Q2 2025

NOTES ON THE MARKET

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STRATEGIC INVESTMENTS

Q2 2025 RECAP

What a long strange trip it's been. In a mere three months major U.S. indices dropped precipitously, nearing bear market levels, only to turn around sharply and regain new highs in the fastest rebound in history. The April 2nd tariff announcement led to markets declining sharply, only to have the extreme tariffs given a 90-day delay a week later. This served as a "Put" on the markets, allowing volatility to subside and markets to price in the fact that Trump was not going to allow the American economy, as measured by the stock market, to fall apart. Company earnings came in strong, indicating the economy was still on strong footing, further pushing markets higher. Cryptocurrency regulation eased and adoption of the asset class was strong throughout the quarter, with billions of dollars flowing into crypto based products.

But wait, there's more! Geopolitical tensions flared, with Israel and Iran bombing each other incessantly until the U.S. stepped in, and in a stunning reversal of policy conducted airstrikes on nuclear facilities, reportedly impairing Iran's nuclear capabilities.. The "one, Big, Beautiful Bill" was signed into law, extending tax cuts, expanding federal debt further and making historic cuts to Medicaid among other things. As the July 9th trade deal date came with only one deal with the UK actually coming to fruition, another extension was offered pushing the trade deadline to August 1.

"Through discipline comes freedom." ~Aristotle

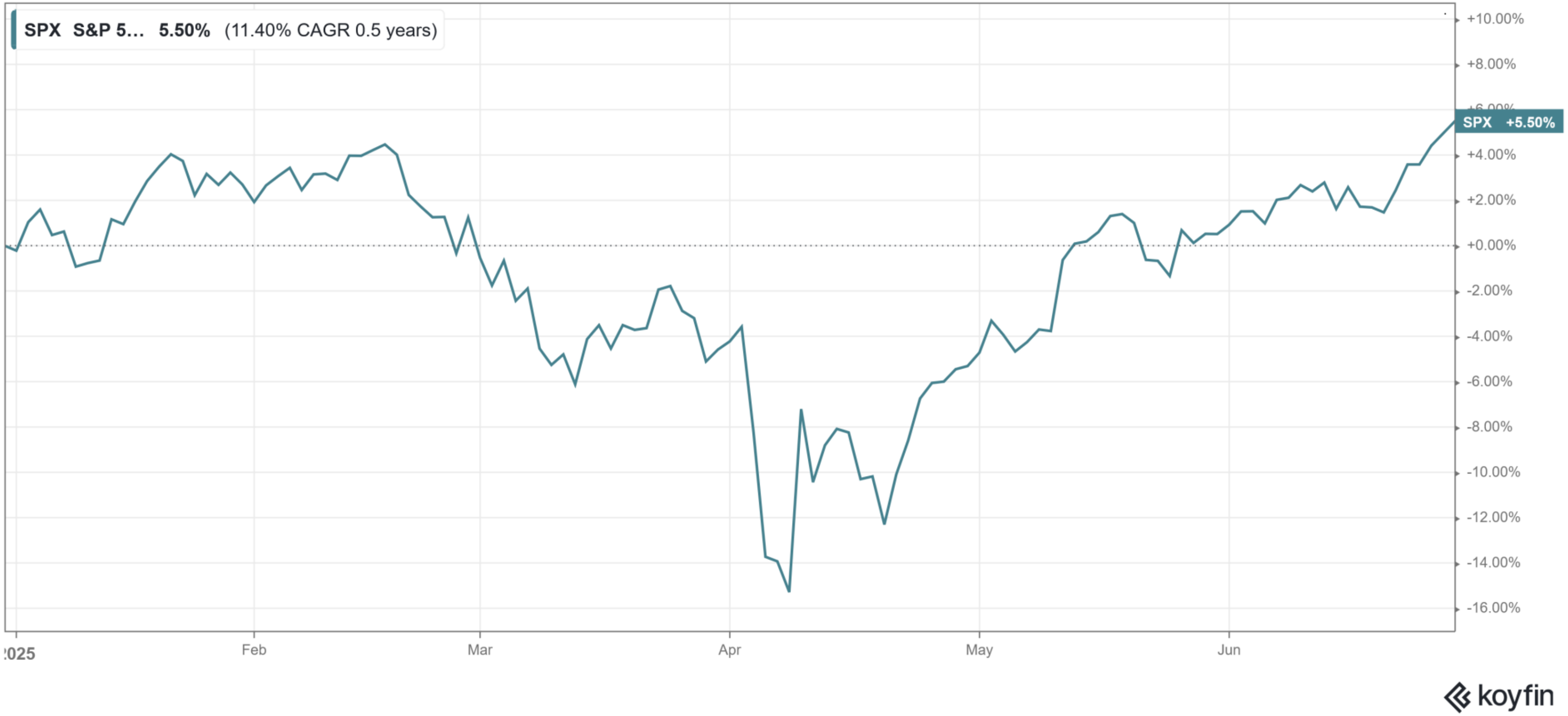
STOCKS SPRINT BACK FASTER THAN USAIN BOLT

From significant declines in early April, to new highs 81 days later.

POP IT LIKE IT'S HOT! IN LESS THAN THREE MONTHS, THE S&P 500 RECOVERS LOST GROUND

- It has been a volatile six months for equities, dropping more than 15%, only to recover and hit new all-time highs, marking a 30% rally to new highs.
- This has been the fastest recovery in history, recovering in a mere 81 days.
- The recovery was fueled by a 90-day pause on tariffs being implemented, changing the trajectory of expectations.

