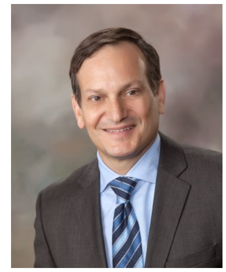

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Michael's Musings

July 1, 2025

INDICES	LAST	NET	% CHG	% CHG YTD	% CHG vs. HIGH	50 Day M.A.	200 Day M.A.
Dow Jones	44094.77	275.50	0.63%	3.64%	-2.04%	41839	42599
Dow Jones Transports	15394.51	-100.03	-0.65%	-3.15%	-13.29%	14522	15619
Dow Jones Utilities	1054.45	6.95	0.66%	7.30%	-2.35%	1033	1023
S&P 500	6204.95	31.88	0.52%	5.50%	0.99%	5828	5833
S&P 400 Midcap	3102.87	0.10	0.00%	-0.58%	-8.48%	2981	3085
S&P 600 Smallcap	1333.73	-3.13	-0.23%	-5.29%	-13.66%	1279	1367
NASDAQ	20369.73	96.28	0.47%	5.48%	0.97%	18739	18686
NASDAQ 100	22679.01	144.81	0.64%	7.93%	2.27%	20913	20629
Russell 2000 (Smallcap)	2175.04	2.51	0.12%	-2.47%	-11.54%	2062	2175

			Treasury Yield Curve		
PRIME	30 Yr. Jumbo	90 Day T-Bill	2 Yr. T-Note	10 Yr. T-Note	30 Yr. T-Bond
7.50%	6.80%	4.300%	3.720%	4.230%	4.780%

2Q25— An Incredible Recovery

It is difficult to imagine a greater range of emotions than what investors experienced over the prior three-month period. The beginning and end of the second quarter could not have been more different. In early April, the S&P 500 was down over 20% from its February all-time high amid an escalating trade war that threatened to upend the global economy. Prices of risky assets were crashing along with investor and consumer sentiment. The overwhelming consensus was that it would only get worse before it got better. Thankfully, cooler heads soon prevailed and progress was made on the trade front to avoid the worst-case scenarios that many feared. As trade agreements were announced and inflation data suggested price increases were not accelerating to alarming levels, investors felt increasingly better about assuming more risk and buying stocks once again. This renewed surge in optimism propelled the S&P 500 back up to all-time highs before the quarter even finished to complete an incredible recovery.

THE EQUITY MARKET

Stocks enjoyed a stellar second quarter despite their rocky start. The market signaled a reversal of the Dow Theory sell signal that triggered in early March and stocks attracted our investment dollars. The S&P 500 gained 10.57% during the April-June period, while the tech-heavy NASDAQ 100 rallied an even more robust 17.64%. The bulk of the gains were due to the outperformance of the Technology, Communication Services, Industrials, and Consumer Discretionary sectors. Overall, 7 of the S&P's 11 sectors were positive in the second quarter, with Energy, Health Care, Consumer Staples, and Real Estate losing ground. Sectors generally regarded as defensive. As amazing as the recovery has been, however, it reflects just how

THE EQUITY MARKET CONT.

poorly the market performed in the weeks and months leading up to it that many broader market measures finished the quarter below their levels of late 2024. Even the stalwart Dow Jones Industrial Average ended June about 2% beneath its early December all-time high. There has, therefore, been limited progress in the U.S. stock market over the first half of the year, though the strong performance in the second quarter and recent breakouts in the S&P 500 and NASDAQ 100 offer hope that prices will carry even higher in the second half of 2025. Exposure to foreign equity markets also continues to provide a boost to returns. The gap between international and U.S. equities narrowed during the second quarter, yet foreign stocks, as a group, have outperformed the U.S. stock market through June.

THE BOND MARKET

The bond market was more mixed during the second quarter, continuing a trend that goes back to around September of last year. Interest rates, which move inversely to bond prices, have largely gone sideways for much of the past two years. The benchmark 10-Year U.S. Treasury yield finished June at 4.23%, almost right in the middle of the range between 3.60% to 4.80% that it has remained in since late 2023. Bond prices *did* generally rise as the stock market sold off into early April, which helped to soften the blow for many diversified investors. Overall, the U.S. Core Bond Index gained a more muted 1.17% for the quarter. The return may have lagged that of the stock market, however the sharp spike in interest rates many feared the higher tariffs would produce fortunately never materialized in the second quarter. Credit spreads, reflections of default risk among debt issuers, also narrowed considerably from their highs of early April. This improvement in the credit market suggests that economic conditions are perceived as getting better and the costs of lending are going down, which supports the corresponding recovery in the stock market.

