



**BlackDiamond
Financial**

INVESTMENT INSIGHTS

SECOND QUARTER 2025





Markets Demonstrate Resilience Amid Global Uncertainty

The stock market proved resilient in the second quarter. The S&P 500 reached a new all-time high in June, rallying 28% from its low in April.

The path upward was not a smooth ride. Investors navigated a range of headwinds, including escalating tariffs, inflation concerns, shifting interest rate expectations, deficit worries, likely tax policy changes, and the ongoing wars in Ukraine and the Middle East. The market's sharp decline and equally rapid recovery underscore the importance of staying the course and maintaining a long-term perspective.

The economy remains strong. Rapid advances in artificial intelligence continue to bolster corporate earnings expectations. The U.S. added more jobs in June than economists anticipated, and consumer prices rose at a muted pace during the quarter, easing fears that new tariffs would reignite inflation. However, this could change, given that the 90-day reciprocal tariff pause is set to expire on July 9th.

Global diversification also proved beneficial. International stocks advanced 12% during the quarter, driven in part by heightened U.S. policy uncertainty, which encouraged investors to reduce domestic concentration.

The Federal Reserve held short-term interest rates steady at its last meeting. Bonds benefited as 10-Year Treasury yields declined, helping the Bloomberg U.S. Aggregate Bond Index – a broad measure of the U.S. bond market – post a modest gain of about 1%.

As always, we believe successful investing requires a disciplined, long-term approach that emphasizes thoughtful asset allocation, broad diversification, and prudent risk management.

Comparative Returns

	Annualized Performance					
	Q2 2025	YTD	1 Year	3 Years	5 Years	10 Years
Large Cap U.S. Stocks ¹	10.9%	6.2%	15.2%	19.7%	16.6%	13.6%
Small Cap U.S. Stocks ²	8.5%	(1.8%)	7.7%	10.0%	10.0%	7.1%
International Stocks ³	12.0%	17.9%	17.7%	14.0%	10.1%	6.1%
Real Estate ⁴	(1.5%)	(0.7%)	7.6%	4.1%	7.4%	5.0%
U.S. Bonds ⁵	1.2%	4.0%	6.1%	2.5%	(0.7%)	1.8%

1 S&P 500 TR index. 2 Russell 2000 TR index. 3 MSCI ACWI ex-U.S. NR index. 4 MSCI U.S. REIT NR index. 5 Bloomberg Barclays U.S. Aggregate Bond TR index.



On July 4th, President Trump signed the wide-ranging 'One Big Beautiful Bill Act,' into law. The bill makes permanent the 2017 tax cuts and introduces new tax relief provisions while rolling back certain clean energy credits and cutting spending on student loan subsidies and Medicaid benefits. The non-partisan Congressional Budget Office estimates it will add \$3.3 trillion to the deficit over 10 years, with lawmakers counting on faster economic growth to shrink the deficit relative to GDP.

Key Provisions

- **Extends 2017 Tax Cuts:** Makes individual rate cuts and the higher standard deduction permanent. Restores 100% bonus depreciation for businesses.
- **Capital Gains & Dividends:** No change to long-term capital gains or qualified dividend tax rates, maintaining the current 20% top rate.
- **Corporate Minimum Tax:** No additional corporate minimum tax; maintains the stock buyback excise tax of 1% enacted in 2022.
- **New Tax Relief:** Exempts tips (up to \$25,000) and overtime pay (up to \$12,500); raises the SALT deduction cap to \$40,000 for five years for filers earning under \$500,000; expands the Child Tax Credit; adds a \$10,000 deduction for interest on new U.S.-made car loans.
- **Estate-Tax Exemption:** Permanently rises to \$15 million per person, expanding opportunities for lifetime gifting and multigenerational wealth transfer.
- **Pass-Through Deductions:** Maintains the 20% Qualified Business Income deduction for pass-through entities such as LLCs and S-Corps.
- **Social Security Deduction:** New \$6,000 per-person deduction for seniors, phasing out above \$75,000 (\$150,000 joint). The deduction will sunset after five years.
- **Student Loans:** Ends income-driven repayment plans and Grad Plus loans. Caps Parent Plus loans at \$65,000 per student. New borrowers after July 1, 2026, would choose between a standard plan or an income-based Repayment Assistance Plan.
- **College Endowment Tax:** Raises top tax on wealthy private college endowments to 8%, with lower tiers at 4% and 1.4%. Schools under 3,000 students stay exempt.
- **Medicaid Work Requirements:** Imposes work/job training mandates for able-bodied adults without dependents. Gives states the option of block grants or per-capita funding, with tighter eligibility checks to reduce fraud.
- **Defense & Immigration Funding:** Adds \$150 billion for defense, including \$29 billion for shipbuilding, \$25 billion for missile defense, and \$25 billion for munitions. Provides \$175 billion for immigration enforcement, including a border wall and migrant detention.
- **Ends Clean Energy Credits:** EV tax credits end September 30. Wind and solar qualify only through 2027; hydrogen projects must start by January 1, 2028. Adds taxes on post-2027 renewables using certain foreign components; new credit for metallurgical coal.



ABOUT US

Black Diamond Financial, LLC is a fee-only registered investment adviser with a unique and holistic focus on preserving and enhancing wealth. Our mission is to help you achieve your financial goals through the use of low cost, tax-efficient investment strategies. We create individualized investment portfolios for each client that are risk-appropriate, return optimized, and tax-efficient. Where appropriate, we incorporate institutional quality private investments to capture illiquidity premiums or yield opportunities. Furthermore, we believe cost is a critical factor in any successful investment strategy and therefore offer fully transparent pricing that is below industry standard. As an employee-owned firm focused on our fiduciary duty, we make our clients' interests our highest priority.

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