



## 2025 Halftime Letter

July 8, 2025

Dear Valued Graham Wealth Management Members,

Congratulations to all our members at Graham Wealth Management. The first six months of this year have been incredibly eventful, filled with political drama, economic shocks, and trade tensions. We will cover these many significant developments in this annual halftime letter. But first and foremost, I want to personally recognize our clients for navigating the market turbulence, political uncertainty, and escalating foreign affairs. You've positioned yourselves to take advantage of the remarkable opportunities that the macro environment has made available to investors.

Thank you for giving GWM the honor of serving as the steward of your capital. It's been an exciting and dynamic start to the year, and we look forward to continuing this journey with you through the second half with member-specific fidelity.

### Greedy When Others Are Fearful

The phrase "Greedy when others are fearful" originates from legendary investor Warren Buffett. His full quote, delivered in various forms over the years but most famously in his 2004 letter to Berkshire Hathaway shareholders, is: "Be fearful when others are greedy, and greedy when others are fearful." Encouraging caution during market exuberance and boldness when assets may be undervalued due to panic selling, the phrase is widely cited as a hallmark of investing strategy.

The market began the year riding high on the momentum of Trump's presidential victory and the anticipation of the new administration's inauguration on January 21. Following the swearing-in, we witnessed a rapid series of executive orders and tariffs targeting America's trading partners to strengthen the U.S. negotiating leverage. These moves triggered widespread economic and financial uncertainty. Early tariffs on China, Mexico, and Canada sparked investor doubts and triggered a market decline.

As concerns grew, fears of rising inflation began to take hold. Investors worried the tariffs would push inflation higher and force the Federal Reserve to maintain elevated interest rates for longer. This clashed with previous expectations of multiple rate cuts by year-end, sending markets lower through March.

On April 2, Liberation Day—the announcement of global tariffs—further rattled investors. Over four trading days, markets fell 12 percent, adding to an earlier 11.75 percent decline over the preceding six weeks. The result was a long weekend of strategy and planning across the financial services industry—including here at GWM—as we worked quickly to evaluate and reposition to take strategic advantage.

While much of the market retreated, we went on the offensive. Within just three trading sessions, the U.S. stock market officially entered a bear market. The speed of the decline was reminiscent of Black Monday in 1987 and the sharp drops during the tariff-driven corrections in March and December of 2018.

At GWM, we are of course not only stewards of capital but also students of financial and economic history. In times of uncertainty, we rely on historical insight to help us identify patterns to inform our decisions, make complicated concepts comprehensible, help members avoid costly errors, and to give advice on how to make the best choices when it comes to saving and investing. Our members were well-positioned to take advantage of this brief downturn. We swiftly reallocated funds from conservative dividend stocks and interest-bearing bonds into higher-growth, deeply discounted equities.

Recognizing the economy's domestic and tech-centric focus, we leaned into high-quality U.S. technology companies at compelling valuations. The NASDAQ fell 22.86 percent from its peak, creating significant buying opportunities. Once tariffs were paused, the S&P 500 posted its eighth-largest one-day gain in over a century, rising 9.52 percent. The NASDAQ recorded its third-largest single-day move since 1971, climbing 12 percent. Because of strategic positioning, our members were among the first to benefit from the swift rebound before the broader market did.

We commend our members for staying confident and focused. As investors, it's critical to understand that opportunities often arise when others act irrationally. As contrarian investors, we welcome market overreactions because they allow us to buy strong businesses at discounted prices.

*... greedy when others are fearful.*

### Inflation and Interest Rates

Despite political turmoil and economic uncertainty, the U.S. economy has shown resilience. Unemployment improved from 4.2 percent to 4.1 percent in June and remained stable throughout the first half of the year. Job openings and new hires have held steady, and inflation has continued to cool. In May, headline inflation reached 2.4 percent, with core inflation at 2.8 percent.

These figures move us closer to the Federal Reserve's target of maintaining 2 percent inflation. In response, the Fed has signaled its intention to cut interest rates twice before the end of the year.

