Tactical Market Update

Rebound Probability Rises, But Bulls' Success Depends on CPI

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A look at potential catalysts for movement in the coming week

The S&P 500 has already corrected from its peak by more than 6% – such a deep correction has not been seen since August last year. The forward P / E multiple for the broad market has dropped from 22.5x to 21x amid increased economic uncertainty. We believe that a tactical rebound in stocks is becoming quite possible, but its duration and strength will depend on incoming macro data. Seasonality will soon become an important positive variable in the "market equation": the S & P 500's 30-year average dynamics indicate that the second half of March usually marks the beginning of a "bull period" that lasts until mid-summer. The technical picture is also starting to give local reversal signals.

The release of the consumer price index (CPI) on Wednesday will be the decisive moment. It should be emphasized that the risks of upward deviation of the indicators remain due to the effect of residual seasonality. The consensus forecast for the CPI assumes growth of 0.3% m/m, but after rounding, the indicator may amount to 0.4% m/m for both the general index and the base one. However, if the worst expectations are not met, and the statistics turn out to be at least at the level of consensus forecasts, this will be a serious reason to buy back the resulting drawdown.

The flow of corporate news will be provided by major investment bank conferences dedicated to the technology, media and telecommunications (TMT), industrial and healthcare sectors. In addition, this week, market participants are interested in the results of Oracle (ORCL) and Adobe (ADBE), while investor days will be held by Eaton (ETN) and Cloudflare (NET).

The S&P 500 could move in the 5600-5900 range.

Monday - March 10

- New York Fed Consumer Survey: Inflation Expectations to Be in Focus
- Quarterly results: ORCL.

Tuesday - March 11

- JOLTS January report: Openings in the range of 7.6-7.9 million would indicate a healthy labor market.

Wednesday - March 12

- Consumer Price Index (CPI) for February. Consensus forecast for the main and core indicator is 0.3% m/m. We see some risks of a negative surprise (i.e. "hotter" data).
- Quarterly results: ADBE, S, PATH, AEO.

Thursday – March 13

- Producer Price Index (PPI) for February. As with the CPI, the consensus forecast for the headline and core indicator is 0.3% m/m.
- Initial claims for unemployment benefits. We consider the range of 210-240 thousand to be normal, so if the data comes out higher, a negative market reaction is possible.
- Quarterly results: DG, ULTA, RBRK, DOCU.

Friday - March 14

- University of Michigan Consumer Sentiment Index for March (Preliminary Data) A reading below the consensus forecast of 63 points could heighten investor concerns about the pace of U.S. economic growth.

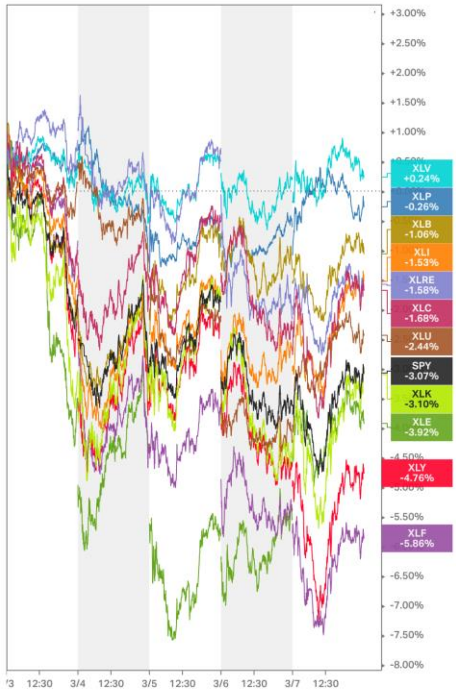
Events overview

- Stock indices were prone to correction last week amid a number of negative factors. The S&P 500 fell 3%, while the small-cap index fell 4%. Ten of the 11 sectors ended the week in the red. Only the healthcare sector, which has fully demonstrated its defensive properties, closed in the green.
- **The political uncertainty surrounding a second Trump term has been heightened by the tariff announcements.** Trump reiterated his tough tariff strategy in his speech to Congress, raising concerns among businesses and consumers. Trump's so-called " put " (i.e., the idea that the president will intervene if stocks take a sharp turn) has proven to be farther from the trigger point than investors had previously thought: The president has said he does not look to the stock market to make his decisions, a point echoed by Treasury Secretary Bessent in an interview.
- **AI beneficiary stocks remained under pressure.** One of the negative triggers was the presentation of Alibaba's (BABA) new LLM model, which uses computing power even more efficiently. A sharply negative reaction to a number of quarterly releases (MDB, MRVL, CRWD) also did not help sentiment. However, the rebound at the end of the week was facilitated by a report from Broadcom (AVGO). The chipmaker beat expectations by reporting strong prospects for AI-related revenue growth, and the stock responded with growth.
- **Macroeconomic uncertainty has been a key driver of volatility.** The February ISM manufacturing report showed an unexpected decline in new orders and employment, while the price component rose to its highest since June 2022. The number of announced job cuts, according to Challenger, reached its highest since July 2020, with more than a third of layoffs related to public sector cost-cutting initiatives (DOGE actions). The debate over "consumer resilience" has also intensified, with many retailers issuing weak first-quarter guidance, citing weak consumer confidence, tariff risks, and weather factors.
- **Economic growth in the first quarter may be low (around 1% of GDP), but the risks of a recession remain low.** Among the positive signals, we note the ISM services index, which outpaced expectations, as well as labor market data, which mostly met expectations. The unemployment rate increased from 4% to 4.1%, but the growth rate of non-farm payrolls was 151 thousand, which can be considered a fairly "healthy" trend (consensus: 160 thousand).
- **Jerome Powell provided significant support for stocks.** In his speech on Friday, the Fed Chairman emphasized that the U.S. economy is in good shape. The labor market remains stable, and inflation is close to the target level of 2%. Commenting on the latest employment report, Fed Chairman Jerome Powell again emphasized that the labor market is not a significant source of inflationary pressure. Regarding monetary policy, Powell reiterated that the Fed is in no hurry to further cut rates and prefers to wait for greater clarity on economic trends. Powell's moderately positive tone was a significant factor in improving sentiment, since many Fed officials had previously focused on the risks of a slowdown in economic growth.

