

# Morgan Stanley

## PRIVATE WEALTH MANAGEMENT

July 23, 2025

At first glance, 2025 might appear to be an uneventful year for markets. However, a closer look at the path of returns reveals a very different story. U.S. stocks experienced a gut-wrenching 21% peak-to-trough decline<sup>1</sup>, only to stage the fastest full recovery in history over a four-month stretch from mid-February to late-June<sup>2</sup>. The downturn was largely driven by uncertainty around aggressive tariff policies and fears of a potential recession, compounded by ongoing inflation concerns.

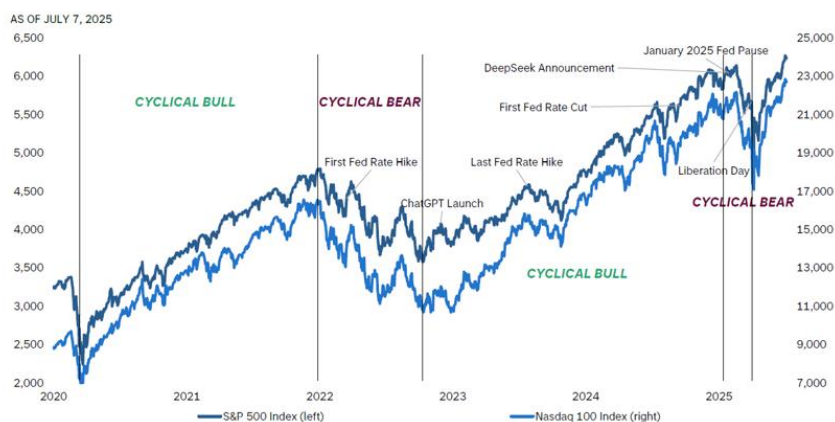
As of mid-July, equities are hitting all-time highs, with the S&P 500 up 6.7% year-to-date<sup>1</sup>. The bond market has also stabilized following April's panic, with the 10-year Treasury now yielding 4.35%<sup>3</sup>. Morgan Stanley currently sees a 75% chance of an economic soft-landing<sup>4</sup>, with no recession in sight – a dramatic shift from the fear that gripped markets only a few months ago. The market now seems to be looking past the daily tariff news, focusing instead on market positives like tax cuts, deregulation, and the potential for rate cuts in 2026. Of course, risks remain. Geopolitical tensions in the Middle East, the ongoing war in Ukraine, and U.S.-China relations continue to drive headline volatility. While markets will likely react to each new tariff announcement or policy debate, we believe the best course of action is to stay calm, stay invested, and remain focused on long-term trends. This is clearly a year that is testing everyone's risk tolerance.

To that end, we have been focusing on increasing exposure to foreign equities, precious metals, and companies positioned to benefit from the AI boom and capital spending cycle. With yields now back to pre-financial crisis levels, we believe income-generating investments are reasonably attractive and may offer compelling opportunities. We are positively biased and remain optimistic about the future. In our view, we are still amid a secular bull market with excellent investment opportunities for long-term investors diversified across asset classes.

Please see the attached links to Morgan Stanley's latest [market charts and commentary](#), including a report from our political analysts on the recently approved BBB: [A Big Beautiful Guide to the Big Beautiful Bill](#).

As always, please feel free to reach out to schedule a portfolio review or discuss markets.

## The Post “Liberation Day” Bear Market Was Short-Lived: Round-Trip Has Been Extreme; New Bull?



Source: Morgan Stanley Wealth Management GIO, Bloomberg.

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[1] Bloomberg 7/10/2025. Index referenced: S&P 500 (SPX).

[2] Strategas Research Partners 7/7/2025 – Technical & Macro Research Daily Report.

[3] Bloomberg 7/10/2025. Index referenced: US 10-year Treasury Bond.

[4] Morgan Stanley Wealth Management – Monthly Perspectives July 2025.

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