

MARKING TIME

June 2025 Recap

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The major stock indexes managed to crawl back from their corrections in early April and ended the first half of 2025 in the green... not by a lot, but a little green is better than a lot of red. The DOW finished June up 3.6% for the year so far; the S&P 500 ended up 5.5%; the NASDAQ ended with a much similar 5.7%. Only the small cap Russell 2000 remains in the red for 2025, still down about 3.4%. These numbers were reported by CNBC *Market Watch*. We don't expect a strong recovery in small cap stocks until the Federal Reserve starts easing rates. More on this later.

We used to have a saying that appeared here often. It was, "things often don't end up the way you thought." When Mr. Trump announced his reciprocal tariffs on April 2nd, the financial world hit the panic button. The DOW, S&P, NASDAQ and Russell 2000 all dropped into correction territory (10% or more) and the NASDAQ and Russell plunged into bear market territory. This is a drop of 20% or more. What investors and traders didn't count on was that Mr. Trump is very adept at changing directions on a dime. We went from new tariffs of at least 10%, and in the case of China, more than 150%, to a "temporary hold" in order to work out some trade deals. So, the investors and traders that jumped out when they were 10% or more down got stung when the indexes rapidly popped back up, to record high levels seen in mid-February. Once again, observers and students of stock investing got a new and vibrant lesson in why trying to time the purchase of stocks based on the daily or weekly activity of the indexes is a fool's errand, at best. When you add the unintended actions and reactions of politics mixed with investing, the impossible task becomes even more absurd. After watching 3 and 4% swings daily in stock prices for almost three weeks, on more

than one occasion I made the remark, out loud, that anyone trying to trade in this market is insane. And yet, that's what many investors, and all traders, try to do. Keep in mind that those who trade their stocks, i.e., sell their profits in hopes of retaining most of their gains, have triggered the tax consequences. So, they sell their gains, incur the taxes, only to watch their old positions recover, go higher, and lose that profit while paying for the privilege. Once again, this is not the basis or formula for prudent and successful investing. For these folks, the process seems to be, buy high, sell low, repeat the process until all your funds are exhausted. This is precisely the reason that most traders, and a large percentage of 'investors,' don't make money in the stock market.

Another expression, or at least an old Wall Street saying was, "sell in May, go away." This is about the fifth consecutive year when following this rule would have lost you a ton of money. The fact is that many of the old rules of investing, you know, from the 70's, 80's, and even the 90's, don't really apply anymore. One thing for certain is that corrections and retracement of those corrections keep happening at an ever-faster pace. While it took about three years to recover from the 1987 crash and the Great Recession, since 2009, market recoveries have taken place in a much shorter period of time. These recoveries have happened so fast that no one, and I do mean no one, could have hidden from the storm, reinvested at anywhere close to the bottom of the cycle, and gotten reinvested in time to have actually made it worth their while...not to mention the tax ramifications mentioned earlier. So, let's remember that stocks go up and stocks go down, but over extended periods of time, the general direction, long term, of stock prices has always been upward in nature. Another way to view



this: I was preparing to take the life insurance licensing exam 50 years ago.

The DOW was setting at 750 in June of 1975.

Today, the DOW is at 43,819. That is an increase of almost 60 times and a compounded average annual rate of return of 8.5%.

Several large events took place during the second quarter of the year, all of which initially looked to be frightening for investors. The one that stands out, and which has not yet played out completely, was the confrontation between Israel, Iran, and the U.S. The horrific attack by Iranian proxies on October 7th of 2023, which pushed Israel into a prolonged war, led to the intervention on the part of the Trump administration to degrade Iran's nuclear assets. As always, the naysayers and cowards, primarily Democrat politicians and their minions, predicted disastrous results. (What could have been more disastrous than Biden's withdrawal from Afghanistan?) These folks root for America's failure, and continuously and actively support and defend America's enemies. Don't think so; how about marching with Palestinian protestors who support and advocate for the cause of terrorists, child murderers, rapists, and nuclear proliferators? More on this later but for now, let's just say that as usual, these negative nabobs were again, totally incorrect. The very swift and relatively bloodless strike by the Trump administration saw oil prices fall, genuine chances for peace in the Middle East increase, Iran defanged for their nuclear ambitions, and in general, a restoration of respect and fear of America and its military prowess. The stock market celebrated accordingly bringing the indexes back to their highs in early February and pushing returns upward for investors. Who could have guessed that this would happen?

Once again, I watched "savvy" managers, traders and investors head for safety in April and May only to get a big set of teeth plunged into their behinds in June. And remember, all that prognosticating, repositioning, and re-assessing of strategy had a very high cost in terms of tax implications and transaction fees. However, their biggest cost was the loss of appreciation of their old positions as they stood on the sidelines trying to figure out which way the political and financial winds were blowing.

