

Q2

Quarterly Market Review

Second Quarter 2025

Quarterly Market Review

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

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Quarterly Market Commentary

Second Quarter 2025 – July 8, 2025

The future is hard to see. For example, few among us could have predicted the back and forth on trade policy this spring, let alone the market's reactions to it.

On April 2, the Trump Administration announced 10% baseline tariffs on nearly all imported goods, with higher levies on 60 trading partners. Markets recoiled, and stocks dipped to near-bear territory. One week later, on April 9, the index rose by 8.3% when the administration announced a 90-day pause on tariffs.¹ The pattern continued throughout the second quarter. These rapid changes of direction make it hard to know what the future economic landscape will look like.

Rather than prepare for any single outcome, it's best to prepare for any outcome. The good news: With a well-diversified portfolio tailored to your goals, you've already done that. This doesn't mean you won't feel some whiplash watching market volatility. But you can rest easier knowing you don't have to bet your future on one scenario or the other.

International Stocks

You may be hearing more about international stocks lately. They outperformed U.S. stocks during the second quarter and the first half of the year, supporting our point about the importance of diversification.

The Trump Administration's tariffs are part of a broader trend toward deglobalization. (Brexit, Russia's invasion of Ukraine, Covid-era supply chain problems and the first Trump Administration's tariffs are a few deglobalization developments.) This trend is evident in global trade numbers: [Foreign direct investment](#) climbed between 1970 and 2007 and has fallen dramatically since.

In the U.S., retreat from global trade could drag on economic growth and push inflation higher, creating headwinds for stock and bond investors. But deglobalization has a silver lining for the well-diversified investor. The less connected global economies are, the less their markets are likely to move in sync with each other. The upshot: International stocks and bonds may provide more diversification away from U.S. assets than they have in recent decades.

That would be a welcome development. [Correlations between U.S. and international stocks jumped from 0.54 in the 1990s to 0.87 between 2000 and 2022](#), meaning international equity allocations didn't provide as much diversification as they once had. The lower the correlation between two investments, the better they diversify each other.

The rise in correlations might be reversing. U.S. and international stocks behaved very differently

during the first half of the year. In the first half of the year, the S&P 500 rose 5.7%, while the [MSCI EAFE gained 17.3%](#).

When you spread out your bets by diversifying across asset classes, geographies, sectors and industries, you reduce the risks associated with any particular outcome. In this case, diversifying internationally might help buoy a portfolio if U.S. stocks are hit by slower growth and higher inflation.

A Note on the Tax Bill

As the quarter ended, the Republican-led Congress worked furiously to pass the Trump Administration's tax and domestic policy bill by a July 4 deadline. The bill includes extended and expanded tax cuts, including permanently extending lower marginal tax rates, the 20% business income deduction and increased estate and gift tax exemptions. We'll be watching closely to understand the tax implications going forward.

Regards,

Eric Hutchens









President & Chief Investment Officer
Allodium Investment Consultants

1. Dimensional Fund Advisors. (June 25, 2025). *Midyear Review: Stocks' Climb Is Challenged During Volatile First Half*. <https://www.dimensional.com/us-en/insights/midyear-review-stocks-climb-is-challenged-during-volatile-first-half>

Quarterly Market Summary































Returns (USD), as of June 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2025	10.99%	12.05%	11.99%	2.74%	1.21%	1.93%
						
Since January 2001						
Average Quarterly Return	2.5%	1.7%	2.6%	2.2%	0.9%	1.0%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2023 Q4	2023 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

