JULY 2025

GASAWAY
INVESTMENT ADVISORS

MARKET NEWSLETTER

The latest news from Gasaway Investment Advisors

"Helping you navigate your financial course."

What's New

A Word from Jim Gasaway

Fear is a powerful motivator. We all remember the fear that gripped many in the early days of the COVID-19 pandemic – fear that sent the markets tumbling, shoppers scrambling to buy all the toilet paper and Lysol in stock, and governments enacting all sorts of laws and policies, some beneficial and others questionable at best. In our Q1 newsletter, we highlighted the risk of letting fear and emotion dictate investment decisions and commented that every pullback is an opportunity for long-term investors. Markets were falling sharply in response to uncertainty around tariffs, and while a correction was justified following the strong returns in 2023 and 2024, fear can often lead to irrational decision-making. The decline continued into Q2, with the S&P 500 falling 19% from its February high. However, as of the end of Q2, the S&P 500 has shrugged off tariff and recession fears, completely reversed its losses, and posted a positive return on the year (figure 1).

WHAT HAVE WE BEEN DOING IN THE PAST QUARTER?

- **Equities:** *"Risk management is not about buying at a bargain price, it's about keeping your losses small at any price."– Mark Minervini.* As we said last quarter, we firmly believe corporate profits will rise, the US and other economies will grow, and equity prices will rise in the long term despite the pullback. However, that doesn't mean that we do not manage downside risk in equities. In addition to being widely diversified across asset classes, sectors, and countries and owning buffer ETFs in more conservative accounts, we manage equity risk by stepping a small percentage out of the market to cash in certain accounts once targets are hit, similar to a stop-loss order. Some of these initial and subsequent targets were hit in April, so we sold percentages and invested the proceeds in a money market fund. As the market recovered, we stepped back into the market and are now fully invested.

- **Fixed Income:** After dropping in response to fear of an economic slowdown and a potential trade war in the first quarter, longer-term bond yields rose throughout the second quarter; shorter-term yields stayed roughly the same as the Federal Reserve left the federal funds rate unchanged. Our fixed income holdings diversified among Certificates of Deposit (CDs), intermediate-term bond funds, ultra-short-term bond funds, and municipal bond funds in non-qualified (taxable) accounts.
- The CDs we buy are brokered,

