



Benchmark Returns as of June 30, 2025

	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	5.09%	6.20%	Bloomberg Aggregate Bond Index	1.54%	4.02%
Dow Jones Industrial Average	4.47%	4.55%	Developed International	2.20%	19.45%
Nasdaq	6.64%	5.85%	Emerging Markets	6.01%	15.27%

Ending the First Half on a High Note

U.S. equities continued their remarkable comeback in June, overcoming concerns about inflation, trade tensions, and geopolitical events. The S&P 500 has surged more than 20% from the tariff-related disruptions in early April, driven by strong earnings from major tech companies and growing optimism about potential tax cuts. The benchmark index set a new all-time closing high on the final trading day of June, with gains of 5.1% for the month and 6.2% year-to-date.



GEOPOLITICAL EVENTS

The 12-day conflict between Israel and Iran in June triggered a sharp selloff in global stock markets. Major indices dropped by up to 1.8%, while oil prices surged by over 10% amid fears of supply disruptions and broader regional escalation. However, these fears subsided as a ceasefire was announced. As oil supply concerns eased, prices retreated to levels below those seen before the conflict. Investors and policymakers continue to monitor the situation closely for any renewed hostilities.

INFLATION & THE FED

The Consumer Price Index rose 2.4% year-over-year in May, while the Fed-favored PCE price index for May increased 2.3%. Despite these muted inflation reports, the Federal Open Market Committee (FOMC) remains concerned that tariffs could drive future inflation. It was no surprise, then, that the June 17-18 FOMC meeting ended with the fed funds rate unchanged at 4.25% to 4.50%.

The FOMC's caution reflects a risk-management approach. Even without current evidence, historical models, business warnings, and the mechanics of trade taxes suggest inflationary risks are significant and delayed—not absent.

The next Federal Reserve rate decision will be announced on July 30. At the time of writing, according to the CME FedWatch rate tool, the odds are low for a July rate cut. However, the odds jump significantly for a cut at the subsequent meeting on September 17.

TRADE TENSIONS, TAXES, AND TREASURIES

Some of investors' trade-related uncertainties have been alleviated with the announcements of a limited trade agreement with the United Kingdom and a formal agreement with China. Negotiations with over a dozen other major trading partners remain unresolved ahead of a July 9 deadline. The potential for steep tariff increases could introduce renewed market volatility.

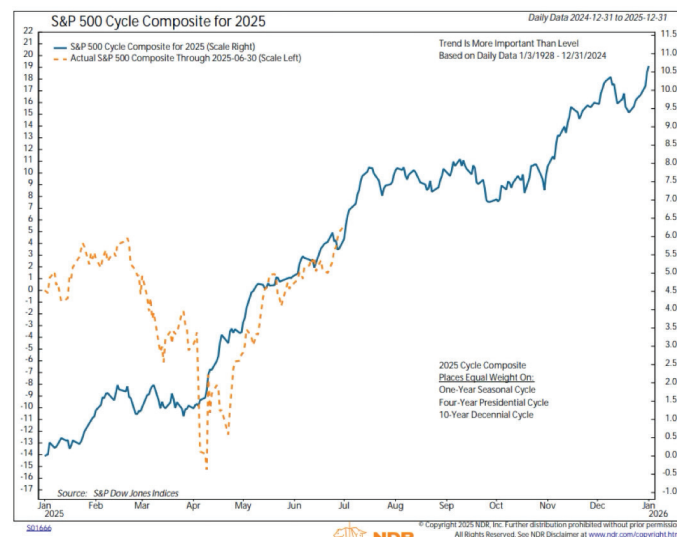
Investors are also awaiting clarity on the sweeping tax-cut and spending bill that is working its way through Congress. The bill makes the 2017 tax cuts permanent, reducing federal revenues more than it cuts spending. This has sparked concerns about a ballooning fiscal deficit that could threaten America's historical status as a safe haven, for example, U.S. Treasury securities recognized as the world's risk-free asset.

An immediate fiscal crisis is unlikely, but investor sentiment remains cautious due to concerns over the cost of servicing a heavy debt burden and the longer-term erosion of U.S. economic leadership.

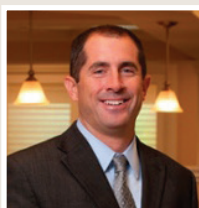
RISK FACTORS AND MARKET OUTLOOK

The U.S. financial market experienced a notable rebound in June 2025, with major stock indices reaching record highs, Treasury yields fluctuating amid fiscal concerns, and geopolitical events influencing investor sentiment. On balance, investors are cautiously optimistic about the outlook for the remainder of 2025. While risks such as high interest rates and geopolitical uncertainties persist, the resilience of the U.S. economy - particularly in the technology sector - along with expectations of potential interest rate cuts could support continued market gains.

Thus, the halfway point of 2025 provides a good opportunity to review the Ned Davis Research S&P 500 Cycle Composite, shown below. Heeding NDR's disclaimer that "trend is more important than level", there is historical precedent for continued gains by the S&P 500 in the second half of the year.



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