

Key Warning Sign Flashes for Nvidia's Shares

Description

When a **breakout rally** occurs in U.S. stocks, like the one currently happening, it can be tempting to believe that everything is going smoothly. However, Nvidia's impressive 53% gain since April 15 is indicating that it might be time to proceed with caution.

At the close of trading on Friday, **Nvidia's relative strength index (RSI)** stood at 80, with a price of \$131.88. An **RSI** of 80 is considered high and suggests that the stock is **overbought**, potentially signaling a forthcoming dip in the stock price. This doesn't mean that Nvidia is facing financial difficulties, as the company remains highly profitable. Instead, the high **RSI** indicates that there may be too many investors chasing after too few shares, creating an imbalance that could lead to a **correction**.

The trend is not unique to Nvidia, as other big stocks like **Eli Lilly, Apple, Costco Wholesale**, and **Arm Holdings** are also showing high **RSI** levels, suggesting they may be vulnerable to pullbacks. In times like these, investors often turn to **technical indicators** like **RSI** to manage their risks and make informed decisions about buying and selling stocks.

It's essential to keep an eye on these high **RSI** levels and monitor for potential market corrections. By staying informed and understanding the signals provided by indicators like **RSI**, investors can navigate **market volatility** and seize opportunities to make **strategic investments**.

Vocabulary Insights

1. **Breakout rally** /?bre?ka?t ?ræli/ (noun): A significant upward movement in stock prices, breaking through a resistance level.
2. **Relative strength index (RSI)** /?r?l?t?v str??? ?nd?ks/ (noun): A momentum oscillator that measures the speed and change of price movements.
3. **Overbought** /?o?v?r?b?t/ (adjective): A condition where a stock is considered to be trading at a higher price than its true value.
4. **Correction** /k??r?k??n/ (noun): A decline in stock prices following an overbought condition, adjusting to more accurate valuations.
5. **Technical indicators** /?t?kn?k?l ??nd??ke?t?rz/ (noun): Statistical measures used to predict future price movements in financial markets.
6. **Market volatility** /?m?rk?t v??l?l?t/ (noun): The rate at which the price of a security increases or decreases for a given set of returns.
7. **Strategic investments** /str??ti??k ?n?v?stm?nts/ (noun): Investments made with a long-term goal and detailed planning.



Vocabulary List:

1. **Breakout rally** /'breɪkəʊt 'ræli/ (noun): A significant upward movement in stock prices breaking through a resistance level.
2. **Overbought** /,oʊvər'bɔt/ (adjective): A condition where a stock is considered to be trading at a higher price than its true value.
3. **Correction** /kə'rekʃən/ (noun): A decline in stock prices following an overbought condition adjusting to more accurate valuations.
4. **Technical indicators** /'tɛknɪkəl 'ɪndɪ,kɪtərz/ (noun): Statistical measures used to predict future price movements in financial markets.
5. **Market volatility** /'markɪt ,vɒlə'tɪlɪtɪ/ (noun): The rate at which the price of a security increases or decreases for a given set of returns.
6. **Strategic investments** /strə'ti:dʒɪk ɪn'vestmənts/ (noun): Investments made with a long-term goal and detailed planning.

Comprehension Questions

Multiple Choice

1. What does a high relative strength index (RSI) value suggest about a stock?

- Option: It is undervalued
- Option: It is overbought
- Option: It is facing financial difficulties
- Option: It is not profitable

2. What does an RSI of 80 indicate about a stock?

- Option: It is oversold
- Option: It is overbought
- Option: It is well-balanced
- Option: It is stagnant

3. What might a high RSI level signal about a stock?

- Option: Potential for growth
- Option: Vulnerability to pullbacks
- Option: Stability in the market
- Option: Decreased investor interest

4. How do investors often utilize technical indicators like RSI in turbulent market times?

- Option: To increase stock prices artificially
- Option: To speculate on cryptocurrency
- Option: To manage risks and make informed decisions
- Option: To increase dividend payouts

5. What can happen when there are too many investors chasing after too few shares of a stock?

- Option: Market crash
- Option: Imbalance leading to correction
- Option: Increased dividends
- Option: Stable market conditions

6. Why is it crucial to monitor high RSI levels in stocks?

- Option: To panic sell immediately
- Option: To predict market crashes
- Option: To identify potential corrections
- Option: To invest blindly

Answer

Multiple Choice: 1. It is overbought 3. Vulnerability to pullbacks 4. To manage risks and make informed decisions 5. Imbalance leading to correction 6. To identify potential corrections

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. Which technical indicator is commonly used to identify overbought or oversold conditions in the market?

