



CHARTBOOK Market Comment

Prepared by OceanFront Investment Counsel Inc.

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Chartbook Market Comment: July 2025

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Market Comment

The conflict in the Middle East was enflamed in June, as the United States entered the fray by bombing nuclear facilities in Iran. Surprisingly, the price of oil fell following the attack while other markets had mostly benign reactions. Neither side has escalated the hostilities further thus far.

The Federal Reserve is expected to cut its policy interest rate again beginning in September, although the timing and magnitude of rate cuts remains highly uncertain and dependent on many factors. Trump has put immense pressure on the Fed to cut but the Fed has not acquiesced. Future cuts are more likely to be influenced by inflation, economic growth and the labour market than Trump's demands.

The Bank of Canada holds a similar stance as the Federal Reserve on its policy and is expected to cut at least once more in 2025. Like the Fed, the Bank of Canada will be watching inflation, growth and labour market data closely to determine the magnitude of upcoming cuts. In the absence of a recession or major drop in inflation it is unlikely we see substantially lower rates from the two central banks any time soon.

Climbing the Wall of Worry



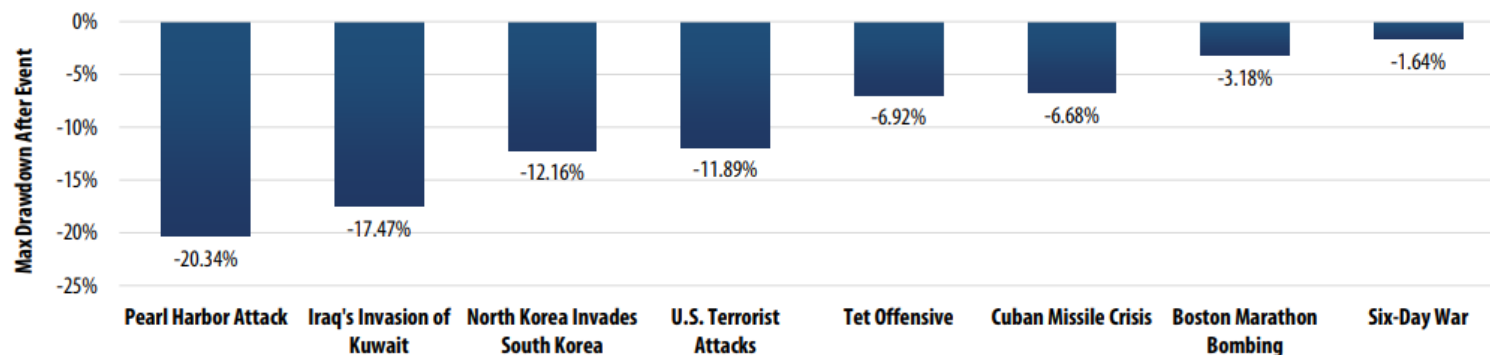
Wars have been all too common throughout history, with the most recent conflict in the Middle East between the US, Israel and Iran being just the latest in a long list of hostilities.

Source: First Trust, S&P CapIQ, Bloomberg. Monthly index levels from 12/31/1927 - 12/31/2024. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index.

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Geopolitical Shocks and Markets

Geopolitical Shock	Event Date	1-Day Return	1-Year Return	Max Drawdown	Days Until Bottom	Days Until Recovery
Israel-Hamas War	10/7/2023*	0.60%	34.88%	No Initial Dip	No Initial Dip	No Initial Dip
Russia Invades Ukraine	2/24/2022	1.89%	-5.13%	No Initial Dip	No Initial Dip	No Initial Dip
Boston Marathon Bombing	4/15/2013	-2.48%	19.49%	-3.18%	4	14
U.S. Terrorist Attacks	9/11/2001	-5.01%	-13.75%	-11.89%	11	30
Iraq's Invasion of Kuwait	8/2/1990	-1.19%	13.66%	-17.47%	71	187
Tet Offensive	1/30/1968	-0.54%	15.43%	-6.92%	36	69
Six-Day War	6/5/1967	-1.64%	19.36%	-1.64%	1	1
Cuban Missile Crisis	10/16/1962	-0.31%	30.91%	-6.68%	8	17
North Korea Invades South Korea	6/25/1950	-5.27%	20.03%	-12.16%	19	59
Pearl Harbor Attack	12/7/1941	-4.15%	3.70%	-20.34%	142	304



