

Markets extended their impressive rebound in June, with major U.S. equity indices reaching new all-time highs as investors embraced a more constructive outlook on trade policy, resilient corporate earnings, and the prospect of future Federal Reserve rate cuts. The S&P 500 advanced 5.09% for the month, the Nasdaq Composite surged 6.64%, and the Dow Jones Industrial Average gained 4.47%, capping a strong second quarter. Optimism around AI-driven productivity gains, easing trade tensions, and encouraging macroeconomic signals contributed to broad-based risk-on sentiment. The 10-year Treasury yield fell from 4.41% to 4.24%, while inflation continued its gradual descent, and GDP growth estimates rebounded following the resolution of key tariff uncertainties.

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Within equities, cyclical sectors benefited most from the improved macro backdrop, although sector leadership remained uneven. Technology outperformed sharply, driven by persistent strength in AI-related stocks and semiconductors. Investors continued to favor companies with, consistent earnings visibility, and exposure to structural growth themes, particularly in automation, cloud infrastructure, and advanced computing.

Corporate earnings remained lackluster for Q2 2025, with the estimated (year-over-year) earnings growth rate for the S&P 500 at 5.0%. This is down from 9.4% at the start of the quarter, as all 11 sectors are now expected to report lower earnings compared to March 31 projections due to downward revisions to EPS estimates¹ amid ongoing concerns about tariff uncertainty and global trade headwinds. The Technology sector led June's rally, driven by strong demand for AI infrastructure, enterprise cloud solutions, and advanced chips, while defensive sectors such as Utilities and Consumer Staples underperformed. M&A activity also picked up, particularly in the healthcare and software industries, reflecting greater CEO confidence and balance sheet capacity for strategic deals.

Global equity markets were mixed. European indices, including the FTSE 100 and Euronext 100, ended June nearly flat, weighed down by weak manufacturing data and geopolitical uncertainty surrounding ongoing wars and tariffs. In contrast, Asian markets posted solid gains: China's MSCI Index rose 3.71%, while Japan's Nikkei advanced 6.6%, buoyed by a weaker dollar, and improved global sentiment. Additionally, Emerging markets saw modest inflows of capital during in June, reflecting increased investor appetite for risk as volatility declined and the dollar weakened.

Much of the renewed investor confidence in June was driven by progress on the global trade front. On June 10, high-level negotiations in London resulted in a framework agreement between the U.S. and China, replacing the previously punitive 145% tariff rate with a 10% baseline reciprocal tariff on all Chinese goods and targeted tariffs of up to 35% on select categories such as electronics. This de-escalation signaled a strategic pivot by the Trump administration, moving away from broad-based escalation toward more targeted measures. The agreement, pending final approval, helped ease investor anxiety and contributed to the month's equity market strength.

However, not all trade tensions were resolved. On June 4, the U.S. doubled tariffs on steel and aluminum imports from 25% to 50%, while granting a temporary exemption to the United Kingdom. The move prompted threats of retaliation from the European Union and Canada, keeping trade risks on the radar and reminding markets that protectionist pressures remain in play.

Looking ahead, markets face several key uncertainties as the second half of 2025 begins. While the July 9 expiration of the 90-day tariff pause was initially expected to reignite trade tensions, a last-minute extension to August 1 has temporarily eased concerns—but the risk remains if negotiations break down. Investors will also be closely watching the Federal Reserve for signs of policy shifts and the upcoming Q2 earnings season for evidence of continued corporate resilience.

While June's rally reflected renewed confidence amid easing trade tensions and stabilizing economic growth, risks remain elevated due to unresolved disputes, the approaching August 1 tariff deadline, and persistent inflationary pressures. As always, we remain vigilant and focused on navigating the evolving landscape with a disciplined and risk-aware approach.

The Federal Reserve maintained its federal funds rate target at 4.25%–4.50% for a fourth consecutive meeting, citing persistent but moderating inflation and a stabilizing economy. Policymakers struck a cautious but slightly dovish tone, projecting two rate cuts for 2025 and raising the year-end core PCE inflation forecast to 3.0% while lowering GDP growth expectations to 1.4%. Chair Jerome Powell emphasized the need for “sustained evidence” of disinflation before easing its interest rate policy, but markets interpreted the updated guidance as a signal that rate cuts are increasingly likely in the second half of the year. Bond markets rallied modestly on the news, while equity investors welcomed the potential for a more accommodative policy path.²

