



As the markets wrap up a rather incredible six months, we are going with an Independence Day mindset . Because so far this year, boom...

Dow Jones Industrial Average

43,945.20 ↑ 3.29% +1,400.98 YTD

Jun 30, 10:26:06 AM UTC-4 · INDEXDJX · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



Go...

Nasdaq Composite

20,300.40 ↑5.12% +989.61 YTD

Jun 30, 10:26:39 AM UTC-4 · INDEXNASDAQ · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



The fireworks...

S&P 500

6,184.56

↑ 5.15%

+302.93 YTD

Jun 30, 10:26:31 AM UTC-4 · INDEXSP · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



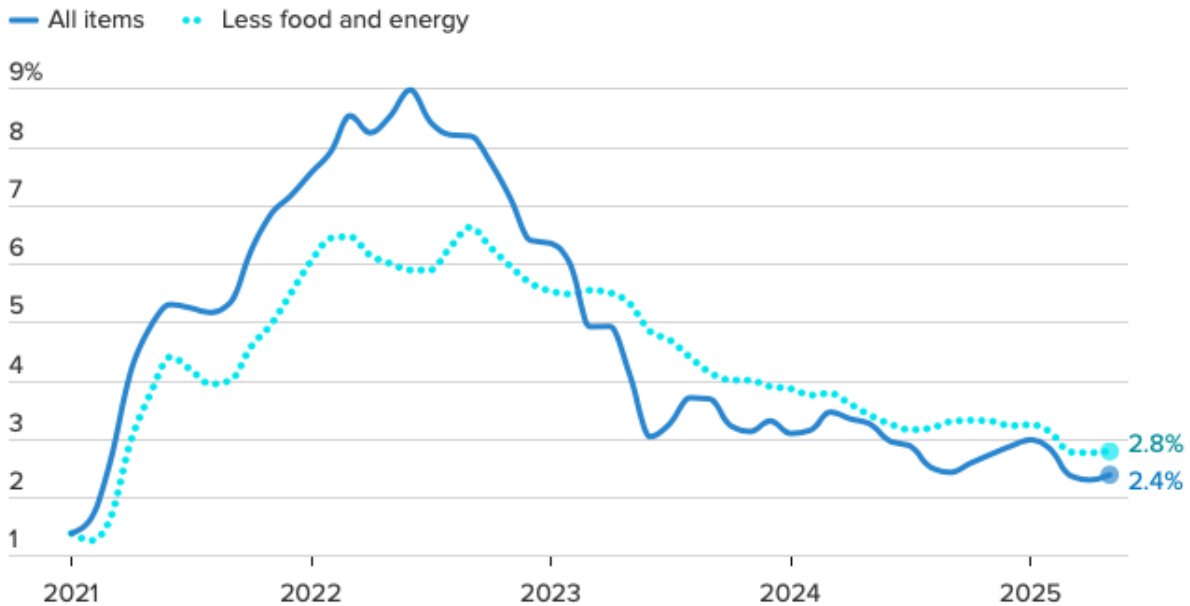
Those prices and returns are from mid-day Monday, June 30th. And while a 3% to 5% return on equities may not sound look much, look at how they got there. Even through my eye of disbelief at times, this was an incredible rebound from what looked like a major meltdown of the averages. Was it due to the ultimate TACO (Trump Always Chickens Out) trade, this being the menu?



Or is it this gift from the economic Gods?

U.S. consumer price index

Year-over-year percent change | Jan. 2021–May 2025



Note: Not seasonally adjusted

Source: [U.S. Bureau of Labor Statistics](#)

Data as of June 11, 2025



Because while I don't believe any of the noise that inflation has been 'contained', I am of no consequence to where the Fed Funds rate goes. If that squiggly line stays where it is, or goes down further, the chances of seeing another 100 basis point in cuts is on the table. And let me remind the viewing audience, equities have almost a 1 to 1 correlation to going up when the Fed is cutting rate. To quote Les Grossman from the movie *Tropic Thunder*... 'That's physics, it's inevitable.'



I'm searching, just like a lot of people, to make sense of a world gone seemingly mad. Flip side of that is that this world is making a lot of sense to a lot of people, and it's not mad. If there wasn't a divergence, markets wouldn't be acting like this and the recent run to new highs would never have happened. This is what your Monday morning CNBC web shot looked like. The only thing clear right now is that if you faded the headlines since January of this year, you would have made money in stocks.

