

Market Commentary

The second quarter of 2025 proved to be a continuation of the market turbulence that began in March, but also revealed signs of resilience in the face of escalating policy uncertainty and geopolitical recalibration. After selling off in early April on the heels of the tariff policy rollout, U.S. equity markets staged a rebound. The S&P 500, despite early losses, managed to rise 10.9% for the quarter, finishing the quarter at fresh all-time highs. Meanwhile, global equities (MSCI ACWI) once again outpaced domestic equities, rising 11.2%, and saw significantly less volatility in the early April tariff selloff. In fixed income, core bonds (Bloomberg U.S. Aggregate Bond Index) finished the quarter up 1.2%, as interest rates moved slightly higher and the Federal Reserve maintained a cautious, wait-and-see stance. However, credit markets remained stable, and high-yield bonds held up surprisingly well, a sign that investors were not pricing in significant near-term economic deterioration.

In the second quarter, financial markets were roiled by shifting trade policies and geopolitical developments, setting the tone for another volatile quarter. The Trump administration's sweeping tariff policy, announced in early April and aimed at correcting trade imbalances with China, the European Union, Mexico, and Canada, led to a sharp global market selloff. The lack of clarity surrounding the scope and duration of these tariffs heightened uncertainty, prompting concerns about supply chain disruptions and corporate earnings headwinds. However, markets found relief late in the quarter as a 90-day pause on tariff escalation was introduced, allowing space for negotiations and easing fears of an all-out trade war. This policy shift helped risk assets rebound, with investor appetite returning to sectors that had been under pressure just weeks earlier.

Despite the policy uncertainty, underlying economic fundamentals provided a stabilizing force. U.S. job growth remained robust, consumer spending held steady, and corporate earnings came in stronger than expected, reinforcing the narrative of economic resilience. The Federal Reserve maintained its patient, data-dependent stance, acknowledging potential inflationary impacts from tariffs but signaling no urgency to alter rates in either direction. Meanwhile, geopolitical concerns—particularly in the Middle East, where tensions briefly threatened oil transport through the Strait of Hormuz—added to market unease and drove commodity price volatility. As the quarter progressed, investors began rotating back into high-growth areas of the market, especially technology, with mega-cap names leading the recovery. The combination of firm economic data, easing trade tensions, and stable monetary policy helped markets end the quarter on firmer footing.

Looking ahead to the second half of 2025, markets are likely to remain headline-driven, with trade developments, fiscal policy implementation, and geopolitical alignments serving as the key variables. Corporate earnings should play a critical role in helping investors recalibrate valuations and expectations. We remain focused on balancing risk and reward, maintaining diversified exposures across regions and asset classes, and being nimble in response to what continues to be a highly dynamic macroeconomic and political environment.

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