

## Emerging Junk in Demand - RIA

Bloomberg wrote a fascinating article showing that the speculative environment gripping crypto markets and some stocks has spread to the junkiest of junk bonds. Their article, [Traders Asking ?Why Not?? Rush Into Venezuela and Lebanon Bonds](#), speaks to ?a massive rally in emerging market junk bonds.? They focus on debt from Venezuela and Lebanon in particular. Both countries have significant inflation and have been near default for years. Investors will likely view these emerging market bets as a gamble with high payouts provided the respective countries reform. Per Bloomberg:

*They're long-shot bets that political turnarounds ? aided by expectations around President Donald Trump's policies in the case of Venezuela ? will open the door to an eventual debt restructuring.*

*?Prices are so low and eventually in the medium to long run they should pay off,? said Carl Ross, a sovereign debt analyst at GMO, which is taking a long-term approach to both places. ?There's also reason for pessimism but over the last couple of weeks there's more reason to be optimistic.?*

The graph below from the article shows the bond prices of Lebanon's 5-year sovereign bonds and Venezuela's 6-year sovereign bonds. Both trade at around 15 cents on the dollar. However, the price of Lebanese bonds has nearly tripled in the last few months. Besides reform to help improve prices, there is also a benefit if they default. They quote a Swiss bond manager who claims the recovery value of the bonds in the event of default could be ?a little over 30 cents.? If they avoid default, the bondholders will receive hefty coupon payments and eventually par. In the event of a default, investors could see an increase in value. While it may seem like a win-win scenario, it rarely turns out that way when something is too good to be true.

# Lebanon Bond Prices Surpass Venezuela's Amid Optimism


















## What To Watch Today

### Earnings

Tuesday Jan 28	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Raytheon Technologies <small>RTX:1</small>	1.38	1.29		20.53B	19.9B		\$167.99B	Q4	AM ★ 🔔
Stryker <small>SYK:US</small>	3.87	3.46		6.36B	5.8B		\$149.13B	Q4	PM ★ 🔔
Boeing <small>BA:US</small>	-1.74	-0.47		17.04B	22B		\$133.71B	Q4	AM ★ 🔔
Lockheed Martin <small>LMT:US</small>	6.58	7.90		18.84B	18.87B		\$119.22B	Q4	PM ★ 🔔
Starbucks <small>SBUX:US</small>	0.68	0.9		9.35B	9.43B		\$111B	Q1	PM ★ 🔔
Royal Caribbean Cruises <small>RCI</small>	1.49	1.25		3.76B	3.33B		\$67.07B	Q4	PM ★ 🔔
General Motors <small>GM:US</small>	1.72	1.24		42.73B	43B		\$62.19B	Q4	AM ★ 🔔
PACCAR <small>PCAR:US</small>	1.70	2.70		7.57B	9.08B		\$57.55B	Q4	PM ★ 🔔
Kimberly Clark <small>KMB:US</small>	1.51	1.51		4.86B	5B		\$42.95B	Q4	AM ★ 🔔
Sysco <small>SY:US</small>	0.92	0.89		20.11B	19.29B		\$36.76B	Q2	PM ★ 🔔
Synchrony Financial <small>SYF:US</small>	1.89	1.03		3.84B	4.54B		\$28.65B	Q4	PM ★ 🔔
Archer-Daniels Midland <small>ADM:US</small>	1.20	1.36		22.8B	22.98B		\$24.12B	Q4	PM ★ 🔔

