

WEEK OF JUNE 23, 2025

Market Update

U.S. equities were mixed; signals from the Federal Reserve (Fed), soft retail sales, and renewed Middle East tensions kept investors cautious. Sector performance was uneven, with strength in energy and financials offset by weakness in health care and defensively positioned sectors. Treasuries, supported by cooling housing data and lingering geopolitical uncertainty, firmed slightly.

Quick Hits

1. **Beyond the headlines:** After U.S. strikes on Iranian nuclear sites, what's next for global markets?
2. **Report releases:** Retail sales and home builder confidence fell more than expected last month..
3. **Financial market data:** U.S. equities were mixed as investors weighed Middle East conflict concerns.
4. **Looking ahead:** The focus this week will be on home sales, consumer confidence, durable goods, and personal income and spending.



Beyond the Headlines: After U.S. Strikes on Iranian Nuclear Sites, What's Next for Global Markets?

The recent escalation between Israel and Iran—marked by U.S. bombing of three suspected nuclear facilities in Iran—has renewed fears of regional instability and global economic consequences. Although direct portfolio exposure to Iran remains minimal due to sanctions and capital restrictions, the broader risk lies in global market disruptions, particularly surrounding the Strait of Hormuz and the potential for geopolitical contagion.

Volatility Flashpoints: Energy, Trade, and Inflation

Roughly 20 percent of global oil flows through the Strait of Hormuz. In the 1970s, partial blockades and OPEC-led embargoes led to soaring energy prices, widespread inflation, and a global recession. The energy landscape today is more diversified—thanks to U.S. shale production and liquefied natural gas exports—but a major disruption would nonetheless send oil and gas prices sharply higher. Sectors most exposed include transportation, chemicals, heavy manufacturing, and utilities (which remain highly sensitive to energy input costs).

The geopolitical dynamic is more multipolar today. China, now the world's largest energy importer, sources more than 37 percent of its crude oil from the Strait of Hormuz. India is even more exposed, with a larger share of its total oil supply relying on shipments through the region. A prolonged disruption in the Strait of Hormuz could dampen industrial output in China and India, triggering ripple effects across global supply chains. For U.S. investors, this introduces second-order risks: American companies that depend on Chinese manufacturing—such as automakers, electronics firms, and consumer goods producers—could face input shortages, delays, or increased costs.

Implications for Growth Stocks, Rates, and Cybersecurity

Another transmission mechanism is inflation and interest rate expectations. Higher oil prices could push inflation upward, complicating the Fed's efforts to ease monetary policy. Growth stocks—particularly in sectors such as technology and biotechnology—are sensitive to changes in interest rates. If inflation persists or rises, valuations in these segments could compress because of higher discount rates.

Europe, once highly reliant on Russian energy, now benefits from diversified imports via the U.S., Norway, and North Africa—offering some resilience amid geopolitical uncertainty.

