HUGHES FINANCIAL SERVICES, LLC
A BLUESPRING WEALTH PARTNER

Economic *update*

Almost every investor has heard the saying, "equities are for long-term investors." This philosophy was reinforced in the first half of 2025, which witnessed significant and historical changes in equity movements. If you left Earth on January 1 and returned on June 30, you would see that the S&P 500 started the year on a high note and achieved a new high on June 30. This is great news for investors.

As the second quarter began, many analysts downgraded their annual forecasts, predicting potential doom and gloom for investors for the remainder of 2025. In early April, when people thought the world would collapse and the market dipped below 5,000, the outlook seemed bleak.

Since then, the market has rallied. By early May, it regained its year-to-date losses and entered positive territory for the year. After advances of approximately 5% in both May and June, the S&P 500 closed the second quarter at all-time highs, leaving investors who stayed with equities feeling joyful once again.

The Trump administration came into office with plans of rocking the boat. Change can lead to uncertainty during transitions and the recent dramatic ups and downs have left investors wary of any sudden moves.

Throughout the second quarter, equities remained volatile but hit bottom when the initial tariff plans were announced in April. As you can see from the charts on page two, the road was a bit bumpy on the way back from correction land with several factors putting pressure on equities. These included pending tariff policies, inflation rates, potential economic slowdown, and geopolitical conflicts.

After a lot of turbulence in the equity markets, geopolitical conflicts such as an attack on Iranian nuclear sites took center stage at the end of the quarter. U.S. equities were unphased by the strike; to the contrary, equities rose slightly the following Monday. Some feel this was an example of how "headline events are having less and less effect on the market since tariffs went on - the so-called Liberation Day - which was the big volatile event," according to Andrew Wells, SanJac Alpha's Chief Investment Officer.

As of the writing of this report, the current tariff pause, is set to end in the next few weeks and talk of reciprocal tariffs is on the table for most countries. We will be keeping a watchful eye on tariffs and their effects on our clients' investment portfolios and financial plans.

Despite all these challenges, equities powered through and hit all-time highs to end the quarter. The S&P 500 closed at a record high of 6,203.31, up 10.57%, and posted its best quarter since December 2023. The S&P 500 was up 24.5% since a low hit on April 8 and is up 5.5% on the year as of June 30.

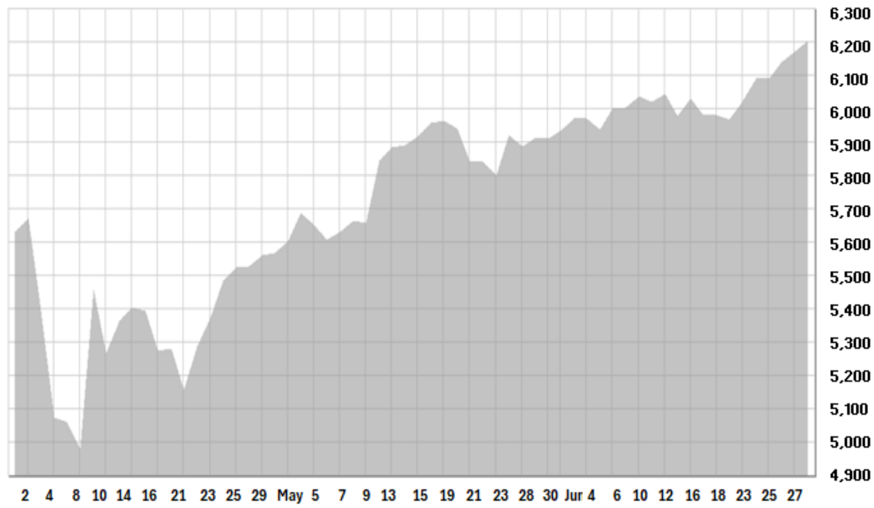
The Dow Jones Industrial Average (DJIA) closed the quarter at 44,077.26, up 5%. For the year, the DJIA is up 3.6%.

