Market Review

as at June 30, 2025

ARGUS Wealth Management

Global markets remain in a state of cautious anticipation, with investors closely monitoring developments surrounding the next round of tariff announcements or potential concessions aimed at avoiding further trade restrictions. Financial market volatility has subsided somewhat compared to the initial reactions to tariff-related news, largely due to ongoing delays and selective exemptions granted by the Trump Administration. Equity markets have shown remarkable resilience in the face of this continued policy uncertainty, often rebounding swiftly from short-term declines.

Asset Returns

The second quarter began with heightened volatility, yet investors who remained patient were ultimately rewarded. Most major equity indices are positive year-to-date (YTD), with the exception of the Russell 2000 (representing U.S. small-cap stocks), which has experienced a modest decline. Smaller companies, often earlier in their development cycle and with less predictable cash flows, tend to be more vulnerable to macroeconomic disruptions. Should the proposed tariffs result in a slowdown in the U.S. economy, the impact on small-cap profitability could potentially exceed that experienced by larger firms.

April proved difficult for North American equities, with all major indices posting losses – except the Nasdaq, which managed a modest gain of just under 1%. Nonetheless, the S&P 500 closed the second quarter up 10.9% (6.2% YTD), reaffirming the strength and resilience of the American consumer. The S&P 500 was the best-performing North American index for the quarter.

International equities have continued to outperform their North American counterparts in 2025. The MSCI EAFE Index (representing Europe, Australasia, and the Far East) delivered a YTD return of 19.9%, with a strong 12.0% return in Q2 alone. This outperformance appears to be driven by lower international valuations and a rotation out of U.S. equities, likely spurred by ongoing tariff risks and diminished domestic investment confidence.

U.S. interest rates remain elevated, offering attractive yields relative to domestic equities. Spread compression during the second quarter has provided additional support for fixed income markets.

Commodities, on the other hand, have generally underperformed, weighed down by tariff uncertainty and decreased demand for materials amid rising cost ambiguity. Gold has been a notable exception, appreciating more than 25% YTD, and continues to serve as a hedge against geopolitical and market volatility.

Artificial Intelligence (AI) & Technology

Technology was a drag on market performance early in the year, with the Nasdaq Index reaching a low on April 8th – primarily due to underperformance by the so-called “Magnificent 7” (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla), humorously rebranded by some market participants as the “Lag 7” during this period. Tesla and Apple were the primary detractors, prompting some analysts to suggest a revised list that includes Broadcom and Oracle in place of the lagging firms.

At the other end of the spectrum, Nvidia has been a standout performer. After a brief pullback following the launch of the DeepSeek model, Nvidia has rebounded sharply, becoming the first $4 trillion company in history.

Meta continues to invest aggressively in artificial intelligence, offering highly competitive compensation packages to attract top AI talent. Its open-source LLaMA model enables users to develop custom tools atop the platform, positioning Meta as a key player in the evolving AI landscape. Google is also expected by many analysts to emerge as a dominant force in AI over the next year, supported by over $25 billion in announced datacenter investments.

With its core product, Google Search, increasingly vulnerable to AI-driven alternatives such as chatbot-based queries, Google has strong incentives to lead in this domain.

Market Review (continued)

Tariffs

The initial 90-day pause on tariff implementation was set to expire in early July. However, in late June, President Trump signed an executive order extending the deadline to August 1st, declaring it the final postponement.

Negotiations have proven difficult. A major sticking point in U.S.-Canada talks was Canada's proposed digital services tax on large U.S. tech companies. Although initially intended to take effect, the Canadian government ultimately rescinded the measure to facilitate broader trade discussions. Despite this concession, President Trump soon announced a 35% tariff on Canadian imports, effective August 1st. Additionally, 30% tariffs on goods from Europe and Mexico were also announced.

Markets appear to have grown somewhat desensitized to the frequent shifts in the trade policy narrative, with many investors expecting last-minute changes, such as rate reductions or further delays. However, the ongoing uncertainty is clearly weighing on long-term corporate planning.

Many firms have canceled or postponed infrastructure investments, awaiting greater clarity. If the uncertainty persists, it could continue to exert a dampening effect on long-term economic growth.

Central Bank Policies

Central banks around the world are well into their monetary easing cycles, while the U.S. Federal Reserve has yet to begin rate cuts. There remains a divergence of opinion among Fed officials: some advocate for preemptive easing in response to slowing economic data, while others caution that continued labor market strength may reignite inflation risks.

