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Issue 132 *Summer Quarter, 2025*

Housekeeping. If you have a taxable account with us, you may have noticed in May of this year Fidelity made an adjustment to non-retirement brokerage accounts for Registered Investment Advisors where they changed the default core sweep position from the Fidelity Treasury Money Market Fund (FZFXX) to the Taxable Interest-Bearing Cash Option (FCASH). This shift shows up as offsetting withdrawals and contributions on your statements, as we've manually moved your funds back into FZFXX. Why? Because FZFXX currently offers nearly double the yield of FCASH and our goal is to maximize your returns. If you have any questions about this change or how it affects your account, please contact us.

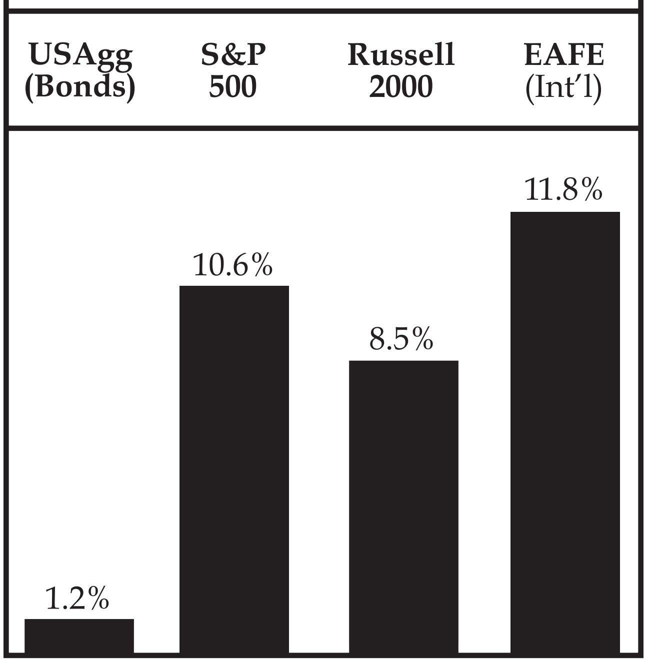
Markets Review and Forecast. The second quarter of 2025 closed on a strong note for investors, with both the S&P 500 and Nasdaq Composite reaching all-time highs by quarter-end. After declining 22.9% from the 2/19/25 high in Q1, to the market low on 4/8/25 in Q2, the NASDAQ 100 closed at a new record high on 6/25/25. This 85-day selloff and recovery was the third fastest in the history of the index (the other two 20% declines and recoveries were in 1998 and 2020).

Strength in corporate earnings, ongoing disinflation, and the failure of the much-predicted 'Tariff Disaster'—which was expected to fuel inflation and disrupt supply chains but ultimately did not materialize—helped restore investor confidence and fueled the market's strong recovery over the quarter. Wall Street economists do not have a great record; the tariff mania is a perfect example of that. Additionally, a clearer—but still nuanced—Federal Reserve policy outlook buoyed investor optimism. Leadership remained with large-cap tech and consumer discretionary stocks, while gains slowly broadened into more cyclical sectors. During the past 50 years for the S&P 500, July has averaged a return of 1.1% and is the 5th best month of the year.

Economic indicators during the quarter continued to reinforce a theme of steady disinflation alongside resilient growth. Core CPI for April and May trended toward the Fed's 2% target, while June's coolerthan-expected unemployment rate of 4.1%, the highest since 2021, remained below forecasts, signaling a resilient labor market that supports the case for potential rate relief without jeopardizing economic stability.

International equities also posted positive returns in Q2, helped by a weaker U.S. dollar. As rate-cut expectations grew, the dollar eased, making foreign assets relatively cheaper and boosting gains in Europe and emerging markets. Most (if not all) of the gains in foreign stocks comes from a weakening dollar, which is not necessarily a bad thing.

The Major Indices
Second Quarter – 2025



Q2 2025 by the Numbers. The first half of 2025 delivered strong performance across both equity and fixed income markets, with the S&P 500 and the Bloomberg Aggregate Bond Index each gaining over 4%. Historically, that's been a positive signal—since 1990, there have been four other years when stocks and bonds were both up at least 4% through June, and in each of those cases, both asset classes continued to rise in the second half. On average, the S&P 500 added 12.6% and bonds climbed another 4.5% in the final six months.

Q2 alone was notably volatile, with the S&P 500 swinging more than 10% in both directions, the first time that's happened in a single quarter since Q1 of 1938. In fact, this type of movement has only occurred three other times in history: in 1931, 1933, and 1937. What sets this recent quarter apart is that, unlike the others, the index managed to finish in positive territory.