Remember the three characteristics it takes to be a successful investor? Yup! Courage was one and courage seems to be the one characteristic that at least a third of Americans don't have anymore. We all know what third that is, don't we? Yes, we do!

The terrible tariff tantrum that Mr. Trump started on April 2nd, seemed to dissipate as the summer approached. Extensions to the time frame before they would be put into effect got announced, lengthened, and then seemed to vaporize into "all the deals" that the President says he was making. These were by the way, "deals like nobody's ever seen before." And the mass deportation issue that was sure to cause a shortage of workers and push wages up, making inflation rise? Well, Mr. Trump decided that perhaps illegals who had a job and pay taxes, were not criminals and felons, had been around for a while, and worked in the hospitality or farming industry, well, maybe they should be left alone. Now really, how can you argue with the pragmatism of that? It is common sense, isn't it? America needs immigrants...NOT ILLEGALS. But Joe Biden's actions (or whoever might have been making his decisions for him) sought to bring millions of ILLEGALS, without vetting and without prospects, into America to terrorize U.S. citizens and freeloader off taxpayers. So, I believe that what thinking people want, removal of bad actors and accommodation to people who are more American in terms of work ethic and opportunity seekers than many native-born Americans, is where we are headed. The result is that all the dire predictions about the economy because of tariffs and deportations may vanish into the mist as well.

This leaves the tax bill...you know, the "big, beautiful bill." As I write this, the Senate is messing up the agreement reached in the House and God only knows how that will turn out, but not passing the bill will increase taxes on Americans, not businesses and rich people, but regular Americans, by about \$4.5 Trillion dollars. One wonders why this is so difficult. No one, and I mean no one, keeps spending money they don't have to the tune of \$37 Trillion. Why would we need to spend \$2 Trillion more each year than we took in way back in 2019. We only spent about \$300 BILLION more than we took in 2019. COVID is over. It has been over. But the Biden administration just kept

spending. On what? Well, Medicaid is probably one of the biggest boondoggles. Spending on Medicaid more than doubled during the Biden administration because they used the sharing arrangement between the Feds and States to bring over, house, feed, and shower with gifts, illegal migrants. This is a far cry from when both sets of my grandparents came to America. They needed to be vetted, checked and held for health issues, and had to prove they had jobs and a means to make a living since they were not going to be receiving any government benefits. Is it any wonder that more legal immigrants, especially from Mexico and South America voted for Trump the last time around? We are and always have been a nation of immigrants. We are not a nation of illegal, criminal freeloaders. Someone should tell the Democrat party leadership that once again, they're on the short end of an 80/20 issue. The tax bill will eliminate Medicaid for people who are not entitled to it and mess up states like California, Illinois, and New York who have gamed the system to spread illegal immigration to America. This obviously needs to end, and this is a good thing for taxpayers. Obviously, we have no idea how this will end, but if a bill is passed, and it promotes growth which would help America derive more revenue to pay down its debt, the stock market would celebrate. This last piece of the puzzle, passing the 'big, beautiful bill' will have the greatest impact, positive or negative, on investors in the next 90 days. My advice is, don't bet against Trump getting this done. That would be a losing proposition.

We heard much from the pundit class about the rotation away from growth to value stocks. We heard about technology stocks starting to lag behind dividend paying stocks and the more defensive end of the investment continuum. As always, a diversified portfolio will reduce volatility to some extent, but for the past twenty years or so, most categories of stocks have moved in the same general direction, just at a different speed. But technology companies, for the greater part, have been the real engines of growth in the stock market. As mentioned previously, the "Magnificent Seven" accounted for more than 60% of the growth in the S&P 500. We don't see that changing all that much. Which is not to say that some companies may not join the Microsofts, the Facebooks, the Teslas, and the Googles of the world. We've seen a few smaller, lesser known technology

companies begin their ascent in terms of market cap and stock pricing. My recommendation wouldn't be to trade out the older, more established technology companies but simply to start adding the newcomers. And if you want some generic advice about how to get a "slug" of all these companies, try the Triple Q's, symbol QQQ which is an Exchange Traded Fund that buys the top 100 NASDAQ companies.

