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Market Perspectives: Issue Du Jour and the Resilient Markets

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MARKET PERSPECTIVES: ISSUE DU JOUR AND THE RESILIENT MARKETS

"Chaos is a friend of mine."

~ Bob Dylan

- Despite a turbulent first half of the year, most major asset classes around the world are in positive territory.
- Trade policy has taken center stage, creating ongoing uncertainty for businesses of all sizes, investors, and consumers alike.
- Moody's downgraded the U.S. credit rating due to concerns over fiscal discipline as Congress contemplated and eventually passed a sweeping tax and spending package at the quarter-end.
- The Federal Reserve (the "Fed") is taking a wait-and-see approach, watching to see how the economy evolves before it changes its current monetary policy stance.

Summer is in full swing and remarkably, 2025 has crossed the halfway mark. The experience for investors in 2025 has so far resembled a blockbuster summer movie – equal parts thrilling and bewildering – inspiring the need for occasional deep breathing. Investors have adapted to plot twists along the way as economic data, surprise policy announcements, and global events have confounded economists and market watchers alike. The challenges have been as significant as the uncertainty they've created, including supply chain hiccups, inflation spikes, war and geopolitical strife, and policy outlook changes. Markets are continuing to demonstrate resilience, as they did throughout the chaotic first half of 2025. As of the end of the second quarter (which ended on June 30), most major markets and most major asset classes around the world were in positive territory.

The chart below shows the equity market performance for the 1st half of 2025 for major markets and equity asset classes, as well as the quarterly performance. This data illustrates the value of diversification.

Report Date 6/30/2025 Broad Markets	2024 Third Quarter	2024 Fourth Quarter	2025 First Quarter	2025 Second Quarter	2025 Return	2024 Return
ACWI World Equity Index	6.4%	(0.8%)	(0.9%)	11.3%	10.3%	17.5%
S&P 500 (Market Cap Weight)	5.9%	2.4%	(4.3%)	10.9%	6.2%	25.0%
S&P 500 (Equal Weight)	9.6%	(1.9%)	(0.6%)	5.5%	4.8%	13.0%
US Large Cap Value	9.4%	(2.0%)	2.1%	3.8%	6.0%	14.4%
US Large Blend	6.1%	2.7%	(4.5%)	11.1%	6.1%	24.5%
US Large Cap Growth	3.2%	7.1%	(10.0%)	17.8%	6.1%	33.4%
US Mid Cap Value	10.1%	(1.7%)	(2.1%)	5.3%	3.1%	13.1%
US Mid Cap Blend	9.2%	0.6%	(3.4%)	8.5%	4.8%	15.3%
US Mid Cap Growth	6.5%	8.1%	(7.1%)	18.2%	9.8%	22.1%
US Small Cap Value	10.2%	(1.1%)	(7.7%)	5.0%	(3.2%)	8.1%
US Small Cap Blend	9.3%	0.3%	(9.5%)	8.5%	(1.8%)	11.5%
US Small Cap Growth	8.4%	1.7%	(11.1%)	12.0%	(0.5%)	15.2%
Intl Developed Markets Value	9.0%	(7.1%)	11.8%	10.5%	23.5%	6.4%
Intl Developed Markets	7.3%	(8.1%)	7.0%	12.1%	19.9%	4.3%
Intl Developed Markets Growth	5.7%	(9.1%)	2.2%	13.7%	16.2%	2.4%
Emerging Market Equity	8.9%	(7.8%)	3.0%	12.2%	15.6%	8.1%

Data Source: YCharts as of 06/30/2025

Indicates best performing asset class in time period (green)

Indicates worst performing asset class in time period (red)