- Option: Relative strength index (RSI)
- Option: Breakout rally
- Option: Conservatives
- Option: Yielding

2. What economic term refers to the general increase in prices of goods and services within an economy over a period of time?

Option: Inflation
Option: Surged
Option: Optimism
Option: Safety

3. What does the central bank adjust to control inflation or stimulate economic growth?

Option: Interest rate
Option: Feature
Option: Determination
Option: Procedure

4. Which term describes the act of continuing firmly or obstinately in a course of action in spite of difficulty or opposition?

Option: Persist
Option: Benchmark
Option: Strategic investments
Option: Uncertainties

5. What term describes the rapid and significant price movements in financial markets?

Option: Market volatility
Option: Proverbial
Option: Corrections
Option: Significance

6. Which word means "in the middle of" or "surrounded by" something?

Option: Amidst
Option: Surged
Option: Education
Option: Awareness

7. What term describes the unwillingness or hesitation to do something?

Option: Reluctance
Option: Headline inflation
Option: Safety
Option: Disposition

8. What term refers to a decline or decrease in economic activity?

Option: Downturn
Option: Corrections
Option: Attainable
Option: Feature

9. Which term describes having knowledge or understanding of a particular situation or fact?

Option: Awareness

Option: Surged

Option: Strategic investments

Option: Optimism

10. What term refers to the condition of being protected from harm or danger?

Option: Safety

Option: Feature

Option: Inherit

Option: Conservatives

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

11. Investors are often attracted to _____ assets for their stable returns.

12. The legal _____ for starting a business can vary from country to country.

13. Success in entrepreneurship often requires strong _____ and resilience.

14. One _____ of the latest smartphone is its enhanced camera capabilities.

15. Despite the challenges there is a sense of _____ among the investors regarding the company's future growth.

16. Some investors prefer _____ strategies that focus on long-term stability over high returns.

17. Setting _____ goals is essential for personal and professional growth.

18. Companies often make _____ to expand their market reach or enhance their technological capabilities.

19. When the media reports on _____ it typically refers to the overall rise in prices of goods and services.

20. The stock price _____ after the company announced record-breaking profits for the



quarter.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. A is a standard or point of reference against which things may be compared or assessed.
22. To means to receive money property or a title as an heir at the death of the previous holder.
23. The wisdom about saving for retirement often includes starting early and being consistent.
24. Her friendly made her well-liked among colleagues and clients.
25. are individuals who start their own businesses taking on financial risks in the hope of profit.
26. The positive outlook and confidence in a successful outcome are characteristics of .
27. In times of economic turmoil businesses face increased regarding market stability and consumer behavior.
28. Market are temporary price declines that are considered a natural part of the market cycle.
29. The latest model of the car includes a new safety that alerts the driver of potential collisions.
30. Understanding the of economic indicators is crucial for making informed investment decisions.

Answer

Multiple Choice: 1. Relative strength index (RSI) 2. Inflation 3. Interest rate 4. Persist 5. Market volatility 6. Amidst 7. Reluctance 8. Downturn 9. Awareness 10. Safety

Gap-Fill: 11. Yielding 12. Procedure 13. Determination 14. Feature 15. Optimism 16. Conservatives 17. Attainable 18. Strategic investments 19. Headline inflation 20. Surged

Matching sentence: 1. Benchmark 2. Inherit 3. Proverbial 4. Disposition 5. Entrepreneurs 6. Optimism 7. Uncertainties 8. Corrections 9. Feature 10. Significance

CATEGORY

1. Business - LEVEL4

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