Q2 HIGHLIGHTS

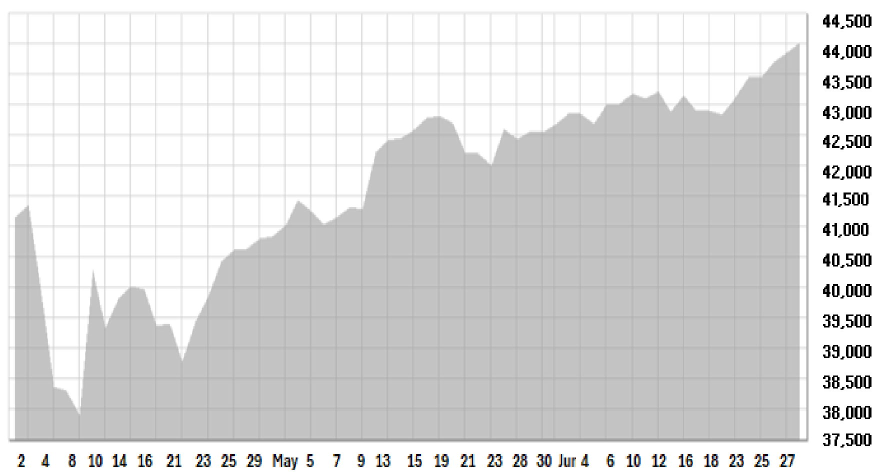
- After a very volatile first quarter that took equities into correction territory, equities recovered and ended the second quarter at record highs
- Trade tensions, tax law changes, and heightened geopolitical conflict are the top antagonists of continued uncertainty and volatility
- The Fed held the federal funds rate range at 4.25 – 4.5% but is still anticipating two rate cuts this year
- Overall, inflation continued to trend in the right direction and in April and May, the core CPI held steady at 2.8%
- While bonds present a less risky alternative to equities and an added option for those looking to diversify their portfolio, they still experienced some market volatility
- Focusing on your long-term goals and staying the course with a well-guided plan can help you stay grounded and confident during periods of uncertainty and volatility
- **Your HFS Team is always here for you to discuss your personal financial situation and help with any concerns or questions**

S&P 500 and Dow Jones Industrial Average
QUARTER 2, 2025

S&P 500 + 10.57%



Dow Jones Industrial Average + 5.0%



MONEY RATES
(as posted in Barron's 6/30/25)

	LATEST WEEK	YEAR AGO
Fed Funds Rate *	4.33%	5.33%
Bank Money Market Z	0.39%	0.56%
12-Month Certif Z	1.76%	2.05%

Z – Bankrate.com * - Avg Effective Offer Source: Barron's, bankrate.com

(Continued from page 1) With equities remaining strong, many analysts believe the rally we experienced following the correction (a decline of more than 10% from a recent closing high) is not merely a bear market rally, but a trend toward new highs. As noted, the S&P 500 reached a new high at the end of this quarter, as did the tech-heavy NASDAQ.

Investors have still not seen any interest rate cuts from the Fed in 2025. The Federal Open Market Committee (FOMC) decided to maintain steady interest rates during the first and second quarter of 2025. Current Federal Funds interest rates are in the range of 4.25% to 4.50%.

During the June FOMC meeting, the Feds still projected two rate cuts this year. For now, Federal Reserve Chair Jerome Powell noted they are, “well positioned to wait” before making any moves on rates.

In both April and May, the unemployment rate was a healthy 4.2%. Government employment continued its downward trend and is anticipated to continue in this direction as those employees who are currently on paid leave or receiving severance are still considered employed until the duration of the paid leave or severance ends. In June, the unemployment rate came in better than expected and fell to 4.1%.

2025 continues to be a year of change. While many signs are strong, others are cautionary. As financial advisors, we are committed to keeping you aware of any changes that could directly affect your situation. Our goal is to consistently review our clients’ investments and confirm they align with their time horizons, risk tolerances and goals.