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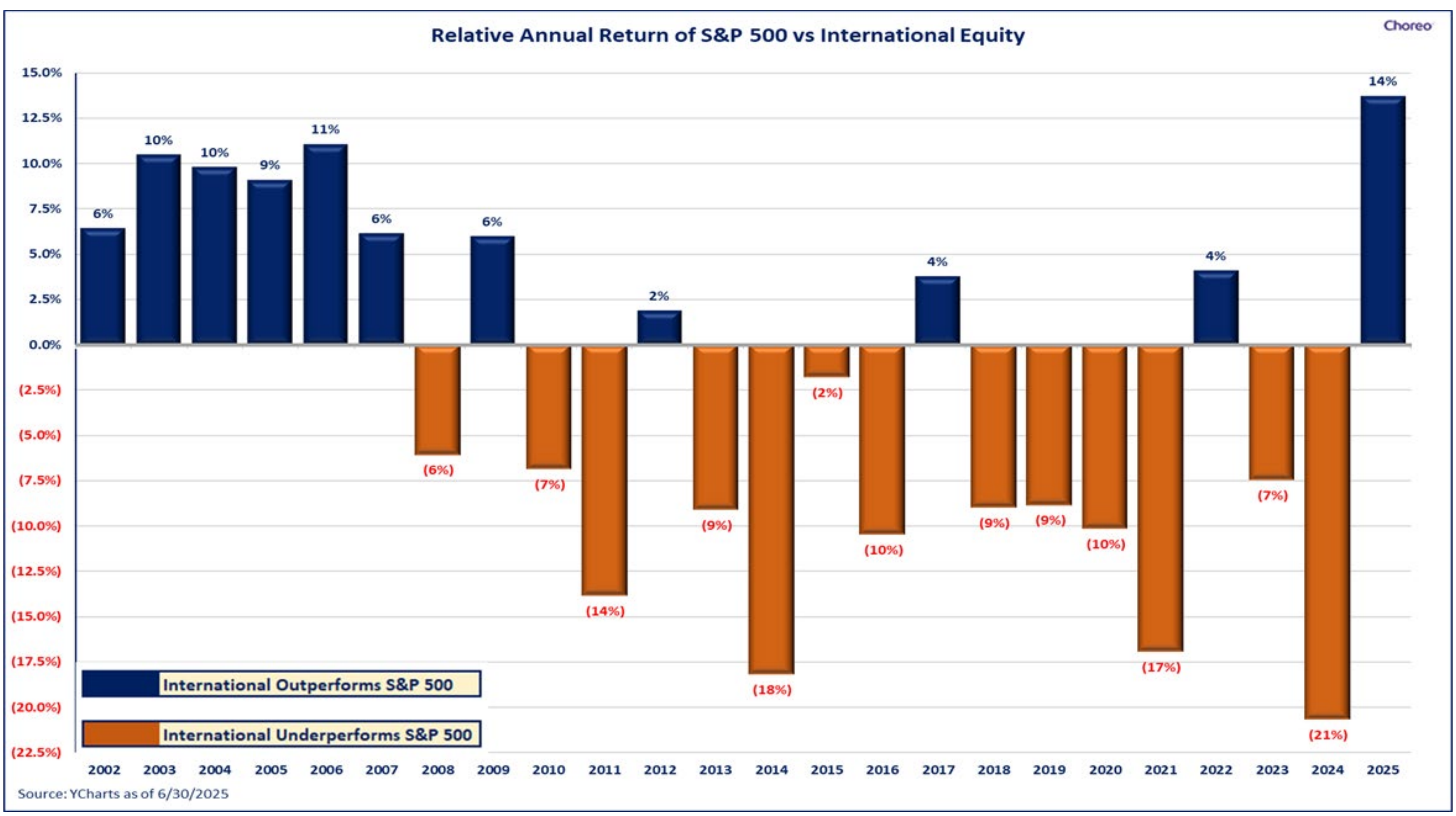
International markets have performed very well in 2025 (even during the challenging month of April) and continue to provide portfolio strength. Of course, we don't know yet how assets will perform, which is why it's essential to have a diversified portfolio ahead of actually "needing one." The chart below highlights the outperformance of international markets in 2025 vs. the S&P 500. It's been some time since we've seen sustained outperformance, but 2025 serves as a reminder of why diversification generally works for long-term investors.