S&P 500 Price Movement Year-to-Date



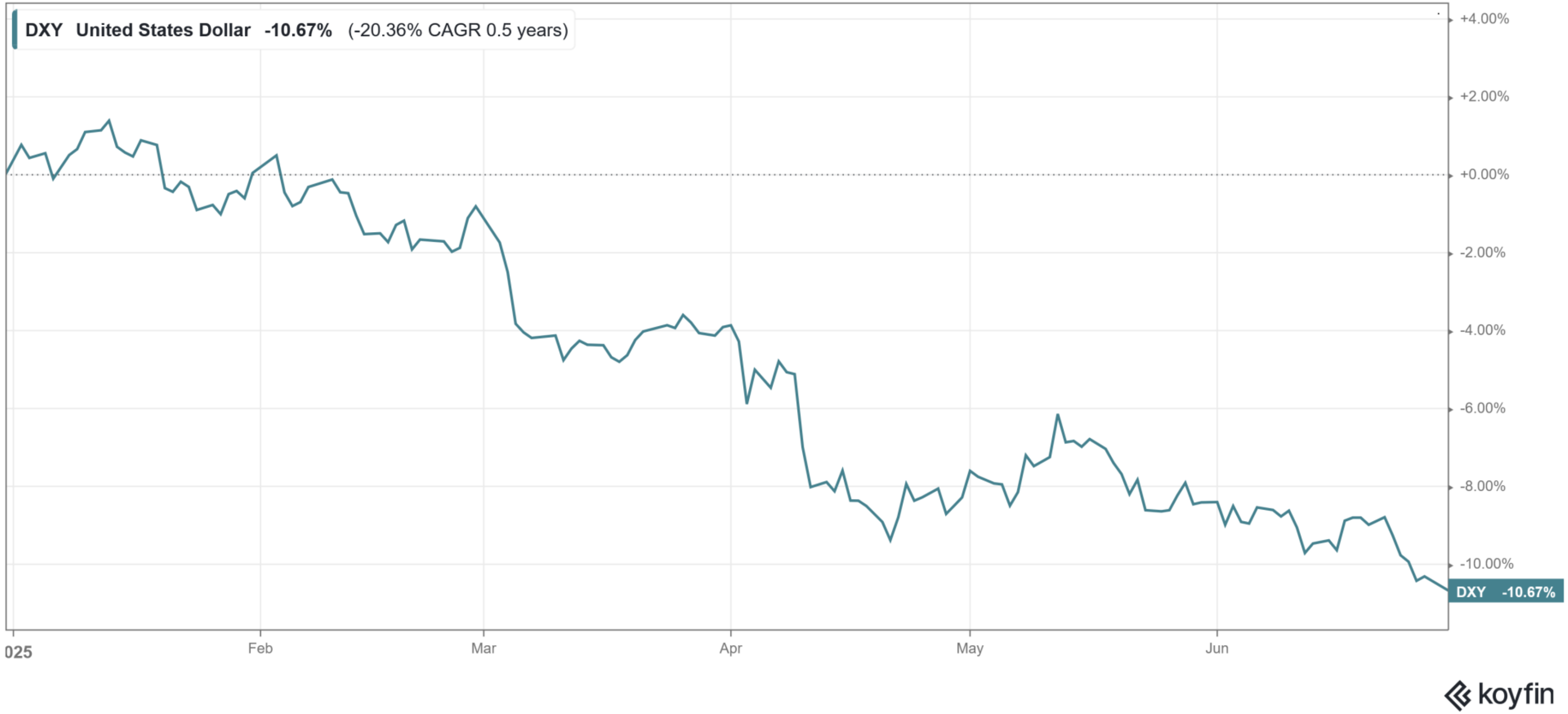
Data from Koyfin

THE DOLLAR DIPS LIKE IT’S DODGING TAXES

THE U.S. DOLLAR HAS DROPPED SIGNIFICANTLY IN THE PAST SIX MONTHS

- The U.S. dollar serves as the world's reserve currency and fluctuations have broad impact. A drop of more than 10% in six months has not been seen since the 1980's. While a lower dollar may be beneficial for US exporters, it may also indicate a shift away from US assets as uncertainty around economic policies, growing deficits, and the potential for lower interest rates looms.

