

Q2 2025

Market Commentary

Overview

Markets remained resilient in Q2 2025, despite experiencing a sharp dip at the beginning of the quarter. Volatility was sparked by U.S. tariffs, Middle East tensions escalating, and the downgrading of U.S. treasuries. Equities rebounded strongly, with the S&P 500 and Nasdaq Composite climbing to record highs. International stocks continued to outpace U.S. peers YTD, with Emerging Markets rallying amid easing trade fears. Global bond markets performed well, while credit spreads stabilized. Despite the early volatility, the quarter proved to be one of resiliency and historic recovery for U.S. stocks. However, investor uncertainty continues moving forward.

Macroeconomics

Global markets experienced significant volatility following the Trump Administration's April 2 announcement of reciprocal tariffs and China's subsequent retaliation. However, a 90-day reprieve on most aggressive tariffs initiated a week later (excluding those impacting China) prompted a swift market recovery.

Mid-June saw a broader agreement between the United States and China, contributing to market stabilization. Nevertheless, ongoing tariff uncertainty presents a risk of escalating tensions if definitive agreements are not finalized.

In the first quarter, Gross Domestic Product (GDP), the comprehensive measure of goods and services produced throughout the economy, registered its first decline since early 2022. This downturn was significantly influenced by a sharp increase in imports, likely driven by businesses' efforts to "front-run" anticipated future tariffs. Most analysts have characterized this as a statistical anomaly or distortion, rather than a genuine signal of a broader economic recession.

The U.S. Dollar weakened sharply, with the U.S. Dollar Index falling over 7% in Q2 and nearly 11% year-to-date. This represents its worst first-half performance since the early 1970s. The selloff reflected a mix of tariff-driven economic slowdown fears, fiscal deficit concerns, and uncertainty over future Federal Reserve independence.

The Federal Reserve maintained its federal funds rate at 4.25% to 4.50% throughout the quarter, marking the fourth consecutive hold since December 2024. This reflected the Fed's cautious stance as it navigated persistent inflation and uncertainty surrounding tariffs. U.S. inflation remained elevated, slightly exceeding the Fed's 2% target, with officials generally expecting tariffs to contribute to future price increases. Federal Reserve Chair Jerome Powell emphasized a data-driven approach to future rate decisions, particularly concerning the impact of tariffs on inflation.

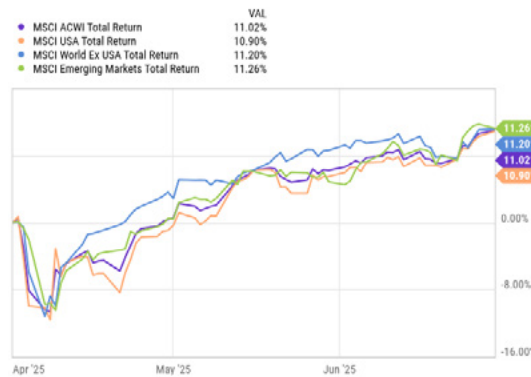
The Federal Open Market Committee (FOMC) exhibited internal disagreement, with some members advocating for rate cuts and others urging patience. This environment suggests ongoing potential for volatility in bond markets, influenced by economic data, tariff developments, and shifts in Fed leadership.

Q2 2025

Market Commentary

Global Market Performance

Global Market Performance



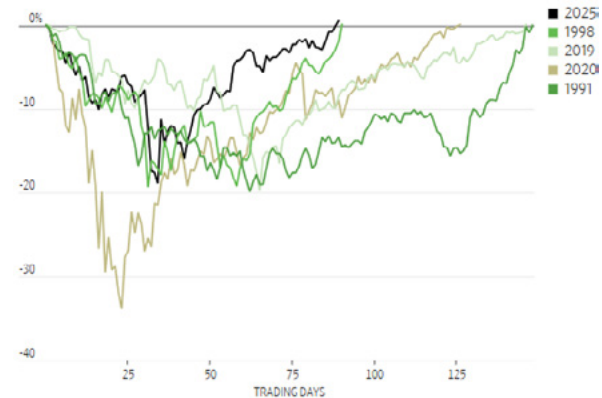
Date Range: 04/01/2025 - 06/30/2025

Past performance is no guarantee of future results. You cannot invest directly in an index.