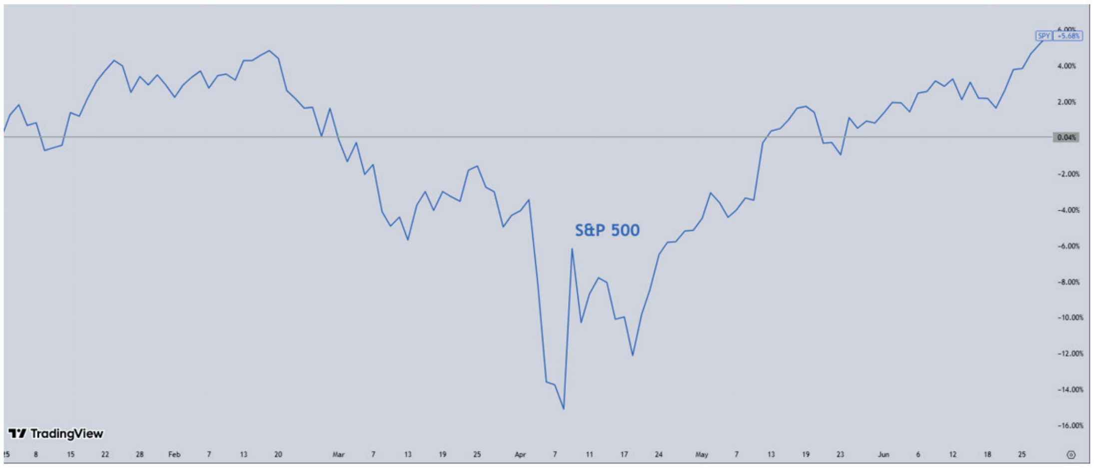

Figure 1 - S&P 500 YTD returns as of 6/30/2025

meaning they generally have higher interest rates than CDs you will find at local banks or credit unions, can be sold before maturity without penalty, and will include accrued interest if sold early. It is also good to remember that, although your statement may show an unrealized loss on your CDs, you will get the entire principal back plus interest at the maturity date. Our intermediate-term bond funds own a basket of debt securities, mostly U.S. Treasuries, that mature in around 6 years. These funds offer an attractive yield (>4%) while being somewhat sensitive to interest rates – yields rising will cause the fund's price to drop, while yields falling will cause its price to rise. Ultra-short-term bond funds also offer a >4% yield but without the interest rate sensitivity, essentially acting as a money market fund. Municipal bonds have lower yields than other fixed income, but their interest is not taxable at the federal level (and not at the state and local level if you live in the issuing municipality).

We appreciate the trust that you have placed in us. We are diligently watching your investments and will continue to make adjustments as we see fit. If you have any questions, please reach out to us.

PATIENCE IS A VIRTUE

by: Chase Imberger, CFP®, ChFC®, CRPC™, Financial Advisor

In an age of instant gratification, practicing patience can seem impossible. We are used to same-day deliveries, real-time updates, and rapid results across all platforms. Patience has quietly become a superpower, especially with investing. When it comes to building wealth, most people focus on what to buy, when to sell, or which strategy is best. But the real secret? Patience. Investing is a long game, but with the way the last 5 years have been in the markets, it seems the narrative has shifted. The markets may move quickly, but wealth builds slowly. Wealth comes with patience. One of the most powerful tools in the financial world, compounding, only works if you give it it time. There are no short cuts. While it may feel unsettling to remain still amid constant change, sometimes the most effective course of action is to do nothing. The strong urge to take action, even when doing nothing would be the wiser choice, is known as action bias. Impatience can lead to overtrading, panic selling, chasing hype, and switching strategies too soon. These factors may have long-term effects that are not immediately apparent, potentially leading to more problems than solutions over time. Often, the best move is no move. Patience does not always have to be passive. It's an active discipline. When things start to move and you are feeling left behind, remember these things:

- **Trust in your plan** even when markets are volatile
- **Tolerance for boredom** (great investing is often boring)
- **Resisting FOMO** (fear of missing out)

Anyone can be patient when things are going well. The real challenge comes from staying patient when nothing seems to be happening, or when the world feels chaotic. Remember, stay the course, trust the process, and let time do the heavy lifting for you.

MARKET ANALYSIS

by: Ethan Thies, ChFC®, Investment Analyst

MONTHLY HIGHLIGHTS

April:

The stock market, measured by the S&P 500 index, escaped with only a -0.7% decline in April after suffering a 15% drop early in the month (1). The unemployment rate dropped slightly to 4.2% (2). Inflation, measured by the Consumer Price Index (CPI), rose 2.3% from last April (3).

May:

The S&P 500 rose 6.3% in May (1). The unemployment rate remained at 4.2%, while inflation came in at 2.4% from last May (2,3). The Federal Reserve met and decided to keep interest rates steady at a level of 4.25%-4.50% (4).

June:

The market rose 5.1% in June, ending a volatile quarter up 10.9% after its first negative quarter since Q3 2023 (1). The unemployment rate fell to 4.1%, and inflation rose to a 2.7% year-over-year increase (2, 3). The Federal Reserve held interest rates steady once again while increasing inflation expectations and decreasing GDP growth expectations from their March estimates (4).

THE ECONOMY

Trump Tariffs, the National Debt, and the "OBBB"

President Trump's first several months in office have been eventful, to say the least. In February, he first announced 25% tariffs on Canada and Mexico, citing fentanyl trafficking through their borders, along with a 10% tariff on China. The Canadian and Mexican tariffs were then

What does the future of the economy look like?

paused until March 4, but have been in effect since then. Then, in early April, the Trump administration announced sweeping "reciprocal" tariffs with varying rates on every country with tariffs on American products. This announcement sent the stock market reeling, but stocks rebounded sharply days later as these tariffs were paused for 90 days. In our view, these tariffs are mostly a negotiating tactic as President Trump attempts to get more favorable trade deals for the United States (5).

