New Heights | 06.27.2025

Stocks have continued their upward climb despite a series of unsettling geopolitical developments. A direct U.S. military strike on Iran, ongoing uncertainty around international trade negotiations, and domestic political debates over the federal budget and taxes have done little to shake investor confidence. While headlines have been dramatic, the fundamental pillars of a strong market remain intact: unemployment is low, inflation is currently contained, and businesses are increasingly positioned to boost productivity through advances in artificial intelligence. Against this backdrop, the S&P 500 has reached a new all-time high.

On June 23, the United States launched a large-scale bombing raid targeting Iran's nuclear infrastructure. Markets initially wavered on fears of a broader conflict and potential disruption to oil supplies. However, those concerns quickly eased as it became clear that Iran was either unwilling or unable to escalate the situation. Financial markets—stocks, bonds, and commodities—swiftly returned to their previous trajectories.

Trade policy developments have also continued to unfold, with the deadline for the pause on reciprocal tariffs looming. Progress has been mixed. On Friday, the U.S. and China confirmed key elements of a recent trade agreement, with the U.S. gaining access to rare earth minerals in exchange for easing restrictions on the use of U.S. technology. However, later that day, the U.S. announced a halt to trade talks with Canada in response to its implementation of a digital services tax targeting American tech firms. While trade tensions persist, they appear more transactional than transformational—something the market seems content with for now.

Meanwhile, the Trump Administration's One Big Beautiful Bill Act (OBBA) continues to move through the Senate. The legislation has sparked intense debate over provisions related to Medicaid, environmental regulations, immigration, consumer protections, and taxation. While details remain unclear, it appears that some tariffs will remain in place to help offset the budgetary impact of extending the 2017 tax cuts, alongside a mix of new tax breaks for individuals and businesses. The trade-off is being framed as tariffs funding tax cuts, with those same tax cuts easing the consumer burden of tariffs.

In terms of market leadership, momentum has clearly shifted toward sectors that tend to do well when the economy is growing, with technology, industrials, and financials leading the charge. More conservative sectors, like consumer staples, have lagged. Investors are showing a clear preference for higher-volatility names—an appetite likely to persist as long as major shocks remain at bay.

Thanks,
Preston May, CBE® | Research Analyst