SYMMETRY

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S&P 500's quickest recoveries to records following a decline of at least 15%



Source: Dow Jones Market Data

- Emerging Markets, based on MSCI EM Index, outperformed International Developed Markets, based on MSCI World Ex US Index, in Q2, rising 11.26%, aided by a weakening U.S. dollar and easing trade tensions.¹ Equity markets initially wavered after President Donald Trump's April tariff announcement, but rebounded as a 90-day pause calmed investor fears.
- Progress in U.S.-China trade talks also supported gains across Emerging Markets. Latin American and Chinese tech stocks stood out, with the MSCI Emerging Markets Information Technology Index, which measures the financial performance of companies in fast-growing economies worldwide, surging 21.23%.² Korea and Taiwan posted strong gains, with Korea buoyed by political stabilization and Taiwan by ongoing AI optimism. Brazil rallied as rate hikes supported its currency. Conversely, India lagged on growth concerns and Saudi Arabia declined amid Middle East geopolitical tensions.
- International Developed Markets experienced a strong quarter, with a gain of 11.20% in Q2.³ Germany announced a large fiscal package, which will prioritize domestic investment in infrastructure and defense.⁴ This has galvanized market sentiment across Europe, fueling broad European growth expectations. With global investors rebalancing away from U.S. markets, International Developed and Emerging Markets outperformed the U.S. in Q2.
- U.S. Markets, represented by MSCI USA Index, slightly lagged global markets, gaining 10.90% in Q2 2025.⁵ U.S. equities experienced a turbulent quarter, fueled by changing tariff policy and overall economic uncertainty. After April's downturn, U.S. equities rebounded, recording the swiftest recovery (89 days) after a decline of at least 15%.^{6,7}

¹ Emerging Markets represented by MSCI Emerging Markets Index

² Emerging Markets represented by MSCI Emerging Markets Index

³ International Developed Markets represented by MSCI World Ex USA Index

⁴ Benoit, B., "Germany, Once a Beacon of Frugality, Jolts Europe With Planned Spending Splurge," Wall Street Journal, March 5 2025

⁵ U.S. Markets represented by MSCI USA Index

⁶ Hur, K., "From Tariff Pain to Record Highs, a Wild Quarter on Wall Street," Wall Street Journal, June 30, 2025

⁷ Langley, K., "Historic Rebound Sends S&P 500 to New Highs," Wall Street Journal, June 27, 2025

Q2 2025

Market Commentary

Global Factor Performance

- During the second quarter, global factors demonstrated positive performance. The Momentum factor significantly outperformed, returning 15.30%.⁸ Strong returns were also observed in Small Cap securities and Quality, which posted gains of 11.96% and 9.51%, respectively. Meanwhile, the Value and Minimum Volatility factors recorded positive returns of 5.86% and 2.94%, respectively.
- U.S. factors demonstrated positive performance in Q2 2025. Momentum led the gains, returning 14.24%.⁹ Quality and U.S. Small Caps also exhibited strong performance, with returns of 8.24% and 7.96%, respectively. Value returned 3.57%, while Minimum Volatility rose by 0.68%.
- International Developed factors demonstrated strong positive performance. Small Cap securities led the gains with a 16.29%¹⁰ return, followed by Momentum at 15.12%. Value, Minimum Volatility, and Quality performed similarly, rising 10.0%, 9.64%, and 9.09%, respectively.
- Emerging Market factors largely mirrored the strong performance observed in International Developed Markets during the quarter. Small Cap and Momentum factors were the top performers, achieving gains of 16.30%¹¹ and 15.28%, respectively. Quality, Value, and Minimum Volatility factors also demonstrated robust performance, increasing by 9.98%, 9.47%, and 9.23%.

