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AT MORGAN STANLEY**



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We appreciate your introductions to friends, family, and business associates, as well as your continued confidence in us.

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Market Update

A Whiplash Quarter

What began as a market forecasting the worst of outcomes quickly turned into a remarkable reset. April hit the markets hard. Inflation, thought to be a tamed beast, surprisingly popped up again. The Federal Reserve, a continual frustration for President Trump, remained on the sidelines. And the once invincible tech sector showed that it too could be vulnerable under the right conditions. Add to the threats of substantial tariffs with our trading partners and you had all the necessary ingredients for a sizeable market sell off.

Then came May and June and one of the fastest recoveries on record. The tone on tariffs softened considerably as did the commentary from the Fed and Chair Jerome Powell. Those investors who may have prematurely hit the ejection button or were seeking shelter away from the markets were now rushing back and scrambling to be invested. By the end of June and the quarter's end the S&P had astonishingly erased its losses and posted a modest gain for those three exhausting months.

Not even a series of airstrikes on targets in Iran and the brief but considerable spike in oil could derail this market comeback. The Trump Administration and its "on/off" tariff strategy altered their position once again. The markets quickly embraced this news as they did the string of positive earnings, particularly coming from companies in the tech sector.

So, in the face of the geopolitical and the economic events of the quarter the market refused to fold. To be certain, skeptics remain. Concerns about the lagging impact of tariffs and resulting price increases and a weak housing market keep talk of a recession alive. While layoffs are occurring in certain sectors like technology, jobs in healthcare and service businesses have remained solid.

So, the glass "half full/half empty" debate continues as to what may lie ahead in the third quarter. The markets continue to prove that good companies that sell at a reasonable price could be bought. Optimism for earnings remains and Fed watchers continue to bet on an easing of rates, with a first cut perhaps as early as September.

We know a list of trouble spots could be easily generated. Market valuations are not cheap. The AI story may be over hyped in the short run. Political tensions exist virtually every place you may look. Despite all these potential headwinds. We have a consumer that is spending, a solid workforce and companies that while cautious, are reporting solid returns. For now, we treat our whiplash from Q2 with an optimistic outlook for Q3.

Please be sure to visit our website at
<https://advisor.morganstanley.com/the-marshall-tepper-group>

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