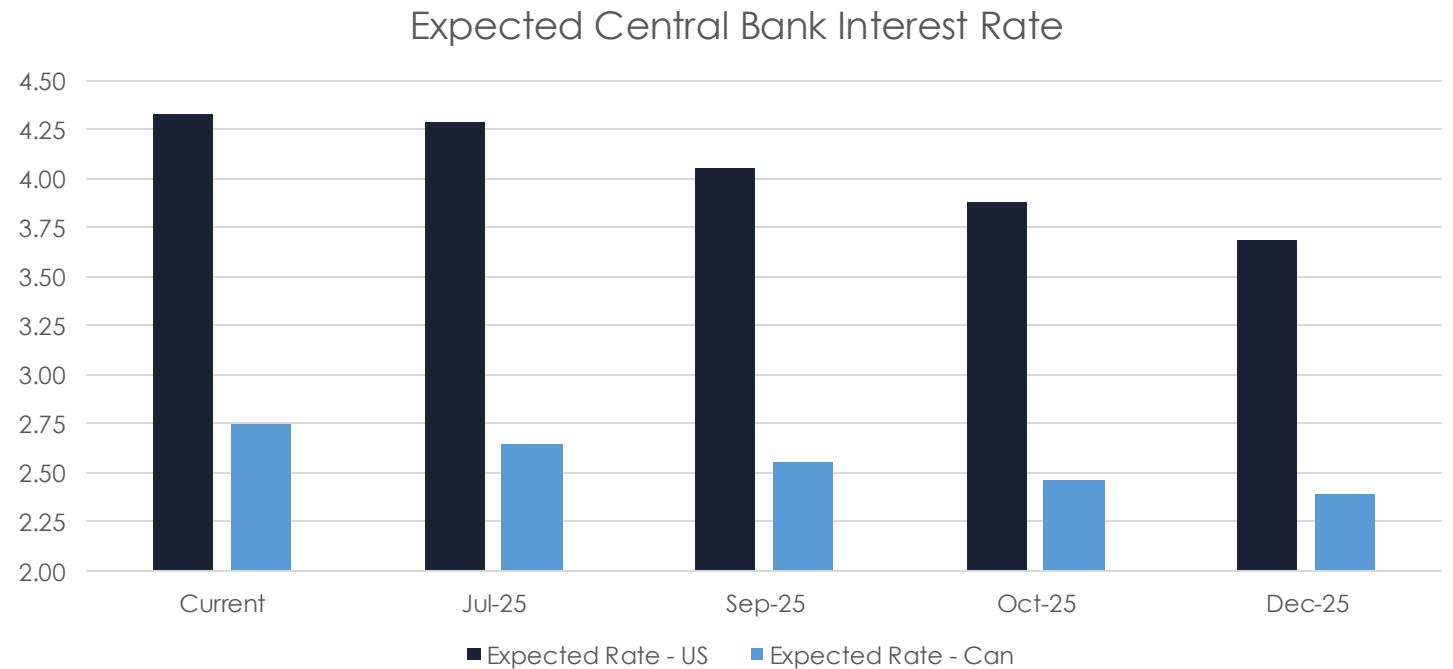
The table shows the returns of the US stock market following significant geopolitical shocks. As frightening as these events can be, they often have little to no negative effect on markets and/or a relatively quick recovery from the initial decline.

Source: First Trust, Ken French Data Library. Ken French data library uses the CRSP database. As of 12/31/2024. **Past performance is no guarantee of future results.** *Since the market was closed on 10/7/2023, 10/6/2023 was used for the event date returns. Universe includes all New York Stock Exchange (NYSE), American Stock Exchange (AMEX) & NASDAQ stocks. Returns are market-cap weighted. An investor cannot invest directly in an index.

