

Key Takeaways:

- Trade uncertainty and geopolitical tensions sparked volatility in 2Q25.
- Inflation proving sticky for the Fed.
- Global equities higher by the most since 4Q20 amid resurgence of U.S. large-cap growth trade.
- Bond yields mixed, but all sectors of fixed income rally, except for municipals.
- Crude oil prices drive commodities lower as geopolitical tensions eased.

Reviewing 2Q25 – Geopolitics and Trade Uncertainty Drive Volatility

Trade uncertainty and geopolitical tensions in the Middle East sparked volatility through global markets in 2Q25. Global equities plummeted to start the quarter after President Trump announced his aggressive “Liberation Day” tariffs. However, equities recouped most of their losses to finish the quarter in positive territory. In fact, the S&P 500 and the Nasdaq closed the quarter at a record high. Fixed income sectors were mostly higher on lower yields. In addition, investors flocked to precious metals amid the geopolitical turmoil. In this Weekly Insights, we review 2Q25 from an economic and asset class perspective.

- **Inflation proving sticky:** The Fed’s preferred inflation gauge, PCE Core, showed prices increasing at a faster-than-anticipated pace (2.7%) and above their 2% target.
- **Labor market still expanding:** The three month moving average of payroll additions rose to the highest since January 2025. In addition, job openings rose to the highest level since November 2024 and the unemployment rate fell to a four month low.

- **Housing market weak:** Homebuilder confidence fell to the lowest level since December 2022 and sales of new homes are at the lowest level since October 2024.
- **Manufacturing under pressure:** The ISM Manufacturing Index was in contraction territory (a reading below 50) for four straight months. Imports fell amid Trump’s tariffs, and prices paid for inputs remain elevated.

Global Equities – Resurgence of the growth trade: The MSCI AC World Index was higher by the most since 4Q20. The S&P 500 and Nasdaq notched three consecutive record-high closing days to end the quarter.

- **U.S. large cap growth leads:** The Russell 1000 Growth Index outperformed its value counterpart by the most since 4Q99 (~1400bps).
- **International leading rally:** The MSCI EAFE Index outperformed the S&P 500 for the second consecutive quarter. Year to date it is leading its U.S. counterpart by ~1300 bps.

Fixed Income – Bond yields mixed:

The Bloomberg Aggregate Index was higher for the second straight quarter as volatility in risky assets surged.

- **Fiscal policy concerns sent long term yields higher:** Short duration bonds outperformed long duration bonds as investors feared Trump’s tax bill would add to the burgeoning fiscal deficit.
- **Municipals lag:** Municipal bonds were lower as the market remains oversupplied. Issuers aimed to get ahead of a potential repeal of tax-exemption status, which did not come to fruition in Trump’s tax bill.

Commodities mixed: The Bloomberg Commodity Index fell by the most since 4Q23 as the drop in energy overshadowed the rally in gold.

- **Gold prices rally:** Geopolitical uncertainty and concern over the burgeoning deficit sent gold prices higher for the sixth time in the last seven quarters.
- **Oil prices lower:** Crude oil prices fell for the second straight quarter as geopolitical tensions eased in late June.

Weekly Economic Recap –

Underlying Cracks in Labor Market

Manufacturing activity in the U.S. contracted for a fourth straight month in June according to the ISM Manufacturing Index. The New Orders Index contracted for a fifth straight month and prices paid remained in expansion territory (a reading above 50), suggesting higher prices for inputs.

Activity in the services sector expanded moderately in June according to the ISM Services Index. New orders led the growth. The employment gauge, however, contracted for the third time in the last four months as service providers adjust headcounts.

Job openings unexpectedly increased in May to the highest level since November (7.77 million) and layoffs declined. Vacancies in the hospitality sector accounted for over half of the overall job openings for the month. The quits rate (i.e., those leaving their jobs voluntarily) edged slightly higher to 2.1% (from 2%). Hiring declined broadly, with hiring in the manufacturing industry declining to the lowest level since 2016.

The U.S. economy added more jobs than expected in June (147K vs. 106K est.). The unemployment rate fell to the lowest since February (4.1%), but the labor force participation rate (i.e., those working or actively looking for work) fell to its lowest level since November 2022. The household survey showed those who have not looked for a job in the past four weeks increased 234K to 1.8 million.

