

Tactical Market Update

The bullish sentiment persists

Overview of Potential Market Drivers for the Upcoming Week

The market is expected to re-enter a zone of turbulence after a relatively calm holiday week. Several significant macroeconomic releases are anticipated, including PMI Indexes by ISM, JOLTS Release and Labor Market Report. Better-than-expected data could reinforce the narrative of sustained US economic growth but may prompt the Federal Reserve (Fed) to exercise patience at its upcoming December 17–18 meeting. Based on data from the CME FedWatch Tool, the main scenario still points to a rate cut to 4.25%–4.5%. A "golden mean" – where the data aligns mostly with expectations – is considered the best case for equities. We believe that the combination of macro releases will be favorable; we expect stability in the JOLTS report with a slight weakness in the November employment data, which, however, will be offset by an improvement in the PMI metrics.

The S&P 500 will likely retain its upward bias, aiming to test the 6100 points level. A strong risk appetite is reflected in the rally of certain heavily shorted stocks. Global asset managers seem ready for a strong year-end strategy to match with the S&P 500, currently up 26.5%, while the median year-to-date return for individual S&P 500 stocks stands at just 17.8%. Such a difference was caused by the outperformance of certain "heavyweight" stocks: NVDA (+179%), META (+62%), and AMZN (+37%).

Technology sector bright spots such as Salesforce (CRM), Synopsys (SNPS), Marvell Technology (MRVL) and Zscaler (ZS) will share quarterly results this week.

Monday, December 2:

- **ISM Manufacturing PMI** This indicator may slightly improve to 48 points after an unexpected decline to 46.5 points earlier. S&P Global's preliminary release also suggests a rebound in November.
- Quarterly Report: ZS.

Tuesday, December 3:

- **JOLTS report:** The number of open job positions is likely unchanged at around 7.45 million. After the sharp decline in September, a small offsetting increase is more likely than a continuation of the downturn.
- Quarterly Reports: CRM, OKTA, MRVL.

Wednesday, December 4:

- **ISM Non-Manufacturing PMI** The consensus forecast of 55.5 seems realistic after a prior value of 56.0. This index significantly increased in September and October, so a similar rise is unlikely to continue. However, stabilization in the 55-56 points range would be viewed positively.
- Quarterly Reports: SNPS, CHWY, DLTR, FL.

Thursday, December 5:

- Quarterly Reports: DG, LULU, PATH, ULTA, DOCU, GTLB, HPE, IOT.

Friday, December 6:

- **Labor Market Report** Our calculations indicate a high probability of a moderate increase in the unemployment rate from 4.14% to 4.19% (consensus forecast: 4.1%). Nonfarm payroll employment is forecast to increase by 110k in November, which seems a more conservative estimate than the consensus forecast for a 200k increase.

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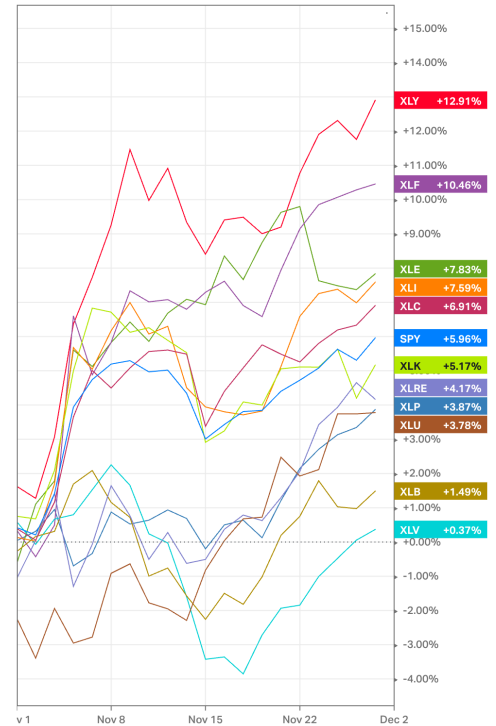
Event Overview

- The S&P 500 and Russell 2000 hit new all-time highs, rising 1.1% and 1.2%, respectively. Almost all sectors ended the week positively, except for Energy.
- **The favorable sentiment earlier in the week was driven by Donald Trump's announcement of Scott Bessent as the nominee for U.S. Treasury Secretary.** As an asset manager with a wealth of Wall Street experience, he will help implement balanced economic policies and can smooth out some of the radical changes proposed by Trump. In particular, he favors a cautious approach to the introduction of tariffs. Bessent is also considered a proponent of tax reform and deregulation. All of this is favorable for both the stock and bond markets. Yields on 10-year treasuries fell to 4.18%, the lowest level since the election.
- **Investors weren't spooked by Donald Trump's "tariff threats."** In particular, the president-elect announced an additional 10% tariff on Chinese goods and a 25% tariff on goods from Mexico and Canada, citing the flow of illegal migrants and drugs from these countries. However, Trump's announcement was perceived more as an element of a complex negotiation tactic than a long-term policy shift. Trump has already softened his rhetoric on Mexico and Canada this weekend.
- **Macroeconomic news flow was predominantly positive.** The data confirmed the resilience of the U.S. economy. Personal incomes in October rose 0.6% month-over-month (vs. consensus of 0.3%). The Conference Board Consumer Confidence Index improved in November, with a stronger labor market component. The core PCE Price Index increased by 0.27% month-over-month, which aligns with expectations.
- **The S&P 500 gained nearly 6%, marking its ninth increase in the last eleven months, with a YTD return of approximately 26.5%.** For the first time since the 1995-1998 period, the S&P 500 is on track for two consecutive years of gains of 20% or more. Among the indices, the Russell 2000 was the clear leader, posting its largest monthly gain since December 2023 (+10.8%). Sector-wise, cyclical consumer staples (XLY) and financials (XLF) stood out, posting more than 10% gains. The main driver of stock market gains in November was the quick and single-digit election results, which led to a pullback in the VIX volatility index. This, in turn, triggered purchases by systematic funds. The two main bullish arguments for Republican electoral success are the expected period of deregulation and the likelihood of a corporate tax cut. Removing election-related uncertainty also brought attention back to the traditionally favorable year-end seasonality and the resumption of active share repurchase programs. Another positive factor in November was the rise in macroeconomic indicators, with the Citi Economic Surprise Index for the US reaching levels seen in February 2024.

