Market Perspectives

June 2025

TURTLE CREEK
WEALTH ADVISORS

Stocks continue to rally in June as trade optimism and lower interest rates fuel investor sentiment.

Index	MTD	QTD	YTD	2024	2023	2022
S&P 500	5.09	10.94	6.20	25.02	26.29	-18.11
Dow Jones Industrial Average	4.47	5.46	4.55	14.99	16.18	-6.86
Russell 2000	5.44	8.50	-1.78	11.54	16.93	-20.44
NASDAQ Composite	6.64	17.96	5.85	29.57	44.64	-32.61
Europe, Australia, & Far East (EAFE)	2.22	12.07	19.92	4.35	18.85	-14.05
MSCI Emerging Markets	6.14	12.20	15.57	8.05	10.27	-19.78
Bloomberg Barclays U.S. Aggregate Bond	1.54	1.21	4.02	1.25	5.53	-13.04

As of 6.30.2025; Returns in percent

FINANCIAL MARKET PERFORMANCE

US equities rallied again in June, with the S&P 500 up for a second-straight month and the Nasdaq Composite up for a third straight month. Both indexes also hit fresh record highs toward the end of the month. Big tech was a leader, notably Nvidia (+16.9%) and Meta (+14%). For the month, the S&P 500 rose 5.1%, while the Nasdaq Composite gained 6.8%. Small cap stocks also posted a strong month, with the Russell 2000 Index jumping 5.4%. The power of US stocks was demonstrated as the S&P 500 needed only 55 days to regain its all-time high following the April tariff-induced selloff.

JUST 55 TRADING DAYS BACK TO THE HIGHS…

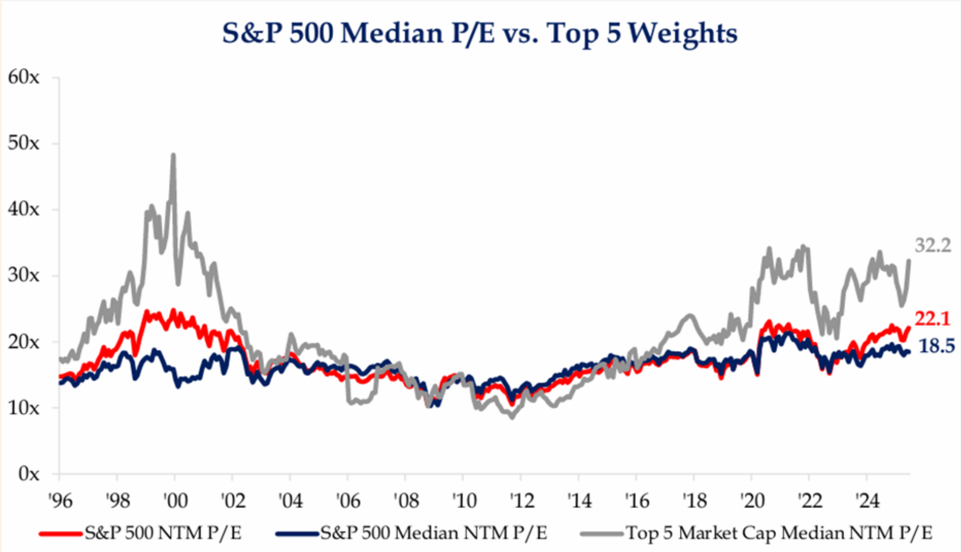
Number of Trading Days to Make it Back to the Highs Following -15% Drawdowns in S&P 500

Date of Low	Date of New High	Trading Days
10/22/1957	9/24/1958	233
6/26/1962	9/3/1963	299
10/7/1966	5/4/1967	143
5/26/1970	3/6/1972	451
10/3/1974	7/17/1980	1462
8/12/1982	11/3/1982	58
12/4/1987	7/26/1989	414
10/11/1990	2/13/1991	86
8/31/1998	11/23/1998	59
10/9/2002	5/30/2007	1166
3/9/2009	3/28/2013	1021
7/2/2010	11/4/2010	87
10/3/2011	2/24/2012	99
12/24/2018	4/23/2019	81
3/23/2020	8/18/2020	103
10/12/2022	1/19/2024	318
4/8/2025	6/27/2025	55
	Average:	**361**
	Median:	**143**

Beat the 1998 comp by 4 trading days… fastest return to a new high following a -15% drawdown in history.

