Financial Focus - Summer 2025

Now that school is out and summer schedules are in full swing, we have enjoyed hearing about your adventures. Whether you're traveling, playing golf, gardening, or sticking close to home, it's our pleasure to play a part by providing you with advice and direction. The Team at FCG is available for you anytime you have a question or want to talk through your objectives.

What's Unfolding and What Lies Ahead

Navigating Q2's Choppy Market

As spring storms swept the nation, markets conjured a storm of their own. On April 2, fresh U.S. tariffs and renewed geopolitical frictions drove the CBOE VIX (measure of market volatility) from the low-20s to roughly 60—its third-highest reading ever—before it calmed back below 20. Although ending well, we certainly felt the disturbance of these changes.

That same week, the S&P 500 tumbled 11.5% from its early-April peak, then rallied to resiliently finish the quarter with a gain. International equities extended their Q1 momentum—albeit more cautiously than the US equities —buoyed by a weaker dollar and resilient earnings in Europe.

All eyes now turn to the "Big Beautiful Bill," the infrastructure-and-tax package winding through Congress that could reshape corporate incentives and spending. Meanwhile, markets price in at least two Fed rate cuts by year-end, especially after the April decision to taper quantitative tightening.

What we are watching

- July & September tariff deadlines: Last-minute deals could spark another volatility surge.
- Fed speak after the next CPI print: Will “data dependency” hold or give way to a dovish pivot?
- EM equity flows: A softer dollar may attract fresh capital into emerging markets.

We continue to see that a diversification of stocks, bonds, and cash – including both domestic and global exposure – remains investors’ best shield against these policy twists and headline shocks.

Articles For More Insight


WEEKLY CLIENT COMMENTARY | JUNE 20, 2025

Mitch on the Markets

Portfolio Manager Investing Insights

The Power of Patience and Perils of Overreaction

In the weeks following the “Liberation Day” tariff announcements, I wrote a series of columns urging investors to be patient and measured when it came to ‘responding’ to the punitive trade measures. Here’s an excerpt from one of those columns:

“Selling out of the market today [April 5] substantially increases the chances of being whipsawed when a rally takes hold, which again, no one can know the precise timing of.

In the current environment, the setup is that any modicum of good news on trade will factor as a positive surprise for markets going forward, which will almost certainly trigger strong moves higher. Long-term investors simply cannot afford to miss these upswings.”

It paid to be patient.

As I write, the S&P 500 has staged a sharp v-shaped recovery, effectively erasing all the tariff-related losses of the past few months. For any investor who tried to time the declines and the powerful bounce that followed, there was basically no margin for error. The entire event unfolded too quickly and was—and still is—mired by uncertainty, which meant there was no clear signal for when stocks would rally. There rarely is.

Looking ahead, I don’t see a ‘clear signal’ appearing anytime soon. The “*modicum of good news on trade*” came in the form of a 90-day pause on reciprocal tariffs, which expires very soon on July 9. With just weeks left to go, there are still dozens of trade deals in the works, with the U.K. being the only developed nation with an inked agreement. I feel comfortable predicting that there is essentially zero chance all the deals will be done by the deadline. Whatever happens on July 9, my message is the same as it was before: investor patience will be required.

This is especially true as the situation in the Middle East continues to escalate. Geopolitical tensions seem to have only gotten worse in the past year, which adds oil markets and global economic growth to the list of concerns alongside trade. Over the past few weeks, oil prices have jumped substantially, and escalations between Israel and Iran have only added to those pressures.

ABOUT MITCH ZACKS

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Mitch is the CEO & Senior Portfolio Manager at Zacks Investment Management. Mitch has been featured in various business media including the Chicago Tribune and CNBC. He wrote a weekly column for the Chicago Sun-Times and has published two books on quantitative investment strategies. He has a B.A. in Economics from Yale University and an M.B.A in Analytic Finance from the University of Chicago.

