

## Busy Week of Earnings, Economic Releases, and Market-moving News

The Dow Jones Industrial Average eked out a 0.3% gain this week while the S&P 500 declined 1.0%, the Nasdaq Composite fell 1.6%, and the Russell 2000 logged a 0.9% loss.



The week started on a sharply lower note following weekend focus on a Chinese AI platform DeepSeek, which garnered popularity for being less resource-intensive than alternatives like ChatGPT. This called into question the competitiveness of companies that are powering the AI sector and it could alter capital spending plans if the DeepSeek model proves to be as good as advertised.

NVIDIA dropped 17% on Monday, logging its largest single-day loss in market capitalization ever. Shares were 15.8% lower than last Friday by the end of the week.

It was a busy week that featured earnings news from about 40% of the S&P 500 in terms of market capitalization, a decision by the FOMC, and influential economic releases.

Apple, which closed 5.9% higher this week, Microsoft, which declined 6.5% this week, Meta Platforms, which jumped 6.4%, and Tesla, which declined 0.5% this week, were some of the top names that reported quarterly results. IBM (+13.8%), Starbucks (+9.0%), Boeing (+0.3%), General Motors (-8.3%), and Lockheed Martin (-6.8%) were also among the headliners in terms of earnings news.

On Wednesday, the Federal Open Market Committee (FOMC) voted unanimously to leave the target range for the fed funds rate unchanged at 4.25-4.50%. That was in-line with the decision widely expected by the fed funds futures market.

It was noted in the directive that “Inflation remains somewhat elevated.” The last directive in December said the same. What was missing this time was the added statement in the December directive that, “Inflation has made progress toward the Committee’s 2 percent objective...”

Also noted in the January directive was that, “...labor market conditions remain solid.” This messaging pointed to the Fed remaining inclined to wait and see what messages avail themselves in future data.

Fed Chair Powell communicated that stance more than once during his press conference, noting right off the bat that, “With our policy stance significantly less restrictive than it had been, and the economy remaining strong, we do not need to be in a hurry to adjust our policy stance.”

There was some volatility in stocks and bonds in immediate response to these developments, but markets ultimately settled the day little changed from levels seen ahead of the 2:00 ET policy announcement. This was an indication that participants didn’t see anything truly surprising in Wednesday’s decision or in the Fed Chair’s comments.

This week’s economic lineup featured an encouragingly low level of initial jobless claims (207,000) for the week ending January 25 and a refreshingly strong 4.2% growth rate for personal spending in the fourth quarter, which was the best since Q1 2023.

Also, the core-PCE Price Index (the Fed’s preferred inflation gauge) was up 2.8% year-over-year for the third month in a row following a 0.2% month-over-month increase.

Stocks sold off late Friday after the White House confirmed that 25% tariffs for Canada and Mexico, and a 10% tariff for China, will begin Saturday (February 1). The basis for the tariff actions were tied to immigration, trade deficit, and fentanyl issues.

It wasn’t exactly breaking news as there were similar reports out on Thursday, but the added uncertainty heading into the weekend was enough to drive selling interest and quell any buy-the-dip action. There were subsequent reports hinting at behind-the-scenes negotiations that may lead to the tariff actions being called off or at least watered down, but that didn’t help stocks much.

Treasuries had a volatile week, ultimately settling with gains. The 10-yr yield was six basis points lower than last Friday at 4.57% and the 2-yr yield was three basis points lower than last Friday at 4.24%.

- Dow Jones Industrial Average: +0.3% for the week / +4.7% YTD
- S&P Midcap 400: -1.2% for the week / +3.8% YTD
- S&P 500: -1.0% for the week / +2.7% YTD
- Russell 2000: -0.9% for the week / +2.6% YTD
- Nasdaq Composite: -1.6% for the week / +1.6% YTD

**Past performance is not a guarantee of future results. Indices are unmanaged and one cannot invest directly in an index. Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

Data and rates used were indicative of market conditions as of the date shown and compiled by Briefing.com. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Each company’s security affects the index in proportion to its market value. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Park Avenue Securities LLC (PAS) is a wholly owned subsidiary of The Guardian Life Insurance Company of America (Guardian). PAS is a registered broker/dealer offering competitive investment products, as well as a registered investment advisor offering financial planning and investment advisory services. PAS is a member of FINRA and SIPC.

Provided by Briefing.com.