

[What's New]

Mixed Week for Stock Market Rally as Tech Struggles to Keep Up

The stock market rally presented a mixed picture last week. While the Dow Jones Industrial Average reached new heights, the S&P 500 recorded modest gains, and the Russell 2000 slightly declined. The Nasdaq composite, heavily weighted with tech stocks, lagged behind due to Nvidia's (NVDA) earnings that didn't fully meet expectations. However, it did recover its 50-day moving average with a strong performance on Friday.

The S&P 500 has now entered a power trend, which is a promising indicator for the market's continued rally. Several stocks either broke out or positioned themselves for potential gains throughout the week. Investors will also be keeping a close eye on the August jobs report, due out on Friday.

Overview of Last Week's Stock Market Activity

The stock market rally showed mixed performance throughout the week but finished on a high note on Friday. The Dow Jones Industrial Average advanced 0.9%, while the S&P 500 rose by 0.2%. The Nasdaq composite fell by 0.9% but managed a 1.1% gain on Friday. The small-cap Russell 2000 experienced a minor decline.

The S&P 500 closed the week just below the upper limit of its recent range and near its all-time highs. The Nasdaq still faces challenges as it needs to regain its 50-day moving average decisively, break out of its recent range, and surpass the 18,000. However, there's a risk that the Nasdaq could fall below its 21-day line, which would be a bearish signal.

Recent trends in the Nasdaq, Nvidia, and other large-cap tech stocks indicate that the tech sector might underperform compared to other sectors for some time.

The 10-year Treasury yield increased by 10 basis points to 3.91%, though it has declined by 77 basis points over the past four months. U.S. crude oil futures dropped by 1.7% last week, settling at \$73.55 per barrel.

ETFs Overview

Among growth-focused ETFs, the iShares Expanded Tech-Software Sector ETF (IGV) gained 0.5%. ServiceNow and Samsara are significant holdings in this ETF. The VanEck Vectors Semiconductor ETF (SMH) declined by 2%, with Nvidia and Broadcom as major components.

The SPDR S&P Metals & Mining ETF (XME) saw a slight increase of 0.1%, while the Global X U.S. Infrastructure Development ETF (PAVE) gained 0.5%. The SPDR S&P Homebuilders ETF (XHB) fell by 1.5%. The Energy Select SPDR ETF (XLE) rose by 1%, and the Health Care Select Sector SPDR Fund (XLV) increased by 1.1%.

The Industrial Select Sector SPDR Fund (XLI) advanced by 1.7%, while the Financial Select SPDR ETF (XLF) jumped by 2.95%.

On the other hand, more speculative growth stocks, reflected in ARK Innovation ETF (ARKK), dropped by 3.1%, and ARK Genomics ETF (ARKG) decreased by 2.15%. Tesla remains a significant holding in Ark's ETFs. Cathie Wood has also increased her positions in Nvidia and holds a smaller stake in BYD.

Nvidia Stock Performance

Nvidia shares dropped by 7.7% last week, closing at 119.37. Despite gaining 1.5% on Friday, the stock ended just below its 50-day moving average.

Nvidia posted a 152% increase in earnings per share year-over-year on Wednesday and provided an optimistic outlook for Q3 revenue. However, the increase wasn't as significant as in previous quarters.

After Friday's close, Nvidia's chart showed a handle, which lowered its official buy point to 131.26.

Stock Market Analysis

The market rally is currently pausing, but it has made significant progress since the August 5 low. More stocks are forming bases that are less V-shaped, with handles starting to take shape.

If the S&P 500 and Nasdaq can break out of their recent short-term ranges, it would be a highly bullish signal, likely triggering a wave of breakouts.

However, if the Nasdaq falls below both the 50-day and 21-day moving averages, many recent buys and setups, particularly in the tech sector, could be in jeopardy.