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Interest Rate Expectations

Markets are pricing in 25-50 basis points of cuts from the Bank of Canada and 50-75 basis points of cuts from the Federal Reserve by the end of the year.

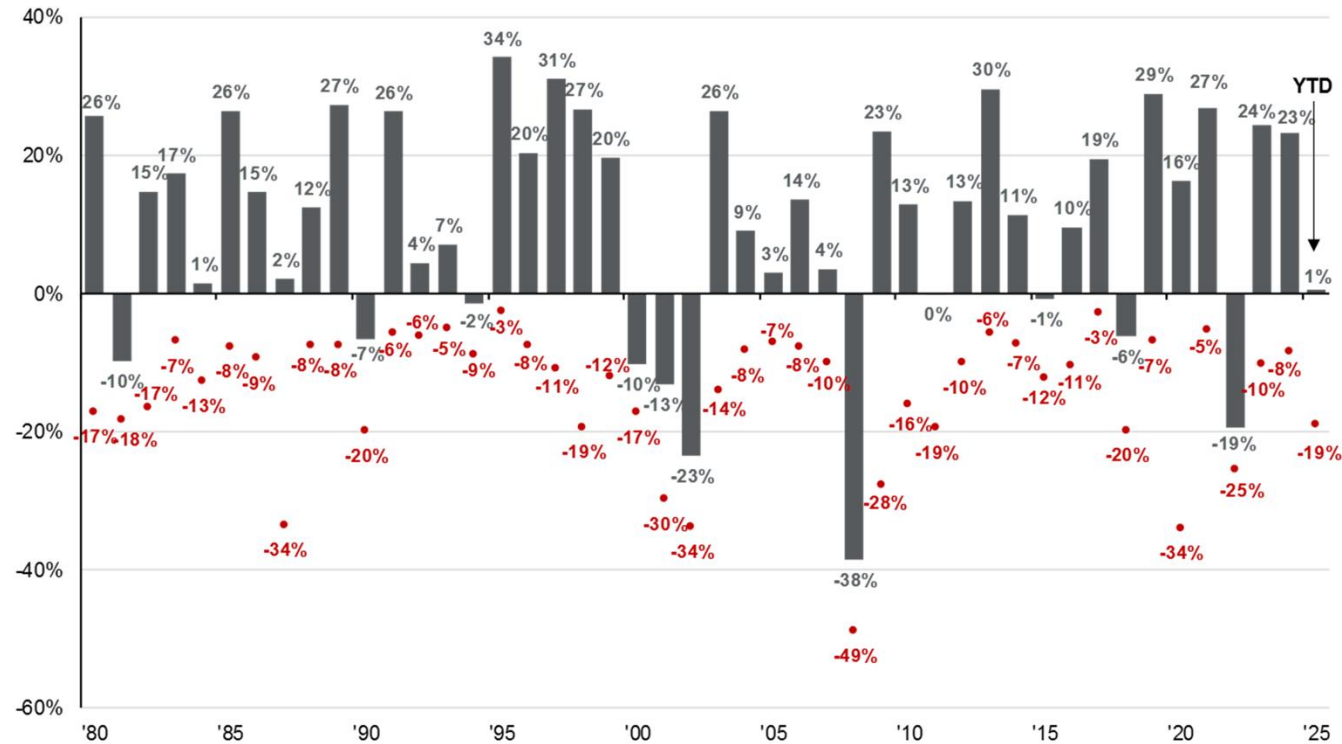


Data: Overnight Index Swap markets as of June 27, 2025

Annual Returns and Declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



As of May 30, 2025