U.S. Dollar Price Index Year-to-Date Returns

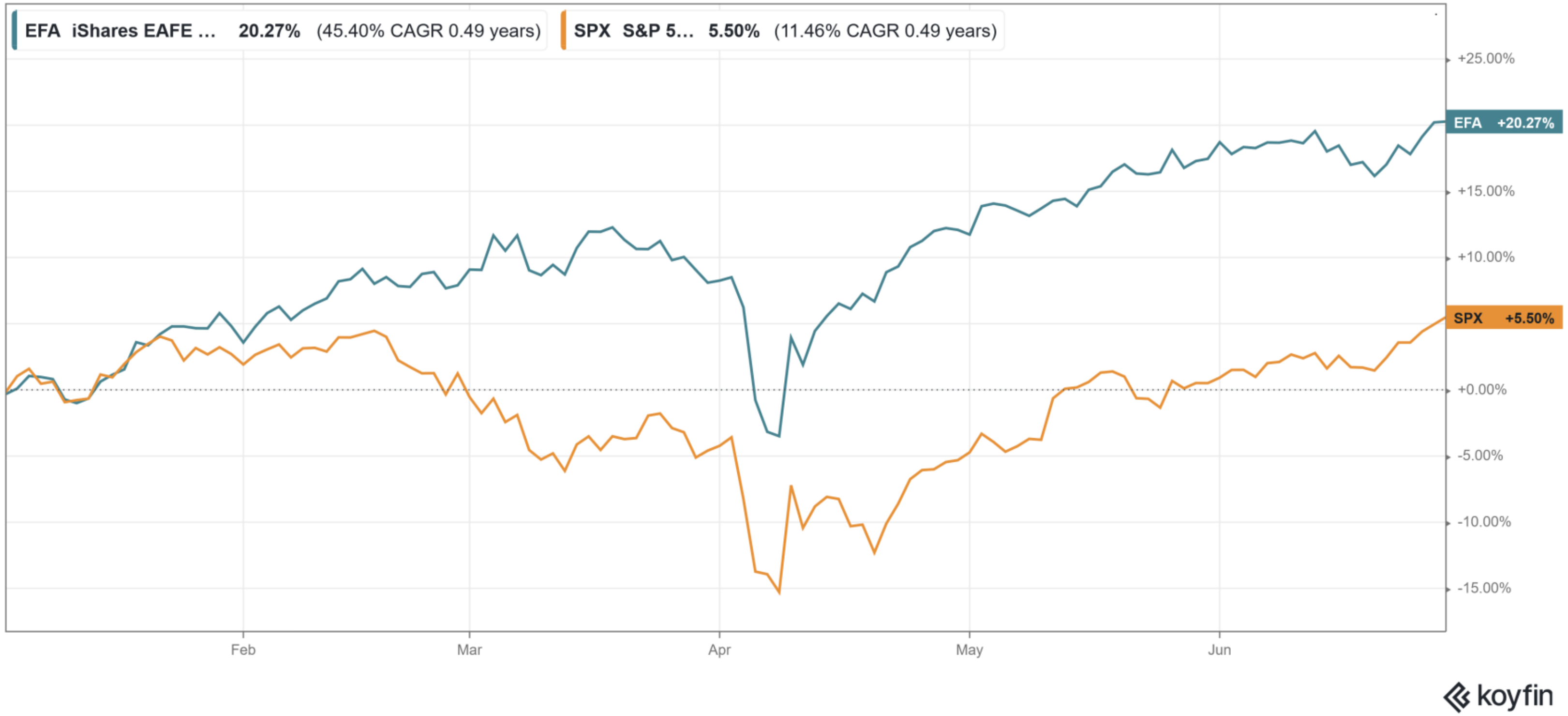


Data from Koyfin

INTERNATIONAL STOCKS THRIVING, NOT JUST SURVIVING

INTERNATIONAL STOCKS CONTINUE TO LEAD WITH AMERICAN STOCKS PLAYING CATCH UP

U.S. vs. Developed International Indices



Data from Koyfin

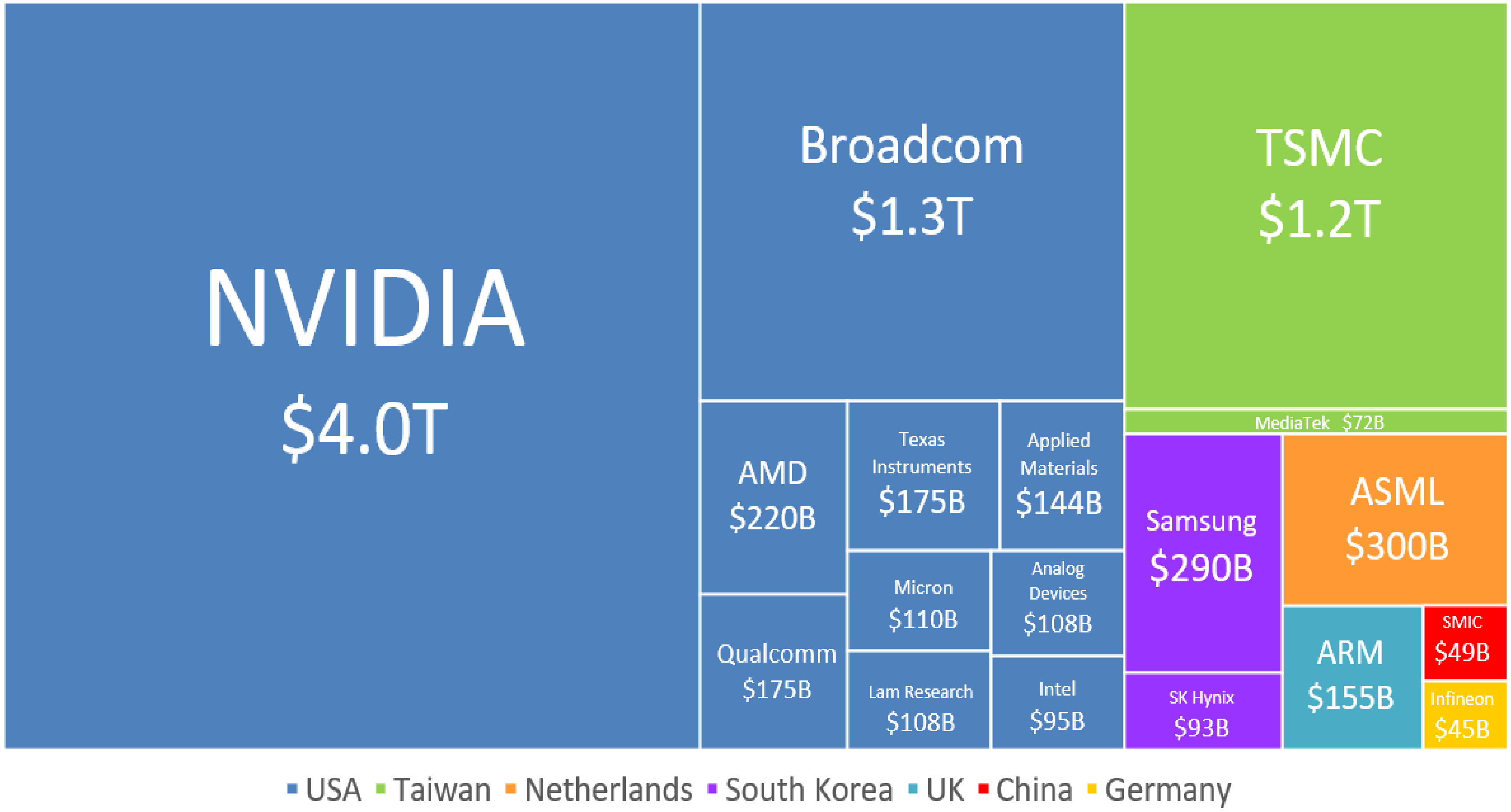
- The S&P 500 has returned 5.50% year-to-date while other developed countries such as Europe and Japan, as demonstrated by the ETF ticker EFA, has returned 20.27%.
- Declines in the U.S. dollar have helped lead a surge in foreign stocks.
- As the U.S. reduces financial support for NATO and other global commitments, developed nations have been forced to increase their budgets and spending, propelling international stocks higher.

