

## Market Correction in Motion – Time to Adjust Exposure

It is official—this is a correction. Investors should consider shifting to cash or maintaining minimal exposure, focusing only on fundamentally strong stocks with robust cash flow and solid business models. Over the past month, we have observed warning signs, which we have consistently communicated to our readers. One of the greatest risks to stock markets is *uncertainty*, and right now, uncertainty is quite high with VIX in mid 20s. Economic concerns, shifting tariff policies, and retaliatory measures from trade partners such as Canada, China, Mexico, and the EU are adding to the volatility. U.S. businesses, especially those reliant on imports and exports, are facing increasing challenges.

A month ago, we warned in our February 7 commentary about rising market volatility, citing the CBOE Volatility Index (VIX) as a key indicator:

“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.”

With U.S. markets under pressure, investors may want to look beyond domestic equities for better opportunities. For the first time in a while, global markets—particularly in China and Europe—are outperforming. While markets remain interconnected, a potential U.S. recession could be more severe domestically while having a less pronounced impact overseas. The *KARS* ETF, which holds Chinese EV giants like Nio, Li Auto, and BYD, gained 2.11% last week, while Tesla plunged 10.45%, demonstrating the relative strength of Chinese competitors. Similarly, major Chinese stocks such as Alibaba and JD.com have also performed well.

Gold has also been a strong performer amid a weakening dollar. The SPDR Gold ETF (*GLDM*) rose 1.96% last week, signaling a shift toward safe-haven assets. Gold mining stocks such as Franco-Nevada and Barrick Gold have continued to hold up well, reinforcing this trend.

### Major Indices Performance:

Index	Friday (3/07)	Weekly	Monthly	YTD	1-Year
<b>S&amp;P 500</b>	+0.55%	-3.10%	-4.24%	+1.89%	+11.80%
<b>Dow Jones Industrial</b>	+0.52%	-2.37%	-3.39%	+0.61%	+10.34%
<b>Nasdaq 100</b>	+0.74%	-3.27%	-6.00%	-3.86%	+10.40%
<b>Nasdaq Composite</b>	+0.70%	-3.45%	-6.80%	-5.77%	+11.82%
<b>Russell 2000</b>	+0.33%	-4.05%	-8.87%	-6.79%	+0.68%

Despite early-week losses, markets attempted to rebound on Friday after optimistic remarks from Fed Chair Jerome Powell. However, both the S&P 500 and the Nasdaq Composite fell below their 200-day moving averages, with the Nasdaq hitting a five-month low. The S&P 500 dropped 3.1% during the week, the Dow lost 2.4%, and the Russell 2000 declined 4.05%.

Adding to market fatigue is the slowdown in the AI-driven rally. The Nvidia-led surge that propelled markets higher over the past two years appears to be taking a pause, at least for now.

On Friday, Powell reassured investors by calling the job market "solid," easing some economic fears. He also emphasized that the Federal Reserve would wait for *greater clarity* on policy effects before making any rate adjustments, signaling that the Fed is not in a rush to act.

Friday marked *Day 1* of a fresh potential rally attempt, but caution is warranted. A confirmed trend reversal requires a **follow-through day**, typically occurring 4-5 days after an initial bounce. Until then, market conditions remain in correction mode, and investors should stay defensive, reduce exposure, and monitor global opportunities carefully.

## Sector Performance Overview:

S&P 500 sector performance last week was as follows:

Sector	Weekly Performance Last One Month	
Financials (XLF)	-5.86%	-5.21%
Real Estate (XLRE)	-1.58%	+1.19%
Health Care (XLV)	+0.24%	+1.95%
Industrials (XLI)	-1.53%	-2.24%
Staples (XLP)	-0.26%	+4.42%
Materials (XLB)	-1.06%	-0.53%
Energy (XLE)	-3.92%	-1.28%
Communications (XLC)	-1.68%	-2.38%
Discretionary (XLY)	-4.76%	-8.83%
Utilities (XLU)	-2.44%	-1.09%
Technology (XLK)	-3.10%	-6.13%

Last week, all but one S&P 500 sector declined, reflecting broad market weakness. Financials (XLF) led the losses, dropping -5.86%, extending its one-month decline to -5.21%. The Consumer Discretionary sector (XLY) also fell sharply by -4.76%, reflecting concerns over slowing consumer spending. Technology (XLK) lost -3.10%, driven by a pullback in AI-related stocks and overall market volatility, while Energy (XLE) declined -3.92%, pressured by falling oil prices.

