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Market Update: June 2025

U.S. stocks advanced 5% in June and are now up nearly 6% year-to-date. The domestic economy has proven to be quite resilient, corporate profits have been strong, and inflation continues to trend toward the Federal Reserve's 2% target.

> **A latter-day Rip Van Winkle who might have been napping since the start of the year might think not much has changed.**
>
> **Randall W. Forsyth – Barron's 6/27/25**

Such results would normally be somewhat uneventful, except for the fact that the S&P 500 index plummeted 19% from a previous high in February to the 2025 low reached on April 8. Even after such a tumultuous stretch, the index currently stands at a fresh all-time high.

> **Stocks began 2025 full of hope that Trump 2.0 would include growth-friendly initiatives and tax cuts, with minimal damage from tariff talk, and they seem to be ending June with a similar optimism. As for what happened in between … the Liberation Day tariff shock, a bond market meltdown, and strikes on Iran? Water under the bridge.**
>
> **Teresa Rivas – Barron's 6/30/25**

Foreign stocks, with returns of just over 3%, had another solid month. At mid-year, they are already sporting returns of nearly 18% … well ahead of their U.S. counterparts.

Over the past 17 years, U.S. stocks have decidedly outperformed their foreign counterparts. The dominance is due to many factors, including the performance of domestic mega-cap technology stocks – often referred to as the Magnificent 7. That narrative has dramatically changed, however, as foreign equities have outperformed by nearly twelve full percentage points so far this year.

> **History shows that leadership between U.S. and international markets is cyclical ... Economic theory and experience both argue for global diversification, even though it can be psychologically difficult when one region dominates for so long.**
>
> **The bottom line is that while no one can predict the future with certainty, history suggests that global diversification remains the most prudent long-term strategy.**

Larry Swedroe, Author/Consultant – Financial Advisor 6/2025

U.S. bonds have returned just over 4% year-to-date, with the benchmark 10-year Treasury note currently yielding 4.227% … down from 4.577% at the start of the year. While domestic bond returns have been dismal over the past decade, the outlook is improving with the Fed poised to start cutting rates and inflation seemingly under control.

In fact, the fed-funds futures market is pricing in two cuts of a one-quarter percentage point each by year end. Also, they are estimating a 75% probability that the first cut will be in September.

> **Bonds have been hard to love in recent years – but they are getting easier to appreciate.**

Andrew Bary – Barron's 6/27/25

According to the program's trustees, Social Security could become unable to pay full retirement and disability benefits by 2034 … one year earlier than the previous year's report. Medicare's hospital-insurance trust fund would be able to pay benefits through 2033 … three years earlier than projected last year.

(Note that Congress recently changed benefit formulas when it passed the Social Security Fairness Act. The change provided additional benefits for

certain public-sector workers, including teachers, firefighters, and police officers.)

If nothing else changes by 2034, Social Security and Medicare could potentially have to cut benefits by 23% and 11%, respectively.

> **With all the enthusiasm of a madman, the U.S. continues to barrel toward history's most predictable crisis … It's as if they're on the Titanic, and they've spotted the iceberg, but both parties have promised never to touch the tiller. Instead, they're yelling down to the boiler room with orders to shovel in more coal, while hoping the passengers have enough entertainment to keep their minds on something other than what's dead ahead.**
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> **The Editorial Board – WSJ 6/19/25**

Approximately 43 million borrowers owe just over $1.6 trillion in student-loan debt. According to the consumer credit reporting agency TransUnion, about six million federal student-loan borrowers are 90 days or more past due. Nearly five million could default over the next three months and have their wages garnished by the government. Borrowers are in default when they are 270 days past due.

Student-loan payments, on hold during the pandemic, were given a 12-month "on-ramp" period in 2023 by the Biden administration. During that period, late or missed payments were not reported to credit agencies. Since then, delinquent borrowers have seen their credit scores decline by an average of 60 points.

