SoFi

Market Lookback

June 2025

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Macro

- The Federal Reserve left its benchmark interest rate unchanged at a target range of 4.25%-4.50%.
- The Fed's Summary of Economic Projections were revised to show lower growth, higher unemployment, and higher inflation this year and next.
- May CPI (+0.1% m/m) and PPI (+0.1% m/m) both came in below expectations, the fourth such month in a row.
- Housing starts plunged to 1.256m in May (-9.8% m/m), the lowest level in five years.
- Continuing jobless claims rose to 1.974m as of mid-June, the highest since November 2021.
- Against expectations for a m/m increase of 0.3%, personal income *declined* 0.4% in May, the first decline since September 2021.
- Q1 GDP growth was revised down from -0.2% to -0.5%, driven by lower consumer spending.
- Fears of a potential disruption to oil supply in response to the conflict between Israel and Iran led to oil prices surging as much as 23.6%, before ending the month up 7.1%.

Equities

- The S&P 500 finished the quarter at a record high of 6,205, eclipsing its prior all-time high set on February 19.
- The S&P 500 forward 12-month price/earnings ratio rose from 21.4x to 22.1x, representing multiple expansion of 3.5%, while forward EPS estimates rose 1.4% from $277 to $280.
- Growth stocks beat value stocks by 2.8 percentage points, the third straight month of outperformance.
- Defensive sectors handedly outperformed cyclicals and technology-exposed parts of the market.

Fixed Income

- 2- and 10-year Treasury yields fell 18 and 17 basis points, respectively, as weakening economic data boosted interest rate cut expectations for later in the year.
- Investment Grade and High Yield corporate bond spreads narrowed by 5 and 24 basis points, respectively.

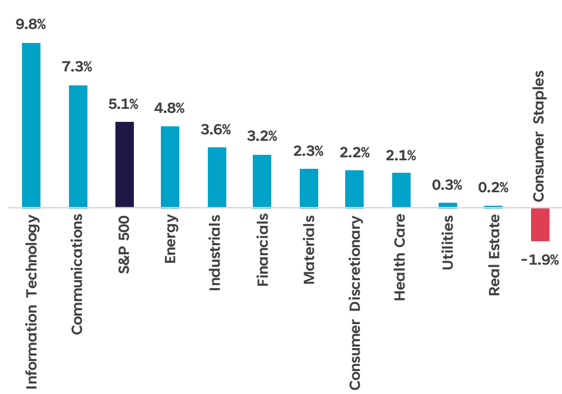
		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Equities	S&P 500	6,205	5.1%	10.9%	6.2%	15.1%	71.5%
	Nasdaq	20,370	6.6%	18.0%	5.9%	15.7%	89.3%
	Dow Jones	44,095	4.5%	5.5%	4.5%	14.7%	52.0%
	Russell 1000 Value	1,913	3.4%	3.8%	6.0%	13.7%	43.3%
	Russell 1000 Growth	4,275	6.4%	17.8%	6.1%	17.2%	98.8%
	Russell 2000 Value	2,362	4.9%	5.0%	-3.2%	5.5%	24.0%
	Russell 2000 Growth	1,459	5.9%	12.0%	-0.5%	9.7%	41.9%
	MSCI EAFE	2,655	2.2%	12.0%	19.9%	18.4%	58.8%
	MSCI EM	1,223	6.1%	12.2%	15.5%	15.9%	33.7%

		Yield	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Fixed Income	US Treasurys	4.03%	1.3%	0.8%	3.8%	5.3%	4.7%
	US IG Corporates	4.99%	1.9%	1.8%	4.2%	6.9%	13.6%
	US HY Corporates	7.06%	1.8%	3.5%	4.6%	10.3%	32.8%

		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Commodities	Oil ($/barrel)	$65	7.1%	-8.9%	-9.2%	-20.1%	-38.4%
	Gold ($/oz)	$3,303	0.4%	5.7%	25.9%	42.0%	82.8%
	Copper ($/mt)	$10,051	5.3%	4.1%	16.2%	6.3%	21.8%

		Level	Prior Month	Prior Quarter	Prior Year	1-Yr Ago	3-Yr Ago
Currencies	EUR ($/€)	$1.18	$1.13	$1.08	$1.04	$1.07	$1.05
	JPY (¥/$)	¥144	¥144	¥150	¥157	¥161	¥136
	GBP ($/£)	$1.37	$1.35	$1.29	$1.25	$1.26	$1.22

