

Tactical Market Update

Trump has knocked out the market bears

Overview of Potential Market Drivers for the Upcoming Week

The stock markets have experienced a surge known as the "Red Wave," a term referring to Donald Trump's victory as the U.S. President, along with the Republican Party gaining control of the Senate and possibly the House of Representatives. This political alignment is expected to facilitate the implementation of Trump's policy agenda. From a tactical standpoint, it may be prudent to lock in profits from last week's market reactions. However, the strategy of buying individual stocks during temporary dips remains relevant until the end of the year due to the overall strong bullish trend. Retail investor activity has intensified, with potential short squeezes on small- and mid-cap stocks on the radar.

The October Core Consumer Price Index (CPI) is expected to maintain an annual growth rate of 3.3%. Considering Trump's proposed policies, which could increase inflation due to tariff implementation, price trends might become a key market trigger in the coming months. However, a "hot" inflation surprise is considered unlikely, as statistics are expected to align with forecasts.

Earnings season is coming to a close, with more than 90% of companies in the S&P 500 having already reported Q3 2024 results. Approximately 75% exceeded consensus EPS forecasts. The average EPS beat margin was 4.4%, lower than the 5-year averages of 77% and 8.5%, respectively. Aggregate EPS grew by 5.3% year-on-year, indicating a healthy state for corporate America. Among the expected quarterly reports this week are Alibaba (BABA), Cisco Systems (CSCO) and Disney (DIS).

The S&P 500 is expected to trade in a range of 5900–6100 points.

Monday – November 11

- Quarterly Reports: ZETA, GRAB

Tuesday – November 12

- Quarterly Reports: SHOP, HD, SE, SPOT, AZN, OXY, MARA, CAVA

Wednesday – November 13

- **CPI.** The consensus forecast for total CPI: +0.2% month-over-month. Core CPI forecast: +0.3% month-over-month. This aligns with our expectations. Key interest will focus on data for "imputed rent," which slowed its growth to +0.33% month-over-month in September. Investors hope to see similar dynamics in October.
- Quarterly Report: CSCO

Thursday – November 14

- **PPI.** Expected growth in PPI, excluding food and energy, is +0.3% month-over-month. Recent PPI data has favorably impacted the PCE price index, offsetting hotter CPI data.
- Quarterly Reports: DIS, AMAT, JD, BILI, NTES

Friday – November 15

- **Retail Sales Report:** Expected growth of +0.3% month-over-month. Note: The September release surprised positively, reflecting economic resilience.
- **Industrial Production Report:** Expected decline of -0.3% month-over-month, mirroring September's weak dynamics. The primary negative factor was transportation equipment, influenced by the Boeing workers' strike.
- Quarterly Report: BABA

