



PACIFIC GLOBAL
Investment Management Company

Weekly Recap

January 10, 2025

Market Returns

| INDEX ¹ | CLOSE | WEEKLY CHANGE | YTD CHANGE |
|---------------------------|-----------|------------------|------------|
| Dow Jones Industrial Avg. | 41,938.45 | -793.68 / -1.86% | -1.42% |
| S&P 500 [®] | 5,827.04 | -115.63 / -1.95% | -0.93% |
| Nasdaq | 19,161.63 | -460.05 / -2.34% | -0.77% |
| Russell 2000 [®] | 2,189.23 | -79.24 / -3.49% | -1.84% |

| | 01/10/25 CLOSE | 01/10/24 CLOSE |
|-----------------------|----------------|----------------|
| 10-Year U.S. Treasury | 4.77% | 4.04% |

Data: Bloomberg, Federal Reserve

The Bottom Line

The highest job creations report in nine months triggered an equity selloff as the near-term outlook for interest rates diminished. The Dow Jones Industrial Average (-1.86%) declined the least followed by the S&P 500[®] Index (-1.95%), the Nasdaq (-2.34%) and the Russell 2000[®] Index (-3.49%). The yield on the 10-Year U.S. Treasury Note surged to 4.77%, the highest level since November 2023, from 4.60% last Friday.

December's addition of 256,000 jobs far exceeded consensus of 155,000. The unemployment rate unexpectedly fell 0.1% to 4.1%. Importantly, the job growth extended to include a broader portion of the economy including service companies, retail, professional and business services, information and finance. During the first eleven months of 2024, new job growth was primarily in healthcare and social assistance, leisure and hospitality, and government. New jobless claims (201,000) were below projections (215,000); continuing claims increased, as expected, from 1.834 million to 1.867 million. Job openings rose from 7.8 million in October to 8.1 million in November. The December **Institute for Supply Management (ISM)** Services Index rose from November's 52.1 to 54.1, ahead of consensus (53.0). Federal Reserve Governor Cook, while stating that there is "still further to go" on inflation, offered a positive assessment of the labor market. Many now expect that the positive employment news will increase the likelihood that the Fed will move cautiously on interest rate cuts.

Delta reported stellar revenues and earnings as the company expects strong travel trends to continue in 2025. *Walgreen Boots Alliance* also beat revenue and earnings estimates as its turnaround continues. Next week, the major banks including *JP Morgan*, *Goldman Sachs* and *Citigroup* will report fourth quarter earnings and provide important data on credit trends and loss reserves, interest rate spreads, and investment banking.

Recent data confirm the health of the U.S. economy; the recent rise in long-term interest rates, though, reveals concerns about an upcoming economic pause or slowdown. No doubt, the U.S. Presidential transition, geopolitical events and higher interest rates are challenging investor optimism. The expectation for "higher for longer" interest rates create a dilemma for investors long accustomed to the near zero rates even though

today's rates are near historical norms. The recent spike in long-term rates largely reflect concerns about government debt, and potential tariffs; corporations, though, anticipate lower taxes, less regulation and a friendlier business environment over the longer term. The December employment numbers demonstrate broader hiring trends which may foretell economic growth beyond *Technology* companies.

¹The Dow Jones Industrial Average is an unmanaged, price weighted measure of 30 U.S. stocks selected by the Averages Committee to represent the performance of all U.S. stocks outside the Transportation and Utilities sectors. The S&P 500[®] Index is an unmanaged, market capitalization weighted index which measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The Nasdaq Composite Index is an unmanaged, market capitalization weighted measure of all domestic and international common stocks listed on The Nasdaq Stock Market. The Russell Midcap[®] Index measures the 800 smallest companies within the Russell 1000[®] Index based on a combination of their market cap and current index membership. The Russell 2000[®] Index is an unmanaged, market-weighted measure of stock market performance. It contains stocks of the 2,000 smallest publicly traded companies of the Russell 3000[®] Index. It is not possible to invest in the Indices.

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