



Happy Fourth of July!

Despite the headlines of the last six months, many equity indexes are trading at all-time highs. Markets have shrugged off the Iran Israel conflict, war in Ukraine, and tariff tantrums. The bond market is reasonably calm. Yields remained steady despite Moody's US downgrade last month. The dollar remains near its four-year low, suggesting there are no better yields globally. This makes for a reasonable investment market. It is our hope the calm pervades through Labor Day, and you can all enjoy the nice weather of the northern hemisphere.

**Market Performance:**

S&P 500:	6.1%
S&P 400:	-0.6%
Russell 2000:	-1.9%
NASDAQ:	8.2%
MSCI World ex-US:	10.6%
US Agg. Bond	4.0%

US equities continue to lag developed foreign markets thus far in 2025. Value style outperformed Growth and Large Capitalizations outperformed Small.

**Portfolio Positioning**

We continue to believe neutral positioning to our target amount of equities is optimal. Global equities are fairly priced. Markets seem to have come to terms with tariffs working as a negotiating tactic. The same is true with the annual budget and the Big Beautiful Bill. Rates are poised to move lower. This would be good for equities and the housing market. We have rebalanced portfolios through periods of volatility, raising cash when equities rallied to cover disbursement needs and build cash for trading.

**All Time Highs and Market Valuation**

We do not fear all-time highs. They usually lead to further highs. Markets are highly competitive but not always efficient. We repeatedly ask the question, are valuations near a top? The difficult piece is gauging psychology and irrational exuberance driven by it. This is an issue of sentiment rather than any valuation metric. For perspective, the S&P 500 typically trades between 16 to 25 times earnings in a rally. At its current level of near 25 we are at the high end of this range. However, sentiment is strong. This number has been 45x in previous market peaks like the year 2000. This is why we focus on maintaining strong balance sheets, hedging near-term distribution needs with liquidity, and taking profits judiciously into rallies.

Portfolio management is a continuous gradual process and not a disparate series of singular actions based on certain macro news points. The macro news was best described by the great investor – Jim Morisson – as “The future’s uncertain, and the end is always near.” This makes for a good lyric and headline for the evening news or a political party....but is not true. Disciplined investing always prevails.

We look forward to connecting soon.

-Fountainhead Financial, LLC.