Defensive sectors showed relative resilience, with Health Care (XLV) being the only sector to post gains (+0.24%), as investors sought stability amid uncertainty. Consumer Staples (XLP) dropped only -0.26%, maintaining a strong one-month performance of +4.42%. Real Estate (XLRE) dipped -1.58%,

though it remains slightly positive over the last month (+1.19%), while Utilities (XLU) fell -2.44%, both impacted by rising interest rate concerns.

Industrials (XLI) and Materials (XLB) saw moderate losses of -1.53% and -1.06%, respectively, reflecting economic uncertainty, while Communication Services (XLC) declined by -1.68%, continuing its negative trend for the past month. The market's shift away from cyclical and growth sectors toward more stable investments indicates a cautious sentiment, with investors bracing for potential headwinds.

### **Important Events next week:**

Important economic events planned for the upcoming week are:

Monday (03/10): NY Fed Inflation Expectations

Tuesday (03/11): JOLTS Job Openings

Wednesday (03/12): Core CPI (MM and YoY), CPI (MoM and YoY), Crude Oil Inventories, 10-Year Bond Auction

Thursday (03/13): Initial Jobless Claims, PPI (MoM), 30-Year Bond Auction

Friday (03/14): Michigan Consumer Sentiment, 1-Year Inflation Expectations

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

Several important earning reports and announcements are due in the coming week:

Monday (03/10): BioNTech (BTNX), Franco-Nevada (FNV)

Tuesday (03/11): Dick's Sporting Goods (DKS), Viking Holdings (VIK)

Wednesday (03/12): Adobe (ADBE)

Thursday (03/13): DocuSign (DOCU), Futu Holdings (FUTU)

Friday (03/14): Li Autos (LI)

### **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.

<b>MSFT:</b>	Microsoft lost another +0.93% last week to close at 393.31 before bouncing from 381. This 381 is a key support for Microsoft and aggressive investors could try an entry although if the market continues its slide, then chances are that Microsoft will break this support as well in which case it could fall to 331 before finding next level of support. Microsoft is a key stock to watch to determine the fate of Software industry group going forward.
<b>NVDA:</b>	Nvidia lost another 9.79% last week confirming our bearish bias (besides a 1.92% pop on Friday). The overall bearish sentiments in the market for Tech stocks (especially the AI sector) require investors to become nimble when considering Nvidia as it is continuously generating lower highs while drifting lower. It is suggested to put any future addition / purchases on hold till the tide turn to our favor in Nvidia stock.

<b>AAPL:</b>	Apple lost another 1.15% for the week and could be range bound in the near future between 220 and 250. Due to current market conditions, any new entries are put on hold for this long-term leader. If a 15-20% profit is available, then it is recommended to take some profits since Apple can also come down with the broader market.
<b>COST:</b>	<p>We have been pointing out for the last three weeks that it was time to cut down on open Costco positions and make some profits as any unfavorable report could trigger a pullback, which is exactly what happened as Costco reported somewhat weak fourth quarter results and EPS targets missed. Although the overall sales increased by 9.6% but international sales lagged the expectations. Overall, it was a mixed quarter but enough to drop the stock by 6.07% on Friday.</p> <p>Costco remains a long-term leader amid its proven business model, successful membership base and rising e-commerce sales. However, temporary headwinds and the sell signal pushing the stock price below the 50-day EMA line could not be ignored. For the time being, put it on a hold and keep watching for a better entry to emerge.</p>

### **Medium- and Short-Term Picks:**

<b>GOOGL:</b>	Google gained 2.1% last week and is settling below its 200-day EMA line at 173.78. It can get a dead cat bounce but with the current bearish market sentiments this pullback could continue, therefore, any new entry is put on hold.
<b>META:</b>	Meta lost another 6.37% to find support at its 20-week EMA line and currently sitting at 625.66, down 15% from its 52-week high but still well above its 200-day EMA. From a technical point of view, it could find support at existing levels but another leg down in the market could also take down META with it. Suggest caution and wait and see approach for the time being.
<b>AMZN:</b>	Amazon lost 6.14% last week making it fifth in a row and breached the support at 200 before bouncing back from the 50-week line. We think a bearish market sentiment could further push it down and like Meta and Google, a wait and see approach is preferred now.

### **Interesting Stocks for Actions and Watchlist:**

#### ***New Picks:***

Given recent developments, markets may remain volatile with a further potential downside of 10-20%. Investors should manage risk carefully, taking small losses early rather than allowing them to grow larger. Consider taking smaller long positions, up to 50% of the usual size, to limit losses in these bearish conditions.

