

Weekly Market Recap: AI Optimism and Trade Truce Fuel Rally

The stock market enjoyed another impressive week as tensions between the U.S. and China eased, and confidence in artificial intelligence investments rebounded significantly. Major indices surged decisively past their 200-day moving averages.

Both the S&P 500 and Nasdaq have now firmly transitioned into strong uptrends, highlighting a notably robust market recovery. While this isn't an outright buy indicator, it's certainly an opportunity to increase exposure and consider holding more aggressive growth stocks.

This past week's gains were primarily driven by trade improvements and renewed enthusiasm for AI, despite numerous distracting headlines. The Dow Jones Industrial Average concluded the week with a notable 3.4% rise, while the S&P 500 climbed by an impressive 5.3%, and the Nasdaq Composite surged 7.2%. Nevertheless, the market's stellar performance was not without setbacks. Federal Reserve Chair Jerome Powell cautioned investors about potentially persistent volatility in inflation rates. Retail sales in April showed a significant deceleration from March figures, Walmart projected continuing price hikes, and consumer confidence plunged to its lowest in years. Moreover, Meta Platforms, Facebook's parent company, faced declines after reports emerged about delays in launching its ambitious large-language AI model.

Market breadth also strengthened, with advancing stocks outnumbering decliners by a ratio of two-to-one on both Nasdaq and the New York Stock Exchange. Notably, stocks received substantial support from revived AI enthusiasm, exemplified by Nvidia's double-digit percentage jump. Although AI-focused stocks had already begun their recovery, former President Trump's visit to Saudi Arabia underscored an increasing global demand for sovereign AI infrastructure, with nations eager to incorporate U.S.-manufactured chips into domestic initiatives. Saudi companies announced plans to purchase hundreds of thousands of advanced processors from tech leaders like Nvidia, Super Micro, and Advanced Micro Devices. Additionally, President revealed on Friday that the United Arab Emirates would become the newest purchaser of American AI technology, alleviating recent concerns about Silicon Valley potentially losing its technological advantage to China. According to analysts, sovereign and enterprise sectors are poised to become the second-largest contributors to global AI expenditures, with sustained growth anticipated over the coming years.

However, the week included a significant negative development: Moody's Investors Service downgraded the U.S. government's credit rating from the premier Aaa status to Aa1. The rating agency cited a prolonged rise in government debt levels and escalating interest payment obligations, which now significantly exceed those of similarly rated nations. This downgrade follows more than a year after Moody's revised its outlook on U.S. debt to negative. Fitch Ratings and S&P Global Ratings had previously removed their top-tier ratings for U.S. sovereign debt. These adjustments coincide with Congress actively working on a major tax-and-spending bill anticipated to considerably widen federal deficits.

Ultimately, the week's narrative was clear: trade optimism and AI resurgence were central to market performance, overshadowing various macroeconomic challenges. Investors remain closely tuned to developments in these key sectors moving forward.

The performance of major US indices was as follows:

Index	Friday (5/16)	Weekly	Monthly	YTD	1-Year
S&P 500	0.70%	5.27%	12.94%	1.30%	12.58%
Dow Jones Industrial	0.78%	3.41%	7.53%	0.26%	6.99%
Nasdaq 100	0.43%	6.81%	17.36%	1.98%	15.46%
Nasdaq Composite	0.52%	7.15%	17.81%	-0.52%	15.05%
Russell 2000	0.83%	4.50%	13.45%	-4.81%	2.08%

Sector Rotation Signals Renewed Risk Appetite

Weekly performance of 11 S&P 500 sector ETFs is summarized as follows:

Sector	Weekly Performance Last One Month	
Technology (XLK)	7.95%	21.13%
Discretionary (XLY)	7.54%	18.14%
Industrials (XLI)	5.64%	15.37%
Communications (XLC)	4.73%	13.56%
Energy (XLE)	3.70%	7.25%
Financials (XLF)	3.47%	10.87%
Materials (XLB)	2.94%	8.54%
Utilities (XLU)	2.42%	6.76%
Staples (XLP)	1.43%	2.38%
Real Estate (XLRE)	0.96%	5.50%
Health Care (XLV)	0.31%	-2.35%

Last week's market action showcased strong performance from growth-oriented sectors—Technology, Consumer Discretionary, Communication Services, and Industrials—signaling a clear “risk-on” sentiment among investors. This is precisely the kind of market environment we favor: one where capital rotates into higher-growth, higher-beta areas.

Technology stocks surged, driven by renewed enthusiasm for AI developments, as previously highlighted. Semiconductors led the charge, with heavyweights like Nvidia, Broadcom, and AMD playing central roles. In Communication Services, mega-cap names such as Google and Meta continued to show resilience and leadership, contributing meaningfully to the recent rally.

The Consumer Discretionary sector posted an impressive 7.54% gain, led by standout performers like Tesla and Amazon. Our preferred risk appetite barometer—the XLY:XLP ratio—rose 6% for the fourth consecutive week, underscoring growing investor preference for cyclical and growth sectors over defensive staples.

Industrials (XLI) also delivered strong results, climbing 5.64% and retesting prior highs. Gains were fueled by significant developments in aerospace, including major contract announcements involving GE and Boeing with Gulf-region clients.

Materials exhibited moderate strength, despite a cooling in commodities like gold and copper. Gold in particular lost 4.11% last week as capital rotated back into the equities.

On the defensive front, sectors such as Consumer Staples, Utilities, and Real Estate lagged behind their more aggressive counterparts. Healthcare remained a notable underperformer, weighed down by ongoing regulatory scrutiny and political pressures affecting major players like UnitedHealth (UNH), Merck, and Eli Lilly.

