

Tactical Market Update

Rebound depends on Jerome Powell and Jensen Huang

A look at potential catalysts for movement in the coming week

Investors will focus on the Fed meeting on March 18-19. The main driver for the markets could be the regulator's updated macro forecast summary. We expect a slight reduction in the GDP forecast for the current year with an increase in inflation forecasts, which could increase concerns about the "health" of the economy. In addition, in response to tariff uncertainty, the Fed may include in the forecast only one rate cut in 2025. Such actions by the Fed will have a negative connotation for the markets. The question is to what extent this is already priced in and whether Jerome Powell will repeat previously voiced theses in order to reduce volatility. We are inclined to believe that the Fed chairman will support the stock market, emphasizing that the economy is in good shape, and inflation continues to move smoothly towards the 2% target despite tariff risks. However, if Powell tightens his rhetoric to stop the rise in inflation expectations, the S&P 500 will head towards 5400.

The publication of retail sales data on Monday will clarify the dynamics of consumer spending after the January slump and will affect GDP forecasts. If the statistics are significantly lower than expected, this will increase concerns about the deterioration of demand and could trigger a sell-off in stocks. However, Visa and Mastercard recently synchronously noted the stability of consumption in the first quarter, so we consider a negative surprise unlikely.

Corporate calendar focuses on Nvidia's annual conference GTC 2025, which runs from March 17 to 21, will culminate with CEO Jensen Huang on Tuesday, where investors are expected to reveal details about Blackwell's next generation of chips. Ultra (B 300) and Rubin, as well as updated views on the future of quantum computing and AI in robotics.

In addition to Nvidia, the market will be watching earnings reports from Nike (NKE), FedEx (FDX) and Micron (MU), as well as investor days from Adobe (ADBE) and Corning (GLW), which could provide new insights into the companies' business strategies.

We believe that the tactical rebound in stocks that began on Friday has scope to continue this week, but its strength will depend on the reaction to the Fed meeting and the "degree of optimism" associated with AI. As a reminder, the positive seasonality factor: the 30-year average performance of the S&P 500 indicates that the second half of March usually marks the beginning of a "bull period" that lasts until mid-summer.

The S&P 500 could move in the 5400-5800 range.

Monday - March 17

- **Retail Sales for February.** The consensus forecast for the overall index is for a 0.6% m/m increase. The forecast for the ex-autos index is for a 0.3% m/m increase after a 0.4% m/m decline in January.

Tuesday - March 18

- **New Home Construction.** Consensus Forecast: 1,380,000.
- **Industrial production index.** The consensus forecast is for a 0.2% m/m increase in February.

Wednesday - March 19

- **Fed Rate Decision. J. Powell Press Conference.** The rate will remain in the range of 4.25-4.5%, as the Fed prefers to wait for greater clarity on economic trends.

Thursday - March 20

- **Initial applications for unemployment benefits.** We consider the indicator values up to 250 thousand to be the norm.
- Quarterly results: NKE, FDX, MU.

Friday - March 21

- There are no significant events, but speeches by individual Fed representatives are possible.

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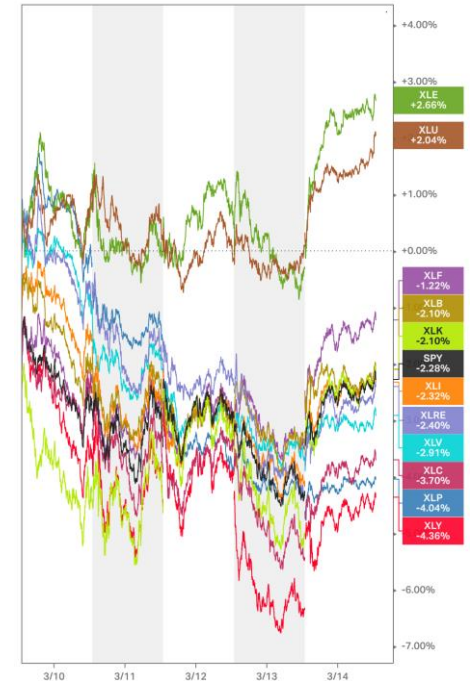
Events overview

