

ENGINEERING THE MARKETS:

PRECISION, PATTERNS, & PROFITABILITY

Did You Pick a Winner?

February 12, 2025



POWERED BY:



by TERRY LONG

TRADINGANALYSIS.COM

Did You Pick a Winner?

The Super Bowl LIX matchup between the Kansas City Chiefs and the Philadelphia Eagles was highly anticipated, with the Chiefs entering as the clear favorites. However, the game unfolded in a way that few predicted. Despite their offensive prowess, the Chiefs were hindered by early mistakes and a relentless Eagles defense. Though they managed a late rally, the deficit proved insurmountable, leading to a Philadelphia Eagles victory.

This unexpected outcome has parallels in the semiconductor industry. **NVIDIA (NVDA)**, much like the Chiefs, has been the dominant force, with other semiconductor stocks trailing in its wake. **NVDA's** strong performance and innovative solutions have made it a market leader. However, the Super Bowl serves as a reminder that even the favorites can stumble. If **NVDA** experiences a downturn due to market shifts, increased competition, or unforeseen challenges, the landscape of the semiconductor industry could change dramatically.

The question then becomes: Which company is poised to capitalize on a potential **NVDA** falter? Several companies are vying for market share, including **AMD, INTC,** and **TSM.** Each possesses unique strengths and weaknesses, and their strategies will play a crucial role in determining who emerges as the new leader. **AMD** has been making significant strides in both CPU and GPU markets and could be a strong contender. Intel, despite recent challenges, still holds a significant market presence and could regain its footing with the right strategy. **TSM,** as a leading foundry, plays a critical role in the semiconductor supply chain and could leverage its position for greater market influence.

The Super Bowl's unexpected result serves as a cautionary tale for investors and industry analysts alike. It highlights the importance of diversifying portfolios and staying informed about market trends. While **NVDA** currently holds a commanding position, the semiconductor industry is dynamic and ever-changing. The company that can adapt to new challenges and seize opportunities will ultimately emerge as the leader in this competitive landscape.

Next, we'll take a look at a chart of the **SMH** ETF and then of **NVDA**. Then we'll look at the Weekly RRG of the Largest market-cap semiconductor stocks.

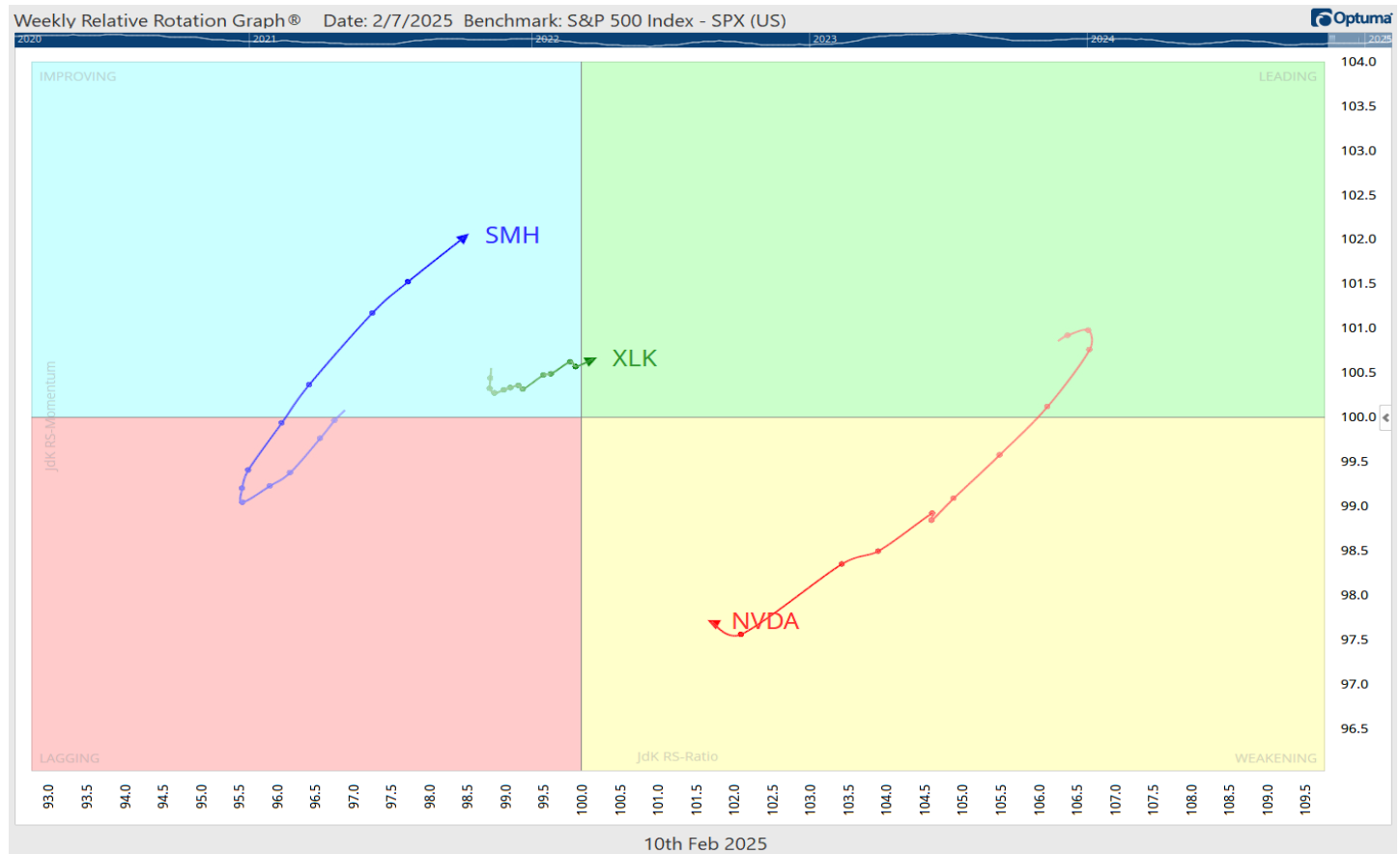
Chart of the SMH with NVDA Overlay



The **SMH** appears to have been running range-bound since July 2024. But we know this ETF is Cap-weighted and the Market Cap of **NVDA** is huge and significantly influences this to such an extent that **NVDA's** loss of momentum and relative strength mostly offsets and/or masks gains made by the rest of the semiconductor segment. **NVIDIA** Corporation (**NVDA**) currently makes up 18.3% of the VanEck Semiconductor ETF (**SMH**).

