



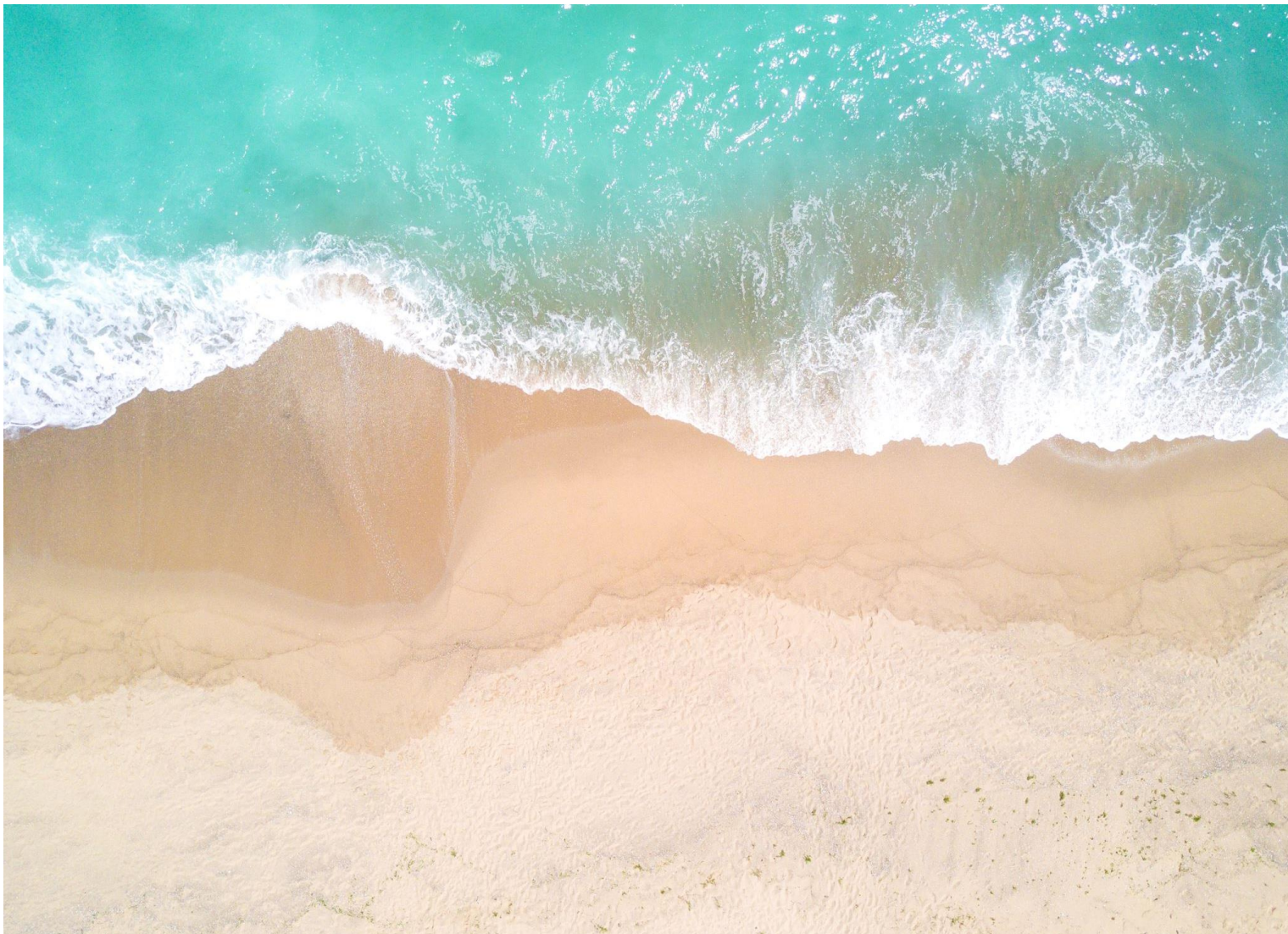
# The Choy Group

## UBS Financial Services Inc.

Navigating an everchanging landscape

Market, economic, and financial planning overview

Quarter 2 | 2025



# The Choy Group Quarterly

Quarter 2



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# Overview

## The Choy Group Quarterly Newsletter | Issue VI

We are excited to share the sixth edition of The Choy Group Quarterly. This newsletter is designed to offer our clients meaningful insights and actionable best practices to enhance their understanding of current market trends and navigate today's dynamic economic environment.

