

# TALKING POINTS

Data through June 2025

## Climate

While the first half of 2025 was replete with noteworthy events, perhaps none was more influential to capital markets than U.S. trade policy. On “Liberation Day”, which occurred on 4/2/25, the U.S. unveiled the largest tariff hike since the Smoot-Hawley Tariff Act of 1930. Investors responded unfavorably to the announcement, sending global equity markets into steep decline as they shed risk assets. Notably, fixed income securities were not immune to the sell-off, with the yield on the benchmark U.S. Treasury Note (T-note) surging from 4.13% on 4/2/25 to 4.49% on 4/11/25 (fixed income yields and prices typically move in opposite directions). What followed has been months of tariff negotiations, trade deals, wars - including the U.S. strike on Iran's nuclear facilities - and U.S. equity markets which have oscillated between correction and all-time highs. While tariffs may have taken center stage, numerous factors contributed to the current investment climate, in our opinion. Among them is a recent spate of mixed U.S. economic data. Brian Wesbury, Chief Economist at First Trust Portfolios L.P., notes that new orders for durable goods increased at the fastest pace in over a decade in May, while corporate profits surged 6.3% year-over-year in Q1'25. Despite this, Q1'25 real GDP was revised lower to -0.5% annualized.

## Stock Market

The S&P 500 Index (“Index”) closed at a record 6,204.95 on 6/30/25, representing a price-only increase of 24.53% from its most recent low of 4,982.77 on 4/8/25, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices remain 8.48% and 13.66%, respectively, below their all-time highs which were set on 11/25/24. The Index posted a total return of 5.08% in June 2025. Ten of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Information Technology, up 9.77%, while Consumer Staples had the worst showing, declining by 1.89%. Tech stocks enjoyed strong returns in the first half of 2025 (1H'25), propelled forward by continued artificial intelligence investment and potentially looser monetary policy. The tech-heavy Nasdaq 100 Index increased by 8.35% (total return) in 1H'25, compared to 6.20% for the Index. As revealed in the table to the right, estimates for the Index's 2025 earnings per share (EPS) appear to be stabilizing, declining only slightly from 264.59 in May to 264.16 in June. For comparison, the Index's estimated 2025 calendar-year EPS stood at 274.12 at the end of 2024. While it is not unusual to see estimates decrease from early-year observations, FactSet reported that the 3.6% decline in the Index's 2025 full-year earnings estimates is larger than the 20-year average of -2.8%. We note a similar trend occurring in the Index's 2026 earnings estimates, which stood at 311.09 at the end of 2024, but declined to 300.16 in June. At 29.5% and 16.6%, respectively, the Communication Services and Information Technology sectors are expected to be the largest contributors to the Index's year-over-year earnings growth in Q2'25. Market breadth remains narrow, but not as drastic as last year. The S&P 500 Equal Weight Index increased by 4.82% (total return) in 1H'25, compared to 6.20% for the market-cap weighted index. By comparison, the equal-weight index increased by 5.07% in 1H'24, compared to 15.29% for the market cap-weighted index.

## Bond Market

The yield on the benchmark 10-year T-note stood at 4.23% at the close of trading on 6/30/25, down 17 basis point (bps) from its 4.40% close on 6/28/24, according to data from Bloomberg. The 4.23% yield stood 164 bps above its 2.59% average for the 10-year period ended June 2025 and 76 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 3.72% on 6/30/25, down 104 bps from when it stood at 4.76% on 6/28/24. As many investors likely know, recent policy rate reductions helped end the longest yield curve inversion in U.S. history. That said, the yield curve has yet to fully normalize. As of 6/30/25, the spread between the 2-year and 10-year T-notes stood at 51 bps, well below the 25-year average of 109 bps. The 10-year T-note yield shed 34 bps in 1H'25, falling as low as 4.00% and rising as high as 4.79% over the period. In our view, this fluctuation reflects the elevated volatility generated by factors discussed in the “Climate” section above. U.S. Treasury auctions, particularly on the long end of the curve, have taken center stage in recent months as the government continues to issue bonds to fund its burgeoning deficit. In April, the U.S. Department of the Treasury announced that it expected to borrow \$514 billion in privately-held net marketable debt in Q2'25, up from its previous estimate of \$123 billion just months earlier in February 2025. Moody's reported that its global speculative-grade default rate stood at 4.3% in May 2025, up from 4.1% in April and above its long-term average of 4.2%. Moody's estimated that the default rate on speculative-grade U.S. bonds will total 4.1% in December 2025, up from its previous estimate of 2.7% in January 2025.

