Tactical Market Update

Will Inflation Lead to New Records for the S&P 500?

A look at potential catalysts for movement in the coming week

The central event of the week will be the release of consumer inflation data on Wednesday. This time the release is more significant than usual, as it is expected at the same time as the annual revision of the CPI growth trajectory taking into account new seasonal adjustments. The S&P 500 could reach new records if inflation surprises favorably, strengthening the likelihood of a looser Fed policy and increasing demand for Treasuries.

Jerome Powell's semi-annual testimony to Congress could draw attention as policymakers look to the Fed's response to the president's tariff and tax proposals. However, we expect Powell to again refrain from "speculating" on the topic.

Donald Trump's actions on tariff policy could keep volatility high in both stocks and bonds. Investors are waiting for clarity on tariffs between the US and China, as well as between the US and the EU. The previous week showed that Trump's comments caused localized spikes in volatility, but investors are inclined to buy the dips.

S&P500 companies will report this week. In the tech segment, the focus is on Cisco (CSCO), Shopify (SHOP), Astera Labs (ALAB) and AppLovin (APP), whose shares have shown a fivefold increase in six months. The results of McDonald 's (MCD) , Coca - Cola (KO), DoorDash (DASH) and Kraft Heinz (KHC) will help assess the state of the consumer sector.

The S&P 500 may move in the range of 5950-6200 points. The technical picture is favorable for consolidation in the short term, and the medium-term trend remains upward.

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Monday - February 10

New York Fed Survey: Inflation expectations will be in focus after a surprise spike from the University of Michigan.

Quarterly results: MCD , ALAB , ON , VRTX , MNDY.

Tuesday - February 11

Jerome Powell's testimony to Congress (continued on Wednesday).

Quarterly results: SMCI, DASH, KO, SHOP, SPGI, ZG, MAR, GILD.

Wednesday - February 12

- **CPI with annual revisions.** The consensus forecast is for core CPI to increase by 0.3% m/m, which is consistent with our model (0.2–0.3% m/m growth). The key uncertainty is the new set of seasonal adjustments, which we expect to contribute to a more favorable seasonally adjusted January performance.
- Quarterly results: VRT, CSCO, APP, TTD, HOOD, HUBS, CME, CVS.

Thursday - February 13

- PPI with annual revision of data. Both headline and core PPI are expected to grow by 0.3% m/m.
- Quarterly results: DDOG, AMAT, PANW, COIN, ABNB, TWLO, DKNG, ROKU.

Friday - February 14

- Retail sales. Total volume could decline 0.1% m/m, while the benchmark group is expected to grow 0.3% m/m. Comments from Visa and Mastercard suggest strong consumer activity.
- Industrial production index. Consensus is for 0.3% m/m growth in January.
- Quarterly results: MRNA, MGA.

Events overview

- The S&P 500 fell 0.2% last week , but the performance was wide-ranging, from a 1.3% gain in the housing sector to a 2.8% drop in the consumer cyclicals sector.

- **The trigger for fixing positions at the beginning of the week was concerns about the aggressive trade policy of the White House**. Donald Trump announced plans to impose tariffs on Canada, Mexico and China in early February, provoking discussions about the risk of unleashing full-fledged trade wars. However, this negative scenario remains unlikely.

- **The tariff threat is seen as part of the US president's negotiating tactic.** The talks resulted in a quick "truce" with Mexico and Canada, with the import tariffs ultimately delayed for a month. The tariffs on China were implemented as scheduled (Beijing also announced some retaliatory measures), but the market is waiting for a possible conversation between Trump and Xi that could help de-escalate. Meanwhile, the EU is trying to head off a potential trade war. Investors spent much of the week buying back the losses in stocks, but on Friday Trump said he would announce "retaliatory tariffs" on a host of unnamed countries, triggering another market correction.

