

ENGINEERING THE MARKETS:

PRECISION, PATTERNS, & PROFITABILITY

Summer Trading
- The Playground for the Patient

May 28, 2025



POWERED BY:



by TERRY LONG

TRADINGANALYSIS.COM

Summer Trading

- The Playground for the Patient

Code	Last	%Chg
SPX	5,802.82	-2.61%
NDY	20,915.65	-2.39%
IWM	202.56	-3.47%

Looking back at last week's market performance, the **SPX** shed 2.61% and the **NDX** gave up 2.39%. Taken in context, the **SPX** closed for the week at 5802.82, up 14% from the April 4 lows of 5074.08, so, despite the apparent negative move, this decline looks to just have been a needed pause in the rapid V-shaped recovery.

Code	Last	%Chg
XLP	81.60	-0.57%
XLU	81.06	-1.36%
XLB	85.70	-1.55%
XLC	100.19	-1.56%
XLI	140.83	-2.05%
XLV	130.34	-2.07%
XLF	50.05	-2.99%
XLY	210.65	-3.23%
XLRE	40.64	-3.26%
XLK	226.81	-3.44%
XLE	81.99	-4.08%

Tuesday mornings open saw futures moving higher on headline news of a deferral on **European Union Tariffs** until July. Likely, the news of the EU tariffs provided the negative incentive for investors to take some profits last week.

Now the on-again, off-again news headlines are pumping volatility into the market. Avoid making rash decisions and stick with your long-term plans. Invest in those companies with solid financial performance, look for opportunities to dollar-cost-average to get sidelined cash reinvested in the market.

Summer trading often feels like a rollercoaster with extra loops—volatility spikes, trading volumes dwindle, and headlines flip from optimism to panic in a single barbecue. Still, here's the investor's secret: the summer swoon is a playground for the patient. With the right mindset and a shortlist of high-performing stocks, you can turn short-term drama into long-term advantage.

Summer Volatility: Why the Heat?

Thinner volumes, bigger swings

As the mercury rises and Wall Street takes its vacation, the market's daily price moves often get exaggerated. Fewer traders means even routine news can send prices swinging, creating what looks like chaos—but is really opportunity in disguise.

Historical trends whisper caution, not disaster

"Sell in May and go away," is more nuanced than it sounds. Research shows summer months tend to underperform, especially compared to the market's Q4 fireworks. However, these periods also deliver **discounts for the disciplined**. Think of it as the stock market's summer sale—if you know where to look.

Chasing Short-Term Waves? Watch for the Undertow

Emotional trades sink portfolios

Summer's mood swings tempt traders to chase momentum one week, only to panic-sell the next. That's a recipe for regret, not returns. Every chart spike and news media headline panic can feel urgent, but history shows that those who stick to their plan—not their pulse—emerge stronger.

Volatility is a feature, not a bug

When markets get jumpy, prices disconnect from fundamentals. For the long-term investor, this is like shopping for blue-chip stocks at outlet-store prices—if you're ready to act while others hesitate.

Building Your Portfolio: The Patient's Edge

Step 1: Shortlist the stars

Forget chasing rumors. Focus on companies with proven revenue growth, robust returns, and financial health. Here's a summer-ready watchlist drawn from recent outperformers:

Ticker	Company	Revenue Growth	ROIC	WarrenAI's Take
NASDAQGS:CALM	Cal-Maine Foods	60.0 %	49.1 %	Egg giant with sizzling margins
NASDAQCM:NUTX	Nutex Health	141.3 %	37.0 %	Explosive growth, eyes on stability
ASX:GQG	GQG Partners	46.9 %	118.0 %	Asset manager with elite efficiency
NASDAQGS:POWL	Powell Industries	27.4 %	32.8 %	Powering up with consistent returns
NASDAQCM:CPRX	Catalyst Pharma	30.0 %	25.8 %	Biotech with a punch

Step 2: Add with intention

When summer volatility knocks even strong stocks down a peg, don't panic—**plan**. Set alerts for your target names. When prices dip without a change in fundamentals, that's your cue to accumulate, not flee.

Step 3: Reinvest and rebalance

Use the season's choppiness to trim laggards and double down on winners. Over time, this discipline compounds—like planting seeds and harvesting during the fall rally.

Long-Term Mindset: The Antidote to Summer FOMO

Zoom out to zoom ahead

Warren Buffett isn't checking the **S&P** every hour—and neither should you. The world's best investors use volatility to their advantage, buying when others are fearful and holding through the noise.

****Use this summer to sharpen your edge:****

- ✓ Review your thesis: Has the long-term story changed? If not, temporary price drops are gifts.
- ✓ Automate buys: Dollar-cost averaging takes emotion out of the equation, turning volatility into value.
- ✓ Stay curious: Watch how your shortlist companies perform during rough patches; resilience now signals future leaders.

Insights from the High Performers

What do top stocks have in common?

Look at the table above—companies like **Cal-Maine Foods (CALM)**, **Nutex Health (NUTX)**, and **GQG Partners (GQG:ASX)** aren't just growing; they're doing it efficiently. High Return on Invested Capital (ROIC) means they're squeezing more profit from every dollar, a sign of moats that can weather storms.

Surprise insight:

Sometimes the best summer buys aren't the buzziest names. Asset managers, industrials, or even egg producers can quietly trounce headline tech stocks when the economic cycle turns.

The Summer Playbook: Buy, Hold, Repeat

The bottom line:

While others fret over every headline, use the lazy days of summer to build your portfolio's foundation. Focus on financially healthy, high-growth names that can thrive even when markets sizzle. The next wave of market optimism often rewards those who bought during the so-called "doldrums."