### Economy

Tuesday January 28 2025			Actual	Previous	Consensus	Forecast	
07:30 AM	US	Durable Goods Orders MoM DEC		-1.1%	0.8%	0.5%	
07:30 AM	US	Durable Goods Orders Ex Transp MoM DEC		-0.1%	0.4%	0.4%	
07:30 AM	US	Durable Goods Orders ex Defense MoM DEC		-0.3%		0.4%	
07:30 AM	US	Non Defense Goods Orders Ex Air DEC		0.7%	0.3%	0.3%	
07:55 AM	US	Redbook YoY JAN/25		4.5%			
08:00 AM	US	S&P/Case-Shiller Home Price YoY NOV		4.2%	4.2%	4%	
08:00 AM	US	House Price Index NOV		432.3		433	
08:00 AM	US	House Price Index MoM NOV		0.4%	0.2%	0.3%	
08:00 AM	US	House Price Index YoY NOV		4.5%		4.3%	
08:00 AM	US	S&P/Case-Shiller Home Price MoM NOV		-0.2%		-0.1%	
09:00 AM	US	CB Consumer Confidence JAN		104.7	106	104	
09:00 AM	US	Richmond Fed Manufacturing Index JAN		-10	-8	-8	
09:00 AM	US	Richmond Fed Manufacturing Shipments Index JAN		-11		-9	
09:00 AM	US	Richmond Fed Services Revenues Index JAN		23		21	
09:30 AM	US	Dallas Fed Services Index JAN		9.6		9.5	
09:30 AM	US	Dallas Fed Services Revenues Index JAN		13.8		13	

## Market Trading Update ? The Clock Has No Hands

There was a lot of [panic yesterday](#) over the DeepSeek announcement, which hit some of the high-flying AI stocks fairly hard. I do a fairly deep dive into what we know about DeepSeek in today's blog post.

However, the big question for everyone is whether this event causes the market to reprice everything. No one knows, nor do they ever. This past week, Jason Zweig had a great commentary in the WSJ:

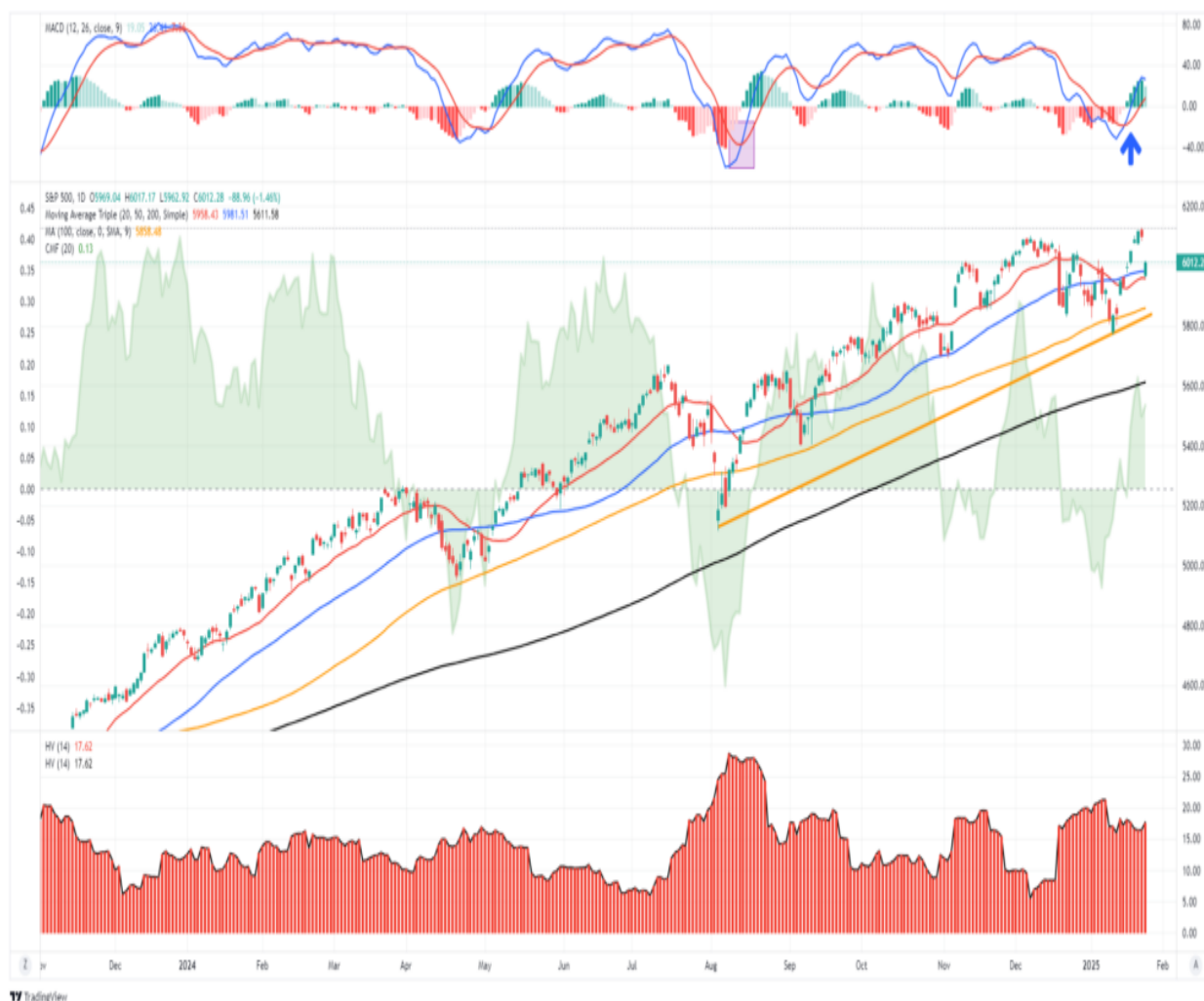
*?Whenever markets feel euphoric ? like, say, right now! ? I?m always haunted by a paragraph Goodman wrote in the late 1960s, during a mania that came to be known as ?the great garbage market.? Here it is, as published in his 1972 book?2013266080;Supermoney:?*

