

## [What's New]

### **Stock Market Rally Reaches New Highs Amid Fed Rate Cut Speculations**

The stock market rally experienced a major shift on Thursday, but the main indexes still managed to reach record highs for the week. The small-cap Russell 2000 surged to a multiyear peak, driven by hopes for Federal Reserve rate cuts.

Despite a pullback on Thursday, Nvidia (NVDA), Tesla (TSLA), and most of the mega cap and chip stocks ended the week with gains or maintained solid charts. Key sectors like housing posted significant gains after a period of underperformance.

#### **Key Earnings Reports**

Netflix, Goldman Sachs, and ASML are in buy zones as their earnings reports approach. Taiwan Semiconductor continues to hover near a \$1 trillion valuation. Goldman Sachs reports early Monday amid a flurry of bank earnings. ASML (early Wednesday) and Taiwan Semiconductor (early Thursday) will be crucial for the chip sector and the broader AI industry. Netflix will report on Thursday evening.

#### **Stock Market Rally**

Last week, the stock market rally advanced as investors increased their expectations for rate cuts following subdued CPI inflation data and testimony from Fed chief Jerome Powell. Despite significant losses for megacaps and popular chip stocks like Nvidia, Taiwan Semiconductor, and Tesla on Thursday, the market saw a broad advance for the week, although there was a slight fade on Friday.

The Dow Jones Industrial Average jumped 1.6% in last week's trading, moving above 40,000 for the first time. The S&P 500 index rose 0.9%, while the Nasdaq composite edged up 0.25%.

The small-cap Russell 2000 surged 6% to its highest level since January 2022. The Invesco S&P 500 Equal Weight ETF (RSP) climbed 2.95%, just shy of its March 28 record high, after struggling at its 50-day moving average for several weeks.

The First Trust Nasdaq 100 Equal Weighted Index ETF (QQEW) gained 0.9%, reaching new highs.

The 10-year Treasury yield dropped 8.5 basis points to 4.19%, hitting a four-month low on

Thursday. U.S. crude oil futures declined 1.1% to \$82.21 a barrel for the week.

### **Nasdaq Still Extended**

On Wednesday, the Nasdaq closed 9% above its 50-day line, the most extended since June 2023, increasing the risk of a pullback. After Thursday's drop and Friday's modest recovery, the Nasdaq is now 6.9% above its 50-day line, still extended.

With high optimism and the Nasdaq stretched, the risks of a pullback are elevated as tech earnings season begins. This combination could be risky.

### **ETFs**

Among growth ETFs, the iShares Expanded Tech-Software Sector ETF (IGV) fell 1.9%. The VanEck Vectors Semiconductor ETF (SMH) advanced 1.7%. Nvidia and Taiwan Semi are the two largest holdings in SMH, with ASML also a notable component.

Reflecting more speculative stocks, ARK Innovation ETF (ARKK) rallied 1.8% last week, and ARK Genomics ETF (ARKG) soared 9%. Tesla is the top holding across Ark Invest's ETFs.

The SPDR S&P Metals & Mining ETF (XME) jumped 3.8% last week. The Global X U.S. Infrastructure Development ETF (PAVE) leapt 4.5%. SPDR S&P Homebuilders ETF (XHB) surged 10.8%. The Energy Select SPDR ETF (XLE) edged up 0.5%, and the Health Care Select Sector SPDR Fund (XLV) gained 2.6%. The Industrial Select Sector SPDR Fund (XLI) rose 2.4%.

The Financial Select SPDR ETF (XLF) climbed 2%, with Goldman Sachs a significant component. The SPDR S&P Regional Banking ETF (KRE) soared 8.6%.

### **Tesla Stock**

Tesla stock dropped 8.4% on Thursday, reversing from a nine-month high and breaking an 11-day winning streak. However, TSLA only fell 1.3% to 248.23 for the week. Reports indicate that Tesla will delay its robotaxi event from August 8 to sometime in October.

### **Nvidia Stock**

Nvidia stock rose 2.7% to 129.28 for the week, despite a 5.6% decline on Thursday. NVDA has been consolidating for a few weeks, generally finding support around or above the 21-day line. A few more weeks of consolidation could establish a new base, allowing the 50-day line to catch up.

### **Market Rally Analysis**

The Nasdaq is extended, and the upcoming earnings season introduces significant uncertainty

over the next few weeks. Reports from Taiwan Semiconductor and ASML could significantly impact tech stocks this week. For now, the rally is broad, with many stocks showing buy signals.