Interestingly, the Utilities sector—typically considered a defensive safe haven—is seeing renewed investor interest. The driver? AI. As tech giants, including members of the Magnificent Seven, ramp up infrastructure for AI data centers, select utility providers stand to benefit from increased power demands. NRG Energy, for instance, soared 33% last week after multiple analysts raised price targets based on anticipated expansion in power generation capacity.

Important Events next week:

A few important economic events for the upcoming week are:

Thursday (05/22): Initial Jobless claims, S&P Global Manufacturing PMI and Global Service PMI reports, Existing Home Sales (Apr)
Friday (05/23): New Home Sales

Important Earnings this week:

Tuesday (05/20): Home Depot (HD), Palo Alto (PANW)
Wednesday (05/21): Baidu (BIDU), Lowe's (LOW), Snowflake (SNOW), Target (TGT), Zoom (ZM)
Thursday (05/22): Analog Devices (ADI), Atour Lifestyle (ATAT), BJ's Wholesale (BJ), Copart (CPRT), Intuit (INTU)

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 made an impressive 16% move last week buoyed by new AI deals with Gulf states (see above). It is likely to take a breather before consolidating and attempt to move past its all-time highs at 153. The period of June till Mid-August are also traditionally strong months for Nvidia. Investors should consider making some profit (if > 20%) and let the rest run. Otherwise, watch its behavior in the coming week for future direction. Nvidia remains our favorite long-term leader.
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AAPL:	Strong market pushed Apple above 200 last week. It is facing resistance at 20-day and 50-day EMA above and if it moves past these levels in volume then it will be a buy signal otherwise, it could consolidate further before making an attempt to move higher. Apple remains our long-term leader.
COST:	Costco gained another 1.76% last week and remained above the 1000 level after finding support at its 20-day EMA two weeks ago. Any pullback to its 50-day EMA (981) or lower Bollinger Band at 960 could provide a better entry for investors in this long-term leader.

Interesting Stocks for Watchlists:

TSLA:	Tesla has been on a tear lately, rising from the intermediate term bottom from 218 to 350 within a span of about 6 weeks. But what is driving this rally? There are two main factors driving insane growth in Tesla's stock price, despite delivering one of the worst earnings reports in Q1 for a company this size. These are 1) Robotaxi, 2) Humanoid Robot. Now, it is Robotaxi which seems to be the prime catalyst behind Tesla's recent move. The rally has momentum behind it which could propel Tesla to the 380-400 range. If you are an aggressive investor then you could try a small position, otherwise wait for a pullback opportunity which the market could provide us with soon.
MSFT:	Mr. Softy is back with a 3.73% gain, eyeing its recent highs and is currently in a buy range with a stop loss below 410.

Medium- and Short-Term Picks:

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

GOOGL:	The alphabet gained 8.8% last week, which again has forced us to reconsider it. It is at a resistance with 50-day EMA at 166.73. If it crosses it in the upcoming week with volume and sustains it then it will be a buy signal with a maximum stop loss at 140.
CVX:	It was mentioned two weeks ago that investors could take a position in this solid-dividend player with a rebound in mind. Last week it increased by 2.61% in line with the broader Energy sector. It is still actionable at current prices; however, it is not a growth stock and is not likely to move quickly, however, with a rebound in energy space it could move back to its recent highs in the 160s (although not in the immediate future).
BYDDY:	Our EV pick BYDDY staged a breakout finally with a 12.08% gain last week. Aggressive investors could take a position (50% recommended) as it is likely to keep moving, otherwise, wait for a pullback to 20-day or 50-day EMA. Overall, BYD is likely to become the dominant player in the world EV market.

ZS:	Zscaler continued marching ahead with another 7.91% gain last week. We think it is ultimately going to test its previous high of 259.61 as stated last week.
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Recently Picked Stocks:

BSX:	Picked two weeks ago, BSX gained 3.1% last week and is currently in an actionable range , eyeing recent high. It is within a buy zone and has been showing strong price action for the last two months.
HALO:	HALO crashed last week, triggering a sell signal on the news. Correspondingly it is being dropped from our list for the time being.
PEN:	Penumbra lost 5.6% last week and as mentioned last week it tested the 20-day EMA and is likely to test the 50-day EMA. For the time being, put it on hold for a watchlist.
T:	AT&T was flat last week as investors preferred more aggressive growth stocks last week. We think that any pullback to its 20 or 50-day EMA could be a trigger point for investors seeking dividends (currently 4%).
SMH:	VanEck Semiconductor ETF gained another 10% last week, showing strength behind semiconductors. We think it could take a breather during the upcoming week, providing us with a better entry in future. Stay tuned.
ATGE:	After a huge recent gain, ATGE took a breather and lost 1% (as mentioned last week, a pullback was due). If not yet taken, then take some profit as it seems extended at this stage and could consolidate or stage a pullback.
GDX:	GDX lost 8% last week as capital started rotating towards equities. If not yet taken, it is time to take some profits to absorb gains.
MPLX/HESM:	Both MPLX and HESM performed well with 6 and 5% gains last week. Both found support at their 50-day EMA lines, and they provide good dividend income (7% and above). Long-term investors could hold them for a continuous stream of income.
BABA:	BABA lost 1.49% last week after its recent earnings did not impress investors. However, we think their results are not bad in nature and a pullback could provide a suitable entry around 110 level. Stay tuned for opportunities.

GLDM:	Just like Gold Miners, Gold itself is taking a breather as it moved quickly. It still looks like it could go further down to test 60. Till that time, let us keep our fingers crossed and wait.
ETR/NI:	ETR gained 0.,76% while NI lost 1.26 last week respectively as these two utilities continue to show resilience justifying their selection as steady income generators. These two utility stocks are expected to move forward and test their recent highs at 87.25 and 40.31 respectively.

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