AMERICA'S AI ASCENT: STARS, STRIPES, AND SUPERINTELLIGENCE SOAR

AMERICAN INNOVATION DRIVES DOMINANCE IN AI DEVELOPMENT

- The largest semiconductor companies have a market cap of over $8.6 trillion dollars.
- Of that total, 76% of those companies are from the U.S..
- NVIDIA alone holds 46% of the global AI semiconductor market share.
- While China is investing heavily in AI infrastructure and has put out AI systems like DeepSeek to be more competitive in the landscape, China currently holds just 1% of the global AI market share.

Largest Semiconductor Companies by Market Cap and Country

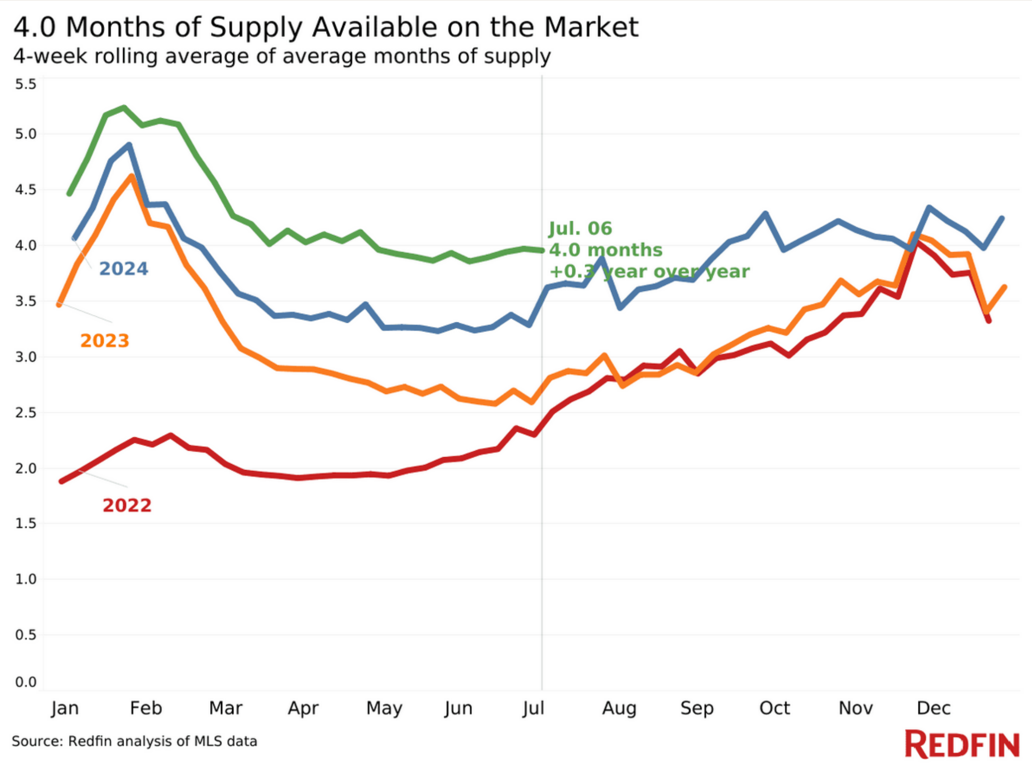


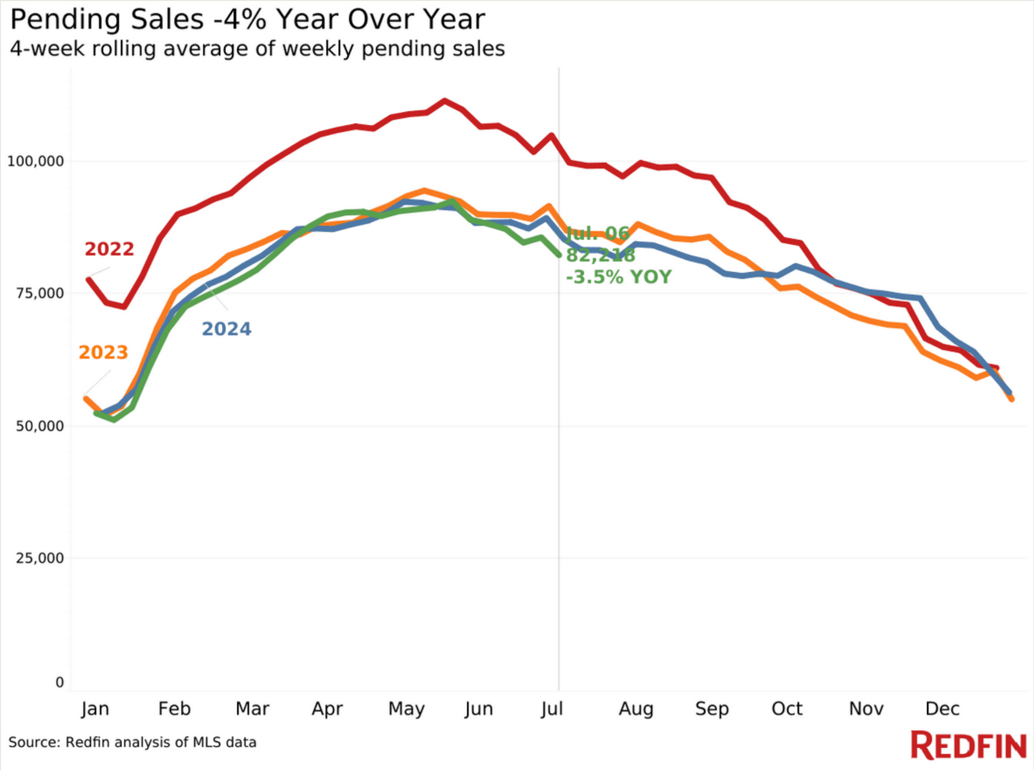
Source: Market capitalizations as of July 2025 from Yahoo Finance, Google Finance, CompaniesMarketCap.com, and company investor relations pages.
Information is believed to be accurate as of July 2025 and is subject to change. This is for informational purposes only and does not constitute a recommendation to buy or sell any securities.

HOMES LINGER, PRICES WOBBLE: IS THE HOUSING MARKET TIPPING TOWARD BUYERS?

FEWER SALES, MORE HOMES POINTS TOWARD A MORE BALANCED MARKET, BUYER'S MARKET BREWING?

- **The supply of homes on the market has risen to the highest mid-year level in four years.**
- **The number of sales that are pending is also at the lowest point we have seen in four years for July and down -3.5% since last year.**
- **Meanwhile, the median sales price for homes from data ending July 6, 2025, is $399,633, an all-time high.**





Data from Redfin

WHERE DO WE GO FROM HERE?

With tariffs and taxes behind us, we can happily turn our attention to deregulation and earnings. While headlines still have the power to drive markets strongly up or down on a day-to-day basis, the markets are generally desensitized to tariffs at this point. 15% tariffs seem to be the base case, and the additional profits brought in have thus far benefited the U.S. economy with little to no impact to inflation thus far. The August 1st tariff deadline still looms as a potential headwind, particularly after the rally we have seen, but recent pullbacks have merely served as an opportunity for those not yet participating to get in the historic rally. AI and technology stocks continue to drive returns, but pockets of value still exist, and lateral industries are poised to profit as well. While a period of consolidation and rest as the summer ends would not be a surprise, the second half may offer further upside, though geopolitical and headline risks remain.

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Questions? Comments? Like what you read?
Reach out to chat or schedule a financial review:

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