the Legacy Group

MML Investors Services

A review of Q2 2025

Quarterly Economic Update

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U.S Markets

Markets rose in the second quarter as investors witnessed the new U.S. trade policy's impacts unfold, while tensions continued in the Middle East.

The Standard & Poor's 500 Index rose 10.57 percent, while the Nasdaq Composite climbed 17.75 percent. The Dow Jones Industrial Average gained 4.98 percent.[1]

April Showers

Soon after the closing bell rang on April 2, investors were caught off guard by a tariff update from the White House. Global markets reacted to the news overnight. Stocks declined over several sessions.[2]

After the White House announced on April 9 a 90-day pause on specific tariffs, markets pushed higher. The S&P 500 gained 9.5 percent—its largest one-day increase in 17 years. Stocks rallied late in the month on news that the administration intended to de-escalate tariff tensions with China.[3,4]

May Flowers

Stocks rebounded strongly in May as certainty around trade increased and investor anxiety lessened. Soft inflation data also helped push stock prices higher. By the end of May's second full week, the S&P 500 had erased its year-to-date losses.[5]

After a well-received quarterly corporate report from a mega-cap AI chipmaker, a trade update unsettled investors. The S&P 500 finished the strongest May in 30 years. [6,7]

June Shoots

For June, international matters took the spotlight, with continued tariff talk between the U.S. and China, and conflict in the Middle East resulting in a ceasefire. Solid corporate earnings, a still-strong labor market, and a recovery in artificial intelligence-related stocks provided some underlying strength to the rally, with the S&P 500 and Nasdaq hitting all-time highs.[8,9,10,11,12]

Sector Scorecard

Seven of the eleven S&P 500 Index sectors finished the quarter in the green.

Gains were led by Technology (+22.64 percent), but advances in the second quarter were distributed more widely across S&P 500 sectors outside of technology-related sectors. Industrials (+12.55 percent) and Communication Services (+12.52 percent) beat the overall Index return, while Consumer Discretionary (+10.06 percent) posted a robust gain just shy of the Index. Utilities (+3.56 percent), Financials (+5.14 percent), and Materials (+2.13 percent) also advanced but underperformed the Index.[13]

Four sectors lost ground. Energy (-9.25 percent) and Health Care (-7.68 percent) were the biggest laggards, while Consumer Staples (-0.86 percent) and Real Estate (-1.03 percent) finished close to flat. [13]

U.S. Market Recap			
	June (%)	Q2 2025	YTD (%)
S&P 500	4.96	10.57	5.50
Nasdaq	6.57	17.75	5.48
Russell 2000	5.26	8.11	-2.47
10-Year Treasury Notes	4.23	-0.02	-0.34

Yahoo Finance, June 30, 2025. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

What Investors May Be Talking About in July

The White House's trade policy began in earnest on April 2, right at the start of the second quarter. It’s unclear how upcoming reports might reflect trade policy.

The Bureau of Labor Statistics scheduled its import and export report mid-month, expecting to provide some early insights into trade policy.

The Bureau of Economic Analysis will give investors its first glimpse at second-quarter economic activity at the end of the month. The Atlanta Fed's GDP Now model, which provides a running estimate based on available economic data, has been trending higher since April. [14]

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World Markets

The MSCI EAFE Index rose 10.58 percent over the quarter, its second consecutive winning quarter.[15]

Almost every European market advanced over the quarter, with Spain (+6.52 percent) and Germany (+7.88 percent) leading the major developed European economies. Italy (+2.54 percent), the United Kingdom (+1.50 percent), and France (-1.60 percent) trailed the Index.[16]

Pacific Rim markets also did quite well. Korea (+23.80) stood out clearly, and Japan (+13.67 percent) also beat the overall Index. Australia (+8.91 percent) also performed well, while Hong Kong (+4.12 percent) delivered more modest returns.[16]

World Market Recap

Index	June 2025 (%)	Q2 2025	YTD (%)
Emerging			
Hang Seng (China)	3.36	4.12	20.00
KOSPI (Korea)	13.86	23.80	28.01
Nikkei (Japan)	6.64	13.67	1.49
Sensex (India)	2.65	8.00	7.00
EGX 30 (Egypt)	0.64	2.13	9.98
Bovespa (Brazil)	1.33	6.60	15.44
IPC All-Share (Mexico)	-0.68	9.46	16.03
ASX 200 (Australia)	1.28	8.91	4.70
Europe			
DAX (Germany)	-0.37	7.88	20.09
CAC 40 (France)	-1.11	-1.60	3.86
IBEX 35 (Spain)	-1.13	6.52	20.67
FTSE 100 (United Kingdom)	-0.10	1.50	7.23
IT40 (Italy)	-1.38	2.54	15.65

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differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Indicators

Gross Domestic Product (GDP): The economy contracted at an annualized 0.5 percent rate in the first quarter of 2025. The economy grew by 2.4 percent in the fourth quarter of 2024. The first decline in GDP since 2022 was caused mainly by a surge of imports ahead of tariffs taking effect, which drove up the trade deficit.[17]

Employment: Employers added 139,000 jobs in May, more than the 125,000 jobs economists expected, fewer than the 147,000 new jobs in April and the 185,000 added in March, revised downward by a combined 95,000 jobs.[18]

Retail Sales: Consumer spending fell 0.9 percent in May over the prior month, missing expectations of a 0.6 percent decline.[19]

Industrial Production: Industrial output fell by 0.2 percent in May, missing market expectations of a 0.1 percent increase and following April's 0.1 percent rise.[20]

Housing: Housing starts dropped 9.8 percent in May over the prior month to a five-year low, as homebuilders anticipated weaker sales. Year over year, new home construction fell 4.6 percent.[21]