Much of the market's strength came from growth-oriented stocks. The S&P 500 Growth Index surged nearly 19% in Q2, while the Value Index rose just 2.5%. That 16.3% spread marks the widest margin of outperformance for Growth versus Value in any quarter since at least 1995, when tracking for both indices began.

Portfolio Allocations. Accounts with fixed income have been almost exclusively short-term for a little over the past three years, and we have also been very high quality in our allocations. At the time the ten-year treasury was trading around 4.50% during the 2nd quarter, we placed approximately half of these assets in intermediate, high quality fixed income as we anticipate a Fed cut is likely at some point, perhaps September. For aggressive accounts we placed a small allocation in foreign stocks for the first time in quite a while.

We shifted many accounts to overweight stocks during the quarter when the S&P 500 dropped by roughly 10%. Although our move was early, with the S&P 500 declining up to 20% at its lowest, it has since rebounded to record highs. We increased the stock weightings in those accounts that are predominantly equity oriented, which has proved beneficial. With the S&P 500 currently trading at approx. 6,250 and the DJIA (Dow Jones Industrial Average) at approx. 44,500; we anticipate going back to target weight in the coming days.

Market Leaders, the portfolio of individual stocks which was the basis for founding Woodard & Company in 1985, is having another good year relative to the S&P 500, significantly outperforming the index YTD. During the quarter, we increased or initiated positions in Intel, Oracle, Walmart and United Healthcare, and we sold Devon Energy, and one-half of the Micron position (as well as several others early in the quarter as mentioned in last newsletter: Salesforce, Vertiv, and Chipotle).

Fixed Income, Commodities, and Interest Rates. President Trump's tariff policy continues to work itself out and the markets and economy seem to have adjusted. Equities have recovered and we are seeing the S&P 500 make new highs, having more than recovered from its 20% selloff by the end of the 2nd quarter. The 10 Year Treasury Bond opened 2025 yielding 4.58%. It touched 3.99% in early April and closed the 2nd quarter yielding 4.22%. Exactly one year ago the 10 Year was yielding 4.34%. Short duration yields also declined, underpinned by dovish Fed commentary and solid participation in long-term bond auctions. Credit spreads narrowed modestly amid healthy corporate earnings and no significant spike in default risk.

Economists and analysts forecast the Federal Reserve cutting rates twice this year. Currently the Federal Funds Target Rate remains at 4.25% to 4.5%. The Prime Rate is 7.5%. 30-year fixed mortgages are at 6.79% while 15-year fixed mortgages are 6.06%. A five-year ARM (Adjustable-Rate Mortgage) is 6.16% and a four-year auto loan is 7.20%

A year ago, oil was trading around $82 per barrel and a gallon of regular unleaded gasoline cost approximately $3.60 per gallon. Oil closed the 2nd Quarter of 2025 trading at $65.11 per barrel and that same gallon of gas now costs $2.99 per gallon locally with the national average around $3.15. Mid-east tensions so far have had minimal impact on oil but that could change quickly. Supply concerns briefly lifted crude oil prices, which ultimately ended the quarter modestly higher amid steady consumption.

Market volatility has subsided from earlier this year as President Trump's tariff policy unfolded and continues to play out. The weakening of the U.S. Dollar appears to be slowing. Gold remains elevated as global uncertainty remains. It has had its best year since 1979, posting a 25% gain and closing at $3,307/oz by quarter end, according to the Wall Street Journal.

Bitcoin rallied approximately 30% over the quarter, closing near $107,500, driven by institutional demand and broader market adoption; however, during spikes in Middle East tensions, it behaved more like a risk asset—selling off alongside equities—contrasting with gold's stability as a true haven.

Delivery Preference. We encourage you to consider enrolling in online delivery of quarterly reports and newsletters via our investment software portal. This secure platform offers immediate access to your financial updates while safeguarding delivery, mitigating the risk of postal delays or lost mail. To initiate the process, please contact our office at (336) 998-7000. Shortly after calling, you will receive an activation email to establish your account. Our team is available to assist you throughout the setup process.

Social Media. Follow Woodard & Company on LinkedIn and Facebook to stay up to date on firm news, market insights, and educational content tailored to support your financial goals. Our social media platforms are a great way to stay informed and engaged with what's happening both in the markets and within our team. You can find us by searching "Woodard & Company" on your preferred app or by visiting the links at the bottom of our website (wcamg.com).

One of the highlights of our social media presence is our new *Invest in Yourself* series—an inside look at the people behind the firm. Through these posts, we share personal stories, interests, and professional insights from our team members to help you get to know us better.

If you have any other questions about your account or any concerns, please give us a call at 336-998-7000. We always enjoy talking with our clients.