Remember:

The market's summer mood swings are only dangerous if you trade your plan for emotion. Keep your eyes on the horizon, and this season's volatility can become your long-term ally.

Economic Calendar

This shortened trading week's economic calendar will likely focus headline commentary on the release of the **FOMC** minutes on Wednesday followed by the **Q1 GDP** readings on Thursday and **Core PCE** readings on Friday.

Gross Domestic Product (GDP) measures the annualized change in the inflation-adjusted value of all goods and services produced by the economy. It is the broadest measure of economic activity and the primary indicator of the economy's health.

- ✓ Usual Effect: Actual > Forecast = Good for currency
- ✓ Frequency: Released monthly

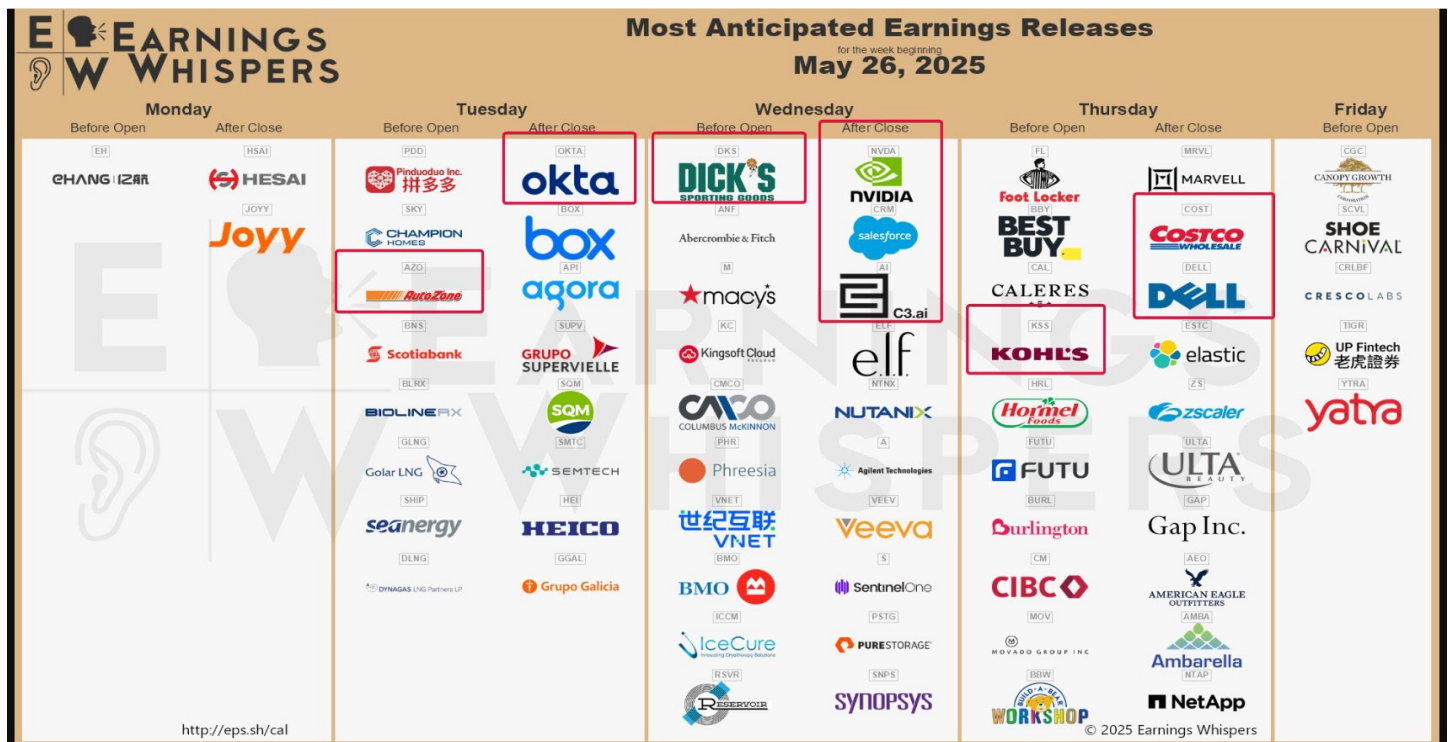
The Core PCE price Index is the less volatile measure of the PCE price index which excludes the more volatile and seasonal food and energy prices. The impact on the currency may go both ways, a rise in inflation may lead to a rise in interest rates and a rise in local currency, on the other hand, during recession, a rise in inflation may lead to a deepened recession and therefore a fall in local currency.

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
Sunday, May 25, 2025						
13:40	USD	★ ★ ★	Fed Chair Powell Speaks			
Monday, May 26, 2025						
All Day		Holiday	United States - Memorial Day			
Tuesday, May 27, 2025						
07:30	USD	★ ★ ★	Durable Goods Orders (MoM) (Apr)	-6.3%	-7.6%	7.6%
41 min	USD	★ ★ ★	CB Consumer Confidence (May)		87.1	86.0
Wednesday, May 28, 2025						
13:00	USD	★ ★ ★	FOMC Meeting Minutes			
Thursday, May 29, 2025						
07:30	USD	★ ★ ★	GDP (QoQ) (Q1)		-0.3%	-0.3%
07:30	USD	★ ★ ★	Initial Jobless Claims		229K	227K
11:00	USD	★ ★ ★	Crude Oil Inventories			1.328M
Friday, May 30, 2025						
07:30	USD	★ ★ ★	Core PCE Price Index (YoY) (Apr)			2.6%
07:30	USD	★ ★ ★	Core PCE Price Index (MoM) (Apr)		0.1%	0.0%
08:45	USD	★ ★ ★	Chicago PMI (May)		45.1	44.6

