

## Market Commentary –Second Quarter of 2025

U.S. stocks soared in the second quarter, with both the S&P 500 and Nasdaq reaching all-time highs. Since the April 8<sup>th</sup> market lows—largely driven by tariff announcements—the S&P has rallied 23%. Leading sectors included Information Technology, Communication Services, and Industrials, while Energy, Health Care, and Real Estate lagged behind.

The table below shows second quarter and trailing twelve months' returns as of 06/30/2025 (percentages are for total returns):

Time Period	Dow Jones Industrial Average	S&P 500 Index	Nasdaq Composite	Barclays U.S. Aggregate Bond
Second Quarter	5.5%	10.9%	18.0%	1.2%
Last 12 Months	14.7%	15.2%	15.7%	6.1%

### Equity Markets

Markets rebounded swiftly from the Liberation Day sell-off at the quarter's start, spurred by a pause in tariffs. The S&P 500 delivered a robust 10.9% total return for the quarter. Technology stocks surged amid booming interest in AI, propelling Nasdaq to an 18.0% gain. This marked the fastest recovery to a record close following a 15% decline, a testament to the strength of tech companies, whose solid balance sheets and strong cash flows continue to provide resilience against market volatility. Despite the volatility and uncertainty, investor sentiment turned optimistic by quarter end.

### Fixed Income Markets

The path forward is not without volatility for fixed income. The Federal Reserve's evolving posture on interest rates absolutely adds complexity for bond investors. It is now expected that there will be 1-2 rate cuts this year starting in September. Yields remain attractive for bonds, near 5% for corporate bonds, which is good for investors seeking a higher level of stability and income. The total return on Municipal bonds is slightly lower but remain appealing for high-income investors due to their tax-exempt nature. We invest in premium-grade municipal bonds in personal accounts only when there's a clear tax advantage—aligning with our commitment to tailored, tax-efficient strategies for clients with significant income.

### Economic Outlook and Portfolio Strategy

As we move into the second half of the year, investor sentiment is tempered by several uncertainties: rising geopolitical tensions, evolving immigration policy implications for labor markets, and the inflationary impact of shifting tariffs. The recent passage of the *One Big Beautiful Act*—a sweeping tax and spending initiative—adds further complexity. The legislation focuses on personal income tax reductions, which may drive investment spending and luxury consumption, while expanding defense budgets and tightening immigration laws. Despite these headwinds, the economy continues to show resilience. The latest jobs report beat expectations, highlighting declining unemployment and strong job creation.

In response, our portfolio strategy remains rooted in discipline and strength and adhering to your personal investment guidelines and time horizon. We are committed to building diversified portfolios centered around high-quality companies with solid earnings, strong cash flows, and sound balance sheets. We avoid knee-jerk reactions to headline volatility, focusing instead on long-term financial planning, thoughtful asset allocation, and continued investor education.

As your wealth advisor, we are here to navigate this complex landscape with you. We look forward to connecting soon—whether through a live meeting, voice call, or video conversation.