MARSHALL & SULLIVAN
WEALTH MANAGEMENT

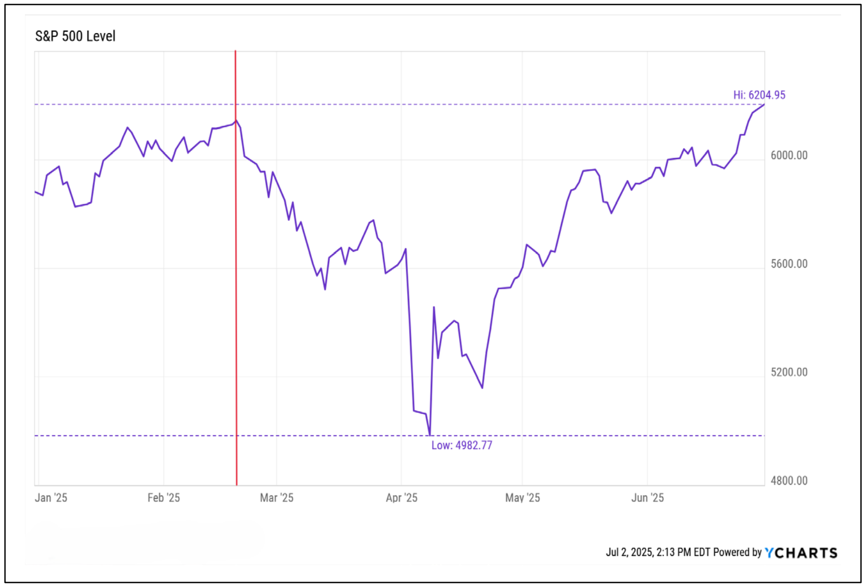
viewpoint

Summer 2025 newsletter

# If You Blinked, You Missed It

If you've been asleep – or just tuning out the markets – for the past 180 days, you've missed quite a ride. What began as a relatively stable year took a sharp turn mid-spring, only to recover just as dramatically before the end of June.

Back in February, the S&P 500 hit a high of 6,130, driven by strong corporate earnings, resilient consumer spending, and hopes that the Federal Reserve might begin easing later in the year. But by April 8, the index had dropped to a low of 4,983. That's an 18.7% decline in less than two months. This correction was largely triggered by fears surrounding President Trump's announcement of significant import tariffs and proposed economic policies, which raised concerns about a potential return to a trade war and inflationary pressure.




Since that trough, the market has staged a strong comeback. As of June 30, the S&P closed at 6,205, up 24.5% from the April low. That rally was primarily fueled by a mix of easing inflation data, softer employment trends, a reversal of the proposed tariff levels, and a growing belief that the Fed could begin cutting rates as early as the third quarter. In other words, markets are betting that policy will soon turn supportive again.

One striking aspect of this recent volatility is who's been driving it. Unlike in previous years where long-term institutional capital often dictated market direction, much of the latest movement appears to be powered by retail traders. Short-term sentiment shifts, amplified by social trading platforms and momentum-driven algorithms, led to fast selling in April followed by aggressive buying into late June. This created dramatic swings that weren't always grounded in fundamentals.

Marshall & Sullivan took a more measured view. Rather than react to headlines, we remained focused on the underlying economic picture, and more importantly, on company quality. As liquidity tightens and policy uncertainty remains a key risk, we believe the market is beginning a transition phase away from speculative or momentum names and toward companies with durable earnings, clean balance sheets, and pricing power. Our portfolios are already positioned with a tilt toward these high-quality businesses, particularly in sectors like industrials, healthcare, and select technology.

On the economic side, we're watching the Fed carefully. With inflation showing signs of further deceleration and the labor market cooling modestly, we believe one or two rate cuts are possible before year-end. That said, we do not expect this to materially impact our bond strategy, which remains focused on high-quality short to intermediate-term fixed income securities.

Looking ahead, we anticipate that equity markets will gradually re-focus on fundamentals. As post-pandemic policy tailwinds fade, earnings quality, economic resilience, and global growth are likely to drive performance. While headline-driven volatility may persist, we believe investors are best served by well-constructed, globally diversified portfolios. A core of high-quality U.S. companies, complemented by select international opportunities, provides both resilience and the potential to capture long-term value.

As always, we appreciate your continued trust.

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