

February 4, 2025

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
44,556	6,038	19,654	2,290	4.51%	97,911	\$2,877	\$72.75

Investment Strategy Report

Stocks Survive Deepseek and Tariffs To Begin The Year Higher

As I've often said, but it's worth repeating, investing is not for the faint of heart. Even in a market uptrend, in which we're currently in, the bull tries to buck and kick to try to get investors off its back. Last Monday (1/27) it was the threat that Deepseek would upend our AI industry that sent the tech heavy Nasdaq down 3.1% and market darling Nvidia down a substantial 17%. Following last Monday's selloff, the markets stabilized last week, only to be flummoxed again yesterday when threats of tariffs sent the indexes down. Only to recover towards the end of yesterday's session and again today on word that both Mexico and Canada have reached deals to at least delay the implementation of these tariffs. So the world's not coming to an end yet.

I don't want to minimize the threats that our economy and our country face during what may seem to be especially troubling times. I haven't even brought up the natural disasters, California wild fires and hurricanes, that seem to be continually afflicting us. Which is why it's essential that we have our investment portfolios properly allocated so that there is enough "cushion" in them so that we can withstand the occasional downturn, while enough market exposure so that we can profit from the long term market uptrend we have observed over many decades. For the month of January, our 4 growth funds were up from 2.8% to 5.2% compared to 2.8% for the S&P 500 and only 1.6% for the Nasdaq. And our conservative value-oriented balanced fund was up 3.3%, demonstrating that you can reduce portfolio risk while adding positive value.

During both Monday crises (last Monday's Deepseek selloff and this week's tariff selloff), Tom Lee of Fundstrat was interviewed on CNBC in the morning to give advice to viewers. On Jan. 27th, Tom said that the selling was an over-reaction, both for Nvidia and for the market in general. He was still looking for double digit gains for the S&P for 2025. During yesterday's sell-off, he again said that the markets were over-reacting and advised investors to buy the dip. He predicted that if the tariffs did go into effect, that they would be rolled back within 3 months. It is Tom's prescient, level-headed advice that has made him one of the top analysts on Wall St. and is why I make sure to watch him whenever I can.

Tom appeared on CNBC on Jan. 15th and gave a more general market outlook for the year. He was confident that inflation would show signs of easing throughout the year and that this would lead to lower interest rates. And lower rates would provide the stimulus to push stocks higher. The early success of stocks for the first few days and weeks of the new year also was a positive sign for stocks for the full year, he said, putting the odds of double digit gains for the year at 80%.

Chris Verrone, another top analyst, was on CNBC on Jan. 23rd. He felt that the markets were in good shape as evidenced by the fact that 50% of the S&P 500 stocks had made a one month high. This, despite the fact that negative sentiment was very high, a positive contrarian signal. He also noted that healthcare stocks, which have been severely lagging the rest of the market, had begun to outperform. This spreading out of market leaders was another good sign for the market.

And lastly, I always like to turn to the analysts at Sentimentrader.com to get their take on markets for the new year. On Jan. 21st, Jason Goepfert wrote that "2 popular sentiment surveys witnessed dramatic drops in bullishness among investors. After drastic weekly declines in optimism, the S&P 500 has tended to show above-average long term returns. This tendency was confirmed following a multi-day stretch with overwhelmingly positive breadth, as occurred last week (the week of Jan. 13th). Those implications have been favorable for the S&P 500 with few exceptions."

Your 2024 Tax Returns – It is important to remember that if you made charitable donations from your IRA account last year, you need to let your tax preparer know about this so that the total amount of these checks gets deducted from your taxable income. The 1099R form does not specify this. And 1099 forms for non-IRA accounts should be available from Schwab in the next week or so. *Jeff Feldman*