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Weekly Market Guide

Equities Continue to Edge Higher as July 9 Tariff Expiration & Q2 Earnings Season Loom:

Equities continue to grind higher, with the S&P 500 trading just below its all-time intraday high—less than 1% away. Momentum remains strong, with the index up 26% from its April low, despite nearing overbought conditions. While concerns persist around lingering tariffs—particularly with the July 9 expiration deadline approaching—and ongoing geopolitical tensions in the Middle East, the market has largely looked through the noise. Notably, the S&P 500 is outperforming typical seasonal trends for June, historically the second-worst month for returns since 1960.

From a technical perspective, the index is currently testing initial overhead resistance at 6,097. A sustained breakout could face additional resistance near 6,147. On the downside, key support levels include the 21-day moving average (21-DMA) around 5,973, followed by the 200-day moving average (200-DMA) at 5,819, with further support near 5,720.

Parallels to the 2018 Trade War Selloff:

We see notable similarities between the current market setup and the 2018 trade war-driven correction. Both periods experienced sharp declines of approximately 20% over a few months—October to December in 2018, and February to April in 2025. In the 2018 episode, the market fully recovered and reached new highs by April 2019. While the current market has yet to reclaim its highs, it is now within striking distance.

A key takeaway from the 2018 recovery is that, even after surpassing prior highs, the market continued to grind high, but experienced several 5–10% pullbacks driven by trade tensions, Fed policy uncertainty, and broader macro concerns. These periods of volatility ultimately created attractive buying opportunities—a pattern that could repeat in the current cycle.

Earnings Season: A Key Near-Term Catalyst:

Looking ahead, the Q2 2025 earnings season is shaping up to be a potential market catalyst. The season is set to begin in the coming weeks, and earnings estimates have been revised lower—down 4.1% since the end of Q1. However, it’s important to note that earnings results often exceed expectations. Over the past five years, the S&P 500 has delivered an average earnings surprise of 9.2%.

Despite the recent moderation in forecasts, earnings growth is still expected to remain positive, with current consensus estimates pointing to a 4.8% year-over-year increase. Leading the charge are the **Technology** and **Communication Services** sectors, both of which continue to benefit from strong secular tailwinds.

Equity Market Indices	Price Return	
	Year to Date	12 Months
Dow Jones Industrial Avg	1.3%	9.3%
S&P 500	3.6%	11.8%
S&P 500 (Equal-Weighted)	2.9%	8.7%
NASDAQ Composite	3.1%	13.8%
Russell 2000	-3.1%	6.4%
MSCI All-Cap World	7.3%	12.7%
MSCI Developed Markets	15.7%	12.5%
MSCI Emerging Markets	12.7%	11.8%
NYSE Alerian MLP	2.9%	5.8%
MSCI U.S. REIT	0.0%	7.2%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Industrials	10.1%	8.6%
Utilities	7.7%	2.4%
Financials	6.7%	14.1%
Communication Svcs.	6.1%	9.6%
Consumer Staples	5.6%	5.6%
Information Technology	4.6%	32.7%
Materials	4.5%	1.9%
S&P 500	3.6%	-
Real Estate	3.4%	2.0%
Energy	0.8%	3.0%
Health Care	2.8%	9.4%
Consumer Discretionary	5.1%	10.5%

Source: FactSet

Technical: S&P 500



Equities continue to edge higher, trading just below their previous all-time intraday high—less than 1% away. Momentum remains strong, with the market up 26% from the intraday low in early April, despite nearing overbought conditions. While concerns persist around lingering tariffs—particularly with the July 9th deadline approaching—and ongoing geopolitical tensions in the Middle East, the S&P 500 has largely looked past the noise. Notably, it is outperforming typical seasonal trends for June, historically the second-worst month for S&P 500 returns since 1960.

From a technical perspective, the index is currently testing initial overhead resistance at 6,097. A sustained breakout above this level could encounter additional resistance near 6,147. On the downside, key support levels include the 21-day moving average (21-DMA) around 5,973, followed by the 200-day moving average (200-DMA) at 5,819, with further support near 5,720.

