Quarterly Recap
Q2 2025

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Summary: The second quarter of 2025 was a reminder of why patience and perspective matter in investing. Headlines about tariffs, trade, and international conflicts bombarded investors almost daily. Despite this, the economy showed signs of continued strength and the S&P500 bounced back from temporary worries to end the quarter near all-time highs.

Five Key Things to Know About Q2 2025

1. Markets Rewarded Discipline

In the span of about 3 months the S&P500 fell roughly 18%, and made a full recovery. Early April saw steep declines as the Trump administration unveiled new tariff policies. After an announcement to delay these tariffs, the S&P 500 posted a single day gain of 9.52%, enough to claim a spot in the list of top 10 largest single-day gains in history[1]. Despite the large ups and downs, staying invested made the market swings a non-event.

Date	Price Change
2-Apr	-4.84%
3-Apr	-5.97%
8-Apr	9.52%

S&P 500 (SPX) Largest moves in April
Source: investing.com

2. Uncertainty Made Investors More Value-Conscious

US Stocks reacted differently to Q2 headlines. Growth sectors, often priced at a premium, fell sharply and underperformed value sectors by around 20% at the height of the market selloff. Major technology focused members of the S&P500 were down over 30% (NVDA, AAPL, AMZN), only to rebound shortly thereafter[1]. Another value-conscious market, international stocks, continue to outperform the US by double digits. Despite their recent rally, they are still at a valuation discount to US stocks.

3. External Events Can Be Short-Lived

News of escalating Israel-Iran tensions in June had a minor effect on the US stock market, only falling 1-2% in choppy trading. Brent Crude Oil prices reacted strongly however, running up from $64 to $75 (+17%) in the surrounding days, but quickly fell back to the mid 60's days later[1]. Geopolitical tensions are a constant source of volatility for global stock markets…but it is important to focus on how/if these events affect the underlying economy. If economic indicators stay on course, the market tends to self-correct.

4. Economic Indicators Were Sound

<u>Unemployment:</u> 147,000 jobs were added in June, with unemployment holding steady at 4.1%[3]. Strong employment means more people have steady paychecks to spend on goods and services, which is particularly important for the US economy: in Q1, consumer spending made up approx. 68.3% of GDP[2].

<u>Corporate Earnings:</u> S&P500 earnings are projected to grow roughly 8.7% in 2025, above their 25-year average of 7.3%[2]. In Q2, 78% of S&P500 companies exceeded earnings expectations, supporting analysts' stronger outlook[4]. Rising earnings reflect healthier corporate profits — a positive sign of economic growth.

5. Federal Reserve Maintained Steady Course – Citing Uncertainty

Interest rates held at 4.25-4.5% while inflation declined to 2.4%—nearly hitting the Fed's 2% target[5]. Though tariffs have dominated headlines, their impact on inflation data is yet to be seen. In recent remarks, Jerome Powell described the economy as in a "solid position" but cited persistent uncertainty, and reinforced their wait-and-evaluate approach. The more stable and predictable the Fed's approach, the more confidence businesses and investors have to make long-term decisions.

Chart of the Quarter: The Recovery Story

The S&P 500's journey from in Q2 tells the most important story. Despite a sharp 18% decline from its Q1 high, the index fully recovered and set new records by late June.

Looking Forward:

The combination of steady job growth, moderating inflation, and strong corporate earnings provides a solid foundation for the rest of the year. Even so, it is important to always be prepared for more volatility. Escalating geopolitical tensions and inflation resurgence due to the delayed effect of tariffs could provide near-term headwinds for the stock market. Looking at current valuations - US stocks are "expensive" compared to their own history: The top ten S&P500 stocks are trading at 28.8x their earnings vs. a thirty-year average of 20.7x. In addition, they make up a record 38.2% of the S&P500's market capitalization[2]. For now, positive earnings reports have backstopped valuation concerns and investors seem confident they can continue to do so for the rest of 2025.

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Sources

[1]Investing.com, [2]J.P.Morgan, [3]Bureau of Labor Statistics, [4]S&P Global, [5]St. Louis Fed, as of 6/30/2025

Definitions

The S&P500 Index - is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Brent Crude - is the price barometer for ~80% of global crude oil, and is based on a basket of crudes extracted in the North Sea.

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