Furthering this point, performance across the globe has been a stark reminder of this. The U.S. markets, which have made the top of the leaderboard in recent years, are now dropping lower.

Country Equity Performance 2009 to 2025

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
India 102.8%	South Korea 27.2%	USA 2.0%	Germany 32.1%	USA 32.6%	India 23.9%	Japan 9.9%	Canada 25.5%	China 54.3%	USA (4.5%)	USA 31.6%	South Korea 45.2%	USA 27.0%	United Kingdom (4.8%)	USA 27.1%	USA 25.1%	South Korea 39.7%
Australia 76.8%	Canada 21.2%	United Kingdom (2.5%)	India 26.0%	Germany 32.4%	USA 13.4%	USA 1.3%	Australia 11.7%	South Korea 47.8%	India (7.3%)	Canada 28.5%	China 29.7%	Canada 26.9%	Australia (5.1%)	Germany 24.0%	China 19.7%	Germany 35.2%
South Korea 72.1%	India 20.9%	Australia (10.8%)	China 23.1%	France 27.7%	China 8.3%	France 0.8%	USA 11.6%	India 38.8%	Australia (11.8%)	France 27.0%	USA 21.4%	India 26.7%	India (7.5%)	South Korea 23.6%	Canada 12.7%	France 21.3%
China 62.6%	Japan 15.6%	South Korea (11.8%)	France 22.8%	Japan 27.3%	Canada 2.2%	Germany (1.3%)	South Korea 9.2%	France 29.9%	France (11.9%)	China 23.7%	India 15.9%	France 20.6%	Canada (12.2%)	France 22.3%	India 12.4%	United Kingdom 19.3%
Canada 57.4%	USA 15.4%	Canada (12.2%)	Australia 22.3%	United Kingdom 20.7%	Australia (3.2%)	India (6.1%)	France 6.0%	Germany 28.5%	Japan (12.6%)	Australia 23.1%	Japan 14.9%	United Kingdom 18.5%	France (12.7%)	India 21.3%	Germany 11.0%	China 17.5%
United Kingdom 43.4%	Australia 14.7%	Japan (14.2%)	South Korea 21.5%	Canada 6.4%	Japan (3.7%)	South Korea (6.3%)	Germany 3.5%	Japan 24.4%	United Kingdom (14.1%)	Germany 21.7%	Germany 12.3%	Australia 9.6%	Japan (16.3%)	Japan 20.8%	Japan 8.7%	Canada 15.9%
France 33.3%	Germany 9.3%	France (16.0%)	USA 16.1%	Australia 4.3%	United Kingdom (5.4%)	United Kingdom (7.5%)	Japan 2.7%	United Kingdom 22.4%	Canada (16.6%)	United Kingdom 21.1%	Australia 8.9%	Germany 5.9%	USA (19.5%)	Canada 16.4%	United Kingdom 7.5%	Australia 12.1%
USA 27.1%	United Kingdom 8.8%	Germany (17.5%)	United Kingdom 15.3%	South Korea 4.2%	France (9.0%)	China (7.6%)	China 1.1%	USA 21.9%	China (18.7%)	Japan 20.1%	Canada 6.2%	Japan 2.0%	Germany (21.6%)	Australia 14.9%	Australia 1.3%	Japan 12.0%
Germany 26.6%	China 4.8%	China (18.2%)	Canada 9.9%	China 4.0%	Germany (9.8%)	Australia (9.8%)	United Kingdom 0.0%	Australia 20.2%	South Korea (20.5%)	South Korea 13.1%	France 4.7%	South Korea (7.9%)	China (21.8%)	United Kingdom 14.1%	France (4.6%)	India 6.5%
Japan 6.4%	France (3.2%)	India (37.2%)	Japan 8.4%	India (3.8%)	South Korea (10.7%)	Canada (23.6%)	India (1.4%)	Canada 16.9%	Germany (21.6%)	India 7.6%	United Kingdom (10.4%)	China (21.6%)	South Korea (28.9%)	China (11.0%)	South Korea (23.1%)	USA 6.3%

