

June 30, 2025

Dear Clients,

The second quarter of 2025 was a turbulent yet ultimately resilient period for global investment markets, characterized by significant volatility driven by U.S. trade policy shifts, geopolitical developments, and a rebound in investor confidence. After a sharp decline triggered by the April 2 “Liberation Day” tariff announcement, markets staged a V-shaped recovery, with the S&P 500 and NASDAQ reaching new all-time highs by the quarter’s end. By the numbers, the NASDAQ lead the quarterly rebound, rising 17.8%, the S&P 500 followed, gaining 10.6%, and the DJIA trailed, adding 4.9%. Year to date the indexes finished in the same fashion, up 5.5%, 5.5% and 3.6%, respectively. Positive market sentiment implies investors are discounting risk with a general expectation of a more stable trade policy, Middle East/geopolitics settling down, inflation declining, interest rate cuts, and continued economic expansion.

The Fed held steady at their most recent June 17–18 meeting keeping the fed funds rate at 4.25–4.50%, marking the fourth straight meeting without a change. Powell highlighted that tariffs could “push up on inflation” and “weigh on economic activity” emphasizing that policy remains “modestly restrictive,” with no urgency to preemptively cut rates amid elevated uncertainty. The Fed reiterated its “wait-and-see” approach, emphasizing caution, and is monitoring how businesses and consumers adjust to tariff policies, as first-quarter import surges are thought to have delayed price impacts. The Fed forecast GDP growth was trimmed from 2.1% to around 1.4% for 2025, however, they noted that economic activity remained solid. Amid their cautious stance they also signaled a likely 50 bps cut later in the year if data cooperates.

There is a case to be made that investors have become too complacent. The second quarter delivered a classic “risk- on” rebound from tariff-driven lows, but in the absence of clarity on inflation or trade, many widely held positions are now pricing at less compelling valuations. The second quarter earnings reporting season will kick off mid-July and will provide investors with more insight into the effect of tariffs regarding price inflation, corporate decision making, and projected revenue and earnings growth. Although uncertainty was the most often heard phrase in the first quarter’s corporate calls, tariffs have yet to stunt economic growth and profits have held up much better than expected, further underpinning the strong market recovery. We are still constructive on further gains in the equity markets although a pause would be expected after the recent upward surge and as economic projections are digested. In the absence of further trade setbacks, the path favors equity gains amid ongoing economic growth, slowly cooling inflation, potential rate cuts, and resilient consumer spending.

Strategically, we remain consistent. We opportunistically reduced cash levels and added growth positions during market weakness, which served our portfolios well during the rebound. We will continue to make tactical revisions as opportunities present themselves in a conservative and measured manner. We will add to our fixed income allocation, when rates are favorable, in our balanced and income strategies. We continue to believe the secular growth themes in the technology sector will continue to benefit investors over the long term, albeit with expected volatility.

As always do not hesitate to contact us if you have any questions. Summer is in full swing, enjoy!

Best regards,

*Will Wurm*

*Beech Hill Advisors*