Vadim Merkulov

Department Director
vadim.merkulov@ffin.ae



Mikhail Denislamov

Deputy Director
mikhail.denislamov@ffin.ae



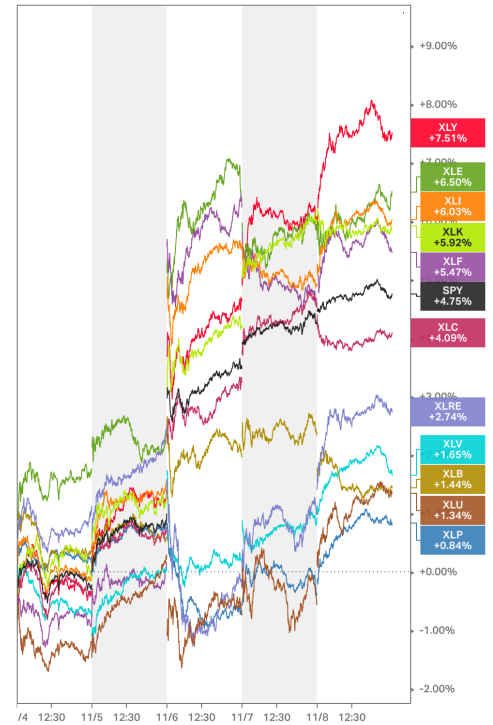
Event Overview

- The S&P 500 rose by 4.7%, and the Russell 2000 surged by 8.6%, driven by Donald Trump's unexpectedly decisive victory in the presidential election. The intense market reaction can be attributed to the positioning of various market participants before the election. Investment funds, anticipating a tight race and a prolonged determination of the winner, entered the event with "lightened" portfolios, and large hedge positions were quickly closed. Unallocated cash was promptly utilized for "Trump trades," including investments in Oil and gas giants (XLE ETF: +6.5%), Banks (XLF ETF: +5.5%), Bitcoin (+17%), and various other assets.
- Key Aspects of Trump's Election Agenda include reducing the **corporate tax rate from 21% to 15%**, **cutting back on regulations affecting businesses**, and **increasing Import Tariffs (60% for tariffs on goods from China, 10% on all other imports)**. While these policies may widen the budget deficit and intensify inflationary pressures, the 10-year Treasury yield fell by 8 basis points over the week, possibly reflecting an oversold bond market.
- **The Federal Reserve reduced its benchmark interest rate by 25 basis points, as expected by the market.** Fed Chair Jerome Powell noted that the economy had been performing better than anticipated since September but emphasized that inflation trends justified continuing the normalization of monetary policy. Powell also clarified that election results would not influence the Fed's decisions unless significant fiscal changes occurred. Market futures now indicate the likelihood of only two rate cuts in 2025.
- **The ISM index of business activity in the service sector confirmed the revival of business activity in the service sector, which began in the autumn of this year.** It rose to 56, surpassing expectations of 53.5. This indicates a rebound in service sector activity, suggesting a GDP growth rate of approximately 2.1% for Q4 2024.
- **The most likely trajectory remains an upward trend through the end of the year.** This is supported by favorable seasonality in election years (stocks are also supported by the post-reporting season open buyback window), a combination of fundamentals (Fed cuts rate, economy strong, AI-investing trend), and the lack of reversal patterns within the technical picture.
- **However, after such a strong surge, a short-term consolidation is anticipated.** Let's list the main arguments used by the bears: Trump may create global trade tensions by threatening to increase duties; the U.S. government debt problem may escalate again; the market has become expensive based on a forward P/E multiple of 22.2x (S&P 500), which corresponds to a three-year high.

Key Corporate Stories

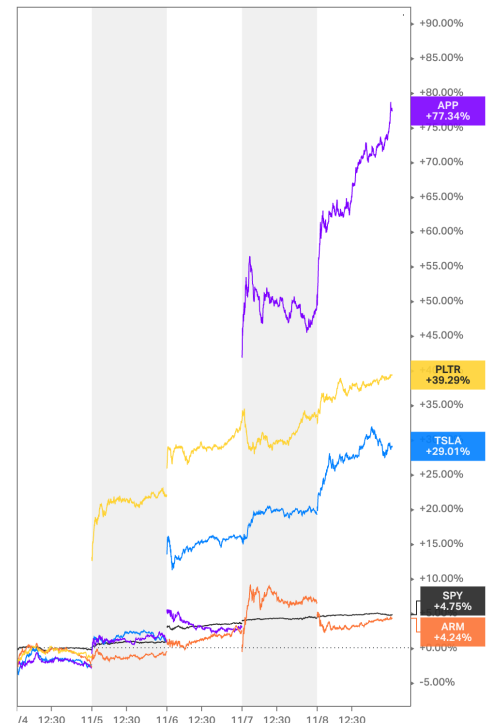
- **Tesla shares** rose by 29% over the week following Trump's victory. Elon Musk actively supported the Republican candidate on the X platform (formerly Twitter), fueling speculation that Musk's positive relationship with Trump could benefit Tesla (e.g., government support for autonomous driving technology development).
- **AppLovin (APP)** Surpassed investor expectations with strong revenue growth, adjusted EBITDA performance, and a positive outlook. The company implemented technological advancements, strengthening its mobile-targeted advertising market leadership. Shares surged 77% over the week. AppLovin was announced to replace Dollar Tree (DLTR) in the Nasdaq-100 index.
- **Palantir Technologies (PLTR)** reported revenue above analyst expectations and raised its operating profit guidance due to strong demand for AI software in the U.S. Shares jumped nearly 40% during the week.
- **Arm Holdings (ARM):** Exceeded revenue and earnings per share forecasts. The company issued a cautious revenue forecast for the last three months of 2024, leading to initial pre-market declines, but the dip was quickly bought up. Shares gained 4% over the week.

Sector Performance for the Week:



Source: Koyfin

Dynamics of newsmaker stocks for the week



Source: Koyfin

Technical Analysis

- The S&P 500 demonstrated an impressive rally, closing the week near the psychologically significant 6000-point mark. The Relative Strength Index (RSI) approached overbought territory, increasing the likelihood of a pause in this growth wave. A brief consolidation is expected, followed by an attempt to resume the upward trend.



Technical Signals

Signal	Ticker
Long MA Breakout	TJX, SYY, MMC, AMGN, ROL, FDX, CPT, MAA
Short MA Breakout	WBA, WYNN
Three White Soldiers	SRE
Three Black Crows	-
Top-10 High RSI	DAY, AXON, INCY, NWS, SNA, PAYC, MCK, EMR, LDOS, GEV
Top-10 Low RSI	CE, QRVO, REGN, MRNA, BF.B, EL, AES, TFX, MTCH, KDP

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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