// BRIAN D. LOWDER, INC.
QUARTERLY NEWSLETTER
Volume 28, Issue 2 July 2025

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INSIDE THIS ISSUE

FINANCIAL MARKET OVERVIEW

The second quarter of 2025 was once again unpredictable with a complete reversal compared to the first quarter of 2025.

During the first quarter, the overall stock market was up 1.2% in January and up another 2.0% through February 19th and then tumbled 19.0% from mid-February through the first week of April after the Trump Tariff announcement (April 2nd) was made, culminating in a -4.83% return.

Fast forward to the second quarter of 2025 and an equally dramatic rebound followed when the tariff negotiations were paused, extended, or news of a deal had been struck. From April 8th until June 30th the overall stock market advanced 23.0% and by the end of the quarter, not only were the first quarter losses of -4.83% erased, but the overall stock market ended the second quarter up about 10.8%. By the end of the second quarter, the stock market was up approximately 5.24% during the first six months of 2025 and at record highs.

Both mid-size and small-company *growth stocks* helped boost the second quarter ranging between 12% and 18% while the mid and small-company *value stocks* had smaller increases ranging from 4.9% to 5.3%.

However, both small-company *value* and *growth stocks* are still down (negative) for the first six months at -3.16% and - 0.42%, respectively.

Mid-size companies fared better, with *value stocks* up 2.92% and *growth stocks* up 9.61% year-to-date.

International stocks benefited from a weaker US Dollar and deferred tariffs. EAFE (Europe Australasia & Far East) Index was up 11.26% during the second quarter and 20.28% year-to-date while EEM (Emerging Markets) increased 11.46% during the second quarter and 16.47% year-to-date.

Gold price performance continued with a 5.79% increase in the second quarter and 25.9% year-to-date. As we have mentioned in past newsletters, gold prices jump when uncertainty and concern grow regarding conflicts, tariffs, inflation and the world economy. These returns suggest there were no shortages of these factors. Bitcoin continues to display its equity like volatility, down -11.76% during the first quarter then up 30.76% during the second quarter. Conversely, Real Estate Investment Trusts (REITS) had a tough second quarter with a negative -.67% return and a mere 1.99% for the first six months of 2025.

Fixed income investments are continuing to provide investors with an above “reported” inflation rate of return. Annualized inflation as of May 2025 came in at 2.4%. However, the duration (length to maturity) of the fixed income investments was extremely important. At present, the yields for six-to-nine-month treasuries are 4.27% to 4.10%, respectively, while six-to-nine-month certificates of deposit (CD) are yielding similarly at 4.24% to 4.07%, respectively. On any given day, the rates can shift/move making either CDs or treasuries a more attractive investment. Overall, the yields beyond nine months dip down but the spread between the 2- and 10-year maturity still remains slightly positive.

The following chart displays sample returns of various asset categories for the calendar year-to-date and during the second quarter of 2025:

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Yr-To-Date 2025	**2nd Qtr. 2025**	**Index Return (*includes dividends reinvested*)**
+ 3.64%	**+ 4.98%**	**Dow Jones Industrial Average (^DJI)**
+ 6.07%	**+10.80%**	**Standard & Poor's 500 Index (^GSPC)**
+ 5.24%	**+10.58%**	**DJ U.S. Total Stock Market (VTI)**
+ 5.94%	**+17.70%**	**Large-company stock-Growth (IWF)**
+ 5.83%	**+ 3.68%**	**Large-company stock-Value (IWD)**
+ 9.61%	**+18.16%**	**Mid-Size Stocks – Growth (IWP)**
+ 2.92%	**+ 5.30%**	**Mid-Size Stocks – Value (IWS)**
- 0.42%	**+12.00%**	**Small-company stock- Growth (IWO)**
- 3.16%	**+ 4.96%**	**Small-company stock- Value (IWN)**
+ 20.28%	**+11.26%**	**International (EFA)**
+ 16.47%	**+11.46%**	**Emerging Markets (EEM)**
+ 1.99%	**- 0.67%**	**Real Estate Investment Trusts (VNQ)**
		Fixed Income (includes appreciation)
+ 2.73%	**+ 1.15%**	**Short-term U.S. Treasury (SHY)**
+ 5.24%	**+ 1.40%**	**Intermediate U.S. Treasury (IEF)**
		Alternative Investment Category
+ 25.90%	**+ 5.79%**	**Gold (GLD)**

All returns calculated using adjusted historical quotes from finance.yahoo.com

FINANCIAL MARKET OUTLOOK

The first half 2025 was a wild ride. Down -4.83% during the first quarter, followed by a significant 10.58% reversal upward during the second quarter. The outlook is still not even close to being clear. During one month, the press is full of articles suggesting we are on the edge of a cliff. During the next month fear of missing out takes over. There are so many topics and concerns swirling around at the same time.

Individuals and the stock market have concerns about trade wars and the uncertain impact of tariffs on our economy and ultimately the inflation rate. Clearly any one or all three could have a material impact on our economy and the stock market in either direction. The United States Gross Domestic Product (GDP) already declined by 0.2% during the first quarter 2025.

Tech stocks are still very generously valued and the significant rise over the past two years is eerily similar to the massive gains during the late 1990's (prices dropped immensely after the World Trade Center bombing).

