Estate (XLRE) is testing its 200-day moving average line but so far consolidating below it (not much progress since early May). Industrials (XLI) is also testing its 21-day moving average line that seems to be in line with materials. Discretionary (XLY), which is dominated by Amazon and Tesla is also at the same level (although hovering above the 200-day EMA), showing more like a sideways action in this important sector.

Utilities (XLU) was up on Friday although it was down for the week. Traditionally a defensive sector, Utilities are now more linked to the AI growth area as new data centers are driving need for more power ultimately driving growth in the utility players. Financials (XLF) gained some momentum last week although it is still below the 20-day EMA and seems to be rolling over primarily due to a pullback in the heavyweight Berkshire Hathaway stock which has been a drag recently on the sector itself. Staples (XLP) continued to show weakness, but aggressive investors do not mind it.

### ***Important Economic events next week:***

Some important economic events for the upcoming week are:

Monday (06/23): S&P Global Composite, Services and Manufacturing PMI, Existing Home Sales
Tuesday (06/24): Consumer Confidence, Fed Chair Powell Speakes, API Weekly Crude Oil Stock
Wednesday (06/25): Fed Chair Powell Speaks, New Home Sales, Crude Oil Inventories
Thursday (06/26): Durable Good Orders, GDP Q1, GDP Price Index, Initial Jobless Claims
Friday (06/27): Core PCE Price Index (MoM and YoY)

## ***Important Earnings this week:***

Not much left for this shortened week as earning season winds up:

Monday (06/23): KB Home (KBH)
Tuesday (06/24): FedEx (FED)
Wednesday (06/25): NovaGold Resources (NG)
Thursday (06/26): Nike (NKE)

## ***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.

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| **NVDA:** | Besides a 1.1% decline on Friday, Nvidia again managed to end the week on a positive note showing its relative strength vs the rest of the pack. Nvidia is a long-term leader, and its stock is likely to surpass its recent high of 153 soon but a fresh entry at this point seems risky. Despite facing challenges, Nvidia typically performs well in July, and similar results are expected this year. |
| **COST:** | Costco continued its decline with another 1% loss (third in a row). Although Costco remains a long-term leader, we think this is the time to take a pause and wait for a better entry as Costco is likely to catch up with the 200-day EMA line. |

## <u>Interesting new picks for Watchlists:</u>

There are several interesting stocks available for the week, but we suggest waiting for market reaction to the recent developments and hence any new picks are put on hold at least till 26th June. Consider researching these stocks:

**AVGO:** A global powerhouse in AI semiconductors, Broadcom is eyeing a 251.88 buy point if it moves to this all-time high level with volumes. It has regained its key moving averages recently and is showing resilience.

**RCL:** Royal Caribbean Cruise is in buy range as per our daily TR indicator. Stock is also showing accumulation by Wall Street and hence it is actionable.

## *<u>Medium- and Short-Term Picks:</u>*

These are newly picked stocks which have come out of bases during recent market correction.

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| **AEM** | Suggested last week, AEM lost 2.76% during the week but given the world geopolitical situation, we think it will bounce back as this Canadian company's stock is in a buy range eyeing a breakout at 126.65. If the gold again starts climbing, it will favorably attract gold miner stocks like AEM and AU. |
| **CRDO** | Credo Technology was picked up last week and it justified its selection with a huge 16.36% gain as it moved past its 80.99 buy point. It is passed its buy point although aggressive investors could try an entry with a smaller position size.<br><br>Caution: These types of stocks are suited only to aggressive investors because of high volatility. |
| **CIBR:** | The Cybersecurity ETF was flat last week. For long-term investors in AI, semiconductors, and cybersecurity, the Cybersecurity ETF CIBR is worth considering. However, due to market uncertainty, it may be wise to wait for consolidation before entering at current prices. |
| **MELI:** | Selected last week, this Latin American online commerce company gained 1.49% and still seems to be at an ideal place to make an entry with an 8% suggested stop loss. July and August have historically been strong months for MELI, often called the Amazon of Latin America. |
| **AU:** | After a fantastic prior week, Anglogold Ashanti gave back 5.6% last week but still greater than 10% from three weeks ago when we first mentioned it. It was recommended last week to take some partial profits. Further pullback to its 20-day EMA at 46.45 will provide support and an entry point. |