⁸ Global Factors represented by MSCI ACWI Factor Indices

⁹ U.S. Factors represented by MSCI USA Factor Indices

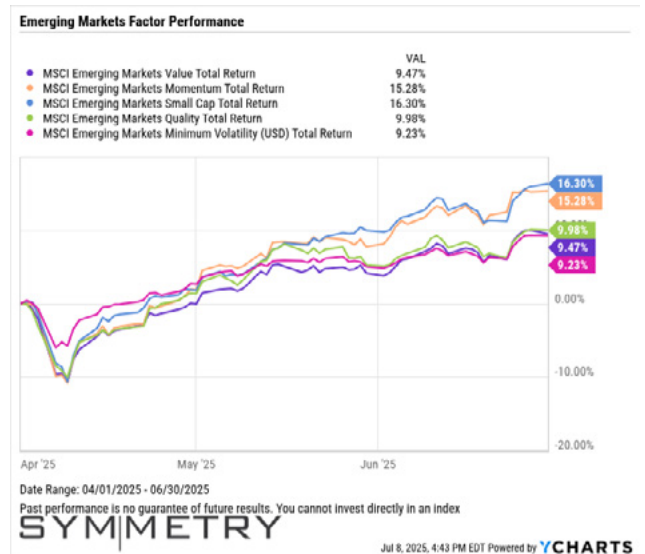
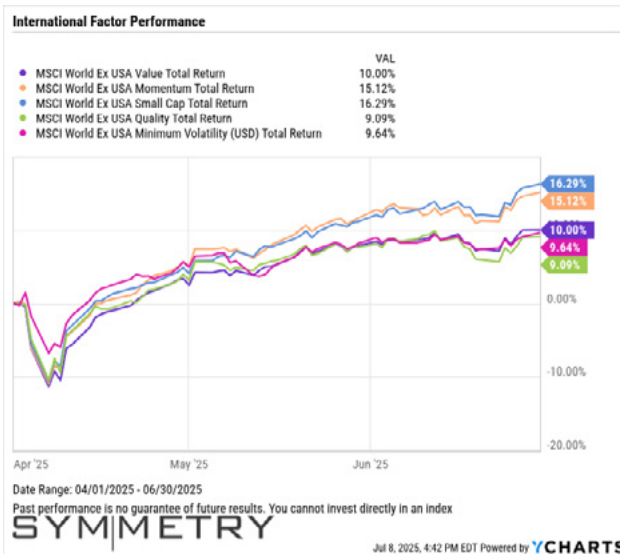
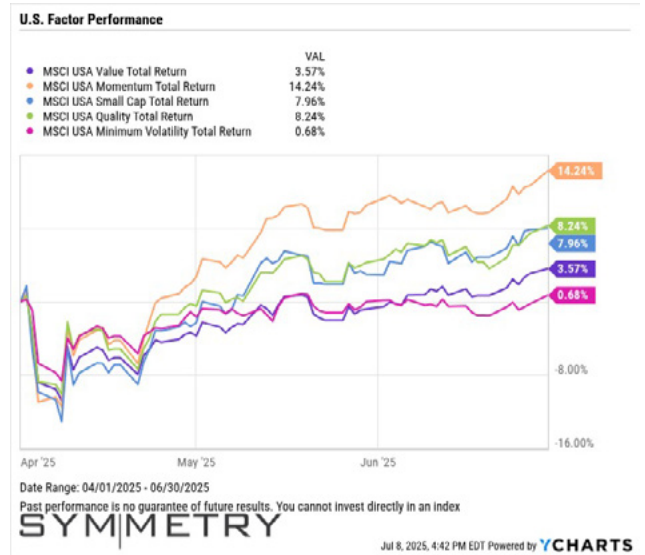
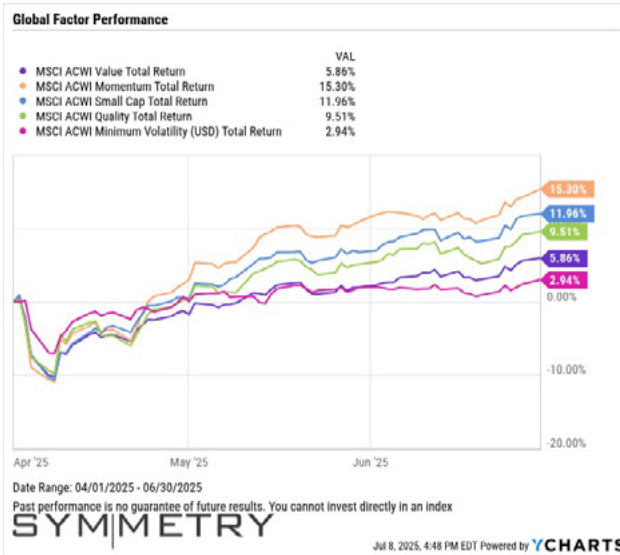
¹⁰ International Developed Factors represented by MSCI World Ex USA Factor Indices

¹¹ Emerging Factors represented by MSCI Emerging Market Factor Indices

Q2 2025

Market Commentary

Global Factor Performance (Cont.)