In this issue, we will provide a comprehensive market overview analyzing recent events and their economic impacts and offer guidance on navigating shifting conditions. You'll also find updates on market movements and highlights of investment opportunities.

Our insights are informed by UBS research, contributions from members of the Choy Group, and other sources. In addition, we share personal updates from each of our team members, offering a glimpse into their lives to strengthen our community relationships.

As we continue to evolve and grow, we welcome your feedback and encourage you to suggest topics or areas of interest for future publications. Our mission remains focused on advancing the industry while adapting to its constant changes.

We hope you enjoy the sixth issue of The Choy Group Quarterly, and as always, we look forward to hearing your feedback.

Best regards,



**Peter Y. Choy, AIF<sup>®</sup>, CRPC<sup>™</sup>, CRPS<sup>™</sup>**  
Financial Advisor  
Managing Director—Wealth Management  
Senior Portfolio Manager  
Institutional Consultant (IC)  
Retirement Plan Consultant (RPC)



# Group update

## What's new?



**Peter Y. Choy, AIF®, CRPC™, CRPS™**  
Financial Advisor  
Managing Director– Wealth Management  
Senior Portfolio Manager  
Institutional Consultant (IC)  
Retirement Plan Consultant (RPC)

Over the past few months, Pete has been traveling the country visiting clients. Anticipating a slow summer, Pete plans on spending most of July in Tennessee and looking forward to some team building in Nashville later in the month.



**Holly Adams**  
Senior Registered Client Associate

Holly has recently celebrated her son's high school graduation and enjoyed a getaway to Fall Creek Falls. She has been spending time with her new puppy, Eloise, and remodeling her home.



**Lori Brannigan**  
Senior Client Associate

As summer approaches Lori's daily routine shifts to early morning walks with her two-year-old American German Shepherd's, JD for John's Dog and Sis for being the only girl in the litter. Travel to the mountains camping is in the near future and indoor activities a must.



**Weston Zierer**  
Client Associate

Weston is preparing for a big move to Nashville on July 1, where he'll begin working out of the local UBS office. While he's not exactly looking forward to the 23-hour drive from Phoenix, he's excited to get settled and start his Master's program at Vanderbilt. Having just passed the Series 7 exam; he's now turning his focus to preparing for the Series 66.



**Ella Choy**  
Intern

Ella finished her second year at Vanderbilt and was able to visit family and friends in Arizona and Louisiana. She is now interning out of the Nashville office and is excited to grow her knowledge of the financial industry with her upcoming trips to New York and Florida.

# Current market conditions

## Positioning Amid Uncertainty & Shifting Growth Expectations

As we round the corner into Q3, markets have rebounded strongly from the modest contraction in Q1 - when U.S. GDP declined at an annualized rate of 0.2%- to a robust 3.8% growth. Equity investors have welcomed this turnaround with renewed optimism, sending this S&P 500 toward new all-time highs.

The second quarter has seen heightened volatility early on as markets digested trade and tariff uncertainties, with <sup>1</sup>growth and small-cap stocks lagging. <sup>2</sup>S&P 500 growth stocks dropped ~10% and small caps nearly 9.5%, with mid-caps declined ~3.4% and value stocks rose ~1.6%. <sup>3</sup>Defensive sectors outperformed in Q2, with energy up ~10%, and both health care and consumer staples gaining area of about 5-6%.

Inflation has continued to moderate, reinforcing the Federal Reserve's data-driven approach. CPI rose just <sup>1</sup>0.1% in May, leaving the year-over-year rate at 2.4% - a slight uptick from April's 2.3%. Core CPI also increase 0.1% month-over-month, with annual core inflation holding at 2.8%. May's soft inflation surprised many, challenging expectations tied to tariffs. Amid this backdrop, the Federal Reserve held rates steady at 4.25-4.50% in May.



Source: Yahoo Finance, as of April 5, 2025.