We are all at a wonderful ball where the champagne sparkles in every glass and soft laughter falls upon the summer air. We know, by the rules, that at some moment the Black Horsemen will come shattering through the great terrace doors, wreaking vengeance and scattering the survivors. Those who leave early are saved, but the ball is so splendid no one wants to leave while there is still time, so that everyone keeps asking "What time is it? What time is it?" but none of the clocks have any hands.

*?I'm not saying that the bull market is about to end. However, you should always seek to take the other side of the trade from the market's dominant emotion. **As other people verge on ecstatic, you should become more skeptical.** After decades of learning about market booms and busts throughout history, **it seems to me that one of the universal laws is that the smarter investors are, the more they believe they're smart enough to scale back on an overvalued market before it's too late.***

*They think that by constantly asking 'What time is it?' they're learning whether there's still time to make money. What they should be reminding themselves, before it really is too late, is: 'But none of the clocks have any hands.'*

That said, it is too soon to make sweeping decisions about portfolio holdings, particularly given that stocks like META and AAPL performed very well. At the same time, NVDA and GEV were hit hard. Overall, the selloff was not what you would expect if this was 'THE' event that caused a sea change in market expectations. The market held firmly above the 50 and 20-DMA, and the 'buy signal' remains intact. As we have suggested over the last two weeks, managing risk and rebalancing portfolios helped us weather the selloff well today.



As we noted yesterday morning, give the market a few days to settle down, and then we can pick through the rubble to find some opportunities. Currently, 'no one knows what time it is,' despite how confidently they say it.



## DeepSeek AI Sparks Panic Over AI Spending

DeepSeek, a Chinese Hedge Fund's AI model, is emerging as a top contender for the world's most powerful AI models. The model is only about 90% as accurate as the leading models developed OpenAI and Google. However, according to the [WSJ](#), the developers claim the cost to train its latest model was only \$5.6 million. This represents a minuscule amount compared to some US companies' \$100 million to \$1 billion cost estimates. Furthermore, if the US export ban on advanced semiconductor chips works as planned, then the DeepSeek model was trained without access to cutting-edge technology from NVDA and with fewer chips. Thus, US developers may be overspending on AI infrastructure.

This revelation sparked a panic in US markets over the valuations of producers of semiconductor chips and other AI infrastructure. Shares of NVDA declined by more than 15% at one point yesterday as investors reassessed emerging risks to the stock's valuation premium. If competitive models can be developed at a fraction of the price, with a fraction of the computing power, then NVDA will suffer a decline in pricing power and future growth expectations. However, some AI experts doubt whether the DeepSeek model was trained with more computing power than the developer has stated. Skepticism of DeepSeek's efficiency may be warranted, as its research paper has yet to be substantiated by peer review.

