

# Quarterly Market Update

## Second Quarter 2025

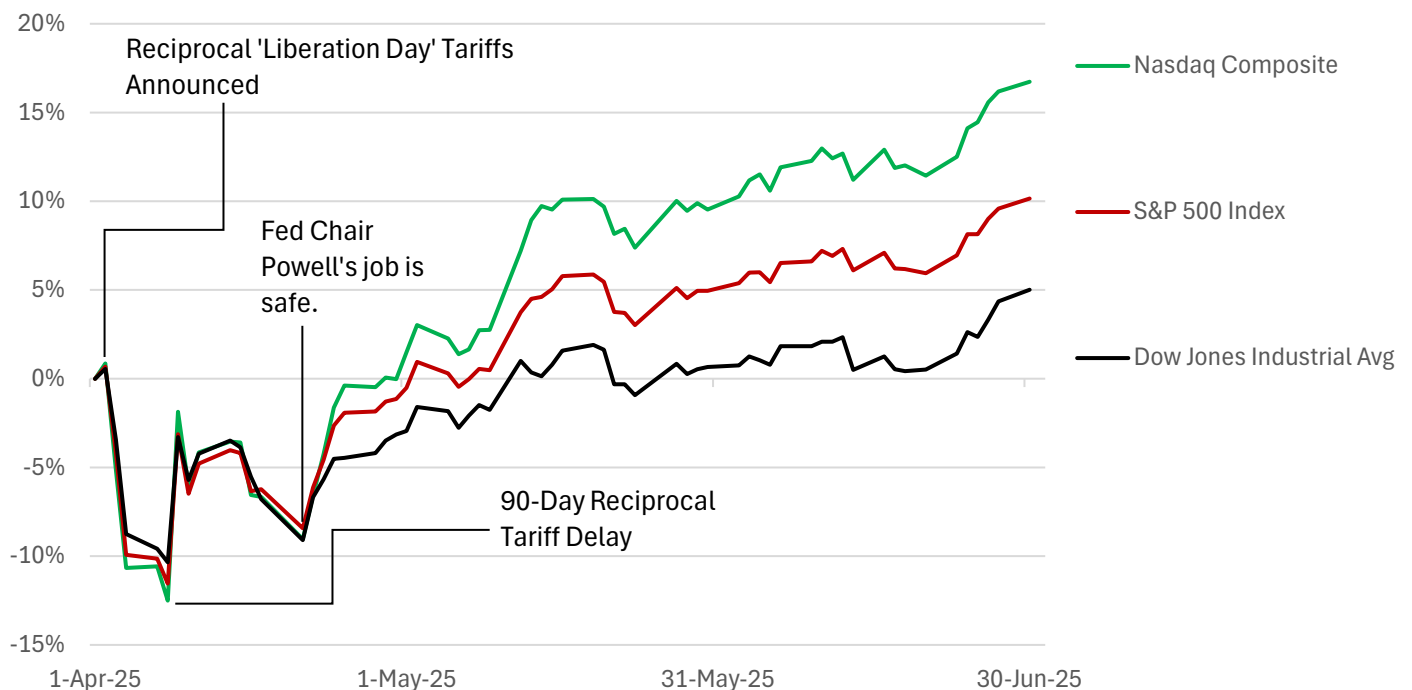
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### Investors Downplay Anxieties as Stocks Notch a Record

The S&P 500 Index and Nasdaq Composite reached new peaks during the last two trading days of June, erasing losses incurred during April's sharp selloff - Figure 1.

The Major Averages - Q2's Rollercoaster

Fig. 1



Data Source: St. Louis Federal Reserve, Yahoo Finance 6/30/2025  
 Past performance is not guarantee of future results.

As Wall Street strategists often frame it, “Stocks climb a wall of worry,” and this market has been following that pattern. Why are stocks rising in the face of persistent economic and geopolitical challenges? What does that popular adage really mean?

Investopedia defines the ‘wall of worry’ as “the financial markets’ periodic tendency to surmount a host of negative factors and keep ascending.” It “is generally used in connection with the stock market, referring to its resilience when running into a temporary stumbling block(s), rather than a permanent impediment to a market advance.”