As of July, there is a baseline 10% reciprocal tariff on all countries with tariffs on American goods, while Canada and Mexico remain at 25% and China is now at 34%. There are also tariffs on specific products, like automobiles and copper, that have disrupted these industries. While tariff revenues are projected to bring in trillions over the next decade, most economists agree that the inflation caused by them will offset the revenues. We are taking a more wait-and-see approach, as we have not seen tariffs of this magnitude for almost 100 years. Adding to the tariff uncertainty, the US dollar has declined steadily in 2025 as foreign investors lose confidence in the United States during this tariff saga (6).

Many Americans are themselves losing confidence in the government as the national debt continues to balloon. President Trump's "One Big Beautiful Bill" does little to address this unsustainable fiscal path, instead adding nearly $4 trillion to the debt. On a positive note, the bill permanently extends the individual income tax brackets set in 2017, allows deductions for tips, overtime pay, and those over 65 years old, and establishes "Trump accounts" - savings accounts for children born between 2025 and 2028, each initially funded with a $1,000 government contribution into a selected investment (7).

Inflation and Interest Rates

The Federal Reserve, in June of 2022, began raising interest rates to slow consumer spending and bring down inflation, which was over 9% at the time (figure 3). Their final rate hike in October of 2023 left the federal funds rate at a level of 5.25%-5.50%. Then, in September 2024, the Fed cut rates for the first time in 4 years as inflation trended down and the labor market began to soften, followed by two more cuts in November and December to bring the federal funds rate to 4.25%-4.50% (figure 1) (4). While these cuts have caused shorter-term rates to fall, longer term rates, like the 10-year Treasury and 30-year mortgage, have remained volatile as future growth expectations and perception of the U.S. as a safe haven adjust to tariff uncertainty.

Despite this easing, inflation has remained stubbornly above the Fed's 2% target for over four years now, which has significantly decreased purchasing power for American consumers. As a result, the Federal Reserve has been hesitant to continue cutting rates.

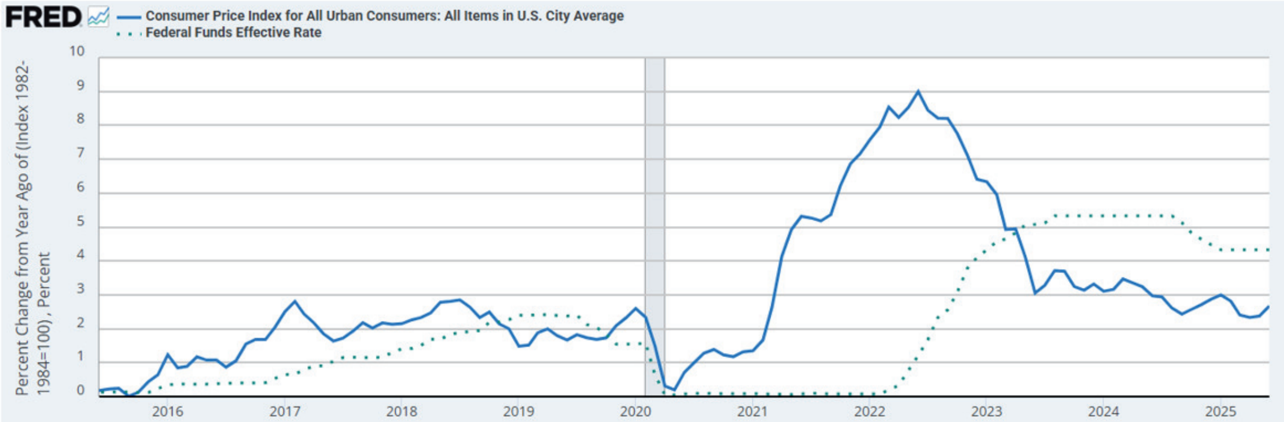

Figure 1. FRED - CPI and the Federal Funds Rate past 10 years

President Trump and Treasury Secretary Scott Bessent have publicly disagreed with this stance, arguing that Fed Chair Jerome Powell has been behind the curve, especially as many other developed countries have continued cutting their rates (8). Trump and Bessent have urged more aggressive cutting, pointing to both the burden on everyday Americans and the elevated cost of refinancing the trillions in federal debt coming due this year. Still, both the Federal Reserve and Wall Street only anticipate two more rate cuts this year (9).

