

summaries



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MARKET COMMENTARY

April started with a bit of a gut check. If you glanced at your investment account early in the quarter you might've winced. Headlines about new trade policies following Liberation Day had investors on edge and the market responded with a quick drop. It was one of those moments where you wonder if you should check your portfolio or just wait it out.

But things quickly started to shift. The government paused the new tariffs just 7 days after they were announced and the market responded with a sigh of relief. Stocks began to climb. By mid-May most major stock indices had recovered their Liberation Day losses, and by the end of June many portfolios had not only recovered—they'd grown. It was a reminder that patience and perspective often pay off, and a great reminder that sometimes the best move is to stay put, breathe, and let the dust settle before making potentially irreversible changes to your financial plan.

Investors were rewarded for their patience this quarter with the S&P 500 returning 10.94%, mid cap stocks (S&P 400 mid cap) returning 6.71% and small cap stocks (S&P 600 small cap) returning 4.90%.

The S&P 500 advanced nicely, driven by improving sentiment and stronger-than-expected corporate earnings. As we noted in last quarter's market commentary, markets love certainty, and while the events surrounding

Liberation Day provided anything but, investors began feeling more comfortable as the second quarter progressed. Investors' appetite for risk slowly returned as macroeconomic fears—particularly around inflation and interest rates—began to subside. The Federal Reserve maintained a cautious stance during the quarter, and markets interpreted its messaging as a signal that rate hikes were likely on pause for the time being. Market leadership, however, remained somewhat narrow. A handful of mega-cap names continued to account for a disproportionate share of index gains. At the same time, small and mid-cap stocks began to show signs of life toward the end of the quarter, suggesting that investor confidence may be broadening.

While U.S. markets were busy bouncing back from a rocky start, international stocks delivered some of the quarter's most impressive gains. Emerging international markets returned 11.99% while developed markets followed closely with an 11.78% return. In Europe, Asia, and Latin America there has been a noticeable shift in tone, both from a regulatory perspective and financial independence perspective. More and more governments have started to signal they're ready to become more self-reliant. Many countries are actively rethinking how they want to grow, trade, defend themselves, and compete. Regulators in several regions are taking a hard look at the rules that have been holding back innovation and, by extension, shareholder value. They're simplifying outdated systems, cutting red tape, and making it

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easier for businesses to grow, and therefore easier for shareholders to actually benefit from that growth. As a U.S. based investor, valuation of the U.S. dollar also needs to be taken into account when investing abroad. The U.S. dollar index weakened to its lowest level in three years in June, resulting in a tailwind for international equity performance.

That said, any mention of international markets may make U.S. based investors feel uneasy, as international relations have dominated headlines this year. There is still abundant uncertainty with the ongoing trade war. Shortly after the end of the second quarter the pause on tariffs was extended again, this time to August 1. Will there be another pause? It's impossible to predict, but the administration appears willing to adjust policy in response to negative feedback from markets. We are closely watching to see how tariff/trade negotiations unfold. Reduced reciprocal tariffs and fewer trade barriers would be a positive for the U.S. economy and markets, while retaliatory measures by other countries could escalate the trade war and hurt growth.

The bond market experienced a more subdued quarter relative to returns experienced in equity markets, but still delivered strong results. The broad bond market produced returns

of 1.21% for the quarter. Yields moved within a relatively narrow band throughout the quarter. The 10-year Treasury, often seen as a barometer of long-term economic expectations, fluctuated early on in response to inflation readings and geopolitical headlines. But by mid-May, the market had settled into a more stable rhythm. Investors seemed to accept that while inflation was easing, it wasn't vanishing. While the Federal Reserve held rates steady during the quarter, market participants are watching closely for any shifts in tone as inflation trends evolve, which will be, in part, related to final outcomes of trade negotiations. As of the time of this writing the market is largely expecting one or two rate cuts later this year. Importantly, our Investment Committee at Sigma has been intentional in taking advantage of favorable bond yields while they're available, which should bode well for current holdings in the midst of a rate cut.

As we mention in these pages often, investing can be a stressful and emotional endeavor, one which we do not take lightly, particularly in the face of the volatility experienced this quarter. If you have questions or concerns about your portfolio or the events unfolding in markets, please do not hesitate to contact any of our advisors directly.

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