June S&P 500 Sector Total Returns



Fastest Comeback Ever

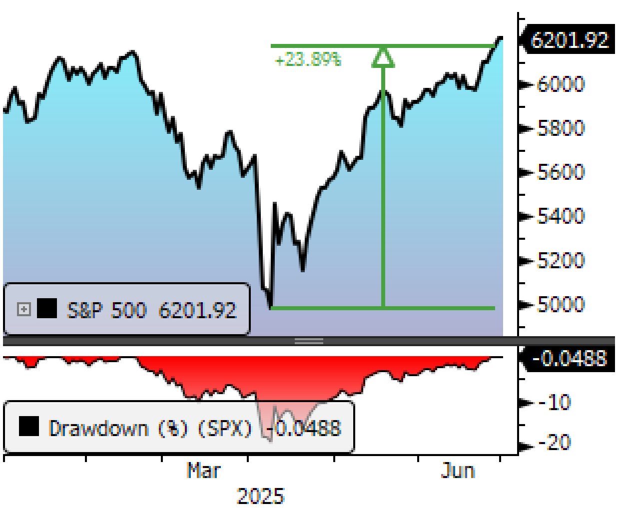
The second quarter of 2025 was a wild one. After peaking on February 19, markets began to slide because of trade policy fears. That decline accelerated into a nearly 20% correction following the April 2 "Liberation Day" tariff announcements. The sell-off was so sharp, in fact, that two of the worst 100 days in stock market history occurred in the two days post-announcement.

The Trump administration's decision to delay tariff implementation played a big role in the market rebound, as evidenced by the nearly 10 percentage point bounce on April 9, which was one of the 100 best days in stock market history.

The de-escalation of trade tensions fueled a powerful, sentiment-driven recovery that lasted through June. The rally culminated in the S&P 500 setting a new all-time high, closing at 6,204.95 on June 30, an unthinkable accomplishment given where markets were at the start of the quarter.

To put it in perspective, the index has rallied 24.5% since the April 8 bottom, taking 55 days to do so. In the history of corrections of at least 15%, that is the fastest rebound on record.

S&P 500 Year-to-Date



Source: SoFi, Bloomberg

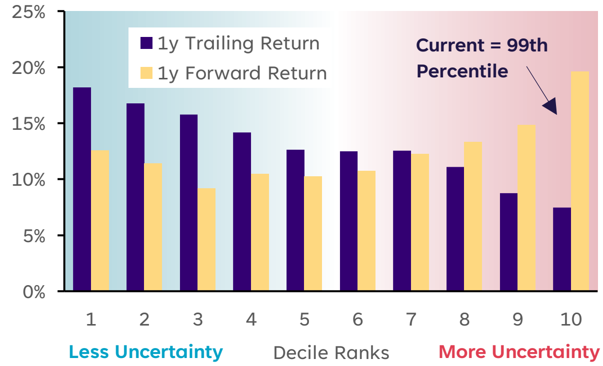
What Giveth Can Taketh Away

While stocks sit at all-time highs, the foundation of the recent rally is fragile. The very factor that drove the sharp decline—acute fear over the future of U.S. trade policy—also enabled the powerful rebound once that immediate fear was postponed. This dynamic, however, can work in reverse.

The core risk hasn't been eliminated, just delayed, and time is ticking on the tariff reprieves. As those pauses end and tariffs get implemented (or not), the same policy risks that previously roiled markets could get reintroduced.

Historically, periods of high economic policy uncertainty are better for forward returns but *worse* for trailing returns (the reverse generally goes for periods of low uncertainty).

Economic Policy Uncertainty Affects Stock Returns



Source: SoFi, Baker, Bloom & Davis, Bloomberg. Data is since 1990, refers to the S&P 500 and assumes dividend reinvestment.

In other words, it's not that high uncertainty itself boosts returns, but that transitioning from higher to lower uncertainty enables investors to price out worst-case scenarios. That only can happen if uncertainty dissipates, but that's an open question.

Risks are compounded by stretched valuations, with the S&P 500's forward price-to-earnings ratio near cycle highs, and a deteriorating earnings outlook. Ultimately, policy uncertainty continues to drive market volatility, and it doesn't look like it's going anywhere for now.