<sup>1</sup>Wall Street Journal. "Private Equity Confronts Swollen Investment Backlogs With Dealmaking Stuck", <https://www.wsj.com/articles/private-equity-confronts-swollen-investment-backlogs-with-dealmaking-stuck-9082d217>

<sup>2</sup>S&P Global. "U.S. Equities Market Attributes May 2025", <https://www.spglobal.com/spdji/en/commentary/article/us-equities-market-attributes/>

<sup>3</sup>Fidelity. "Market summary: Increased US policy uncertainty raises market anxiety", <https://institutional.fidelity.com/advisors/insights/series/quarterly-market-update>

<sup>4</sup>CNBC. "U.S. inflation rises 0.1% in May from prior month, less than expected", <https://www.cnbc.com/2025/06/11/cpi-inflation-may-2025.html>

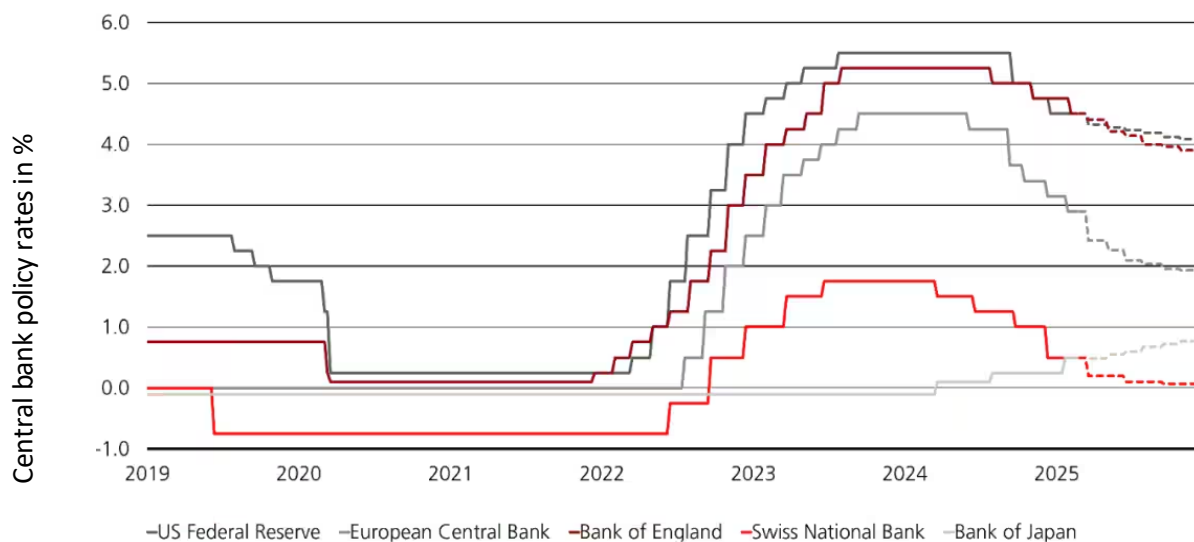
# Current market conditions

## Positioning Amid Uncertainty & Shifting Growth Expectations

Volatility remains a central theme for long-term investors in Q2, as markets continue to absorb ongoing tariff escalations and shifting monetary policy expectations. Early in April, new rounds of reciprocal tariffs between the U.S. and China reignited market unease, leading to a sharp selloff across multiple sectors. While early hopes for a near-term trade resolution temporarily stabilized equity markets in late April, renewed tariff expansions in May triggered another wave of volatility. As of June 10th, the S&P 500 and NASDAQ are down 2.9% and 4.6% YTD, respectively, as investors react to persistent inflation pressures and heightened global trade tensions. Large-cap tech and semiconductor names have remained particularly sensitive, with the MAG 7 down 9.3%, and the <sup>5</sup>PHLX Semiconductor Equal Weighted Index falling 7.8% since the beginning of the quarter. Meanwhile, international benchmarks have demonstrated relative strength, with the MSCI 3000 up 3.4%, while the <sup>6</sup>Russell 3000 has declined 2.1%, reflecting the uneven impact of tariff-related disruptions on U.S. equities.

Although inflationary trends have moderated from prior peaks, policymakers remain reluctant to begin easing prematurely, particularly with tariff-induced inflation risks still looming. <sup>7</sup>Of the 19 FOMC officials, 11 currently project one to two rate cuts by year-end, while a growing minority suggest no change may be warranted if inflation persists at elevated levels. This reflects a more cautious stance than earlier in the year when most officials projected at least two cuts in 2025.

Despite the near-term uncertainty, volatility continues to create compelling opportunities for long-term investors. Historically, growth stocks have absorbed the brunt of selloffs, but their long-term compounding potential remains intact for those who stay patient. During periods of elevated volatility, capital often shifts toward defensive sectors such as healthcare, utilities, and consumer staples, temporarily dislocating valuations and creating attractive entry points for high-conviction positions. By focusing on company fundamentals and separating short-term price moves from intrinsic value, investors can use volatility as a mechanism for strategic accumulation. Over extended periods, disciplined investors often find that turbulence presents some of the most attractive opportunities for building long-term wealth.