Labor Market

In addition to inflation trending down, gradual slowing in the labor market was a key driver of the Federal Reserve's decision to begin cutting interest rates. Two trends help illustrate this shift: a rising unemployment rate and a declining ratio of job openings to unemployed people (figure 2). The unemployment rate has remained well below its long-term average of ~5.7% since 2021 but began to rise steadily in mid-2023 from a low of 3.4%. At the same time, job openings have steadily declined from 2022 highs, with the ratio of job openings to unemployed people now narrowly above 1 (2). Although these metrics have not reached alarming levels by any means, the Federal Reserve is not hoping to see any continuation in these trends, and therefore preemptively began to cut rates.

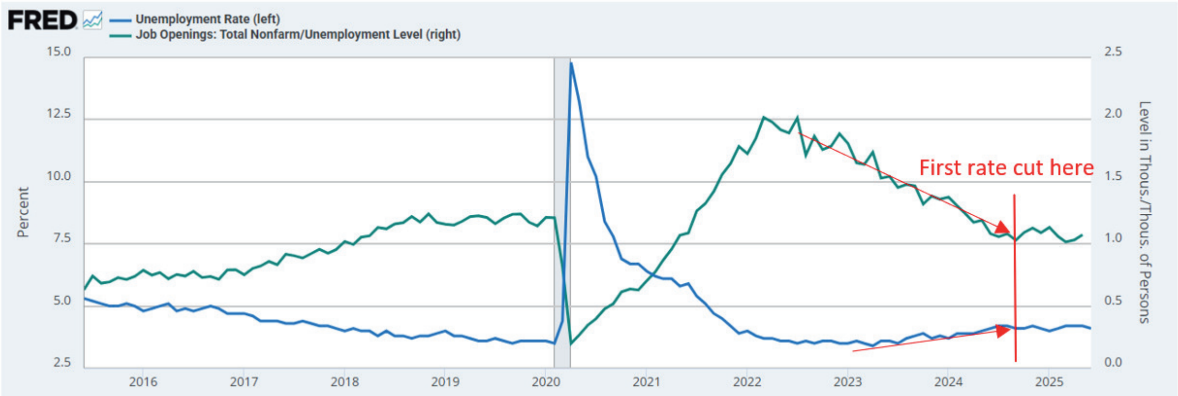

Figure 2. FRED - Unemployment rate and Job Openings/Unemployment past 10 years

THE STOCK MARKET

V-Shaped Recovery post-Correction

You have to stay on your toes in this market, because things can change in an instant. In February, the S&P 500 hit an all-time high as investors grew optimistic around how another Trump presidency would affect markets. But by March, the index had dropped 10% from that high after President Trump announced tariffs on Mexico and Canada. The slide continued in April, with the S&P 500 falling another 14% in 4 days. The day after that, it rebounded with an incredible 9.5% gain, the third best day since WWII, as Trump paused his reciprocal tariffs for 90 days (figure 3) (10). The index continued to climb as investors shrugged off trade war worries and cheered Q1 earnings results, and as of the end of Q2, the index has hit new all-time highs (figure 4). The famous Warren Buffett quote, "Be fearful when others are greedy, and greedy when others are fearful," proved true once again.

This period serves as a reminder, especially for long-term investors, of the importance of staying invested and refraining from emotional decisions during downturns. While rebounds as steep and sudden as this are rare, expecting the unexpected is often your best bet with the stock market. If this volatility caused you to question your current allocation or risk tolerance, it may be time to reassess. Aligning your portfolio with your emotional comfort level without compromising your goals is key.