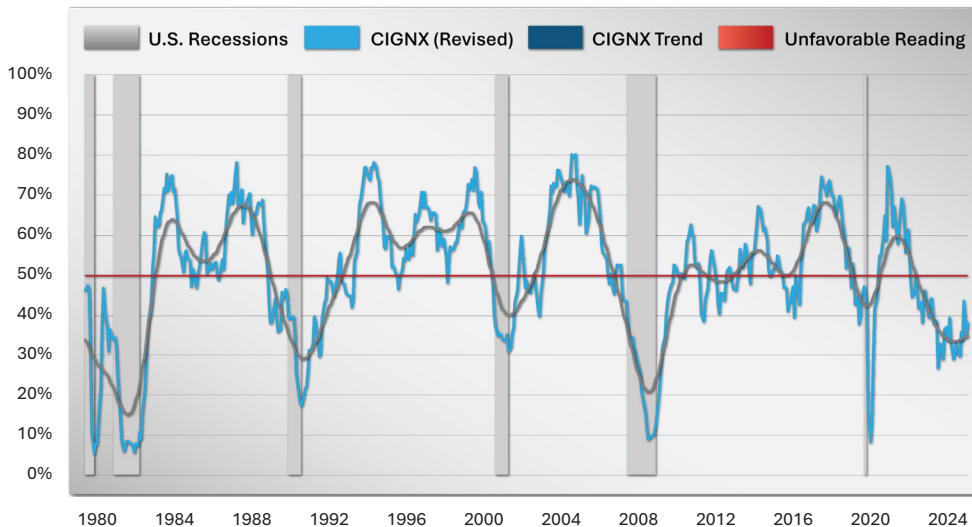
Economic data released in June painted a picture of stabilization. The Atlanta Fed's GDPNow model estimate for Q2 2025 rose to 2.6% (seasonally adjusted annual rate) as of early July³, a sizeable improvement from the Q1 contraction, reflecting a rebound in economic activity as tariff uncertainties faded. The labor market remained resilient, with steady job growth and a low unemployment rate. However, consumer spending showed signs of softening, particularly in discretionary categories, as elevated interest rates and prices continued to weigh on household budgets. Inflation trends have continued to moderate, evidenced by the May CPI report showing a year-over-year rate of 2.35%. Nonetheless, the Federal Reserve remains cautious, as core PCE inflation is still projected to end the year above the 2% target, indicating inflationary pressures persist.

1 https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_070325.pdf

2 <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250618.pdf>

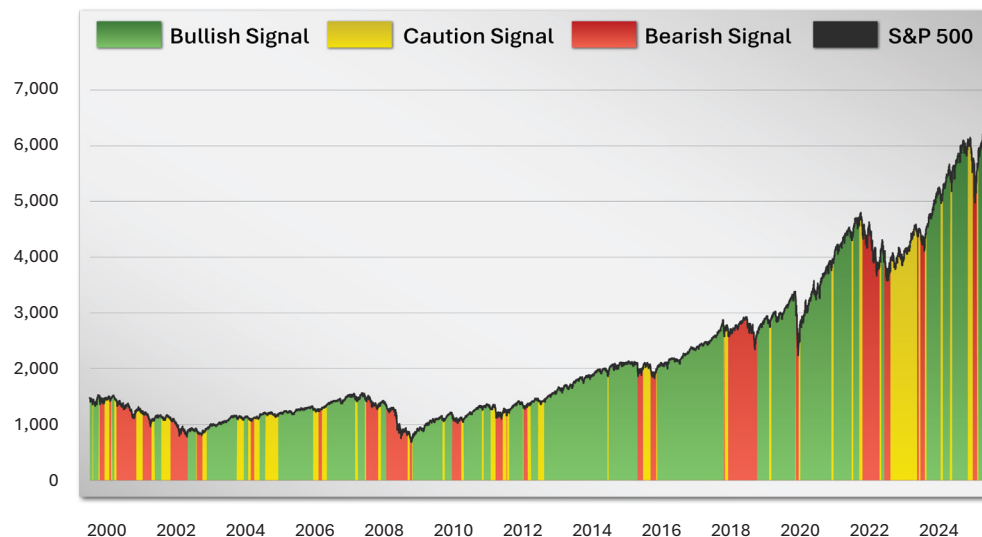
3 <https://www.atlantafed.org/cqer/research/gdpnow>

