PACIFIC GLOBAL
Investment Management Company

WeeklyRecap

September 26, 2025

MarketReturns

INDEX[1]	CLOSE	WEEKLY CHANGE		YTD CHANGE
Dow Jones Industrial Avg.	46,247.29	-67.98 /	-0.15%	8.70%
S&P 500®	6,643.70	-20.66 /	-0.31%	12.96%
Nasdaq	22,484.07	-147.41 /	-0.65%	16.43%
Russell 2000®	2,434.32	-14.45 /	-0.59%	9.15%

	09/26/25 CLOSE	09/26/24 CLOSE
10-Year U.S. Treasury	4.18%	3.79%

Data: The Wall Street Journal, Federal Reserve

TheBottomLine

The equity markets retreated this week as comments by several Federal Reserve Governors provided mixed signals as to the timing and size of future rate cuts. The Dow Jones Industrial Average (-0.15%) declined the least followed by the S&P 500® Index (-0.31%), the Russell 2000® Index (-0.59%) and the Nasdaq (-0.65%). The yield on the 10-Year U.S. Treasury Note closed at 4.18% slightly higher than last Friday's 4.14% close.

Fed Chair Powell reiterated that risks of inflation are tilted to the upside as employment risks tilt to the downside; he repeated his prior characterization of the recent rate cut as "risk management." Other Fed spokespersons also echoed concerns about inflation while others warned of slowing employment trends. The August **core PCE** inflation measure, up 0.2% month-over-month, was in line with consensus and July's revised reading; annualized, the **core PCE** rose 2.9% as expected. Personal spending in August rose 0.6%, higher than both projections and the prior two months' 0.5% increases. Initial jobless claims declined from 235,000 to 218,000; continuing claims (1.926 million) declined modestly. Recent economic data reveal the challenges in predicting the likelihood, and timing, of additional rate cuts this year.

Bain & Company published a report this week highlighting the "Circularity of vendor financing," such as *Nvidia's* investments in the buildout of **AI** data centers which will utilize the company's chips. *Bain* estimates that **AI** companies will need to generate $2 trillion in revenue by 2030 to support these investments while estimating that actual revenues may be $800 billion below this target. Investors' recent focus on the income forecasts for **AI** investments expose the risk of some current *Technology* valuations.

Next Tuesday, September 30, is the Senate deadline to pass 12 appropriations bills, or a stop-gap bill, to avoid a government shutdown. The 60-vote requirement means Republicans need the votes of several Democrats; party officials are seeking modifications to healthcare spending. Senators often reach an agreement at the last hour although the government has experienced 14 partial or full shutdowns since

1980. Non-essential government employees may be furloughed during a shutdown; however, OMB Director Vought warned federal agencies on Wednesday to prepare for mass firings in the event of a shutdown.

The combination of tariffs, **AI** spending, and the potential of a government shutdown present challenges for the equity and fixed income markets. Expect heightened volatility in the coming weeks as events unfold.

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[1]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.