

STIFEL

July 1, 2025

Name]
[Address]
[City], [State], [Zip]

Dear [Name]:

MAJOR MARKET INDEXES 2025

	<u>2nd QTR</u>	<u>YTD 2025</u>
S&P 500 Index (TR)	+10.94%	+ 6.20%
Dow Jones Industrial Average (TR)	+ 5.46%	+ 4.55%
Nasdaq (Price only)	+17.75%	+ 5.48%
MSCI All Country World Index (Net, USD)	+11.53%	+10.05%
MSCI All Country World Index ex USA (Net, USD)	+12.03%	+17.90%
Bloomberg U.S. Aggregate Bond Index (TR)	+ 1.21%	+ 4.02%
Bloomberg Muni Bond Index (TR)	- 0.12%	- 0.35%

Sources: Stifel. TR = Total Return, Net = Net Return, USD = U.S. Dollar

The price action in U.S. equities has been nothing short of extraordinary this year. Similar to this year's first quarter, U.S. equity markets swung wildly up and down in the second quarter as investors reacted to the Trump administration's on-one-day, off-the-next tariff fight with our nation's largest trading partners. After entering correction territory in mid-March with the *S&P 500* enduring a fall of 10.1% from its closing all-time record high on 2/19/2025, the *Index* fell sharply at the start of the second quarter, after President Trump, invoking the *International Energy Economic Powers Act (IEEPA)*, announced sweeping tariffs on foreign imports at a *White House Rose Garden* ceremony on Wednesday, April 2 (i.e., dubbed "*Liberation Day*" by the President). The new tariffs consisted of a 10% baseline tariff on virtually all imports arriving in the U.S. effective April 5 and additional rates between 11% and 50% (i.e., "reciprocal" tariffs) applied to nations with which the U.S. had the largest trade deficits, starting April 9. China retaliated by also lifting tariffs – the back and forth between the world's two largest economies led to a tariff of 145% on Chinese goods and 125% on American goods. For some perspective, tariffs measured approximately 2.4% last year.

In the two trading days that followed "*Liberation Day*," Thursday, 4/3 and Friday, 4/4, the *Dow Jones Industrial Average (DJIA)* and *S&P 500 Index* shed 3,910 points or -9.3% and 597 points or -9.7%, respectively. The two-day fall was one of the markets' worst two-day declines, only surpassed by the *COVID-19* pandemic in 2020, the collapse of *Lehman Brothers* in 2008, and the October 1987 market crash. By the following Tuesday's close, April 8, the *S&P 500* was down 18.9% from its record close on 2/19/2025, a "whisker" away from a bear market (i.e., a bear market is defined as a fall of 20% or greater from a recent market high). On Wednesday, April 9 the President announced a 90-day pause on new tariffs above the 10% baseline to allow time for negotiations. The exception was China with the U.S.'s 145% and China's 125% tariffs remaining in place. The massive tariffs being applied by both

July 1, 2025

countries virtually halted \$580+ billion in annual trade between them. On May 12 the U.S. and China also agreed to a 90-day pause for negotiations. The equity markets rallied sharply after each of the Trump administration's tariff "walk-backs." While the previously mentioned decline in stock prices felt very much like a "meltdown," the ensuing rebound was an even greater "melt-up." Remarkably, all three major equity indices made up all their losses with the *S&P 500* and the *Nasdaq* closing the quarter at all-time record highs (i.e., at quarter's end the *DJIA* was 2.17% below its 12/4/2024 all-time record high). Through the year's first half the returns on all three indices are now firmly positive after being negative at the end of the first quarter.

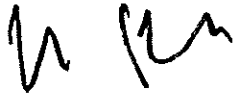
Global and international equity markets, as measured by the *MSCI ACWI* and *MSCI ACWI exUSA Indices* similarly experienced turbulent ups and downs but also managed to post solid gains in the second quarter. YTD returns continue to compare favorably to those in the U.S. as many central banks around the world have been cutting interest rates to support their economies (i.e., *European Central Bank*, *Swiss National Bank*, *Bank of Canada*, *Bank of Mexico*, *Sweden Central Bank*, etc.). A weaker U.S. \$ has also served as a tailwind to returns (i.e., when the U.S. dollar is weakening foreign assets and earnings are worth more in dollar terms).

On the fixed income front the *Federal Reserve (Fed)* at each of its four meetings this calendar year has held interest rates steady, maintaining the fed funds target range at 4.25% - 4.50%. The *Fed* is trying to determine if cost increases from tariffs will reignite inflation. Year-over-year *Consumer Price Index* readings for March, April, and May came in at 2.39%, 2.31%, and 2.35%, respectively. While these levels remain modestly above the *Fed's* 2% target, they are the lowest since February 2021, when vaccines for *COVID-19* were first being administered and our economy was reopening. The milder inflation trend would typically support the *Fed* to cut interest rates, but it has thus far chosen to stand pat over concerns that businesses will pass along the cost of higher import "taxes" (i.e., tariffs) to consumers. The decision to keep rates unchanged was unanimous at the *Fed's* most recent meeting on June 17-18, but there appears to be division over the path forward. Among the 19 members on the *Federal Open Market Committee (FOMC)*, 10 participants penciled in at least two rate cuts this year, seven no cuts, and two one cut (i.e., cuts have typically been in ¼% increments). The benchmark *10 Year U.S. Treasury* closed out the 2nd quarter at a yield of 4.23% (i.e., almost unchanged from the 1st quarter's close of 4.25%) 'vs.' 4.58% at the start of the year.

Investor sentiment and confidence have gyrated wildly this year, seemingly rising and falling week by week, day by day, and even hour by hour, namely over news headlines on tariffs/trade negotiations, the status of the President's "*Big, Beautiful Bill*" that would extend the *2017 Tax Cuts and Jobs Act* (i.e., which would otherwise expire at the end of this calendar year), not to mention, the recent 12-day war between Israel and Iran (i.e., will the cease fire hold?), as well as, the continued wars between Russia and Ukraine and Israel and Hamas. Uncertainty, always the operative word when it comes to investing, is not likely to wane or lessen in the weeks and months ahead. To say the least, "things" remain exceedingly fluid.

Please let me know if you have any questions. All the very best!

Best regards,



John A. Gogolak
Senior Vice President/Investments



Alec C. Jones
Senior Vice President/Investments

S&P 500 Index: Standard and Poor's 500 Index covers 500 industrial, utility, transportation, and financial companies of the U.S. markets (mostly NYSE issues).

Dow Jones Industrial Average: Covers 30 major industrial companies traded on the New York Stock Exchange (NYSE). It is a price-weighted arithmetic average, with the divisor adjusted for stock splits. The index is calculated on both a price change and a total return basis.

NASDAQ Composite: This composite index covers approximately 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest stocks listed on the NASDAQ. It is a value-weighted index calculated on price change only and does not include income.

The MSCI All Country World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

The MSCI All Country World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the U.S.) and 25 Emerging Markets (EM) countries.

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), and ABS and CMBS (agency and nonagency).

Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results, and no one can predict the markets with any certainty. Index returns include the reinvestment of dividends, except where noted, but do not include adjustments for brokerage, custodian, and advisory fees. There are no guarantees that the objectives of the strategies mentioned above will be met.

There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Income from particular municipal bond issues may or may not be subject to state and alternative minimum taxes. Capital gains tax may apply if sold prior to maturity.