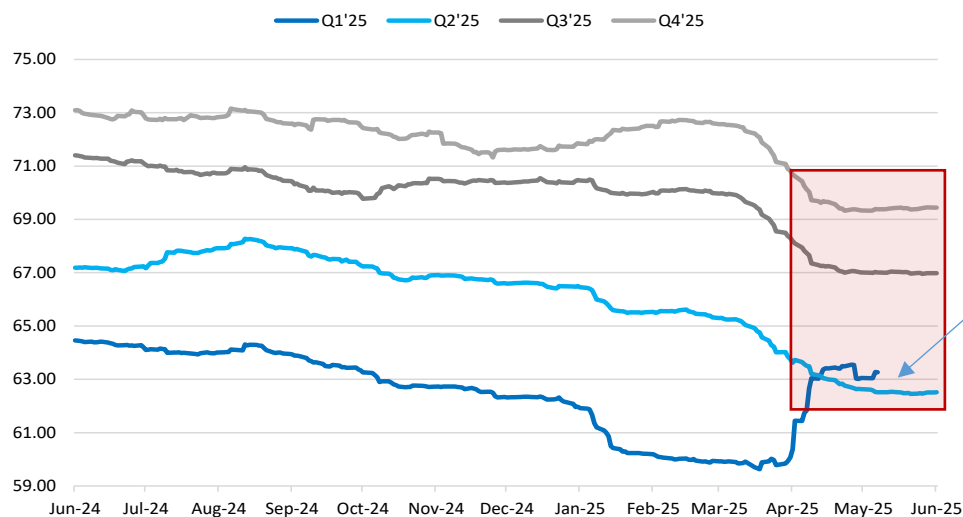
Source: Bloomberg, FactSet

Upcoming Earnings Season

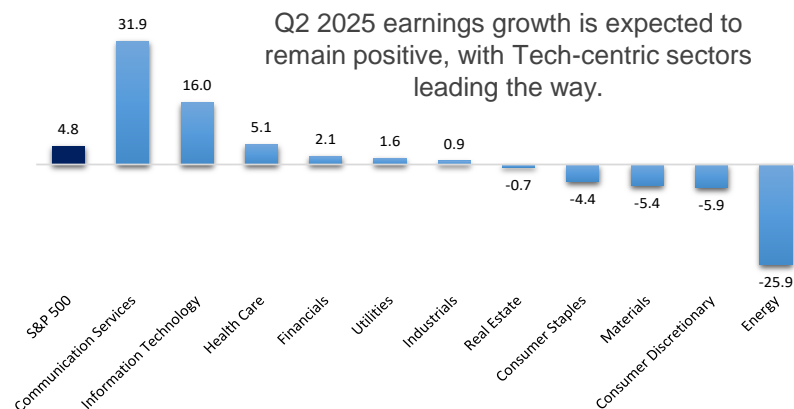
We view the upcoming Q2 2025 earnings season as one of the next major market catalysts. The season is set to begin in the coming weeks. Earnings estimates for 2Q'25 have been revised lower—down 4.1% since the end of Q1. Ten of the eleven S&P 500 sectors have seen downward revisions, with **Communication Services** being the only sector to show improvement.

However, it's important to remember that earnings results often exceed expectations. Over the past five years, the S&P 500 has delivered an average earnings surprise of 9.2%. Despite the recent moderation in forecasts, earnings growth is still expected to remain positive, with current consensus estimates pointing to a **4.8% year-over-year increase**. Leading the way are the **Technology** and **Communication Services** sectors, both of which continue to benefit from strong secular tailwinds.

Quarterly Earnings Estimates

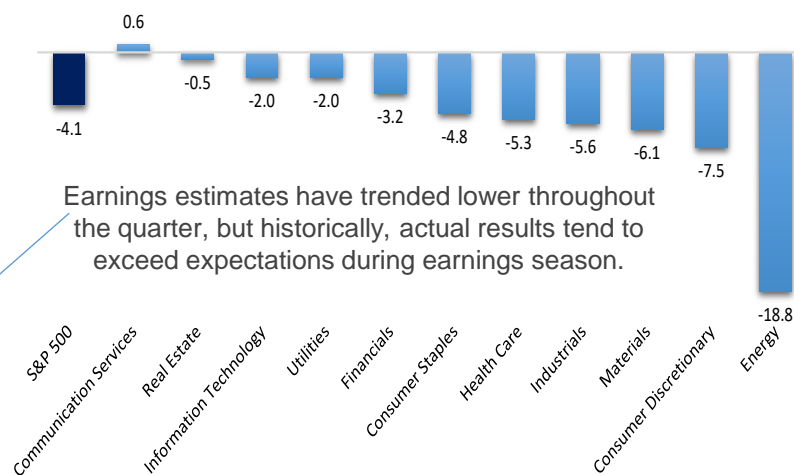


Q2'25 EPS Growth Y/Y



Q2 2025 earnings growth is expected to remain positive, with Tech-centric sectors leading the way.

