

Market Commentary



Weekly perspective on current market sentiment

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Last week's S&P 500 Index: -0.2%

Known unknowns and other current dilemmas

Key takeaways

- In normal times, market strategists might be focused on what could be called “known unknowns”.
- But today, strategists also need to consider what might be called “unknown unknowns”.

Stick with me here. In “normal” times, whatever those are, market strategists might be focused on what could be called “known unknowns.” For example, we know that the administration announced two pauses in tariff implementation; the first one is scheduled to end on July 9 (European Union), and the second is scheduled to end on August 12 (China). What we don't know is whether President Trump will choose to extend these tariff pauses or simply end these time-out periods and then either cancel or implement the tariffs.

Or consider another example, the Big Beautiful Bill that is currently working its way through the Senate after being passed by the House. What we do know is that Congress needs the bill to be finished by the end of July. What we don't know is what the final bill will look like after the Senate makes changes and the Senate parliamentary rules on what will be allowed to be part of the package under a rule (the Byrd Rule) that essentially bars certain items from being addressed in the budget-reconciliation process and would allow the bill to be passed with a 51-vote majority.

To make things a little more complicated, strategists also need to consider what might be called “unknown unknowns.” A very current example would be determining how far Iran might go in retaliation for the U.S. bombing of nuclear facilities over the weekend. Whether the retaliation goes beyond the attempted missile strike on the U.S. military base in Qatar on Monday is not known. If Iran does retaliate further, what means will be employed? What assets will be targeted? Will any attempt be through proxies or directly by Iran? The bottom line is we do not know if or when further retaliation might occur.

Another unknown unknown that has the potential to rile financial markets is whether President Trump will anticipate the end of Federal Reserve Chairman Jerome Powell's term by naming a successor many months earlier than has been typical for past presidents. A successor named so far ahead of Chairman Powell's May 2026 end-of-term could create the perception that the nominee is a “shadow chair” whose policy opinions might publicly compete with the official policy and possibly create financial-market uncertainty. We don't know whom the president might nominate or if an unusually early choice might create that kind of policy confusion.

So these are some of the uncertainties that markets will be dealing with in the coming weeks and months. What these political questions all have in common is some degree of uncertainty but in an economy that we believe will continue to grow. In our view, portfolios need to be positioned in quality equity assets that can withstand the volatility that likely lies ahead. And we continue to consider pullbacks as buying opportunities. Focus on U.S. Large Cap Equities and U.S. Mid Cap Equities. Large-cap sectors of interest include Energy, Technology, Financials, Communication Services, and Utilities.

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