Earnings Calendar

Earnings Season continues, but light on market cap. Earnings of interest to me this week include:

- ✓ Before the Open on Tuesday: **AZO**
- ✓ After the Close on Tuesday: **OKTA**
- ✓ Before the Open on Wednesday: **DKS**
- ✓ After the Close on Wednesday: **NVDA, CRM, AI**
- ✓ Before the Open on Thursday: **KSS**
- ✓ After the Close on Thursday: **COST, DELL**



Source: <https://earningswhispers.com/calendar>

AZO

AutoZone Missed Expectations

Tuesday, May 27, 2025 at 6:55 AM ET

AutoZone (AZO) reported earnings of \$35.36 per share on revenue of \$4.46 billion for the fiscal third quarter ended May 2025. The consensus earnings estimate was \$36.78 per share on revenue of \$4.41 billion. The Earnings Whisper number was \$37.63 per share. The company missed expectations by 6.03% while revenue grew 5.40% on a year-over-year basis.

AutoZone Inc is a retailer and distributor of automotive replacement parts and accessories in the United States. The Company operates stores which carries an extensive product line for cars, sport utility vehicles, vans and light trucks and among others.

Reported Earnings
\$35.36
Earnings Whisper*
\$37.63
Consensus Estimate
\$36.78

Reported Revenue
\$4.46 Bil
Revenue Estimate
\$4.41 Bil

Earnings Whisper Grade



Earnings Surprise



Revenue Surprise



Power Rating



Earnings Growth



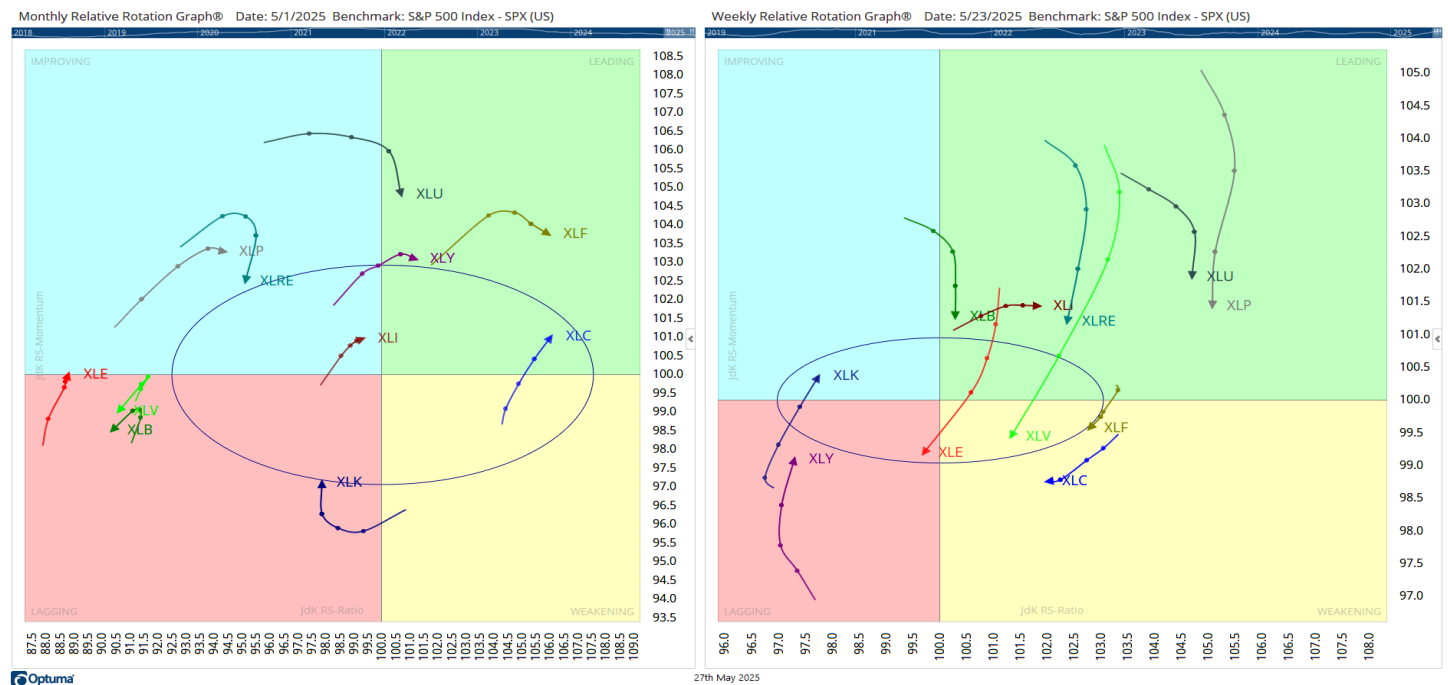
Revenue Growth



Sector Rotation

The Weekly Relative Rotation Graph (RRG) shows rapid Relative Momentum declines in Value Sectors, namely **Staples (XLP)**, **Utilities (XLU)**, **Healthcare (XLV)**, **Real Estate (XLRE)**, **Energy (XLE)**, and **Materials (XLB)**. Relative Strength declines are also apparent in the **Financials (XLF)** and **Communications (XLC)** Sectors.

Rising up from the Lagging Quadrant with rising Relative Momentum and starting to see rising Relative Strength now are the **Technology (XLK)** and **Consumer Discretionary (XLY)** Sectors. Vector headings have made the turn in the hook reversals that we've been looking for. Although the actual Relative Strength remains underperforming in the left-side quadrants, the arrow's heading shows where these markets are looking to move over the next several weeks.