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Long-Term Market Summary

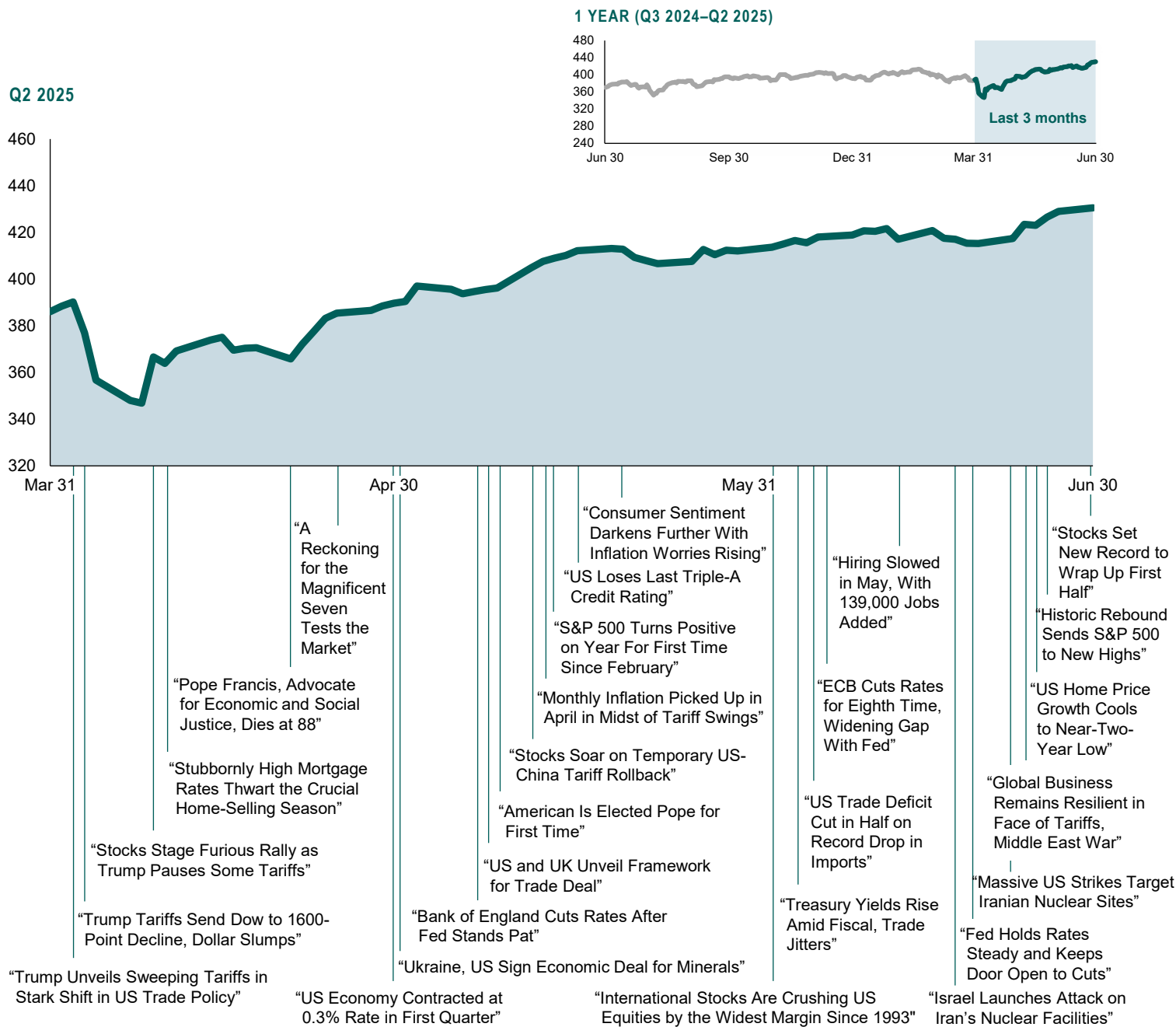
Returns (USD), as of June 30, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	15.30% 	18.70% 	15.29% 	9.96% 	6.08% 	6.09% 
5 Years	15.96% 	11.51% 	6.81% 	6.20% 	-0.73% 	0.91% 
10 Years	12.96% 	6.65% 	4.81% 	3.88% 	1.76% 	2.68% 
15 Years	14.46% 	7.42% 	4.44% 	6.71% 	2.29% 	3.09% 
20 Years	10.53% 	5.90% 	6.45% 	4.37% 	3.09% 	3.41% 

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World Stock Market Performance