## Takeaway

Global capital markets have been increasingly described as “uncertain” in recent months. While we are quick to point out that some level of uncertainty exists as a rule when it comes to investing, we also recognize a dramatic uptick in volatility generated by current geopolitics and weakening economic data. Given this volatility, we continue to advocate that investors remain focused on fundamental data, such as earnings. Notably, the corporations that comprise the Index remain profitable, despite global headwinds. On 7/3/25, FactSet reported that the Index's net profit margin is estimated to reach 12.3% in Q2'25, which is above the 5-year average of 11.8%. Technology continues to boost efficiency at U.S. companies, lending support to elevated valuations, in our opinion. At 22.2, the Index's forward price-to-earnings ratio stands well above its 10-year average of 18.4. That said, EPS for the Index are estimated to reach a record 300.16 in 2026, an increase of 44% from 208.43 in 2021. While recession risks remain (and may increase as the year moves forward), investors can find solace in this fact: the Index enjoyed a median total return of 3.52% during the past 12 recessions. Even more compelling, the Index's median return over the one-year period following each of these recessions was 20.00%.

Sources: Bloomberg, FactSet, and Investment Company Institute

**Past performance is no guarantee of future results.** Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

## Open-End Net Fund Flows (\$)

	5/25	4/25	YTD (May)
Equity	-56.9B	-38.8B	-279.3B
Taxable Bond	16.4B	-56.9B	-30.7B
Municipal Bond	4.8B	-8.8B	1.9B
Hybrid	-6.5B	-13.8B	-48.7B
Taxable Money Market	69.5B	-83.7B	56.6B

## Key Interest Rates/Yields

	6/30/25	5/30/25	6/28/24
Federal Funds Target Rate	4.50%	4.50%	5.50%
2-Year T-Note	3.72%	3.90%	4.76%
5-Year T-Note	3.80%	3.96%	4.38%
10-Year T-Note	4.23%	4.40%	4.40%
Bond Buyer 40	4.94%	4.95%	4.36%

## Commodities/U.S. Dollar

	6/25	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.47%	-10.70%	-8.49%
FTSE/CC CRB Excess Ret.	2.36%	0.19%	2.34%
Crude Oil/WTI (per Barrel)	7.11%	-9.22%	-20.15%
Natural Gas (per million BTUs)	0.26%	-4.87%	32.87%
Gold Bullion (Ounce)	0.42%	25.86%	41.96%

## S&P 500 Full-Year Earnings Estimates

	2025	2026
6/30/25	264.16	300.16
5/30/25	264.59	300.12
12/31/24	274.12	311.09

## Total Return Performance

### U.S. Stock Indices

	6/25	YTD	12 Mo.
S&P 500	5.08%	6.20%	15.14%
DJIA	4.47%	4.55%	14.72%
Nasdaq 100	6.34%	8.35%	16.10%
S&P MidCap 400	3.58%	0.19%	7.50%
Russell 2000	5.43%	-1.79%	7.66%
Russell 3000	5.08%	5.74%	15.28%

### U.S. Styles/Market Caps

	6/25	YTD	12 Mo.
S&P 500 Growth	6.34%	8.85%	19.83%
S&P 500 Value	3.68%	3.28%	9.61%
S&P MidCap 400 Growth	3.42%	0.48%	4.29%
S&P MidCap 400 Value	3.75%	-0.13%	11.04%
Russell 2000 Growth	5.89%	-0.49%	9.71%
Russell 2000 Value	4.95%	-3.16%	5.52%

### Foreign Stock Indices (USD)

	6/25	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	2.34%	18.99%	18.70%
MSCI Emerging Markets NET	6.01%	15.27%	15.29%
MSCI Europe NET	2.06%	23.05%	18.38%
MSCI BRIC NET	3.82%	13.96%	17.98%
MSCI EM Latin America NET	6.08%	29.85%	13.38%
Nikkei 225	6.53%	11.77%	16.31%