Now, take a look at a Weekly RRG of the **XLK** Technology Sector, the **SMH** ETF, and **NVDA** relative to the benchmark **SPX**.

Weekly RRG of the Semiconductor stocks in the SMH

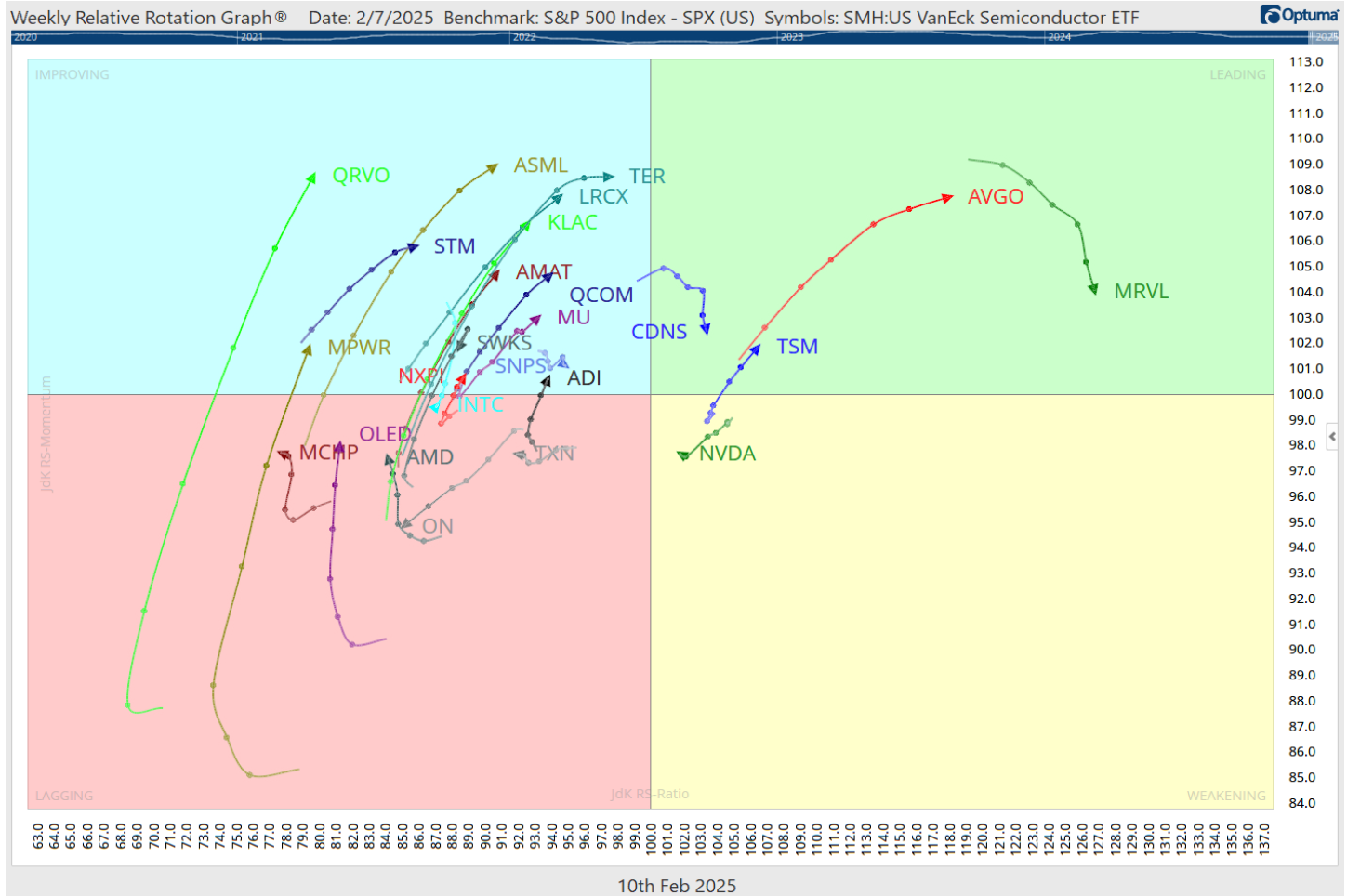


We can clearly see that **NVDA** has fallen out of its leadership position, having moved lower into the Weakening Quadrant with a significant loss of Relative Strength and Relative Momentum. The vector tail shows the path taken over the past 12 weeks. We've also been talking about the Technology Sector making a somewhat hesitant approach to the Leading Quadrant and the **SMH** rotation is clearly polar opposite that of **NVDA**.

