CHARTER RESEARCH *and* INVESTMENT GROUP

~ Prevailing Winds ~

A Quarterly Market Update ***June 30, 2025***

Quarterly Recap:

A one word summation of the second quarter would be WILD! We began with the new administration's push into DOGE cost cutting and the introduction of high tariff rates on "Liberation Day". What transpired was a rapid selloff in stocks and concerning trading patterns in the bond market. This turmoil quickly reversed pending a number of pauses in implementing the tariffs and the quieting down of the unpredictable DOGE cuts. The markets are now celebrating, perhaps prematurely, that the tariffs will be manageable and we could end up with lower interest rates and a growing economy.

Period Ending June 30, 2025

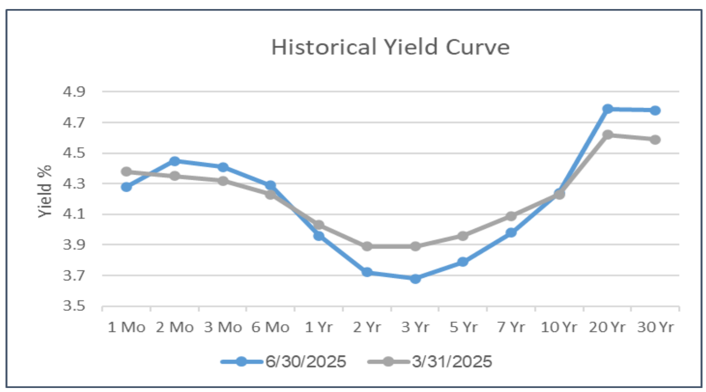
Equity Indexes	Close	% Change
DJIA	44094.77	5.0%
S&P 500	6204.95	10.6%
NASDAQ	20369.73	17.7%
Treasuries	**Close**	**Change**
10-Year Yield	4.24%	0.01
2-Year Yield	3.72%	-0.17

The Stock Market:

The chart to the left illustrates two very important principles: 1.Stock investing can yield very favorable returns. and 2.It can be very painful for stock investors over short-to-intermediate time periods. While the S&P-500 increased over 10% for the quarter, it fell nearly 20% within a mere few days following "Liberation Day". The risks of owning stocks is high. The risks of owning stocks for a short time period, or trying to time when to be in or out of the market, are enormous. Stocks investors must balance the potential return vs. their willingness to tolerate market conditions that can be truly painful.

The Bond Market:

The bond markets often are seen as "the adult in the room". By nature, bond investors must block out some of the noise and make calculated bets on economic growth, inflation, and fiscal and monetary policies. The yield curve represents in many respects, a collective forecast. What is it telling us? Basically rates are expected to remain stable for most of the year before being lowered due to presumed slowing growth. Longer term, the markets are telling us that inflation and fiscal spending could drive rates higher. Not an entirely comforting message.



Looking Ahead:

For investment nerds like us, the past quarter has been one for the ages. The twists and turns literally made one's head spin. The good news is that investors and the financial markets have been stress-tested and have endured. The bad news is that in many respects, the road ahead is just about as murky as it was at the end of March. We are in an era of uncertainty. Still, stock investors own companies that are supported by legions of employees working hard to generate profits. Bond investors are in a new era where lending money yields a real return. As much as we might be comforted by clarity, it seems unwise to expect that it will come anytime soon. "Hanging in there" is a victory in itself.