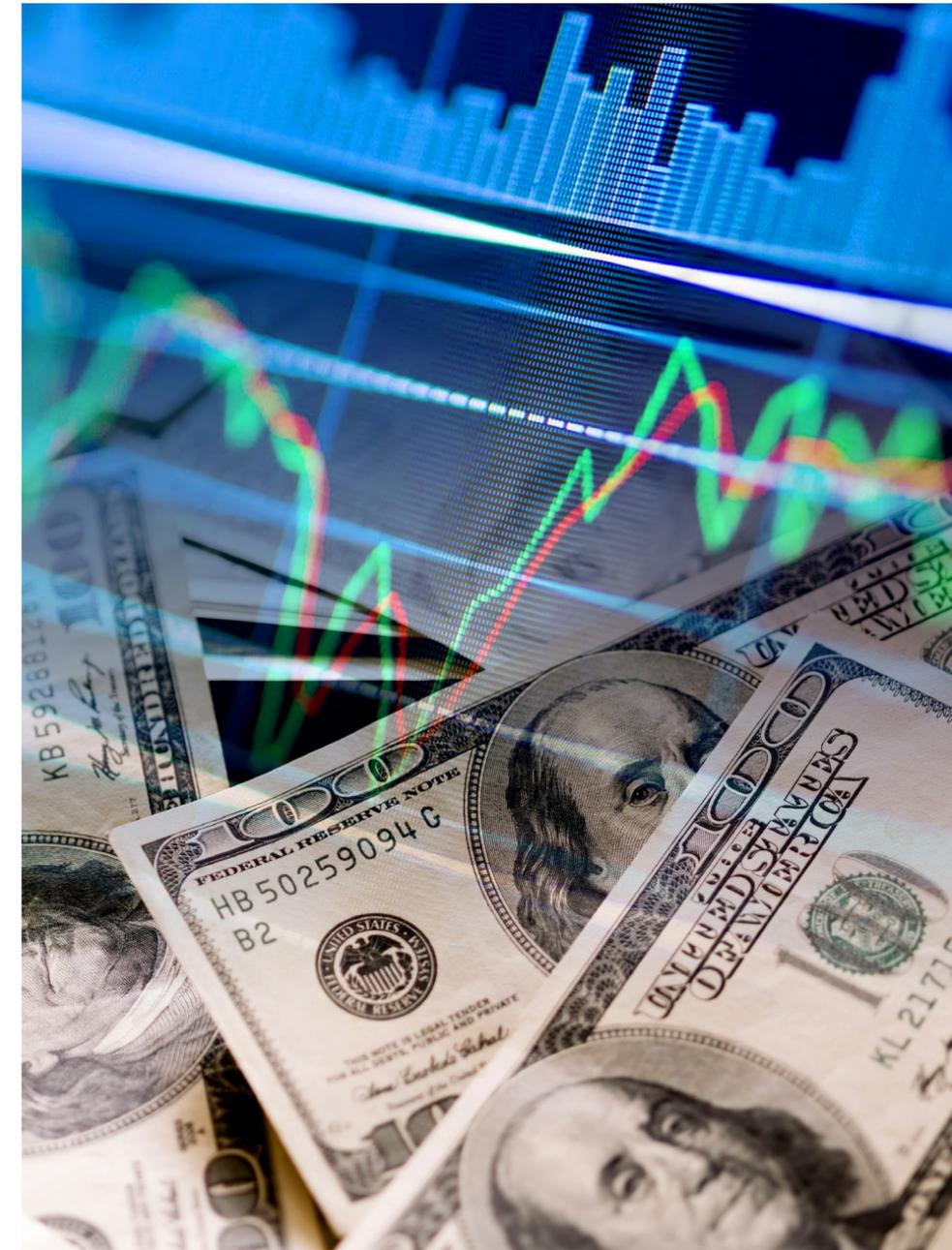
In addition, if tensions spill over to the Taiwan Strait, serious consequences for global semiconductor supply could arise. Much of the world's advanced chip manufacturing is concentrated in that region; any disruption would ripple through industries ranging from AI and consumer electronics to automotive and defense.

Another area to watch is cybersecurity. Conflicts involving Iran, Russia, and China often include coordinated cyberattacks that target critical infrastructure, financial systems, and corporate networks. These nations have well-documented cyber capabilities and state-sponsored hacking groups. If tensions escalate, demand for cybersecurity products and services—ranging from endpoint protection to cloud infrastructure defense—could rise significantly, benefiting companies in this space.

Key Takeaways

Investors should monitor volatility in energy-intensive sectors and those reliant on Chinese manufacturing. Cybersecurity stands out as a potential beneficiary amid heightened geopolitical risk, whereas growth sectors remain sensitive to inflation and interest rate pressures. U.S. sectors such as financials, health care, defense, and domestic utilities may offer relative insulation from adversarial nations' direct influence.

A prolonged disruption in the Strait of Hormuz could dampen industrial output in China and India, triggering ripple effects across global supply chains.



Report Releases: June 16–20, 2025

Retail Sales May (Tuesday)

Retail sales fell more than expected, with notable drag from reduced auto sales.

- Expected/prior month retail sales monthly change: -0.6% / -0.1%
- Actual retail sales monthly change: -0.9%



National Association of Home Builders (NAHB) Housing Market Index June (Tuesday)

Home builder confidence neared pandemic-era lows as economic uncertainty and heightened rates weighed on consumers.

- Expected/prior month NAHB Housing Market Index: 36/34
- Actual NAHB Housing Market Index: 32



Housing Starts and Building Permits May (Wednesday)

Housing starts and building permits declined more than expected, aligning with recent dents in home builder sentiment.