Q2 2025

Market Commentary

Bond Market Overview

- The U.S. Treasury curve steepened in Q2, with shorter-term treasury yields declining and longer-term increasing. The 1-year treasury yield fell 5bps, while the 10-year treasury yield increased 7bps. The steepening caused long-duration treasury bond funds to fall, and shorter-term bond funds to outperform. Contributing to the move in yields, Moody's credit rating agency downgraded the U.S. sovereign rating to Aa1, citing the increased burden of financing the government's growing budget deficit.
- As The Fed held rates steady, citing sticky inflation and resilient labor markets, central banks across the globe diverged. The European Central Bank and the Bank of England cut rates, while the Bank of Japan and the Bank of Canada held rates steady. Japan's government bond market was particularly volatile, with the 30-year yield hitting a record high amid fiscal concerns and structural imbalances. The Bank of Canada struck a cautious tone due to U.S. tariff uncertainty, leading to underperformance in Canadian and Japanese bond markets. In contrast, Australia's bond market outperformed, buoyed by weak growth and easing inflation pressures. Overall, yield curves steepened across non-U.S. markets, with long-term yields rising more sharply than short-term yields, reflecting growing concerns about debt sustainability and the global shift from monetary to fiscal support.
- Corporate yield spreads tightened as strong corporate earnings, persistently low default rates, and stable economic growth collectively supported underlying credit fundamentals. Consequently, both the high-yield and investment-grade bond market outperformed U.S. Treasuries, attributable to their higher coupon and modest spread levels.
- Municipal bonds faced headwinds throughout the year due to concerns that a new tax bill might eliminate their tax-exempt status. However, the latest version of the bill preserves this exemption. Additionally, fears that the bill would restrict the issuance of tax-exempt debt prompted a surge in new bond offerings.¹² This increased supply, without a proportional rise in demand, generally leads to lower bond prices and reduced returns.

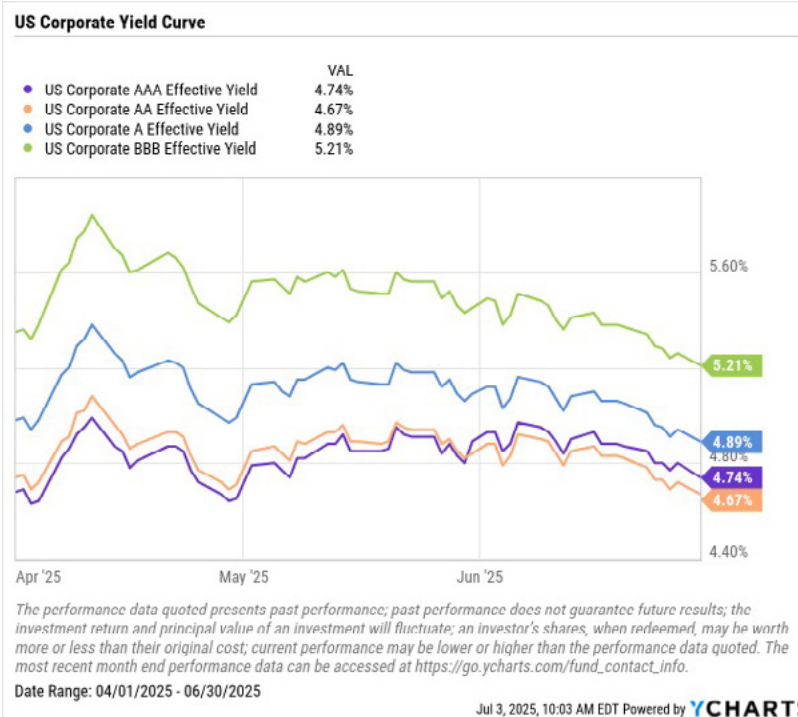
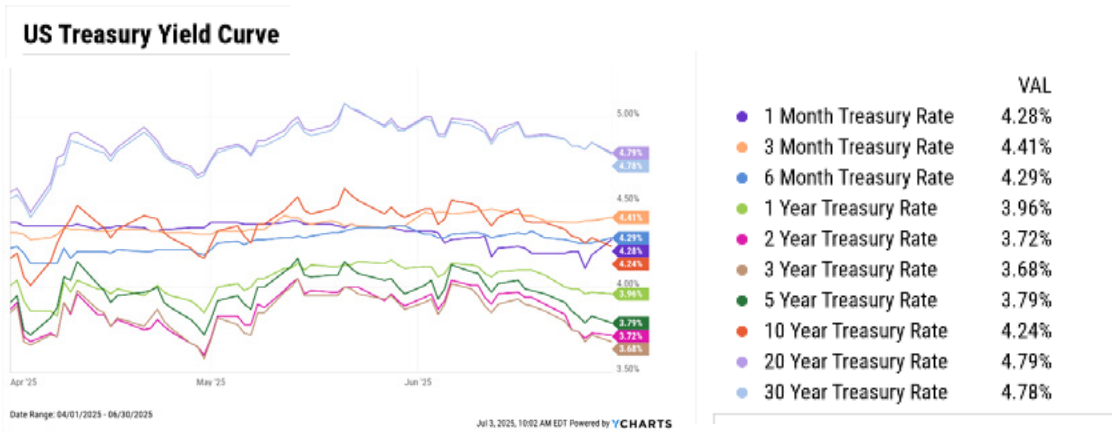
¹² [Howland, C., Municipal Bonds: Mid-Year 2025 Outlook, Charles Schwab, June 27, 2025](#)