Key Corporate Stories

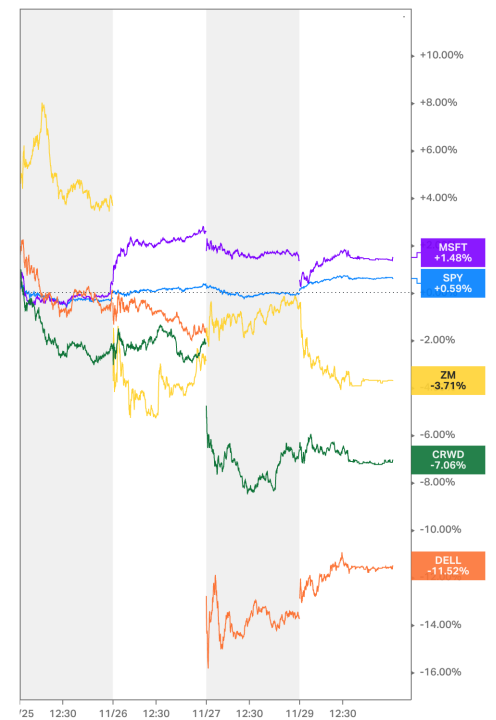
- **Microsoft (MSFT)** has become the subject of an antitrust investigation by the U.S. Federal Trade Commission (FTC) that will examine various business segments. However, stock reaction has been limited as investors wait for Donald Trump to nominate a new FTC chairman.
- **Dell Technologies (DELL)** reported worse-than-expected earnings. The primary drawback was a 1% year-over-year drop in personal computer (PC) sales. The stock fell 11.5% over the week.
- **CrowdStrike (CRWD)** showed mixed results. The main factor was the loss caused by a global technical glitch in July. Despite setbacks, the company raised its revenue forecast for the remainder of the year.
- **Zoom Communications (ZM)** disappointed investors with a guidance pointing to modest revenue growth next year. High volatility led to a 3.7% weekly decline.

Sector ETF dynamics in November



Source: Koyfin

Dynamics of newsmaker stocks for the week



Source: Koyfin

Technical Analysis

- The S&P 500 reached a new historical high, ending the week above 6,000 points. The uptrend looks strong. The RSI indicator has not yet reached the overbought zone, which indicates the potential for continued upward movement within the trend. Next target for bulls: 6100 points. Key support level: 5860–5875 points.



Technical Signals

Signal	Ticker
Long MA Breakout	BA, CVS, DLTR, VICI, IPG, CEG, INVH, DUK, AEP, MMM, WY, ICE, HRL, ES, KMB, DTE, SJM, BLDR, VLTO, EXR, PSA
Short MA Breakout	-
Three White Soldiers	UNP, NSC, ARE, AVY
Three Black Crows	-
Top-10 High RSI	DIS, UAL, AXON, TPR, WMT, MO, SCHW, SNA, XEL, AIZ
Top-10 Low RSI	CE, REGN, MPWR, HCA, CDW, JNPR, NEM, AES, DOW, QRVO

All tickers in the rows are arranged in descending order of average trading volume, except for the rows Top-10 High RSI and Top-10 Low RSI, where the ranking is based on the RSI indicator, in descending and ascending order, respectively.

Source: FactSet, Freedom Broker calculations.

The signals and indicators provided in the material should not be considered as a call to action or an investment idea. Additionally, it is not recommended to use them in trading without considering other factors present in the economy, the market, and the stock's dynamics.

Description of Technical Signals

- **MA Breakout (long/short):** A buy signal is generated when a stock's price crosses above its 50-day moving average (50MA) from below, while a shorter moving average (20MA) remains below the 50MA. For short positions, the opposite scenario is considered. Stocks in this category are suitable for short-term trading, provided that the broader technical picture and investment context are favorable. Common moving average strategies like the Golden Cross are more suited for medium- to long-term trading, whereas this signal is designed to identify local wave, corrective, or reversal movements. If the price crossed the moving average earlier in the week, and this is the first signal in the past 20 trading days, the stock will only be included in the list if it remains above the 50MA at the time of publication.
- **Three White Soldiers/Three Black Crows.** This technical signal is based on a well-known pattern. Three White Soldiers (3WS) is formed when three consecutive trading days show green, full-bodied candles (the delta between open and close is at least 70% of the delta between high and low) with positive closing dynamics. The opposite situation defines the Three Black Crows (3BC) signal. This pattern is used to identify potential reversal points in a trend, and it's recommended to combine it with other indicators like the RSI or volume profile for confirmation.
- **Top-10 High RSI/Low RSI.** These indicators are built on the Relative Strength Index (RSI)—a momentum oscillator used to measure the speed and direction of price movements. The RSI ranges from 0 to 100. The Top-10 High RSI group includes ten tickers from the S&P 500 with the highest RSI values (14-period), while the Top-10 Low RSI group includes those with the lowest RSI values.

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