Congress and Trump are still battling over the "Big Beautiful" tax bill to reverse the current course of massive budget deficit spending while at the same time trying to avoid income tax increases on many tax provisions that expire by the end of 2025.

The conflict in the Middle East and the recent bombing of Iranian nuclear sites is still unsettling. The value of the U.S. Dollar has dropped by a sharp 10% in 2025 while gold and silver are up 26% this year. A simultaneous rising stock market and gold prices is definitely not "normal" as stocks and gold prices normally move in the opposite direction with each other. Will the Federal Reserve lower interest rates? All of these topics are on the table and no one knows the ultimate outcome.

The number of sales of existing homes are near historically low levels – there are far more listings and properties for sale compared to the number of active buyers. With mortgage rates up from the historically low 3% levels during the COVID era and now holding steady in the mid-6% range, expect real estate appreciation rates to flatten or decline in some areas. The S&P CoreLogic Case-Schiller National Home Price Index (which measures home prices across the U.S.) rose only 2.7% from April 2024 to April 2025. Home price appreciation rates hit their peak in 2022 (20%). The annual appreciation rate is now below 3% and falling.

If all or most of the above topics are resolved or at least decided upon, the financial markets are clear to move up at a normal pace. In the meantime, chasing individual stocks or reacting to a week or month's financial market price movement is a dangerous game.

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INVESTMENT OUTLOOK AND RECOMMENDATIONS

All of the above discussions and topics will impact our outlook and the investment decisions we make. Under this section in our previous newsletter (1st Qtr, 2025) in the first paragraph, we stated …. *we do not see a quick fix nor do we expect the well-above average stock market investment returns like we had in 2023 and 2024 to repeat in 2025. Expect increased financial market volatility in stock prices over the short-term, little change in interest rates, some inflation pressures continuing, and more "normalized" investment rates of return for at least this year. If I were betting and not investing, I would go with a short period of stock price volatility in both directions followed by a* ***<u>relief rally</u>*** *with normalized investment performance thereafter.* The dramatic stock price rally since April 8th to June 30th looks a lot like a "relief rally" to me.

We are still taking a moderate/balanced approach to risk and return possibilities after increasing our clients' exposure to stocks during both the fourth quarter 2024 and again during the first six months in 2025.

We will continue to add *value stocks*, *dividend-paying stocks*, *mid-size-company stocks* and *international stocks* to client portfolios during the third quarter of 2025 and we continue to prefer *short-term fixed income securities (CD's and Treasuries)* until the inflation, interest rate and tariff picture becomes clearer. *Emerging markets (mid-to-small international stocks) also look promising*.

We have identified several stock investments that we intend to add to client portfolios outlined on your blue recommendation sheets, but the timing of when to make additional stock purchases is still uncertain. If a Blue Recommendation Sheet is not included in any of your quarterly reports, then your current account holdings are adequate "as is".

MAJOR INCOME TAX LEGISLATION IS UNDERWAY

The so-called "Big Beautiful Tax Bill" is intended to *extend* many of the expiring tax provisions in the 2017 Tax Cuts and Jobs Act that are due to expire at the end of 2025. The House passed the Bill on a 215-214 vote and no Democrats voted for it. Now, it's time for the Senate to vote in July. The process won't be easy and it's likely that some changes to the package will be made. If an agreement can be accomplished, any changes made by the Senate will have to go back to the House for approval. It's too early to discuss any changes or strategies clients should make or be prepared to consider.

One thing is certain; the Bill's provisions will make the tax laws more complex. Although some of the 2017 tax laws would be made permanent under this new Bill, other provisions would be temporary. There are different expiration dates for ending many of the clean-energy tax credits and many of the new tax breaks have income thresholds so that upper-income taxpayers would not benefit from them. Examples include the bonus deduction for seniors age 65 and older and the "no-tax-on-tips-or overtime" proposals.

The House passed tax bill doesn't make Social Security (SS) benefits fully tax-free (currently most taxpayers pay income tax on up to 85% of SS benefits and very low-income taxpayers pay no tax at all) even though Trump vowed to end tax on Social Security benefits. As a compromise, the House Bill would give a $4,000 bonus *deduction* to those age 65 and older regardless of whether or not filers use the "standard deduction" or claim "itemize deductions". Married tax filers would receive an $8,000 deduction. The kicker is not every senior would qualify. There is an income limit for the deduction. The deduction would begin to phase out for taxpayers with modified adjusted gross incomes over $150,000 on joint returns and $75,000 on a single and head-of-household tax returns.

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The new House Bill proposes to **eliminate** the popular EV (electric vehicle) Tax Credit on NEW EV vehicles bought **<u>after</u>** 2025. This tax break is currently $7,500 for buyers of *new* EVs and up to a maximum of $4,000 for *used* EVs but only when the EV car sells for $55,000 or less and $80,000 or less for vans, SUVs and pickup trucks. Currently, twenty-nine 2025 or 2026 EV models now qualify for the full $7,500 credit. The House Bill would completely eliminate this tax credit on vehicles bought after 2025. If you are considering buying an EV, you might want to do so before the end of 2025.

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