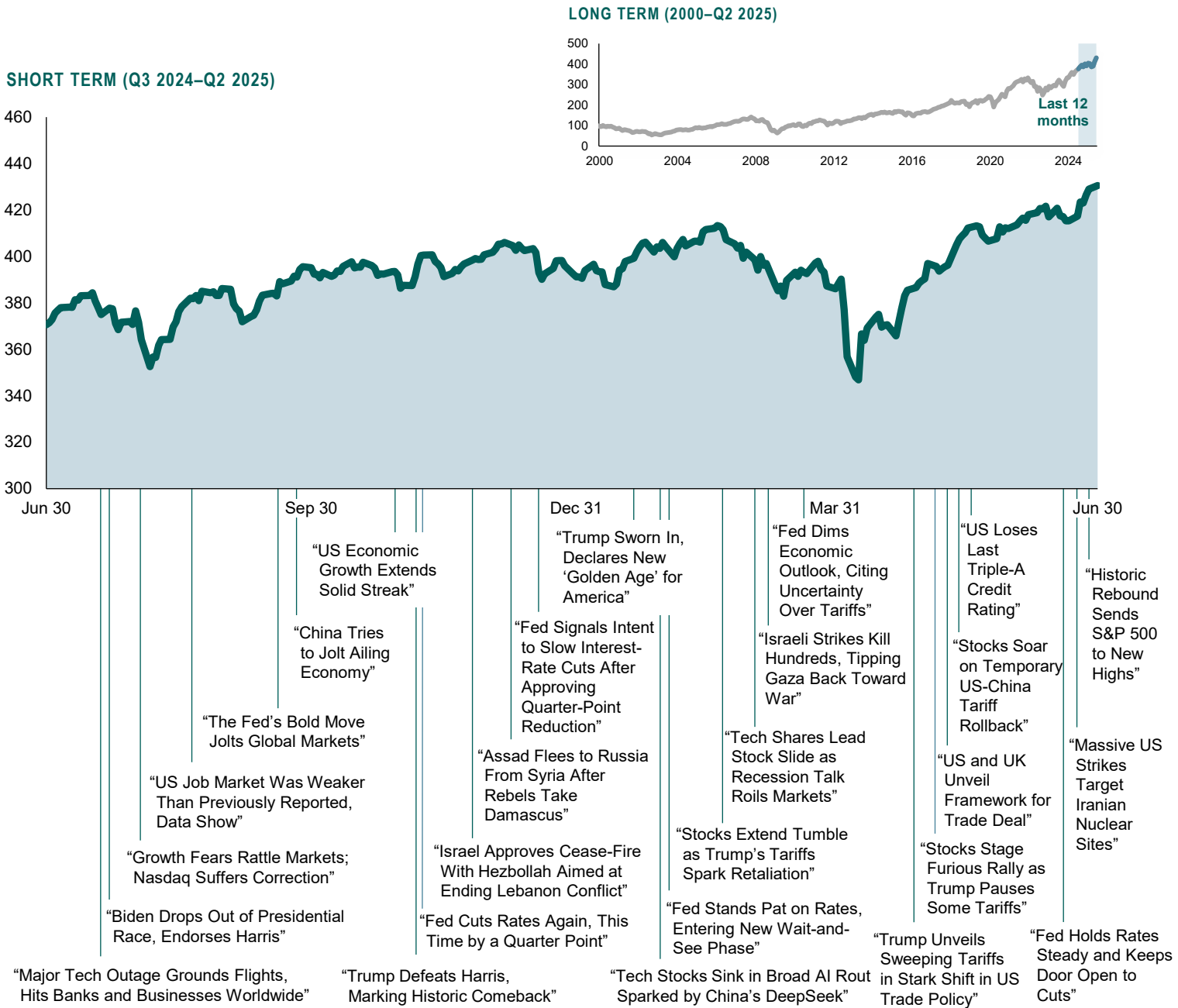
MSCI All Country World Index with selected headlines from Q2 2025



