MONTHLY VIEWPOINT

OUR CURRENT VIEW ON MARKETS AND THE ECONOMY

JUNE 2025

FORWARD WEALTH MANAGEMENT

BIG THOUGHT

So far in 2025, despite a litany of challenges, markets have remained resilient, with the US large cap index (S&P 500) down less than 2% from all-time highs as of this writing. This leaves many investors scratching their heads, shrugging their shoulders and dismissing any worries citing the old adage "you can't fight the tape." And tape action certainly is speaking, particularly in the Nasdaq and S&P 500, raising our trend level from negative to neutral this month. Possibly the best upside story to the US economy could be we are past "peak uncertainty" and that underneath the surface, robust economic strength and dynamism will lead to continued gains. However, there is at least an equal chance we have yet to see the full impact of an unfolding slowdown (See: Chart of the Month). Just as optimism from November to January gave way to volatility in February, we may again see the optimism-pessimism cycle re-emerge.

DASHBOARD

Valuation	Red
Trend	Yellow
Economy	Yellow
Inflation	Yellow
Money Flow	Red
Credit	Green

BULLISH

- Credit markets not showing expansion in spreads, i.e. no recession pricing
- Walk-back of tariffs seen as removing "worst-case" outcomes in global trade
- Sentiment is low, paving the way for near-term market support
- Optimism building that we are past "peak uncertainty"

BEARISH

- Economic weakness & global trade restructuring risks negative feed-back loop
- Market valuation at levels last seen in 2000
- Risk of capital flight as foreign investors reallocate funds away from US
- Tariff impacts likely to manifest over the coming months

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CHART OF THE MONTH

Business Cycle			*10-Year Yield Spread**				
NBER Peak	NBER Trough	Length of Cycle (months)	Inversion	Lead	Normal	Length of Inversion (months)	Length of Cycle Minus Inversion
Dec-69	Nov-70	11	Nov-68	13	Mar-70	16	-5
Nov-73	Mar-75	16	Jun-73	5	Dec-74	18	-2
Jan-80	Jul-80	6	Nov-78	14	May-80	18	-12
Jul-81	Nov-82	16	Nov-80	8	Oct-81	11	5
Jul-90	Mar-91	8	Apr-89	15	Jan-90	9	-1
Mar-01	Nov-01	8	Aug-00	7	Feb-01	6	2
Dec-07	Jun-09	18	Mar-06	21	Jun-07	15	3
Feb-20	Apr-20	2	Jun-19	8	Oct-19	2	0
			Nov-22		Dec-25	25	
Average last eight		**11**		**11**		**12**	**4**
Average last four		**9**		**13**		**8**	**2**

*10-year constant maturity (GS10) minus 90-day Treasury bill (TB3MS discount basis converted to true yield) averaged over the quarter.

A simple yield-curve metric can outperform complex forecasting models in signaling economic weakness. That was the thesis for then Ph.D. student Campbell Harvey at the University of Chicago's Booth School of Business back in the 1980s. His theory- the inversion of the yield curve (measured by 10-year less 3-mo below 0) foretells an impending recession. The main idea makes intuitive sense- a normal yield curve is upward sloping (long-term yields › short-term yields). The inversion is a bond market message- economic growth expectations are falling. Harvey's signal occurred in every recession back to 1968. And the metric worked in real time, forecasting every recession through 2020. In November 2022 the 10yr-3mo inverted, and stayed inverted for 25-months, before rising above 0 in December 2024. This is the longest period of inversion (data back to 1968) we have observed. What's notable is that in the last 4 recessions, the recession start as dated by the NBER, began after the yield-curve measure rose above 0. Certainly something to keep in mind through in the coming months.

ABOUT FORWARD WEALTH MANAGEMENT

Established in 2014, Forward Wealth Management provides personalized financial advice that delivers peace of mind and confidence where client goals and money decisions intersect with markets and investing. Forward's proprietary approach, TRAC, is a goals-based guidance process which measures and maps Timelines, Resources, and a portfolio's Asset Allocation against current market Conditions and the expected cost of retirement income.

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