TILLER
PRIVATE WEALTH

Q2 2025 Market Update

Market Snapshot

Dow Index 44,095	**10-year Treasury rate** 4.24%
S&P 500 Index 6,205	**1-year Treasury rate** 3.96%
NASDAQ Index 20,370	**Prime mortgage rate** 7.50%

**As of 6/30/2025*

By the Numbers

- The S&P 500 and the Nasdaq both ended the quarter at record highs, gaining 10.6% and 17.7% over the three months, respectively. The Dow Jones Industrial Average rose 5.0% and is 2% below its record level.
- The Bloomberg U.S. Aggregate Bond Index gained 1.2% in the second quarter. The 10-year Treasury yield ended the quarter at 4.2% after reaching as high as 4.6% in May.
- Developed market international stocks (MSCI EAFE) rose 10.6% and emerging market stocks (MSCI EM) increased 11.0% in the quarter.
- The U.S. Dollar Index continued to fall over the quarter, ending the quarter at 96.88. It started the year at 108.49.
- The Consumer Price Index rose 2.4% year-over-year in May, while core inflation, which excludes food and energy, came in at 2.8%.
- The University of Michigan Consumer Sentiment Index improved in May to 60.7, its first increase in six months. Consumers expect an inflation rate of 5.0% over the next year, down from 6.6% in the previous survey.
- At its June meeting, the Federal Reserve kept rates unchanged within a range of 4.25 to 4.5%.

Steady Hands

As we cross into the second half of 2025 it is worth noting that the first half of the year has provided another prime example of the fruitlessness of trying to predict market movements.

President Dwight Eisenhower is often quoted as saying “what is important is seldom urgent and what is urgent is seldom important.” This perfectly captures the challenges many investors face, since it often feels as if every breaking market and economic development is urgent and requires immediate action. That has certainly been the case this year with tariffs, geopolitical conflicts, economic worries, and more on investors’ minds.

And yet, the most important investment decisions are not the urgent ones, but those made with patience and a long-term perspective. The impactful factors for building & preserving wealth require planning and commitment rather than sudden changes to portfolios.

Despite a challenging start to the year, the stock market has now reached new record levels. The S&P 500 and the Nasdaq recently surpassed their previous peaks, with year-to-date returns of 5.1% and 5.0%, respectively, while the Dow is only 2.6% below its all-time high. This is the result of many parts of the market rebounding across styles, sectors, and asset classes.

While there are still market challenges ahead, this is a reminder that it has been more important to stick to long-term plans than react to every headline.

Corporate bonds have performed well since the tariff pause

The positive momentum in stocks has been accompanied by similar strength in the bond market, especially for corporate bonds. This occurs because when the economy is stable and the stock market is strong, there is greater confidence in the ability of companies to service their obligations. This is why there is often a positive correlation between the stock market and credit markets, since they mirror the same underlying drivers. When investors push stocks to record levels, corporate bond prices also tend to benefit from optimism about economic conditions and corporate health.

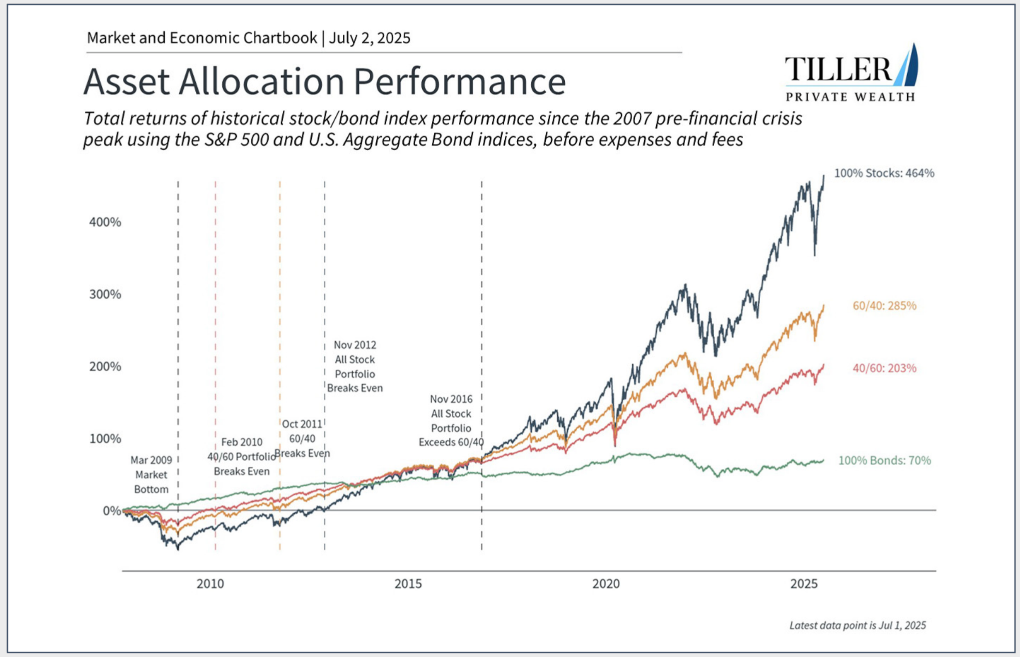
This has supported the Bloomberg U.S. Aggregate Bond Index, a diversified index of different U.S. bonds, with a 3.7% return so far this year. For investors, this is a reminder that while the stock market receives the most attention, many other asset classes have supported portfolios this year as well.

Asset allocation remains important despite strong performance

While the strength in both stocks and bonds is encouraging for investors, it also underscores the importance of maintaining disciplined portfolio management. Building a portfolio is not just about investment returns. Instead, what matters is the balance of risk and returns, and how each asset class contributes to this overall balance. Doing so properly, with an eye toward long-term financial goals, can ideally lead to a portfolio that supports investors across changing market environments.

Recent years have provided clear examples of how different asset classes can perform in varying market conditions. The accompanying chart illustrates that portfolios heavily invested in stocks may outperform when the market is expanding, but will also typically experience larger downward swings during pullbacks. Including bonds can make the ride smoother, which likely helps to ensure that financial goals are met.

Chart of the Month



Sources: Clearnomics, Standard & Poors, Bloomberg

Data sources: Clearnomics, YCharts, The Wall Street Journal, Charles Schwab Asset Management, The Economist, Committee for a Responsible Federal Budget, JPMorgan, US Treasury Department, & US Federal Reserve.