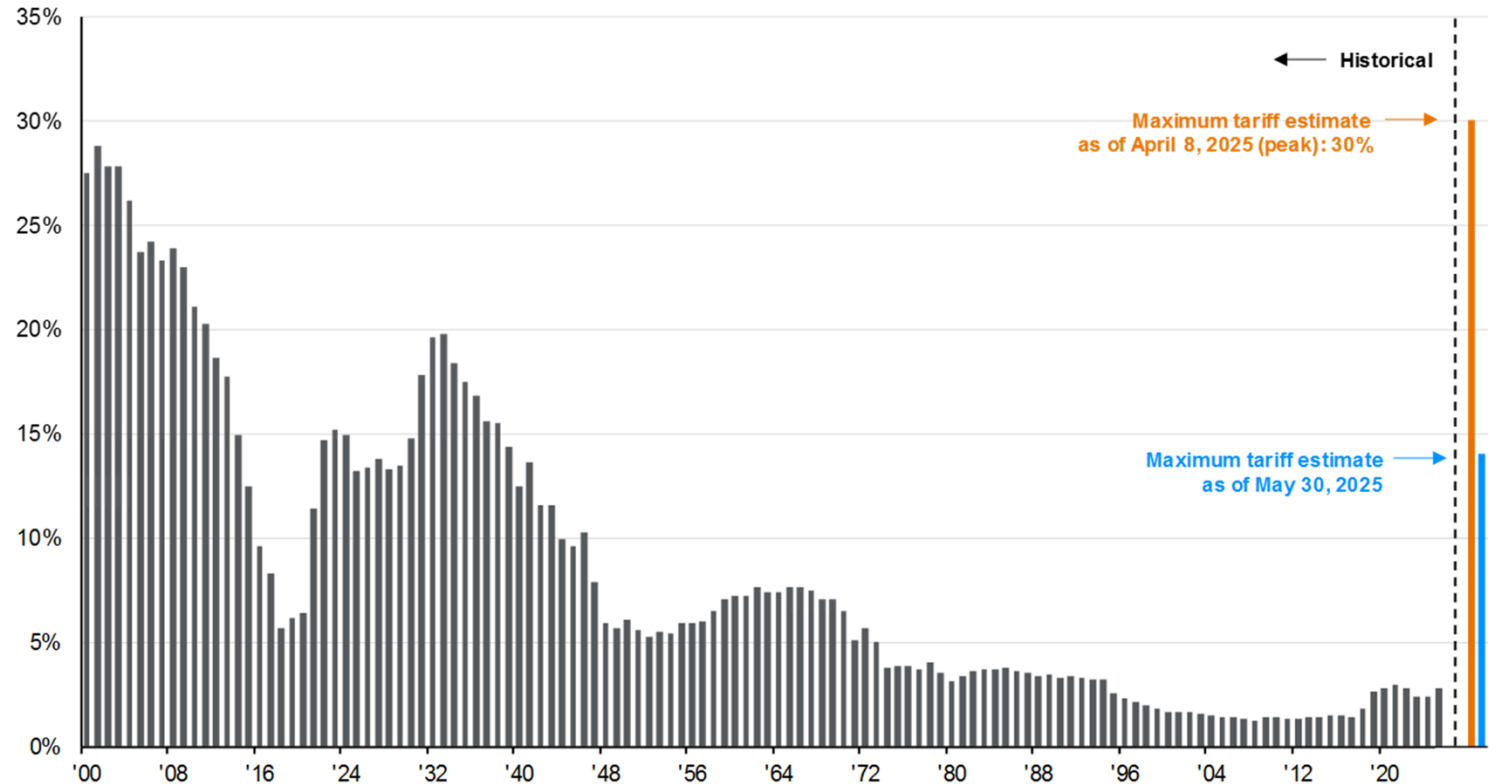
Despite a 19% drawdown during the height of the tariff-related volatility, the S&P500 has climbed to a positive return on the year thus far.

Tariffs

The global trade war has calmed somewhat since the infamous “Liberation Day” announcement. The estimated average tariff rate collected by the US has declined from 30% to about 14%, which would still be the highest rate since the 1940s.

