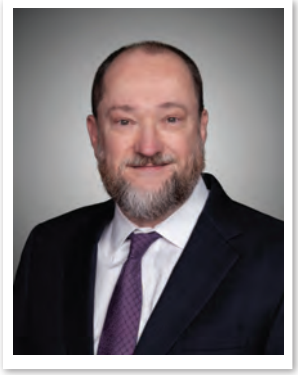
BIONDO PERSPECTIVES

SECOND QUARTER MARKET COMMENTARY



Scott A. Goginsky

Happy Summer! We hope this message finds you and your loved ones well as we enter the second half of 2025. Just like this season's unpredictable weather patterns, the equity markets have experienced twists and turns but finished the first half on a strong note. The S&P 500 closed the second quarter at record highs, climbing 10.9% despite a sharp decline in April. The benchmark index rebounded strongly, posting a total return of 6.2% for the year's first half. The Nasdaq Composite, with its heavy tech weighting, gained 18.0% in the second quarter and ended the first half of 2025 up 5.9%, reflecting a strong rebound from its weak performance in the first quarter. Meanwhile, the Dow Jones Industrial Average posted a 5.5% gain in the second quarter, contributing to a 4.5% total return for the first half of the year.

In June alone, the S&P 500 rose by 5.1%, building on May's 6.3% increase for a total of 11.7% gains over those two months—the strongest two-month performance since late 2023. Trade policies and geopolitical developments significantly influenced these gains. Markets responded favorably to signs of de-escalation with China and early trade agreements, which helped reduce economic uncertainty and sparked a rebound from early-quarter lows. Additionally, artificial intelligence continued to drive momentum in the tech sector, with AI-related companies benefiting from large investments in data centers, semiconductors, and related infrastructure. The "Magnificent Seven" top tech firms made notable contributions to the S&P 500's gains.

While the S&P 500 reached new all-time highs by the end of the quarter, April saw notable volatility, with a modest 0.7% decline despite a 13.8% drawdown mid-month from March's close— the most significant monthly decrease since March 2020.

US Benchmarks	1H 2025	June	Q2	Q1	vs. 52W High
NDX Equal Weight	9.9%	5.0%	13.0%	-2.8%	-0.1%
Nasdaq 100	8.3%	6.3%	17.9%	-8.1%	-0.2%
S&P 500	6.2%	5.1%	10.9%	-4.3%	-0.2%
Nasdaq Composite	5.9%	6.6%	18.0%	-10.3%	-0.2%
SPX Equal Weight	4.8%	3.4%	5.5%	-0.6%	-3.1%
Dow Jones Industrials	4.5%	4.5%	5.5%	-0.9%	-2.2%
Magnificent Seven	1.7%	6.1%	21.0%	-16.0%	-4.7%
S&P Midcap 400	0.2%	3.6%	6.7%	-6.1%	-9.1%
Russell 2000	-1.8%	5.4%	8.5%	-9.5%	-11.8%

Source: Nasdaq

Tariff activities triggered much of this market chaos when broader tariffs were announced in early April. Basic rates were applied to all imports, with higher rates imposed on key trading partners, including China, the EU, Canada, and Mexico, and some exemptions were made. This led to significant import surges, rising freight costs, port congestion, and widespread disruptions to the supply chain. During ongoing negotiations and retaliatory actions, markets plummeted in April due to uncertainty but then rebounded as hopes for de-escalation grew.

Macroeconomic indicators also played a key role in shaping investor sentiment during the quarter. Overall, the economy sent mixed signals, but most pointed to a stable and supportive environment for markets. The value of the US dollar fell sharply by 10.7% in the first half of the year— the most significant first-half decline since the 1970s—and marked the worst six-month drop since August 2009 and February 2004. Interest rates on long-term government bonds, such as the 10-year Treasury, decreased by about a third of a percentage point through June and are now more than three-quarters of a percentage point below their peak of 5.02% from late 2023.

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Broader participation could prolong the bull market. International stocks have outperformed, with the MSCI ACWI ex USA Index increasing over 17% through June. Attractive valuations abroad, along with policy shifts such as increased defense and infrastructure spending in Europe and Japan, may help reduce growth gaps. These global trends are seen domestically through signs of broader participation in U.S. equity markets. At home, small-cap sectors like Technology (+22.8%), Industrials (+15.4%), and Materials (+13%) performed well in the second quarter, indicating sector rotation. The peaks in Industrials and Financials suggest underlying strength.

