Special Mid-Year Edition!

WEALTH & WELLNESS GROUP

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Did You Know? Bitcoin

Bitcoin was created in 2009 and is the largest and oldest cryptocurrency.

It was the brainchild of Satoshi Nakamoto, a pseudonym used by the author of a white paper written in 2008. Several people have claimed to be Nakamoto, but his or her true identity remains a mystery.

Bitcoin is created when programmers solve complex computations that are added to the blockchain which is a public ledger that records all Bitcoin transactions.

Bitcoins are purely digital and stored electronically in programs called wallets that are secured by passwords. Once you transfer Bitcoin to someone else, there's no way to retrieve it or dispute the transaction.

It is estimated that around 20% of Bitcoin, valued at approximately $140 billion, are lost forever because of forgotten passwords.

Unlike stocks and bonds, Bitcoin doesn't have any intrinsic value based on corporate earnings or cash flows. Therefore, when risk assets such as stocks come under stress, Bitcoin's price may fluctuate wildly. But as with traditional currency, Bitcoin has value as long as people accept it.

Source: HartfordFunds.com

Special Report: The Second Half of 2025

For the month of June, the markets provided some radiant sunshine. The Dow gained 4.3% for the month of and rose 5% in the second quarter while the S&P 500 gained 5% for the month and 10.6% for the quarter. Its largest quarterly percentage gain since the fourth quarter of 2023. The Nasdaq finished June up 6.6% and at 17.8% for the quarter. Its largest quarterly percentage gain since the second quarter of 2020. International equities haven't exactly been relegated to the shade. While the 3% June return for the MSCI EAFE Index trailed its S&P 500 counterpart, international stocks outperformed the US with a 13.6% second quarter return.

Looking at the full first half of the year, it was a story of two sharply contrasting quarters for U.S. equities. In February, chaos erupted as tariff fears gripped investors, sending stocks into a downward spiral. By April, the S&P 500 had shed nearly 20%, while the Nasdaq dipped into bear market territory, falling 23.4%. Bearish forecasts flooded the airwaves, with pundits warning of a prolonged downturn. The story's tone carried across the globe, with international stocks dipping in similar fashion.

The script flipped mid-year with a U.K. trade deal, an initial trade framework with China, and the ceasefire between Israel and Iran. Investors were relieved as the administration put a 90 day pause on its sweeping tariff agenda. By June, stocks were back in a bullish mood as the S&P 500 and Nasdaq soared to record highs. The S&P 500 ended the first half of the year up 5.5%, the Nasdaq Composite gained 7.5%, and the Dow Jones Industrial Average rose 4%.

In the end, the first half of 2025 was a wild ride from a tariff-induced plunge to a record-setting rebound. Which begs the questions, where do we go from here? Does the second half of the year offer more growth or will renewed tariff threats and geopolitical concerns put a lid on markets for the remainder of 2025?

To start, when you look at the historical trends of previous bull market cycles, the current stock market's behavior isn't as surprising as many people think. According to AAII in the 8 prior cases since 1950 where large-cap stocks saw two consecutive years of 20% + gains, the following year was higher 6 of 8 times, with an average return of around +12.3%.

Taking it one step further, the Stock Trader's Almanac suggests that the third year of a bull market is often choppy, with stagnant patches, and periodic pullbacks of 5–10%. Ironically, here we are, halfway into 2025 and we have definitely experienced a pullback and the S&P 500 is up 5.5% or about half of the historical norm.

Going forward, the bullish case suggests that the latest Tariff threats will come down and get resolved. This combined with permanent tax cuts from Trump's Big Beautiful Bill, Federal Reserve cuts to interest rates, and an ongoing boom in AI, it would appear that there is still ample room for this market to move higher.

Trivia:

1) True or false: A jiffy is an actual unit of time?

2) On average, how many peas are in a pod? 6, 8 or 10?

3) How many steps does it take before you reach the first level of the Eiffel Tower?

4) In *Toy Story*, what is the name of Buzz Lightyear's space agency employer?

Special Report Continued...

We definitely like the sound of more gains by year end, but it's tough to put both feet into that camp because it's hard to fully anticipate how the litany of headwinds in the market will play out over the next 6-12 months, including:

- How conflict in the middle east and between Ukraine and Russia will play out
- What eventual impact aggressive trade policy will have on inflation and the declining US dollar
- How immigration crackdowns may influence productivity and employment figures
- What Federal spending cuts will mean to economic growth
- How willing consumers will be to keep their wallets open and cash flowing out
- When and by how much the Fed reduces interest rates (and who's in charge there)

So, we feel it's important to stay mindful of trap doors and slow-growing market distortions that could serve as the source for a near-term pullback. All of which leads us back to our question: Where do we go from here?

Going forward, our sense is that ongoing consumer resiliency and consistent (though slowing) corporate profits will enable markets to finish higher by year end. Big Tech drove much of the mid-quarter bounce back, but other sectors have shown gains. And while AI is most associated with the Big Tech names, its implementation is hitting the bottom line of other companies. Therefore, we remain positive on stocks, but continue to dial back on the pure growth factor in favor of growing dividends.

We would need two more pages to share all our thoughts and strategies for the next 6, 12, and 18 months but suffice it to say we see opportunities in a number of areas, one of those being more international exposure. While we remain overweight with domestic stocks, there are three main drivers underlying our desire to add some overseas exposure. First is the weakening US dollar, second are company valuations as foreign markets are less expensive than US markets right now, and finally with the US driven trade war, many foreign countries/companies are being forced to up their game in terms of efficiencies and profitability.

Next, we see interest rates trading in a range for the remainder of the year. As expressed by the 10-year Treasury, we see rates continuing to fluctuate between 4% and 5%. Right now, Wall Street is predicting a 55% chance that the Fed reduces rates by 25 basis points in September and then moves lower again in December. This is the most likely scenario, but there could be a bumpy patch ahead of the September meeting as Trump pushes his desire for rate cuts and a new chairperson.

Additionally, the markets do seem a little overbought as we sit near all-time highs for the three major indexes, so we see this as a time to rebalance portfolios, moving portions of gains and profits to underperforming sectors like homebuilders which we think will rebound in the next 6-12 months, assuming interest rates come down. Along those lines, we are also continuing to look for ways to play the AI boom in more consistent and predictable areas like power management or utilities.

To wrap up this special summer edition, we know there will be plenty of noise and headline risk in the months ahead, but we feel the US and global economies will retain their resilient attitudes for the remainder of the year and will continue to position client portfolios accordingly . . and with caution, of course.

Trivia Answers

1) True! A Jiffy is approximately one-fiftieth of a second.
2) On average, 8 peas in a pod
3) 300 steps to the first level
4) Star Command

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Many times people just don't know who to trust and want an **unbiased second opinion** from a trusted expert and **fiduciary.**

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