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Q2 2025 - Market Commentary[1]

- Global stock markets plunged at the beginning of April after the Trump Administration announced its Liberation Day tariff policy, but following the 90-day moratorium, global stock markets rallied over 20% throughout the rest of Q2.
- The U.S. Federal Reserve continued to hold interest rates steady during the second quarter even as the U.S. economy slowed, jobs data softened, and inflation readings were lower than expected.
- In its latest Summary of Economic Projections, the Fed lowered its 2025 U.S. economic growth forecast from 1.7% to 1.4% but raised its core PCE inflation forecast from 2.8% to 3.1%. The higher inflation forecast is in anticipation of price increases associated with higher tariffs, even though no trade deals have been formalized and inflation has yet to accelerate.
- With the exception of small caps, the main U.S. stock market benchmarks generated double digit positive returns during Q2.
- The broad U.S. stock market benefited from an outsized rally in the Mag 7 stocks, which gained +21.0% during Q2.
- The Russell 1000 Index of large/mid cap U.S. stocks gained +11.1% while the Russell 2000 Index of small cap stocks gained +8.5%. Following a strong first quarter, non-U.S. stocks continued to outperform during the second quarter.
- The MSCI ACWI Ex U.S. Index returned +12.0% and outperformed the Russell 3000 Index of U.S. stocks by +12.1% year to date.
- European stocks outperformed U.S. stocks by the widest margin in history during the first half of 2025.
- Emerging Markets also had a strong quarter with the MSCI EM Index gaining +12.0% .
- The U.S. dollar index weakened just over 11% during the first six months of 2025.
- The 10-year U.S. Treasury yield started Q2 at 4.22%, surged as high as 4.61%, but finished Q2 almost where it began at 4.23%.
- The Bloomberg Aggregate Bond Index returned +1.2% during the second quarter.
- High yield bonds benefited from the risk-on rally during the second quarter and gained +3.5%.
- Municipal bonds remain a notable outlier in fixed income with returns remaining in slightly negative territory.
- Gold gained another +5.0% during Q2 and remained the best performing asset class year-to-date with a +25.6% gain.
- Despite the Middle East conflict and ensuing but brief surge in oil prices, the slowing U.S. economic outlook had a more negative effect on oil as it declined 9.1% during the second quarter.
- Digital currencies benefited from the risk-on rally combined with favorable regulatory rulings and the successful IPO of a stable coin company. Bitcoin gained +30.8% while Ethereum rallied +37.5%.
- The Morningstar Global Balanced Index gained +6.8% during the second quarter and +8.7% year to date.

Performance Table[1]

	2Q25		YTD		2024		2023		2022	
S&P 500 Index (U.S. large/mega cap stocks)	10.9%	↑↑↑	6.2%	↑↑	25.0%	↑↑↑	26.3%	↑↑↑↑	-18.1%	↓↓↓
Russell 2000 Index (U.S. small cap stocks)	8.5%	↑↑	-1.8%	↓	11.5%	↑↑↑	16.9%	↑↑↑	-20.4%	↓↓↓
Russell 3000 Index (all U.S. stocks)	11.0%	↑↑↑	5.8%	↑↑	23.8%	↑↑↑	26.0%	↑↑↑↑	-19.2%	↓↓↓
MSCI EAFE Index (large cap developed markets int'l stocks)	11.8%	↑↑↑	19.5%	↑↑↑	3.8%	↑	18.2%	↑↑↑	-14.5%	↓↓↓
MSCI EM Index (emerging markets stocks)	12.0%	↑↑↑	15.3%	↑↑↑	7.5%	↑↑	9.8%	↑↑	-20.1%	↓↓↓
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	12.0%	↑↑↑	17.9%	↑↑↑	5.5%	↑↑	15.6%	↑↑↑	-16.0%	↓↓↓
MSCI All Countries World Index (all global stocks)	11.5%	↑↑↑	10.1%	↑↑↑	17.5%	↑↑↑	22.2%	↑↑↑	-18.4%	↓↓↓
Bloomberg Aggregate Bond Index (invt. grade bonds)	1.2%	↑	4.0%	↑	1.3%	↑	5.5%	↑↑	-13.0%	↓↓↓
Bloomberg High Yield Index (below invt. grade corp. bonds)	3.5%	↑	4.6%	↑	7.7%	↑↑	13.5%	↑↑↑	-12.2%	↓↓↓
Bloomberg Short-Term Treasury Index (cash)	1.0%	↑	2.1%	↑	5.3%	↑↑	5.1%	↑↑	1.0%	↑
Bloomberg Municipal Bond Index	-0.2%	↓	-0.4%	↓	1.2%	↑	6.4%	↑↑	-8.6%	↓↓
Gold	5.0%	↑	25.6%	↑↑↑↑	27.4%	↑↑↑↑	13.2%	↑↑↑	0.0%	↔
Oil (West Texas Intermediate Crude)	-9.1%	↓↓	-9.6%	↓↓	0.7%	↑	-11.4%	↓↓↓	6.7%	↑↑
Bitcoin	30.8%	↑↑↑↑	15.3%	↑↑↑	122.7%	↑↑↑↑↑	153.0%	↑↑↑↑↑	-64.0%	↓↓↓↓↓
Morningstar Global Balanced Index (60%stocks / 40%stocks)	6.8%	↑↑	8.7%	↑↑	7.6%	↑↑	10.7%	↑↑↑	-12.3%	↓↓↓

[1] *Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.*

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