

[What's New]

Nvidia Decline Pauses Market Rally; Key Fed Inflation Data Ahead

The stock market saw overall gains last week, with the S&P 500 and Nasdaq Composite reaching new highs on Thursday morning. However, some late-week weakness emerged.

Nvidia (NVDA) and other AI chip stocks like Broadcom (AVGO), Taiwan Semiconductor (TSM), Arm Holdings (ARM), and Micron Technology (MU) pulled back from their recent peaks after significant gains in recent weeks. Nvidia, in particular, was nearing overextended levels.

Micron's earnings report next Wednesday will be crucial in determining whether this AI chip company finds support or faces a deeper decline.

Carnival (CCL), FedEx (FDX), and Dow Jones component Nike (NKE) are also set to announce their earnings this week. These stocks have been underperforming but will provide insights into the economy and consumer spending trends.

Anticipated Fed Inflation Data

On Friday morning, the Commerce Department will release the core PCE price index, the Federal Reserve's preferred inflation measure. Economists expect a relatively mild reading for May. Current market sentiment shows about a 65% chance of a Fed rate cut in September, with expectations for two cuts in 2024.

Stock Market Trends

Despite some late-week turbulence from AI chip stocks, the major indexes posted modest to solid gains.

The Dow Jones Industrial Average led with a 1.45% gain, climbing above the 50-day moving average to a one-month high. The S&P 500 index rose 0.6%, while the Nasdaq Composite inched up less than a point.

The small-cap Russell 2000 increased by 0.8% but remains below the 50-day line.

The Invesco S&P 500 Equal Weight ETF (RSP) advanced 1.1%, moving back above the 50-day line. The First Trust Nasdaq 100 Equal Weighted Index ETF (QQEW) gained 1%, nearing record highs.

Leading stocks had a mixed week, with notable gains on Monday but some suffering significant losses on Thursday and Friday.

Despite these fluctuations, the Nasdaq and S&P 500 are just below their all-time highs, with few issues apparent on the weekly charts.

The Nasdaq is now 6.7% above its 50-day moving average, down from 8.3% on Monday. A pause or slight decline over the next few weeks, particularly as Nvidia and other AI stocks consolidate, could be beneficial.

An even more positive sign would be if small-cap stocks and other market sectors could rise above key levels.

The 10-year Treasury yield increased by four basis points to 4.26%.

U.S. crude oil prices surged 3.4% last week, reaching \$80.73 a barrel.

ETFs Performance

The iShares Expanded Tech-Software Sector ETF (IGV) climbed 2%, while the VanEck Vectors Semiconductor ETF (SMH) fell 1.1%. Nvidia is the top holding in SMH, with significant positions in Taiwan Semiconductor, Micron, and Broadcom.

The SPDR S&P Metals & Mining ETF (XME) rose 1.5% last week, and the Global X U.S. Infrastructure Development ETF (PAVE) advanced 0.9%. The U.S. Global Jets ETF (JETS) increased by 1.5%. The SPDR S&P Homebuilders ETF (XHB) dropped 1%. The Energy Select SPDR ETF (XLE) gained 1.9%, and the Health Care Select Sector SPDR Fund (XLV) edged up 0.6%. The Industrial Select Sector SPDR Fund (XLI) rose 1.5%, while the Financial Select SPDR ETF (XLF) climbed 1.7%.

Among more speculative stocks, the ARK Innovation ETF (ARKK) declined 1.2%, and the ARK Genomics ETF (ARKG) slid 2.8%.

Nvidia Stock Movement

Nvidia shares fell 5% for the week, closing at 126.57. The stock pulled back from a record high of 140.76 reached on Thursday. The AI chip leader is currently 25.3% above its 50-day moving average, after briefly exceeding 40% at Thursday's peak.

Back on March 7, Nvidia closed 41.9% above its 50-day line, the most in 21 years. The following day, the stock reversed sharply, beginning a consolidation phase.

Micron's Upcoming Earnings

Micron will report its fiscal Q3 results on Wednesday. The company is expected to post a profit of 42 cents per share, its first positive result in six quarters. Revenue is projected to surge 58% to \$5.82 billion following a 16% gain in Q2.

Micron's performance and outlook will be significant for other AI-related stocks and the broader semiconductor sector, including chip-equipment manufacturers.

Micron's stock fell 1.3% to 139.54 last week, coming down from a Tuesday peak of 157.54. Shares did see a slight bounce from Friday's test of the 21-day line.

Other AI Chip Stocks

Broadcom's stock declined 4.4% to 1,658.63, reversing from a record intraday high of 1,851.62 on Tuesday, following a 23% surge the previous week due to earnings.

Arm's stock rose 1.5% to 160.30 for the week but pulled back from a Tuesday peak of 177.31. The U.K.-based wireless chip giant settled below its official consolidation buy point of 164. Despite this, Arm Holdings has seen a significant rise over the past two months. Investors may wait to see if the stock can stabilize around the buy point, allowing moving averages to catch up.

Taiwan Semiconductor's stock edged up 0.8% for the week to 173.96, despite pulling back from Tuesday's all-time high of 184.86.