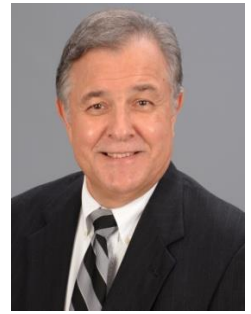


# GFC FINANCIAL MANAGEMENT

*"Financial Advice you Can Trust"*

## 2025 Second Quarter



George F. Cerwin  
CFP

### George Cerwin's Quarterly Economic Update

Almost every investor has heard the saying, "equities are for long-term investors." This philosophy was reinforced in the first half of 2025, which witnessed significant and historical changes in equity movements. If you left Earth on January 1 and returned on June 30, you would see that the S&P 500 started the year on a high note and achieved a new high on June 30. This is great news for investors. However, the first half of this year has also been one of the most volatile first halves ever, with the market experiencing a correction of nearly 20% before rebounding to reach a new high.

As the second quarter began, many analysts downgraded their annual forecasts, predicting potential doom and gloom for investors for the remainder of 2025. In early April, when people thought the world would collapse and the market dipped below 5,000, the outlook seemed bleak. Since then, the market has rallied and by early May entered positive territory for the year. After advances of approximately 5% in both May and June, the S&P 500 closed the second quarter at an all-time high, leaving investors who stayed with equities rewarded once again.

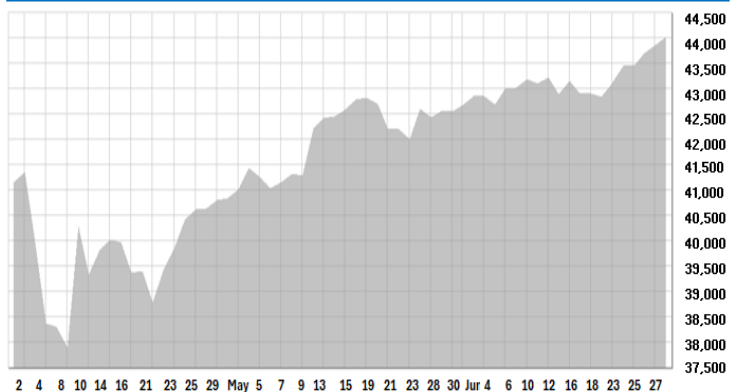
Several major factors continue to put pressure on equities. They included pending tariff policies, reluctant inflation rates, potential economic slowdown, and geopolitical conflicts.

Geopolitical conflicts took center stage at the end of the quarter. During late June, even tariffs took a side burner to geopolitical conflict in the news. However, the current tariff pause, as of the writing of this newsletter, is set to end in the next few weeks and talk of reciprocal tariffs is on the table for most countries. We remain committed to keeping a

#### S&P 500 and DJIA Quarter 2 2025

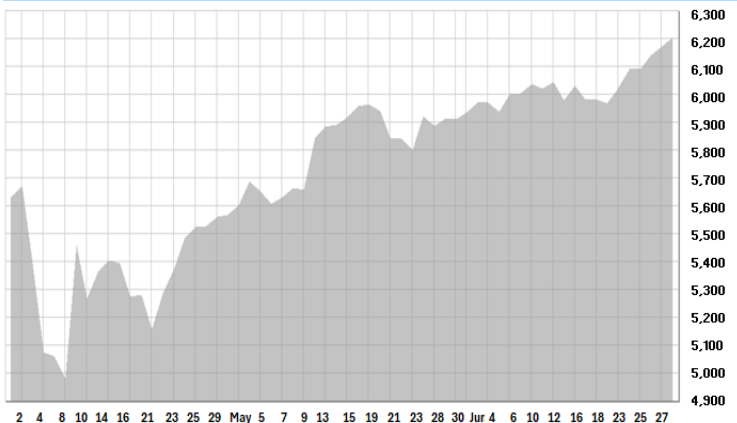
DJIA

+5.0%



S&P 500

+10.57%



Source: bigcharts.com

#### MONEY RATE (as posted in Barron's 06/30/2025)

	LATEST WEEK	YR AGO
Fed Funds Rate*	4.33%	5.33%
Bank Money Market <sup>z</sup>	0.39%	0.56%
12-month Certif <sup>z</sup>	1.76%	2.05%

Z - Bankrate.com; \* - Average effective offer

(Source: Barron's; bankrate.com)

watchful eye on tariffs and their effects on our client's investment portfolios and financial plans.