In the longer-term Monthly RRG, you can also see the hook reversal move in the **Technology** Sector and the **Discretionary** Sector has already seen itself return to the Leading Quadrant on the Monthly RRG. **Communications**, **Financials**, and **Utilities** Sectors also reside inside the Leading Quadrant, but can you see the distinctions in their relative outperformance versus the benchmark **SPX**? The **Communications** Sector continues to see rising Relative Momentum and Relative Strength with its northeasterly heading while the **Financials** Sector holds Relative Strength but is seen with Relative Momentum Decline. The **Utilities** Sector didn't penetrate very deeply into the Leading Quadrant before it started to see a rapid decline in Relative Momentum.

Monthly and Weekly RRG for the selected stocks with Earnings Reports this week

✓ AZO

✓ OKTA

✓ DKS

✓ NVDA

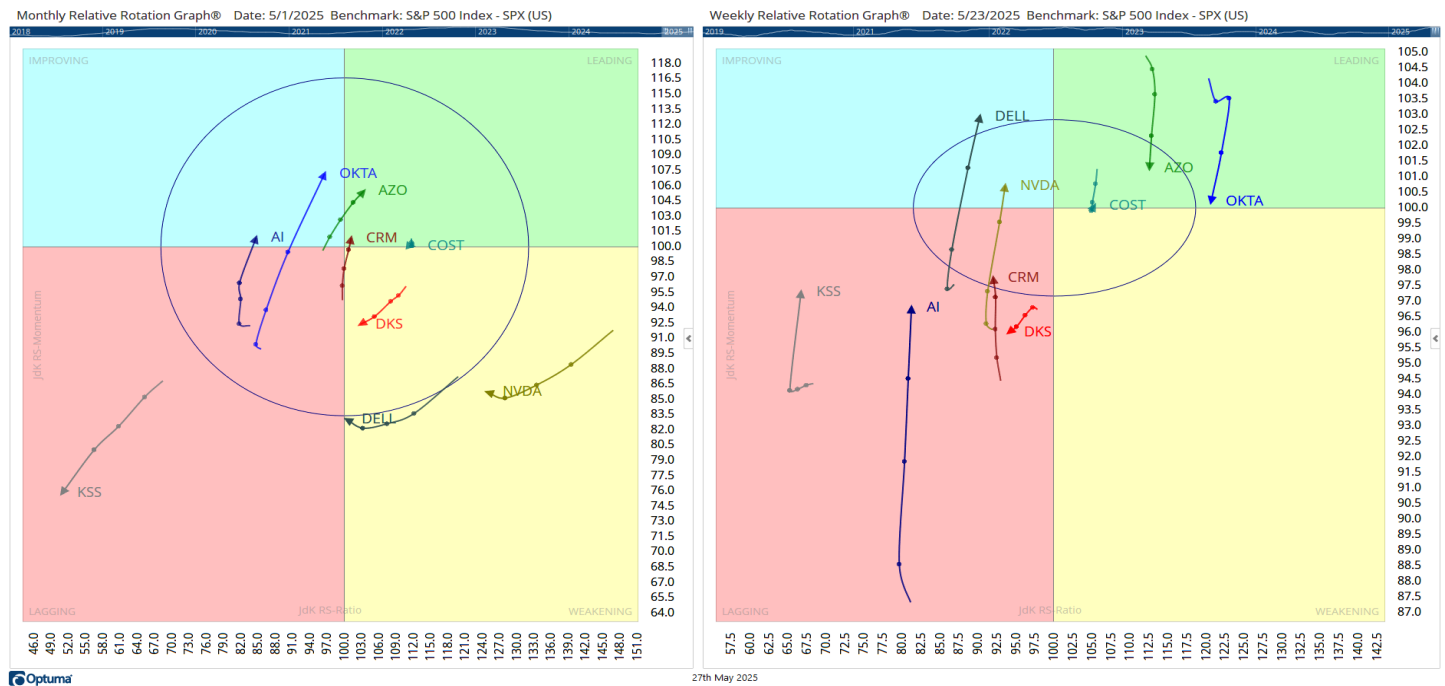
✓ CRM

✓ AI

✓ KSS

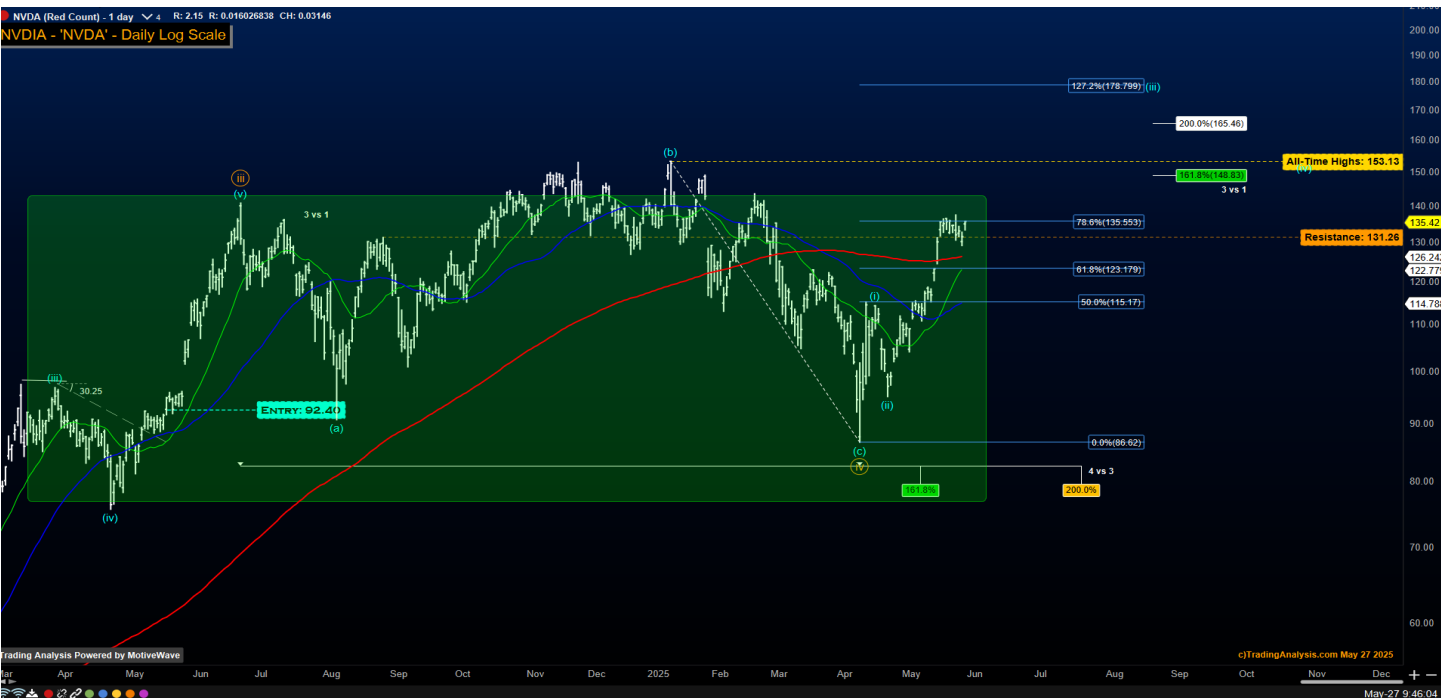
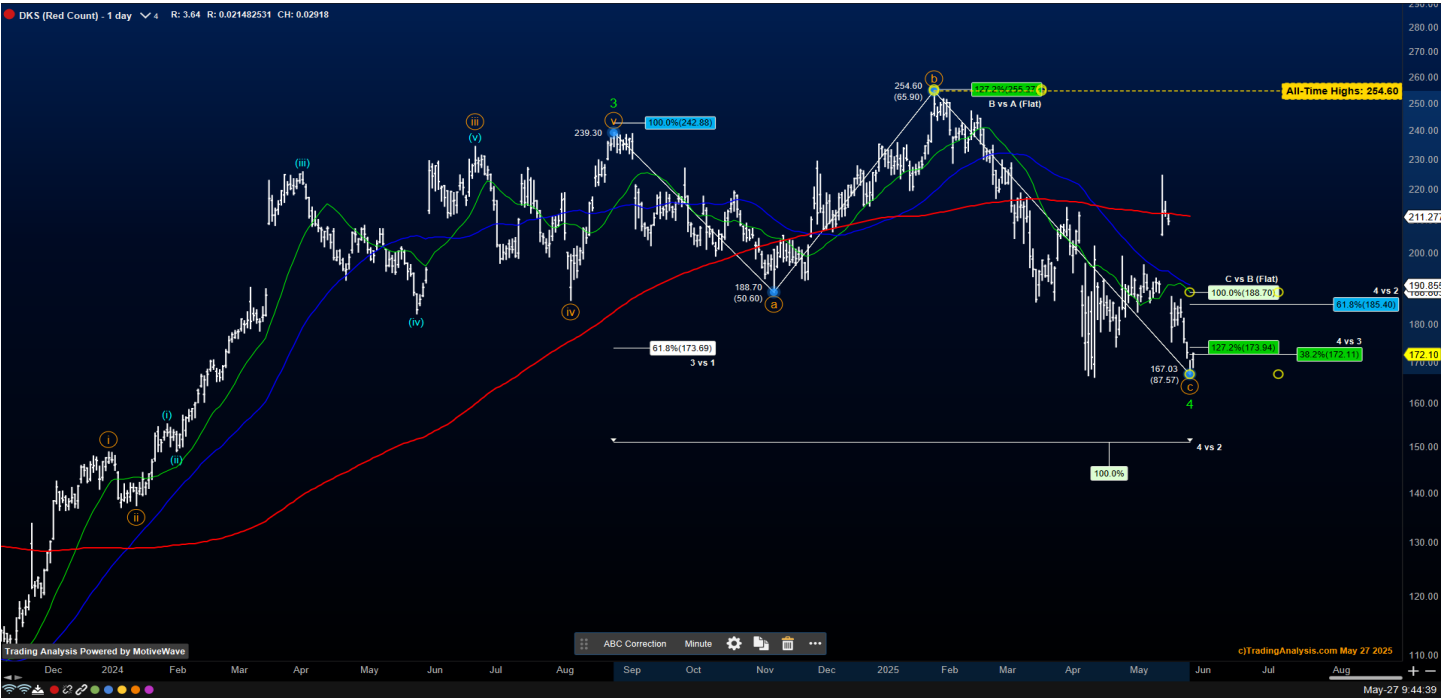
✓ COST

