McGLONE SUTTNER
— WEALTH MANAGEMENT —

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Market Commentary

Investing Insights

Why Stocks Rallied in Q2 Despite Fear and Economic Uncertainty

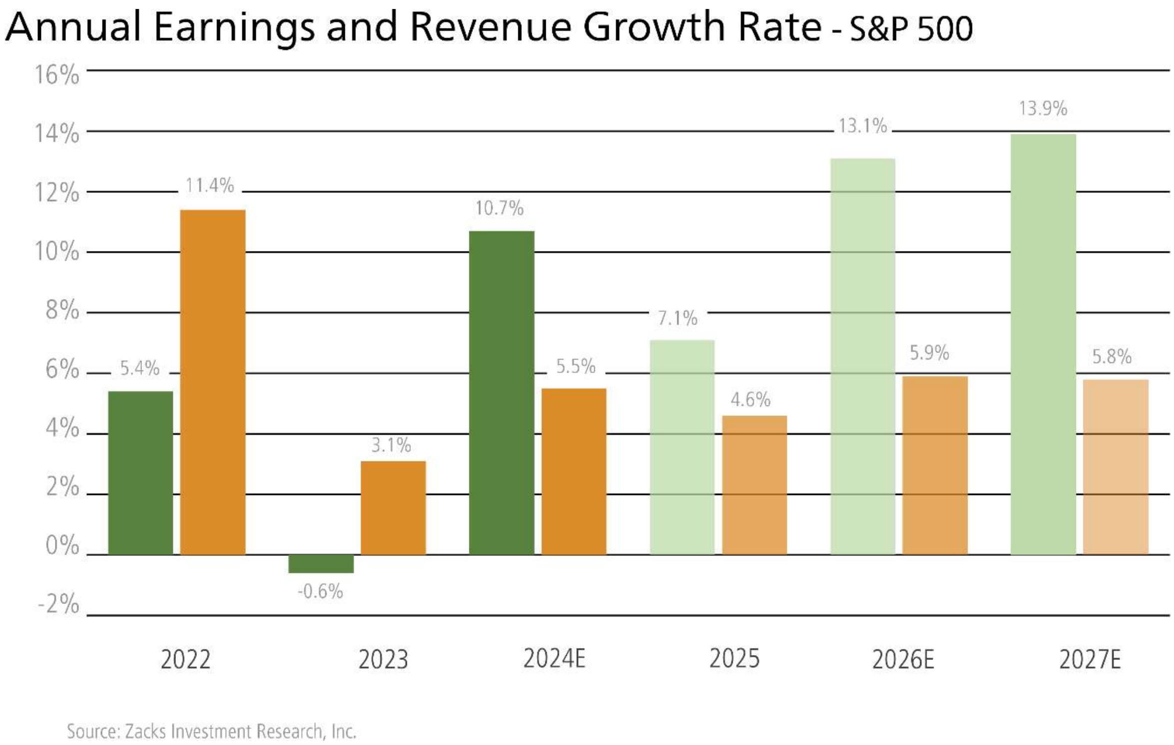
In the three months ending June 30th, U.S. and global stocks did what they've done many times before: they climbed a wall of worry.

If we start this story in April, we know that the market's uneasiness was triggered in response to the shock of tariffs and accompanying fears of a global trade war/economic slowdown. In short order, the S&P 500 plunged into correction territory and dragged investor sentiment down with it. Headlines were awash with predictions of prolonged economic pain, and many investors became extremely skeptical.

Yet as I write, the S&P 500 index has crossed back into record territory, having posted its best quarterly performance in over a year.

But that's just the thing—markets don't need perfect conditions to move higher. In fact, one of the most consistent traits of bull markets is that they advance when expectations are low and the news is simply "less bad" than feared. That's what we've seen again this quarter.

With the backdrop of somewhat extreme investor pessimism on trade and economic growth, consider the catalysts. First, better-than-expected corporate earnings. After slashing full-year profit forecasts in Q1, many companies delivered solid results and issued relatively upbeat guidance. Zacks analysts expect S&P 500 earnings to rise this year, and even more so next year. The growth outlook hasn't vanished; it's just been recalibrated. Read: less bad than feared.



Zacks Investment Management[2]

Second, the economy continues to show resilience. Inflation has not returned in the way that many feared, the labor market remains stable, and consumers appear to be holding up. Though risks like delayed tariff impacts, a slower global manufacturing cycle, and persistent geopolitical uncertainty remain, those risks haven't yet translated into fundamental damage. Read: less bad than feared.

You can see the pattern here. For markets, oftentimes the absence of bad news is as powerful as the presence of good news. It doesn't take perfection to move higher. It only takes outcomes that are modestly better than expected. With delayed reciprocal tariffs and broad-based economic resilience, that's precisely what we got in Q2.

Stocks climbing the "wall of worry" is a theme I revisit often in my columns because it's a pattern that recurs so frequently. It makes sense as to why: investing is emotional for many, and with media narratives often grasping at bad news, it does not take much to shift expectations lower than they should be. That opens the door for any type of stabilization, or even just a pause in bad news to spark a relief rally.

In volatile markets, investors tend to wait for clarity before committing or re-committing capital. But that's often a costly mistake. You'd be hard-pressed to find historical examples of markets waiting for full visibility or green shoots before rallying. The opposite tends to be true. This quarter's rebound is a case in point: despite lingering questions about tariffs, inflation, and global growth, stocks surged off the April lows. Investors waiting for an all-clear likely missed the recovery.

