

The Riverwood Wealth Management Group at Morgan Stanley

News and Views

July 2025

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I said this last July as well but time flies! We have six months in the books and the stock markets are slightly above where they started the year – although hardly in a straight line. We certainly have had our share of news and events to contend with so far this year which always seems to be the case. The unpredictability of the future outcomes remains a constant, as no one can foresee what a year will bring. One thing that I do know is that no one ever knows. What do I mean by that? Well, of all the “expert” forecasts that I read last year looking at 2025 predictions, they all failed to anticipate the diverse scenarios that have unfolded in the first six months of 2025.

Three things in particular that are weighing on the markets this year were prominent last year as well – inflation, interest rates, and geopolitical tensions. On inflation and interest rates, we are sitting at a better point this year than last year at this time. Inflation has definitely been trending in the right directions this year with some big declines in some notable goods. Interest rates have remained stubbornly elevated with the Fed not cutting one time in the first half of the year. Two cuts in the second half of the year is what the market is predicting and that would certainly be welcomed. Geopolitical tensions are always a concern and are much more serious than simply how they effect the market. But for the purposes here, we will only look at market impact. Prior events have led to some volatility for stocks, typically short lived, but post those events the market has been positive on average. We chose to focus on those three concerns, there are undoubtedly many others and certainly some you may think are more important. The specific issues aren’t especially meaningful, as they are out of our control and boil down to noise for the markets. What is more important to us is focusing on something we can control which is our investment philosophy and process.

Our primary objective is to be good stewards of your hard-earned capital. How do we do that? We start with you – through an in-depth process to identify your goals and objectives and risk tolerance we come to an allocation of stocks and bonds aligned with your unique parameters. Secondly, we aim to manage undue risks by not trying to predict speculative outcomes tied to specific events that occur over the course of the year that can impact the stock market and your portfolio. For example, is The Fed going to cut interest rates once or twice this fall or will inflation continue its downward path or turn back up? While these things certainly matter, and we monitor events like this daily our process does not hinge on a single outcome but is designed to adapt. The binary outcome does not matter to your specific plan. We strive to provide a stable experience, seeking to reduce the potential impact of volatile days because at the end of the day it is about “time in the market, not timing the market”.

You may think it would be nice to miss just the bad days in the market. Of course it would, but some of the best days in the market come on the heels of the worst days. So, you would inevitably miss some of the best days and that can be even more costly to your overall returns. If you looked at the S&P 500 from 1990 to 2025 (as of May 5th) the S&P 500 had an annualized return of 10.4%, as shown in the graph on page 2. The S&P 500 was open for trading approximately 8,917 days. What do you think your return would be if you missed just 30 of the best days? 5.0%, it would be cut in half by missing 30 days out of 8,917. Now if you missed 90 best days your return would actually have been negative at -1.3% annually. Missing just 90 days of a 35-year stretch had an enormous impact verse riding the ups and downs. Our process is not about predicting every market movement but building a portfolio that withstands various outcomes, rather than being tailored to one scenario.

As always, thank you for your time and the confidence you have placed in us. Please call anytime.

I hope you are all able to enjoy some well-earned down time with family and friends to celebrate the upcoming holiday. Enjoy a safe and patriotic 4th of July.

“Working hard to earn your trust...and even harder to keep it”

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The Riverwood Wealth Management Group at Morgan Stanley

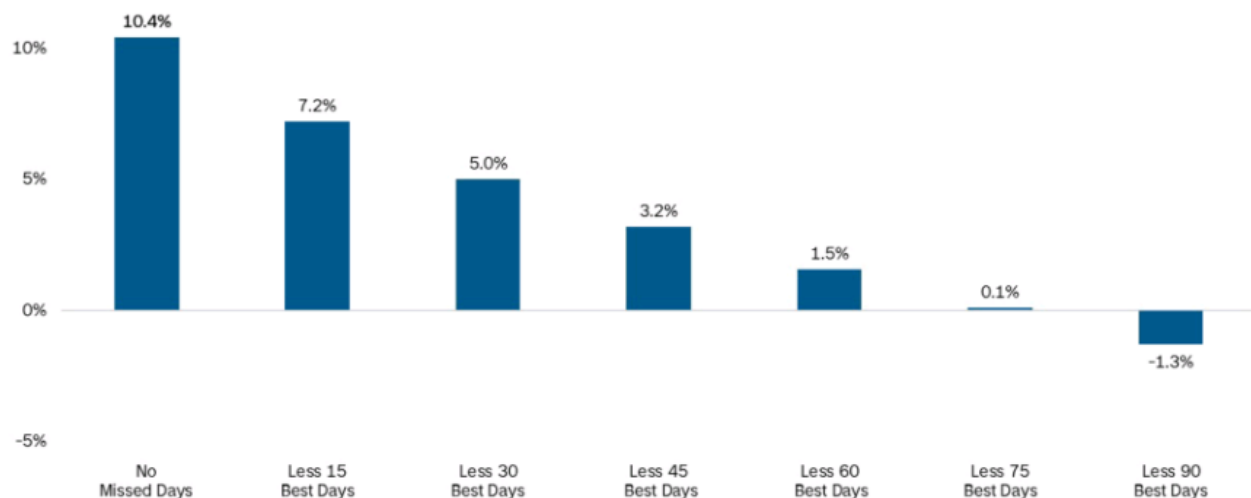
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Poor Market Timing Can Weigh Heavily on Investors' Realized Return

S&P 500: TOTAL RETURN (% , ANN., 1990-2025)

AS OF MAY 5, 2025

15%



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: Best days are defined as the days with the highest single-day returns in the S&P 500.

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The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. **An investment cannot be made directly in a market index.**

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