Q2 2025

Market Commentary

Bond Market Overview (Cont.)

Index	Quarterly Return Q2 2025
Bloomberg Global Aggregate TR Hdg USD	1.61%
Bloomberg US Treasury US TIPS TR USD	0.48%
Bloomberg US Agg Bond TR USD	1.21%
Bloomberg Municipal TR USD	-0.12%
Bloomberg Gbl Agg Ex USD TR USD	7.29%



Market Update

Asset Class Snapshot		6/30/25
Asset Class		QTD Return
Global Stock Ex U.S.		12.03%
U.S. Stock		11.36%
International Bond		1.93%
U.S. Bond		1.21%
U.S. Real Estate		-0.44%

Region Snapshot		6/30/25
Region		QTD Return
Latin America Stock		15.22%
Asia Pacific Stock		12.36%
International Developed		12.33%
Emerging Markets		11.99%
Europe Stock		11.38%
U.S. Stock		11.36%

Equity Style Snapshot				6/30/25
QTD	Value	Blend	Growth	
Large	2.89%	11.42%	18.38%	
Mid	2.98%	8.71%	16.43%	
Small	5.21%	7.28%	10.14%	

Asset Class Summary								6/30/25
Asset Class	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
U.S. Stock	5.14%	11.36%	6.33%	15.78%	19.95%	16.48%	13.59%	
Global Stock Ex U.S.	3.39%	12.03%	17.90%	17.72%	13.99%	10.13%	6.12%	
U.S. Bond	1.54%	1.21%	4.02%	6.08%	2.55%	-0.73%	1.76%	
International Bond	0.50%	1.93%	1.76%	6.09%	4.27%	0.91%	2.68%	
U.S. Real Estate	0.52%	-0.44%	3.03%	11.24%	4.30%	6.76%	6.52%	

Region Summary								6/30/25
Region	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
U.S. Stock	5.14%	11.36%	6.33%	15.78%	19.95%	16.48%	13.59%	
International Developed	2.37%	12.33%	19.46%	19.34%	16.37%	12.10%	7.21%	
Emerging Markets	6.01%	11.99%	15.27%	15.29%	9.70%	6.81%	4.81%	
Europe Stock	2.06%	11.38%	23.05%	18.38%	17.21%	12.38%	6.78%	
Asia Pacific Stock	4.40%	12.36%	13.34%	15.22%	11.39%	7.62%	5.81%	
Latin America Stock	6.08%	15.22%	29.85%	13.38%	11.60%	11.07%	3.68%	