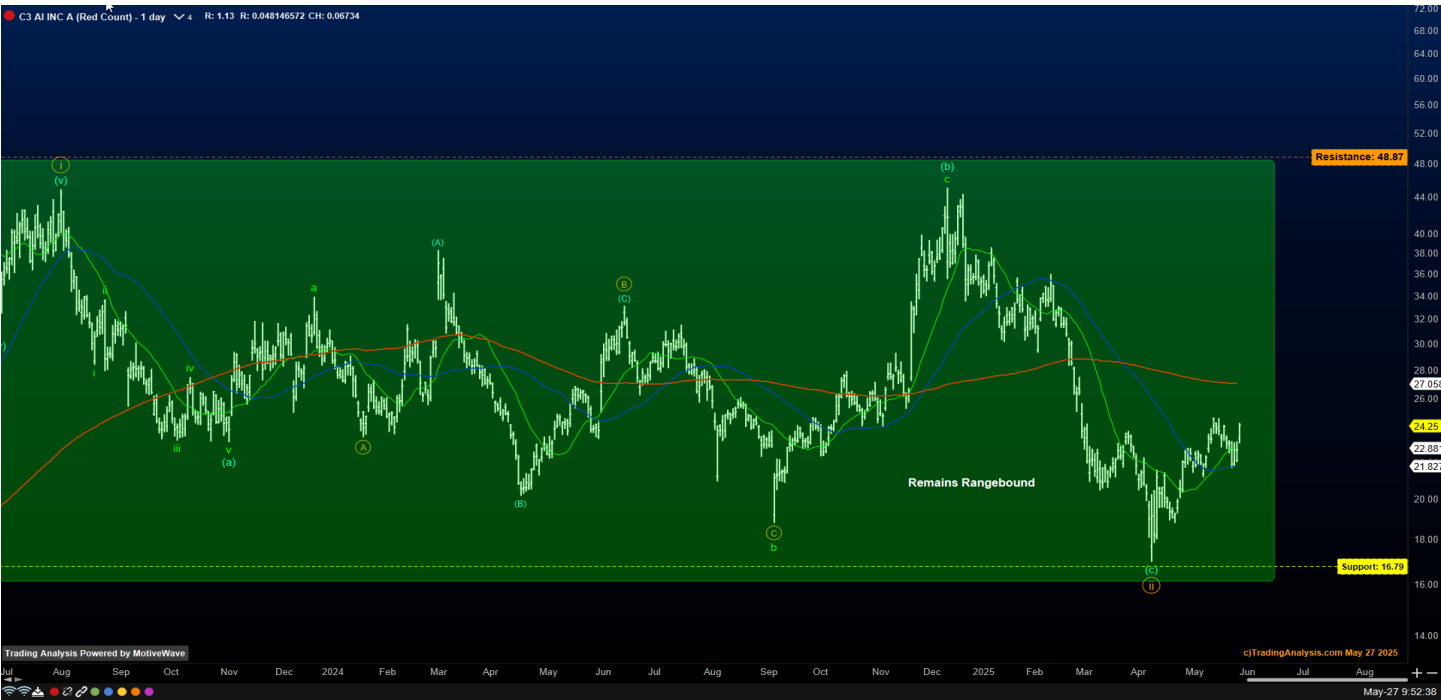
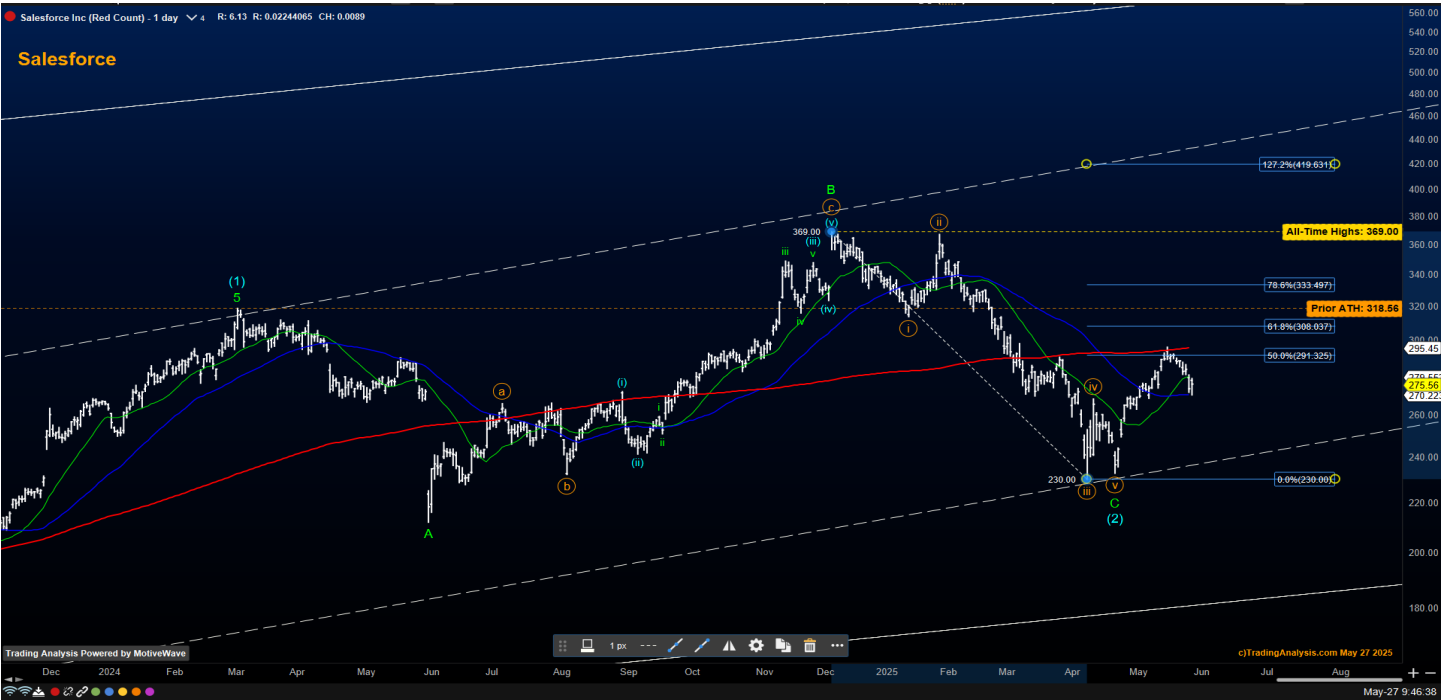
✓ DELL