MARKETS

U.S. stocks are at record highs, but the outlook for the world's largest economy is no clearer

PUBLISHED MON, JUN 30 2025-8:59 AM EDT | UPDATED 2 HOURS AGO



Jenni Reid

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KEY POINTS

- U.S. stocks closed at a record high last week on optimism around tariffs, but the economic outlook is hugely uncertain.
- Economic modeling is "very difficult" right now because "things are changing constantly," Atlanta Fed President Raphael Bostic told CNBC.
- Markets may be taking a "naive view of what's happening on the trade front," said Bob Parker, senior advisor at the International Capital Markets Association.

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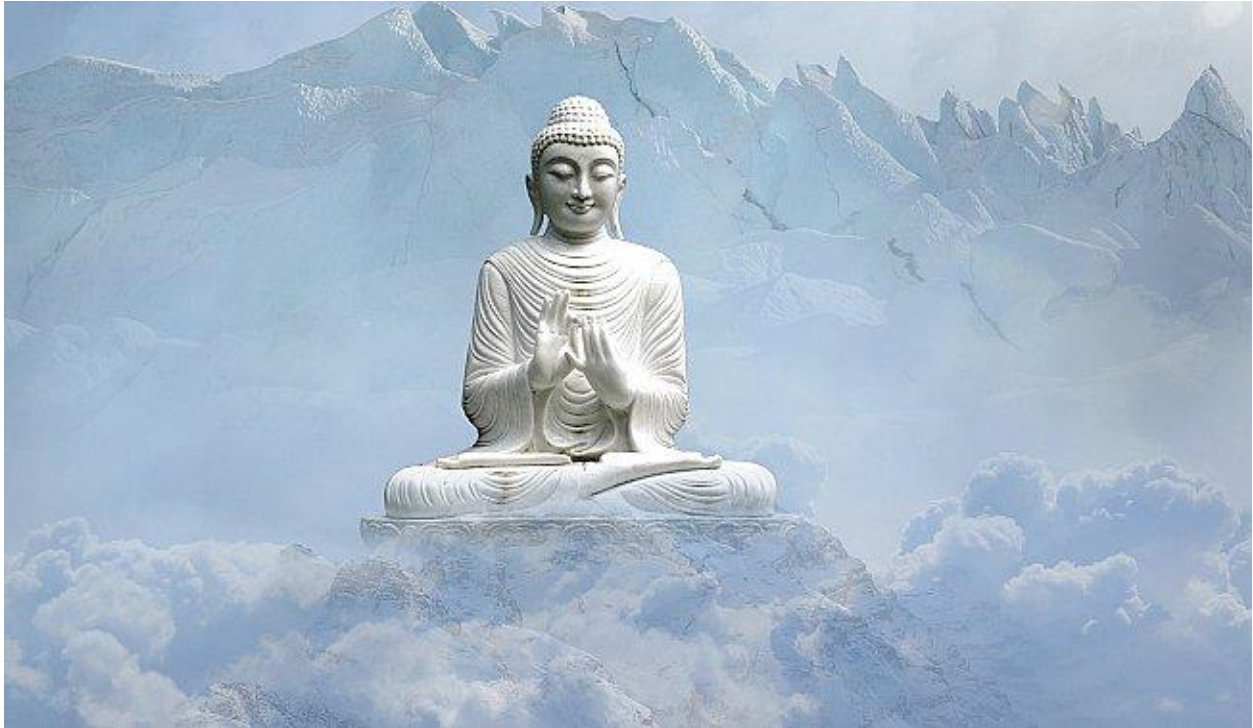
NOW

