CLARUS WEALTH ADVISORS

Market Watch

June 23, 2025

Primary Market Drivers

Earnings & Economic Data

This week's economic calendar is busy with a variety of consumer, housing market, and inflation data all on tap. We will see FHFA House Price Index (6/24), Consumer Confidence (6/24), New Home Sales (6/25), Durable Goods Orders (6/26), US Q1 GDP (second revision) (6/26), Wholesale Inventories (6/26), Pending Home Sales (6/26), Personal Spending & Income (6/27), Michigan Consumer Sentiment (6/27), and May Core PCE (6/27). Expect May Core PCE to be the main event on Friday as investors seek additional evidence of subdued inflation that could nudge the Fed into action. We are still several weeks away from the beginning of earnings season, though there are a handful of impactful announcements this week. Carnival (CCL 6/24), FedEx (FDX 6/24), General Mills (GIS 6/25), Paychex (PAYX 6/25), Micron Technology (MU 6/25), McCormick & Co (MCK 6/26), Walgreens Boots Alliance (WBA 6/26), and Nike (NKE 6/26) are all set to report. Expect results from FDX, MU, and NKE to be heavily scrutinized.

Fed Policy

The Fed held rates unchanged at its meeting last week, as expected. This marks nearly 5 months of the "Fed pause" despite central banks around the world cutting rates multiple times. Powell's press conference did not offer much in the way of policy direction, citing "uncertainty" and reliance on "experts" forecasting future inflation as reasoning the Fed's prolonged inaction. According to CME's FedWatch Tool, the September 17th meeting remains the most likely window for the next rate cut, currently sitting at 70.5% odds of a reduction. While May Core PCE is on tap for Friday, Powell's admitted reliance on third party opinions regarding future inflation likely makes the report a moot point, as July's rate cut odds are a mere 16.5%.

Tariffs & Geopolitical Conflicts

Tariffs have taken a back seat to the conflict between Israel and Iran recently. Over the weekend, the United States conducted airstrikes on three Iranian nuclear facilities - Fordow, Natanz, and Isfahan - using B-2 bombers and precision-guided weapons. The strikes were successful and entirely undetected by Iranian defenses. While critics argue that the escalation could lead to a global war, that doesn't appear to be the case currently, and global markets are collectively shrugging it off. There is a distinct lack of support from Iranian allies and the precision and stealth executed by the US in the operation has not gone unnoticed. Iran's recent threat to close the Strait of Hormuz would be a supply chain issue for oil, though it appears nonsensical considering Iran exports 90% of its oil through this strait, with China being its largest customer (15% of the country's total crude imports). With no leverage and a lack of outside support, it does not appear that this conflict escalating into global war is on the table.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 6/20/2025

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	2.01%
Dow Jones	DIA	-0.09%
Large-Cap Growth	QQQ	3.20%
Large-Cap Value	IVE	0.50%
Mid Caps	MDY	-2.51%
Small Caps	IWM	-4.84%
International Equity		
Developed Intl	EFA	16.15%
Emerging Markets	EEM	11.84%
Fixed Income		
Core Bonds	AGG	3.02%
Corporate Bonds	LQD	3.15%
High Yield Bonds	HYG	3.92%
ST Treasuries	IEI	3.65%
LT Treasuries	TLT	0.80%
International Bonds	BNDX	1.82%

Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Falling	Tariff Policy Uncertainty	**May Core PCE (6/27)**
Fed Easing Cycle	Global Economic Uncertainty	Earnings: FDX (6/24), MU (6/25), NKE (6/26)
Strong Earnings Growth	Fed Inaction / Global Easing	Powell Congressional Testimony
Strong Labor Market	Equity & Bond Market Volatility	Monitoring Israel / Iran Developments
Consumers Still Spending	Stubborn Elevated Interest Rates	S&P 500 2.9% from all-time highs
Trade & Global Investment Deals	Israel / Iran Conflict	

Portfolio Manager Commentary

Ken Hartley, CFA

The dramatic attack by the US on Iran's nuclear program was a masterclass in planning and execution. Say what you will about the current administration, deadlines are enforced, and the end game is a world made a little safer. The Iranian mullahs have sought the destruction of entire nations. Not to mention the amount of state sponsored terrorism funding various proxy groups. Maybe we are on the cusp of a calmer, safer and more prosperous middle east.