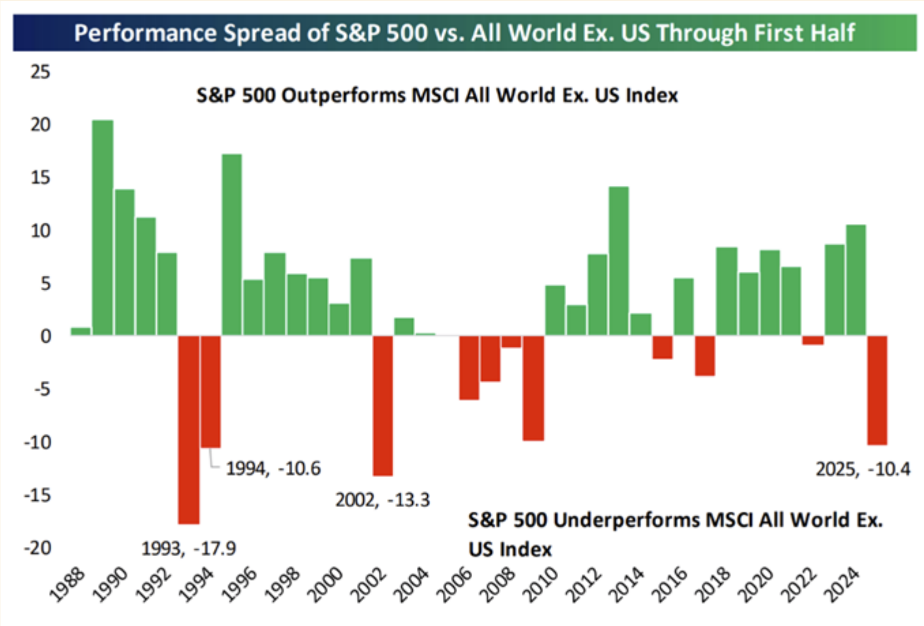
Source: Strategas As of 7.1.25

However, any fears about the S&P 500 now being too expensive again should be tempered by the difference in the forward P/E of the 5 largest stocks (32x) vs that of the median stock in the S&P. (18.5x)



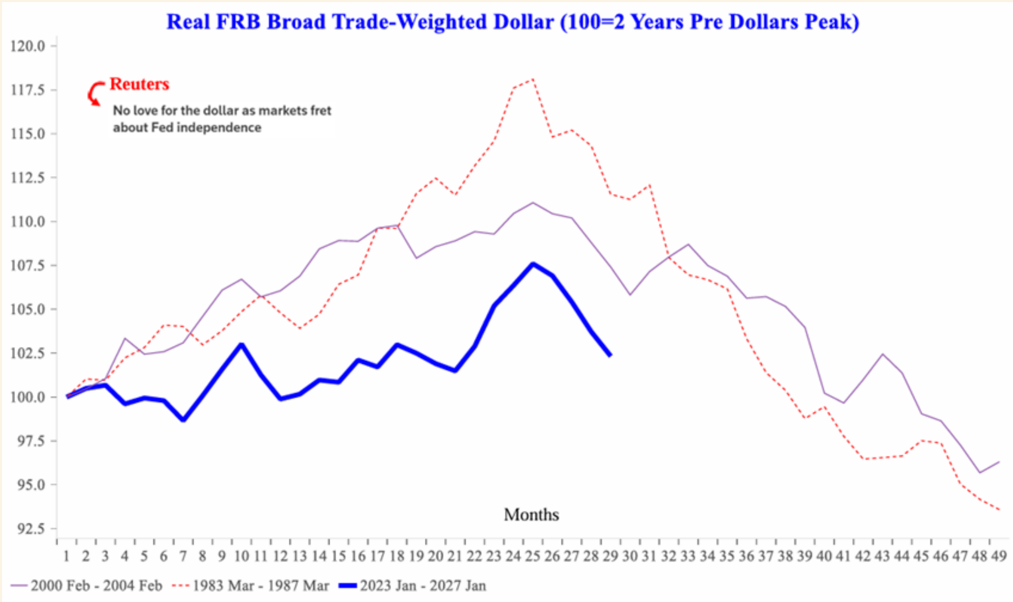
Source: Strategas As of 6.30.25

Foreign stocks also produced strong gains during June, as the MSCI EAFE index rose 2.2% and the MSCI Emerging Markets index jumped 5.1%. The continued good news on US tariffs, the cease fire in the Israel/Iran conflict, and a further decline in the US dollar were the key drivers of these gains. In fact, foreign stocks had the best first half of the year vs the S&P 500 since 2002.



Source: Bespoke As of 6.30.25

Bonds rose during the month as interest rates fell. This occurred as expectations for Fed rate cuts moved somewhat higher while inflation concerns moved somewhat lower. The policy-sensitive 2-year Treasury yield declined back below 3.75% and the 10-year back below 4.25%. As a result, the Bloomberg Aggregate Bond index gained 1.5%, while High Yield bonds, which tend to be more highly correlated to equities, gained 1.8%. The US dollar fell 2.5% and is now down more than 10% for the year. The fear is that trade disputes and US deficit concerns have reduced demand for US assets, and thus the dollar. Importantly, the US Dollar wasn't much of a safe haven during recent market turmoil, esp. when compared to previous periods of market/global instability. In addition, if the past is any guide, there could be more downside ahead for the dollar (see below).



