WEEKLY ECONOMIC UPDATE JUNE 23, 2025

Stocks were mixed during the holiday-shortened trading week as uncertainty over conflict in the Middle East weighed on investors.

The Standard & Poor's 500 Index slipped by 0.15 percent, while the Nasdaq Composite Index rose by 0.21 percent. The Dow Jones Industrial Average was flat (+0.02 percent). The MSCI EAFE Index, which tracks developed overseas stock markets, declined 1.54 percent.[1,2]

Stocks Rise, Then Slump

Stocks opened higher, and oil prices fell at the start of the week as investors hoped Middle Eastern tensions would ease.[3]

However, as investors parsed through updates on the conflict, stocks fell over ongoing uncertainty. Conflicting statements from those involved, as well as from world leaders, contributed to the uncertainty.[4]

Midweek, stocks rallied ahead of the Fed's interest rate decision. Markets seemed to dismiss news that housing starts dropped unexpectedly to their lowest level in five years.

The Fed held short-term rates steady. Stocks moved up and down during the Fed Chair's press conference before ending the trading session slightly down ahead of Thursday's stock market holiday.[5]

Following the holiday, anxious investors refocused on geopolitical tensions and developments. As the week closed out, investors appeared to take a risk-off approach heading into the weekend.[6]

MARKET INSIGHTS

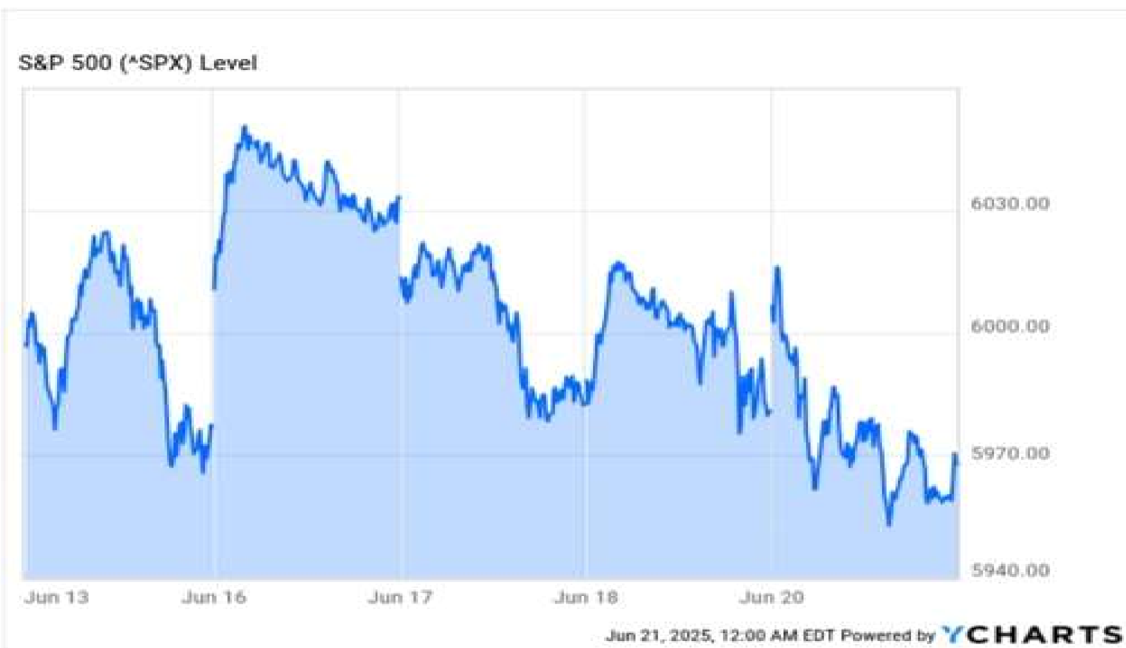
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	1.82%	1.55%	10.19%	104.2%
Dow Jones Industrial Average	-0.90%	-0.02%	10.51%	78.50%
S&P 500	0.52%	2.34%	10.47%	107.1%
MSCI EAFE	0.25%	16.11%	14.28%	66.53%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 06/20/25	4.38%	4.48% 4.24% 4.25%	-2.23% ▼ 3.30% ▲ 3.06% ▲

The Fed Holds Rates Steady

As expected, the Federal Reserve kept the Fed funds rate at its target range of 4.25 percent and 4.5 percent. However, the central bank did suggest it may adjust rates later this year, and policymakers expressed concerns about inflation and the outlook for gross domestic product.