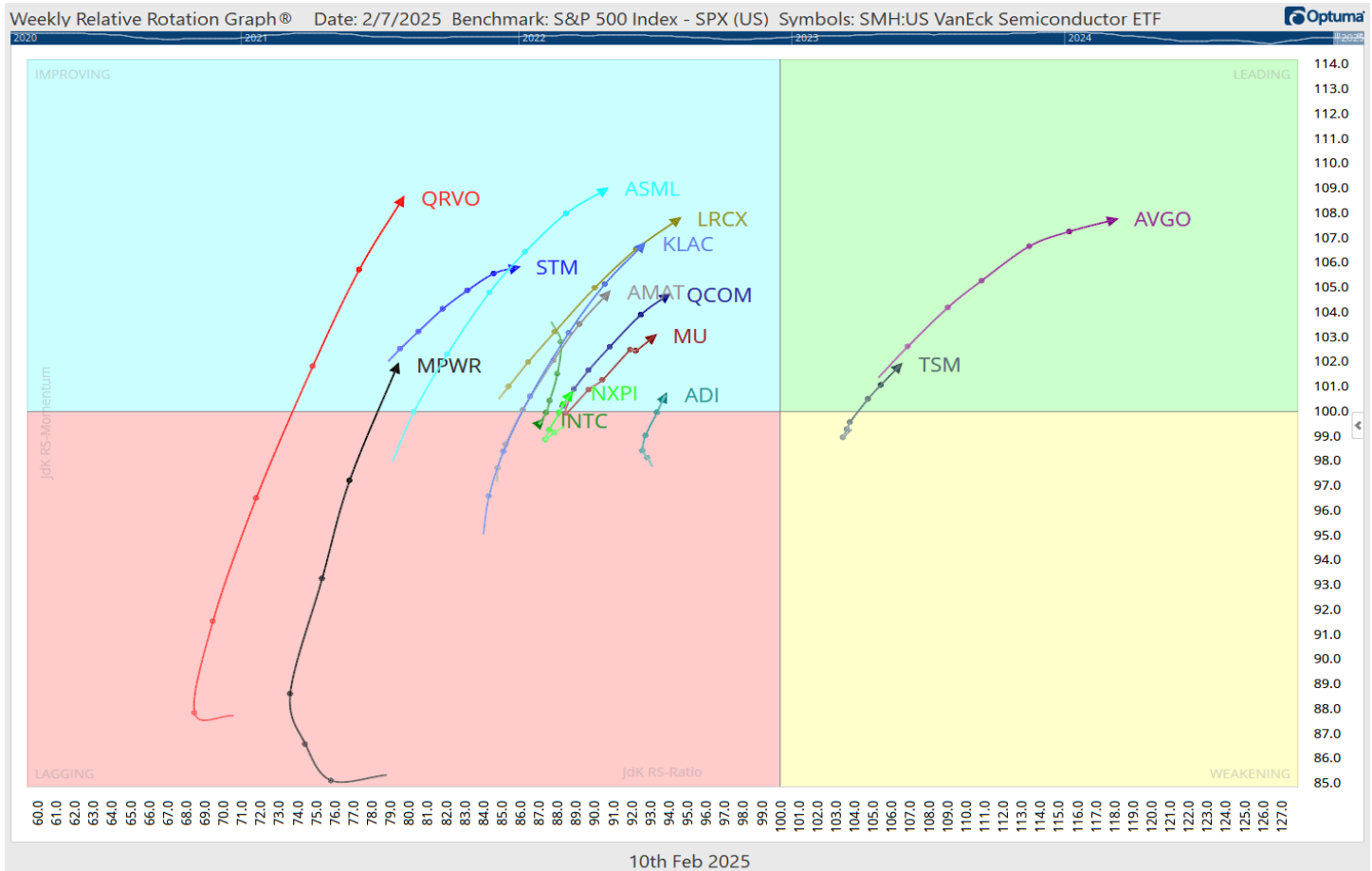
Now, take this to the next level, and let's compare the RRG for the other semiconductor stocks. Remember, those to the left of center have been underperforming the benchmark **SPX** while those to the right have been outperforming the benchmark **SPX**. Vector headings indicate week-over-week gains or losses in both Relative Strength and Relative Momentum.

Those with northeasterly headings have been moving towards a more outperforming condition while those fading to the southwest continue to move away from an outperforming condition. Ideally, we want to be holding stocks to the right of the center but we need to identify them early as they start to head toward the Leading Quadrant.

Weekly RRG of Select SMH stocks



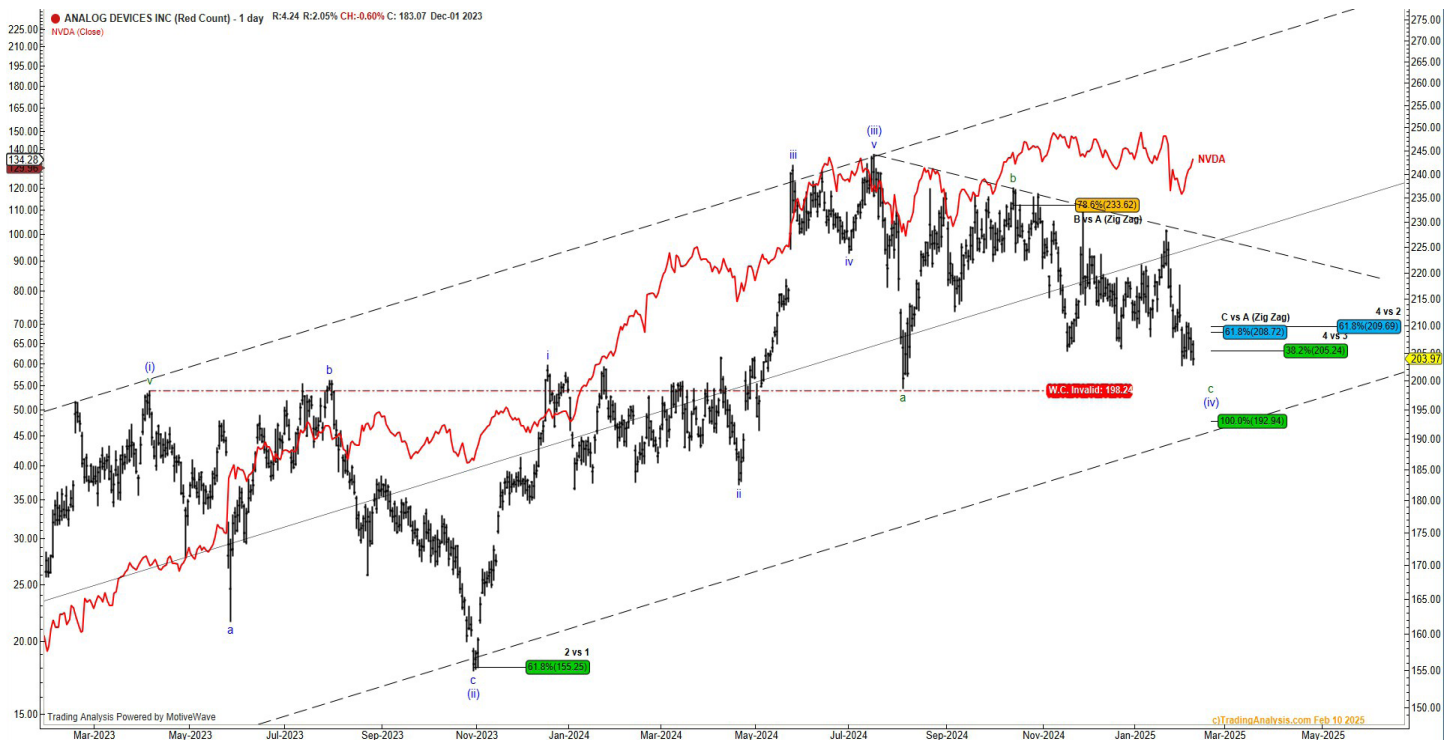
So, here's the same list, filtered to show just those semiconductor stocks that are gaining both Relative Strength and Relative Momentum; obviously, **NVDA** isn't among them.