- Expected/prior month housing starts monthly change: -0.8% / $+2.7\%$
- Actual housing starts monthly change: -9.8%
- Expected/prior month building permits monthly change: $+0.0\%$ / -4.0%
- Actual building permits monthly change: -2.0%



Federal Open Market Committee (FOMC) Rate Decision June (Friday)

The FOMC kept rates unchanged, meeting expectations.

- Expected/prior federal funds rate upper limit: 4.50%/4.50%
- Actual federal funds rate upper limit: 4.50%



>> The Takeaway

- Retail sales fell in May and home builder sentiment dropped in June, signaling consumer and housing market weakness amid elevated rates and uncertainty.
- Housing starts and permits declined more than expected in May. The Fed held rates steady at 4.5 percent, matching expectations.

Financial Market Data

Equity

U.S. equities were mixed; they stabilized after the previous week's declines driven by Middle East conflict concerns. Investor attention shifted to the June FOMC meeting, at which interest rates were left unchanged and lingering inflation was cited. Energy, technology, and financials outperformed, whereas health care and communication services lagged. Broader market performance reflected cautious optimism, with strength in select consumer and industrial firms offset by continued weakness in rate-sensitive and defensively positioned sectors.

| Index | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500 | -0.12% | 1.05% | 2.12% | 10.49% |
| Nasdaq Composite | 0.22% | 1.80% | 1.06% | 10.54% |
| DJIA | 0.07% | -0.01% | 0.06% | 9.76% |
| MSCI EAFE | -1.45% | -0.90% | 16.28% | 14.21% |
| MSCI Emerging Markets | 0.05% | 3.12% | 12.26% | 11.82% |
| Russell 2000 | 0.44% | 2.18% | -4.82% | 5.97% |

Source: Bloomberg, as of June 20, 2025

Fixed Income

Treasuries strengthened modestly as geopolitical tensions and soft macro data supported demand across the yield curve. The 10-year declined slightly, with the curve steepening amid steady jobless claims and a sharp drop in housing starts. The Fed held rates steady at 4.25 percent–4.5 percent and reiterated concerns about lingering inflation, though some officials hinted at potential cuts as soon as July. Weaker May retail sales and ongoing conflict concerns contributed to a defensive bid, whereas credit markets remained stable despite rising uncertainty around global trade and energy risks.

| Index | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | 1.08% | 2.95% | 4.32% |
| U.S. Treasury | 0.89% | 2.81% | 3.74% |
| U.S. Mortgages | 1.16% | 3.05% | 4.44% |
| Municipal Bond | 0.33% | -0.64% | 0.58% |

Source: Bloomberg, as of June 20, 2025

>> The Takeaway

- Equities were mixed as investors balanced soft economic data, Fed policy signals, and geopolitical tensions. Sector performance was uneven, with strength in energy and technology offset by weakness in defensively positioned sectors.
- Treasuries firmed slightly on weaker retail sales and housing data, and stable credit markets reflected contained risk sentiment.

Looking Ahead

It will be a busy week for economic releases, with a focus on home sales, consumer confidence, durable goods, and personal income and spending.

- The week kicks off Monday with **existing home sales** data for May. Sales are expected to fall 1.3 percent.
- On Tuesday, the **Conference Board Consumer Confidence Index** for June will be released. Consumer confidence is expected to rebound modestly after recent periods of significant declines.
- The preliminary **durable goods orders report** for May will be released on Thursday. Orders are expected to rebound strongly after declining in April.
- Finally, on Friday, we'll see the **personal income and personal spending report** for May. Both are expected to show modest growth.



Saint Thomas, U.S. Virgin Islands



This material is intended for informational/educational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product. Please contact your financial professional for more information specific to your situation.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for



Michael Graziano, CMT®, CRPC®, CFP®, Chief Investment Officer

Graziano Budny Wealth Management Group, LLC

6143 S Willow Drive, Suite 310 | Greenwood Village, CO 80111

720.583.6363 | 720.458.0773 fax | www.grazianobudny.com | mgraziano@grazianobudny.com

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed insurance products and services are separate from and not offered through Commonwealth Financial Network®.

the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

Authored by the Investment Research team at Commonwealth Financial Network®

©2025 Commonwealth Financial Network®