

# Market Rebounds as Trade Tensions Ease

JUNE 2025



**Daniel Wildermuth**  
Portfolio Manager, Quartz  
Partners' Astra Strategies

Investor sentiment took a decisive turn for the better in May, as easing trade tensions and resilient economic data lifted U.S. equities back to roughly even for the year. All major stock indices posted strong gains, with the S&P 500 and Nasdaq Composite on track for their best month since November 2023—and their strongest May since 1990. Markets have grown less

reactive to the volatility of trade policy, as investors increasingly bet that the worst of President Trump's trade war is behind them.

Beyond tariffs, sentiment has also been buoyed by robust corporate earnings and better-than-expected

began in 1976) in the second quarter, suggesting that corporate leaders may be growing more cautious even as markets rally. Concerns over fiscal deficits, a weakening dollar, and high interest rates continue to raise questions about the durability of the current upswing.

Meanwhile, legal uncertainty lingers around trade. A federal appeals court temporarily stayed a ruling that had invalidated Trump-era tariffs, pending further legal review. Though the stay doesn't address the underlying legality, it adds another layer of unpredictability to trade policy.

Valuations remain a headwind for investor sentiment. U.S. stocks are still expensive by historical standards, with the S&P 500 trading at 21 times expected earnings—well above its 10-year average of 18.7. Globally, equities also look costly, ending last year at 23 times

---

*While strong earnings growth has supported U.S. valuations, the premium leaves little margin for error.*

---

economic data. Companies in the S&P 500 have reported around 13% profit growth for Q1, according to FactSet. On the macroeconomic front, consumer confidence rebounded in May, durable goods orders fell less than expected, and labor markets continue to expand steadily. Inflation, while still a concern, remains relatively mild.

Still, optimism is not without its cracks. A recent report from the Conference Board revealed that CEO confidence fell by the most on record (since the survey

forward earnings versus just 14x in global markets.

While strong earnings growth has supported U.S. valuations, the premium leaves little margin for error. Some investors are turning to international markets for more attractive valuations, while others point to the superior historical performance of U.S. equities. Though markets have stayed resilient during past periods of elevated valuations—such as the 1990s tech boom—history suggests that lofty valuations often weigh on long-term returns.

Still, not everyone sees cause for concern. Morgan Stanley remains bullish on U.S. assets, arguing that global alternatives remain limited. Their view aligns with the enduring “TINA” mantra—there is no alternative. Similarly, NYU’s Aswath Damodaran, often dubbed by Wall Street as the “dean of valuation,” contends that traditional metrics underestimate future growth. His forward-looking risk premium model which incorporates analyst forecasts suggests U.S. stocks may be more reasonably priced than they appear.

For now, the mood of the market is improving but remains fragile. Investors are cautiously optimistic, betting that the path of trade policy, economic growth, and inflation will continue to support further gains. Whether that optimism proves durable will depend on how those forces evolve in the months ahead.

#### **IMPORTANT DISCLOSURES**

*This material is distributed or presented for informational or educational purposes only and should not be considered a recommendation of any particular security, strategy or investment product, or as investing advice of any kind. This material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. The content contained herein is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.*

*This material contains opinions of the author or speaker, but not necessarily those of Quartz Partners, LLC. The opinions contained herein are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable but are not assured as to accuracy. There is neither representation nor warranty as to the current accuracy or liability for, decisions based on such information. Past performance is not indicative of future results. No part of this material may be reproduced or referred to in any form, without express written permission of Quartz Partners, LLC.*

*Investment Advisory Services offered through Quartz Partners, LLC, an SEC-Registered Investment Advisor. Use of the term “registered investment adviser” or being “registered” with the SEC, or any state securities authority does not imply a certain level of skill or training.*