The reaction to the military strike is not the usual combination of higher oil prices, stronger dollar and increased bond prices. It seems that the markets have become much more measured in the response to military activity. When the US first invaded Iraq, I was in an evening class working on my MBA when the instructor told us that the US had gone into Kuwait to repel Saddam Hussein. Oil prices shot up to over $100/bbl almost immediately. US equity prices fell, US fixed income prices rose, and the price of gold spiked. This morning, US equities are slightly higher, bond prices are up, the price of oil is down about 1% and precious metals are up less than 1%. All in all, a muted response.

What is different this time? Starting with the speed of information. Almost instantly reports of the attack began to appear on legacy media as well as social media. The quality of information and accuracy of the information allowed for quicker assessments of what had occurred. There was an initial knee-jerk reaction to the price of oil, but that reversed very shortly afterwards. The market hates uncertainty, the details of the military action were absorbed by world markets quickly.

So, what now? The focus returns to the budgetary process and the "deadline" of July 4th for the "big, beautiful bill". The US Senate must vote out their version and then meet in a joint conference with the US House of Representatives to work out the differences. There is also the small matter of an increase in the debt ceiling here in the US. The drama surrounding this activity is always high theater with members of both parties wringing their hands about a possible government shutdown. History doesn't always repeat itself, but sometimes it rhymes. The US equity market may see some increased volatility over this process, but I would be willing to bet the US continues to pay its bills for the foreseeable future.

Don Moenning

Over the weekend, the United States took out three Iranian nuclear facilities using B-2 bombers and precision-guided weapons. The strike was deemed a success and went entirely undetected. With the action, the market's focus has shifted from tariffs and the Fed to geopolitics for the moment. However, the distraction may be short-lived given the upcoming reciprocal tariff deadline (7/9) and numerous important economic data points this week. So, with the nuclear threat in the region now gone, the big question for us is – "does the market care, and if so, to what degree?"

Stocks are higher in early trading, indicating that the US market is following global markets with a collective shrug. First and foremost, the nuclear threat being gone has to be taken as a major sigh of relief for most countries across the globe. While Iran's strategic partners, Russia and China, gave the expected condemnation / slap on the wrist statements, neither appear to be willing to provide any meaningful immediate support.

Iran itself has vowed all sorts of colorful retaliation against the US, but the country is well-known for talking tough with little follow-through. It remains curious why Iran, with little leverage or support here, tends to telegraph exactly what type or retaliatory measures it will be taking on social media channels. Even more curious is this quote from the Iranian central military command: "Mr. Trump… The gambler… You may start this war… But we will be the ones to end it." Sounds like grandstanding straight from a bad Hollywood movie script. The market just isn't buying it.

With equities stable, the focus naturally turns to oil. Iran has threatened to close the Strait of Hormuz as a retaliatory measure. This makes little sense as Iran exports 90% of its oil through this strait, implying something of an economic suicide in doing so. The other country that would take the brunt of the pain from such an action would be China, which imports about 15% of its total crude from Iran. Not sure how this does anything other than weaken Iran's position considerably and alienate the country from the rest of the world even further. Oil is actually down today, but still up considerably in the last five days. Unless Iran decides to shoot itself in the foot on purpose, I don't think oil prices get significantly more volatile.

As it stands now, the market isn't paying much attention to the whole situation, despite the extremely serious nature of the conflict and its global implications. While the US getting involved has been deemed by critics as a significant escalation, recall that previous presidents have also tactically bombed other countries with little market reaction. Obama and Biden both conducted airstrikes and drone attacks on Iraq, Syria, Yemen, and Somalia, with Obama also striking Afghanistan, Pakistan, and Libya. While the situation is fluid and evolving, the market seems to be conditioned to geopolitical conflict and does not view this situation as a precursor to a greater global conflict.

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