

Monthly Commentary 4th of February 2025

Global equity markets kicked off the year with notable gains, led by Europe and the U.K. The Eurostoxx 600 Index rose 7.42% in January, its best monthly performance in two years while the FTSE 100 had a gain of 5.80%, its best monthly performance since 2022. According to the Bank of America, this is the biggest rotation from US stocks (up 3.22% for the month) to Eurozone stocks in a decade as investors fled from richly valued tech stocks in favor of cheaper European defensive stocks such as pharmaceuticals, luxury retailers and banks. Last week's global tech sell-off sparked by the Chinese startup DeepSeek, has only accelerated this shift.

In the fixed income space global bonds were positive (up 0.74%). The ECB's decision to cut interest rates by 0.25% comes a day after the US Federal Reserve chose to keep US policy rates the same, reinforcing that Europe and the United States are on two very different paths. The ECB needs to be more accommodative because of the region's economic weakness, while the Fed can afford to take its time and assess the impact of new policies coming from the Trump administration.

In commodities gold and silver surged by 6.61% and 9% respectively. Gold prices rose to a lifetime high sparked by safe-haven demand due to U.S. tariff threats. Oil finished up by 1.41%.

The dollar as measured by DXY Index ended the month flat while bitcoin extended its gains to 11.76%

DeepSeek shakes up the AI industry

The last week of January was tough for some of the companies we invest in, especially Nvidia.

Also suffering from the AI news were Vertiv, Eaton, ASML, Dell, Micron and, to a lesser extent, Alphabet. We have also invested in these companies.

It is too early to tell the real consequences on these companies as a result of DeepSeek, but we thought it would be good to put together three "bearish" and three "bullish" takes from those that are more in the know than ourselves. Please take a break and sit and watch these short videos (links below). They last a total of about 30 minutes.

We are in the latter camp. We heard from one analyst (not one of the attached) who said that the Hyperscalers have been aware of DeepSeek since Christmas. And yet, as recently as last week, Meta and Microsoft confirmed their record Capex of \$65B and \$80B respectively for this year. These are huge amounts and the prime beneficiary will be Nvidia.



Having said that, we do not expect a V shape recovery and there might be a bit more pain. We don't know. No one does. But in our opinion, money goes to where the growth AND innovation is, and we do not see what might be different this time. We are exposed to both.

And by the way, portfolios did not suffer as much as we might have expected because we are well diversified in the equity space.

As for Nvidia's record plunge, we've seen this movie before. It's called the markets. Note that after the news, Nvidia had shed \$589B (not \$465B):

	Firm	Biggest single day market cap losses	Date
1	Nvidia	\$-465B	1/27/25
2	Nvidia	-279	9/3/24
3	Meta	-251	2/3/22
4	Nvidia	-228	1/7/25
5	Nvidia	-212	4/19/24
6	Nvidia	-208	6/24/24
7	Amazon	-206	4/29/22
8	Nvidia	-205	7/17/24
9	Nvidia	-205	7/24/24
10	Nvidia	-197	8/29/24

Source: Bloomberg

BEARISH:

1. The sell-off isn't a buying opportunity, says Stifel's Barry Bannister
<https://www.youtube.com/watch?v=0nl80CpxuW4>
2. Money manager Dan Niles suggests more trouble ahead as Nvidia sells-off over DeepSeek jitters
https://www.youtube.com/watch?v=oSc3fWTs_xk
3. Nvidia Selloff: Black Swan Author Nassim Taleb Says DeepSeek-Fueled Rout 'Is the Beginning'
<https://www.youtube.com/watch?v=cidH25tVggQ>



BULLISH:

1. Fundstrat's Tom Lee shares his thoughts on today's sell off and where to invest... Financials....
<https://www.youtube.com/watch?v=BUb41A8HT1A>
2. Nvidia still is the only game in town for the most powerful chips: Advisor Capital's JoAnne Feeney
<https://www.youtube.com/watch?v=W4FnKPCtp9M>
3. The DeepSeek panic sell-off is a golden buying opportunity for Nvidia, says Wedbush's Dan Ives
<https://www.youtube.com/watch?v=rOpJO7ZKqG8>

Happy listening,

The Elgin Analysts' Team

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