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



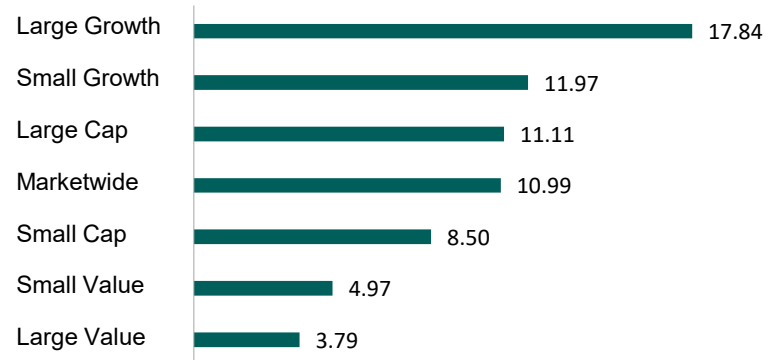
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US Stocks

Returns (USD), 2nd Quarter 2025

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value underperformed growth.
- Small caps underperformed large caps.
- REIT indices underperformed equity market indices.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Large Growth	17.84	6.09	17.22	25.76	18.15	17.01	17.54	12.99
Small Growth	11.97	-0.48	9.73	12.38	7.42	7.14	11.06	8.49
Large Cap	11.11	6.12	15.66	19.59	16.30	13.35	14.74	10.71
Marketwide	10.99	5.75	15.30	19.08	15.96	12.96	14.46	10.53
Small Cap	8.50	-1.79	7.68	10.00	10.04	7.12	10.35	7.76
Small Value	4.97	-3.16	5.54	7.45	12.47	6.72	9.35	6.80
Large Value	3.79	6.00	13.70	12.76	13.93	9.19	11.57	8.11

World Market Capitalization



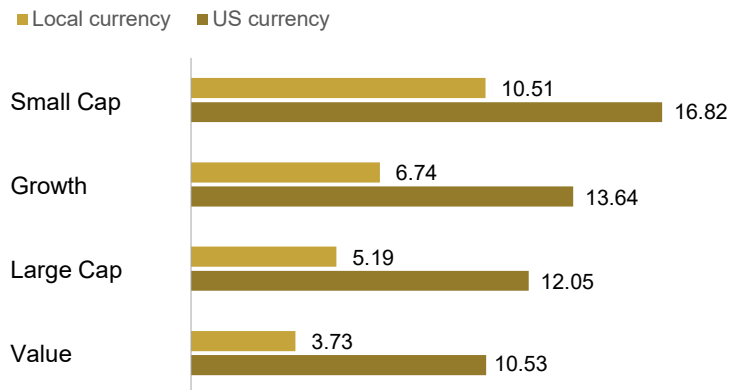
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

International Developed Stocks

Returns (USD), 2nd Quarter 2025

- Developed markets outside of the US posted positive returns for the quarter and outperformed both US and emerging markets.
- Value underperformed growth.
- Small caps outperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Cap	16.82	20.79	22.92	13.40	9.82	6.64	8.11	6.47
Growth	13.64	16.02	12.63	13.72	8.11	6.69	7.61	6.23
Large Cap	12.05	18.99	18.70	15.73	11.51	6.65	7.42	5.90
Value	10.53	21.90	24.96	17.76	14.76	6.34	7.03	5.41

World Market Capitalization



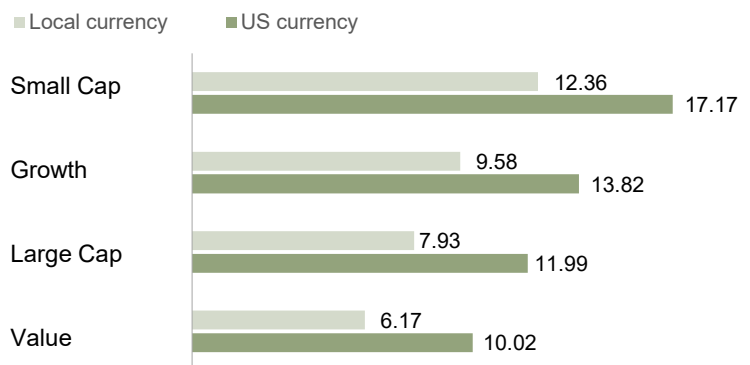
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Emerging Markets Stocks