Squawk on the Street

UP NEXT

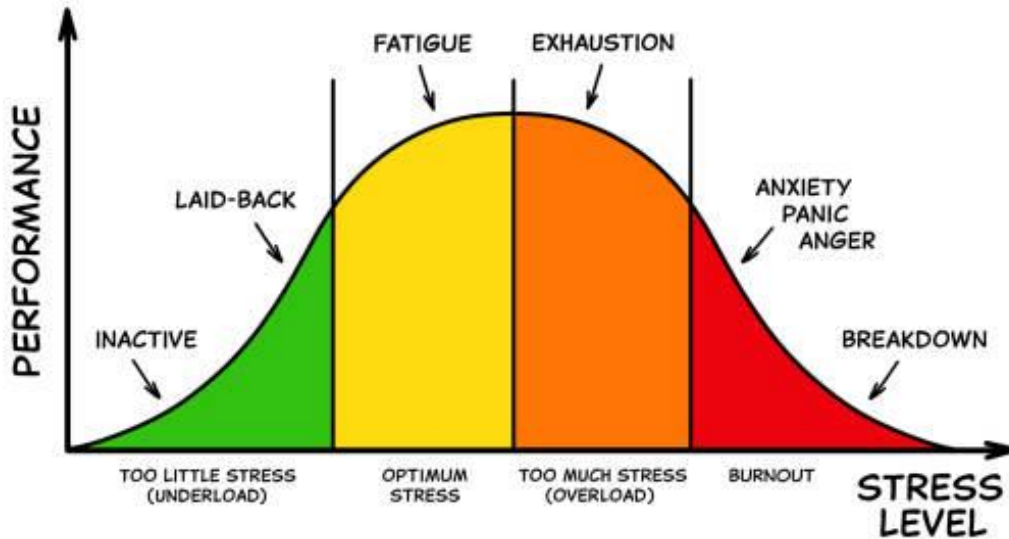
Money Movers

These are excruciating times for the 'skeptical bull' like me. But since I recently converted to Zen Buddhism, I've come to peace with that which we can't control and accepted the time and place of the moment.



Full disclosure, that was a lie if there ever was one. I've got very little understanding of anything that looks like 'mindfulness' or 'living in the now'. Instead, I'm white knuckling this baby out just like a lot of people, and it's not an easy thing to do. While you may be living the left tail dream, and I hope you are, it's burnt orange city for me right now, and I don't think I'm alone. But that's what makes life interesting, isn't it?

STRESS CURVE



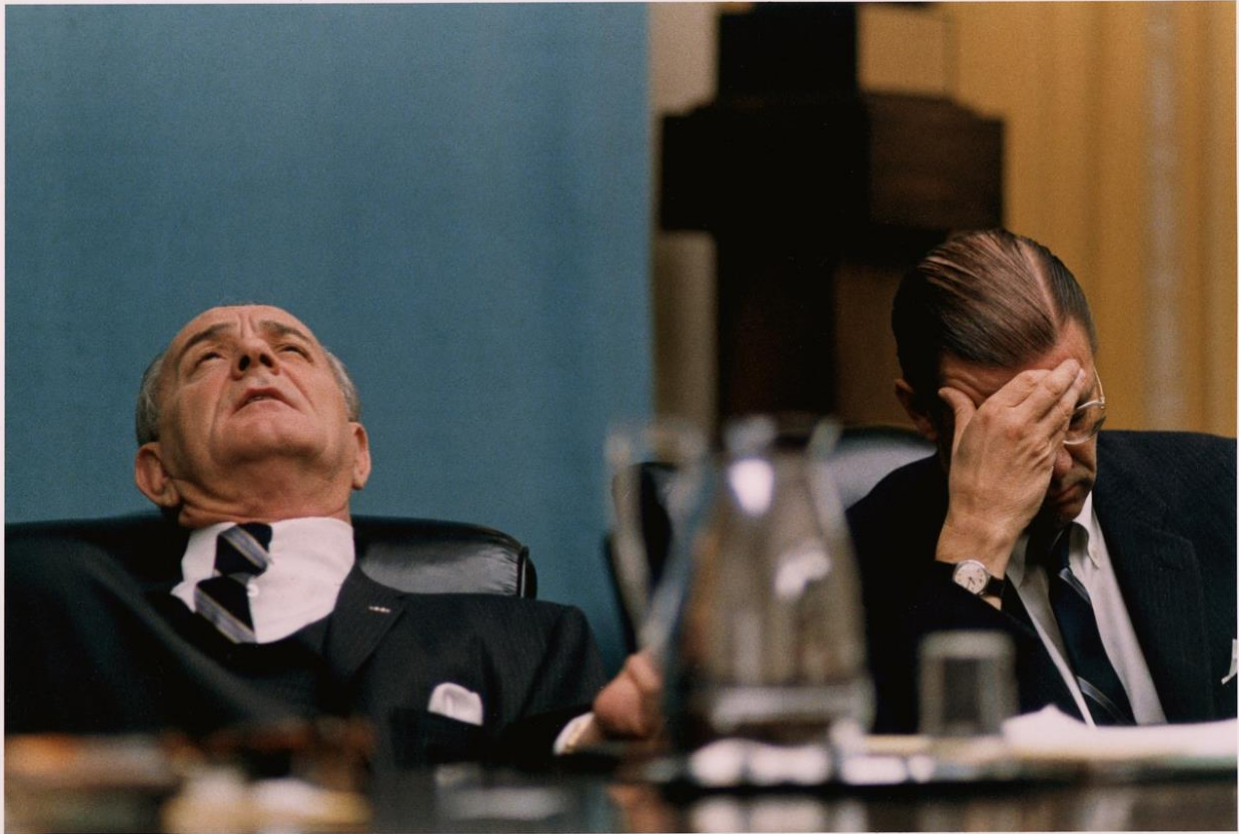
For those of you looking to get out of the office early this week and head to the beach or lake house, which I hope you are long one, the rest of this piece is stepping up the bar and asking for a unique beverage of the adult kind. One that is a mixture of behavioral finance, anchoring to beliefs, signal versus noise, and the very topical 'Fog of War', most closely associated with Bob McNamara. Quoted here with an extra helping of bravado by General George S. Patton.