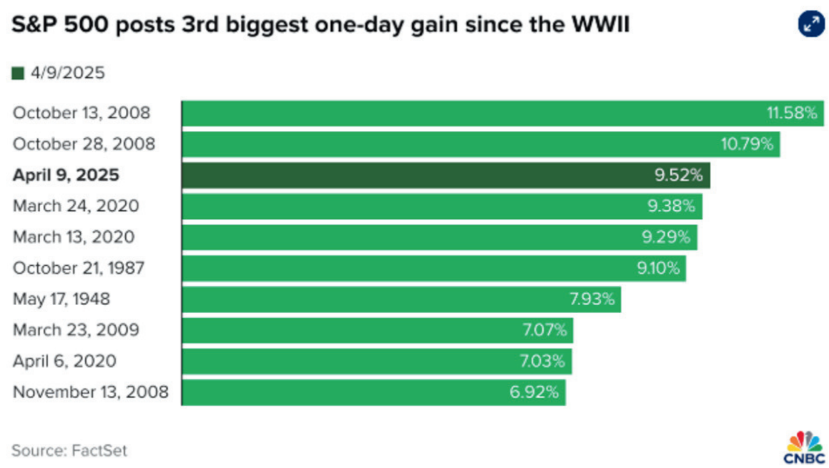

Figure 3. CNBC - Best S&P 500 gains since WWII

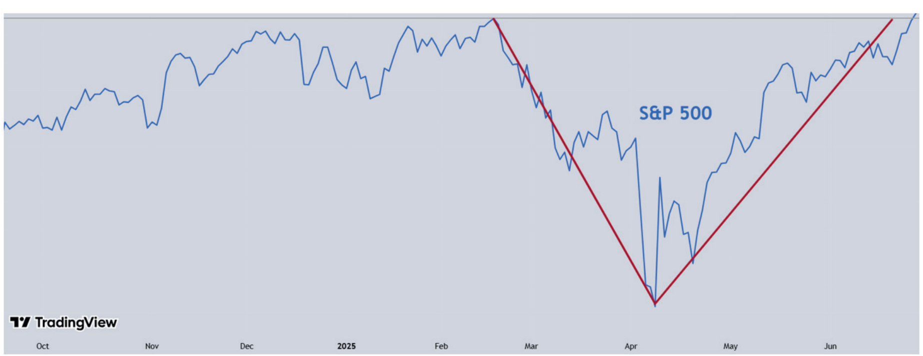

Figure 4. S&P 500 1-Year Performance since 6/30/2025

THE FUTURE AND OUR OUTLOOK

Federal Reserve and other Economic Projections

The Federal Reserve revised their expectations for inflation and unemployment higher and GDP lower at their June meeting. GDP expectations were changed from 1.7% expected to 1.4%, unemployment from 4.4% expected to 4.5%, and PCE inflation from 2.7% expected to 3.0% for 2025 (figure 5) (9). They still expect 2 interest rate cuts in 2025, followed by 1 in 2026. Most Fed members see tariffs causing inflation to jump again and are therefore against cutting rates further, even though President Trump and Treasury Secretary Scott Bessent have been openly calling for cuts. As for corporate earnings, analysts forecast 5% growth in Q2 and 9% for the full year after Q1 earnings largely beat expectations (11).

Variable	Median[1]			
	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8
March projection	1.7	1.8	1.8	1.8
Unemployment rate	4.5	4.5	4.4	4.2
March projection	4.4	4.3	4.3	4.2
PCE inflation	3.0	2.4	2.1	2.0
March projection	2.7	2.2	2.0	2.0
Core PCE inflation[4]	3.1	2.4	2.1	
March projection	2.8	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.9	3.6	3.4	3.0
March projection	3.9	3.4	3.1	3.0