Returns (USD), 2nd Quarter 2025

- Emerging markets posted positive returns for the quarter and outperformed the US market, but underperformed non-US developed markets.
- Value underperformed growth.
- Small caps outperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Cap	17.17	10.74	8.40	13.81	13.86	5.97	5.66	7.95
Growth	13.82	15.72	17.69	9.18	4.64	5.49	5.39	6.74
Large Cap	11.99	15.27	15.29	9.70	6.81	4.81	4.44	6.45
Value	10.02	14.77	12.66	10.22	9.07	4.01	3.39	6.07

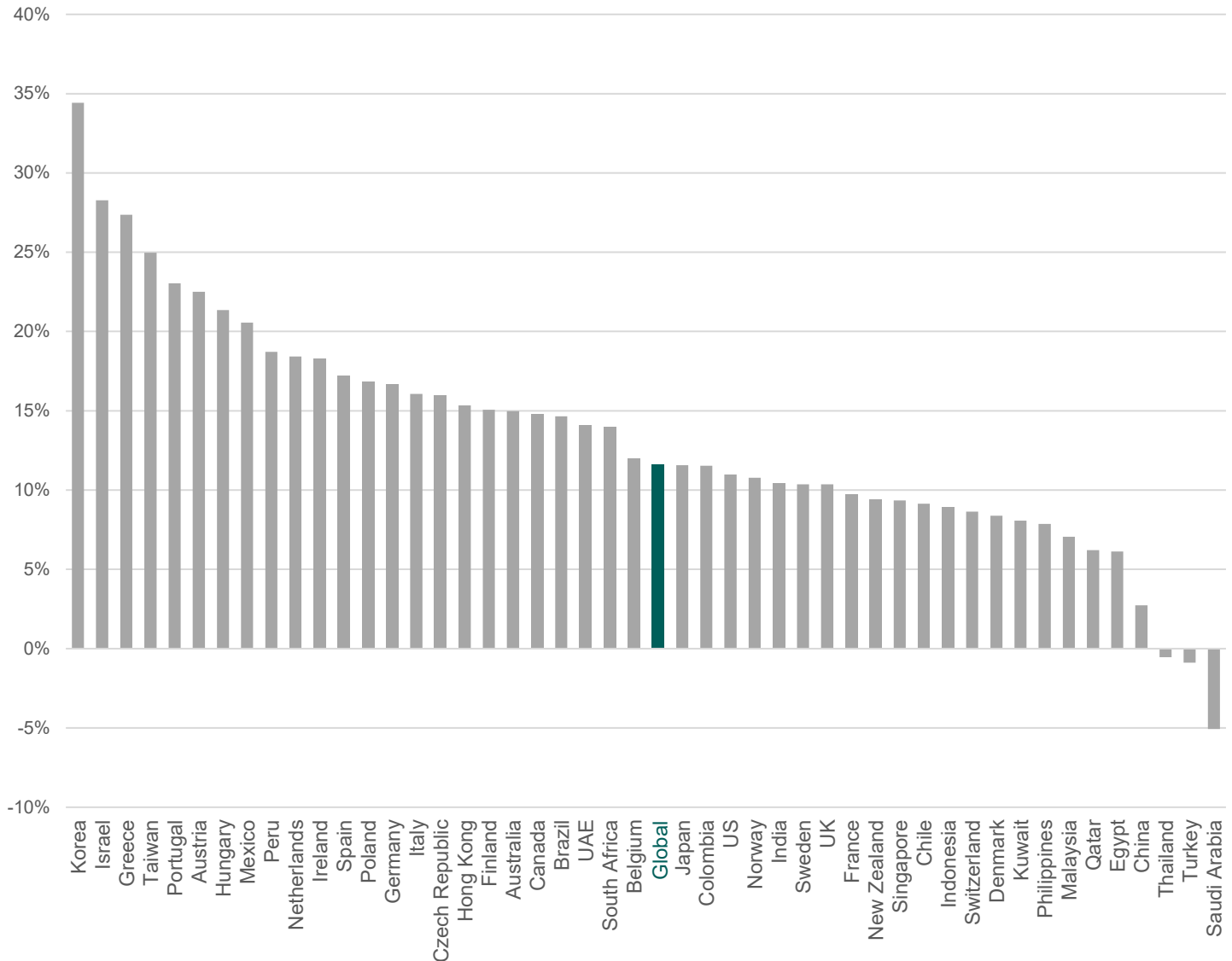
World Market Capitalization



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Country Returns

Returns (USD), 2nd Quarter 2025



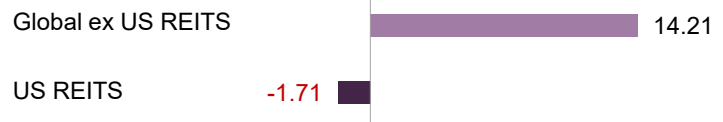
Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