Index	Q2 Return*		YTD Return*
DJIA <sup>1</sup>	+4.98%		+3.64%
NASDAQ Composite <sup>2</sup>	+17.75%		+5.48%
S&P 500 Index <sup>3</sup>	+10.57%		+5.50%
The Global Dow <sup>4</sup>	+7.91%		+13.48%
Bond Yields	Yield as of June 30	& Q2 Change*	Yield as of Dec 31, 2024
3-month T-bill	4.41%	+0.09%	4.37%
2-year Treasury	3.72%	-0.17%	4.25%
10-year Treasury	4.24%	+0.01%	4.58%
30-year Treasury	4.78%	+0.19%	4.78%
Commodities	Price as of June 30	& Q2 Change*	Price as of Dec 31, 2024
Oil per barrel <sup>5</sup>	\$65.11	-\$6.37	\$71.72
Gold per ounce <sup>6</sup>	\$3,307.70	+\$157.40	\$2,641.00

Sources: U.S. Treasury, MarketWatch \*Q2: Mar 31, 2025 - June 30, 2025, and YTD: Dec. 31, 2024 - June 30, 2025  
Chart reflects price changes, not total return because it does not include dividends or splits.

Along similar lines, the well-known saying “Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria” is a statement that is often attributed to the legendary investor Sir John Templeton.

It's important to stay mindful of both short-term and long-term risks since potential pitfalls never fully vanish. Market corrections often materialize without warning. Still, the strong rally off the April low surprised many, serving as a reminder that markets can turn when least expected.

## Surveying The Landscape

When you factor in the geopolitical backdrop and economic uncertainty (the wall of worry) the rally seems even more impressive. That said, analysts aren't just concerned about a slowing economy or the potential resurgence of a trade war. Notably, the president's 90-day delay of reciprocal tariffs ends on July 8, though the president's recent comments suggest he is flexible regarding that date.

Additionally, last month's surprise attack by Israel on Iran also raised fears of surging oil prices and the risk of a broader, destabilizing global conflict. Yet, historically, geopolitical unrest has had little impact on the U.S. economy.

According to LPL Research, reviewing 25 major global events dating back to Pearl Harbor in 1941, the S&P 500 experienced an average drawdown of 4.6%, bottomed in 19 days, and rebounded within 40 days. By comparison, last month's conflict triggered just a 1.3% dip, with a full recovery in only seven trading sessions, per MarketWatch data.

Let's not discount the positives that have helped fuel new highs.

1. While economic growth appears to be moderating, **the economy continues to expand**, providing support for corporate earnings.
2. **Interest rates have remained relatively steady**, and the Federal Reserve's latest projection still includes two potential rate cuts this year.
3. Though the full effects of the latest broad-based tariffs may not be reflected in prices, **inflation has been trending lower**.
4. The most severe tariffs have been postponed (for now), and **there's discussion around potential new trade agreements**.
5. The **AI-driven momentum** that has powered key technology firms remains intact.
6. **Investors have been eager to "buy the dip."** Despite the rally, the AAI Investment Sentiment Survey is slightly bearish when compared to the historical averages (through 6/25/25). We're not seeing unbridled euphoria. When it is wildly bullish, any negative news may stymie an advance.

## Final thoughts

In short, investors have chosen resilience over retreat. While risks remain, including economic concerns, geopolitical flashpoints, and tariff tensions, the underlying fundamentals and investor sentiment have created a backdrop that shifted from outright pessimism to cautious optimism.

Whether this rally pauses or has further to climb, staying grounded and disciplined will remain key.

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<sup>1</sup> The Dow Jones Industrials Average is an unmanaged index of 30 major companies which cannot be invested into directly. Past performance does not guarantee future results.

<sup>2</sup> The NASDAQ Composite is an unmanaged index of companies which cannot be invested into directly. Past performance does not guarantee future results.

<sup>3</sup> The S&P 500 Index is an unmanaged index of 500 larger companies which cannot be invested into directly. Past performance does not guarantee future results.

<sup>4</sup> The Global Dow is an unmanaged index composed of stocks of 150 top companies. It cannot be invested into directly. Past performance does not guarantee future results.

<sup>5</sup> CME Group front-month contract; Prices can and do vary; past performance does not guarantee future results.

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**Eric Rehtin**  
Eric@LEER-Financial.com



**(314) 394-2354**

**www.leerfinance.com**



**Chris Hartrich**  
Chris@LEER-Financial.com

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