Despite all these challenges, equities powered through to end the quarter. The S&P 500 closed the quarter at a record high of 6,203.31, up 10.57%, and posted its best quarter since December 2023. The S&P 500 was up 24.5% since a low hit on April 8 and is up 5.5% on the year as of June 30. The Dow Jones Industrial Average (DJIA) closed the quarter at 44,077.26, up 5%. For the year, the DJIA is up 3.6%. (Source: *cnn.com*; 6/30/25)

Investors still have not seen any interest rate cuts from the Fed in 2025, although, they are still projecting two rate cuts this year. For now, Federal Reserve Chair Jerome Powell noted they are, "well positioned to wait" before making any moves on rates. (*cnbc.com*; 6/18/2025)

In both April and May, the unemployment rate was a healthy 4.2%. In June the unemployment rate came in better than expected and fell to 4.1%.

**2025 continues to be a year of change. While many signs are strong, others are cautionary. As financial professionals, we are committed to keeping you aware of any changes that could directly affect your situation. Our goal is to consistently review our clients' investments and confirm they align with their time horizon, risk tolerance and goals.**

## Inflation & Interest Rates

### Key Points:

- Interest rates remained unchanged at 4.25 – 4.50% during the second quarter of 2025.
- The Fed is still forecasting rate cuts for 2025.
- U.S. inflation decreased in May to 2.4%, slowly inching closer toward the Fed's 2% target.

In the Federal Reserve Press Release on June 18, 2025, the committee stated, "recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated." (Source: *Federal Reserve Press Release*; 6/18/25)

During the second quarter of 2025, the Federal Open Market Committee (FOMC) decided to maintain

## KEY TAKEAWAYS

- After a very volatile first quarter that took equities into correction territory, equities recovered in the second quarter and ended it at record highs.
- Trade tensions, tax law changes, and heightened geopolitical conflict are amongst the top antagonists of continued uncertainty and volatility.
- The Fed held the federal funds rate range steady at 4.25 – 4.5%.
- Overall, inflation is trending in the desired direction in the second quarter. In April and May, the core CPI held steady at 2.8%.
- Focusing on your long-term goals and staying the course of a well-guided plan can help you stay grounded and confident during these times of uncertainty.
- ***We are here for you to discuss any questions or concerns you may have.***

interest rates in the range of 4.25% to 4.50%. The Federal Reserve indicated that rate cuts are still possible this year, but Fed Chair Powell stated, "For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policies," during his post-June meeting news conference. (*cnbc.com*; 6/18/25)

In May, the Consumer Price Index (CPI) on a year-by-year basis was 2.4% and core inflation was 2.8%. Many anticipate that impending tariffs could reignite inflation in the coming months. We are watching how the economy is affected by tariffs, but for now, the economy has not seen any major changes due to tariffs.

**Interest and inflation rate movements are integral for investors' financial planning, and we will continue to monitor these key economic indicators closely.**

## The Bond Market and Treasury Yields

### Key Points:

- Bonds, while typically used as a safe haven to volatility, were not exempt from volatility in the second quarter, and they remain sensitive to continued uncertainty.
- With the Fed still anticipating lowering interest rates this year, existing bonds may rise in value.

Bonds, while typically seen as a more secure option for investors during times of uncertainty, were not exempt from volatility. Two days after “liberation day”, in April, the 10-year par yield curve rate fell to 4.01% and the 20-year dropped to 4.44%. By May 21<sup>st</sup>, the 10-year par yield curve rate rose to 4.58%, and the 20-year reached 5.08%. Yields then fell again as tension between the U.S. and Iran escalated. The 20-year note ended the quarter at 4.79% and the 10-year note ended at 4.24%.

Like many other things, the direction of bond yields remains unclear. Many factors affect them, including the movement of interest rates and inflation, geopolitical risk, and trade tensions. In particular, as it currently stands, the recently passed “One Big Beautiful Bill Act” could add over \$3 trillion to the federal deficit over the next decade. The federal government issues bonds as a way to borrow money and finance the government’s operations. Hopefully, growth from tax cuts and higher tariffs could help counterbalance that debt.

We consider using bonds when they are appropriate for portfolios, and when we do we take into consideration a client’s risk tolerance, time horizon, and overall investment goals. Bonds can be an integral part of a well-diversified portfolio but please remember, while diversification in your portfolio can help you pursue your goals, it does not ensure a profit or guarantee against loss.

## Investor’s Outlook

### Key Points:

- While they had their fair share of volatility, stocks and bonds were positive for the quarter. Looking ahead, investors need to know there is uncertainty and that could continue equity market volatility.

- Regardless of what the remainder of the year brings, proactive planning with a well-diversified portfolio that takes into consideration your risk tolerance and time horizon is still advised.
- A long-term investing strategy can be helpful during periods of short-term fluctuations and staying the course for your financial goals is typically the best path.