- Stocks remained under pressure for much of last week before a long-awaited rebound on Friday. The S & P 500 ended the week down 2.3%. Nine out of 11 sectors ended the week in the red. Energy companies (XLE ETF), as well as the utilities sector (XLU ETF).
- Investors focused on weaker macroeconomic data and tariff news.** President Trump continued his aggressive trade policy, threatening new tariffs (200% on EU alcohol), while 25% tariffs on Canadian aluminum and steel came into effect, triggering retaliatory measures. This increased the rotation into safe haven assets. In particular, gold quotes reached \$3,000 for the first time in history.
- The market ignored the inflation statistics.** Although the actual growth rates of CPI and PPI were lower than expected, they did not lead to a rebound in stocks. We see several possible explanations. First, the composition of price indices was unfavorable. Despite the growth of the core CPI by 0.23% m/m, the preliminary estimate of the core PCE deflator suggests its growth by a still high 0.26-0.34% m/m. Second, investors are afraid of the delayed inflationary impact of the introduced tariffs. Third, data on the real economy is considered more important in the current conditions, as the investment community discusses the risk of its cooling.
- Rising inflation expectations are worrying economists.** The preliminary University of Michigan consumer sentiment index for March was 57.9, below expectations (64.0) and below the February reading (64.7). This is the lowest level since November 2022. One-year inflation expectations rose to 4.9% (from 4.3% in February) and five-year inflation expectations rose to 3.9% (from 3.5% in February). The current economic conditions index fell to 63.5 (from 65.7), and the consumer expectations index fell to 54.2 (from 64.0). The report notes a broad-based deterioration in sentiment that has continued for three months in a row. Many consumers report high uncertainty about economic policy, making it difficult to plan for the future.
- The risk of recession remains low in our view.** Positive signs include persistently low layoff rates in the private sector. The negative tariff shock we expect now is clearly not enough to plunge the economy into recession. Recessions often occur in response to significant business or consumer losses, but we are now seeing rising wages and corporate earnings.
- A recent vote in Congress to temporarily fund the government through September 30, 2025, reduces the risk of a shutdown.** The bill increases defense spending and gives the White House more spending freedom, but its fate in the Senate remains uncertain.

Key Corporate Stories

- Oracle's (ORCL)** quarterly results missed consensus, but a rapidly growing contract backlog creates positive expectations for the medium term. Remaining performance obligations (RPO) increased 62% y/y to \$130 billion.
- Adobe (ADBE)** shares fell after its earnings release as investors worried about how quickly the company's AI initiatives can monetize.
- Dollar Revenue and Comparable Sales General (DG)** beat expectations thanks to higher sales volumes of consumer goods. The average bill increased, although traffic decreased. The retailer's management announced its readiness for the impact of import tariffs on business.
- Intel's (INTC)** appointment of Lip-Bu Tan as CEO sent shares soaring as investors look to a transformation of the business.
- Delta Air Lines (DAL)** halved its first-quarter profit forecast, with the carrier's CEO saying the situation was worsened by economic uncertainty in the U.S.
- Foxconn, a key supplier to **Nvidia (NVDA)**, has announced plans to increase its AI server revenue to \$30 billion by 2025, a positive sign for the IT sector.

Sector Dynamics Last Week



Source: Koyfin

Technical analysis

- The S&P 500 found support at 5,500 points and bounced back. The benchmark's drawdown from its historical maximum was 10.5%. At the same time, in the two previous cases (August-October 2023 and July-August 2024), the correction was 10-11%. This psychologically significant milestone may provide the benchmark with support, at least temporarily. Although the continuation of the downward dynamics cannot be ruled out, in our opinion, a halt in the decline is most likely. If sell-offs intensify, the S & P 500 may support the 5,400-5,450 point area, and with an upward movement, the index will face resistance at 5,740 and 5,800.



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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