Macro & Market Outlook

as at June 30, 2025

ARGUS Wealth Management

Central Banks (unchanged*)	• At the June 2025 Federal Open Market Committee (FOMC) meeting, the US Federal Reserve ("The Fed") held interest rates steady for the fourth consecutive meeting, maintaining its benchmark rate at 4.25%-4.5%. While the decision was unanimous, the Fed's latest projections appear to reveal a growing divide: seven officials anticipate no rate cuts this year, while eight still expect two. • The Fed remains in a challenging position due to relatively strong economic data but slower growth projections. Trade tensions, fiscal policy shifts, and geopolitical risks complicate the Fed's path forward. With both policymakers and markets likely to remain in wait-and-see mode through the summer, seeking clarity on how these forces will impact the economy. • With differing rates of growth and inflation, the European Central Bank and Bank of England are expected to drop benchmark interest rates consistently this year.
Liquidity & Credit (unchanged*)	• Credit market volatility has subsided substantially with the partial pause on tariffs. Bond yields remain attractive across the various US fixed income indices. However, tariffs and trade tensions will likely weigh on global credit conditions in the second half of 2025. • Despite economic and policy uncertainties, the spread between corporate bond yields and Treasuries decreased in the second quarter, indicating a smaller risk premium for non-government borrowers, and generally favourable credit conditions. • According to S&P, their Global Credit Cycle indicator points to a cautious credit recovery that could stall due to trade tensions and geopolitical risk. Household sentiment remains strained, while corporates are still benefiting from relatively supportive financing amid uncertain operating conditions and volatile financial markets[1].
Economics (unchanged*)	• The ongoing uncertainty around US policies, particularly tariffs, has raised concerns about a possible global economic slowdown. Most developed countries' economic data have outperformed expectations thus far in 2025. • The Fed anticipates modest but positive growth in 2025 in the US, followed by a reacceleration in the next two years. The labour market and consumer spending will be watched closely for signs of strain. • Tariffs have had a relatively small impact on inflation thus far. Many US businesses have relied on pre-tariff inventory or absorbed cost increases to avoid affecting demand. However, as inventories deplete and new goods arrive under the higher-tariff regime, price increases are likely. The Fed revised its 2025 inflation forecast upward from 2.8% to 3.1%. • With the average effective tariff rate now around 15%, the highest since 1936, this may result in some upward pressure on goods prices. The Fed is on alert but expects inflation to normalise in 2026, dependent on evolving conditions. • Most US central bankers believe the labour market remains healthy despite some signals of cooling, such as a recent spike in continued jobless claims and a slowdown in job growth.

Legend:

NEG. NEUTRAL POS.

* Change from the previous 12-month outlook.
** The weights to calculate the Overall rating are determined by Argus Wealth at its discretion.

[1] https://www.spglobal.com/ratings/en/regulatory/article/credit-cycle-indicator-q3-2025-global-uncertainties-could-stall-the-credit-upturn-s101632714
[2] https://tradingeconomics.com/united-states/consumer-confidence

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Valuations (unchanged*)	• Overall valuations in the US equity market remain on the higher end of their historical range. The S&P 500's price-to-earnings (P/E) ratio is currently at 25. In comparison, the P/E ratio for the S&P 500 Equal Weight Index Fund is at 19, which falls within its 10-year range of 15 to 25. • In a reversal to the first quarter, investors rotated back into large growth stocks relative to value stocks – led by the Magnificent 5 (Tesla and Apple detracted). • The rotation into international stocks (MSCI EAFE) has continued throughout the mid-way point of 2025 offering lower valuations (P/E at 16) and an attractive option for investors seeking greater diversification. A key difference with international markets relative to the US is the lack of premier tech stocks that usually have stretched valuations.
Sentiment (improved by 1*)	• The University of Michigan's Consumer Sentiment Index, which tracks US consumer sentiment, increased to 61.8 in July 2025, the highest in five months and second consecutive month of positive gains. However, consumer sentiment remains below long-term average[2]. • The latest American Association of Individual Investors Sentiment Survey showed a near even split of 39.3% bullish, 39.0% bearish and 21.8% neutral[3]. • In a reversal to the negative CEO sentiment that was expressed earlier in the year, a recent poll of more than 216 US CEOs found that business confidence is almost back to 2025 highs as a result of robust economic indicators and sustained consumer demand amid all the volatility and disruption[4].
Technical (US Large Cap)[5] (improved by 1*)	• The S&P 500 Index is assessed as positive for the medium long term. • The S&P 500 has broken through the floor of a rising trend channel in the medium long term. This indicates a slower rising rate at first, or the start of a more horizontal development. • There is no resistance in the price chart and further rise is indicated. In case of a negative reaction, the index has support at approximately 6120 points.
Overall (improved by 2*)	**Conclusion:** Our overall assessment remains neutral, reflecting the ongoing uncertainty surrounding tariffs and their potential impact on the global economy. The current outlook on risk assets is more positive than last quarter, but if the proposed tariff rates go into effect on August 1st, risk assets may react negatively. However, the potential for tax cuts, deregulatory policies and substantial infrastructure investment expected from the Trump Administration may boost productivity and employment, helping to stimulate the economy. A disciplined long-term investment strategy remains the best defense against short-term market volatility.

* Change from the previous 12-month outlook.

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[3] https://www.aaii.com/sentimentsurvey
[4] https://chiefexecutive.net/ceo-optimism-nears-2025-high-in-july-poll/
[5] https://www.investtech.com/main/market.php?CompanyID=99200005&product=4

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