Factor Summary								6/30/25
Region	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
MSCI USA	5.14%	11.36%	6.33%	15.78%	19.95%	16.48%	13.59%	
MSCI ACWI	4.53%	11.69%	10.33%	16.69%	17.91%	14.18%	10.55%	
MSCI USA Value	4.46%	3.44%	6.45%	13.21%	12.46%	13.79%	9.58%	
MSCI USA Small Cap	4.90%	8.31%	-0.08%	9.72%	11.84%	12.32%	8.76%	
MSCI USA Quality	3.84%	8.29%	5.14%	9.59%	21.62%	16.20%	15.31%	
MSCI USA Momentum	3.41%	15.02%	12.86%	18.80%	21.16%	13.45%	14.06%	
MSCI USA Minimum Volatility	0.70%	0.63%	6.52%	13.84%	12.11%	11.01%	10.99%	
MSCI USA Diversified Multi-Factor	5.13%	10.01%	6.03%	14.62%	17.13%	14.62%	10.73%	
MSCI ACWI Diversified Multi-Factor	4.68%	12.65%	11.57%	18.09%	15.73%	12.67%	8.97%	

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Market Update

Sector Snapshot		6/30/25
Sector		QTD Return
Technology		22.84%
Industrials		12.89%
Comm. Services		12.79%
Consumer Cyclical		10.29%
Financials		5.50%
Utilities		4.27%
Materials		2.64%
Real Estate		-0.14%
Consumer Defensive		-0.18%
Health Care		-7.24%
Energy		-8.49%

S&P 500 Sector Weights*		6/26/25
Sector		Weight
Technology		34.35%
Financials		13.64%
Consumer Cyclical		10.55%
Comm. Services		9.71%
Health Care		9.39%
Industrials		7.71%
Consumer Defensive		5.49%
Energy		3.04%
Utilities		2.40%
Real Estate		2.04%
Materials		1.68%

Sector Summary								6/30/25
Sector	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
Cyclical								
Consumer Cyclical	1.86%	10.29%	-2.67%	20.19%	17.52%	12.12%	12.26%	
Financials	3.11%	5.50%	9.11%	29.29%	20.63%	19.89%	12.36%	
Materials	2.21%	2.64%	5.38%	1.38%	8.23%	11.47%	8.32%	
Real Estate	0.14%	-0.14%	3.40%	11.42%	4.04%	7.09%	-	
Sensitive								
Comm. Services	7.29%	12.79%	12.70%	28.09%	27.26%	16.03%	-	
Energy	4.89%	-8.49%	0.60%	-3.89%	9.63%	22.34%	5.42%	
Industrials	3.60%	12.89%	12.64%	22.78%	21.00%	18.32%	12.59%	
Technology	9.85%	22.84%	9.27%	12.70%	26.84%	20.34%	21.30%	
Defensive								
Consumer Defensive	-1.58%	-0.18%	4.25%	8.40%	6.69%	9.48%	8.30%	
Health Care	2.11%	-7.24%	-1.18%	-5.95%	3.35%	7.83%	7.90%	
Utilities	0.37%	4.27%	9.40%	23.35%	8.50%	11.05%	10.54%	