This chart suggests that **AVGO** and **TSM** both continue to outperform the market and should sustain their leadership positions in the near term. Semiconductor stocks that have recently underperformed but that are rapidly regaining relative strength include those here in the Improving Quadrant. Read them right to left with regard to the current Relative Strength Ratio. From here, I'd be taking a closer look at **ADI**, **MU**, **QCOM**, **LRCX**, **KLAC**, and **AMAT** which look to become the group's next set of outperformers.

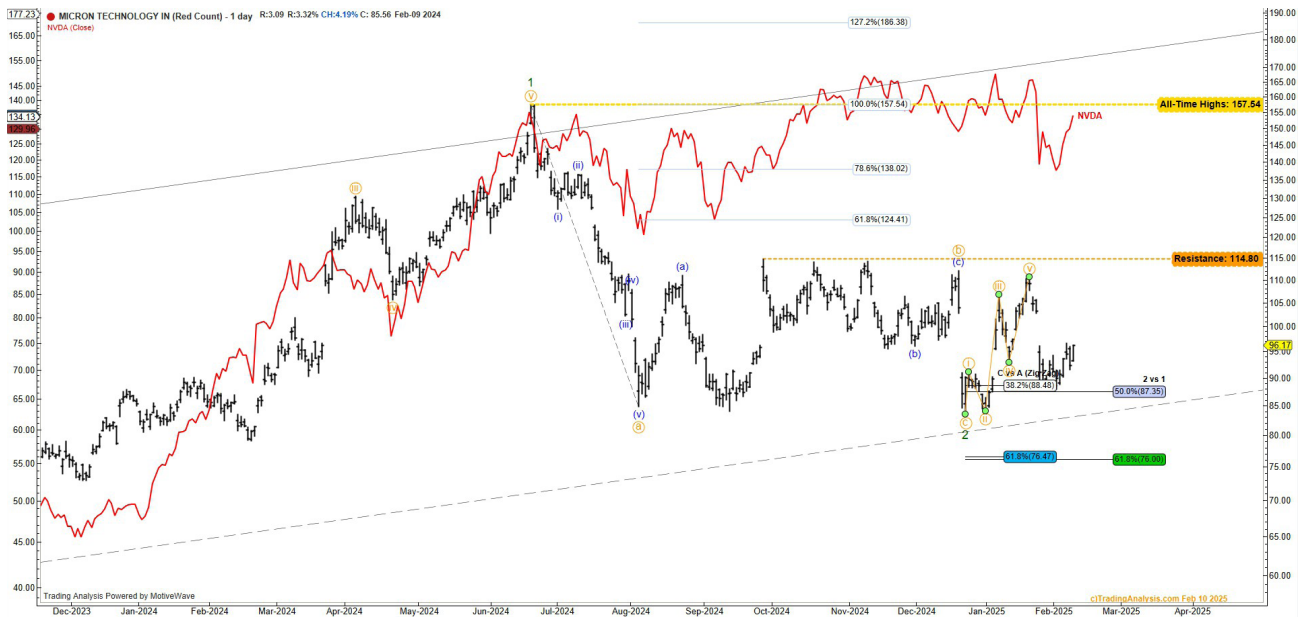
Let's look at some price charts for these.

ADI



As a reference, **NVDA's** price performance is overlaid on the chart of **ADI**. Clearly, **ADI** has been in a corrective mode and has been underperforming **NVDA** as well as the benchmark **SPX**. Is that about to change? I'm seeing a support shelf forming as defined by these key Fib levels with the 4v3 38.2% at \$205. I show a Wave Count Invalidation at \$198.24 which means my count would need to be revised if **ADI** breaks those levels. Note the "a" wave low came in just above that \$198 level and I suspect that will be a "line in the sand". The Weekly RRG vector may be our early hint that **ADI** will soon make a turnaround. For now, I would need to wait a while longer to get some confirmation of the turn, but I'm definitely putting **ADI** on my near-term watch list.