Earnings for major S&P 500 companies are expected to grow 5% year-over-year, with sales up 4.2%, though slightly below earlier forecasts. Rapid AI growth, still in its early stages but expanding rapidly—the $244 billion market is projected to surpass $800 billion by 2030, with over 27% annual growth—drives this momentum. Companies are likely to continue investing in AI, boosting tech revenue. The stock price-to-earnings ratio stands at 21.9, above the recent 5- and 10-year averages, indicating stocks may be somewhat expensive but reflecting confidence in growth.

"The overal trend demonstrates resilience in the face of shifting global dynamics."

The overall trend demonstrates resilience in the face of shifting global dynamics. Several factors suggest that the potential for continued strength in the second half of the year remains. However, trade policy remains a significant concern, especially as the White House approaches the August 1 deadline for the reciprocal tariff postponement to expire. President Trump delayed the original July 9 deadline and sent letters to multiple countries outlining new tariff rates; however, uncertainty endures. Any additional delays or resolutions could present buying opportunities during market disruptions. Investors also anticipate the Federal Reserve to restart interest rate cuts later this year, but clarity remains uncertain.

At the start of the year, markets expected limited easing from the Federal Reserve due to persistent inflation. Recent spring data have shifted this outlook, showing inflation easing slightly, with the impact of tariffs seen as temporary and modest. However, June's CPI report indicated a rebound in US inflation, with the headline CPI rising by 0.3%, pushing the annual rate to 2.7%, the highest since February. Higher gas prices and new tariff-related costs in categories like home furnishings and toys contributed to this increase. The Core CPI, which excludes food and energy, grew by 0.2% month-over-month and 2.9% annually, matching economists' expectations but signaling a move away from recent disinflation trends.

Federal Reserve Chair Jerome Powell stated that policy will follow data trends, acknowledging ongoing risks while also indicating a possible path toward normalization. Before the June CPI report, the CME FedWatch Tool showed traders assigning a reasonably high chance to rate cuts starting in September. However, opinions vary—some officials expect no rate cuts in 2025. While June's data might lower easing expectations, it highlights the economy's resilience despite ongoing trade uncertainties.

Recession concerns, though less intense, persist amid signs of mild stagflation. Real GDP declined at an annualized rate of 0.5% in the first quarter of 2025, following positive growth in the latter part of 2024. Full-year 2025 forecasts project a 1.4% increase in GDP, with the second-quarter outlook showing a slight improvement, but an overall slowdown is expected. Worsening employment indicators, rising unemployment, weaker consumer spending, and possible changes in immigration policies could all contribute to a slowdown in economic activity. Tariffs on consumer goods raise inflation risks, and geopolitical conflicts add uncertainties that could disrupt stability. However, this slowdown appears more like a soft landing than a sharp decline, with the labor market normalizing from overheated levels and economic resilience helping to limit the downturn.

"We closely monitor changing dynamics and adjust portfolios accordingly."

We closely monitor changing dynamics and adjust portfolios accordingly. Although we don't have perfect foresight, we aim to capture upside potential while

protecting against shifts. Diversifying away from concentrated tech holdings that have recently performed well might make sense as the year continues.

Our portfolios focus on companies positioned for long-term growth, driven by strong management and designed to deliver results over time. We stay patient, following your customized allocation based on financial needs, risk tolerance, and time horizon. Thank you for your continued trust. Our team is dedicated to your success—feel free to reach out to us anytime for discussions or a portfolio review.

Scott A. Goginsky, CFA®
Partner, Research Analyst & Portfolio Manager

Sources: : Index returns – Nasdaq, S&P Global, MSCI; Tariffs – Yahoo Finance, New York Post; Market statistics – Nasdaq, CNBC, Investor's Business Daily; Economic data – CNBC, Forbes, CNN, US Bureau of Economic Analysis, Baron's; Artificial Intelligence – Statista, Tech Informed

BIONDO NEWS

A Warm Welcome to our New Team Member Valerie!

We would like to formally introduce **Valerie Barnard** to Biondo as Administrative Associate. She enjoys working in a dynamic office and creating a friendly, professional first impression for clients.

In her role, Valerie is responsible for welcoming clients and guests, efficiently directing inquiries and performing various administrative and front desk operations.

Valerie earned a Business Certification from Katharine Gibbs Secretarial School and has over 25 years of administrative and client service experience from her former positions at Fairfield University and MetLife in Connecticut.

