The historic market volatility observed during the most recent quarter induced flashbacks of market patterns and uncertainties that were associated with the initial outbreak of COVID-19 over five years ago. Following the “Liberation Day” tariff announcement, equity markets dropped precipitously, testing our lower Dow Jones Industrial Average fundamental threshold of 38,300 twice before closing out the second quarter above our upper threshold of 43,600. The impressive recovery can be attributed to tariff doubts and renewed positive market sentiment driven by AI developments within the technology sector.

Even though we sit near all-time highs, we cannot lose sight of the economic uncertainty that unquestionably persists. It is a formidable challenge tracking a multitude of unknowns driven by geopolitical forces and the unveiling of an overall confusing trade and tariff strategy. These same unknowns have contributed to unremarkable corporate financial projections. The lack of clarity on the horizon has influenced the wording we use in describing our market valuation range. We reiterate our support level of 38,300 but consider it to be a relatively softer bottom, and we have reduced our upper threshold from 43,600 to 43,000 based on lingering uncertainty.

It would not be a surprise if the year 2025 is remembered as the Year of the Tariff. We believe that tariffs are a resourceful tool for managing global trade patterns to promote “free and fair” trade. The only problem with using the term “fair” as a descriptor is that it is open to subjective interpretation. Despite acknowledging how tariffs can be beneficial, our concern is that the ever-changing tariff discussion is no longer addressing any clearly specified goals for global trade in the future. We sense that tariffs are slowly evolving from being used as tools for trade negotiations to being used as leverage for non-trade situations. We will continue to monitor any tariff developments and their near-term impact on inflation and global GDP growth.

As we stay true to our long-term perspective in investing, we acknowledge the need to address short-term challenges that are often driven by emotional reactions to twenty-four-seven news reports. Sticking to our mantra of “staying invested” during volatile market patterns has once again worked out well, as it has in the past. Investors who have weathered the unique black swans over the years have taken a seasoned approach of seeking opportunities during the recent downturn. We believe this is another contributing factor to the impressive recovery from the recent fear-driven free fall.

We recommend that you work closely with your advisor to take advantage of opportunities created by market volatility. Fulfill allocation targets by either increasing equities during oversold conditions or reducing equities in overbought conditions. A reminder that selling in overbought conditions to raise cash for future distributions also minimizes the negative effect of sequence risk.

We appreciate your patience and confidence as we continue to navigate these challenging times. For those clients who have reached out to check on our wellness during stressful periods, no words can describe how much we value these relationships. Enjoy the rest of the summer and thank you again for your support.