Bottom Line for Investors

One of stocks' hallmark characteristics is that they love to climb walls of worry, fueled not by perfect news but by news that's not as bad as feared. The second quarter of 2025 reminded us of this pattern. Sentiment turned sharply negative in April, only for the market to rebound strongly as fundamentals held steady and policy fears began to ease.

For long-term investors, the takeaway is simple: don't wait for certainty. Markets move ahead of headlines, not after them, and all they need is a gap between perception and reality.

Markets don't wait for perfect conditions to move higher—they advance when reality is better than feared. Understanding these signals can help you stay ahead, even in uncertain times.

[1] Wall Street Journal. June 30, 2025. https://www.wsj.com/finance/stocks/global-stocks-markets-dow-news-06-30-2025-52905785?mod=finance_lead_story

[2] Zacks. June 27, 2025. https://www.zacks.com/commentary/2556563/looking-ahead-to-the-q2-earnings-season

THE STEADY INVESTOR:
Key Weekly Events

- **Japan talks stall over tariffs**
- **Workforce shifts to robot oversight**
- **Job growth pace slows down**

Japan Shows Why Trade Deals Could Be Far Harder Than Expected

In the days following "Liberation Day," the Trump administration talked up the possibility of "90 deals in 90 days." So far there's been one (the U.K.). Japan shows why getting more deals quickly may be harder than everyone expects. Talks between the two countries have faltered, with officials at an impasse over auto tariffs and broader reciprocal duties. U.S. negotiators signaled they may escalate pressure by proposing voluntary export restrictions, but Japanese officials rejected any agreement that preserves elevated tariffs—particularly on cars, a core industry for Japan.

The trade standoff comes amid growing confusion about the direction of U.S. policy. Officials have sent mixed signals on deadlines and goals, while other countries—including Canada, South Korea, and the European Union—navigate a shifting set of demands tied to tariff relief, digital services, and restrictions on Chinese trade routes. In some cases, talks have broken down altogether before being abruptly restarted. For Japan, the stakes are particularly high. Tariffs on Japanese autos were set at 24% before the pause—far above pre-existing levels—and officials say a deal that fails to reduce those duties would be politically untenable ahead of national elections in late July. Tokyo has also resisted agreeing to new quotas on car exports, especially after other allies like the U.K. received sector-specific relief. Despite near-continuous dialogue, a breakthrough appears unlikely in the near term. For investors, the message is clear: headline-driven trade diplomacy remains fluid and highly unpredictable. While tariff announcements and cease-fires have dominated markets in recent months, actual deals are proving more elusive, and with the July deadline looming, the risk of renewed trade disruptions remains elevated.[1]

The Rise of the Robots

This week, Amazon announced it now operates more than one million robots in its facilities—nearly matching the number of human workers—marking a new phase in its years-long push to modernize logistics and fulfillment through robotics and artificial intelligence. Roughly 75% of Amazon's global deliveries are now touched by robotics, whether through mobile bots transporting inventory, robotic arms performing complex picking and sorting tasks, or machine-vision systems optimizing packaging flows. At some advanced facilities, robots help move products 25% faster than traditional sites, while newer facilities have notably smaller employee footprints. While automation has helped Amazon boost productivity and reduce reliance on high-turnover labor, it is also transforming the nature of warehouse work. The company has retrained more than 700,000 employees globally for higher-skilled roles related to robotics, including mechatronics apprenticeships and robot monitoring. Many former manual workers now operate or supervise the very machines that have replaced lifting, pulling, and repetitive sorting tasks (to note: we do not make specific stock recommendations and the mention of Amazon in this write-up should not be construed as investment advice).[2]

Is the U.S. Jobs Market Showing Signs of Weakening?

The U.S. labor market is still growing, but likely at a much slower pace than headline numbers suggest. Through May, the monthly average sits at 124,000 jobs, compared to 168,000 in 2024. That slowdown reflects a mix of economic headwinds, including volatile trade policy, public-sector cutbacks, and a sharp decline in immigration. On the surface, the labor market appears stable. Layoffs remain low, and wage growth has held up. But beneath the surface, hiring has cooled, and many job seekers are struggling to find work. The result is a stagnant labor market with little churn. Workers who have jobs are staying put, while those entering or re-entering the workforce face fewer openings. Further complicating the picture are downward revisions to previously released data. For the first four months of the year, the Labor Department has revised monthly job gains lower by an average of 55,000. That's a significant adjustment and it suggests the original estimates were overly optimistic. Payroll processor ADP, which tracks private-sector employment, reported a 33,000 job decline in June, driven by a 47,000 job loss among small businesses. Hiring by smaller firms has averaged just 5,300 jobs a month this year—down sharply from nearly 40,000 per month in 2024.[3]

[1] Wall Street Journal. July 2, 2025. https://www.wsj.com/economy/trade/trump-trade-tariff-deal-japan-c87ee950?mod=djem10point

[2] Wall Street Journal. June 30, 2025. https://www.wsj.com/tech/amazon-warehouse-robots-automation-942b814f?mod=djem10point

[3] Wall Street Journal. July 2, 2025. https://www.wsj.com/economy/jobs/job-market-labor-us-economy-a3e94136?mod=economy_lead_pos3

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Nasdaq Composite Index is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities. An investor cannot invest directly in an index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor.

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