Real Estate Investment Trusts (REITs)

Returns (USD), 2nd Quarter 2025

- US real estate investment trusts underperformed non-US REITs during the quarter.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Global ex US REITS	14.21	18.14	16.74	3.60	3.84	1.84	5.10	2.92
US REITS	-1.71	-0.56	8.09	4.77	8.55	5.45	8.36	6.11

Total Value of REIT Stocks



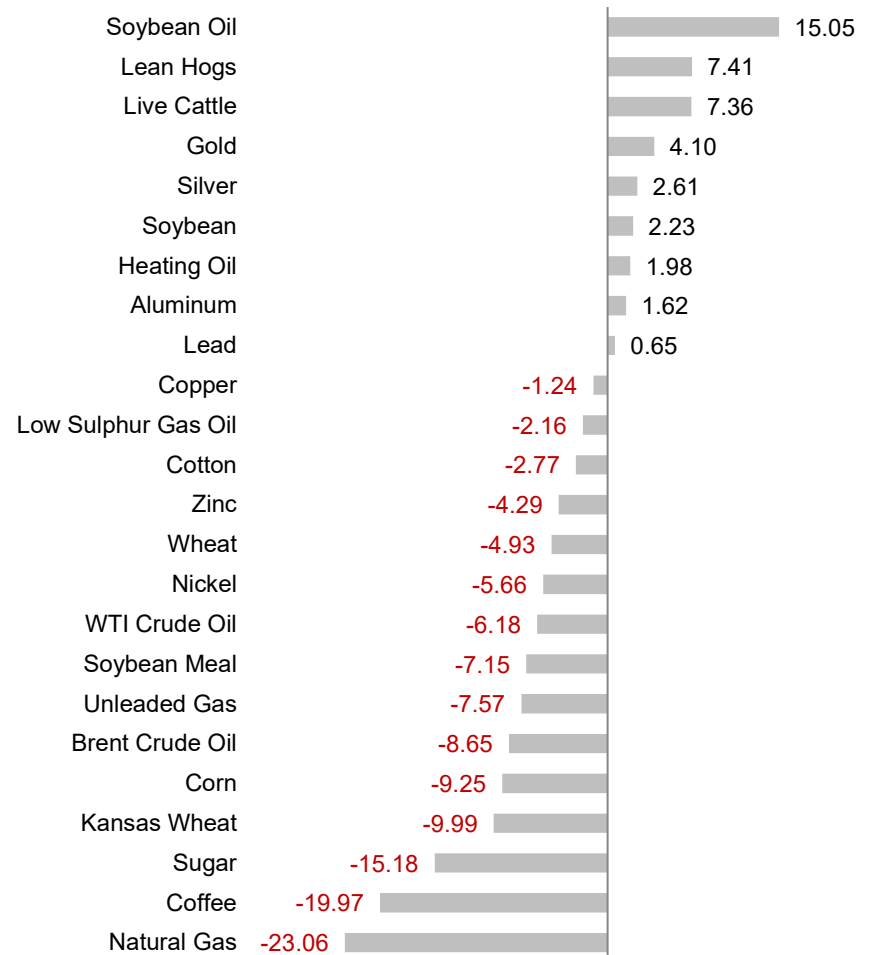
Commodities

Returns (USD), 2nd Quarter 2025

The Bloomberg Commodity Total Return Index returned -3.08% for the second quarter of 2025.

Natural Gas and Coffee were the worst performers, returning -23.06% and -19.97% during the quarter, respectively. Soybean Oil and Lean Hogs were the best performers, returning +15.05% and +7.41% during the quarter, respectively.