Data Source: Y Charts as 6/30/25
Country Indices: MSCI USA, MSCI China, MSCI Japan, MSCI India, MSCI France, MSCI United Kingdom, MSCI Canada, MSCI Germany, MSCI Australia and MSCI Korea ("EWY" ETF as proxy)

The bond market followed suit - dropping lower and performed well in the face of global uncertainty.

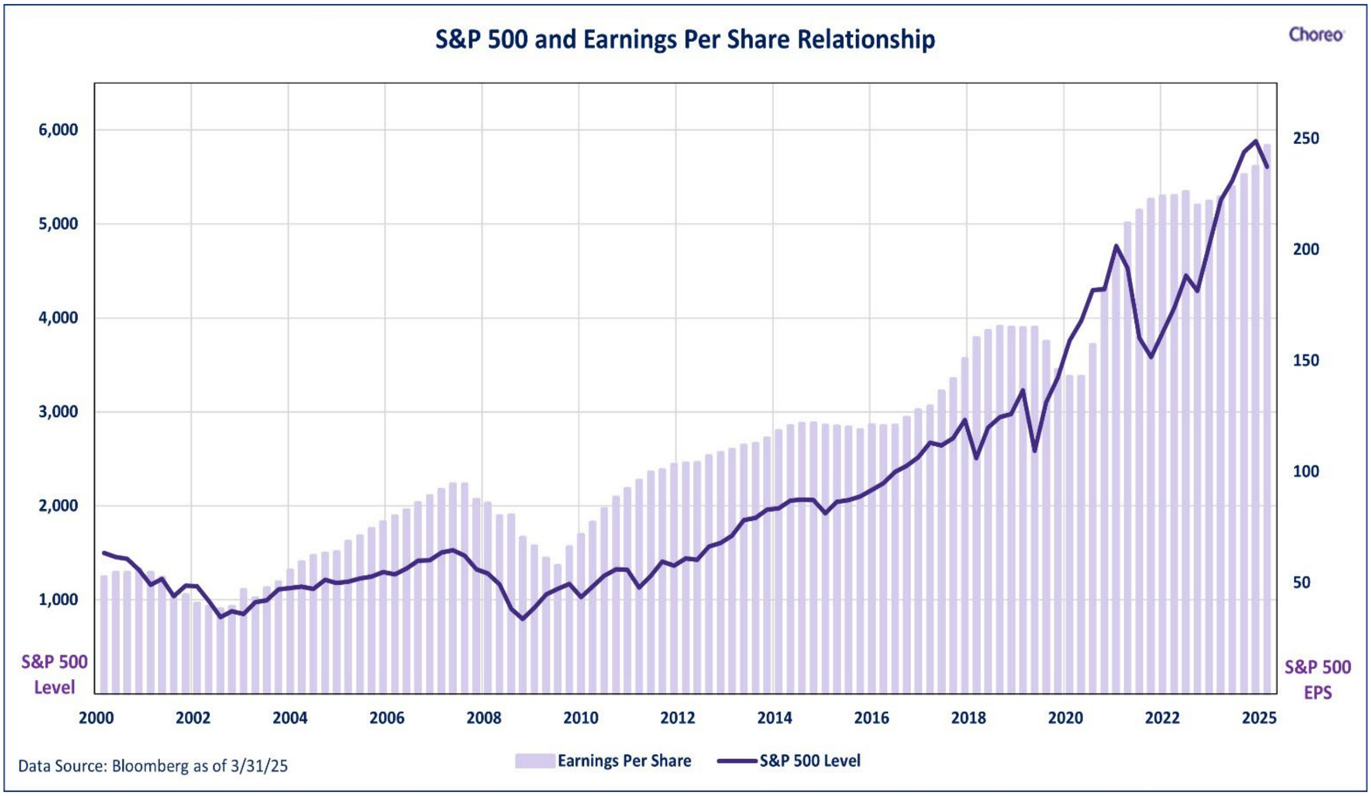
Report Date 6/30/2025 Bond Market Proxies	2024 Third Quarter	2024 Fourth Quarter	2025 First Quarter	2025 Second Quarter	2025 Return	2024 Return
Barclays Corporate Bond Index	5.2%	(3.1%)	2.8%	1.2%	4.0%	1.3%
Short Term Treasuries	2.9%	(0.1%)	1.6%	1.1%	2.7%	3.9%
Intermediate Term Treasuries	4.4%	(2.3%)	2.8%	1.7%	4.5%	1.8%
