



PACIFIC GLOBAL
Investment Management Company

Weekly Recap

January 31, 2025

Market Returns

INDEX ¹	CLOSE	WEEKLY CHANGE	YTD CHANGE
Dow Jones Industrial Avg.	44,544.66	120.41 / 0.27%	4.70%
S&P 500 [®]	6,040.53	-60.71 / -1.00%	2.70%
Nasdaq	19,627.44	-326.86 / -1.64%	1.64%
Russell 2000 [®]	2,287.69	-20.05 / -0.87%	2.58%

	01/31/25 CLOSE	01/31/24 CLOSE
10-Year U.S. Treasury	4.55%	3.99%

Data: Bloomberg, Federal Reserve

The Bottom Line

Several issues, including earnings reports and commentaries, the Federal Reserve meeting, Chinese AI startup *DeepSeek*, and the announced implementation of President Trump's tariff, weighed on market sentiment. For the week, the Dow Jones Industrial Average (0.27%) was the only major index to advance; the Russell 2000[®] Index lost (-0.87%), followed by the S&P 500[®] Index (-1.00%) and the Nasdaq (-1.64%). The yield on the 10-Year U.S. Treasury Note declined to 4.55% from 4.62% last Friday.

The Chinese company *DeepSeek* disrupted the market on Monday with its release of an open-source AI model, noteworthy for its lower cost and robust capabilities in sharp contrast to the enormous investments by major technology companies on major AI initiatives. The use of cheaper chips, some of which provided by *Nvidia* in 2022, raised questions as to the ability of a Chinese company to access these subsequently banned chips. The *DeepSeek* model, while receiving many positive responses, may be more suitable for public use rather than private companies.

This week, the Fed left interest rates at current levels while providing no specifics on further cuts. Chair Powell stated that with interest rates now "significantly less restrictive" than prior to last year's cuts, "we do not need to be in a hurry to adjust our policy stance." Economic data released this week included the preliminary estimate of fourth quarter GDP of 2.3%, slightly below consensus (2.5%) and the prior quarter's (3.1%). The closely watch inflation indicator, core PCE, rose 2.8% year-over-year, and 0.2% for the month, both in line with expectations. Initial and continuing jobless claims were below projections.

The markets, despite a rocky start, posted gains for January, with the advances beyond its recent reliance on *Technology*. The announcement of new tariffs, scheduled for Saturday implementation against Mexico, Canada and China, cast doubt on investors' hopes that tariffs would primarily serve as a bargaining tool. The fear that tariffs may lead to higher inflation and slower growth is of immediate concern. Over 77% of S&P 500[®] companies have reported positive earnings surprises; these results bolstered the Fed's decision to leave interest rates at current levels. Investors will anxiously await more information to assess the potential impact of tariffs.

Company commentaries were generally positive yet cautious pending further announcements by the new administration. Markets may be choppy for some period as investors reassess the markets and the economy to identify the best opportunities.

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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