The Weekly Market Update – 6/23/25: Resilience vs. Complacency

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,967.84	-0.15%	6.34%	1.47%	13.08%	6,144.15	3.0%
Dow Jones Industrial Average	42,206.82	0.02%	0.49%	-0.79%	9.10%	45,014.04	6.7%
NASDAQ Composite	19,447.41	0.21%	12.42%	0.71%	16.21%	20,173.89	3.7%
Russell 2000	2,109.27	0.42%	4.84%	-5.42%	1.89%	2,442.74	15.8%
MSCI EAFE (USD)	2,575.17	-1.48%	7.26%	13.85%	9.32%	2,643.82	2.7%
MSCI Emerging Markets (USD)	1,189.85	-0.02%	8.03%	10.63%	13.43%	1,444.93	21.4%
Bloomberg Commodity Index	106.75	1.36%	0.32%	8.08%	3.65%	237.95	122.9%
Barclays U.S. Aggregate Bond	91.82	0.25%	-0.52%	1.54%	2.84%	112.07	22.1%

Source: FactSet

Financial market resilience over May and June could be tested as investors appear increasingly complacent despite numerous persistent and emerging risks. U.S. equity markets, including the S&P 500 equity index, have rallied and held gains since early April lows, and interest rates (as measured by U.S. Treasury yields) have stabilized. While we acknowledge concrete drivers of positive investor outcomes since the April lows, led by hopes for trade deals replacing tariffs and solid first quarter (1Q25) corporate earnings results, more positive developments are necessary, in our view, to restore visibility for U.S. economic growth. Over the weekend (on 6/21/25), the U.S. joined Israel's war with Iran by executing air attacks on three Iranian nuclear weapons facilities. What comes next is highly uncertain, and from a U.S. markets perspective, we worry about a shock to consumer confidence if Iran attacks U.S. interests and war escalates, and if oil markets are disrupted and drive energy prices significantly higher. Initially, U.S. markets have downplayed the risks as the S&P 500 equity index gained +0.3% in mid-morning Monday trading, and oil prices (as measured by West Texas Intermediate, WTI, crude) moved modestly lower, trading near $73 per barrel (although WTI opened Monday trading at $78 per barrel, up from $74 on Friday 6/20). U.S. interest rates have moved more in-line with expectations following the U.S. involvement; the U.S. 10-year Treasury yield moved lower to 4.30% from 4.38% on 6/20. War with Iran adds to investor risks that also include uncertain progress on trade deals, now just a few weeks ahead of the 90-day pause on reciprocal tariffs announced on 4/9/25, negotiations on the 2025 budget bill, and a slower (but still positive) U.S. economy. The FactSet consensus estimate for 2025 U.S. economic growth (as measured by gross domestic product, or GDP) is +1.5%, a soft landing from +2.8% in 2024. At the end of March this year, the 2025 GDP consensus estimate was +2.1%, indicating that economic growth expectations have drifted lower even as markets rallied from lows. While a case can be made for improving growth prospects ahead (if trade, budget, and geopolitical risks are resolved), we believe that equity market upside is limited over the near-term.

The Federal Reserve Bank (Fed) held interest rates unchanged (paused) for the fourth consecutive meeting (6/18/25) and appears committed to its pause at least through the summer. The Fed sets U.S. short-term interest rate policy by managing a target range for overnight bank-lending fed funds rates. The current target range, in place since December 2024, is 4.25% to 4.50. Conditions to support further Fed rate cuts exist today, in our view, including slowing economic growth and moderating inflation. But the Fed sees both economic and inflation uncertainty as "elevated," warranting time to assess more data. The Fed's Summary of Economic Projections (SEP), updated quarterly, sees lower estimated 2025 GDP in June vs. March, +1.4% vs. +1.7%, respectively, as well as higher core inflation (excluding food and energy), +3.1% vs. +2.8%. While the Fed still sees two. 0.25% fed funds cuts this year (taking the range to 3.75% to 4.00%), it is prepared to wait until September or later for the next cut.

While investors are increasingly on edge as the U.S. enters Israel's war with Iran, investors will assess domestic issues related to the budget bill. The U.S. Senate still hopes to deliver President Trump a budget bill by 7/4/25, which is less than two weeks away. The process has become more complicated as the Senate Parliamentarian (rules arbiter) has challenged a few of the proposed spending cuts. Ultimately, the bill is expected to include extension of the 2017 Trump tax cuts, add new tax cuts and investment incentives, but do little to reduce the expected annual budget deficit.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Trump Administration, on 2/12/25, announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "Fair and Reciprocal Plan." On 3/26/25, the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a Fact Sheet from the President that outlines the action. The President's April 2, 2024 Tariff Announcement is also linked. Also linked is the White House Fact Sheet on the U.K. trade agreement.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. Data is reported on a total basis and "core CPI" basis. Core CPI excludes food and energy prices, which are inherently more volatile and less impacted by Federal Reserve interest rate policy. The Fed watches an alternative measure of consumer inflation, the personal consumption expenditures (PCE) price index (PI). The most recent report for the core PCE price index, for April 2025, was +2.5% year-over-year.

In 2025, the U.S. Congress (both the Senate of House of Representatives) will work on a joint budget bill that is expected to include an increase in the debt ceiling and include spending priorities and spending cuts supported by the President. The reconciliation process is a way the expedite bills, as they can be passed by a simple majority vote in the senate as long as certain budgetary rules are followed.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index. S&P 500 earnings in the first quarter of 2025 increased +13.0% year-over-year, exceeding the FactSet consensus estimate (as of 3/31/25) of +6.4%.

Daily prices for West Texas Intermediate (WTI) crude oil from Cushing, Oklahoma are quoted daily on a price per barrel basis and are available from the U.S. Energy Information Administration.