

Tactical Market Update

AI Theme Unveiled from a New Perspective

Overview of Potential Market Drivers for the Upcoming Week

One less intrigue: over the weekend, Donald Trump nominated Scott Bessent for the position of Treasury Secretary. This choice is considered favorable for the stock market, as the experienced asset manager is expected to promote balanced economic policies and potentially mitigate some of Trump's more radical proposals.

Key macroeconomic data will be released on Tuesday and Wednesday, while the latter half of the week will be very calm due to Thanksgiving celebrations on Thursday. The week's highlight will be the release of inflation data based on the PCE index for October. Economists forecast an increase in the core index from 2.7% year-over-year (YoY) to 2.8% YoY, marking the highest level since April this year. While this trend may not seem particularly encouraging, investors are already fully prepared for it. Specifically, market expectations now include only three rate cuts by the end of 2025, with a "50-50" chance of a cut at the next meeting. Judging by recent comments from Jerome Powell and other Federal Reserve officials, the Fed intends to adopt a more cautious approach to policy normalization.

Corporate news is expected to be sparse. This week, notable quarterly reports include Dell Technologies (DELL), CrowdStrike (CRWD), and Zoom Video Communications (ZM). We will closely monitor the software segment, which is beginning to outperform semiconductors (details on the next page).

The S&P 500 may move within a range of 5,850–6,050 points.

Monday – November 25

- Quarterly reports: ZM, API, SMTC.

Tuesday – November 26

- **Consumer Confidence Index by Conference Board:** The improvement in consumer sentiment that began in October may continue into November, supporting an annualized growth rate in consumer spending of 2.5–2.8%. Labor market differential data could be interesting, as they showed a sharp improvement last time.
- **Federal Reserve Meeting Minutes:** No surprises are expected.
- Quarterly reports: DELL, CRWD, WDAY, HPQ, ANF, BBY, M.

Wednesday – November 27

- **PCE Deflator:** The core PCE index may rise by 0.3% month-over-month (MoM) after an elevated growth rate of 0.25% MoM in September. This would effectively mean a pause in disinflation during the autumn months. The Fed would prefer values in the range of 0.1–0.2% MoM. Our forecasting model estimates a level of 0.23% MoM (Core PCE), making a positive surprise for the market quite likely this time.
- **Personal Income and Spending:** Statistics will provide guidance on GDP dynamics in Q4 2024. According to consensus forecasts, incomes will grow by 0.3%, aligning with our estimate (0.28–0.32%). Consumer spending is expected to rise by 0.4% Month over Month; our forecast is slightly more optimistic, at 0.4–0.47%.

Thursday – November 28

- **Public holiday in the U.S. for Thanksgiving.**

Friday – November 29

- **Early stock market closure at 1:00 PM ET.**

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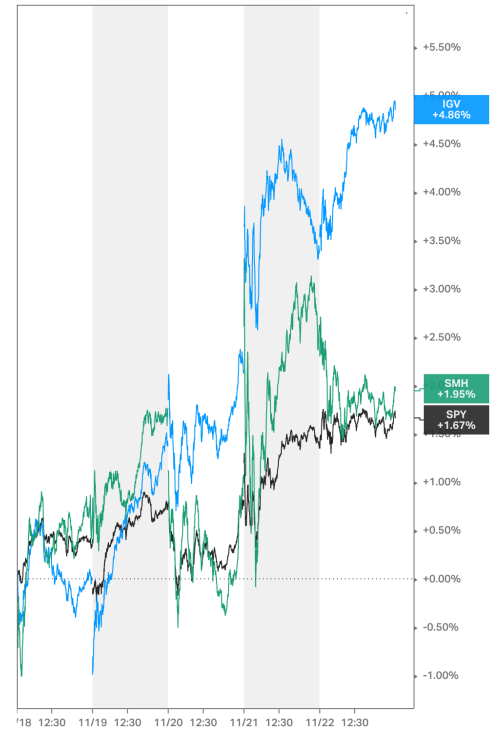
Event Overview

