



PACIFIC GLOBAL
Investment Management Company

Weekly Recap

February 28, 2025

Market Returns

| INDEX ¹ | CLOSE | WEEKLY CHANGE | YTD CHANGE |
|---------------------------|-----------|------------------|------------|
| Dow Jones Industrial Avg. | 43,840.91 | 412.89 / 0.95% | 3.05% |
| S&P 500 [®] | 5,954.50 | -58.63 / -0.98% | 1.24% |
| Nasdaq | 18,847.28 | -676.73 / -3.47% | -2.40% |
| Russell 2000 [®] | 2,163.07 | -32.28 / -1.47% | -3.01% |

| | 02/28/25 CLOSE | 02/28/24 CLOSE |
|-----------------------|----------------|----------------|
| 10-Year U.S. Treasury | 4.22% | 4.27% |

Data: Bloomberg, Federal Reserve

The Bottom Line

The selloff in *Technology* stocks continued this week as concerns about the growth and profitability of **AI** initiatives remained in flux. Defensive stocks were in favor this week as the Dow Jones Industrial Average (0.95%) advanced while the other indices, the S&P 500[®] Index (-0.98%), the Russell 2000[®] Index (-1.47%), and the Nasdaq (-3.47%) declined. The 10-Yield on the U.S. Treasury Note declined markedly to 4.22% from 4.32% last Friday.

Nvidia's earnings report, which was somewhat better than analysts' expectations, garnered the market's attention this week. Somewhat lower-than-expected projections raised concerns that peak sales and earnings may be near. Still, the company's new Blackwell chip, with its higher cost structure, has been well received in the market. *Microsoft* announced the cancelation of leases for some data centers; the move suggested a somewhat slower-than-projected pace of **AI** development. Corporate commentaries during earnings season have been generally enthusiastic about **AI's** potential even as some suggest that it may evolve over time.

The initial jobless claims unexpectedly jumped this week from 220,000 to 242,000 while continuing claims (1.862 million) fell slightly below estimates (1.872 million). January **core Personal Consumption Expenditure Index (PCE)** rose 0.3%, in line with projections, with the annual rate falling, as expected, from 2.9% in December to 2.6%. Headline **PCE** year-over-year fell 0.1% to 2.5%, in line with consensus. Personal income increased 0.9%, well above projections (0.3%) and in sharp contrast to the unexpected 0.2% decline in personal spending. And, durable goods orders (3.1%) rebounded strongly from December's 2.2% decline. Federal Reserve commentary this week reiterated concerns that the path to 2% inflation remains uncertain; current interest rates may be in place for some time as the Fed monitors the inflationary impact of new tariffs.

Close-to-final results for the fourth quarter earnings season reveal that 75% of companies in the S&P 500[®] exceeded earnings projections. Economic clouds, including the pathway for **AI** development, and monetary policy in light of looming tariffs, have raised the odds of a recession. Still, the timing and extent of the Administration's tariffs are unclear. And, the delay of anticipated interest rate cuts will impact both

corporations and individuals and create uncertainties in short-term planning. Consequently, the equity markets may remain volatile even as longer-term opportunities remain as companies adjust to market conditions. Investors may take a more conservative wait-and-see attitude until the dark clouds recede.

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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Pacific Global • 101 N Brand Blvd • Suite 1950 • Glendale, California 91203 • (800) 989-6693 • www.pacificglobal.us