

Market Summary 2nd Quarter 2025: It was a head spinning Quarter, with stocks coursing a roundtrip move of over 25% and ending at new all time highs. Similar to the COVID crash, the recovery time for markets is speeding up to span weeks instead of months. A week after the dramatic selloff from ‘Liberation day’, the markets began to rebound as it became clear the proposed extreme tariffs rates were used only as a negotiating tool. In addition, a 90 day delay on implementing tariffs gave businesses and markets breathing room to adapt. The tactic was effective and brought a positive response from most countries. Trade deals were inked with China and the UK. For stocks, Growth sectors trounced Value sectors by nearly four-fold. In particular, Technology stocks, which had severely lagged during the first quarter, lead strongly as a weakening dollar (near three year lows) is expected to provide a boost to the earnings of those companies relying on foreign sales. Meanwhile, bonds also rallied on hopes of big rate cuts despite Chairman Powell’s position to hold rates steady until further clarity on the effects of tariffs on inflation. The Fed is forecasting slower growth of 1.5% and higher inflation (above 3%). Also, analysts have revised down the 12 month earnings growth forecast from +9% to +5% and S&P 500 valuation (P/E) is back near its highs of 22. With the stock market sitting at new all time highs, some adjustment in the data or markets is probable.

| Index Returns: | QTD | YTD | | QTD | YTD | | QTD | YTD |
|----------------------------|--------|--------|--------------------|--------|--------|-----------------------------------|-------|-------|
| S&P 500 (SPY) | 10.78% | 6.05% | U.S. Growth (SCHG) | 16.77% | 5.02% | U.S. Short Bond (BSV) | 1.50% | 3.45% |
| S&P 500 Equal Weight (RSP) | 5.34% | 4.63% | U.S. Value (SCHV) | 4.66% | 7.27% | Intermediate Aggregate Bond (AGG) | 1.28% | 4.05% |
| Foreign Developed (MAIIX) | 11.66% | 20.20% | Small Blend (IWM) | 8.47% | -1.85% | High Yield Bond (HYG) | 3.74% | 5.03% |

Market Outlook: Resilient. The outlook for the equity market continues to be optimistic as both data driven fundamental numbers and investor sentiment appear positive. Investors shrugged off the potential fears driven from the April 2nd Tariff announcements, and remained unmoved by the Israel-Iran War. With the hopes of future tariff de-escalation and tax breaks from the congressional bill, *‘the fear of missing out’* has boosted equity markets to new highs. In summary, the third quarter market direction will be determined by how and when the tariffs are implemented as well as fiscal budget redesign. At the same time earnings growth will need to accelerate to keep pace with the high levels of equity prices.