Another comment that I've heard a lot these days from market "experts" concerns what event or events could be the next dipping point that allows investors to re-enter the market (because they assume so many folks left in April). We have always guided clients about the fact that deciding to sell, and taking a loss, demands that one then decides when to get back in. This is even more of a difficult decision than initiating the sale. Again, we've always said investors should know what they own, why they want to own it, and under what conditions and circumstances they'll want to make a change. Now that sounds kind of scary for most of our clients, which is why WE know what you own, why you own it, and what we expect from holding it. If it's any comfort, on a regular basis, I get to talk to the managers of our client's portfolios. If he/she owns something that bothers me, we have a discussion. In some instances, neither the manager or I can convince each other and then I can make the changes myself on a tailored basis. So, our clients should concentrate on being patient, courageous, and disciplined. If they are, the returns will follow. This is not a guarantee. But it is the way it's always turned out.

One final piece of the puzzle would be the FED cutting interest rates. The FED, for certain, has not been non-partisan. Mr. Powell, the FED chairman, made two rate cuts just before last November's election. My guess is that this was to help Kamala Harris. Yeah, well, she could REALLY use some help. And I certainly understand "Too Late Jerome" being pissed about Trump calling him stupid and dumb twice a day. But the fact remains, inflation continues to fall. Mr. Powell has used the "Trump tariff chaos" to stay away from a rate cut. But the reality is, more and more members of the FED's open market committee who vote on raises and cuts are concluding that rates do in fact need to be cut. Cutting rates by 1% would save





American taxpayers over \$300 Billion on interest payments on the debt. A cut would also kick stock and bond prices higher... probably a lot higher. The greatest benefit would be for small cap stocks that are still negative for the year. Once borrowing rates come down a bit, one would expect a fast recovery in small cap stocks and the real estate market. This would be good news all around but especially for these beleaguered assets.

I tend to shy away from being optimistic about the near future when it comes to investing. But here's the thing...we've seen all the negative aspects of Trump's decisions. We've seen the tariffs policy, the mass deportation implications, and international upheaval. Are they settled now? Possibly. Possibly not. But I think it's fair to say that the winds and tempest of these moves and issues have been felt. Now we're moving toward tax cuts, deregulation, and a larger sense of law and order. These would all be positive for stocks and bonds. Hence, in the coming quarter, I would feel more comfortable than usual to suggest investors might be pleasantly surprised in the coming quarter. A good time to buy? It's ALWAYS a good time to buy. Some times are just better than others. But I would be less than frank if I didn't comment, again, that most investors shy away from the best times to buy. Like April of this past year for just one example.

In addition to my rare, optimistic expectations for investors in the next quarter, I have an even more optimistic view of the future of the Democrat party. I think they're on their way out. Besides the fact that they are now financially broke, besides the fact that they have no message (other than taking the wrong side of every common-sense issue because they hate and detest Trump), they have no leader(s), they have shown to all Americans how dishonest, how incompetent, and how small minded they are. And more and more Americans are catching on. (New York City is the exception, naturally. They will probably elect a socialist Muslim in November for mayor which should plunge the City into deeper financial and social disorder. The natural result will be a turning back by the misinformed and ignorant in the City soon after.) Only the hippies of the 60's and their mind corroded descendants take such anarchist and Marxist positions on EVERYTHING.

Democrats will take any position that is opposed or opposite to Trump's. This is why they fight to keep illegals, including murderers, rapists, child and weapons traffickers, as well as gang and drug ring members. Who does that? They want boys to take over girls' sports, locker rooms, scholarships, and achievement records. Who does that? And maybe they don't really want to take these positions, but because Trump is on the opposite side, it's more important to them to be opposed to Trump than it is to represent their constituents, protect Americans, and protect America. That sounds so infantile and insane to me. And Americans can see this insanity on full display. Just like we all saw senile Joe Biden and how they kept telling us how amazingly sharp and competent he was. I'm tired of stating that I'm not a Trump fan. But I am for competence...especially in the face of rank, putrid, and obvious incompetence. Just compare Biden's "work" in Afghanistan vs. Trump's work in Iran. Any questions here? I sure hope not. Suffice to say, Democrats, and the fools who support them, have the intellect, temperament, and rationale of nasty fifth graders on the school playground. It also explains their need to cuss and drop 'f-bombs' whenever they communicate. A lack of vocabulary and a lack of intellect explain this, for sure.

That's my good news for investors...a good chance of a good quarter coming up, but better than that, a view of Democrats deteriorating. Their high-water mark was the 2020 election which they won with COVID election/voting changes, a senile liar, a main stream media who was their propaganda arm and who covered up for their nonsense and hypocrisy, and a huge degree of cheating and stealing. By the way, if you think my opinion of Democrats was abysmal in the past, they've only disgusted me more. Not because they're Marxist or Socialist. Because they're learning impaired. They still haven't learned they can't beat Trump by impeaching him, calling him Hitler, and calling his supporters Nazis. You would have thought that by now, they would have come up with something different. But then again, you can't fix stupid!

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