THE ONE BIG BEAUTIFUL BILL ACT

In early July, Congress passed a new tax bill that will change financial planning for millions of Americans. Here are four key factors that could impact you:

1. **The 2017 Tax Cuts & Jobs Act (TCJA) Made Permanent:** The TCJA was set to expire at the end of 2025. This new bill locks those changes in permanently, allowing the already lower tax brackets and a higher standard deduction to remain in place. The standard deduction will increase to $15,750 for single filers, $23,625 for head of households, and $31,500 for married filing jointly. The bill also adds an additional deduction of $6,000 per person over age 65 ($12,000 for couples) subject to income limitations. Phaseouts start at adjusted gross income of $75,000 (S) and $150,000 (MFJ). This provision is temporary and will sunset in 2028.
2. **State and Local Tax (SALT) Cap Increased:** The cap on SALT deductions increases from $10,000 to $40,000 for those who itemize their deductions with a 1% increase each year through 2029. High income earners are phased out from taking this deduction once their Adjusted Gross Income reaches over $250,000 for single filers and $500,000 for joint filers.
3. **Overtime Pay Deduction:** The Act offers a temporary deduction for overtime pay through 2028. The maximum deduction is limited to $12,500 (single filer) of qualified overtime income, and $25,000 (joint filers). This is subject to income limitations of $150,000 (single) and $300,000 (MFJ).
4. **Estate Tax Exemption Secured:** Under the TCJA, the estate tax exemption was doubled but set to sunset at the end of 2026. This bill eliminates that sunset and locks into place an estate tax exemption at $15 million per person, indexed to inflation, providing much more certainty for legacy planning.

We will be addressing these points and the details behind them in future communications and at our upcoming educational presentations in September. Go to h4fs.com to register for our workshops and webinars.

INFLATION
& INTEREST RATES

KEY POINTS:

- Interest rates remained at 4.25 – 4.50% during the second quarter of 2025
- The Fed is still forecasting rate cuts in 2025
- U.S. inflation decreased in May to 2.4%

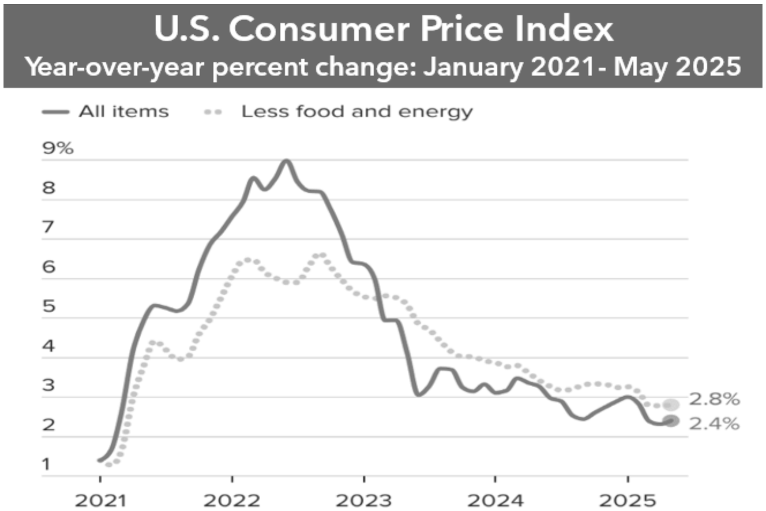
In the June Federal Reserve press release, the committee stated, "recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated."

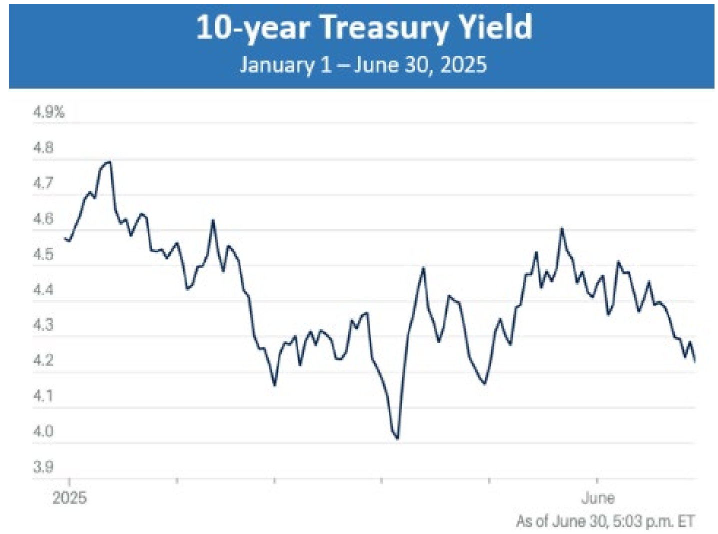
Considering this data during the second quarter of 2025, the Federal Open Market Committee (FOMC) decided to maintain interest rates in the range of 4.25% to 4.50%. This news did not affect investor sentiment, and stocks remained steady following the announcement.