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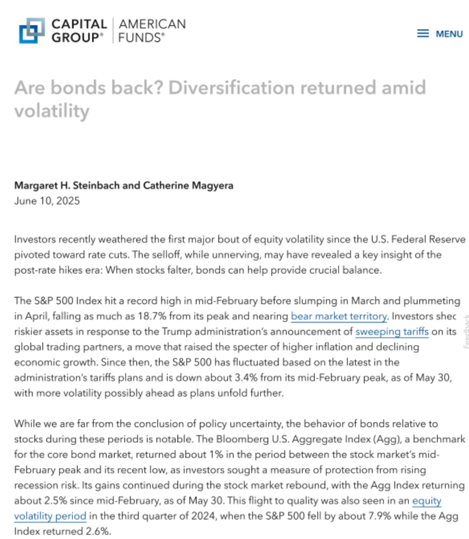
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Are bonds back? Diversification returned amid volatility

Margaret H. Steinbach and Catherine Magyera
June 10, 2025

Investors recently weathered the first major bout of equity volatility since the U.S. Federal Reserve pivoted toward rate cuts. The selloff, while unnerving, may have revealed a key insight of the post-rate hikes era: When stocks falter, bonds can help provide crucial balance.

The S&P 500 Index hit a record high in mid-February before slumping in March and plummeting in April, falling as much as 18.7% from its peak and nearing bear market territory. Investors shec riskier assets in response to the Trump administration’s announcement of sweeping tariffs on its global trading partners, a move that raised the specter of higher inflation and declining economic growth. Since then, the S&P 500 has fluctuated based on the latest in the administration’s tariffs plans and is down about 3.4% from its mid-February peak, as of May 30, with more volatility possibly ahead as plans unfold further.

While we are far from the conclusion of policy uncertainty, the behavior of bonds relative to stocks during these periods is notable. The Bloomberg U.S. Aggregate Index (Agg), a benchmark for the core bond market, returned about 1% in the period between the stock market’s mid-February peak and its recent low, as investors sought a measure of protection from rising recession risk. Its gains continued during the stock market rebound, with the Agg Index returning about 2.5% since mid-February, as of May 30. This flight to quality was also seen in an equity volatility period in the third quarter of 2024, when the S&P 500 fell by about 7.9% while the Agg Index returned 2.6%.

Mitch on the Markets: The Power of Patience and Perils of Overreaction [1]

Capital Group American Funds: Are bonds back? Diversification returned amid volatility [2]

Market Indexes

Equities	YTD	Q2
Nasdaq	8.22%	17.79%
S&P 500	6.20%	10.94%
Small Cap	-1.79%	8.50%
International	19.45%	11.78%
Emerging Markets	15.27%	11.99%

Fixed Income	YTD	Q2

T-Bill	2.13%	1.07%
10Yr Treasury	3.22%	-1.38%
Corporate Bonds	3.98%	1.17%
High Yield	4.57%	3.53%

Sources: Data as of 6/30/2025 from Morningstar Advisor Workstation

So, what does this all mean for investors? It strengthens the case for reducing investment risk by owning a broadly diversified portfolio, active management, and re-balancing to ensure your exposure to sectors and individual companies remains in the desired range. This is already part of our investment discipline at Financial Consultants Group. Remember, in a diversified portfolio, you will almost always see variance - some strong performers, and some weak ones.

As an FCG client, we are always looking out for your best interest, and please do not hesitate to reach out if you have any questions.

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****Values for these investment models reflect their actual performance as reported by Axos Advisor Services as of 6/30/2025. Your specific holdings and performance may vary based on the holding period, intra-year portfolio changes, deposits and withdrawals, holdings outside our models, and portfolio weighting.*

Nasdaq is reflected by NASDAQ 100 NR USD. S&P 500 is reflected by S&P 500 TR USD. Small Cap is reflected by Russell 2000 TR USD. International is reflected by MSCI EAFE NR USD. Emerging markets is reflected by MSCI EM NR USD. T-Bill is reflected by Bloomberg Short Treasury 1-3 Mon TR USD. 10YR Treasury is reflected by Bloomberg US Treasury 10+ Yr TR USD. Corporate Bonds is reflected by Morningstar US Core Bd TR USD. High Yield is reflected by Bloomberg Short Treasury 1-3 Mon TR USD.

Sources
https://zacksim.com/blog/the-power-of-patience-and-perils-of-overreaction/[1]
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