

CJ'S Weekly Market Comment

June 29, 2025

After more than five decades in the investment business, I've witnessed countless market cycles, weathered numerous storms, and learned to recognize the subtle signals that separate meaningful market movements from mere noise. This week's action in the S&P 500, which touched new highs accompanied by a strong cumulative advance-decline line, reminds me why I remain cautiously optimistic about the remainder of 2025.

Those of us who've been around long enough remember the colorful market commentary of the great Dow Theorist Richard Russell, who popularized the phrase "nattering nabobs of negativity" back in the 1970s. Russell had a gift for cutting through the pessimistic noise that often clouds investor judgment during uncertain times. Today's environment, while certainly complex with tariff uncertainties and evolving Fed policy, doesn't strike me as fundamentally different from the many challenging periods we've navigated successfully over the decades.

The current market setup bears interesting parallels to historical precedents. During the bear market of the early 1970s, we witnessed narrowness of leadership that ultimately signaled underlying weakness. Contrast that with the magnificent bull market of 1981-1998, when broadening leadership accompanied by strong technical indicators created what we used to call "climbing the wall of worry" – markets advancing despite a seemingly endless stream of concerns.

What particularly catches my attention in today's market is the behavior of our technical indicators. The Bespoke Investment Group's latest analysis shows the S&P 500 has demonstrated remarkable resilience, with the bull market metrics showing sustained strength. More importantly, last week's new high in the S&P 500 was confirmed by a corresponding new high in the cumulative advance-decline line – a technical signal that suggests genuine broad-based participation rather than narrow leadership driving the index higher.

This breadth confirmation is precisely what we want to see in a healthy bull market. When the advance-decline line moves in tandem with price action, it tells us that the rally isn't dependent on just a handful of mega-cap stocks but reflects improving sentiment across a wider swath of the market. This broader participation typically leads to more sustainable advances.

The economic backdrop, while not without its complications, remains fundamentally supportive. The Federal Reserve held rates steady at their June meeting, maintaining the federal funds rate at 4.25%-4.5%, while still projecting two potential rate cuts by year-end.

Chairman Powell emphasized that the Fed remains "well positioned to wait for more clarity" on economic conditions, suggesting a measured approach that avoids the policy errors that have derailed markets in previous cycles.

The most accurate market prognostications occur when economic conditions align with technical market conditions. Today, we have both working in our favor: a resilient economy with solid employment conditions and a Federal Reserve that's shown remarkable restraint in avoiding overly aggressive policy moves, combined with technical indicators that suggest the current bull market has further room to run.

Looking ahead to the remainder of 2025, I expect we'll continue to see the market "climb its wall of worry" as it digests the various uncertainties surrounding trade policy, geopolitical tensions, and the normal ebb and flow of economic data. The breadth indicators and market participation metrics suggest underlying strength that should support higher prices, though as always, we should expect the path to be neither straight nor smooth.

The key for investors remains what it has always been: maintain a long-term perspective, stay diversified, and resist the urge to make dramatic portfolio changes based on short-term market fluctuations. The "nattering nabobs" will always find reasons to worry, but history suggests that periods of broad market participation and supportive economic conditions tend to reward patient investors.

I remain constructive on equities for the balance of 2025, with particular attention to sectors and companies that benefit from the broadening participation we're currently witnessing. As Richard Russell might have said, don't let the noise drown out the signal – and right now, the signals are pointing in a favorable direction.

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Chairman Emeritus

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