



QUARTERLY MARKET REVIEW • RETROSPECTIVE

Second Quarter 2025

Stocks plunged after sweeping tariff announcements in April, then staged a rapid recovery to finish the quarter at record highs.

Data as of June 30, 2025 | Retrospective review prepared October 2026
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THE QUARTER AT A GLANCE

From a near bear market to record highs

+10.6%**S&P 500**

Price return for the quarter,
ending at a record high

+17.7%**NASDAQ COMPOSITE**

Price return for the quarter,
led by a rebound in technology

4.25%–4.50%**FED FUNDS TARGET**

Unchanged all quarter

2.4%**INFLATION (CPI)**

May, year over year, near its
lowest level since early 2021

01**An April shock.**

Sweeping tariffs announced on April 2 sent the S&P; 500 down nearly 20% from its February high.

02**A rapid rebound.**

After many of the new tariffs were paused on April 9, stocks surged and kept climbing.

03**New highs by June.**

The S&P; 500 and the Nasdaq both closed the quarter at record highs.

U.S. STOCKS

Stocks recovered from an April plunge to finish at record highs

The S&P; 500 gained 10.6% in the second quarter, the Nasdaq rose 17.7%, and the Dow Jones Industrial Average rose 5.0%. The S&P; 500 and the Nasdaq both ended June at record highs.

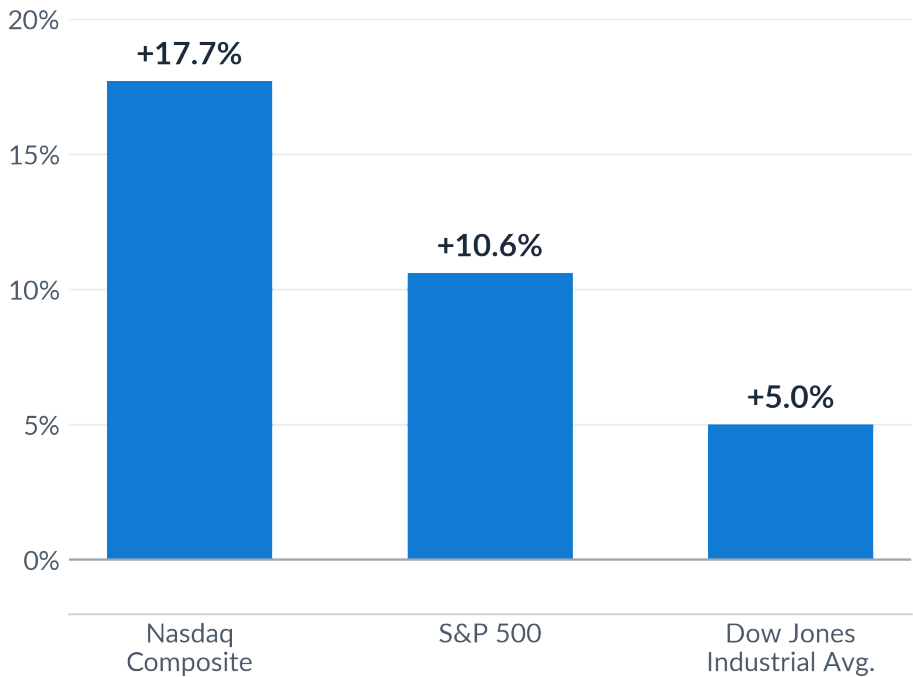
The path was anything but smooth. After sweeping new tariffs were announced on April 2, the S&P; 500 fell nearly 20% from its February peak in a matter of days. On April 9, a 90-day pause on many of the tariffs set off one of the biggest single-day rallies in decades, and stocks kept recovering as trade negotiations progressed.

Technology stocks led the rebound as strong company earnings eased concerns about artificial intelligence spending.

WHY IT MATTERS

Some of the market's best days often come right after its worst ones. Investors who sold in early April risked missing much of the recovery that followed.

Second-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, March 31 to June 30, 2025. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

Bond markets stayed volatile as the Fed held steady

The Federal Reserve held its benchmark rate at 4.25% to 4.50%, saying it wanted to see how tariffs would affect inflation and jobs before acting.

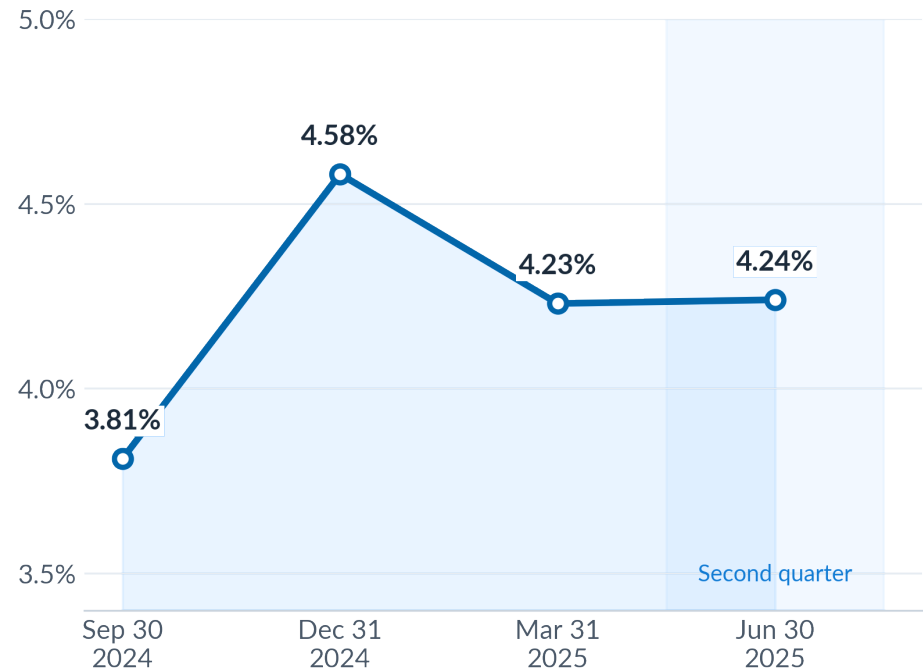
Bond markets were unusually volatile in April, as Treasury yields rose during the stock sell-off rather than falling as they often do. In May, Moody's lowered the U.S. government's credit rating, citing rising federal debt. By the end of June, the 10-year Treasury yield was 4.24%, nearly unchanged from the end of March.