> **Some borrowers might be having communication issues with their student-loan servicers, while others might be too financially stretched to make payments. The Education Department has been urging borrowers to resume payments and emphasizing the consequences.**
>
> **Oyin Adedoyin – WSJ 6/24/25**

The job market continues to hold steady, as the unemployment rate remains at or around 4 percent. For new college graduates looking for work, the rate was much higher … 6.6% over the past 12 months ending in May. That rate applies to people ages 20 to 24 with at least a bachelor's degree.

Young graduates generally have a higher unemployment rate, but the spread is growing wider between older and younger workers. According to data from the New York Fed, the gap between the unemployment rate for young graduates and the broader population is the widest it has been in 35 years.

> **Businesses are hunkering down, and that creates a challenge for young workers entering the labor market for the first time. With employers turning more cautious on hires, they are less inclined to gamble on workers with thinner resumes or skill sets.**

Cory Stahle, Indeed, Inc. – WSJ 6/16/25

Existing home sales increased by 0.8% in May, but remain near historical lows according to the National Association of Realtors (NAR).

> **The spring is usually the busiest time of year for the housing market, but this year's spring has been a bust, putting the market on track for its third straight year of anemic sales.**

Nicole Friedman – WSJ 6/23/25

Households earning $100,000 annually could only afford to buy 37% of the homes listed on the market in March, according to the NAR and Realtor.com. Six years earlier, households earning that amount could afford 65% of listings.

> **Consumers are not getting into the market. I would attribute that to the affordability challenges.**

Lawrence Yun, NAR's Chief Economist – WSJ 6/23/25

About one in four listings on Zillow got a price cut in May, the highest proportion for any May in about seven years. The national median home price in May was $422,800, an increase of 1.3% from a year earlier. There were 1.54 million homes for sale in the U.S. at the end of May, up 6.2% from April and up 20.3% from a year earlier.

> **We're witnessing a housing market in transition. The era of broad-based, rapid price appreciation appears over, replaced by a more selective environment where local fundamentals matter more than national trends.**
>
> **Nicholas Godec, S&P Dow Jones Indices – WSJ 6/24/25**

Large real estate companies, like Compass, Rocket, and Zillow, are building digital platforms to create a one-stop shopping experience for home buyers … and taking business away from real estate brokerages and mortgage lenders. The NAR, the industry's largest trade group, is actually budgeting for a membership decline to 1.2 million in 2026 … down from nearly 1.6 million back in 2022.

> **Anything that makes things easier for people – that's where the world is moving.**
>
> **Tim Bodner, PricewaterhouseCoopers – Barron's 6/25/25**

The World Bank classifies 39 economies, with a total population of more than one billion people, as facing conflict or instability. Some 40% of these people live in extreme poverty, compared to 6% in other developing countries. Extreme poverty is defined as living on $3 a day.

Armed conflict imposes severe economic damage. For example, the World Bank reports that output in the West Bank and Gaza fell by 27% in 2024. Also, 70% of people suffering from war live in Africa.

> **Half of the countries facing conflict or instability today have been in such conditions for 15 years or more. Misery on this scale is inevitably contagious.**
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> **Indermit Gill, World Bank Chief Economist – WSJ 6/27/25**

As investors, we should never be complacent and always stay humble when assessing the economic backdrop. With that in mind, many pundits remain concerned that it's just a matter of time before tariffs push up inflation rates and dent economic growth. Also, domestic stocks are quite pricey. The S&P 500 is currently trading at around 22 times its expected earnings over the next 12 months … over the past 10 years, the average multiple has been 18.7 times earnings.

> **With visions of pristine markets dancing in their heads, investors shouldn't forget that valuations look frothy once again, geopolitical jitters have a way of lingering, and higher tariffs are a real possibility.**
>
> **Paul R. La Monica – Barron's 6/27/25**

As we move into July, all eyes are on the Republican's "big, beautiful bill", and the implications for taxation, Medicaid funding, and deficits. Let's all hope for the best.

As always, thanks for your continuing support. I hope you and your families are enjoying the summer season.

Daniel G. Corrigan, CPA/PFS, CFP®