Right now, there is still a lot of uncertainty and that could extend market volatility. Lately, a sizeable number of the market’s gains have followed talks about the de-escalation of tariffs. Looming deadlines and lack of defined terms can keep economic uncertainty high not just for Americans, but globally. Other significant issues for equities, all of which we are monitoring, include:

- As of the quarter’s end, the economy has remained strong.
- Inflationary pressures and results could rise during the near future due to reciprocal tariffs.
- The Fed is still projecting to lower interest rates this year.
- The “One Big Beautiful Bill Act” was signed into law on July 4<sup>th</sup>.
- Global conflict remains. An escalation of the Israel-Iran conflict could affect oil prices. In addition, the Russia-Ukraine war still continues.

As of the writing of this newsletter, tariff and trade negotiations are expected to be revisited. These negotiations could create disruptions or positive surprises. The full impact on tariffs is yet to be seen for the American household and corporate earnings. “It takes some time for tariffs to work their way through the chain of distribution to the end consumer. A good example of that would be goods being sold at retailers today may have been imported several months ago before tariffs were imposed”, stated Fed Chair Jerome Powell. How much tariffs effect inflation is yet to be seen for U.S. consumers.

2025 continues to be a year of change for the U.S. On July 4<sup>th</sup>, the “One Big Beautiful Bill” Act was signed by the President. We will be addressing this bill and its impact in later communications. Volatility has ruled in 2025 and it could continue for

a while. While staying aware of economic data and news is important, please keep in mind that minimizing your exposure to inflammatory media and speculative news reports can help reduce anxiety. Remember, although volatility has a negative connotation, it can also bring opportunity.

As stewards of your wealth, we monitor areas we feel are important to your financial situation. **Our team is here to help you with every step of your journey toward your financial goals. Please feel free to reach out to us with any questions you may have. We appreciate the trust and confidence you have in our firm.**

**On July 4<sup>th</sup>, the President signed a new tax bill that will change financial planning for millions of Americans. Here are four items within this bill that could impact you:**

- 1. Currently lower tax brackets will remain.** The Tax Cuts and Jobs Act (TCJA) income tax brackets were to sunset at the end of this year. These brackets are now permanent, saving millions of taxpayers from a tax increase.
- 2. Higher standard deductions become permanent.** The higher standard deduction becomes permanent and will increase to \$15,750 for single filers, \$23,625 for head of households, and \$31,500 for married individuals filing jointly. Also, there are new additional standard deductions for taxpayers over the age of 65 (subject to phaseouts).
- 3. State and local deduction (SALT) are raised** from \$10,000 to \$40,000, with a 1% increase in the cap each year through 2029 before returning to the \$10,000 limit for 2030. The deduction is reduced for higher-income taxpayers starts to phase out after \$500,000 of income.
- 4. The estate tax exemption** was increased from \$13.99 million to \$15 million for individuals and from \$27.98 to \$30 million for those married filing jointly.

**We will be addressing these points and the details behind them in future communications.**

***We want to help others like you!***

**Many of our best relationships have come through introductions from our clients. We would be honored if you would** add a name to our mailing list or encourage someone to schedule a complimentary financial checkup. Please call Sue or Beth at 727-724-9499 and we would be happy to assist you!

**George F. Cerwin, CFP®, CLU** is President of GFC Financial Management and has over 45 years of experience working with retirees and those about to retire. George offers Securities and Investment Advisory Services through **Osaic Wealth, Inc.** member FINRA and SIPC. Insurance Services offered through GFC Financial Management, not affiliated with **Osaic Wealth, Inc.** Visit our website: [www.gfcfinancial.com](http://www.gfcfinancial.com). Our office address is 2764 Sunset Point Road, #600, Clearwater, FL 33759 and phone number 727-724-9499.

Note: The views stated in this letter are not necessarily the opinion of Osaic Wealth, and should not be construed, directly or indirectly, as an offer to buy or sell any securities mentioned herein. Investors should be aware that there are risks inherent in all investments, such as fluctuations in investment principal. With any investment vehicle, past performance is not a guarantee of future results. Material discussed herewith is meant for general illustration and/or informational purposes only, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. This material contains forward-looking statements and projections. There are no guarantees that these results will be achieved. All indices referenced are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. There is no guarantee that a diversified portfolio will enhance overall returns outperform a non-diversified portfolio. Diversification does not protect against market risk.

The S&P 500 is an unmanaged index of 500 widely held stocks that is general considered representative of the U.S. Stock market. The modern design of the S&P 500 stock index was first launched in 1957. Performance prior to 1957 incorporates the performance of the predecessor index, the S&P 90. Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. Past performance is no guarantee of future results. CDs are FDIC Insured and offer a fixed rate of return if held to maturity. Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. **Sources:** cnbc.com; barrons.com; bigcharts.com; reuters.com; thestreet.com; Federal Reserve Press Release; nerdwallet.com; cnbc.com; fortune.com; marketwatch.com; cnn.com; U.S. Department of Treasury. Contents provided by the Academy of Preferred Financial Advisors, 2025