The FOMC is vigilant in monitoring key economic indicators, including labor market conditions and inflation pressures. There are still four more meetings scheduled for 2025; however, even with a strong labor market, a holding pattern for interest rates could remain in place until the trade policy is finalized. While indications point to possible rate cuts this year, Fed Chair Powell stated, "For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policies."

In May, the Consumer Price Index (CPI), on a year-by-year basis, was 2.4% and core inflation was 2.8%. The core CPI, which excludes food and energy prices, is often viewed by economists as a better gauge of future inflation. Many anticipate that impending tariffs could reignite inflation in the coming months. We are watching how the economy will be affected by tariffs, but for now, the economy has not seen any major changes.

Interest and inflation rate movements are an integral factor for investors' financial planning, and we will continue to monitor these key economic indicators closely.





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EDUCATIONAL SERIES

At HFS, we believe financial education is a key step in helping you achieve a better future. Our Educational Series of workshops and webinars offer clear and practical investing education in two convenient and comfortable formats.

The One Big Beautiful Bill: Tax Planning Opportunities for 2025 & Beyond

WORKSHOP: Wednesday, Sept 10
12:00 – 1:00 pm

WEBINAR: Thursday, Sept 11
12:00 – 12:30 pm

Year-End Market Review

WORKSHOP: Wednesday, Oct 29
12:00 – 1:00 pm

WEBINAR: Thursday, Oct 30
12:00 – 12:30 pm

REGISTER ONLINE AT WWW.H4FS.COM

The Bond Market & Treasury Yields

KEY POINTS:

- Bonds, typically used as a safe option against volatility, were not exempt from the second quarter's market movements and they remain sensitive to continued uncertainty.
- With the Fed still anticipating lowering interest rates this year, existing bonds may rise in value.

Typically seen as a more secure option during times of uncertainty, bonds were not exempt from market volatility in the second quarter. Tariff uncertainty and a rising national debt weakened confidence in bond holders. Treasury bonds saw a decline, sending bond yields rising. The 10-year par yield curve rate fell to 4.01% and the 20-year dropped to 4.44%. However, on May 21, the 10-year par yield curve rate was 4.58%, and the 20-year reached 5.08%. Yields then fell again as tension between the U.S. and Iran escalated. The 20-year note ended the quarter at 4.79% and the 10-year note ended at 4.24%.

The direction of bond yields remains unclear as many factors can impact them, including interest rates and inflation, geopolitical risk, and trade tensions. As it currently stands, the "One Big Beautiful Bill Act" could add over $3 trillion to the federal deficit over the next decade. The federal government issues bonds as a means of borrowing money and financing government operations. Hopefully, growth from the tax cuts and higher tariffs could help counterbalance that debt.

We consider using bonds when appropriate, taking several factors into consideration, including a client's risk tolerance, time horizon, and investment goals. Bonds can be an integral part of a well-diversified portfolio and a good forcefield against market volatility as they can offer stability and a steady interest income during times of market decline. Remember, while diversification in your portfolio can help you pursue your goals, it does not ensure a profit or guarantee against loss.

Treasury Par Yield Curve Rates

January 2, 2025				April 1, 2025				June 30, 2025			
5-year	10-year	20-year	30-year	5-year	10-year	20-year	30-year	5-year	10-year	20-year	30-year
4.38%	4.57%	4.86%	4.79%	3.91%	4.17%	4.56%	4.52%	3.79%	4.24%	4.79%	4.78%

INVESTOR OUTLOOK

Several key factors will continue to contribute to uncertainty and market volatility. Lately, a sizeable amount of the market's gains has followed talks about the de-escalation of tariffs.

Looming deadlines and a lack of defined terms can keep economic uncertainty high not just for Americans, but globally. Other significant issues for equities, all of which we are monitoring, include:

- As of the quarter's end, the economy has remained strong, but U.S. economic growth could slow down through the rest of 2025 in response to tariffs and government spending reductions. As of the printing of this report, the labor market was still strong.