Source: Bloomberg, UBS Asset Management, as of February 27, 2025.

<sup>5</sup>Pennsylvania Municipal Retirement System. "Quarterly Performance Report." [https://pmrs.pa.gov/wp-content/uploads/2025/03/2024.Q4-PMRS\\_Performance-Report.pdf?utm](https://pmrs.pa.gov/wp-content/uploads/2025/03/2024.Q4-PMRS_Performance-Report.pdf?utm)

<sup>6</sup>Russell Investments. "Economic and Market Review." [https://russellinvestments.com/Publications/US/Document/Quarterly\\_Economic\\_and\\_Market\\_Review\\_EI.pdf](https://russellinvestments.com/Publications/US/Document/Quarterly_Economic_and_Market_Review_EI.pdf)

<sup>7</sup>Yahoo Finance. "Fed sees 2 rate cuts in 2025, projects higher inflation and lower economic growth." [www.yahoofinance.com](https://www.yahoofinance.com)





# Investment Outlook

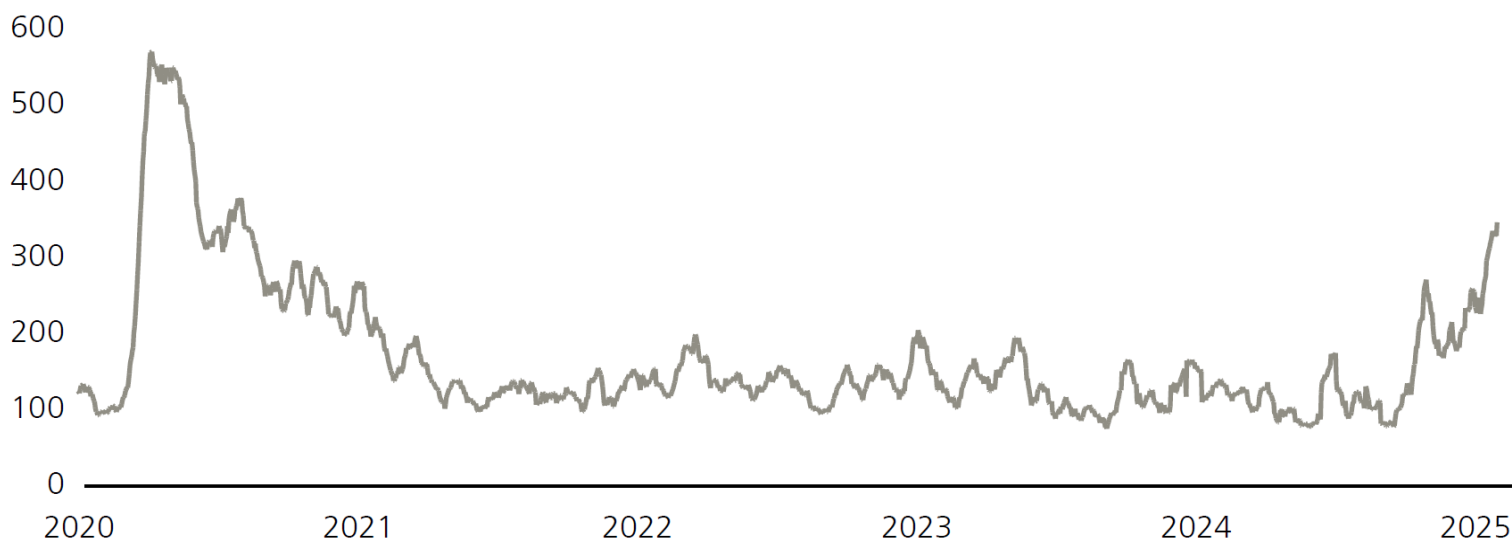
## Strategy and Outlook

Currently, markets remain highly sensitive to both monetary policy shifts and evolving trade developments. While recent months have seen moderating inflation, most recently with <sup>8</sup>May CPI rising just 0.1% month-over-month, bringing year-over-year inflation to 2.4%, the Federal Reserve continues to approach interest rate policy cautiously.

As of June 15 2025, the Fed has kept the federal funds rate steady at 5.25%-5.50%, with policymakers signaling the possibility of one to two cuts by year-end if inflation continues to ease and labor market strength holds. However, persistent tariff uncertainty, particularly surrounding U.S.-China trade relations, continues to present a material risk that could keep inflationary pressures elevated longer than previously anticipated.