Remember, "cash" is also a position. We are delaying new entries until a strong follow-through day occurs (this Thursday or Friday, i.e., the 4-5<sup>th</sup> day of a rally attempt). If the market trends upward with strong volumes, then it will be time to initiate buying stocks from watchlists. However, please note that during bearish environments, breakouts tend to fail and even follow-through days fail only to revert to new lows. Therefore, exposure to the market should be increased gradually.

**VEEV:** One stock we would like to watch is Veeva systems which offers cloud-based software applications and data solutions for the life sciences industry. It staged a gap up on Thursday after strong earnings and kept this momentum on Friday. Any further test of its 20-day EMA (228.57) will likely provide another support, otherwise it could continue moving upwards on a follow-through day. It is currently in **a buy zone** as per the TR indicator. One caveat is that the Software group overall is not performing well these days. However, VEEV seems to be an exception after earnings.

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

<b>TW:</b>	TW crossed the buy point of 135.51 but pulled back due to market pressure. Next <b>buy point</b> is 141.69 and caution with not more than 50% of normal position size is suggested to avoid any undesirable losses.
<b>CWAN:</b>	CWAN dropped 7.59% last week but tested its 50-days EMA line. With the current bearish action, <b>a re-entry</b> is only suggested if it crosses the 31.67 level with volumes.
<b>JD:</b>	JD reported on Mar 6 and after an initial spike, it reverted to a mild loss on Friday signaling a consolidation. Failure to make a breakout warrants more caution as ideally it should break out soon beyond the 47.82 mar. On the downside, suggest a stop loss around 35 (50-day EMA).
<b>BABA:</b>	Ali Baba had another solid week with a 6.12% gain. It is trying to pass its recent highs at 145.32 and offering <b>an early entry at current prices for aggressive investors</b> who could withstand the wide swings and high volatility of Chinese stocks. On the downside, any break and close below 117.82 will trigger a sell signal.
<b>GLDM:</b>	Gold gained approximately 2% last week and is consolidating near its all-time highs. It looks like it is attempting another breakout amid continuous global buying and money rotation towards safer assets. Aggressive investors could <b>increase their exposure</b> to the precious metal during the current uncertain environment.
<b>BYDDY:</b>	The Chinese EV manufacturer encountered another volatile week and registered 5.68% loss. As mentioned earlier, we would like it to pull back to its 50-day EMA line to get more support, which is currently at 82.72.
<b>HIMS:</b>	HIMS continued its slide and lost 20.27% last week besides a 4.51% gain on Friday. The stock has become highly unstable amid fresh FDA rules on the weight-loss drug Semaglutide. Although it could find support at current levels (36), but the overall bearish

	market environment could further push it down. Therefore, it is recommended to put his stock under watch for the time being.
<b>NOW:</b>	The software giant lost another 8.45% last week, confirming our bearish bias on this stock in the short term. It is on our watchlist for a better entry point when starts reversing.
<b>VIK:</b>	As mentioned last week VIK could come down with market and broke its 50-day EMA line closing below it. Its earnings are coming up on Tuesday (3/11), which could set up its direction going forward. Till that time put this on a watchlist as well.
<b>ATEC:</b>	After a great prior week, ATEC lost the entire gain and ended close to its 50-week line. This week's action triggered a sell signal, and it is likely to consolidate within a range for a few weeks. Therefore, we also recommend moving this stock a watchlist going forward.
<b>TSLA:</b>	Tesla lost another 10.45% last week and now 46.23% below its all-time high on 12/18/24. We have been pointing out for several weeks that it is better to get out of any position in Tesla now and wait for a better entry in future. However, it looks like there is a worldwide campaign against Tesla amid its founder's involvement in politics and this trend could be long-lasting and damaging. Stay away from this falling knife for the time being.
<b>GE:</b>	It was mentioned last week that GE has come under pressure along with the broader market and it is time to reduce position and make some profits. It sank another 6.34% last week and broke below the 200 level. To protect capital, it is recommended to close all positions and watch for a better entry at a later stage.
<b>AVGO:</b>	All is not bad in the AI world and Broadcom's earning report was welcomed by investors supporting it at its 200-day EMA line. However, we still need to wait for the follow-through day before making an entry or adding to existing positions. If the <b>market gets a follow-through day on Thursday or Friday, then it will be about time</b> to get on board with AVGO. Otherwise, this 8.64% pop on Friday could easily turn into a roll over. Broadcom can consolidate or even drift downwards at current levels.
<b>ETR/NI:</b>	Both ETR and NI became negative last week along with XLU registering 7% and 5.66% losses respectively. This is the time to reduce position size and take profits (if any) and keep on assessing the situation.

### Website:

We have added a WhatsApp group where we post regular alerts on stocks and markets we follow. It could be found here:

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Happy Trading and best regards,

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