Average tariff rate on U.S. goods imports for consumption

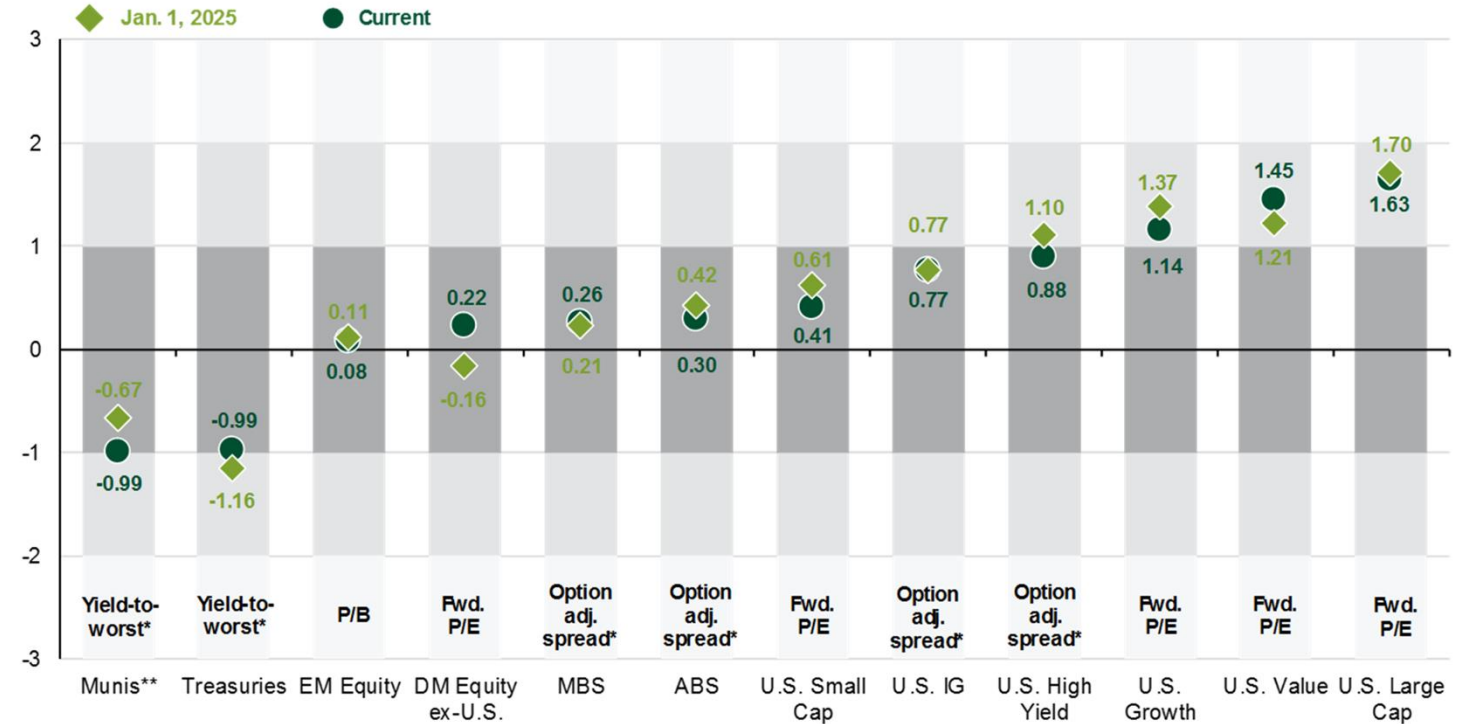
Duties collected / value of total goods imports for consumption



Valuations

Asset class valuations

Z-scores based on 25-year average valuation measures



US large cap stocks remain extremely expensive compared to their global counterparts. They are close to 2 standard deviations above their 25 year average, while international and emerging market equities are close to their respective 25 year average values.

9 | Source: Bloomberg, BLS, CME, FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Guide to the Markets – U.S. Data are as of May 30, 2025.