Long Term Treasuries	7.9%	(9.7%)	4.9%	(2.0%)	2.9%	(8.1%)
Treasury TIPs	4.1%	(3.0%)	4.3%	0.4%	4.7%	1.7%
Short Term Corporates	3.8%	(0.4%)	1.9%	1.8%	3.7%	4.9%
Intermediate Corporates	5.9%	(2.7%)	2.6%	2.6%	5.3%	3.2%
Long Term Corporates	8.4%	(6.3%)	2.4%	1.5%	3.9%	(1.9%)
High Yield Bonds	5.3%	0.2%	1.0%	3.5%	4.6%	8.2%
Preferred Stock	7.0%	(3.4%)	(1.2%)	1.6%	0.4%	7.2%
Mortgage Backed Securities	5.0%	(2.7%)	2.8%	1.2%	4.1%	1.7%
CMBS Securities	5.1%	(2.4%)	2.3%	2.4%	4.7%	4.3%
Short Term Municipal	1.7%	0.2%	1.0%	1.0%	1.9%	3.2%
Intermediate Term Municipals	2.7%	(1.0%)	0.1%	0.5%	0.6%	1.8%
Long Term Municipals	2.9%	(1.3%)	(0.6%)	(0.7%)	(1.2%)	1.9%
Emerging Market Bonds	7.1%	(2.9%)	2.7%	3.6%	6.4%	5.5%

