

MARKET COMMENTARY – July 1, 2025

*All joys I bless, but I confess
There is one greatest thrill:
What the dentist does when he stops the buzz
And puts away the drill. ~Christopher Morley*

It's fair to say we find ourselves living in a monumental decade. Thus far in 2025 events roiled and conspired to heap upon themselves one after another until the news blurred before our eyes. China's Deep Seek AI hullabaloo in January. DOGE bed-wetting in February. Japanese interest rate increases in March. Tariff panic in April. Negotiation, relief, and recovery in May. United States budget battles and a new front in the Israel/terrorist war in June. These days we like to run entire scenarios of earth-shaking affairs in one 24-hour news cycle. It's all quite thrilling.

In hindsight, we thought these incidents might offer a glimpse for new and experienced clients into how and why we invest the way we invest. Or, more precisely, why we react to news the way we do.

First, it is important to note that not all news is actually news at all. Most news pertains to very few of us. We spend much of our time reading or watching news determining what can be discarded and what can be kept for deeper, future research. Hopefully, it comes as no surprise that most news is simply noise and therefore thrown away.

Some of the episodes above, after studying, we ignored because despite short-term swooning stock prices, the actual effect on long-term value to our clients was likely to be negligible. Consternation over Deep Seek and DOGE fell into this category. Mostly big bags of nothing. We made no changes to portfolios.

Another war opening up in the world was a big deal and we spent time understanding motivations and capabilities of all sides. We determined that if the tragic conflict could be kept regional or smaller, the effects on our clients could be small. The tariff kerfuffle was similar in that if escalations were kept in check, true economic impacts would be manageable. Therefore, with only minor shifting for risk averse clients, we held to strategic targets.

Readers might find it curious then that the two events listed in the opening paragraph that have caused us to change portfolios the most have been the Japanese rate increases and the US budget proposals. On their face, these should seem very mundane things. But remember, we live in a monumental decade, and things aren't always what they seem.

Japan has had their interest rates set at zero for many, many years. Last year, they eliminated that longstanding policy. This year as their rates climbed out of the basement, the Yen (and some other currencies) began looking more attractive to investors compared to the US dollar, which had been exceptionally strong for many years. The dollar weakened, making investments abroad more profitable for clients. We began adding back international stock holdings to client portfolios earlier this year. Of course, we do not know with certainty that now is the exact proper time for re-entry. But we do know we correctly avoided them for much of the past decade and that was the right call. We also know that compared to many US stocks, foreign stocks offer exceptional value.

Similarly, the projected large spending and corresponding growing deficits for the US means that at the margin, the dollar could continue its weakening trend. This could occur not only against foreign currencies, but also the new cryptocurrencies as well as precious metals. We began layering in small holdings of gold earlier this year to counteract some of the mayhem our Congress seems bent on inserting into our portfolios.

And so, all the so-called news is thrilling, perhaps. But, as in Morley's short verse above, might not the greatest thrill be to put away the incessant buzz of the news of seven billion other people and focus on more impactful things with long term consequences? That is certainly what we aim to do.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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