

# Making Sense of Finance

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## Second Quarter 2025 Review

### Stock Market

Markets often give the impression that they are predictable, but investors should not be fooled. The US government bombed Iran in the second quarter and the stock market shrugged. US markets also shrugged off continued tariff talks by the Trump administration and roared back during this period. The S&P500 appreciated 11.1% in the second quarter, and is up 5.5%, year to date. European equity markets continued to rally and ended up 8.7% for the quarter. Due to the weakening of the dollar, the return in U.S. currency would have been closer to 12%. Tech stocks, in particular, rebounded strongly as CEOs established plans to appease Trump. Asian markets had similar results across the board, with China showing resilient GDP growth of 5.2%, although decelerating from the prior quarter from 5.4%. Inflation seems to have been tamed over the first half of the year, increasing less than 3%, year over year. Egg prices, the public's unofficial inflation gauge, dropped 40% since the

beginning of 2025. To be clear, the hyperinflation in eggs actually had little to do with the economy and was mostly attributable to a bird flu epidemic.

### Bond Market

The bond market had mixed results, with treasury rates rising slightly. The yield curve remains relatively flat with short-term bonds (3 months to 2 year) yielding in the mid-to-low 4% range and long-term bonds (20 years or more) at only 5%. Signs point to another rate cut by the Fed before the end of the year, but we don't think there will be a noticeable benefit to the economy or markets.

Gold, the original "coin", continued to rally. It hit all-time highs recently and seems ready to continue its run. As of July 21, Gold was priced at \$3,410, up 31% year to date. We think this is based on the uncertainty investors feel, however, we think it's more prudent to exclude feelings when analyzing investments. There doesn't seem to be any major fundamental change in supply and demand, but rather a use

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Everyone and their neighbor has an opinion. At Karagosian Financial Services, we have a combined 40 plus years of investment experience. We have seen the markets at their highest highs and lowest lows. Through this newsletter we attempt to convey our opinions on current events in the investment world and their likely outcomes. Forecasting is inherently difficult and our advice is geared toward making sensible and prudent choices based on logic and experience, and not based on emotion.

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as a hedging asset against other forms of investment risk, such as inflation and stock market risk that has increased its appeal. Several new financial instruments that track gold prices also can be attributable to its recent rise, making investments in gold more available. Anecdotally, we noticed the popularity of gold sold at Costco stores that illustrate investors' interest in the commodity.

Oil had a rocky second quarter. After declining in price to under \$60 a barrel in May, it shot up quickly to over \$75 a barrel, due to; you guessed it, conflict in the Middle East. The US dropped bunker busters on Iranian nuclear targets and there was the typical knee-jerk reaction that ensued. Since then, oil prices have started to subside again in July, back to the mid \$60s a barrel range. This should help keep inflation in check as oil is the base material for many fuels, but also many plastics and composite material. Most economists primarily focus on Core CPI (Consumer Price Index) which excludes food and energy prices, due to its volatility. Still, we think this can still influence consumer behavior.

## Outlook

We expect volatility to wane due to the markets growing accustomed to the administration's repeated tariff threats. If we use Trump's previous term as a reference, inflation was extremely low and the stock market was relatively

less volatile during most of his first term compared to the Biden term. Higher prices from tariffs have not hit the US consumers yet, and it may be much more subdued than people expect. The reason investments in equities (shares in of businesses) have been so fruitful for decades is their ability to adjust to change. A combination of cost cutting, as well as companies eating some costs, could make inflation from tariffs less noticeable to consumers. It's also very early since the announcements have been made with many tariff deadlines continually being pushed back and new trade deals with various countries continue to evolve.

The bond market is now a viable option for retirees instead of just being an alternative for cash. Signs point to another rate cut by the Fed before the end of the year, but we don't think there will be a noticeable benefit to the markets. Based on risk/reward, we find shorter duration bonds more attractive. The extra 50 basis point yield (.5%) to wait another decade or two, does not seem justified.

Real estate prices may remain high for many years due to the decade's-long low-interest-rate environment. Those that secured a sub-4%, 30-year mortgage are unlikely to be motivated to give that up, leaving fewer sellers in established markets. Current 30-year mortgages are currently close to 7%, which likely discourage some new

buyers from entering the market.

## A New Chapter

As all of you know, Christine Terry announced her retirement from Karagosian Financial, earlier this month after 31 years. For many, she was the primary contact person due to her long tenure and her familiarity with certain individuals. Fear not though, I am still in frequent contact with her, as well as our founder, Fred Karagosian. Christine will still be available to the firm for the rest of the year on an as-needed basis, to ensure that all our clients' concerns are satisfied. In addition, due to my supervisory role at the company; whether you were aware or not and due to regulations, for the past 15 years I have overseen all communication between Christine and every client and therefore familiar with each person's financial situation. I am looking forward to strengthening relationships with many of you in the future and continuing to aid in reaching your financial goals. Please let me know if you have further questions.

-Seaver T. Wang

President,

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