Bonds posted modest gains for the quarter.

WHY IT MATTERS

Even when markets are turbulent, high-quality bonds continue to provide steady income, with yields well above where they were a few years ago.

10-year U.S. Treasury yield, quarter-end closes



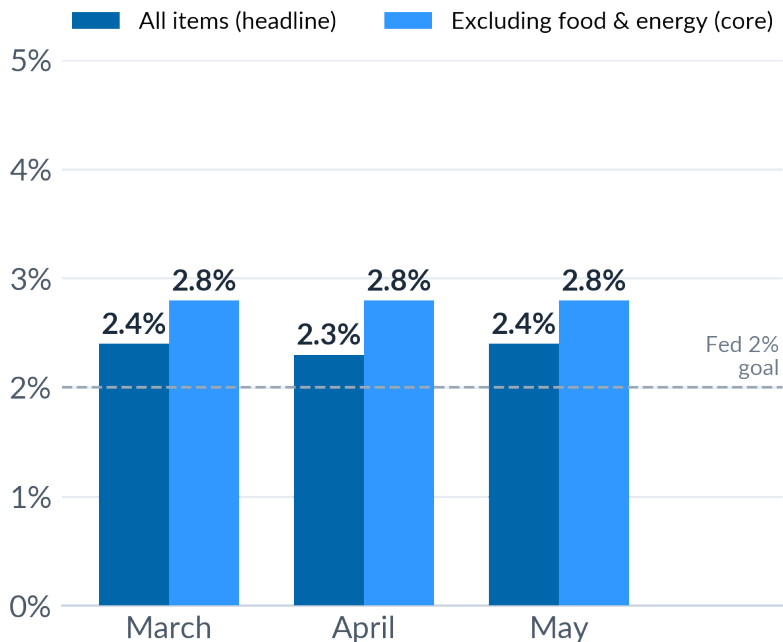
Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates; U.S. Department of the Treasury. Constant-maturity yields at each quarter-end.

INFLATION AND OIL

Inflation stayed low while oil spiked briefly in June

Overall inflation was 2.4% in May, close to its lowest level since early 2021, and core inflation, which leaves out food and energy, held at 2.8%. The effects of tariffs on prices had not yet shown up broadly in the data.

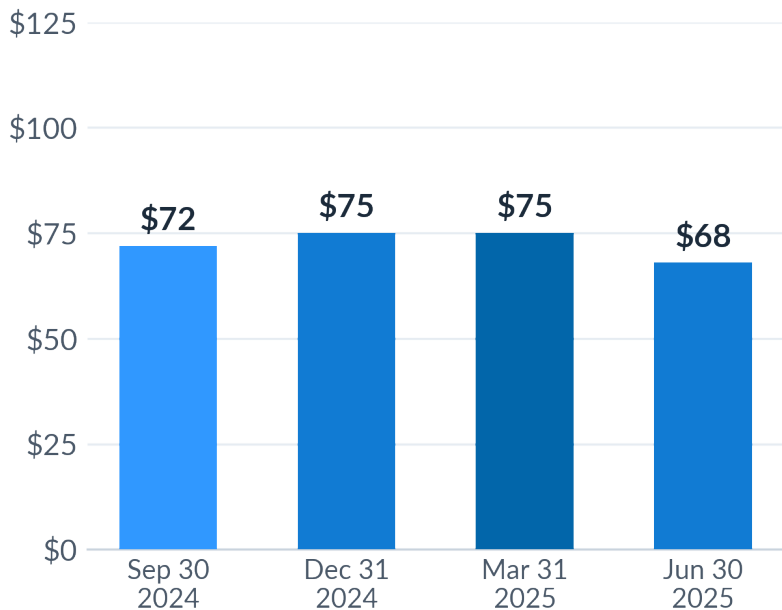
Consumer price inflation, year over year



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Oil prices fell early in the quarter on growth worries, then spiked in June during a brief conflict between Israel and Iran before falling back. Brent crude ended June near \$68 a barrel, down from about \$75 at the end of March.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end.

LOOKING BACK

What came next

More record highs

The S&P; 500 set 39 record closes in 2025 and finished the year up about 16%.

Tariffs began to show up

Inflation rose gradually in the second half of 2025, reaching about 3% by September.

The Fed cut in September

The Fed resumed cutting rates in September 2025, followed by two more cuts by December.

AI spending accelerated

Large technology companies kept spending heavily on artificial intelligence, a major market driver through year-end.

KEEPING PERSPECTIVE

The second quarter of 2025 packed a bear-market scare and a full recovery into just a few months. Moments like early April test every investor, and they are exactly when a long-term plan proves its value. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements, H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Bureau of Labor Statistics; Moody's Ratings. Data as of June 30, 2025, unless otherwise noted. The "Looking back" page reflects data through September 2026.

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