- Last week saw a general upward trend in stocks driven by mostly favorable corporate news and macroeconomic data: S&P 500 and Nasdaq both rose by 1.7%, while Russell 2000 surged by 4.5%. Risk appetite was elevated, as reflected in momentum stocks' outperformance (MTUM ETF). A broad rally was evident in the equal-weighted S&P 500 index (RSP ETF), which gained 2.5%. All sectors ended the week in positive territory with minimal variance in results.
- The week's main event was Nvidia's (NVDA) quarterly release:** Although Nvidia delivered a strong report and provided decent guidance for this quarter, the positive surprise wasn't as impressive as before. High expectations once again prevented Nvidia shares from rallying significantly during initial post-report reactions (a similar situation occurred in late August). However, CEO Jensen Huang described demand for new chips as "overwhelming," maintaining optimism about long-term AI-related prospects.
- The AI theme remains a key growth driver for U.S. equities but is now unfolding from a new perspective:** The explosive growth potential of semiconductors (SMH ETF) has largely been exhausted as most factors are already priced into market expectations, leaving fewer opportunities for positive surprises. The AI technology cycle has entered a new monetization phase where AI infrastructure providers and companies integrating AI into their products are beginning to generate revenue. Cloud infrastructure providers have been reporting exceptional revenue growth for several quarters. Software companies are now entering the game and attracting investor interest and capital. For instance, Snowflake's (SNOW) report highlighted a 55% YoY growth in Remaining Performance Obligations (RPO), confirming strong client interest in building long-term relationships with the company. Snowflake shares jumped by 32% in one day, boosting demand for a wide range of software-related stocks (IGV ETF). Last week: SMH ETF rose by 2%, while IGV ETF gained nearly 5%. Since the start of this quarter, SMH ETF is down by 0.3%, whereas IGV ETF has surged by 18.7%.
- Preliminary S&P Global PMI data supported bullish sentiment: The composite index reached its highest level since April 2022. Manufacturing PMI stood at 48.8 points in November (in line with expectations and slightly above October's reading of 48.5 points). Services PMI came in at 57 points—higher than expected (55.2 points) and above October's figure (55 points). The data suggest continued weakness in the industrial production sector, largely due to a slowdown in capex growth. On the other hand, the data confirm a strong increase in consumer demand for services, which gives grounds to expect a 2.5-2.8% growth in the consumer spending component of GDP by the end of Q4 2024. Our estimate of the US real GDP growth rate for Q4 remains unchanged at 2.1% p.a.

Key Corporate Stories

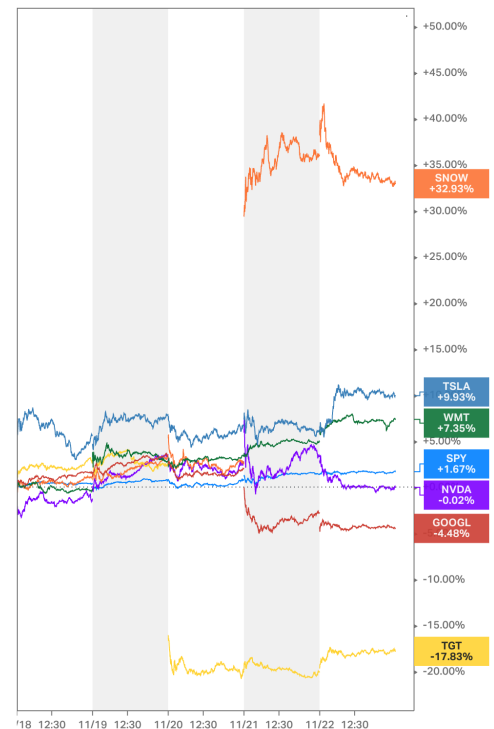
- In addition to **Nvidia (NVDA)** and **Snowflake (SNOW)**, market participants have been watching the stock performance of another AI beneficiary, **Alphabet Corporation (GOOGL)**. Quotes were under pressure as the U.S. Department of Justice is pushing for a forced sale of the Chrome (browser) business to address anti-competitive concerns.
- It's been a good week for **Tesla (TSLA)** thanks to reports that Donald Trump may emphasize creating a federal regulatory framework to allow self-driving cars on U.S. roads.
- Walmart's (WMT)** U.S. performance beat even aggressive investor expectations, while **Target (TGT)** fell short of forecasts on most key metrics. Some weakness was noted in high-margin discretionary items.

Dynamics of individual ETFs for the



Source: Koyfin

Dynamics of newsmaker stocks for the week



Source: Koyfin

Technical Analysis

- The S&P 500 was supported by its 20-day moving average last week. The RSI indicator confirms that the bulls have a significant advantage. The main scenario is that the upward movement within the trend will continue. Considerable support is located between 5860 and 5875 points.



Technical Signals

Signal	Ticker
Long MA Breakout	VZ, OXY, IBM, ROST, FTV, EIX, CTLT, DVA, MCO, EG
Short MA Breakout	GOOGL, GOOG, FIS
Three White Soldiers	KMI, HST, WMB, IBM, OKE, LYV, EIX, SOLV, WAT
Three Black Crows	-
Top-10 High RSI	AXON, BX, TRGP, LYV, OKE, NFLX, DIS, WMB, UAL, AIZ
Top-10 Low RSI	REGN, CE, BIIB, HCA, MPWR, AES, ULTA, JNPR, TGT, TMO

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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