RSD ADVISORS

Q2 2025 Report for clients of RSD Advisors

US stocks were up about 3% year to date. That hides the market's volatility in the second quarter. We almost entered a bear market in early April- stocks sold off rapidly when the Trump administration rolled out a shockingly high and poorly thought-out increase in tariffs. This killed both consumer and investor sentiment. By the end of the quarter, the market recovered as some of the most onerous aspects of tariffs were in the process of being negotiated. We also saw a new outbreak of fighting in the middle east between Israel and Iran. Oil and gas prices shot up, but a temporary cease fire was quickly worked out. Oil prices retreated. There was a rotation into non-US stocks and a related decline in the value of the US dollar. Trump has made not so veiled threats to leave NATO or at least selectively honor article 5 mutual defense obligations. Larger NATO countries are taking a more proactive approach to self-defense and are emphasizing more Euro-centric defense spending and supply chains for weapons procurement. Germany announced a large infrastructure and defense spending package for example. Foreign investors likely pulled back on investing in US assets or at least hedged some of their US dollar exposure as they felt over-exposed to the US. Foreign stocks were up between 17-18% year to date as investors unwound some US asset exposure. A previously accepted view that the US was the superior investment destination has come into question. Foreign central banks have also started to diversify their reserves into other assets as well- that explains part of the increase in gold prices.

My biggest question is whether the economy is going to be able to weather these shocks. The economy seems to be gradually slowing down. That would suggest that the Federal Reserve would resume reducing interest rates soon. The riddle is how much and how fast? And will it be for a positive reason (lower inflation) or in response to a negative one (a recession).

We continue to own a diversified portfolio for clients with a focus on appropriate risk management while investing to meet our clients' financial goals.

Thank you for being a valued client!

Richard Daskin, RSD Advisors