COMMODITIES

Commodities, as an asset class, were pulled by opposing forces during the second quarter. Concerns about global growth and the trade environment resulted in softening demand for energy and industrial metals, even as rising inflation fears prompted many investors to seek out protection in traditional hedges such as gold. Oil prices fell 8.9% from the start of April, and the loss may have been greater if not for escalating geopolitical tensions in June that initially produced a surge in energy prices. Meanwhile, gold added another 5% to its impressive move over the past year, though that was a marked slowdown from the 17.45% gain it enjoyed during the first quarter. The precious metal largely went sideways after rallying into late April. Conversely, Copper, which is heavily tied to global growth, sank sharply along with most risky assets at the beginning of the quarter but bounced strongly into the end as sentiment improved. Amid it all, the U.S. Dollar Index consistently fell during the quarter, which generally helps to boost commodities priced in dollar terms.

CONCLUSION

It was a whirlwind quarter full of extreme emotions and price swings. The escalating trade and geopolitical tensions resulted in very real risks that have still not completely gone away. However, the stock market, in particular, made it clear that it was looking past these risks and toward a brighter future. While global markets must continue to navigate several potential catalysts during the second half of the year — ongoing trade negotiations, the Trump administration's proposed tax bill, the Federal Reserve's monetary policy, wars in the Middle East and Europe, a resilient but slowing U.S. economy, etc. — the breakouts to new all-time highs in the S&P 500 and NASDAQ 100 to close the quarter suggest the market believes the worst is already behind us.

CONCLUSION CONT

The economic and inflation data will remain under close scrutiny from investors, and it is unlikely stocks will continue to go straight up without occasional pullbacks, yet the forward-looking stock market appears to enter the second half of the 2025 with newfound optimism.

Sincerely,

Michael Jones

Michael A. Jones

Anniversaries:

Michael Jones celebrated 20 years with Raymond James in June!

Upcoming Holidays/Events:

Starlight Play– Monday July 14th 7:30pm Grease

Shopping trip to Woodfield Friday, November 21st

Brunch with Santa Saturday, December 6th

Summer Hours: We will close at 3pm on Fridays (instead of 4pm)

Labor Day: Monday, September 1st—office closed

Checkout our Facebook page for upcoming events

https://www.facebook.com/jonesfinancialgroup

If you have friends or family members that are being underserved at another financial firm please introduce them to us. We host a Client Advocate Dinner annually in May as a special thank you to clients who refer a friend or family member.

Help us grow in 2025!

Our goal is to offer services to several other clients just like you! We would be honored if you would:

Add a name to our mailing list;
Bring a friend or relative to a client event;
Have them come in for a complimentary initial meeting.

Please call Rhiannon Spencer at (815) 391-6000 and we would be happy to assist you!

Jones Financial Group

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Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable, however, their accuracy or completeness cannot be guaranteed.

Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs, or expenses. No investment strategy, such as asset allocation and rebalancing, can guarantee a profit or protect against loss in periods of declining values.

In general, the bond market is volatile, bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. The investor should note that investments in lower-rated debt securities (commonly referred to a junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which may be even greater in emerging markets.

The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility.

The S&P 500 is an unmanaged index of 500 widely held stocks. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The Barclays Capital U.S. Aggregate Bond Index is often used to represent investment grade bonds being traded in the United States. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S.

The Dow Jones Transportation Average™ is a 20-stock, price-weighted index that represents the stock performance of large, well-known U.S. companies within the transportation industry. The Dow Jones Utilities Index is a member of the Dow Jones Global Indices® family, is designed to measure the stock performance of U.S. companies in the utilities industry. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The Nasdaq-100 Index (NDX®) defines today's modern-day industrials—comprised of 100 of the largest and most innovative non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index

Sources: Wall Street Journal, Bloomberg Finance, Federal Reserve, Barron's, Treasury Department, Reveille Letter.

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