

## **Second Quarter 2025 Market Review**

Despite beginning the quarter with a significant sell-off on the heels of the Trump administration's tariff announcements, stocks both in the U.S. and internationally surged dramatically higher in Second Quarter 2025.

For the quarter, the S&P 500 index of large, U.S. stocks posted a gain of 10.94%, while the Dow Jones Industrial Average climbed 5.46%. Meanwhile, small U.S. stocks, as measured by the Russell 2000 index, rose 8.50%.

International stocks also enjoyed strong gains during Second Quarter. The MSCI EAFE index of large stocks in Europe, Australasia and the Far East gained 11.78%, while the MSCI EAFE small cap index soared 16.59%.

Alternative equity classes also rose for the most part during the quarter, with one notable exception: U.S. real estate stocks posted a slight decline of -1.71% as measured by the Dow Jones US Select REIT index. However, the Dow Jones Global REIT index soared 12.87% in the second quarter, and the MSCI Emerging Markets index surged 11.99%.

Fixed income was a mixed bag during the quarter, with the Bloomberg US Govt/Credit Intermediate bond index rising 1.67%, while the Bloomberg Municipal bond index fell -0.12%.

"The smart money is getting out of stocks."

We heard that line repeatedly a few months ago, as the imposition of tariffs rocked the global equity markets in the first week of April. Indeed, many so-called experts encouraged investors to bail out of stocks and head for the "shelter" of cash investments in early April, when the S&P 500 was on the brink of a bear market.

Like so many other times in market history, though, the smart money proved not to be so...well, smart. It turns out that institutional investors—hedge funds, money managers, analysts, etc. — don't have a crystal ball either. It's easy to laugh about it in retrospect, but this notion that the pros on Wall Street have some sort of divine guidance about timing the stock market is a destructive myth that countless investors succumb to—and it often costs them dearly in the long run.

Remember: the talking heads on Wall Street and in the financial media are paid to have a take, and the hot takes that pay them the most are the ones that stir people's emotions the most. They often sound compelling in real time, but history shows they often end up wrong in hindsight.