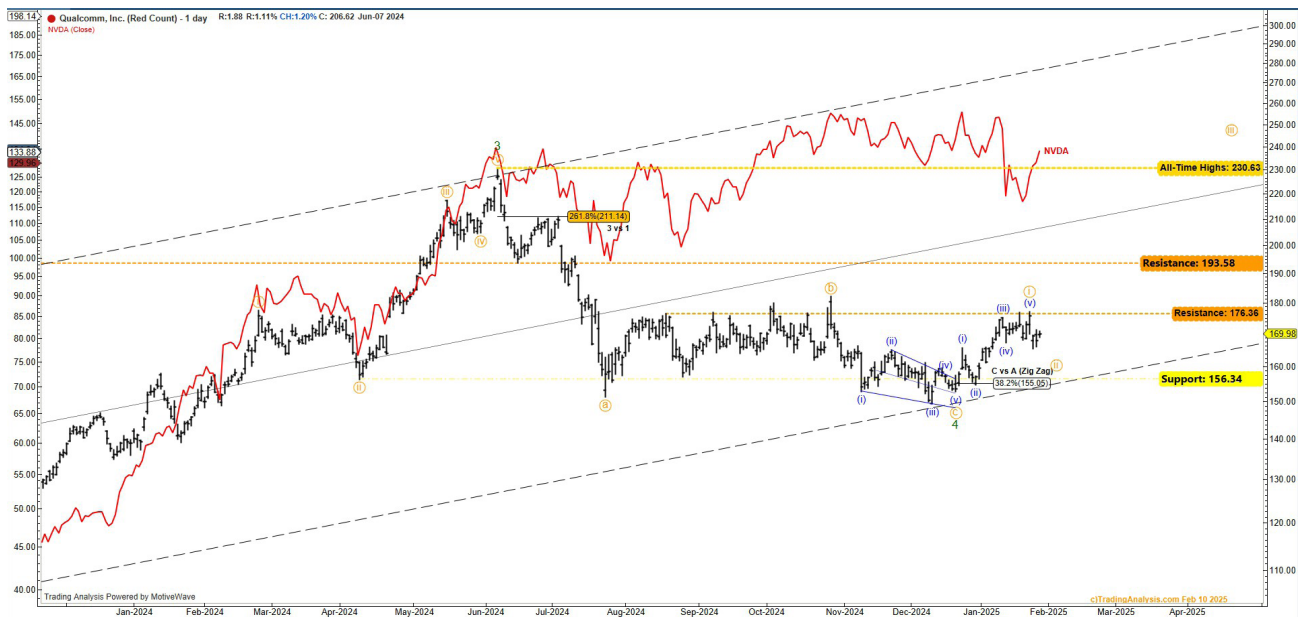
MU



MU has also been underperforming **NVDA**, as we would expect given its Relative Strength Ratio but it also could be setting up for a move higher. In fact, I can now count five waves up off the Minor Wave 2 low, and also we have a pullback that hit the 78.6% retracement level of that five-wave push.

If, indeed, **MU** has already started a new impulsive move higher, trade Risk to the downside is about 10% with an upside opportunity to retest that Resistance level at \$114.80 (+20%) and the 78.6% retracement of the a-wave decline at \$138 (+45%).

QCOM



QCOM also looks to have formed a five-waves off the lows. Whether the follow-on wave minute circle ii has been completed, there might be a little more correction yet to unfold but the convergence with the longer-dated uptrend channel line shows support

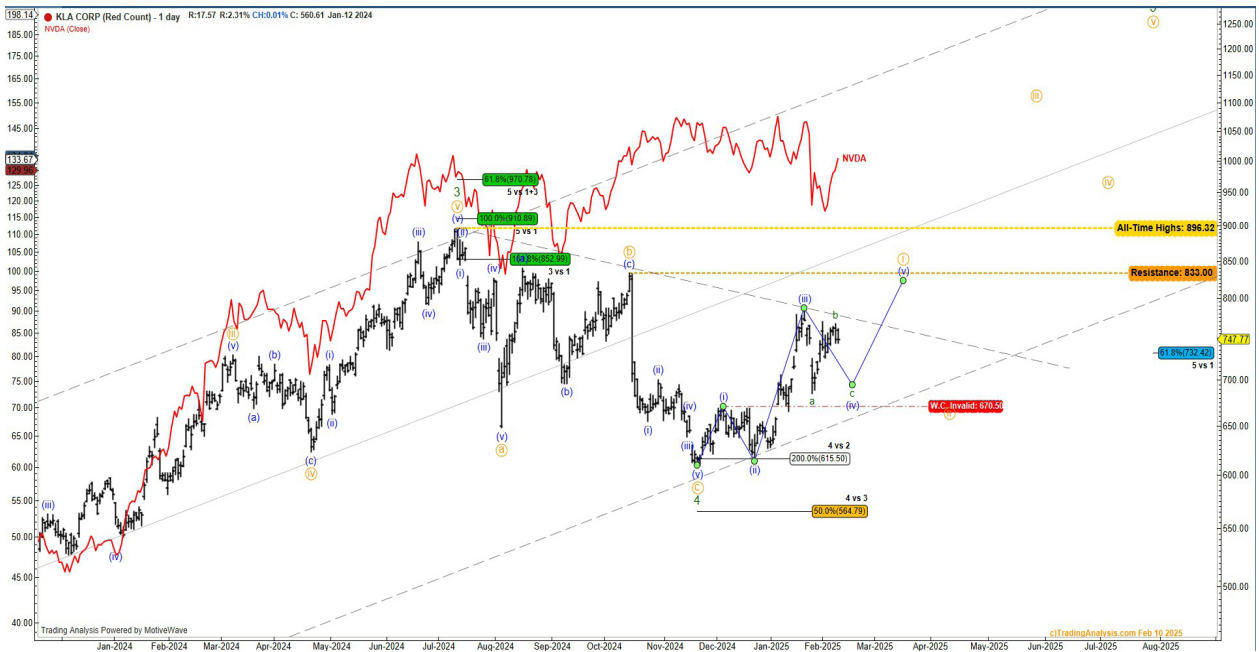
coming in just below the \$160 level from where **QCOM** could launch a new uptrend. Entry risk at this point also has about a 10% downside with the retest of its ATHs giving a 35% upside reward.

