Second Quarter
2025

Quarter In Review

Jensen Private Client

Firm Update

Summer is in full swing, and we hope you are enjoying all that the season has to offer!

At Jensen, one of our primary goals is to help you and your families plan for the long term. We strive to improve what we offer to our clients, and we are excited to begin a partnership with RightCapital, a leader in financial planning and cash flow forecasting software. This new platform will allow us to develop a more comprehensive assessment of our clients' assets and expected future cash flows, and it will augment our current planning services. Please give us a call if you are interested in updating and reviewing your own cash flow forecasts.

Second Quarter 2025 in Review

The second quarter of 2025 delivered a remarkable turnaround for U.S. equity markets, with the S&P 500 surging to new heights roughly two months after a sizeable decline in reaction to the announcement of new U.S. tariffs. Despite ongoing concerns about inflation, trade tensions, and geopolitical risks, investor sentiment shifted positively as hopes grew that the Federal Reserve might resume its interest rate cuts and some concrete progress emerged on trade negotiations.

After struggling earlier in the year, technology stocks once again lead the stock market recovery and corporate earnings provided fundamental support for the rally, with S&P 500 earnings per share forecasted to grow through the end of 2025. Record-setting share buybacks in the first quarter also helped support equity valuations. The bond market experienced significant developments during the quarter with Treasury yields exhibiting considerable volatility. The yield curve dynamics reflected changing expectations for Federal Reserve policy, discounting the potential impact from tariffs and evolving inflation concerns. A weakening U.S. dollar following the tariff announcements in April further heightened Treasury volatility. However, a weak currency has both negative and positive consequences. Imports can be more expensive, but it makes exports more attractive to foreign consumers. Additionally, a weaker dollar can allow U.S. factories to remain relatively competitive, supporting employment and stimulating the U.S. economy.

Looking Ahead

After a period of risk aversion in early 2025, the second quarter marked a continuation of the "risk-on" sentiment that characterized much of 2023 and 2024. This renewed risk appetite was driven by a de-escalation of aggressive U.S. trade policy, evidence of continued technology investments to support growth in artificial intelligence engines, and expectations for a more dovish U.S. Federal Reserve policy.

Looking forward, the outlook for U.S. equities remains mixed. Further advancement is supported by strong underlying fundamentals — particularly in the technology sector — driven by robust investment in artificial intelligence, cloud infrastructure and automation. However, notable risks remain. While the Federal Reserve has paused interest rate hikes, policy remains restrictive and the timing and extent of potential cuts have been delayed due to the potentially inflationary impact of U.S. tariff policy. In particular, heightened import taxes could weigh on corporate margins and global supply chains, resulting in higher prices for consumer goods. Additionally, recent data also points to a slowdown in U.S. consumer spending, as higher interest rates and tighter credit conditions begin to take a toll. At the same time, the employment picture has started to soften, with rising jobless claims and a decline in job openings suggesting that labor market strength may be fading.

Against this backdrop, we maintain a constructive but selective approach to U.S. equities. The market's recent strength reflects improved visibility on growth and a strong earnings foundation, particularly among companies with durable competitive advantages and exposure to secular trends. At the same time, we remain disciplined in managing macroeconomic and policy risks through a focus on quality — favoring businesses with resilient operating models, healthy balance sheets and pricing power. We believe these attributes enable quality companies to generate business returns consistently above their cost of capital, ultimately resulting in shareholder value creation.

Connect With Us

Thank you for your continued confidence in Jensen. It is a privilege to work with you and your families, and we are tremendously grateful for your ongoing support. As always, please do not hesitate to contact us with any questions you may have.

S&P 500 Index: Is a market value weighted index consisting of 500 stocks chosen for market size, liquidity and industry group representation. The Index is unmanaged, and one cannot invest directly in the Index.

Free Cash Flow: Is equal to the cash from operations of a company less capital expenditures.

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