Lower interest rates reduce borrowing costs and stimulate consumption, which in turn promotes GDP growth and renewed business optimism. This momentum supports higher corporate earnings, stronger dividends, share buybacks and rising stock prices—benefiting long-term investors.

### One Big Beautiful Bill

Although it passed just after the 2025 Second Quarter ended, it is important to highlight the major legislation now known as the One Big Beautiful Bill Act (OBBBA). Its impact on the economy will be substantial, and many of our members—both retirees and working professionals—stand to benefit.

One of the bill's most important provisions makes permanent the tax brackets created under the 2017 Tax Cuts and Jobs Act (TCJA), avoiding a return to higher pre-2017 rates. It also maintains the doubled standard deduction, helping Americans avoid significant tax increases.

Another provision exempts tips from federal income tax up to \$25,000 annually and overtime income up to \$12,500 per person, or \$25,000 for joint filers. This change will benefit several of our clients and increase their ability to save and build personal wealth.

Additionally, the bill allows businesses to fully expense research and development (R&D) costs in the same year, retroactive to January 1, 2025. As we noted in our year-ending 2024 Annual Letter, more than \$500 billion in tech R&D spending is expected this year. This provision allows companies to deduct those costs immediately, boosting profits and encouraging innovation—a clear benefit to our investors.

### Looking Ahead

When we combine the tax relief on tips and overtime, the permanence of TCJA tax cuts, full expensing of R&D, and the possibility of two rate cuts, we see a macroeconomic policy environment full of potential for our members.

At GWM, we analyze the intersection of economic data, fiscal policy, and market behavior to inform our investment approach. “Fundamentals, Not Fads” is not just a slogan—it’s how we operate. Based on current indicators, we remain optimistic about the remainder of 2025 and the outlook for 2026.

We expect the next phase of economic expansion will be driven by big tech. Investment in digital infrastructure, artificial intelligence, and R&D is accelerating, and the true potential of these technologies has yet to be fully realized. We are committed to making sure our members are positioned to benefit from this potential upside while insulated from volatility.

Although we anticipate less dramatic market swings in the near term, we remain watchful. Trade negotiations, particularly with China, Japan, Korea and other partners, may bring short-term instability. Inflationary pressure in global supply chains is also something we are monitoring. Overall, however, we are pleased with our positioning and excited by the road ahead for our members.

### Broad Optimism Can Be Dangerous

Even with strong economic fundamentals, we understand that broad optimism can create risk. When too many investors become bullish, markets can become overvalued and vulnerable to corrections. That’s why we remain focused on protecting the downside while pursuing long-term growth.

We continue to ensure our members hold balanced portfolios with exposure to income-producing assets that provide stability and liquidity in times of market volatility. We don't chase euphoria—we plan for what's ahead, both the good and the bad.

In summary, we remain confident in our investment strategy, our member positioning, and the broader fiscal and economic landscape. Once again, congratulations to our steadfast members who stayed the course through the Springtime market froth and are now at all-time highs.

Staying disciplined, remaining calm and trusting your plan—these are the timeless keys to navigating the markets with confidence and purpose.

As always, thank you for trusting Graham Wealth Management with your hard-earned capital. We understand the dedication it takes to build wealth—and we honor that commitment every day.

### Stay Informed, Stay Connected

Staying informed is more important than ever. We invite members to connect with us on our digital platforms. These are active, content-rich channels to keep you updated on market developments, policy changes, and timely insights into our thinking in real time. Follow us here:

- **Website:** [www.grahamwm.us](http://www.grahamwm.us).
- **X/Twitter:** <https://x.com/GrahamWealthMgt>
- **Facebook:** <https://www.facebook.com/grahamwealthmanagement>
- **YouTube:** <https://www.youtube.com/@grahamwealthmanagement>
- **LinkedIn:** <https://www.linkedin.com/company/grahamwm>

We encourage you to follow along, engage, share with others, and become part of the conversation. It's an easy, effective way to stay aligned with the strategy and outlook guiding your portfolio.

Together, we'll continue navigating the way ahead with clarity, discipline, and purpose.

Sincerely,

**Connor Graham, MBA, CRPC®**  
Chief Executive Officer