Ranked Returns (%)



Periodic Returns (%)

QTR	YTD	ANNUALIZED					
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
-3.08	5.53	5.77	0.13	12.68	1.99	-0.02	-0.35

Fixed Income

Returns (USD), 2nd Quarter 2025

During the quarter, short- to intermediate-term interest rates decreased, and long-term interest rates increased within the US Treasury market.

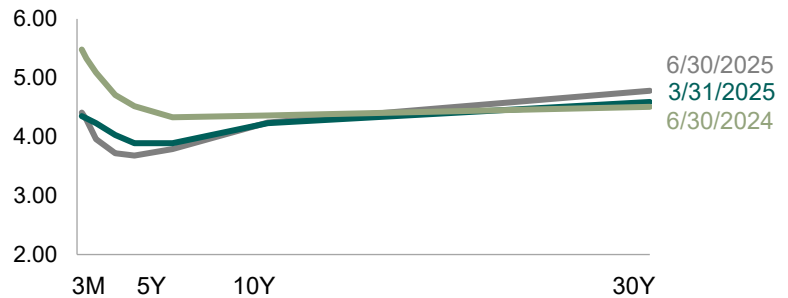
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 10 basis points (bps) to 4.28%, while the 1-Year US Treasury Bill yield decreased 7 bps to 3.96%. The yield on the 2-Year US Treasury Note decreased 17 bps to 3.72%.

The yield on the 5-Year US Treasury Note decreased 17 bps to 3.79%. The yield on the 10-Year US Treasury Note increased 1 bp to 4.24%. The yield on the 30-Year US Treasury Bond increased 19 bps to 4.78%.

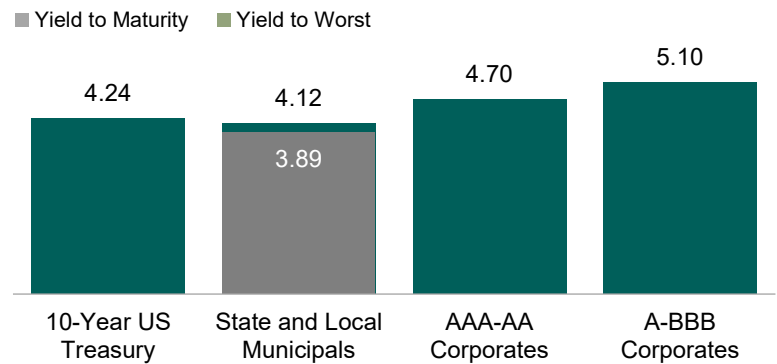
In terms of total returns, short-term US treasury bonds returned +1.67% while intermediate-term US treasury bonds returned +1.46%. Short-term corporate bonds returned +1.80% and intermediate-term corporate bonds returned +2.12%.¹

The total returns for short- and intermediate-term municipal bonds were +1.06% and +1.21%, respectively. Within the municipal fixed income market, general obligation bonds returned 0.00% while revenue bonds returned -0.20%.²

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED					
			1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
FTSE World Government Bond Index 1-5 Years	4.17	7.03	8.67	3.54	0.42	1.05	0.55	1.63
Bloomberg U.S. High Yield Corporate Bond Index	3.53	4.57	10.29	9.93	5.97	5.38	6.44	6.62
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.52	2.97	6.20	3.74	1.46	1.92	1.79	2.42
Bloomberg U.S. Aggregate Bond Index	1.21	4.02	6.08	2.55	-0.73	1.76	2.29	3.09
ICE BofA US 3-Month Treasury Bill Index	1.04	2.07	4.68	4.56	2.76	1.98	1.34	1.69
ICE BofA 1-Year US Treasury Note Index	0.90	1.96	4.76	3.90	2.07	1.81	1.32	1.86
Bloomberg U.S. TIPS Index	0.48	4.67	5.84	2.34	1.61	2.67	2.88	3.40
Bloomberg Municipal Bond Index	-0.12	-0.35	1.11	2.50	0.51	2.20	2.96	3.32
Bloomberg U.S. Government Bond Index Long	-1.51	3.08	1.58	-3.66	-8.16	0.15	2.14	3.09

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated.