U.S. stock indexes, past three sessions



## The Essential Guide to Tax-Efficient Planning

By strategically managing your income, investments, and distributions, you can maximize your savings and keep more of your hard-earned money working for you. [Tax efficiency](#) isn't about avoiding taxes altogether but rather making informed decisions to optimize your financial plan within the scope of the law.

This guide delves into the core principles of tax-efficient financial planning, from leveraging tax-advantaged accounts to understanding how to minimize taxes on your retirement withdrawals. With these strategies, you can confidently align your financial goals with effective tax management, ensuring a more secure and prosperous future.

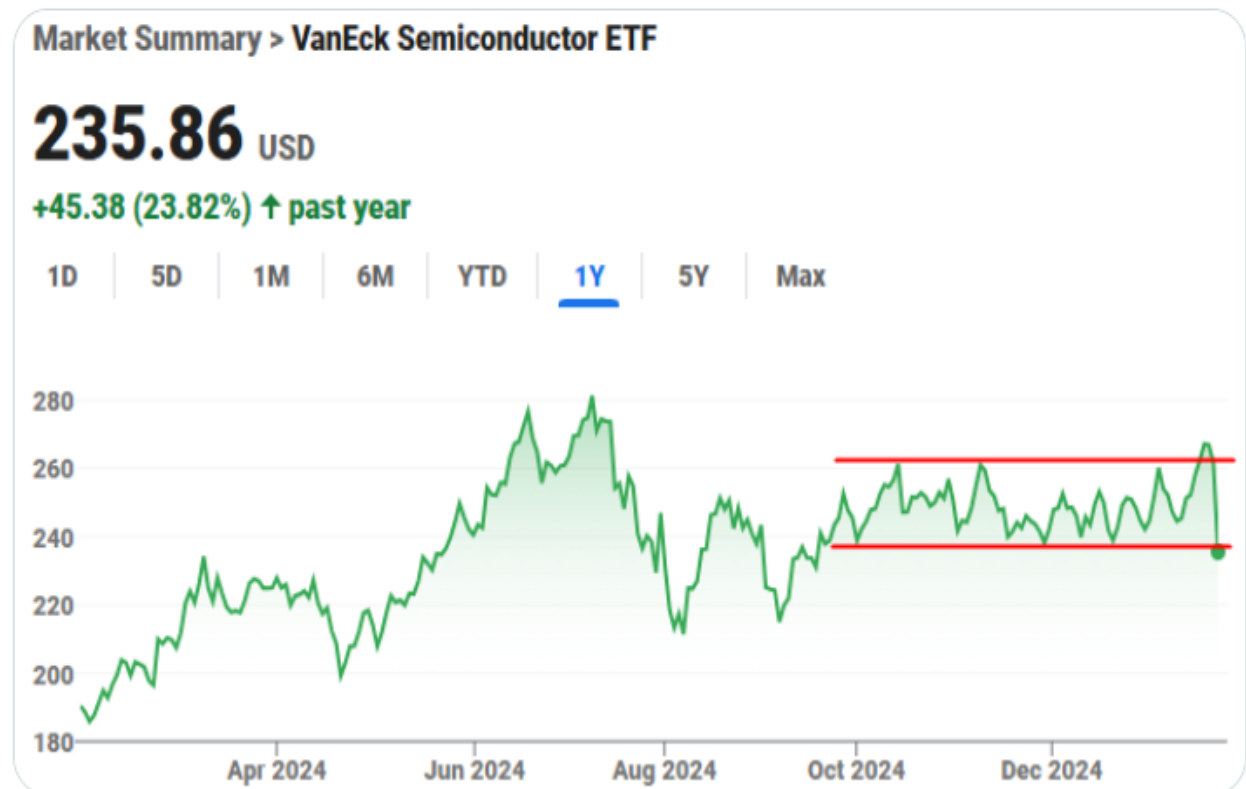
[READ MORE?](#)

---

## Tweet of the Day



What a wild chart for the semis ETF \$SMH:



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

*If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*