LRCX

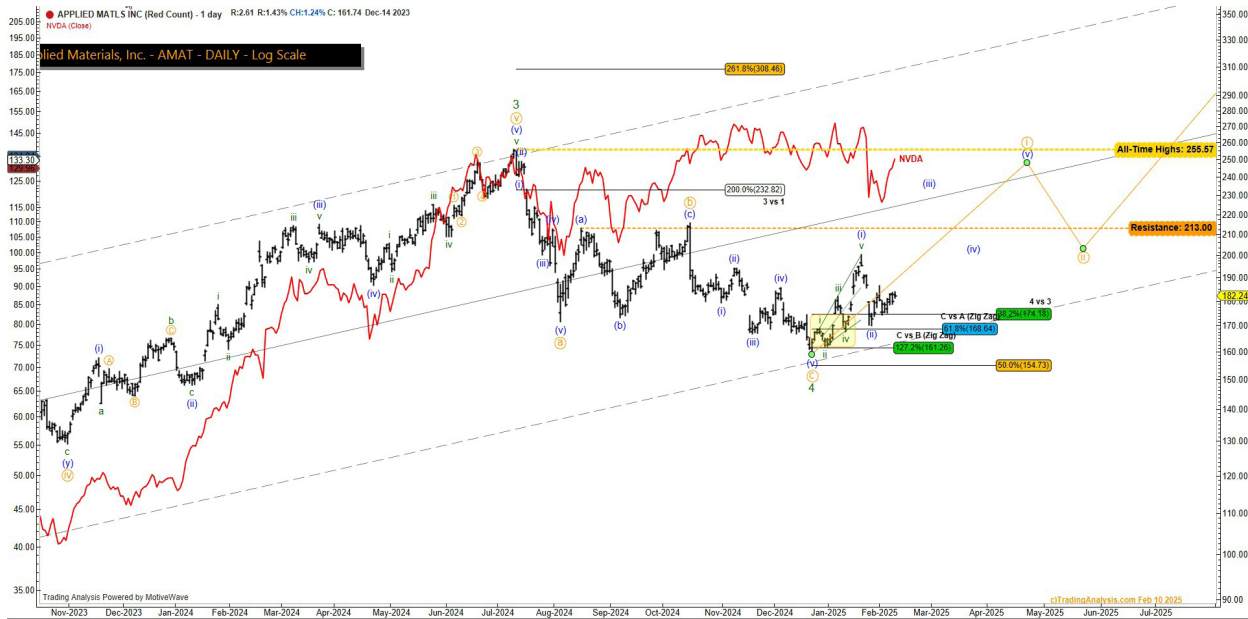


LRCX has five waves off its lows and wave minuette (ii) may have been completed, it also could be a flat correction ongoing in (ii). Trading is still technically range-bound though the Elliott Wave development suggests that the larger degree correction is over and now **LRCX** is starting a new impulsive move higher. The downside risk of failure in this pattern sits at 15% with a 38% upside reward to reach back to its ATHs at \$113.

KLAC



KLAC has a much more mature advance off its lows but looks like there may be a bit more period of near-term corrective action to go before resuming a new impulsive move to the upside. This pattern provides an opportunity to get in at a half-size position and add later as the pattern more fully matures.



And finally, here's **AMAT** which also shows a clear five-wave move off the lows and possibly a pullback in minuette (ii). The downside risk of entry here is also a relatively low 10% with a move back to ATHs reward of 40%.

Speaking of Earnings, here's this week's Earnings Calendar. Starting the week off, **ON** Semiconductor came in with a miss while **Tower Semiconductor (TSEM)** came in with an Earnings Beat. Lattice Semiconductor (**LSCC**) reported Monday After the Close, **SMCI** will report Tuesday After the Close and **AMAT** will report earnings on Thursday, February 13th After the Close.

From EarningsWhispers.com, here's this week's Earnings Calendar

Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open
MCD McDonald's	ALAB Asteralabs	SHOP shopify	SMCI Supermicro	VRTV Vertiv	RDDT Reddit	DDOG Datadog	COIN Coinbase	MIRNA Moderna
MINDY Monday.com	FLNC Fluence	KO Coca-Cola	UPST Upstart	CYS CVS Health	APP Applovin	CYBR Cyberark	TWLO Twilio	ENB Enbridge
ON onsemi	VRTX Vertex	HUM Humana	DASH DoorDash	GOLD Barrick	HOOD Robinhood	DE John Deere	DKNG Draft Kings	AXL American Axle & Manufacturing
TSEM Tower Semiconductor	ACLS Axcelis	BP bp	LYFT Lyft	GNRC Generac	BRKS Dutch Bros	CROX Crosstек	AMAT Applied Materials	AMCX AMC Networks
INCY Incyte	MEEDP MEDPACE	LDO Leidos	FRESH Freshworks	BIBI Biogen	ALB Albemarle	DUK Duke Energy	AEBN Airbnb	MGA Magna
ROK Rockwell Automation	AMKR Amkor Technology	AN AutoNation	ET Energy Transfer	RDWR Radware	KGC Kinross	PGY Pagaya	PALO Palo Alto Networks	POR Portland General Electric
GMS GMS	LSCC Lattice Semiconductor	CRNT Ceragon	GILD Gilead	KHC Kraft Heinz	TRD The Trade Desk	SONY Sony	RKT Roku	FTS Fortis
GCMV Crosvenor	MITK Mitek	SPGI S&P Global	CFLT Confluent	PX P10	CSCO Cisco	PCG Ppg	WYNN Wynn Resorts	ACCVF Air Canada
ALX Alexander's Inc.	INSPI Inspire	CGI S&P Global	WELL Welltower	GSR rbi	MGM MGM Resorts	HWY Howmet Aerospace	HLI Harsco	ESNT Essent Group
INSPI Inspire	ARWR Arrowhead	THE CARVYLE GROUP	ZG Zillow Group	RI Ryder	ASPN Aspen Aerogels	GEHC GE Healthcare	REP Republic Services	
CNA CNA	arrowhead	MAR Marriott International						

On

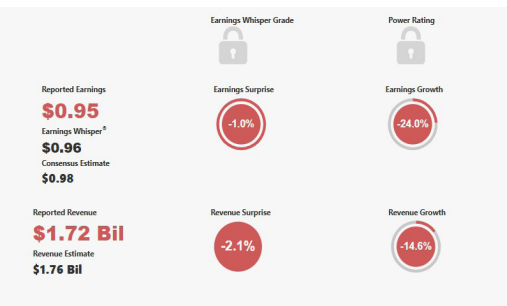
onsemi Missed Expectations

Monday, February 10, 2025 at 7:30 AM ET

onsemi (ON) reported earnings of \$0.95 per share on revenue of \$1.72 billion for the fourth quarter ended December 2024. The consensus earnings estimate was \$0.98 per share on revenue of \$1.76 billion. The Earnings Whisper number was \$0.96 per share. The company missed expectations by 1.04% while revenue fell 14.65% compared to the same quarter a year ago.