Source: Strategas; As of 6.30.25

Assets used to hedge against the dollar had mixed performance during the month, as Gold was down 0.2% (but has risen 26% for the year) and Bitcoin futures were up 3.0%. WTI crude oil was up 7.1% for the month on concerns over Iranian oil output but gave back much larger gains (+21% as of June 20th) once it became clear tensions in the "12-Day War" were dissipating.

PERFORMANCE DRIVERS

Trade negotiations, the reconciliation bill, a cease fire in Iran, and optimism concerning Fed rate cuts drove stocks in June.

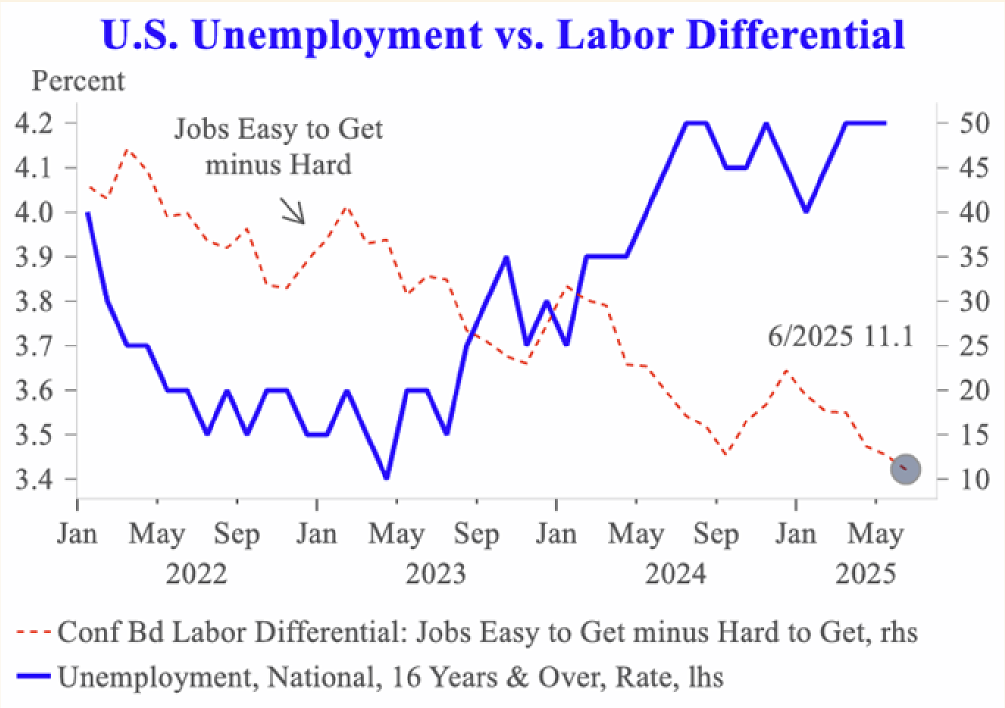
On trade, the White House asked trading partners for "best and final" offers earlier this month, though June closed with no trade deals signed ahead of the end of the 90-day reprieve on reciprocal tariffs, which falls on July 9th. However, trade talks between the US and China continued to improve, with negotiators meeting in London earlier in the month to come to agreements around points including rare earth minerals licensing and autos manufacturing. Trade talks with Canada and the EU were more challenging, though recent reports suggested optimism deals with both can be done in July. Trump administration officials also recently suggested the July 9th deadline is not critical and that negotiations could go beyond that date.

The month saw a sizable ebb-and-flow of the geopolitical risk premium in both equities and Treasuries due to Middle East tensions. Israel launched a series of attacks against Iran and the US later stepped in to bomb key Iranian nuclear sites. However, Iran's muted response and a ceasefire between Iran and Israel helped propel stocks higher toward the end of the month.

The GOP's reconciliation bill, aka the “One Big Beautiful Bill”, was approved by the Senate on July 1st and now moves back to the House of Representatives for final approval. This sets the bill up to potentially meet President Trump’s deadline to sign it into law by July 4th. It’s estimated that the Senate's version would add $3.3T to the deficit in the next 10 years, up from the $2.8T from the House version, which economists said plays into fears around the US losing its safe haven status, as seen by the falling US dollar.