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| **NOW:** | ServiceNow continued to slide (-1.1%) during the week as it is trying to find support around the 50-day EMA. June-August is also traditionally a strong period for this software company and hence any move above 1046 is actionable. On the other hand, any dip back to 928 level will also be attractive. |
| **META:** | Although META lost 2% on Friday but the week it was flat. Its long-term trend is still favorable and a pullback to 650-670 level could provide another entry. |
| **TSLA:** | Tesla stock fell 1% last week to 332.16 and trading around the 20-day EMA. Tesla stock could swing in the upcoming week as it is scheduled to launch the much-awaited robotaxi event in Austin TX. It could take a while before market fully assesses the success (or failure) of this initiative. We still think that its stock will remain volatile and hence investors should also avoid fresh entries till the situation clears. |
| **MSFT:** | Microsoft continued its advance with 0.5% gain besides a retreat on Friday. We continue to think that at current levels it is now extended and could consolidate, we should wait for a pullback to get a proper buy point such as 450-461 range. |
| **GOOGL:** | Google pulled back and closed below its 50-day EMA line. It is suggested to wait as a further pullback to 162-165 range is expected which could provide an **opportunity for entry,** with a recommended maximum stop loss set at 145. Google trades at 18.5 times forward earnings, which looks cheap compared to the broader S&P 500 which trades at 22.9. |
| **CVX:** | Chevron gained 2.49% and hovering around the 150 level. We recommended it at 133 six weeks ago around 133 level. It is **still actionable** at current prices (since oil prices are expected to increase) with a stop loss around 137. As mentioned earlier, it is not a growth stock and is not likely to move quickly but could provide a solid dividend (4.69%). |
| **ZS:** | Zscaler continued to trade flat last week and has formed a 3 week tight base eyeing a 309.19 follow up entry. |

## ***Recently Picked Stocks:***

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| **T:** | AT&T lost 1.5% last week as it continued to show a bullish flag pattern. If it comes down to 27-27.5 range, it is likely to find support again and an opportunity for dividend seeker investors to make an entry. |
| **SMH:** | Semiconductor ETF gained 1.28% for the week. We suggest holding for a while to see how broader geopolitical situation effects semiconductors, otherwise it looks poised to attempt a breakout during the bullish month of July. |

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| **ATGE:** | ATGE recovered 2.66% last week. Watch a pullback to 117.50 level to find support and a rebound. |
| **GDX:** | Gold miners ETF lost 4% approximately last week as the breakout failed. Long-term prospects are still in favor of this ETF and any pullback to its 20-day (51.95) will likely get support. |
| **MPLX/HESM:** | MPLX lost 0.96% while HESM lost 2.49% 1.51% last week. Long-term investors could buy and hold these stocks for a continuous stream of income. |
| **BABA:** | BABA was flat last week and as mentioned last week it is finding support at current levels. We think Ali Baba is undervalued and could rise from here to 131.21. Suggested stop loss around 102.98. |
| **GLDM:** | Besides a rise in geopolitical tensions, Gold ETF lost 1.93% last week as it is trying to make a bullish flag near highs. While we are bullish on gold, but it seems to be approaching overbought territory and any peace dal in Iran could cause a sudden drop in gold prices. Therefore, a pullback is recommended to seek entry into the gold ETF currently for conservative investors. |
| **ETR/NI:** | ETR lost 1.34% while NI was flat last week. Given their good dividend payouts, these two utilities stocks are expected to move forward and test their recent highs at 87.25 and 40.74 respectively while continuing trending in a tight range. |

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Happy Trading and best regards,

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## Markets Hold Breath Amid Geopolitical and Economic Uncertainty

Markets remain cautious as they await critical decisions from President Trump regarding America's stance on the ongoing Israel-Iran conflict, potentially affecting trade routes and global stability. Investor patience is further tested by stalled U.S. trade negotiations, unresolved Congressional debates over domestic spending, and the Federal Reserve’s steady interest-rate policy signaling prolonged uncertainty. Although major indices like the S&P 500 and Nasdaq remain near record highs, narrow trading ranges, rising oil prices, and declining market breadth suggest underlying fragility. Sector performance has been mixed: Energy continues to thrive on geopolitical fears, while Healthcare has struggled significantly. Technology maintains stability driven by AI stocks like Nvidia and Microsoft. Historically, the current calendar period till 26th June has shown weakness, and technical indicators suggest potential short-term market vulnerability, prompting investors to remain wary as key policy decisions loom.