Broad market forecasts for the S&P 500 remain highly divided. The consensus 2025 price target across 20 major financial institutions currently averages 6,550, implying an approximate 8.9% upside from current levels. <sup>9</sup>UBS maintains a moderately optimistic view with a 6,600 target (+10.1%), while firms such as <sup>10</sup>Oppenheimer continue to forecast more robust gains, projecting 7,100 (+18.4%), reflecting confidence in resilient corporate earnings and accommodative monetary policy later in the year. On the more cautious side, <sup>11</sup>BCA Research and T. Rowe Price have maintained targets as low as 4,450 (-25.8%) and 5,300 (-11.6%), respectively, citing concerns about sticky inflation, slowing global growth, and continued geopolitical instability weighing on earnings.

US economic uncertainty index, 20-day moving average



Source: Bloomberg, UBS, as of February 28, 2025.

<sup>8</sup>Morningstar. "May CPI report softer than expected at 2.4% Annual Rate." <https://www.morningstar.com/economy/may-us-cpi-report-softer-than-expected-24-annual-rate>

<sup>9</sup>UBS. "How we are thinking about high valuations.", <https://www.ubs.com/us/en/wealth-management/insights/article.1815564.html>

<sup>10</sup>Oppenheimer. "John Stoltzfus Announces 7100 Price Target for S&P 500.", <https://www.oppenheimer.com/news-media/2024/insights/oam/john-stoltzfus-announces-7100-price-target>

<sup>11</sup>Business Insider. "Why a top market strategist says his base case is still a 25% stock drop and a recession in 2025", <https://www.businessinsider.com/stock-market-crash-trade-war-sp500-recession-deficit-tariffs-trump-2025-6>



# Investment Outlook

## Gold and Commodities

Given this backdrop, portfolio diversification remains critically important. <sup>12</sup>High-quality fixed income continues to offer attractive yields, particularly in intermediate-duration Treasuries and investment-grade corporate bonds. Credit spreads remain appealing, offering investors strong risk-adjusted return potential while buffering against equity volatility. Equities, while supported by resilient earnings and strong balance sheets, remain vulnerable to policy missteps and further trade disruptions. Growth sectors tied to AI, technology, and domestic manufacturing still offer select opportunities, while industrials, infrastructure, and reshoring beneficiaries continue to attract capital amid ongoing supply chain realignments.

Commodities, particularly gold, remain an important part of portfolio diversification. With ongoing tariff escalations, rising import costs, and persistent global tensions, gold serves as both an inflation hedge and a store of value during heightened uncertainty. Additionally, select exposure to agricultural commodities and energy may prove valuable if supply disruptions continue or inflation pressures resurface.

Ultimately, we believe the market's direction in Q2 and beyond will be shaped by the interplay of monetary policy, corporate earnings resilience, and the evolving global trade environment. While headwinds remain, disciplined portfolio positioning, selective sector exposure, and flexibility will remain the keys to navigating the second half of 2025.

### 1 Year Gold Price in USD/oz



Source: Gold Price, as of 15 June 2025.

<sup>12</sup>UBS. "Current bond yields are appealing for investors seeking durable portfolio income.", [www.ubs.com](https://www.ubs.com)







# Key takeaways

## An approach to current conditions.

The investment landscape remains defined by a combination of stabilizing inflation data, cautious monetary policy, and persistent trade-related uncertainties. The Federal Reserve continues to hold interest rates steady while leaving the door open for rate cuts later this year, contingent on further progress toward its inflation target. Inflation is trending lower, with headline CPI now at 2.4% year-over-year, but core inflation remains slightly elevated, keeping policymakers on alert. Meanwhile, elevated tariffs continue to pose risks to both economic growth and consumer prices, with negotiations around U.S.-China trade policy representing a key wildcard for the months ahead.

Despite these crosscurrents, the U.S. economy remains resilient. Labor market data continues to show strength, while corporate earnings have largely exceeded expectations. Equity markets have recovered modestly from Q1 volatility, with the S&P 500 trading just below its all-time highs. Select sectors, including industrials, infrastructure, technology, and AI-related companies, continue to present compelling opportunities, while defensive sectors may serve as a hedge against ongoing volatility.

Diversification remains paramount as we move deeper into 2025. High-quality fixed income offers attractive yields amid stabilizing interest rate expectations, while gold continues to serve as an effective hedge against both inflation and geopolitical risk. Investors should remain nimble and disciplined, balancing risk and opportunity as monetary policy, trade negotiations, and corporate earnings guide the next phase of the market cycle.





# Important disclosures



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