

THINGS TO WATCH

AI Training Costs and Cloud Growth
Comments from Alphabet (GOOGL) and Amazon (AMZN) on the potential impact of lower AI training costs in light of the recent efficiency advancements made by DeepSeek will be atop investors' minds this week. The duo reports quarterly results post-market on Tuesday (GOOGL) and Thursday (AMZN). The growth rate trajectories of the two companies' cloud computing segments will also be closely watched. AMZN's AWS division (\$107 billion of expected sales in 2024) has seen year-over-year growth of 17%-19% in recent quarters, while Google Cloud (trending toward \$43 billion of 2024 sales) has been growing at a 28%-34% annual clip.

Disney (DIS)
The entertainment giant's fiscal 1Q25 results Wednesday could show the box office success of Moana 2 and Mufasa offset hurricane-related weakness in its park and cruise units in the period. Profitability trends in DIS' streaming segment will also be closely analyzed by investors.

January Jobs Picture
The net addition to U.S. nonfarm payrolls in January (to be released Friday morning) is expected to be near 170,000 according to a Bloomberg survey of forecasters. This would be a deceleration from gains of 256,000 and 212,000 in the prior two months, but slightly above the monthly average of 158,000 in the second half of 2024. An update to the Bureau of Labor Statistics' models this month could result in significant revisions to reported payroll gains from March through December.

Gold
The precious metal's spot price pushed above \$2,800 per ounce for the first time ever last week. There were reports last Friday afternoon that JPMorgan planned to deliver \$4 billion of physical bullion to New York in February in anticipation of settling futures contracts that expire in coming weeks. Some commentators have pointed to growing concerns about escalating tariff disputes between the U.S. and major trading partners as a driver of gold's 8% gain over the last seven weeks.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
New Home Sales (Thousands Annualized)	698	726	▼
Building Permits (Millions Annualized)	1.48	1.43	▲
S&P CoreLogic CS 20-City U.S. HPI (Y/Y)	4.3%	5.2%	▼
GDP (Q/Q Annualized)	2.3%	3.1%	▼
Core PCE Price Index (Y/Y)	2.8%	2.7%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	44544.66	-0.38%	4.78%	17.38%
NASDAQ	19627.44	1.48%	1.66%	26.51%
S&P 500	6040.53	0.48%	2.79%	23.47%
MSCI EAFE	2379.76	0.01%	4.80%	8.77%
BB U.S. Aggregate	2200.64	0.18%	0.85%	2.68%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.28%	4.31%	5.36%
10-Year Treasury	4.54%	4.57%	3.91%

REPORTS DUE THIS WEEK	LATEST
ISM Manufacturing PMI	49.2
ISM Services PMI	54.0
JOLTS Job Openings (Millions)	8.10
Non-Farm Payrolls (Thousands)	256
Unemployment Rate	4.1%

Total returns are as of 1/31/25. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

\$5.58 million

According to Chinese AI startup DeepSeek, the cost to train its R1 large language model, which was released two weekends ago. If accurate, this would be 80%-90% less expensive than the estimated cost to train prominent closed U.S. AI models. A growing chorus of skeptics have questioned the validity of DeepSeek's training cost, suggesting the company may have spent much more than reported on advanced NVIDIA accelerator chips through illicit purchases via affiliates in Singapore.

33.5%

The contribution to Apple's (AAPL) total revenue over the last four quarters (\$296.37 billion) from the \$99.39 billion of sales in its higher-margin Services segment, which includes App Store, Apple Music, Apple TV+, iCloud, Apple Pay, and search licensing revenue from Alphabet (GOOGL). In its fiscal 1Q25 results released last Thursday, AAPL's Services segments' gross margin hit an all-time high of 75%, up from 68.4% five years ago and well above the 42%-48% gross margin range of its core iPhone business.

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