Following the decision, Fed Chair Powell said policymakers are "well positioned to wait" before moving on short-term rates. Powell indicated that trade policy has clouded the inflation outlook, making policymakers concerned about consumer prices.[7,8]

This Week: Key Economic Data

Monday: Manufacturing and Services PMI. Existing Home Sales.

Tuesday: S&P Case-Shiller Home Price Index. Cleveland Fed President Beth Hammack speaks. Consumer Confidence. Fed Chair Powell Testifies to House Financial Services Committee.

Wednesday: New Home Sales.

Thursday: Gross Domestic Product (GDP). Retail & Wholesale Inventories. Trade Balance. Durable Goods. Cleveland Fed President Beth Hammack speaks. Pending Home Sales.

Friday: Personal Consumption & Expenditures (PCE) Index. Consumer Sentiment.

Quote of the Week

"The war on drugs brought in more drugs. The war on\ terrorists created more terrorists. Maybe next year we could have a war on farmers' markets."

– From a Meme on the Internet

Of Note

The Federal Reserve concluded its fourth meeting of the year by keeping the federal funds rate (FFR) at 4.25-4.50%, as expected. This marks the fourth straight meeting the Fed has left rates unchanged.

The federal funds rate is the interest rate that banks charge each other to borrow money overnight. It is set by the Federal Open Market Committee (FOMC), a committee within the Federal Reserve, which meets eight times a year. It is a primary tool used by the Federal Reserve to implement monetary policy and is a key driver of economic activity.

While it directly affects short-term borrowing between banks, the effects of the FFR can be felt across a variety of entities. For consumers, changes in the FFR influence mortgage rates, credit card interest, auto loans, and saving yields. For businesses it affects borrowing costs and investment decisions. Additionally, financial markets also react to rate changes, with shifts in bond yields and equity performance.

The FOMC adjusts interest rates based on key economic indicators focusing on inflation, employment, economic growth, and income. The Fed has a dual mandate of price stability and maximum employment.

The stagflation crisis of the late 1970s and early 1980s demanded drastic measures. Under the leadership of Paul Volcker, the Federal Reserve pushed the FFR to a historic high of 20.06% in January 1981. This aggressive tightening of monetary policy was instrumental in curbing runaway inflation, albeit at the cost of a significant economic slowdown.

In stark contrast, the FFR was driven to near-zero levels in the aftermath of the 2008 financial crisis and again during the economic turmoil of the 2020 pandemic. Specifically, the FFR reached a record low of approximately 0.04% in May 2020. These periods of ultra-low interest rates aimed to stimulate borrowing, investment, and economic recovery.

The federal funds rate has undergone significant fluctuations in the past two decades. Following the 2008 financial crisis, the Fed kept rates near zero until 2016. A gradual tightening cycle brought the rate to 2.25-2.50% by 2019, but the onset of the COVID-19 pandemic led to a return to near-zero rates in 2020.

In response to the highest in four decades, the Fed aggressively raised rates from March 2022 to August 2023, reaching a peak of 5.25-5.50%, the highest level since early 2001. The central bank then shifted course in September 2024, implementing three consecutive rate cuts to bring the FFR to its current range of 4.25-4.50%.

The CMEFedWatch Tool estimates the probability of future interest rate moves. The tool is updated in real-time in response to economic data releases, Fed statements, and market movements. The market currently expects two 25 basis point rate cuts in 2025 at the September and December meetings. Additionally, two 25 basis point cuts are projected in 2026.

Once a quarter the Fed releases their "dot plot" to reveal each FOMC member's individual projection for the target level of the federal funds rate (FFR) at the end of the current year, at the end of the next two years, and in the "longer run". In the latest "dot plot" released June 2025, the Fed is projecting two 25 basis point cuts by the end of the year and one 25 basis point cut in 2026. The Fed's next meeting is scheduled for July 29-30th.[9]

Footnotes and Sources

1. WSJ.com, June 20, 2025
2. Investing.com, June 20, 2025
3. MarketWatch.com, June 16, 2025
4. CNBC.com, June 17, 2025
5. WSJ.com, June 18, 2025
6. CNBC.com, June 20, 2025
7. MarketWatch.com, June 16, 2025
8. WSJ.com, June 18, 2025
9. advisorperspectives.com/dshort/updates/2025/06/18/feds-interest-rate-decision-june-18-2025?topic=economic-insights

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P

500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.