



PACIFIC GLOBAL  
Investment Management Company

## Weekly Recap

August 22, 2025

### Market Returns

INDEX <sup>1</sup>	CLOSE	WEEKLY CHANGE		YTD CHANGE
Dow Jones Industrial Avg.	45,631.74	685.62	/ 1.53%	7.26%
S&P 500 <sup>®</sup>	6,466.91	17.11	/ 0.27%	9.95%
Nasdaq	21,496.53	-126.45	/ -0.58%	11.32%
Russell 2000 <sup>®</sup>	2,361.95	75.43	/ 3.30%	5.91%

	08/22/25 CLOSE	08/22/24 CLOSE
10-Year U.S. Treasury	4.26%	3.86%

Data: The Wall Street Journal, Federal Reserve

### The Bottom Line

The equity markets rallied strongly on Friday following Federal Reserve Chair Powell's comments at the annual Jackson Hole conclave that the shifting balance between inflation and employment risks **"may warrant adjusting our policy stance."** Many interpreted his comments as an indication of possible interest rate cuts. Investors further diversified into the broader market, including, in particular, small cap stocks. For the week, the Russell 2000<sup>®</sup> Index (3.30%) led the major indices (after a 3.86% gain on Friday), followed by the Dow Jones Industrial Average (1.53%) and the S&P<sup>®</sup> 500 Index (0.27%) while the Nasdaq (-0.58%) posted a loss despite a 1.88% gain on Friday. The yield on the 10-Year U.S. Treasury Note eased to 4.26%, down from 4.32% last Friday.

Employment data, including the unexpectedly low 3-month average (35,300) of new jobs, elevated initial jobless claims (235,000, up from 224,000 last week) and continuing claims (1.972 million vs 1.942 million last week), supported Chair Powell's comments. Regarding the shifting balance of risks, he stated, "It is a curious kind of balance that results from a marked slowing in both supply of and demand for workers" which has led to an **"unusual situation,"** adding, **"And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment."**

Tariff negotiations and policies announcements remain a major focus for investors. On Friday, Canada announced that it would drop many of its 25% retaliatory tariffs on a long list of U.S. imports including orange juice, wine, beer, appliances and motorcycles. The U.S. is expected to respond by reducing tariffs on select Canadian goods. Also, the European Union announced the elimination of tariffs on most U.S. industrial goods along with other changes; once enacted, the U.S. will reduce to 15% the tariff on most EU exports including, importantly, cars. Meanwhile, China is finalizing a deal to buy 500 Boeing planes. These events highlight the complexity of evaluating the impact of tariffs on the U.S. economy.

Several retail companies, including *Walmart*, *Home Depot*, *Lowe's* and *TJX* beat expectations as the demand for lower-priced products and home improvements grew. Retail sales increased in June and July

even in the face of tariffs; however, consumer spending appears to now favor lower cost products and services.

*Technology* stocks now represent over 34.5% of the weighting in the S&P 500® Index; the percentage increases to 45% if *Amazon, Alphabet, Meta*, and *Tesla* each classified in different sectors, are included. The high stock prices for these heavily-weighted companies masks the lower valuations for many companies in the Index. And *META* announced plans to downsize or restructure its **AI** division; the company's recent spending spree on data centers raises questions as to how these investments will support the high valuations and growth assumptions. The likelihood of an economic boost from lower interest rates ahead may provide incentives for investors to diversify from *Technology* into other sectors. The impact of any such diversification may weaken returns in the *Technology*-heavy S&P 500® and Nasdaq.

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<sup>1</sup>The 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 • 500 N Brand Blvd • Suite 2160 • Glendale, California 91203 • (800) 404-6693 • [www.pacificglobal.us](http://www.pacificglobal.us)**