

## [What's New]

### **Stock Market Retreat and Sector Shifts Amid Earnings Reports**

#### **Stock Market Rotation or Correction?**

The rally in the stock market saw a notable shift on Friday, as the Dow Jones, small caps, and various non-tech sectors transitioned into a widespread pullback.

The Nasdaq took a significant hit, and the S&P 500 also declined, influenced by issues in the chip sector, the CrowdStrike (CRWD) IT outage, and other factors. Nvidia (NVDA) and several other leading stocks experienced sharp sell-offs.

#### **Earnings on the Horizon**

Google, ServiceNow, and GE are approaching actionable points. Tesla stock is also nearing that range, although it dropped notably on Friday following former President Donald Trump's pledge, endorsed by Elon Musk, to roll back EV policies.

The upcoming earnings reports from Google and ServiceNow will be critical for the tech sector, impacting areas like artificial intelligence, cloud computing, online advertising, and business software.

In addition to Tesla, other stocks close to buy ranges include AppFolio (APPF), United Rentals (URI), KLA Corp. (KLAC), Tenet Healthcare (THC), and oil machinery companies Weatherford (WFRD) and TechnipFMC (FTI).

#### **Stock Market Rally**

The stock market rally started the week on a strong note, especially outside of the Nasdaq. However, Nvidia and other chip stocks tumbled on Wednesday, and the weakness spread more broadly later in the week.

The Dow Jones Industrial Average increased by 0.7% over the past week but fell towards its weekly lows after reaching a record intraday high on Thursday. The small-cap Russell 2000 rose by 1.7% but retreated from its multiyear high set on Wednesday.

The S&P 500 index dropped by 2%, falling below its 21-day moving average after hitting a record high on Tuesday. The Nasdaq fell by 3.65%, moving decisively below its 21-day moving

average. It is now just 1.7% above its 50-day moving average, down from 8.9% above that level on July 10.

While the 50-day moving average might provide support, there is no certainty that the Nasdaq will hold at that level.

The Invesco S&P 500 Equal Weight ETF (RSP) dipped by 0.1% after hitting a record high intraday on Thursday.

The First Trust Nasdaq 100 Equal Weighted Index ETF (QQEW) dropped by 2.4% to test its 50-day moving average after hitting a record high on Tuesday. Despite performing better than the Nasdaq 100's 4% drop, QQEW's decline indicates that the deterioration in tech growth stocks extends beyond the megacaps.

The CBOE Volatility Index (VIX) surged nearly 33% to 16.53, marking the largest weekly gain since March 2023. However, the market fear gauge remains well below its peaks of 21.36 in April and 23.08 in October 2023.

The 10-year Treasury yield rose by five basis points to 4.24% after hitting a four-month low on Wednesday.

U.S. crude oil futures fell by 2.5% to \$80.13 per barrel, sliding by 3.25% on Friday.

Copper futures plunged by 8.25%, experiencing their worst week in two years. A decline in "Doctor Copper" is often a negative indicator for the global economy.

## **ETFs**

Among growth ETFs, the iShares Expanded Tech-Software Sector ETF (IGV) fell by 2.8%, with ServiceNow stock as a key holding and CrowdStrike also included. The VanEck Vectors Semiconductor ETF (SMH) dropped by 9.6%, with Nvidia stock as the top component.

Reflecting more speculative story stocks, ARK Innovation ETF (ARKK) edged down by 0.4% last week, while ARK Genomics ETF (ARKG) inched up by 0.2%. Tesla stock is the top holding across Ark Invest's ETFs.

SPDR S&P Metals & Mining ETF (XME) fell by 2.4% last week. The Global X U.S. Infrastructure Development ETF (PAVE) gained just 0.35%. U.S. Global Jets ETF (JETS) fell by 0.7%. SPDR S&P Homebuilders ETF (XHB) rose by 3.25%. The Energy Select SPDR ETF (XLE) increased by 2.05%, while the Health Care Select Sector SPDR Fund (XLV) nudged down by 0.25%. The Industrial Select Sector SPDR Fund (XLI) rose by 0.55%, but ended near weekly lows.

The Financial Select SPDR ETF (XLF) gained 1.2%, and the SPDR S&P Regional Banking ETF (KRE) surged by 7.5%.

## **Tesla Stock**

Tesla dropped by 4% on Friday to 239.20, its lowest close since July 2. However, shares remain above their 21-day moving average. For the week, TSLA stock declined a relatively modest 3.6%, trading within the prior week and showing constructive action after a substantial run-up.

In his GOP nomination speech on Thursday night, former President Donald Trump pledged to end the national EV mandate. While this could reduce competition for Tesla, states like California have their own EV mandates. Trump has also indicated he favors eliminating EV subsidies, which could negatively impact Tesla.

Additionally, Trump expressed a desire for Chinese EV manufacturers to establish factories in the U.S., a significant shift from President Biden's stance. EV giant BYD (BYDDF) rose by 1.7% to 31.06 on Friday.

Musk has strongly endorsed Trump and is contributing substantial funds to a pro-Trump Super PAC.

Tesla is scheduled to report earnings on Tuesday night. While earnings are likely to decline significantly, revenue may see a slight increase. As usual, the focus will be on the conference call where Musk will discuss deliveries, future models, and various ambitious projects.

## **Nvidia Stock**

Nvidia fell by 8.75% to 117.93 for the week, reaching its lowest level since early June. The AI chip leader remained above the 50-day moving average but closed slightly below the 10-week line. If Nvidia continues to decline significantly, it would be a major negative for the tech sector.