The company said it expects first quarter earnings of \$0.45 to \$0.55 per share on revenue of \$1.35 billion to \$1.45 billion. The current consensus earnings estimate is \$0.91 per share on revenue of \$1.69 billion for the quarter ending March 31, 2025.

ON Semiconductor is driving energy efficient electronics innovations that help make the world greener, safer, inclusive and connected.



ON Semi missed top and bottom

TSEM

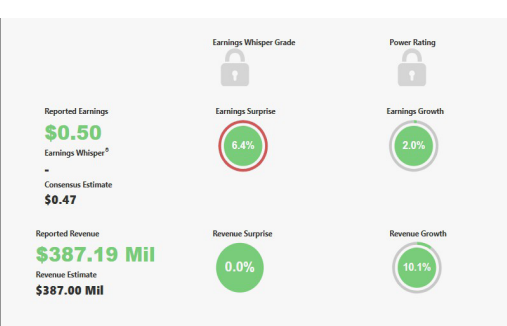
Tower Semiconductor Beat Consensus Estimates

Monday, February 10, 2025 at 7:00 AM ET

Tower Semiconductor (TSEM) reported earnings of \$0.50 per share on revenue of \$387.19 million for the fourth quarter ended December 2024. The consensus earnings estimate was \$0.47 per share on revenue of \$387.00 million. The company beat consensus estimates by 6.38% while revenue grew 10.09% on a year-over-year basis.

The company said it expects first quarter revenue of \$340.1 million to \$375.9 million. The current consensus revenue estimate is \$355.5 million for the quarter ending March 31, 2025.

Tower Semiconductor Ltd through its subsidiaries, manufactures semiconductor integrated circuits. Its products include digital CMOS, mixed-signal and radio frequency CMOS, CMOS image sensors and power management devices.



TSEM beat on top and bottom

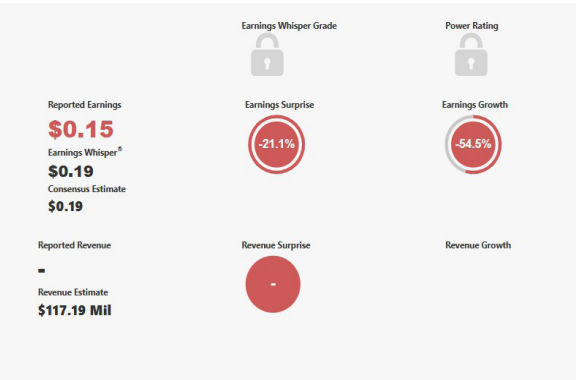
Lattice Semiconductor Missed Expectations

Monday, February 10, 2025 at 4:01 PM ET

Lattice Semiconductor (LSCC) reported earnings of \$0.15 per share on for the fourth quarter ended December 2024. The consensus earnings estimate was \$0.19 per share on revenue of \$117.19 million. The Earnings Whisper number was \$0.19 per share. The company missed expectations by 21.05%.

The company said it expects first quarter non-GAAP earnings of \$0.20 to \$0.24 per share on revenue of \$115.0 million to \$125.0 million. The current consensus earnings estimate is \$0.20 per share on revenue of \$117.72 million for the quarter ending March 31, 2025.

Lattice Semiconductor Corp designs, develops and markets programmable logic products and related software. It also provides design services, customer training, field engineering and technical support.