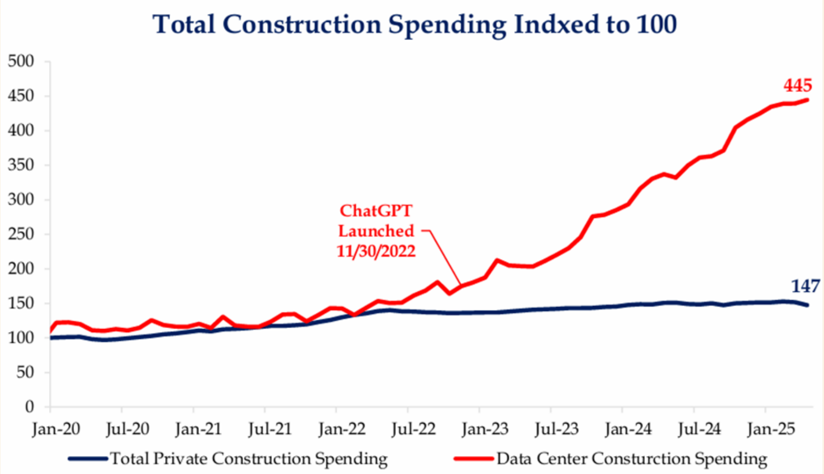
The June FOMC meeting ended with no change to the Fed Funds rate, as expected. Fed members still expect only two cuts through year-end, unchanged from the March projection. Fed Chairman Powell reiterated that he believes it remains prudent to wait and watch economic data before adjusting rates. However, President Trump continued to berate the Chairman for failing to cut rates, and a report also said Trump may be getting ready to name a successor Chairman nominee as soon as this summer. As a result, markets are now pricing in ~65 bp of cuts through year-end, up from 50 bp at the end of May.

The case for Fed rate cuts was also supported by some weaker economic data. Although the May jobs report showed stronger headline payroll and wage growth than expected, continuing jobless claims hit the highest level since November 2021, while the labor market differential (those who say jobs are plentiful vs hard to get) fell to its lowest level since May 2021.



Source: Strategas; As of 6.30.25

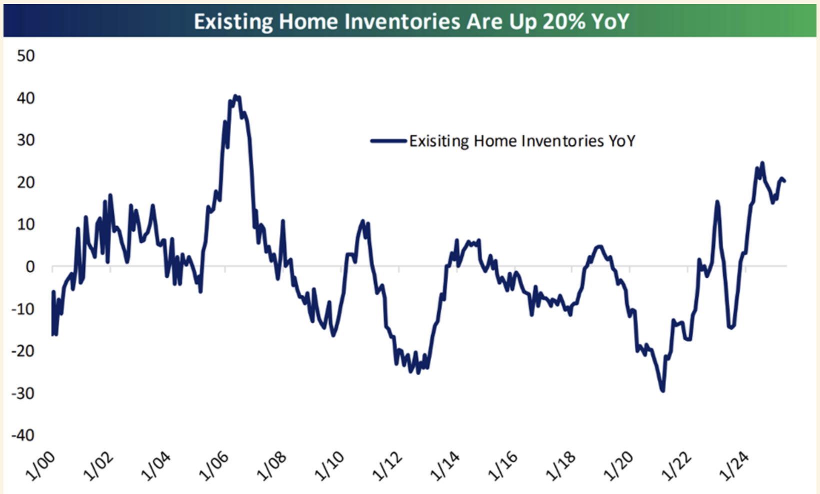
Finally, AI (Artificial Intelligence) optimism was another key tailwind for stocks in June. Big tech, semiconductors, and AI-linked names were among the best performers, notably Nvidia, which hit a fresh record high on broad AI optimism. Another way to invest in the AI craze is via the massive data storage demand it generates. As the chart below shows, data center construction spending continues to run well ahead of total private construction.



Source: Strategas; As of 4.30.25

THE BEARISH NARRATIVE

Aspects of the bearish narrative seen in June include weakening business sentiment surveys and certain hard economic data. Some corporate updates this month offered cautious takeaways around the housing market, select economic bellwethers (such as transportation), and the consumer. There were also more cracks in the US exceptionalism theme this month, as data continued to show US Treasury outflows, hitting $62B since April 2023. This trend is compounded by the weakening US Dollar, suggesting global investors are continuing to reduce holdings of US assets. Finally, housing has become a hot button item, as home sellers now exceed home buyers for the first time in several years, leading to rising inventories and softening prices (see below).



Source: Bespoke; As of 6.30.25

WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

Despite the fear and volatility produced when the tariffs were initially announced on April 2nd, investors holding diversified portfolios, including US and foreign equites as well as bonds and alternatives, have fared well. Now that the potential for an economic recession this year seems to have largely dissipated, we'd expect more stable markets going forward. However, despite the fact that bullish factors seem to outweigh bearish factors today, there is still a lot of uncertainty, especially with regard to tariffs. Therefore, investors should not be surprised to see further swings in asset prices. Ultimately, though, we continue to believe a long -term patient approach focused on diversification is the best strategy for investors.

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