Sales of existing homes rose 0.8 percent in May over the prior month, compared with April's 0.5 percent month-over-month decline. The median existing home sales price was $422,800, a 1.3 percent increase year over year.[22]

New home sales fell 13.7 percent in May. Year over year, new home sales fell by 6.3 percent. The market had 507,000 unsold new homes in May, equal to 9.8 months of supply at the latest sales pace.[23]

Consumer Price Index (CPI): Consumer prices rose 0.1 percent in May over the prior month, less than expected and slightly lower than April's 0.2 percent rise. Year over year, prices rose 2.4 percent, aligning with expectations. Core inflation, which excludes volatile food and energy prices, rose 0.1 percent month over month and 2.8 percent year over year, less than expected in both cases.[24]

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Durable Goods Orders: Orders of manufactured goods designed to last three years or longer surged 16.4 percent in May, far exceeding expectations for an 8.5 percent rise.[25]

The Fed

The Federal Open Market Committee (FOMC) held rates steady at its June meeting. Fed Chair Powell said policymakers are "well positioned to wait" before moving on short-term rates. He added that while the labor market is in balance, the Committee expects "a meaningful amount of inflation in the coming months…. We have to take that into account." When testifying before Congress on June 24, Powell stayed on point with essentially the same message despite pressure from the White House to cut rates. Policymakers still have penciled in two rate cuts between now and year-end.[26,27]

The FOMC scheduled the next meeting for July 29-30.

By the Numbers: Ice Cream

$11.4 Billion[28]

The total positive impact of the ice cream industry on the U.S. economy.

27,100[28]

The number of jobs directly created by the ice cream industry.

$1.9 Billion[28]

The total dollar amount of direct wages created by the ice cream industry.

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50+ Years[28]

How long the majority of ice cream and frozen dessert producers have been in business.

$1.31 Billion lbs[28]

The total amount of ice cream produced in the U.S. last year.

38%[28]

The share of Americans who say vanilla is their favorite flavor.

35%[28]

The percentage of Americans who say hot fudge is their favorite overall topping.

31%[28]

The proportion who say brownies are their favorite confectionery

17%[28]

Those who say pecans are their favorite nut topping.

27%[28]

The share who say strawberries are their favorite fruit topping.

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topping.

70%[28]

The proportion of Americans who love ice cream (27 percent merely like it).

4 Gallons[28]

The average amount of ice cream an American eats every year.

73%[28]

The proportion of Americans who eat ice cream at least once a week.

9%[28]

The share of Americans who like to eat ice cream straight from the carton.

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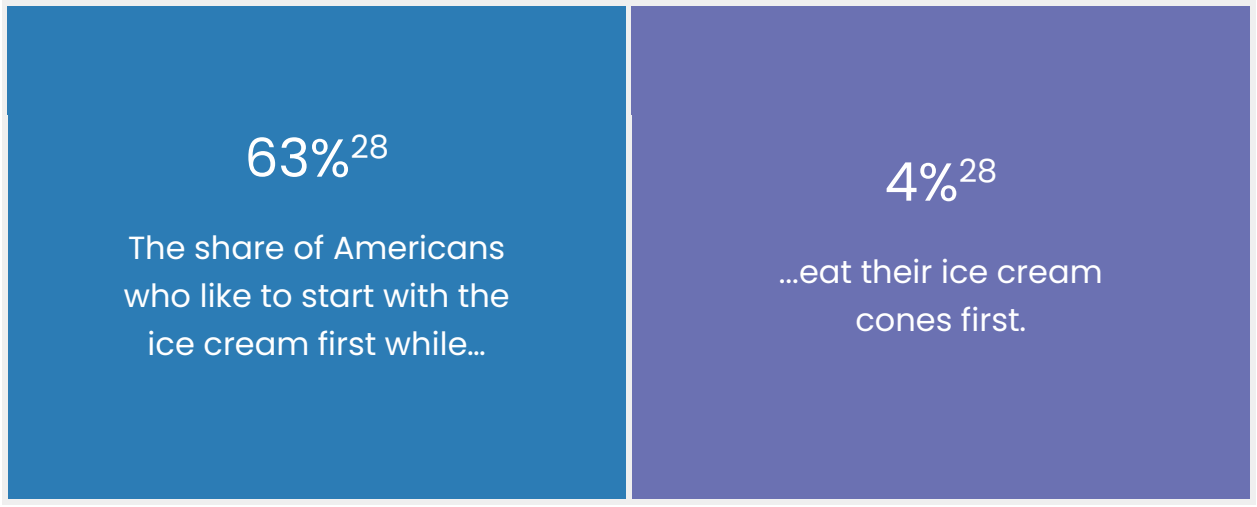

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The Hang Seng Index is a benchmark index for the blue-chip stocks traded on the Hong Kong Stock Exchange. The KOSPI is an index of all stocks traded on the Korean Stock Exchange. The Nikkei 225 is a stock market index for the Tokyo Stock Exchange. The SENSEX is a stock market index of 30 companies listed on the Bombay Stock Exchange. The Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange. The Bovespa Index tracks 50 stocks traded on the Sao Paulo Stock, Mercantile, & Futures Exchange. The IPC Index measures the companies listed on the Mexican Stock Exchange. The MERVAL tracks the performance of large companies based in Argentina. The ASX 200 Index is an index of stocks listed on the Australian Securities Exchange. The DAX is a market index consisting of the 30 German companies trading on the Frankfurt Stock Exchange. The CAC 40 is a benchmark for the 40 most significant companies on the French Stock Market Exchange. The Dow Jones Russia Index measures the performance of leading Russian Global Depositary Receipts (GDRs) that trade on the London Stock Exchange. The FTSE 100 Index is an index of the 100 companies with the highest market capitalization listed on the London Stock Exchange.

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