



Stocks End quarter at a Record High

JULY 2025



In a volatile first half of 2025, the S&P 500 Index, an index comprised of the 500 largest U.S. companies by market capitalization, increased 6% and ended June at a record high. The Dow Jones Industrial Average, a long-standing index of 30 stocks, and the technology-laden Nasdaq also rose approximately 6% over the same period.

Investor sentiment weakened amid news headlines questioning if tariffs could affect economic growth as well as the sustainability of tech companies' massive artificial intelligence (AI) infrastructure spending. After the S&P 500 reached a record high in February, it fell sharply when new tariffs were announced in early April. As many of the stricter tariffs were paused or rolled back, markets swiftly rebounded. In fact, the S&P 500 rallied 24% from its April bottom to its closing high in only 89 days—the quickest recovery ever among past declines of at least 15%.¹

However, reflecting investors' nervousness about growth in the turbulent six-month period, some defensive areas of the market gained more than cyclical or growth-oriented areas. For example, Utilities performed strongly, increasing 9% on a year-to-date basis, while the bottom-performing sector was Consumer Discretionary, losing nearly 4%. In general, large stocks outperformed their small-cap counterparts so far this year.

Several factors support a bullish outlook for U.S. stocks and the economy. Many U.S. companies have had robust earnings growth. The Federal Reserve is expected to

cut interest rates later in 2025, which should provide favorable borrowing conditions for consumers and spur economic growth. The Consumer Price Index reflects relatively low inflation, at 2.4% over the 12 months ending in May,² and the unemployment rate remains at a low 4.2% as of May 2025, signaling a resilient labor market.³ These dynamics bolster confidence in continued economic and market strength.

As we approach the second half of 2025, stocks may continue to experience volatility. Despite these challenges, fundamentals remain healthy, and staying invested through market fluctuations and maintaining a diversified portfolio is key to achieving your long-term financial goals. As always, your Buska Financial Advisor is available to discuss any changes in your financial situation.

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¹ The Wall Street Journal, 6/27/25. ² U.S. Bureau of Labor Statistics, Consumer Price Index. ³ U.S. Bureau of Labor Statistics, Employment Situation.

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