

Index	Asset Class	2025		2024
		June	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	6.3%	8.4%	25.9%
S&P 500	Large Cap U.S. Equity	5.1	6.2	25.0
S&P 400	Mid Cap U.S. Equity	3.6	0.2	13.9
S&P 600	Small Cap U.S. Equity	4.0	(4.5)	8.7
MSCI All Country World	Global Equity	4.5	10.3	18.0
MSCI All Country World (Ex U.S.)	International Equity	3.5	18.3	6.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	2.2	19.9	4.4
MSCI Emerging Markets (EM)	International Emerging Market Equity	6.1	15.6	8.1
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.5	4.0	1.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	0.7	(0.8)	1.3
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	0.5	(0.6)	6.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.8	4.6	8.2
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.9	9.1	14.5
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.3	7.9	11.1
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.7	6.6	7.7
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.1	5.3	4.5
Data as of 6/30/2025. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

## Overview & Economy

**“Should I Stay or Should I Go?”** This hit song from the 80’s may be one that Fed Chair Powell is humming often these days, as President Trump has continued to amp up his threats, criticisms, and even personal insults. Despite Trump’s threats of firing Chair Powell, it is generally understood that a president cannot force out board members of independent federal agencies except “for cause.”<sup>1</sup> Also, importantly, when asked, Chair Powell has said he will not step down.<sup>2</sup> So he’s “stay[in]”!

It has been floated by Trump, and most recently by Treasury Secretary Bessent, that it is under consideration to use the next scheduled Fed Governor appointment in January 2026 to name a governor who would later be promoted to chair.<sup>3</sup> Trump has also said that he would not appoint anyone to the Fed who doesn’t back his rate cut views.<sup>4</sup> Naming Chair Powell’s successor before the end of Powell’s term as Chair in May of 2026 would be an obvious ploy to undermine Powell’s leadership and elevate a contradictory voice. While Trump isn’t the first U.S. President to try to influence the sitting Fed Chair, he certainly has been the most vocal and visible in his criticisms.<sup>5</sup> Before Trump, maybe most notable was President Nixon’s influence on Fed Chair Arthur Burns to lower rates in order to help Nixon’s re-election prospects -- regardless of the consequent longer-term economic risks.<sup>6</sup>

Jerome Powell was appointed as Chair of the Federal Reserve Board of Governors in 2018 to a four-year term, by Trump as a matter of fact, and then reappointed as Chair in 2022 for a second four-year term. He has served as a member of

the Board of Governors since 2014 for a term that ends in 2028. By tradition, the Chair of the Board of Governors also serves as Chair of the Federal Open Market Committee (FOMC). The Federal Reserve applies monetary policy to foster its two primary economic objectives (the so-call dual mandate) of maximum employment and stable prices.<sup>7</sup> The Federal Reserve controls three tools of monetary policy – two through its 7-member Board of Governors (i.e., the discount rate and reserve requirements), and the third through the 12-member FOMC which is responsible for setting the federal funds rate. The 12 voting members of the FOMC include the 7 members of the Board of Governors, the President of the Federal Reserve Bank of NY, and a rotating four of the remaining eleven regional Reserve Bank presidents. While FOMC Chairs may have some greater influence as they set the agenda and communicate policy decisions, they have only one vote on the FOMC as does each other member.

We offer observations on the details of this controversy, and the big picture implications:

- (a) Chair Powell himself has offered repeated guidance that Fed Fund rate cuts (in plural) remain likely by year-end.
- (b) Trump's issue is the timing, number, and collective magnitude of rate cuts.
- (c) Based on their recent comments, most FOMC members appear to be aligned with Chair Powell's view that more data is needed before the next cut.
- (d) It's unclear whether a different chair, all else being equal, would have the result Trump seeks.

Most importantly, the big picture is that a politicized Central Bank led by politically compliant Fed Chair would be perceived quite negatively across the global financial system. This is because of increased economic risks related to diluted monetary policy disciplines and integrity, and related risks for heightened inflation (Turkey and Argentina are precedents). The recent decline in the relative value of the U.S. dollar has been attributed by many economists to a shift in global trade and investment attributable to President Trump's aggressive tariffs and isolationist foreign policy. We believe materially contributing to the slide of the U.S. dollar are the threats to our Federal Reserve's independence, and the consequent shifts on the margin by other major central banks to diversify away from the U.S. dollar as a prominent and reliable reserve holding. In turn, on the margin, there is evidence that major central banks are increasingly turning to gold to diversify their reserves and hedge against economic and geopolitical risks. These trends appear likely to continue.

## Equity Markets

June capped off the second quarter on a positive note for global equities, with U.S. Mega Cap Growth stocks (i.e., NASDAQ 100) reassuming leadership within the month and quarter. On a year-to-date basis, however, International stocks remain the leaders by a wide margin – with YTD returns aided significantly by the 10.7% decline YTD for the U.S. Dollar Index. Within the U.S., Mid and Small Caps remain YTD laggards, with Mid Caps just above breakeven and Small Caps still in the red.

## Fixed Income Markets

While deficit concerns remain evident on the long end of the yield curve, the intermediate-term bond indexes we track finished the quarter on a positive note. Municipals continued to lag, both investment grade and high yield muni's, reflecting continued concerns regarding potential changes to the muni dividend Federal tax exemption, as well as potential credit quality implications from reduced Federal funding for states. Based on the "Big Beautiful Bill" (BBB) progressing through Congress, it looks like the muni dividend Federal tax exemption will remain intact, although Federal funding cuts will force states into difficult decisions in order to balance their budgets. At this point, we believe that the discounted concerns by muni bond indexes appear excessive, particularly as nearly two-thirds of all outstanding investment grade muni bonds are revenue bonds, secured by the specific revenue generating projects which they helped finance, rather than general obligations bonds backed by the general credit of the issuing municipality.

## Reference(s):

- 1) CBS News Article, "Trump says "maybe" he'll try to fire Fed chief Jerome Powell", Updated June 20, 2025 – [Link](#)
- 2) Newsweek Article, "Fed's Powell Responds to Trump Attacks", July 1, 2025 – [Link](#) ;
- 3) Reuters Article, "Trump admin. eyes Fed vacancy in early 2026 to appoint Powell successor...", June 30, 2025 – [Link](#)
- 4) Reuters Article, "Trump says he won't appoint anyone to Fed who doesn't back rate cuts", June 27, 2025 – [Link](#)
- 5) NBC News Article, "Trump isn't the first president to try to influence the Federal Reserve", July 5, 2019 – [Link](#)
- 6) Journal of Economic Perspectives, "How Richard Nixon Pressured Arthur Burns..." Vol.20, No.4, Fall 2006 – [Link](#)
- 7) Federal Reserve Bank of Chicago, "The Federal Reserve's Dual Mandate", Last Updated October 20, 2020 – [Link](#)

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