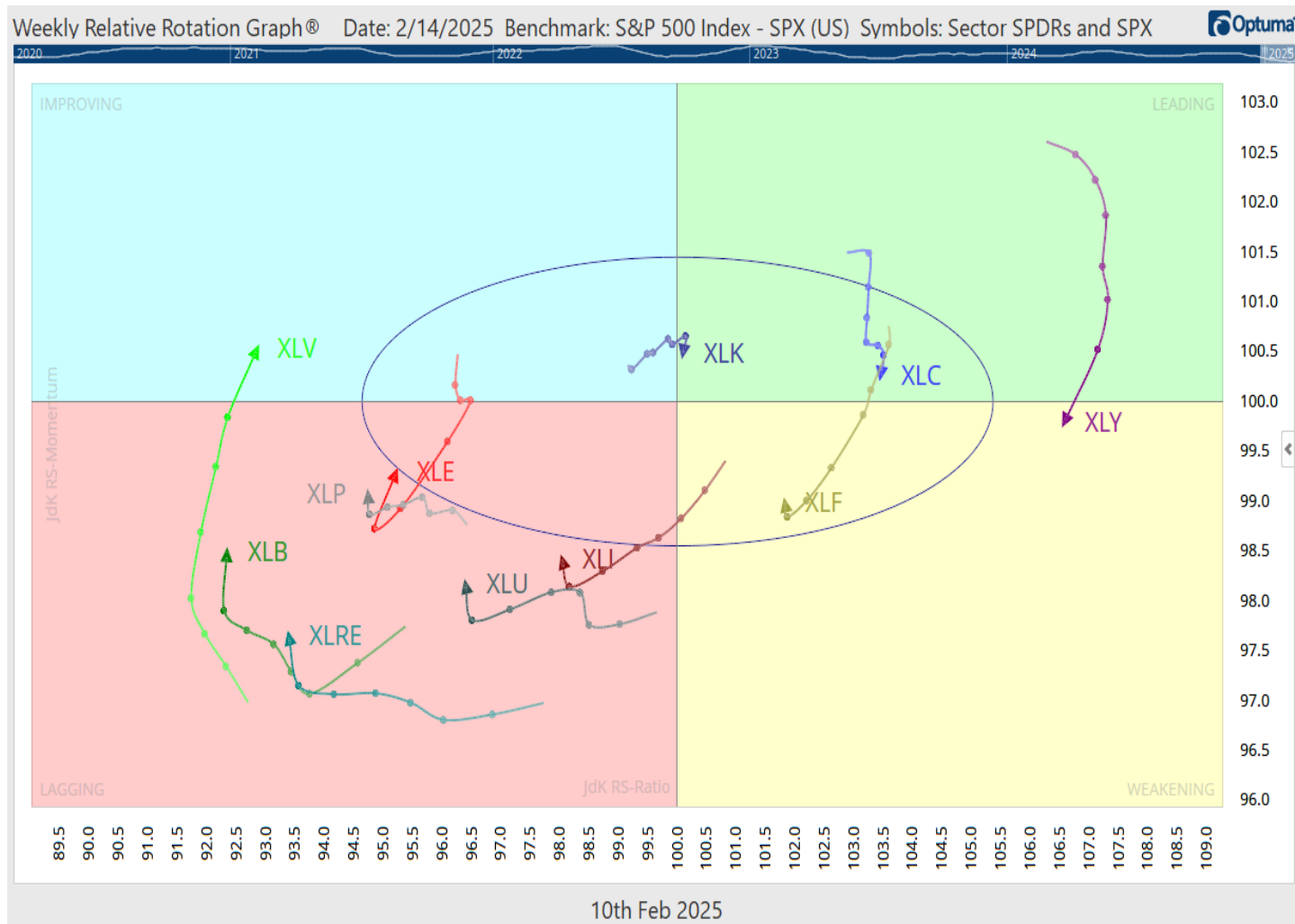


LSCC may have reported a miss on the top and bottom lines, but investors must be reading deeper into the strong forward guidance as the stock immediately shot up by \$10 in after-hours trading following its Earnings release.

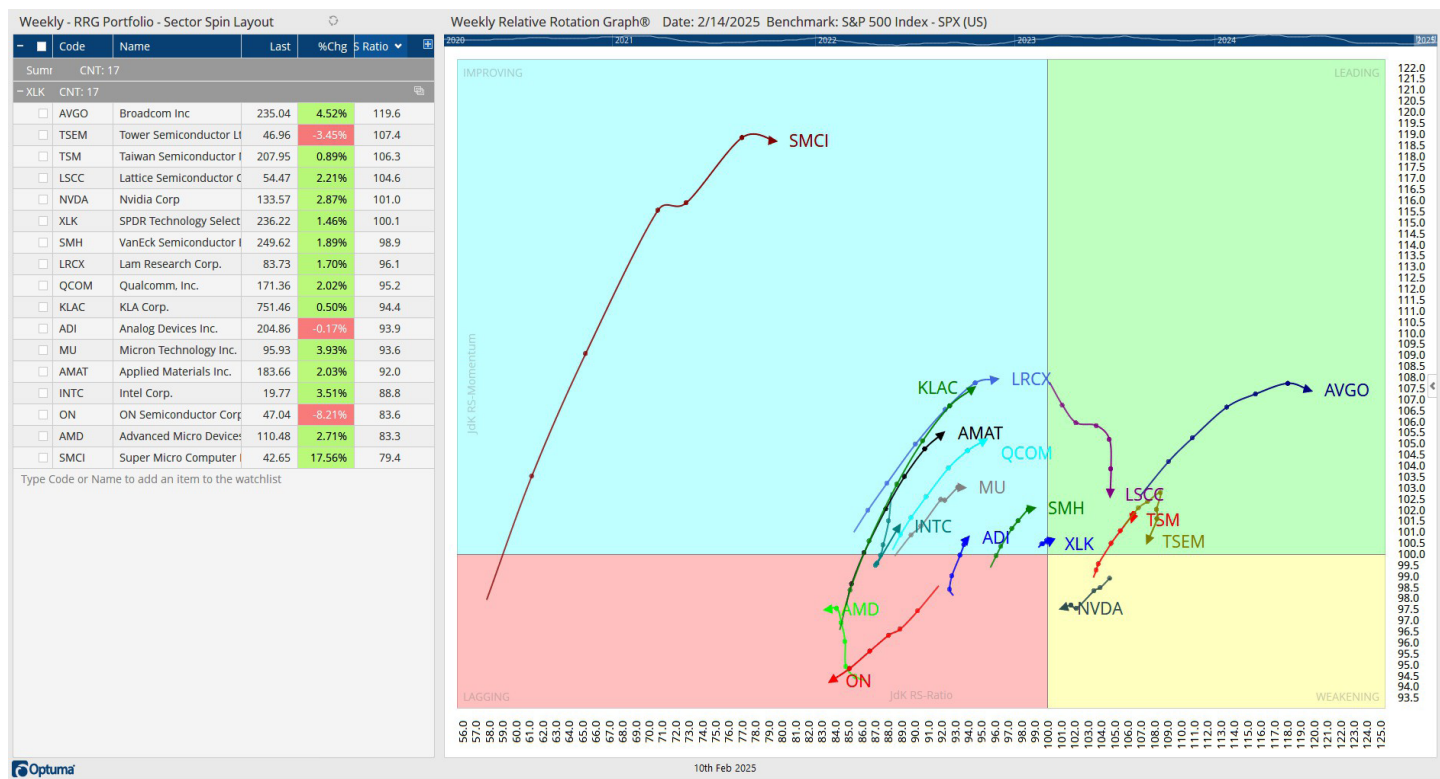
Let's review the **Weekly Sector RRG** as of the close on Monday.

Weekly Sector RRG

It's early in the week so the current vector is incomplete; however, there is an early indication of a hook reversal in the **XLF Financials**, the **XLE Energy**, and the **XLU Utilities** sectors. The **XLK Technology** sector shows a reversal to the downside for loss of Relative Momentum. The vectors won't be final until Friday's data, but the Monday signal is hinting at some possible changeup in the making.



Here's the Weekly RRG for the stocks mentioned in this week's report:



This week's focus stocks were all in the Technology Sector which is the newest Sector to advance into the Leading Quadrant, though we did note the hesitancy. Plan your trades carefully and limit downside risk as there is never any guarantee that the market will follow the predicted path.

Until next time,

Terry Long
 Research Director, TradingAnalysis.com

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