**THE FOG OF WAR WORKS BOTH WAYS. THE
ENEMY IS AS MUCH IN THE DARK AS YOU
ARE. BE BOLD!!!!**

- GEORGE S. PATTON -

LIBQUOTES.COM

Back to Bob as he was the unlucky soul that got to be Defense Secretary for both presidents John Kennedy and Lydon Johnson during the early years of the Vietnam War. And here is the famous of the latter and McNamara at a cabinet meeting, most likely continuing the debate about what the plan was.



The meaning of 'fog of war' can be nuanced given the set of circumstances anyone using it is trying to explain. Broadly speaking, it's the confusion that occurs when chaos reigns and the ability to see clearly clouds the judgment of participants. In this case we are talking market participants, but it can apply to most anything. Like why Kyle Shanahan is uniquely able to blow fourth quarter conference championships and Super Bowl leads. And also, being confused enough to give Patrick Mahomes the ball last in overtime to win the Lombardi Trophy. That one hurt, Niner fans.

Kyle Shanahan has now allowed...

- Largest comeback in Super Bowl
- Largest Q4 comeback in Super Bowl
- Largest Q4 comeback in NFCCG



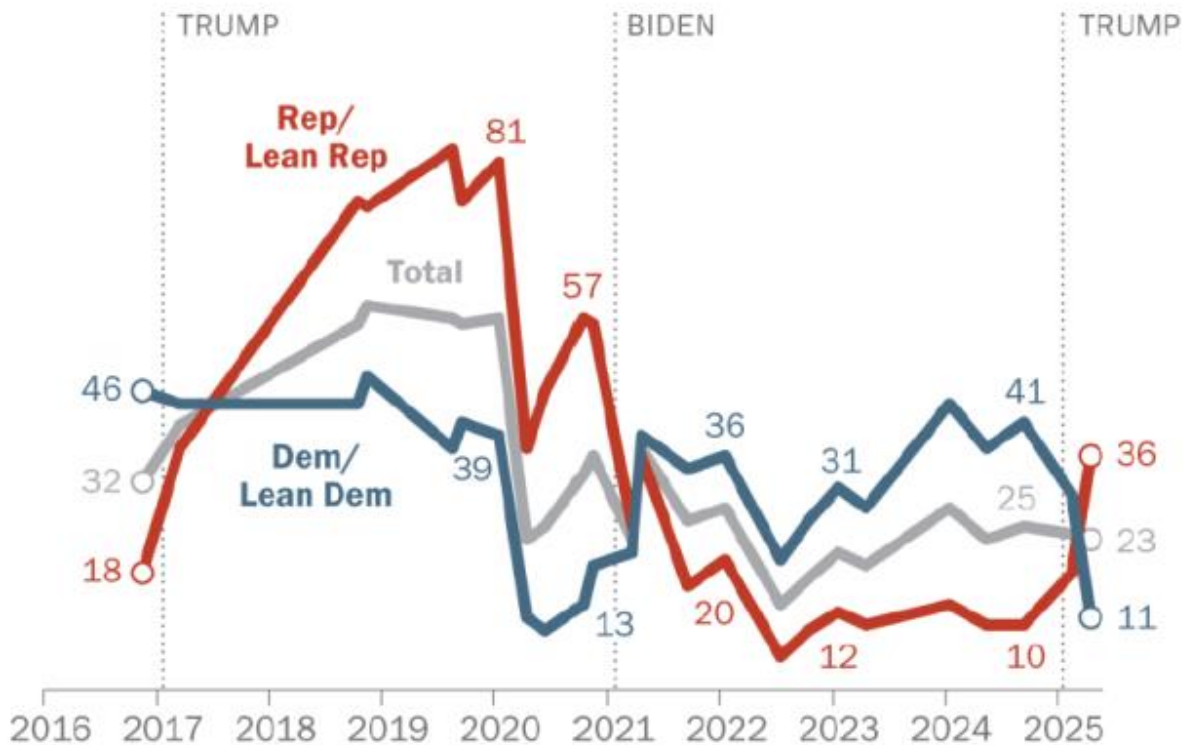
Football is neither the economy, financial markets, nor wars. But it is a decent analogy when it comes to describe how difficult clean and clear decisions can be made within high levels of chaos and uncertainty, and how the opposite is also possible, even probable. And without sounding too much like a captain of the obvious, that's where we are today. So many things make sense, but an equal amount don't. While lives aren't on the line here in the United States, the fog of war is thick. So thick in fact that lives of others in countries thousands of miles away are now on the line.



