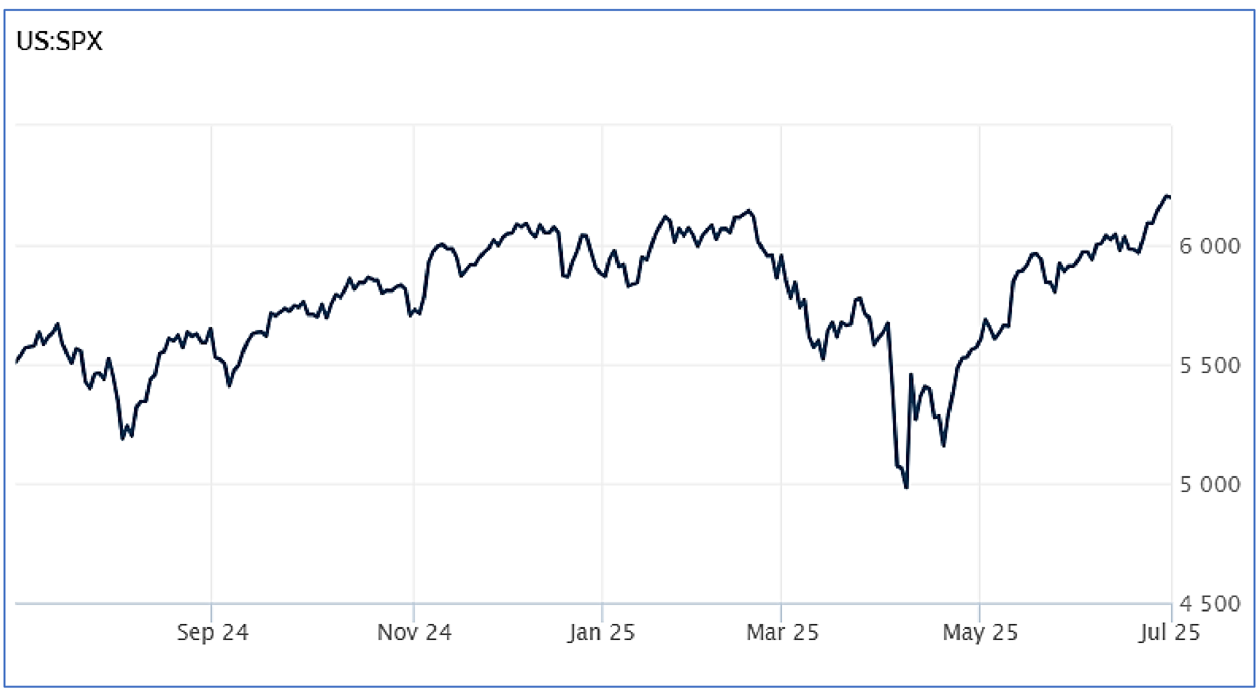
June Market Recap 6-30-25

The markets blew the doors off in June, setting record highs and effectively erasing all the loses spurred by the Trump administration's chaotic trade policies. The S&P 500® (SPX) and the NASDAQ Composite Index (COMP) booked fresh new highs while the Dow Jones Industrial Average® (DJIA) delivered solid gains. Still, while inflation ticked up just a bit in June, spending and income results were worrisome. Consumer confidence also took a step back. The Federal Reserve (Fed) held rates steady but are still signaling two rate cuts this year.

Markets Set New Record Highs

The markets continued their rebound in June with ferocity. The COMP led the way higher, gaining 6.6% for the month and setting a new record. The SPX also returned to record territory in June, gaining 5.0% while the DJIA gained 4.3%.

Investors now appear to have accepted the Trump administration's unpredictable trade policies as a series of tactical rather than structural shifts, the sum of which will leave the markets relatively untouched. That means that even though Trump's 90-day tariff pause will expire next week, many believe stocks will easily shrug off any bad news. Despite record highs, indications point to even more upside for stocks, especially when viewed through the lens of relatively stable inflation, strong corporate earnings, and a solid labor market.



Source: [Wall Street Journal]

Inflation Edges Higher in May

The personal consumption expenditures price index (PCE) – the Fed's preferred inflation gauge – edged higher in May after taking a slip dip in April. For the month, the PCE rose 0.1% and 2.3% compared to a year ago. The numbers were in line with economists' expectations.

Excluding food and energy, core PCE was 0.2% in May and 2.7% compared to a year ago. The results were slightly above expectations, which called for increases of 0.1% and 2.6% respectively. The Fed believes that core numbers are more indicative of long term trends because they exclude these two more volatile categories.

During May, food and shelter prices increased while gasoline and other energy goods dropped.

Perhaps more worrisome were the personal spending and income numbers. Consumer spending -- which accounts for 75% of economic activity – fell 0.1% in May compared to estimates, which called for an increase of 0.1%. Personal income also fell 0.4% against estimates which called for a 0.3% increase.

While the report adds to evidence of a slowing economy, many believe the full brunt of the Trump tariffs won't fully hit until summer and early fall. CNBC

Consumer Confidence Resumes Historic Slide

How Americans feel about their economic and business lives resumed a downward slide in June. The Conference Board Consumer Confidence Index® fell to 93, 5.4 points below the May reading and worse than the uptick many economists expected. In April, consumer confidence slid to its worst level since May 2020 when the county was in the midst of the covid epidemic.

How consumers feel about their present situation fell 6.4 points to 129.1. Meanwhile, how consumers feel about the outlook for income, jobs, and business – the expectations index -- also dropped, falling 4.6 points to 69. A reading below the threshold of 80 typically signals a recession ahead.

Driving consumers' sour appraisal of both current and future conditions were tariffs and their potential impact on the economy and prices. Inflation was also a big concern in June.

According to Stephanie Guichard, Senior Economist, "consumer confidence weakened in June, erasing almost half of May’s sharp gains. The decline was broad-based across components, with consumers’ assessments of the present situation and their expectations for the future both contributing to the deterioration." Conference Board

Fed Holds Rates Steady but Worries

Taking no one by surprise, the Fed held interest rates steady following its June meeting. The fed funds rate has now been in the target range of 4.25% to 4.5% since its last interest rate cut in December 2024.

The Fed appears to be continuing a wait-and-see attitude. Its statement following the June meeting says that "economic activity has continued to expand at a solid pace" but that "uncertainty about the economic outlook has diminished but remains elevated."

Still, the Fed says that it expects to lower interest rates two times this year. And while they have not indicated a time frame for the cuts, economists project a roughly 60% chance that the first cut will happen in September.

Like many, the Central Bank expects inflation to rise, with the PCE rising to 3% by year-end. The Fed also expects unemployment to rise to 4.5% from its current level of 4.2%.

The impact of the Trump tariffs has the Fed worried, especially unknowns about their impact on prices, growth, and jobs. According to Fed chairman Jerome Powell, "the thing that every outside forecaster and the Fed is saying is that we expect a meaningful amount of inflation to arrive in coming months, and we have to take that into account...what we're waiting for to reduce rates is to understand what will happen with the tariff inflation." CBS