Key Corporate Stories

- Weak FY26 guidance, as management expects high cost inflation, weighed on Best shares **Buy (BBY)**.
- **Target (TGT)** gave a cautious guidance based on trade policy uncertainty and weakening consumer confidence.
- **CrowdStrike (CRWD)** shares reacted negatively to the company's 2025 guidance, which calls for EPS in the range of $3.33-$3.45, versus the consensus of $4.42.
- **MongoDB's (MDB)** quarterly revenue and profit beat consensus, but its own guidance for the current quarter and year disappointed investors.
- **Marvell (MRVL)** shares fell sharply as the company's revenue guidance missed investor expectations for strong growth from the AI boom.

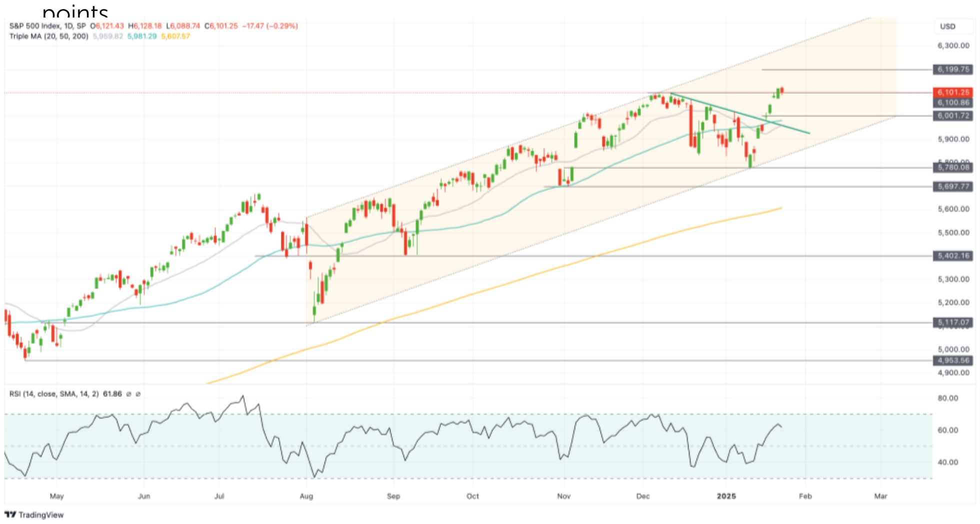
Sector Dynamics Last Week



Source: Koyfin

Technical analysis

- The S&P 500 found support near its 200-day moving average, bouncing off the 5,665 level on Friday. The RSI indicator has started to form a divergence near the oversold zone, raising the chances of a reversal. This is also supported by technical oversold stocks of the Magnificent Seven (MAGS ETF) coupled with the Relative Strength of the Equal-Weighted Benchmark (RSP) ETFs). Note that the number of S&P 500 stocks trading above their 50-day moving averages has remained remarkably stable amid the recent market correction. It is at the level of early February (47%), while the S&P 500 has lost more than 4% during this time. If upward momentum develops, the bull team will need to overcome strong resistance in the broad market index at 5850 points



Technical Signals

Signal	Ticker
Long MA Breakout	ORCL, PARA, SCHW, GM, SBUX, DIS, WDC, TSCO, PM, BAX, ICE, IVZ, AMGN, BX, EMR, CTSH, WELL, VTR, NDAQ, ETN, LOW, LIN, MMC, PPG, TEL, BLDR, SWK, FMC, COO, MAR, ADSK, AME, TT, XYL, NSC, PFG, AON, CHRW, NOC, DOV, MSI, VMC, URI, ROK, NWS, PH, EPAM, STE, HUBB, ORLY
Short MA Breakout	OXY
Three White Soldiers	ICE
Three Black Crows	-
Top-10 High RSI	JBL, MMM, STX, BSX, TPR, EQT, GLW, TDY, C, CEG
Top-10 Low RSI	EA, EIX, STZ, MNST, LVS, VTRS, HSY, FICO, AAPL, PCG

All tickers in the rows are sorted by average trading volume in descending order, except for the Top-10 High RSI and Top-10 Low RSI rows, where the ranking is in descending and ascending order of the RSI indicator value(respectively).

Source: FactSet, Freedom Broker calculations.

The signals and indicators provided in the material should not be regarded as a call to action or an investment idea, and it is also not recommended to use them in trading in isolation from other factors that have developed in the economy, on the market and in the dynamics of the stock.

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 wellknown 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 10 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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