Market Indicators								
Name	As of	Last Quarter	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.	
Key Interest Rates								
1 Month Treasury	6/30/25	4.28%	4.33%	▼ -1.2%	5.47%	▼ -21.8%	Daily	
2 Year Treasury	6/30/25	3.72%	3.89%	▼ -4.4%	4.71%	▼ -21.0%	Daily	
10 Year Treasury	6/30/25	4.24%	4.41%	▼ -3.9%	4.36%	▼ -2.8%	Daily	
30 Year Mortgage	6/26/25	6.77%	6.86%	▼ -1.3%	6.87%	▼ -1.5%	Weekly	
US Corporate AAA	6/27/25	4.80%	4.84%	▼ -0.8%	4.92%	▼ -2.4%	Daily	
US Corporate BBB	6/27/25	5.26%	5.49%	▼ -4.2%	5.64%	▼ -6.7%	Daily	
US Corporate CCC	6/27/25	12.66%	12.91%	▼ -1.9%	13.78%	▼ -8.1%	Daily	
Effective Federal Funds	6/27/25	4.33%	4.33%	▲ 0.0%	5.33%	▼ -18.8%	Daily	
U.S. Economy								
Consumer Sentiment	6/30/25	60.70	52.20	▲ 16.3%	68.20	▼ -11.0%	Monthly	
Unemployment Rate	5/31/25	4.20%	4.20%	▲ 0.0%	4.00%	▲ 5.0%	Monthly	
Inflation Rate	5/31/25	2.35%	2.31%	▲ 1.9%	3.27%	▼ -28.0%	Monthly	
Manufacturing PMI	6/30/25	49.00	48.70	▲ 0.6%	48.50	▲ 1.0%	Monthly	
Non Manufacturing PMI	5/31/25	49.90	51.60	▼ -3.3%	53.80	▼ -7.2%	Monthly	
Retail Sales	5/31/25	618,055	623,726	▼ -0.9%	600,147	▲ 3.0%	Monthly	
Building Permits	5/31/25	1,393	1,422	▼ -2.0%	1,407	▼ -1.0%	Monthly	

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Market Update

Asset Class Indices		
Name	Index	Index Start Date
U.S. Stock	MSCI USA	1/21/1994
Global Stock Ex U.S.	MSCI ACWI Ex USA Net Total Return	12/29/2000
U.S. Bond	Bloomberg US Aggregate	4/29/1996
International Bond	Bloomberg Global Aggregate ex-USD USD Hedged	9/4/2000
U.S. Real Estate	Dow Jones US Real Estate Index Total Return	8/2/2010

Region Indices		
Name	Index	Index Start Date
U.S. Stock	MSCI USA	1/21/1994
International Developed	MSCI World Ex USA	6/1/1994
Emerging Markets	MSCI Emerging Markets Net Total Return	12/29/2000
Europe Stock	MSCI Europe Net Total Return	2/28/1995
Asia Pacific Stock	MSCI AC Asia Pacific Net Total Return	12/29/2000
Latin America Stock	MSCI Emerging Markets Latin America Net Total Return	12/29/2000

Equity Style Indices		
Name	Index	Index Start Date
MSCI USA	MSCI USA	1/21/1994
MSCI ACWI	MSCI ACWI	12/31/1987
MSCI USA Value	MSCI USA Value	12/31/1996
MSCI USA Small Cap	MSCI USA Small Cap	6/1/1994
MSCI USA Quality	MSCI USA Quality	11/28/1975
MSCI USA Momentum	MSCI USA Momentum	12/31/1974
MSCI USA Minimum Volatility	MSCI USA Minimum Volatility	5/31/1988
MSCI USA Diversified Multi-Factor	MSCI USA Diversified Multi-Factor	11/30/1998
MSCI ACWI Diversified Multi-Factor	MSCI ACWI Diversified Multi-Factor	11/30/1998

Sector Indices		
Name	Index	Index Start Date
Consumer Cyclical	Consumer Discretionary Select Sector SPDR Fund	12/16/1998
Financials	Financial Select Sector SPDR Fund	12/16/1998
Materials	Materials Select Sector SPDR Fund	12/16/1998
Real Estate	Real Estate Select Sector SPDR Fund	10/7/2015
Comm. Services	Communication Services Select Sector SPDR Fund	6/19/2018
Energy	Energy Select Sector SPDR Fund	12/16/1998
Industrials	Industrial Select Sector SPDR Fund	12/16/1998
Technology	Technology Select Sector SPDR Fund	12/16/1998
Consumer Defensive	Consumer Staples Select Sector SPDR Fund	12/16/1998
Health Care	Health Care Select Sector SPDR Fund	12/16/1998
Utilities	Utilities Select Sector SPDR Fund	12/16/1998

* SPY's sector exposure data is used as a proxy for the 'S&P 500 Sector Weights' module. This data may not be updated as of the selected time period in cell F1, as YCharts does not provide historical sector exposure data for ETFs or Mutual Funds.

** Economic data may not be updated as of the selected time period in cell F1. Please see the 'As of' column in the 'Market Indicators' module to determine each indicator's as of date. '1 Month Ago' and '1 Year Ago' columns will populate with data 1 month and 1 year prior to the 'As of' column, respectively.

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