

Back to Basics | 06.13.2025

Despite ongoing uncertainty around tariffs and tax policy, stock markets have made an impressive rebound. Since hitting a low on April 8, the S&P 500 has surged 19.8% and is now within 3% of its all-time high. While headlines remain noisy, investors appear increasingly confident that the worst of the tariff-related volatility is behind us. Market focus has shifted back to solid economic fundamentals and a constructive outlook for corporate earnings. Geopolitical tensions in the Middle East pose a potential risk to commodity prices, but so far, the impact has been contained.

This market rally has occurred despite a steady stream of uncertainties, from questions about future tax changes to concerns about consumer spending. Still, investors have found reasons to stay optimistic. Recent economic reports show continued strength in the labor market, resilient consumer spending, and an uptick in manufacturing activity. Inflation has also shown signs of stabilizing, easing the Federal Reserve's concerns. This more benign inflation backdrop has helped support risk assets, particularly growth-oriented stocks.

Corporate earnings have been another bright spot. While not every company has posted strong results, major sectors like technology, manufacturing, and finance have generally exceeded expectations. Even when companies have been cautious in their forecasts, most have still pointed to steady growth ahead, reassuring investors that the rally could continue.

Meanwhile, market volatility has remained relatively subdued, suggesting that investor confidence is improving. More stocks are participating in the rally, not just the usual large tech companies. Sector performance has broadened, with notable strength emerging in previously underperforming areas such as financials, industrials, and some consumer-focused companies. Additionally, technical indicators, like the number of stocks trading above their 50-day average and the ratio of advancing to declining stocks, also suggest that gains are being more broadly shared.

Still, risks remain. Major escalation of geopolitical conflict—particularly in the Middle East—could push oil prices higher and reignite inflation concerns. Delays or surprises in tax policy negotiations could also unsettle markets. While tariff issues have quieted, trade tensions with China and other countries still pose a threat. Renewed escalation or retaliatory measures could hurt investor sentiment and disrupt global supply chains.

For now, though, markets seem willing to look through the noise. Overall, evidence suggests that investors are once again prioritizing earnings, growth, and the broader economic picture over short-term disruptions.

Thanks,
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