
Carlsquare/Vontobel trading note: Tech reports important for sentiment

This week's case is cocoa, where the main question is when the rally will end. Several of the Magnificent Seven are due to report their first quarter results this week. This follows a sharp drop in semiconductor stocks at the end of last week. But from a technical point of view, the S&P500 seems to be on its way up again.

Cocoa has enjoyed a historic rally, with futures prices up more than 150% YTD. A perfect storm of heavy rains and high temperatures has created favorable conditions for black pod disease and swollen shoot virus. Hedge funds have also piled into the market, pushing futures prices even higher. Although extremely difficult to predict, one possible path forward is discretionary profit taking until a turning point towards the end of the summer.

AI-focused tech stocks such as Nvidia and Super Micro Computer, which had been rallying for much of the past 18 months, were hit hard on Friday 19th April. The AI opportunity hasn't necessarily changed, but higher yields and a new risk aversion have left both high-flying stocks vulnerable to profit-taking. Overall, S&P 500 companies are reporting Q1 earnings that are 7.8% ahead of expectations. This week, around a third of all S&P500 companies will report their Q1 results. Reports from major tech companies such as Alphabet, Intel and Microsoft could set the tone for the equity market.

Technical indicators on the leading S&P500 index have turned bullish again.

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