Key Takeaways:

- Manufacturing contracts for fourth straight month.
- Job openings unexpectedly rise.
- U.S. labor force participation rate declines.
- Global equities rally on positive trade negotiations.
- Riskier areas of fixed income outperform.
- Commodities higher driven by trade deal optimism.

Weekly Market Recap –

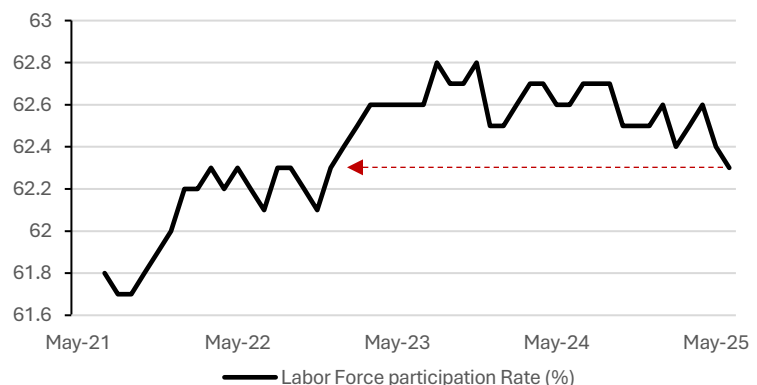
Global Equities Rally Supported by Trade Optimism

Equities: The MSCI AC World Index was higher for the second consecutive week as investors digested the latest developments from trade negotiations and progress on Trump's spending bill. Major averages in the U.S. were higher and led global performance. Small and Midcap equities outperformed and the Russell 2000 was higher for the third straight week. The tech-heavy Nasdaq and S&P 500 each closed at record highs for the second straight week.

Fixed Income: The Bloomberg Aggregate Index was higher for the second consecutive week. U.S. Treasuries were little changed until Thursday after the release of a hotter-than-expected June payrolls report. Riskier areas of fixed income, including high yield corporate bonds and EM debt (USD), outperformed amid favorable macroeconomic conditions.

Commodities/FX: The Bloomberg Commodity Index was higher for the third time in the last four weeks. Crude oil prices were higher for the third time in the last four weeks on trade optimism which may suggest an increase in demand. Grains were also higher on the trade deal between the U.S. and Vietnam.

Labor Force Participation Falls to Lowest since Nov. '22



Footnotes: Data is as of June 2025.

Data Source: FactSet Research Systems, Verdence Capital Advisors.