A recent resident of Milford, Valerie enjoys traveling, kayaking, hiking and spending time with family and friends.

Congratulations Dina!

Please join us in congratulating **Dina Van Auken** on her well-deserved promotion to Client Service Representative.

Dina joined the firm in June 2022 as an Administrative Associate, managing front desk responsibilities while supporting a variety of administrative functions. She has consistently demonstrated initiative by identifying client needs and proactively delivering dependable, high-quality service.

We thank Dina for her dedication and commitment to the firm and are proud to celebrate this professional milestone with her.

The Greatest Trade in All of Finance

(and why it's the only thing I'm teaching my kids about money)

I'm often asked to talk to client's children about the importance of investing and the power of compound interest, usually hearing "If you can convince them to just open a Roth IRA…." I quickly realized, however, only a small percentage of them are actually open to the idea. Ever try telling a young person they need to forgo their daily latte in favor of putting money in their Roth IRA? Good luck.

After looking back at these conversations, I noticed a pattern – those who listened and took action probably would have done so even if they never spoke with me. Some people are wired to embrace this sort of thing, others are not, and that's not something I can control.

Still, I wasn't ready to give up. I am a parent now and that changes things. My children are five and seven years old, with shorter attention spans than the teenage children or grandchildren I was being asked to speak to. I realized any vital message has to be brief and extremely accessible.

With that in mind, I came up with the following piece of financial education that, more than anything else, I believe is vital

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to their ability to build above-average financial resources over the course of their lives: **TURN CASH INTO EQUITY**. Cash is easy to understand. It's the green paper and metal coins they use to buy ice cream or get on their birthdays. Equity, on the other hand, is a bit trickier.

What is equity? Equity is ownership, specifically, ownership in a business. A business is something that provides value in exchange for cash. That value might be a video game, a ticket to their favorite sporting event, or an ice cream cone on a hot day. Businesses can be as simple as a lemonade stand, or a complex multi-national conglomerate selling intellectual property rights. In both cases, cash is being exchanged for part or all of one of these value providers.

"Something very important happens when you exchange cash for equity."

Something very important happens when you exchange cash for equity. The potential value of the cash you had increases exponentially. The potential decrease also increases exponentially as well but hey, there's no free lunch.

How or why does this happen though? It happens because as the business becomes more valuable, your piece of the business grows proportionately. We've all said at one point or another, "If I had just started buying shares of (insert company here) 20 years ago…."

The equity you now have in place of cash has the capability to grow. If you consider a list of the wealthiest people in the world, the majority (if not all of them) had an above average propensity to make this simple trade – cash exchanged for equity.

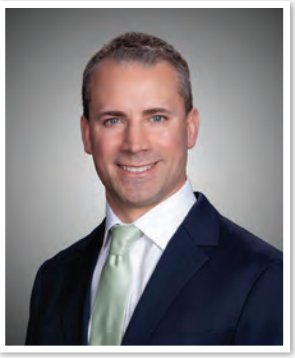
Warren Buffet started this at a young age; the story is he used cash as a kid to buy pinball machines. Along with a friend, he put them in barbershops and shared the profits with the barber. It was a very simple business, but it taught him the power of trading cash for equity, and as we know, he kept doing this his entire life. From oil execs, to internet billionaires - even the guy that makes WeatherTech floor mats - they all at one point or another exchanged cash for equity in a business.

But you don't have to start the next multi-billionaire company to do the same. For most of us, the easiest and most accessible way to trade cash for equity is by buying stock in public companies on an established stock exchange, or owning a piece of the overall market through an index fund.

For most kids, the core lesson is simple – trade cash for equity. As adults, life gets more complicated, with cash needed for mortgages, daycare or food. That's why we try to put an emphasis on financial planning.

Financial planning is just a fancy way of saying, what you need to do to make sure you can pay for the things you need today while still investing for the future. Of course, investing involves risk and as I mentioned in the beginning of this article, not everyone is wired the same way. That's why at Biondo Investment Advisors, we focus on building investment strategies with clearly defined risk levels, and work with you to choose what aligns with your comfort level, current objectives and future goals.

Whether you're five or ninety-five years old, the lesson is the same for building wealth: **TO THE BEST OF YOUR ABILITY, TURN CASH INTO EQUITY**. We can show you how to implement this simple idea, making sure you're able to cover your short-term needs first. As Wealth Advisors, we want to provide this very accessible lesson now, so that it becomes the foundation to build over the course of your financial life.



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Senior Wealth Advisor

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