

Daily Market Notes

Market Update: After Tuesday's upside Turnaround Tuesday edition, the market traded lower all day yesterday and ended with nominal losses after the Federal Reserve opted not to cut interest rates for the first time since it began trying to help the economy through easier rates in September. This was the least surprising outcome as everyone knew that this would be the decision and individual stocks seemed to trade in their own patterns, both up and down.

DOW: 44,785

S&P: 6035

Nasdaq: 19,521

10YR T-Note: 4.53%

Bitcoin: 105,877

VIX: 16,04

Gold: \$2852

Crude Oil: \$73.47

Prices Current as of 11:11 am

Source: CNBC

For instance, the Dow ended lower by 137 to 44,713 hurt by declines in the usual favorites on down days such as BA, CRM, SHW, HD, MSFT and NVDA.

The S&P dropped by 28 to 6039 hurt by the likes of MSFT, TSLA and the usual consumer staples while the Nasdaq came down the most by 101 to 19,632 hindered by some of the large technology stocks.

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The Russell 2000 Index of small stocks dropped by 6 to 2283 while the VIX ended higher up to 16.46 as it stays in a middle of the rode range as stocks bang back and forth. The reaction was also relatively muted in the bond market following the Fed's decision, which could hint at rates staying on hold for a while following their swift drop at the end of 2024.

Fed Chair Jerome Powell said after the decision that the central bank could cut rates if inflation were to slow further or if the job market suddenly weakened. But "right now, we

don't see that, and we see things as in a really good place for policy and for the economy, and so we feel like we don't need to be in a hurry to make any adjustments.”

While investors would almost always prefer lower interest rates, there is reason to focus on why the Fed won't cut anytime soon, specifically a strong economy and labor, which bodes well for solid corporate earnings growth.

Wednesday's relatively calm movements for financial markets offered some respite following two days of disruption driven by doubts about the AI boom.

A Chinese upstart, Deep seek, has raised nearly existential questions for some of the AI industry after saying it developed a large-language model that can compete with the world's best without having to use top-flight chips.

That casts doubt about whether AI development broadly will require as much spending on chips, vast data centers and electricity as bi tech had been assuming. That in turn has caused huge swings for stocks across the industry, particularly for NVDA.

The company, whose stock has almost become a symbol of the AI bonanza, fell 4% Wednesday after plunging nearly 17% Monday and then jumping nearly 9% Tuesday. It was the single heaviest weight dragging the S&P lower.

Big gains for this one and other big tech companies had been instrumental in the S&P rallying to back-to-back yearly gains of more than 20% for the first time since the late 1900's. It alone accounted for more than a fifth of all of the S&P's total return last year.

SBUX gained 8 % after delivering a better profit for the latest quarter than analysts expected. Its C.E.O. said the chain is planning to cut its food and beverage offerings by 30% over the course of this year to simplify operations and speed service, part of its efforts to turn the company around.

TMUS also gained after topping Wall expectations for both profit and revenue in the last three months of 2024. It also said it expects to add between a net 5.5 million and 6 million in postpaid customers this year.

EAT jumped 16% after the company behind Chili's restaurants delivered better results than expected. Its C.E.O. Chili's attracted new customers and that its return customers were coming more frequently.

Railroad operator NSC rose after beating profit forecasts. There is also optimism that a Republican-controlled Congress could ease restrictions on the industry.

On the losing end was DHR, which fell 10% after the life sciences, biotechnology and diagnostics company reported results for the latest quarter that just missed analysts' expectations.

In the bond market, the yield on the 10-year Treasury held at 4.53%, where it was late Tuesday

In stock markets abroad, indexes were mixed in Europe. ASML's stock jumped in Amsterdam after announcing strong revenue on demand for its advanced chipmaking tools.

Earnings results show: yesterday - SBUX, QRVO, FFIV, GPI, ASML, TMUS, EAT, NSC higher and GD, DHR, French stock LVMH lower; today - Dow components MSFT, CAT and WHR, LEVI, UPS lower, CMCSA and Dow components IBM, V plus META, TSLA higher; tonight - Dow components AAPL plus DECK: Friday - Dow component CVX plus XOM, ABBV and Novartis.

Economic reports will see: yesterday - - F.O.M.C. interest rate decision (see above); today - weekly jobless claims, first reading on 4Q G.D.P.; Friday - December personal income and spending.

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