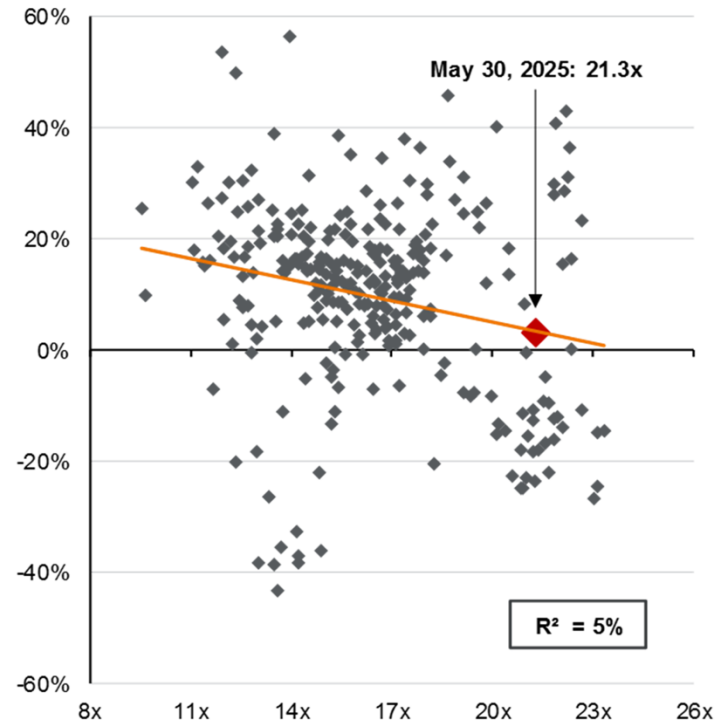
U.S. Large Cap: S&P 500, U.S. Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, U.S. Value: Russell 1000 Value, U.S. Growth: Russell 1000 Growth, U.S. High Yield: Bloomberg U.S. Aggregate Corporate High Yield Index, U.S. IG: Bloomberg U.S. Corporate Investment Grade Index, Treasuries: Bloomberg U.S. Aggregate Government – Treasury, Munis: Bloomberg Municipal Bond, ABS: Bloomberg U.S. Aggregate Securitized – ABS, MBS: Bloomberg U.S. Aggregate Securitized – MBS. *Yield-to-worst and option-adjusted spreads are inversely related to fixed income prices. **Munis yield-to-worst is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.

Valuation and Subsequent Returns

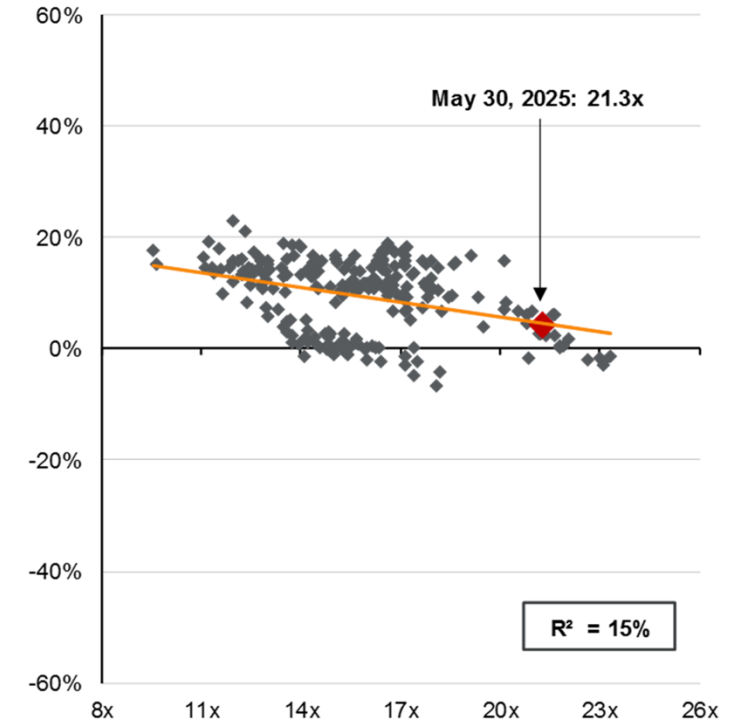
Valuations are important because historically, they have had a correlation to future returns over the medium to long-term. This is an inverse relationship, meaning that the higher the current valuation, the lower the future return tends to be.

Past performance does not guarantee future results.

Forward P/E and subsequent 1-yr. returns
S&P 500 Total Return Index



Forward P/E and subsequent 5-yr. annualized returns
S&P 500 Total Return Index



DISCLAIMER

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