

## THE VIEW FROM PRINCETON

*Market Commentary ♦ June 3, 2025*

### Welcome to Summer!

**Although the summer solstice is weeks away, the calendar has turned to June and the Memorial Day-to-Labor Day brackets within the year promise a seasonal change of pace, or at least a change of feeling.** Family trips displace business travel and financial headlines are just a touch less riveting. This year seems a "bit" different for obvious reasons: the US president and his team remain unapologetically active as they shape and reshape a familiar order into their own version of "great." These moves are being fiercely contested locally, globally, legislatively, administratively, and judicially with outcomes as yet unknown but soon to be felt. In short, we should know more by the time we hit back-to-school season.

**Until then there is, of course, rapt attention on these Trump tariffs (especially as applied to China) and the volatile to-and-fro tactics which can change from minute to minute.** America's historical experience with tariffs, itself heavily influenced by complex policies and conditions of that long ago era, incite foes and trading partners to hyperbolic predictions of a US economy in the throes of decompensation. All of this, ultimately, calls into question the outlook for GDP growth and corporate earnings by extension, and that is how we translate this latest "will he, or wont he" distress. What investors want to know is simple: Inflation or price stability? Recession or growth? A pause or a landing? Will the administration's policies expand markets or strangle them? Who wins and who loses? When all of these factors seemingly wobble in their long-established orbits, stock prices are disturbed.

**Obviously, there will be more to the story than just GDP and corporate earnings--these are the visible byproducts from a cauldron of secular and cyclical uncertainty on the boil.** Inflation, interest rates, fiscal deficits and debt are poured into the pot in everchanging measures of cause or effect. Not to be left out of this brew are secular growth developments (mostly associated with AI) and possibly early signs of separation among the Magnificent 7 as differences and specialties become more apparent (Graph 1). It is easy to see that Nvidia (NVDA) is in a very different place than Apple (AAPL) as one example, while Amazon (AMZN) and Alphabet (GOOGL) traverse pathways to growth that are producing variegated results worthy of notice.



With so much unsettled business what may be most surprising at this near-midyear juncture is that US stock market performance (S&P 500 Index) is actually flat through the end of May (Table 1). This relief feels less rewarding, however, when US equity returns are compared to non-US markets. In Graph 2 we show the S&P 500 Index against the EURO STOXX 50 Index. While the US administration talks casually of a potential "adjustment period," causing many to fear a protracted slowdown, European stocks have surged on the hopes of a debt fueled expansion as nations re-arm to confront present and future dangers.

Indices	WTD	May	2025
S&P 500	1.9%	6.2%	0.5%
S&P 500 Equal Weight	1.2%	4.2%	0.6%
Dow 30	1.6%	3.9%	-0.6%
Dow Transportation	1.0%	7.7%	-7.6%
NYSE FANG+	2.7%	11.8%	5.2%
ICE Semis	1.2%	11.3%	-5.1%
ICE Biotech	0.3%	-4.0%	-7.9%
S&P Mid Cap 400	0.8%	5.3%	-3.8%
S&P Small Cap 600	1.4%	5.1%	-8.8%
Russell 2k	1.2%	5.2%	-7.2%

Table 1 -- Select Equity Returns

Source: NYSE MAC Desk, "Weekly Recap," 5/30/2025



Graph 1 -- S&P 500 Index vs EURO STOXX 50 Index Performance

Source: Bloomberg, 6/1/2025



Graph 2 -- "Magnificent 7" Equity Performance

Source: Bloomberg, 6/1/2025

**It will be another month before we report on 2Q results for our strategies, Core Equity and Growth Equity.** On a preliminary basis, our portfolios performed well in May as we recaptured returns after the market's difficult first four months of the year. Looking into our investment activity so far this quarter, we made select changes in both portfolios late in the month. In Core Equity we exited **Merck (MRK)** and trimmed our **Mastercard (MA)** holding in order to fund a new investment in **Quanta Services (PWR)**. Merck's persistent challenges around end of exclusivity for its lead product and pipeline progress have been disappointing. On the other hand, Mastercard continues to perform well, and we realized a gain on the sale. We have good history with Quanta Services, having held an investment in Growth Equity for some time. The company is a leading provider of design, construction and maintenance services for infrastructure projects, with a particular opportunity in electric power.

**In Growth Equity, we executed two sales at the end of May. We exited Disney (DIS) which had recovered from pressure on the heels of stronger quarterly earnings and a positive outlook, and we trimmed our Alphabet (GOOGL) position.** Both sales provide dry powder for future investments which can arise under these volatile conditions.

**There is no change to our philosophy of investing in companies developing or applying innovative products and services that can deliver superior growth over the long run.** We believe our focus on leading companies with defensible market positions and strong execution can be a difference maker during turbulent moments such as these. We are optimistic about the rapid pace of change in many places of the economy and what that portends for the future. Please reach out with questions or conversation at any time.

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