Q2'25 EPS Revisions over the last Quarter



Earnings estimates have trended lower throughout the quarter, but historically, actual results tend to exceed expectations during earnings season.

Source: Bloomberg, FactSet

Energy

Rising geopolitical tensions in the Middle East recently escalated when the U.S. launched missile strikes on nuclear sites in Iran, prompting retaliatory missile attacks by Iran on U.S. bases in Qatar. This escalation sparked a sharp spike in crude oil prices amid fears of a potential shutdown in the Strait of Hormuz—a critical chokepoint through which over 20% of global oil supply flows.

However, the market reaction was short-lived. Given the relatively contained nature of the retaliation, oil prices quickly reversed and returned to levels seen prior to the flare-up in tensions. Meanwhile, the **Energy sector's relative performance response was mild and continues to trend lower**, reflecting broader investor caution despite the brief surge in crude.



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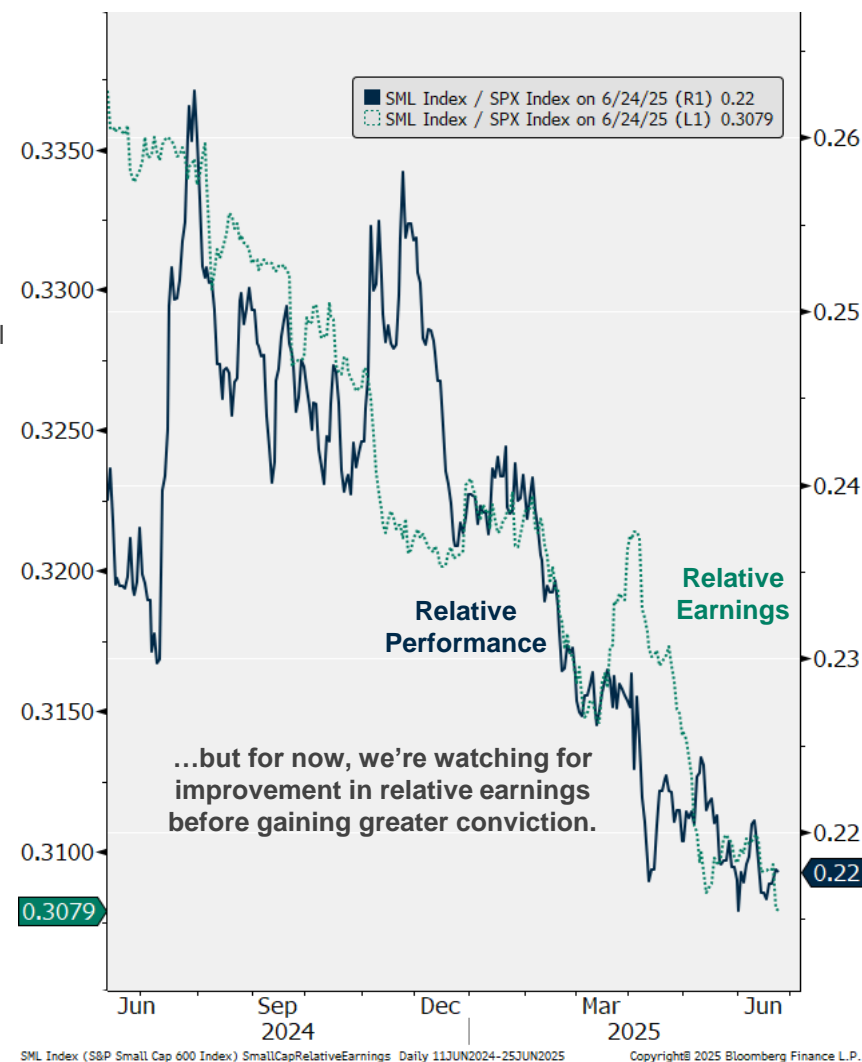
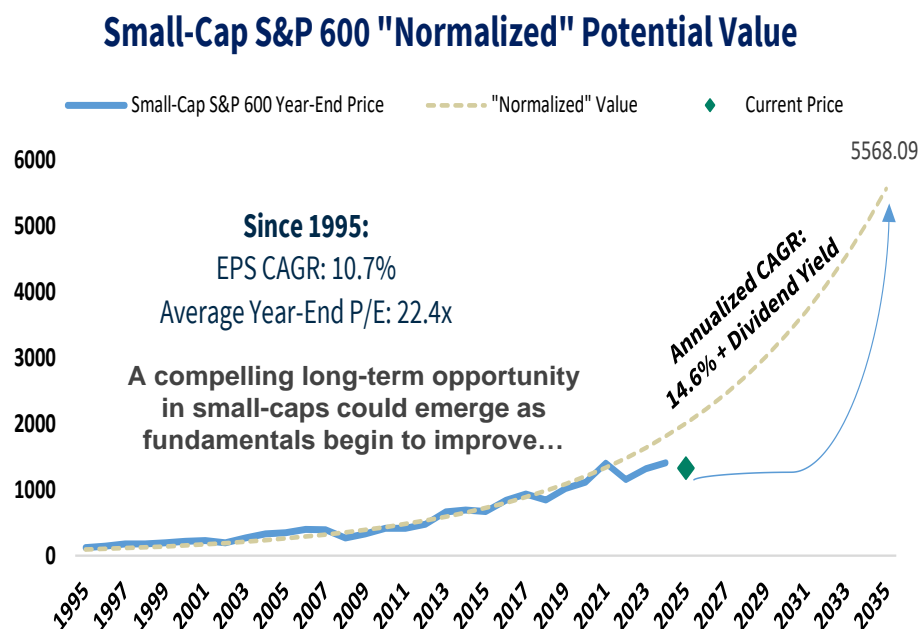
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Source: Bloomberg, FactSet