Equities Rally on Trade and Political Optimism

U.S. Equities		Current	1WK	1MO	3MO	1YR	YTD	International Equities		Current	1WK	1MO	3MO	1YR	YTD
	Dow Jones Industrial Average	44,829	3.4%	5.6%	11.1%	16.1%	6.3%		MSCI AC World (USD)	926	1.2%	4.3%	21.7%	15.3%	11.0%
	S&P 500	6,279	2.3%	5.3%	16.8%	14.9%	7.5%		MSCI EAFE (USD)	2,655	0.1%	1.2%	17.6%	15.1%	19.5%
	Russell 1000 Growth	4,313	2.2%	6.0%	23.9%	15.2%	7.0%		MSCI Europe ex UK (USD)	3,010	0.1%	1.3%	18.8%	15.9%	24.6%
	Russell 1000 Value	1,944	2.4%	4.4%	9.4%	15.8%	7.7%		MSCI Japan (USD)	4,294	-0.4%	0.5%	14.8%	8.8%	10.4%
	Russell 2500	#N/A N/A	3.3%	6.2%	17.5%	13.6%	3.4%		MSCI UK (USD)	1,426	-0.2%	0.8%	15.9%	18.0%	19.7%
	Russell 2000	2,249	3.6%	7.1%	18.1%	11.9%	1.6%		MSCI EM (USD)	1,232	0.4%	5.5%	14.3%	14.2%	16.3%
	Nasdaq	20,601	2.2%	6.3%	24.7%	14.1%	7.1%		MSCI Asia ex Japan (USD)	800	-0.2%	5.3%	13.8%	15.2%	15.2%
Fixed Income		Current Yield	1WK	1MO	3MO	1YR	YTD	Commodities		Current	1WK	1MO	3MO	1YR	YTD
	U.S. Aggregate	4.6%	-0.1%	0.8%	-0.1%	5.3%	3.6%		Bloomberg Commodity Index	255	0.9%	1.5%	0.2%	5.9%	7.0%
	U.S. Govt/Credit	4.5%	-0.3%	1.3%	-0.1%	5.1%	3.5%		Crude Oil (USD/bbl)	\$66.0	0.7%	1.4%	5.3%	-17.2%	-5.7%
	U.S. 10 Year Treasury	4.3%	-0.4%	0.5%	-1.4%	4.3%	4.2%		Gold (\$/oz)	\$3,337.2	0.7%	-2.5%	11.5%	39.1%	26.8%
	U.S. TIPS (1-10YR)	4.1%	-0.1%	0.9%	0.6%	6.5%	4.8%		Copper	\$509.7	-1.0%	3.5%	19.9%	7.7%	24.6%
	U.S. High Yield	7.0%	0.5%	1.9%	5.6%	10.5%	4.8%		Wheat	\$556.8	3.7%	1.1%	-1.5%	-13.1%	-4.2%
	EM Bonds (USD)	6.3%	0.5%	1.7%	3.2%	9.6%	5.2%		U.S. Dollar	97	-0.4%	-2.2%	-6.1%	-7.5%	-10.6%
	Municipal Bonds	4.0%	0.1%	0.8%	-1.6%	1.2%	-0.4%		VIX Index	17.5	-1.3%	-7.4%	-45.4%	35.5%	-5.6%

Footnotes: Data is as of July 3, 2025. International data is as of July 4, 2025.
Source: Bloomberg Finance LP, Verdense Capital Advisors.

Disclaimer:

© 2025 Authored by Megan Horneman, Chief Investment Officer, Verdenance Capital Advisors, LLC. Reproduction without permission is not permitted. The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index.

This material was prepared by Verdenance Capital Advisors, LLC ("VCA" or "we", "our", "us"). VCA believes the information and data in this document were obtained from sources considered reliable and correct and cannot guarantee either their accuracy or completeness. VCA has not independently verified third-party sourced information and data. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. These projections, market outlooks or estimates are subject to change without notice. This material is being provided for informational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice. Past performance is not a guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product or any non-investment related content, made reference to directly or indirectly in these materials will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from VCA. Alternative investments are designed only for sophisticated investors who are able to bear the risk of the loss of their entire investment. Investing in alternative investments should be viewed as illiquid and generally not readily marketable or transferable. Investors should be prepared to bear the financial risks of investing in an alternative investment for an indefinite period of time. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. All indexes are unmanaged, and you cannot invest directly in an index. Index returns do not include fees or expenses. Sector Watch Use of this website is intended for U.S. residents only. Any recommendation, opinion or advice regarding securities or markets contained in such material does not reflect the views of Verdenance Capital, and Verdenance Capital does not verify any information included in such material. Verdenance Capital assumes no responsibility for any fact, recommendation, opinion, or advice contained in any such research material and expressly disclaims any responsibility for any decisions or for the suitability of any security or transaction based on it. Any decisions you may make to buy, sell, or hold a security based on this research will be entirely your own and not in any way deemed to be endorsed or influenced by or attributed to Verdenance Capital. It is understood that, without exception, any order based on such research that is placed for execution is and will be treated as an UNRECOMMENDED AND UNSOLICITED ORDER. Further, Verdenance Capital assumes no responsibility for the accuracy, completeness, or timeliness of any such research or for updating such research, which is subject to change without notice at any time. Verdenance Capital does not provide tax, or legal advice. Under no circumstance is the information contained within this research to be used or considered as an offer to sell or a solicitation of an offer to buy any particular investment/security. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions, regardless of the length of time shares are held. Data is provided for information purposes only and is not intended for trading purposes. Verdenance Capital shall not be liable for any errors or delay in the content, or for any action taken in reliance on any content.