- Inflationary pressures and results could rise during the near future due to reciprocal tariffs.

- The Federal Reserve is still projecting to lower interest rates this year.

- The "One Big Beautiful Bill Act" was signed into law on July 4, 2025. It is hoped that this bill will help jumpstart the economy, benefit Americans by saving on taxes, be a catalyst for job creation, increase domestic investment and improve our long-term economic growth outlook.

- Global conflict remains. An escalation of the Israel-Iran conflict could affect oil prices. In addition, the Russia-Ukraine war continues.

As of the writing of this report, tariffs and trade negotiations are expected to be revisited. These negotiations will hopefully provide some definitiveness to our economic policy and the overall economic environment. Investor sentiment ended the second quarter primarily optimistic, as tariff discussions appeared to be less disruptive, including Canada rescinding its initial digital services tax that would have directly impacted Amazon, Alphabet (Google's parent company), and Facebook.

The full impact of tariffs is yet to be seen for the American household and corporate earnings. "It takes some time for tariffs to work their way through the chain of distribution to the end consumer. A good example of that would be goods being sold at retailers today may have been imported several months ago before tariffs were imposed," stated Fed Chair Jerome Powell. How much inflation and how expansive it is on goods is yet to be seen for U.S. consumers.

In the early days of the third quarter, we saw the "One Big Beautiful Bill" signed into law. Earlier this month, we emailed clients a review of the Act's key factors and in September, we'll be addressing this bill and its impact during our educational workshop/webinar. Go to h4fs.com to register for these presentations.

While staying aware of economic data and news is important, please keep in mind that minimizing your exposure to inflammatory media and speculative news reports can help reduce anxiety. We believe an educated client is the best client and will keep you updated on areas that we feel could affect your personal situation.

KEY POINTS:

- While they had their fair share of volatility, stocks and bonds were positive for the quarter. Looking ahead, several key factors will continue to contribute to potential uncertainty and volatility.

- Regardless of what the remainder of the year brings, proactive planning with a well-diversified portfolio that takes into consideration your risk tolerance and time horizon is still advised.

- A long-term investing strategy can help you during periods of short-term fluctuations. Staying the course towards your financial goals is typically the best path.

Volatility has ruled in 2025, and it could continue for a while. Although volatility has a negative connotation, it can also bring valuable opportunities for investors. Therefore, we would like to reiterate our mantra of "proceed with caution" in the coming months.

2025 continues to be a year of change for the U.S. As stewards of your wealth, we monitor areas we feel are important to your financial situation and understand that the current changes are bringing uncertainty and increased market volatility.

As always, please keep us aware of any changes to your personal situation such as divorce, health issues, selling of property, or any changes to your risk tolerance or time horizon. Additionally, we always recommend discussing any changes, concerns, or ideas you may have with us before making any financial decisions. Keep in mind that there are often other factors to consider when altering anything in your financial plan, such as tax implications. The more knowledge we have about your unique financial situation the better equipped we will be to best advise you.

Our goal is to exceed your expectations. We take pride in offering a high-level service that includes consistent and meaningful communication throughout the year.

Our team is here to help you with every step of your journey toward your financial goals. Please feel free to reach out to us with any questions or concerns you may have. We appreciate the trust and confidence you have in our firm.

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Hughes Financial Services, LLC, is an independent Registered Investment Advisor (RIA) working closely with individuals and families in or near retirement to provide direction and strategies on how to financially achieve their personal goals and dreams. We take a holistic, personalized approach to bring all the pieces of your financial life together.

Our adherance to the highest fiduciary standards when providing advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients a wealth of comprehensive financial planning expertise in:

- retirement planning
- investment management
- tax minimization/planning
- estate planning
- risk/protection management
- education planning

The financial advisors at Hughes Financial Services proudly hold a variety of professional designations and certifications, including the standard of excellence for financial planners, the CERTIFIED FINANCIAL PLANNER™ certification, and are well-versed in several financial disciplines. We specialize in helping employees and retirees of local government and school systems, business owners, medical professionals, and the U.S. military with their retirement options.

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Located in Herndon, Virginia (Fairfax County), Hughes Financial Services works with clients across the United States.

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