Small Caps

Over the long term, we see compelling potential in small-cap equities. In the near term, however, we're looking for improvement in relative earnings performance before becoming more constructive. While small-caps currently offer attractive relative valuations, the lack of earnings momentum has kept us on the sidelines for now.

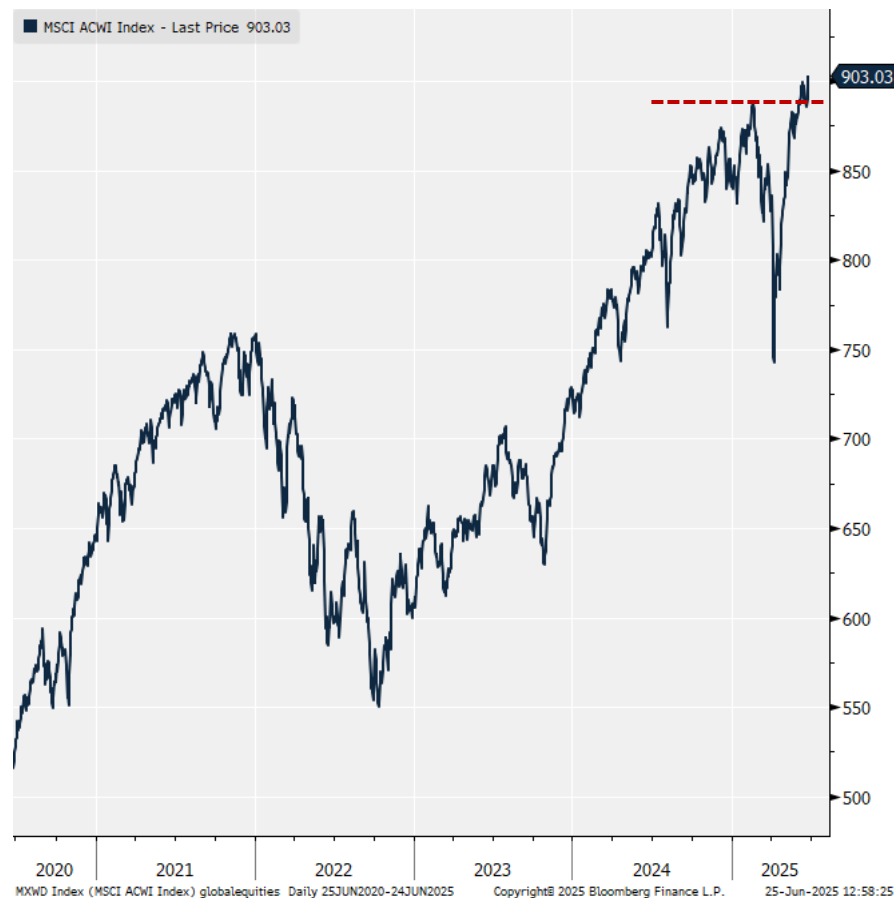
That said, when applying historical earnings growth rates and normalized P/E multiples, small-caps present a favorable long-term value opportunity. This suggests that, despite current headwinds, the asset class could offer meaningful upside as fundamentals begin to improve.