Figure 5. Federal Reserve – June 2025's Federal Reserve Economic Projections

Our Outlook and Conclusion

As we have noted in previous newsletters, we've been anticipating muted returns and higher volatility in 2025, so the volatility that the first half of the year has brought has not been a major shock to us. Equities began the year with historically high valuations, making them even more vulnerable to declines triggered by the uncertainty around tariffs and geopolitical tensions that we have seen. While tariff headlines have lost some of their shock value, we believe future tariff announcements and trade negotiations will continue to influence the market. With the S&P 500 at all-time highs again, there is a risk that investors are pricing in the best-case scenario while overlooking the inflationary pressures and supply chain issues that tariffs can cause. So, if progress continues on trade deals, we remain cautiously optimistic for the rest of 2025. On the fixed income side, we still expect interest rates to remain stable or head slightly lower this year. Therefore, we will continue holding bond funds and CDs with short to intermediate-term maturities.

We greatly appreciate the trust you have placed in us. We will continue to watch the stock and bond markets, global factors, corporate earnings, inflation, interest rates, tariffs, and the overall economy in order to manage and invest your money prudently. As always, feel free to reach out to us with any questions, comments, or concerns about your investments or the markets in general.

References:

1. Monthly Market Returns
2. Jobs reports
3. CPI
4. Fed Funds Rate
5. Tariff Tracker
6. Tariffs
7. Big Beautiful Bill
8. Trump and Powell
9. Fed Projections
10. Biggest S&P 500 gains since WWII
11. Earnings Projections

MEET OUR INVESTMENT ANALYST, ETHAN

Ethan strives to bring value to clients by providing detailed market and economic analysis to help them understand the movements in their accounts that affect their hard-earned money. We at Gasaway know that financial markets, and the economy, can be extremely confusing and people become overwhelmed by the amount of information and opinions. Therefore, we believe that our consistent and transparent communication can help to simplify these subjects, assure clients that we are diligently watching the markets, and act accordingly in their accounts. If you would like to know more about your investments or have any other inquiries about the market and economy, please feel free to reach out!

EVENTS WE HAD THIS YEAR

We host a Book Club every third Monday of the month from 5:30-6:30 pm. Join us as we meet to discuss our favorite passages, quotes and more! The best part is you get to vote on the next book!

We opened the Gasaway Learning Center in March of 2024 to host many educational events! This year we are providing virtual events as well! Check out our calendar to see all of our events for the year!

UPCOMING EVENTS

SOCIAL SECURITY WORKSHOP

AUGUST 6 - VIRTUAL
6:00 - 7:00 PM

Social Security can significantly impact your retirement, yet many individuals are uncertain about how to begin claiming their benefits. Gasaway Investment Advisors is here to assist you with knowledge to help you feel ready when the time comes. By attending this workshop, you will gain a comprehensive understanding of Social Security, including when and how to claim your benefits—whether you are an individual, a surviving spouse, or a divorced spouse.

LIFE INSURANCE WORKSHOP

SEPTEMBER 8 - VIRTUAL
11:00 - 12:00 PM

Consider whether you feel adequately protected in the event of an emergency. Insurance is designed to provide that support. In this workshop, you will explore various insurance products that may be beneficial to you, along with the advantages of maintaining sufficient coverage for unforeseen circumstances. Through comprehensive financial planning, Gasaway evaluates, designs, and implements tailored insurance solutions to assist you in achieving your financial objectives.

JULY 2025

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Helping you navigate your Financial course!

About Gasaway Investment Advisors:

Gasaway Investment Advisors is a financial planning and investment advisory firm serving individuals and businesses since 1990. Over the last 30+ years, it has been our mission to educate the community and hold ourselves to a higher fiduciary standard in which we put our clients' interests first.

Our Mission:
To provide quality services to our customers. To treat our customers and coworkers in a kind and friendly manner. To be a positive influence in the community.

Our Vision:
To help the everyday individual make sound financial decisions while eliminating stress caused by financial burdens. Together, we will navigate your financial course to create a happier and fulfilling journey.

CHECK US OUT ON SOCIAL MEDIA!

CHECK OUT OUR BLOG FOR INFORMATIONAL ARTICLES!