The June, Federal Reserve meeting resulted in a unanimous decision to hold rates steady, although the projections reveal a split: seven officials foresee no rate cuts in 2025, while eight project two. Even the more dovish policymakers have scaled back their expectations – from as many as six cuts earlier this year to a maximum of two.

Chair Jerome Powell and the broader Fed leadership appear to be embracing a “higher-for-longer” stance, aiming to preserve flexibility for future cuts if economic conditions deteriorate.

Outlook and Portfolio Positioning

We continue to believe that global trade tensions and policy uncertainty are having a tangible effect on global economic activity. While sentiment around risk assets has improved modestly since the prior quarter, the upcoming August 1st tariff deadline poses a significant risk. Should the proposed tariffs be enacted, a negative market reaction seems plausible. However, it is also conceivable that the administration may moderate or reverse tariffs if they materially disrupt market performance, especially given the political importance of a strong economy.

Another period of market turbulence – similar to the April 2nd “Liberation Day” sell-off – could occur in early August. Nevertheless, long-term investors would be well served by maintaining their positions and remaining focused on fundamentals.

We are maintaining our tactical allocations to gold and short-term U.S. Treasuries, which continue to serve as effective hedges amid the prevailing uncertainty. We also remain underweight in emerging markets equities and opportunistic fixed income, given the increased macroeconomic and geopolitical risks associated with these asset classes.

Macro Indices Report as at June 30, 2025 (percent)

	JUN	MAY	APR	Q2 2025	YTD	2024	Annualized 3 Years	5 Years
GLOBAL EQUITY								
MSCI AC World Total Return	4.5	5.7	0.9	11.5	10.0	17.5	17.3	13.6
MSCI EAFE	2.2	4.7	4.7	12.0	19.9	4.4	16.7	11.8
NORTH AMERICA EQUITY								
S&P 500 Total Return	5.1	6.3	-0.7	10.9	6.2	25.0	19.7	16.6
S&P 400 Net TR	3.5	5.4	-2.3	6.6	0.0	13.4	12.3	12.9
NASDAQ COMPOSITE	6.6	9.6	0.9	18.0	5.9	29.6	23.7	16.1
RUSSELL 2000 INDEX	5.4	5.3	-2.3	8.5	-1.8	11.5	10.0	10.0
EUROPE EQUITY								
S&P EUROPE 350 INDEX	-1.4	4.8	-0.8	2.6	8.8	9.5	13.5	12.1
FTSE 100 INDEX	0.0	3.8	-0.7	3.2	9.5	9.6	10.9	11.2
ASIA EQUITY								
MSCI AC Far East Ex Japan	6.4	6.1	-0.6	12.2	15.2	9.6	5.5	2.4
NIKKEI 225	6.8	5.3	1.2	13.8	2.6	21.3	17.7	14.9
HANG SENG INDEX	4.1	5.9	-4.0	5.8	22.8	22.9	7.5	3.4
SHANGHAI SE COMPOSITE	3.6	2.2	-1.6	4.2	4.1	16.2	3.4	5.6
SOUTH AMERICA & EM EQUITY								
MSCI EM Net Total Return USD Index	6.0	4.3	1.3	12.0	15.3	7.5	9.7	6.8
FIXED INCOME								
ICE BoA 1-3 Year US Treasury Index	0.6	-0.2	0.8	1.2	2.8	4.1	3.4	1.4
BLOOMBERG US Agg	1.5	-0.7	0.4	1.2	4.0	1.3	2.5	-0.7
BLOOMBERG Multiverse (Unhedged)	1.9	-0.3	2.9	4.5	7.3	-1.3	3.1	-0.9
Citi World BIG US Hedged	1.0	-0.4	1.0	1.6	2.9	2.6	2.9	-0.4
ICE BoA US High Yield Index	1.9	1.7	0.0	3.6	4.5	8.2	9.8	6.0
COMMODITIES								
BLOOMBERG Commodity Index	2.0	-0.9	-5.1	-4.1	3.3	0.1	-4.5	9.4
GOLD	0.1	-0.6	5.7	5.2	24.4	26.6	21.4	11.8
OIL (WTI)	9.4	5.5	-17.7	-5.0	-2.3	14.4	-4.0	21.4

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