- **The topic of artificial intelligence development remained a key support factor for the market.** In particular, NVIDIA (NVDA) and Broadcom (AVGO) shares received a growth driver after Alphabet (GOOGL) reported plans to increase capital investments in AI infrastructure by 40% in 2025. Impressive results from Palantir (PLTR) indicated high business interest in the implementation of AI technologies. This release supported a number of shares in the Software segment. Palantir's capitalization jumped by 34% in a week, to $250 billion.

- **Earnings season numbers showed a marked improvement after more than 60% of S&P 500 corporations reported results.** According to FactSet , the Q4 EPS growth forecast rose to 16.4% y/y, up from 12.9% a week earlier and 11.8% through 2024. The S&P 500 net income margin in Q4 was 12.5%, up from 11.3% a year ago and above the five-year average of 11.6%.

- **There were bright spots in the macroeconomic data.** The business activity indices (PMI) had a positive impact on sentiment. In particular, the January ISM manufacturing PMI reached its highest since September 2022 at 50.9 points, exceeding the forecast at 49.8. This signals a return to growth in the manufacturing sector after a 26-month decline. The ISM services PMI for January was 52.8 points. The indicator came in below expectations, as the volume of new orders fell to a minimum since June, but price pressure eased, which pleased market participants. The number of new jobs outside of agriculture (nonfarm payrolls) increased by 143 thousand, which was lower than the forecast (170 thousand). At the same time, the data for December and November were revised upward by 100 thousand. The unemployment rate fell from 4.1% to 4.0%. The annual revision took place as expected. In 2024, job growth averaged 166 thousand, and it should be noted that the worst fears of economists did not come true. We believe that the labor market looks stronger than previously expected.

- **However, the results of a fresh consumer survey have worried investors.** The University of Michigan consumer sentiment index fell to its lowest since November 2023. The decline affected both the assessment of current conditions and expectations. Concerns are growing about the return of high inflation: the annual forecast jumped to 4.3% (from 3.3%), and long-term expectations - to 3.3% (from 3.2%).

Key Corporate Stories

- Earnings from **Alphabet (GOOGL) and Amazon (AMZN)** have drawn negative reactions from investors as high expectations for the big tech companies have not been met.

- **AMD's (AMD)** client and gaming results were better, but weakness in the data center segment triggered a selloff.

- **Uber (UBER)** shares jumped. The company beat investor expectations, and sentiment was lifted after Bill Ackman announced he was buying the stock.

Sector Dynamics Last Week
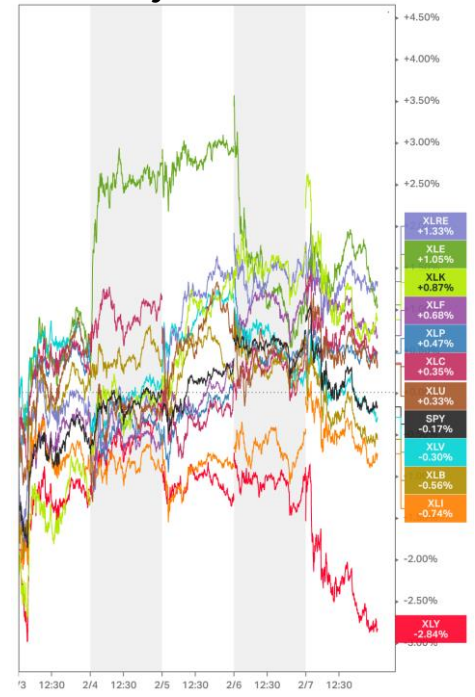
Source: Koyfin

Technical analysis

The S&P 500 ended last week down just 0.2%, but the share of stocks in the index above their 20-day moving averages fell to 54% from 69%. This deterioration in the rally's internals suggests investors should be cautious when buying. The RSI is back in the neutral zone. Consolidation of the benchmark within 5925–6125 points is possible in the coming sessions. Increased volatility will persist. The medium-term trend remains up as long as the S&P 500 holds within the equidistant channel starting in August 2024, and only a drop below 5780 points will threaten this trend.

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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