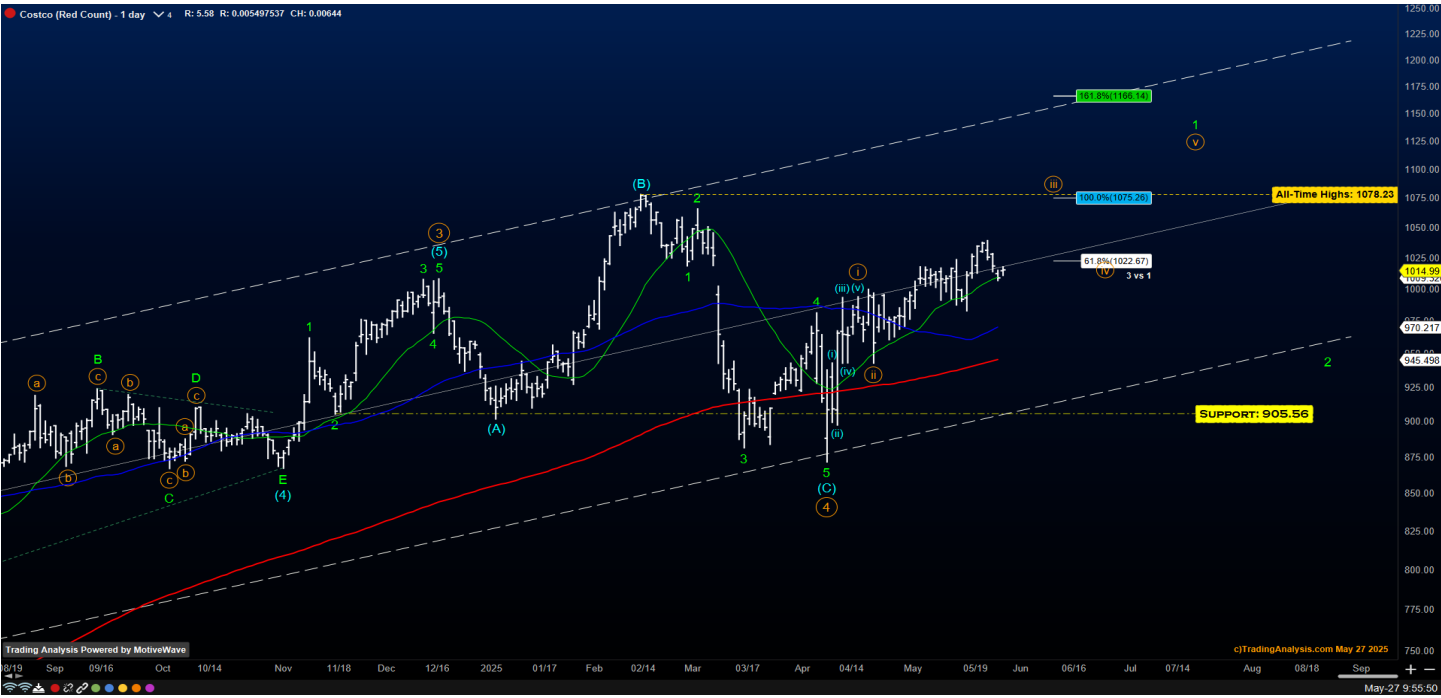
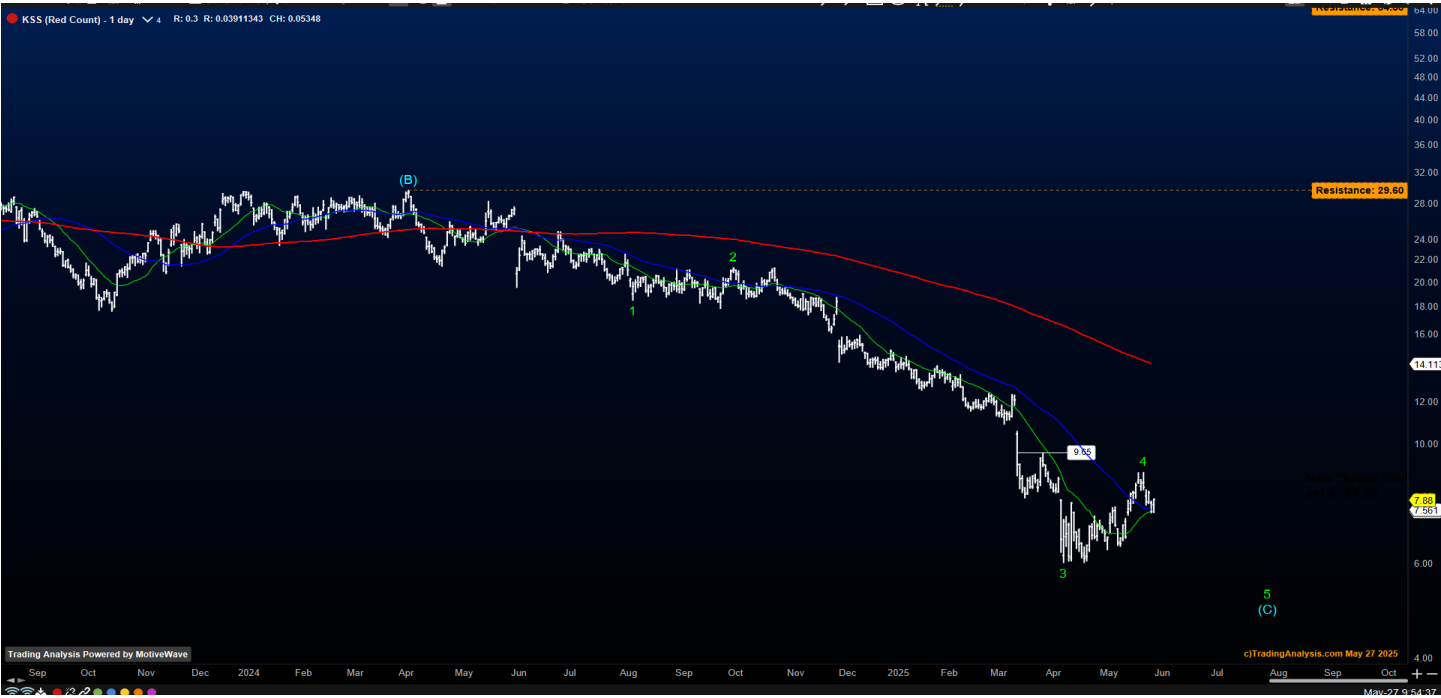