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Global Fixed Income

Yield curves (USD), 2nd Quarter 2025

Except for Canada and Japan, interest rates decreased in the global developed markets for the quarter.

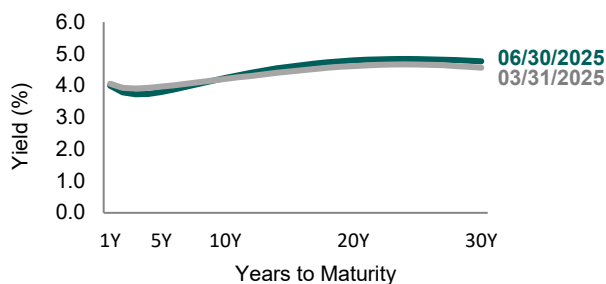
Realized term premiums were generally mixed across global developed markets. Intermediate-term bonds generally outperformed both short-term and long-term bonds during the quarter.

In Canada, interest rates increased across all maturity segments. In Japan, short- to intermediate-term interest rates decreased, and long-term interest rates increased. The short-term segment of the yield curve remained flat to inverted in Germany, Canada and Australia. However, the short-term segment of the yield curve in the UK remained upwardly sloped.

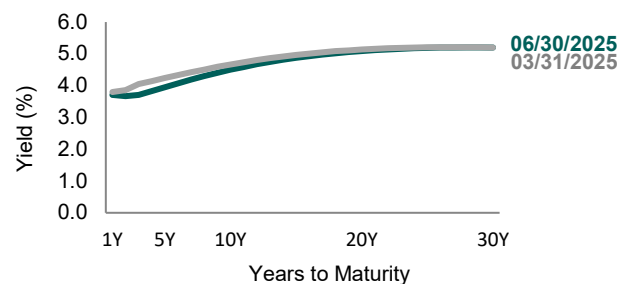
Changes in Yields (bps) Since 03/31/2025

	1Y	5Y	10Y	20Y	30Y
US	-5.6	-16.6	3.1	17.3	20.2
UK	-9.1	-28.7	-16.7	-4.6	0.2
Germany	-20.7	-13.8	-11.4	-5.4	0.5
Japan	-5.5	-12.7	-2.5	13.6	27.9
Canada	9.5	23.2	29.2	31.8	31.7
Australia	-49.3	-38.9	-24.2	-18.1	-12.4

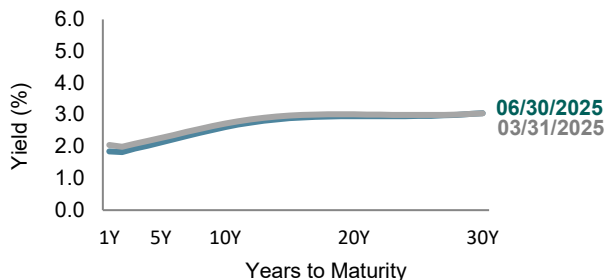
US



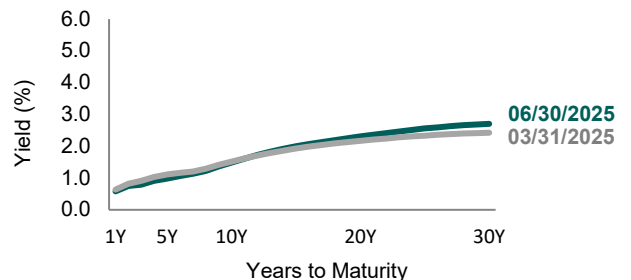
UK



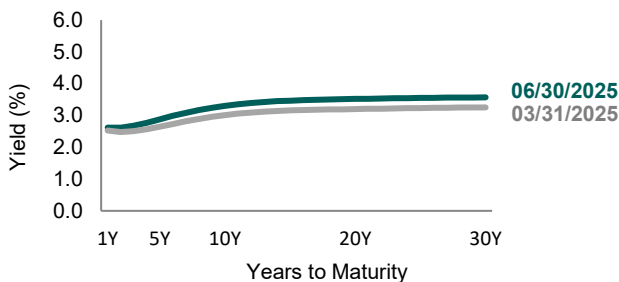
Germany



Japan



Canada



Australia

