## The Weekly Market Update – 6/30/25: Equities Close at New Highs

| Major Indices (Price Returns) | Close | Last Week | Quarter-to-Date | Year-to-Date | Trailing 12-Months | All-Time High | % to High |
|---|---|---|---|---|---|---|---|
| S&P 500 | 6,173.07 | 3.44% | 10.00% | 4.96% | 16.97% | 6,173.07 | 0.0% |
| Dow Jones Industrial Average | 43,819.27 | 3.82% | 4.33% | 3.00% | 13.27% | 45,014.04 | 2.7% |
| NASDAQ Composite | 20,273.46 | 4.25% | 17.19% | 4.99% | 21.14% | 20,273.46 | 0.0% |
| Russell 2000 | 2,172.53 | 3.00% | 7.98% | -2.58% | 4.95% | 2,442.74 | 12.4% |
| MSCI EAFE (USD) | 2,653.71 | 3.05% | 10.53% | 17.33% | 12.65% | 2,653.71 | 0.0% |
| MSCI Emerging Markets (USD) | 1,228.53 | 3.25% | 11.54% | 14.23% | 17.12% | 1,444.93 | 17.6% |
| Bloomberg Commodity Index | 102.89 | -3.61% | -3.30% | 4.18% | -0.10% | 237.95 | 131.3% |
| Barclays U.S. Aggregate Bond | 92.40 | 0.63% | 0.11% | 2.18% | 3.49% | 112.07 | 21.3% |

*Source: FactSet*

**The widely followed S&P 500 equity index closed at a fresh all-time high on Friday (6/27), reflecting impressive second quarter (2Q25) gains.** For the week ended 6/27/25, the S&P 500 increased +3.4% (price gain, excluding dividends), its best weekly return since mid-May, adding to June gains that exceed +4% with one day remaining in the month. Notably, on 6/27/25, the S&P 500 closed at 6,173, above the previous all-time closing high price level set in late February this year. As of 6/27, the S&P 500 was up +10.0% in 2Q25-to-date, on track for the best quarter for equities since the first quarter of 2024. As 2Q25 began, investor sentiment was decidedly negative as tariff uncertainty weighed on the economic outlook and first quarter equity returns were largely negative (the S&P 500 decreased -4.6% in 1Q25). When the index closed at 4,983 on 4/8/25, it was down -15.3% for the year-to-date (YTD) at the time and it was the first close below 5,000 since April 2024 (and the peak-to-trough decline from 2/19/25 was -18.9%). On 4/9/25, the Trump Administration announced a 90-day pause on “reciprocal tariffs,” that calmed markets by setting expectations for trade deals to replace many of the announced tariffs. The S&P 500 needed just 11 weeks (55 trading days) to make a new high from the low, an unusually fast recovery; we would expect the index to recover more slowly on average. By contrast, when the S&P declined -25.4% peak-to-trough in 2022, it set the cycle low in mid-October 2022 and took 15 months to establish a new high in January 2024. In the current environment, investor expectations are lofty, in our view, and assume several positive policy and economic outcomes in the weeks ahead. This includes a series of trade deals leading up to the 7/9/25 deadline for the 90-day tariff pause. Thus far, only the U.K. and China have moved forward on framework agreements, but negotiations are underway with multiple countries including Japan, South Korea, India, Canada, Mexico, and the European Union. We are waiting on the final budget bill, which could be signed by the president in early July but still faces challenges as a divided Congress evaluates a mix of tax cuts, spending cuts, and the impact on the budget deficit, which continues to run close to $1.8 trillion annually. S&P 500 earnings are expected to increase +5.0% in 2Q25 (FactSet consensus estimate), following +13.0% growth in 1Q25, and reflecting the lowest earnings growth quarter in eight quarters.

**U.S. long-term interest rates moved lower in June, despite no change in short-term interest rates from the Federal Reserve Bank (Fed).** The U.S. 10-year Treasury bond traded at a yield of 4.23% on 6/30/25, down from 4.60% in late May. Yields surged to 4.60% or above twice in 2025, contributing to fears that global investors have demanded higher yields for U.S. Treasuries as U.S. debt and bond issuance increase. We believe this concern has faded for now as equity markets rebounded, and investors see slower, but positive, U.S. economic growth. The Fed has communicated a similar U.S. economic view (slowing, but solidly positive) and is waiting for more data on announced tariffs (uncertain impact of inflation) before lowering its overnight fed funds interest rate target from its current range of 4.25% to 4.50%.

**Sandwiched between the end of the second quarter on Monday (6/30) and the Fourth of July holiday on Friday, we are watching this week’s labor market reports.** May job openings (Bureau of Labor Statistics, or BLS) are expected at 7.3 million (M) vs 7.6M a year ago and could show more layoffs. The June jobs report, also BLS, is expected to show a monthly jobs increase of +115 thousand (K), marking six consecutive months between +110K to +150K.

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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 90-day pause on Reciprocal tariffs was announced on 4/9/25.

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.

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 to 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%.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work

The BLS also publishes the Job Openings and Labor Turnover Survey (JOLTS) which measures job openings, hires, and separations from a monthly survey of U.S. business establishments. The Department of Labor (DOL) reports weekly data from states on initial insurance claims from unemployed persons.

The U.S. Treasury publishes its Monthly Treasury Statement, which tracks federal government revenue and outlays (spending). The difference is the monthly budget deficit (if spending exceeds revenue) and monthly budget surplus (if revenue exceeds spending). The annual budget deficit can be looked at on a 12-month rolling basis or for the full fiscal year as of 9/30 each year.