Data Source: YCharts as of 06/30/2025

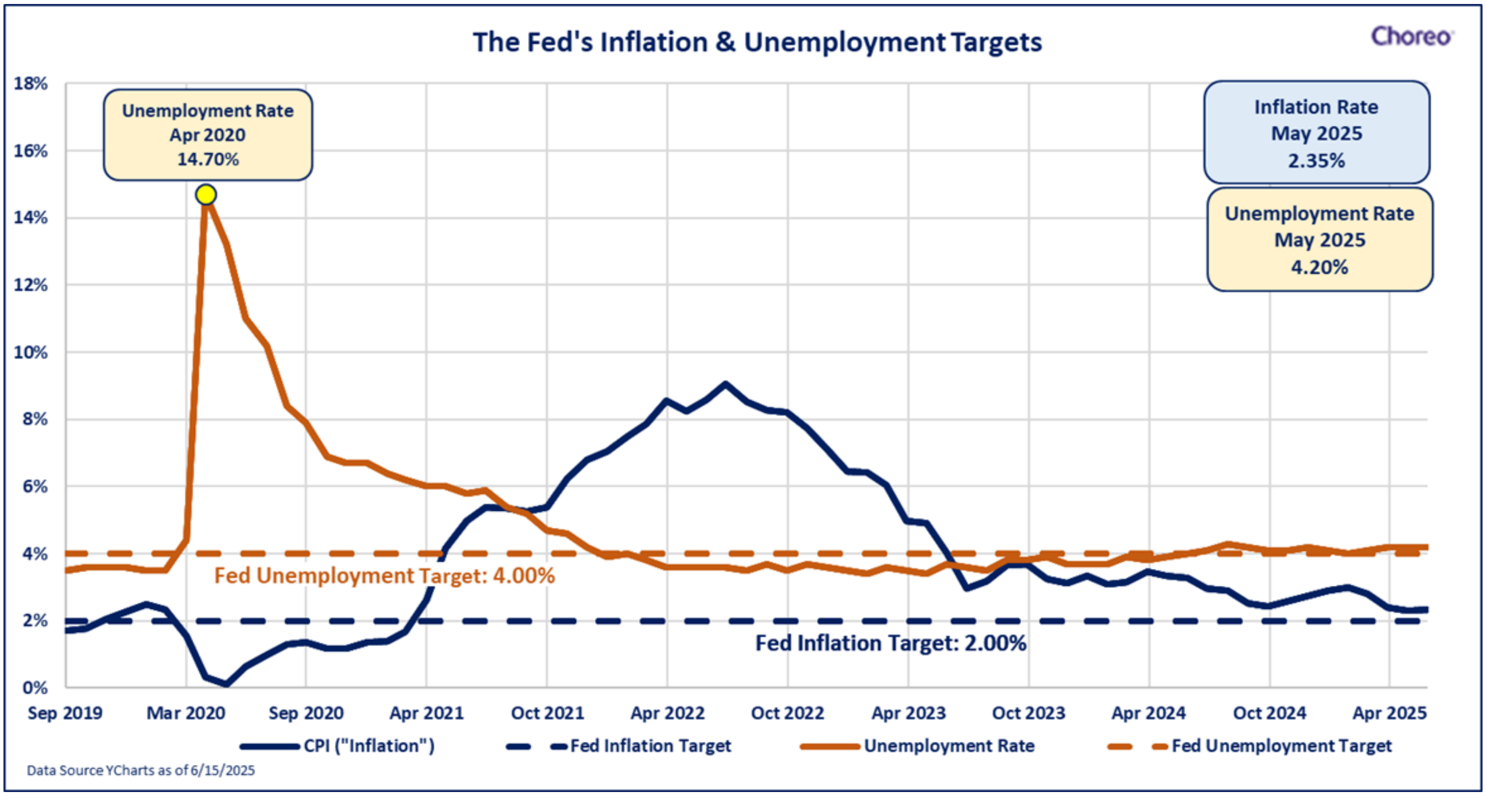
Indicates best performing asset class in time period (green)

Indicates worst performing asset class in time period (red)

After Iranian missiles targeted U.S. military bases in the Middle East, government layoffs, and tariff uncertainty, many investors have wondered how U.S. markets have shown such resilience this year. Some of the usual headwinds persist: inflation uncertainty, Fed policy, geopolitical tensions, and mixed economic data. New challenges emerged, including escalating trade tensions and a new tax and spending bill out of Washington that's expected to add trillions to an already ballooning debt load. Markets often react to short-term noise, but over time, corporate profits can have a major impact on prices. Profits continue to be a bright spot and a source of comfort for investors, as seen in the graph below.



The Fed remains a quiet driver of market activity as well. Opinions vary as to whether the Fed is driving markets or vice versa, and in early July Fed Chair Jerome Powell said, "In effect, we went on hold when we saw the size of the tariffs*." The Fed serves a dual mandate, focusing on full employment as well as stable prices. Labor markets remain strong enough (although they may be weakening in real time) but the inflation picture remains murky as supply chain disruptions and tariffs could derail progress toward the stable prices mandate, as shown in the graph below:



Conclusion

Entering the back half of 2025, one thing is certain: investors should expect uncertainty. Great movies usually have a great plot twist, and we expect 2025 will as well. Markets may not like the unknown, but until a reliable time machine exists, we anticipate that this will be the normal course of business. In the meantime, we hope you're enjoying summer fun with your family and friends (and watching an actual Blockbuster movie!) As always, please reach out to your Choreo Advisor with any questions or comments.

*Bloomberg, Katrice Eborn "Powell Says Tariffs Put Federal Reserve on Hold".

Disclosures

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