### Bloomberg Fixed Income Indices

	6/25	YTD	12 Mo.
U.S. Treasury: Intermediate	0.95%	3.98%	6.27%
GNMA 30 Year	1.72%	4.12%	6.19%
Municipal Bond (22+)	0.31%	-3.38%	-2.10%
U.S. Aggregate	1.54%	4.02%	6.08%
Intermediate Corporate	1.34%	4.45%	7.78%
U.S. Corporate High Yield	1.84%	4.57%	10.29%
Global Aggregate	1.89%	7.27%	8.91%
EM Hard Currency Aggregate	2.25%	6.37%	10.48%

# HIGH/LOW SNAPSHOT

Data through June 2025

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6204.95	6/30/2025	1829.08	2/11/2016	6204.95	0.00%	6.20%	1.24%
S&P 500 Growth	4443.06	6/30/2025	1035.44	2/11/2016	4443.06	0.00%	8.85%	0.62%
S&P 500 Value	2027.49	11/29/2024	788.67	2/11/2016	1928.34	-4.89%	3.28%	1.96%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	3102.87	-8.48%	0.19%	1.53%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1476.48	-8.30%	0.48%	0.89%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	989.69	-8.68%	-0.13%	2.24%
S&P 100	3045.80	6/30/2025	819.58	8/25/2015	3045.80	0.00%	6.03%	1.11%
DJIA	45014.04	12/4/2024	15660.18	2/11/2016	44094.77	-2.04%	4.55%	1.64%
Nasdaq 100	22679.01	6/30/2025	3947.80	2/9/2016	22679.01	0.00%	8.35%	0.69%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2175.04	-10.96%	-1.79%	1.50%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1458.51	-14.69%	-0.49%	0.62%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2362.13	-13.01%	-3.16%	2.45%
Russell 3000	3526.40	6/30/2025	1067.34	2/11/2016	3526.40	0.00%	5.74%	1.24%
MSCI World Net (ex U.S. ) (USD)	9804.30	6/30/2025	4189.62	2/11/2016	9804.30	0.00%	18.99%	3.01%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	661.50	-5.40%	15.27%	2.64%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	25446.16	-13.71%	30.99%	5.93%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	432.20	-6.40%	5.80%	1.11%
Shanghai Composite/China (USD)	690.04	6/30/2015	358.39	10/18/2018	480.81	-30.32%	6.04%	2.64%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.27	-22.60%	41.07%	1.90%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	3066.53	-27.69%	21.56%	3.46%
MSCI Euro (USD)	2017.37	6/27/2025	865.50	3/18/2020	2017.34	0.00%	27.27%	2.98%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1753.81	-10.51%	-3.87%	0.67%
S&P 500 Consumer Staples	923.91	3/3/2025	467.66	8/25/2015	897.10	-2.90%	6.40%	2.43%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	648.68	-13.44%	0.77%	3.45%
S&P 500 Utilities	419.09	5/20/2025	206.51	9/4/2015	414.79	-1.03%	9.41%	2.87%
S&P 500 Financials	871.95	6/30/2025	264.89	2/11/2016	871.95	0.00%	9.19%	1.43%
S&P 500 Banks	532.59	6/30/2025	180.19	2/11/2016	532.59	0.00%	14.54%	2.33%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	764.15	-22.03%	1.79%	4.04%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1572.52	-14.06%	-1.11%	1.85%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	539.37	9/28/2015	1000.65	-17.71%	-2.99%	2.72%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5581.45	-11.68%	-2.74%	0.22%
S&P 500 Information Technology	4964.64	6/30/2025	626.12	8/25/2015	4964.64	0.00%	8.05%	0.57%
Philadelphia Semiconductor	5904.54	7/10/2024	559.18	2/11/2016	5546.54	-6.06%	11.92%	0.89%
S&P 500 Communication Services	377.94	6/30/2025	130.86	12/24/2018	377.94	0.00%	11.14%	0.82%
S&P 500 Industrials	1249.13	6/30/2025	412.06	3/23/2020	1249.13	0.00%	12.72%	1.38%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	556.09	-9.87%	6.03%	1.96%
Philadelphia Gold & Silver	210.81	6/13/2025	38.84	1/19/2016	205.64	-2.45%	51.07%	1.09%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	297.28	-9.80%	0.19%	N/A
ICE BofA Perpetual Preferred	331.82	10/16/2024	214.30	6/30/2015	326.52	-1.60%	1.58%	6.62%
ICE BofA U.S. High Yield Constrained	594.80	6/30/2025	313.74	2/11/2016	594.80	0.00%	4.55%	7.36%

Source: Bloomberg

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