As good as it gets? From the tariff tantrum on April 2, to fresh new highs in the S&P 500 and the NASDAQ, it was quite a quarter. Solid economic data and corporate earnings suggested that economic growth is continuing. Equity markets rebounded as the actual tariffs enacted so far were less punitive than initially expected and bond vigilantes retreated as bond values rebounded and yields declined. For the quarter, the S&P 500 was up 10.9%, the NASDAQ was up 17.8% and the DJIA was up 5.5%. The Bloomberg Aggregate Bond Index was up 1.2% Large and small cap growth continued to outpace value and all the international markets were positive. All the bond categories were positive with the exception of long-term government and municipal bonds.

Some policy uncertainty has been resolved with the passage and signing of the tax and spending bill that will extend the 2017 tax cuts. The law will restore some of the SALT deductions, allow no tax on tips, overtime and loans on new cars made in American up to certain limits. Additionally, work requirements will be implemented for Medicaid, some clean energy credits will end and a new tax deduction for seniors, with income limits, has been enacted. The impact of this bill on the deficit is controversial. Proponents feel the bill will stimulate economic activity and increase tax revenue while critics are concerned that extended lower tax rates and additional income deductions will increase the deficit.

The outlook on tariffs as of this writing remains somewhat unclear as it is uncertain whether or not the

July 9th deadline given to some countries will be extended or enforced. It is also unclear how the

resolution of the tariff issue will impact inflation and the Feds policy stance.

On the International front, the war in Ukraine rages on as neither party seems interested in finding a diplomatic solution. In the Middle East, the attack on Iran, at least for now may have set the stage for a reset and a diplomatic solution. Hamas has accepted a framework for peace with Israel that could end the conflict there.

Second quarter and full year results are detailed below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending**  **6/30/2025** | **12 MONTHS Ending**  **6/30/2025** | **THREE YEARS Ending**  **6/30/2025** | **FIVE YEARS Ending**  **6/30/2025** |
| **DJIA** | 5.5% | 14.7% | 15.0% | 13.2% |
| **S & P 500** | 10.9% | 15.2% | 19.7% | 16.6% |
| **NASDAQ Composite** | 17.8% | 14.9% | 22.7% | 15.2% |
| **Bloomberg Agg. Bond** | 1.2% | 6.1% | 2.6% | -0.7% |
| *Mutual Funds* |  |  |  |  |
| Domestic |  |  |  |  |
| *Large Cap* |  |  |  |  |
| Growth | 17.1% | 16.9% | 23.4% | 14.8% |
| Value | 4.1% | 12.3% | 12.7% | 14.0% |
| *Small Cap* |  |  |  |  |
| Growth | 10.5% | 8.0% | 10.8% | 8.0% |
| Value | 4.7% | 5.2% | 9.2% | 14.3% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| International |  |  |  |  |
| Europe | 12.9% | 20.4% | 17.0% | 12.0% |
| Latin America | 16.2% | 15.1% | 11.5% | 8.8% |
| Japan | 10.8% | 15.7% | 16.8% | 10.2% |
| Pacific ex Japan | 12.0% | 17.4% | 8.6% | 6.2% |
| China | 3.8% | 25.1% | -2.5% | -0.7% |
| India | 9.2% | 2.6% | 15.1% | 17.2% |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **QUARTER Ending**  **6/30/2025** | **12 MONTHS Ending**  **6/30/2025** | **THREE YEARS Ending**  **6/30/2025** | **FIVE YEARS Ending**  **6/30/2025** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Corporate Bond |  |  |  |  |
| Long | 0.9% | 5.3% | 2.1% | -2.5% |
| Intermediate | 1.2% | 6.0% | 2.6% | -0.5% |
| Short | 1.6% | 6.5% | 4.6% | 2.2% |
| Government Bond |  |  |  |  |
| Long | -1.2% | 1.6% | -4.5% | -8.2% |
| Intermediate | 1.1% | 5.9% | 1.9% | -0.9% |
| Short | 0.9% | 5.2% | 3.2% | 1.0% |
| Municipal Bond |  |  |  |  |
| Long | -0.9% | -0.1% | 2.4% | 0.4% |
| Intermediate | 0.3% | 1.6% | 2.7% | 0.7% |
| Short | 0.9% | 3.4% | 2.8% | 1.4% |

**Market Outlook**

The Dow Theory remains in bear territory as the Dow Transports have failed to reach new highs to confirm the move upward in the Dow Industrials. This measure, however, can change very quickly. Leading economic indicators, while still trending downward, were moderated due to the recovery in stock prices. Other indicators of market weakness were evident including increasing consumer pessimism, slowing consumer spending, weaker new manufacturing orders and the 2nd consecutive month of rising initial jobless claims. Growth in GDP is forecast to be 1.6% for 2025 which is lower than 2024. The Federal Reserve is still expected to make two interest rate cuts later this year. Decisions on tariffs and interest rates will impact the outlook for growth this year and next.

We recommend that investors maintain their asset allocation target and keep cash/bond investments in the short to intermediate range.

**MSM FINANCIAL STRATEGIES**

**July 7, 2025**

*@Copyright 2025 MSM Financial Strategies*