Source: Bloomberg, FactSet

Global Equities

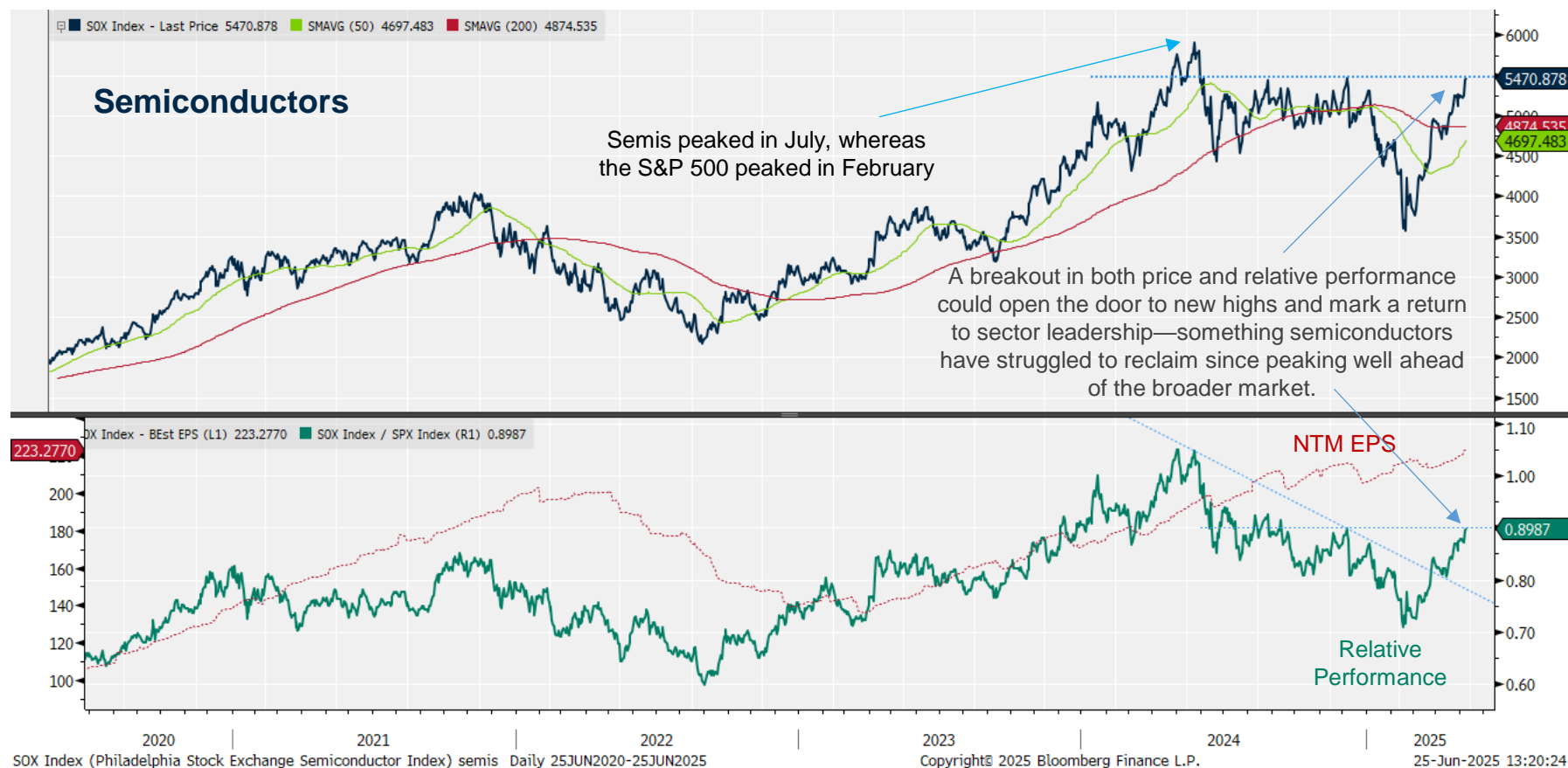
The ACWI World Index recently broke out to a new all-time high, supported by strong underlying technical momentum. Notably, over 40% of its constituents have hit 1-month highs—a historically reliable signal that often precedes meaningful upside in the months and quarters ahead. Additionally, the continued decline in the U.S. dollar could serve as a tailwind for global equities, further supporting performance.



Source: Bloomberg, FactSet

Semiconductors

Momentum continues to strengthen for the semiconductor index. Relative performance has broken out of its recent downtrend and is now approaching horizontal resistance as price action is also testing key resistance levels. A breakout from here could pave the way for new highs and signal a resumption of leadership—something the sector has struggled to maintain after peaking well ahead of the broader market. On the fundamental side, next-twelve-month (NTM) EPS estimates continue to trend higher, which should provide support for the improving technical momentum.



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.