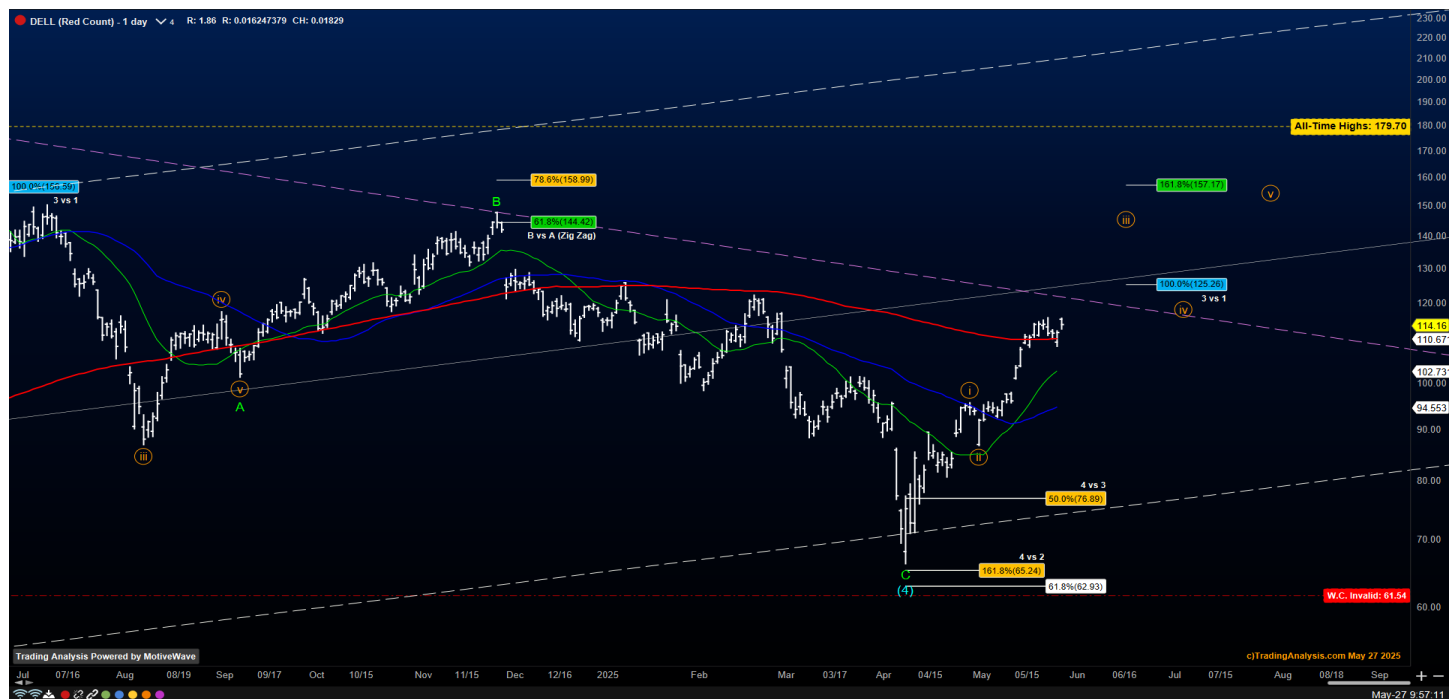
On the Weekly RRG, Technology sector stocks **DELL**, **NVDA**, **CRM**, and **AI** are seen with rapidly rising Relative Momentum vectors. **DELL** is seen with a bit more easterly heading with a higher rate of Relative Strength gains week-over-week. In the Leading Quadrant, **COST**, **AZO**, and **OKTA** have seen rapid Relative Momentum declines while mostly holding constant their Relative Strength ratios.

In the Monthly RRG, **Kohl's (KSS)** is seen as the worst performer and looks to be diving deeper into the lagging Quadrant. **Dick's Sporting Goods (DKS)** looks to be moving toward the Lagging Quadrant and continued underperformance. All other stocks are seen in a mostly favorable pattern, with **DELL** and **NVDA** both beginning to develop hook rotations.









Terry Long

Research Director, TradingAnalysis.com

Disclaimer: This analysis is for informational purposes only and not investment advice. Past performance does not guarantee future results. Please conduct your own research before making any investment decisions.