CIGNX = 36.0



Our **CIGNX** Economic Indicator has a reading of **36.0**, down from last month's revised reading of **38.2**. The reading is indicative of slowing economic activity. This remains below our baseline threshold of **50.0**, indicative of unfavorable conditions, and slightly below our secondary baseline reading of **40.0**, which we typically interpret as the economy experiencing recessionary conditions. **Our overall economic outlook remains unfavorable.**

ALPHA = Positive (Buy) OMEGA = Positive (Buy)



Both our short-term signal (**Alpha**) and our intermediate-term signal (**Omega**) remained **Positive** in June, indicating the near-term and the intermediate-term market outlooks remain favorable. We continue to maintain a "Bullish" positioning across each of our Dynamically and Tactically managed portfolios, with an increased exposure to equities. **Our overall market sentiment is Bullish.**

U.S. Large Cap Stocks
S&P 500 Index
Monthly: 5.09%
Year to Date: 6.02%

U.S. large-cap equities extended their rebound in June, with the S&P 500 gaining 5.09% as investors responded positively to easing trade tensions, stabilizing economic data, and growing confidence in a more accommodative Federal Reserve later this year. The rally was broad but continued to be led by mega-cap technology and AI-related stocks, which drove much of the index's strength. June's gains pushed the S&P 500 to a 6.02% year-to-date return, recovering from early-year volatility. Progress on U.S.–China trade policy and cooling inflation supported the positive backdrop for large-cap securities.

U.S. Mid Cap Stocks
S&P 400 Index
Monthly: 3.58%
Year to Date: 0.20%

U.S. mid-cap stocks also advanced in June, with the S&P MidCap 400 rising 3.58% amid improving investor sentiment and broader participation in the market rally. While gains were more moderate than those of large caps, mid-sized companies benefited from easing macroeconomic concerns and signs of economic stabilization. Despite June's strength, mid caps remain roughly flat for the year, with the index up just 0.20% year-to-date, as earlier volatility and sensitivity to interest rates and trade policy continue to weigh on performance.

U.S. Small Cap Stocks
S&P 600 Index
Monthly: 4.04%
Year to Date: -4.46%

Small-cap stocks rallied in June, with the S&P 600 gaining 4.04% as investors rotated into more economically sensitive areas of the market due to improving growth expectations. The rebound was supported by easing inflation, stable interest rates, and progress on trade negotiations, all of which helped lift sentiment toward smaller companies. However, the index remains in negative territory year-to-date, down 4.46%, as small caps continue to face headwinds from tighter financial conditions, uneven earnings growth, and heightened sensitivity to macroeconomic uncertainty.

U.S. Bonds
U.S. Agg Bond Index
Monthly: 1.54%
Year to Date: 4.02%

Bonds rallied in June, with the Bloomberg U.S. Aggregate Bond Index rising 1.54%, bringing its year-to-date return to 4.02%. The advance reflected moderating inflation data, steady economic conditions, and growing expectations for Federal Reserve rate cuts later this year. Treasury yields declined modestly as investors began to price in a more accommodative policy path, supporting a broad move higher in fixed income prices. While uncertainty remains around the timing and pace of future rate adjustments, bonds continued to serve as a valuable source of diversification amid evolving macroeconomic conditions.

Alternative Assets
S&P GSCI Index
Monthly: 4.48%
Year to Date: 1.94%

Alternative assets delivered strong performance in June, with the Bloomberg GSCI Index rising 4.48%, bringing its year-to-date return into positive territory at 1.94%. The rally was led by a sharp rebound in energy markets, as the GSCI Crude Oil Index surged 9.39% on renewed geopolitical tensions and expectations for tighter global supply. Silver also posted impressive gains, up 9.90%, while gold saw a more moderate gain, rising just 2.26%. The broader commodity complex continues to be shaped by crosscurrents in global demand, supply constraints, and shifting investor sentiment toward inflation hedges and real assets.

U.S. Real Estate
S&P 1500 Real Estate
Monthly: 0.49%
Year to Date: 2.28%

The S&P 1500 Real Estate sector posted a modest gain of 0.49% in June, bringing its year-to-date return to 2.28%. While macroeconomic uncertainty continue to pose challenges, the sector showed resilience amid a supportive environment of moderating inflation and stable monetary policy expectations. Investors remain focused on the income-generating potential of real estate, with demand sustained by its diversification benefits and perceived defensiveness in periods of heightened volatility. Despite headwinds, steady fundamentals and investor appetite for reliable cash flows continue to support the asset class.

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