Want to talk about disconnections from the reality of new highs for stocks? Look at the disconnections with where Americans feel the economy is right now. The great thing about this chart is that it's by political parties and leanings, which gives you even more of a look at who is now foggy. The survey results from Pew Research and is from April of this year, fresh enough for government standards.

Americans' ratings of economic conditions remain mostly negative as partisan views shift

% who say economic conditions in the country today are excellent/good



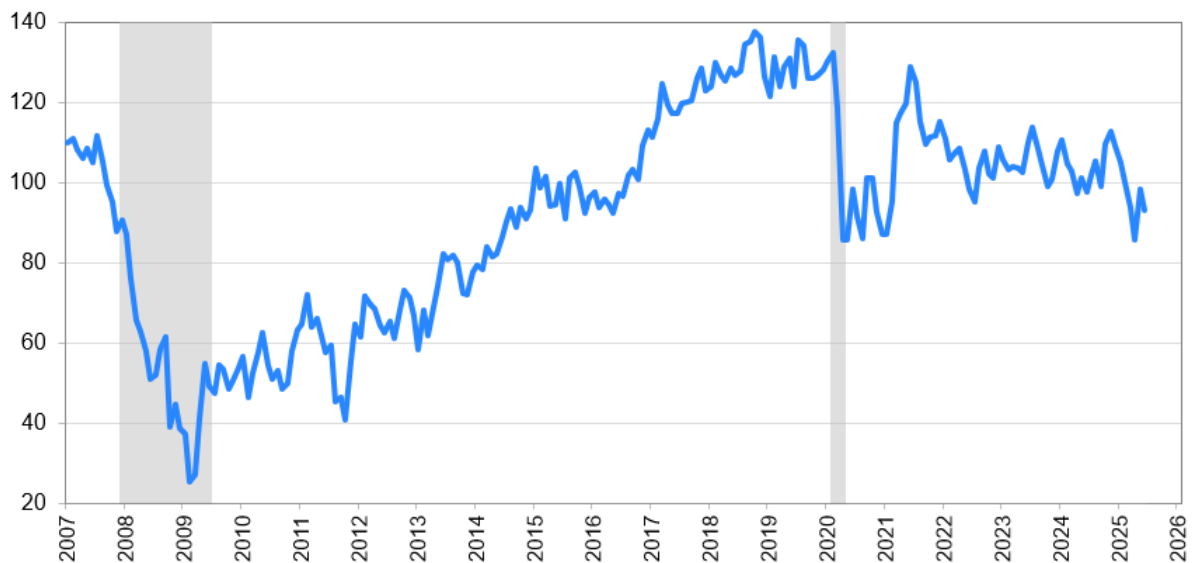
Source: Survey of U.S. adults conducted April 7-13, 2025.

PEW RESEARCH CENTER

First off, the most striking thing to me is that only 23% of Americans view the economy as excellent/good. I don't know the sample size, but Pew tends to be considered a good source. If it's true then, in a room with 1,000 people at a common place, 770 are good with where we are. Only 230 think we in the top quartile of where the economy should and could be. While not perfect, current confidence has been a respectable overlay of those who are describing the economy in terms of how they see the us at a point in time.

Consumer Confidence Index®

Index, 1985 = 100

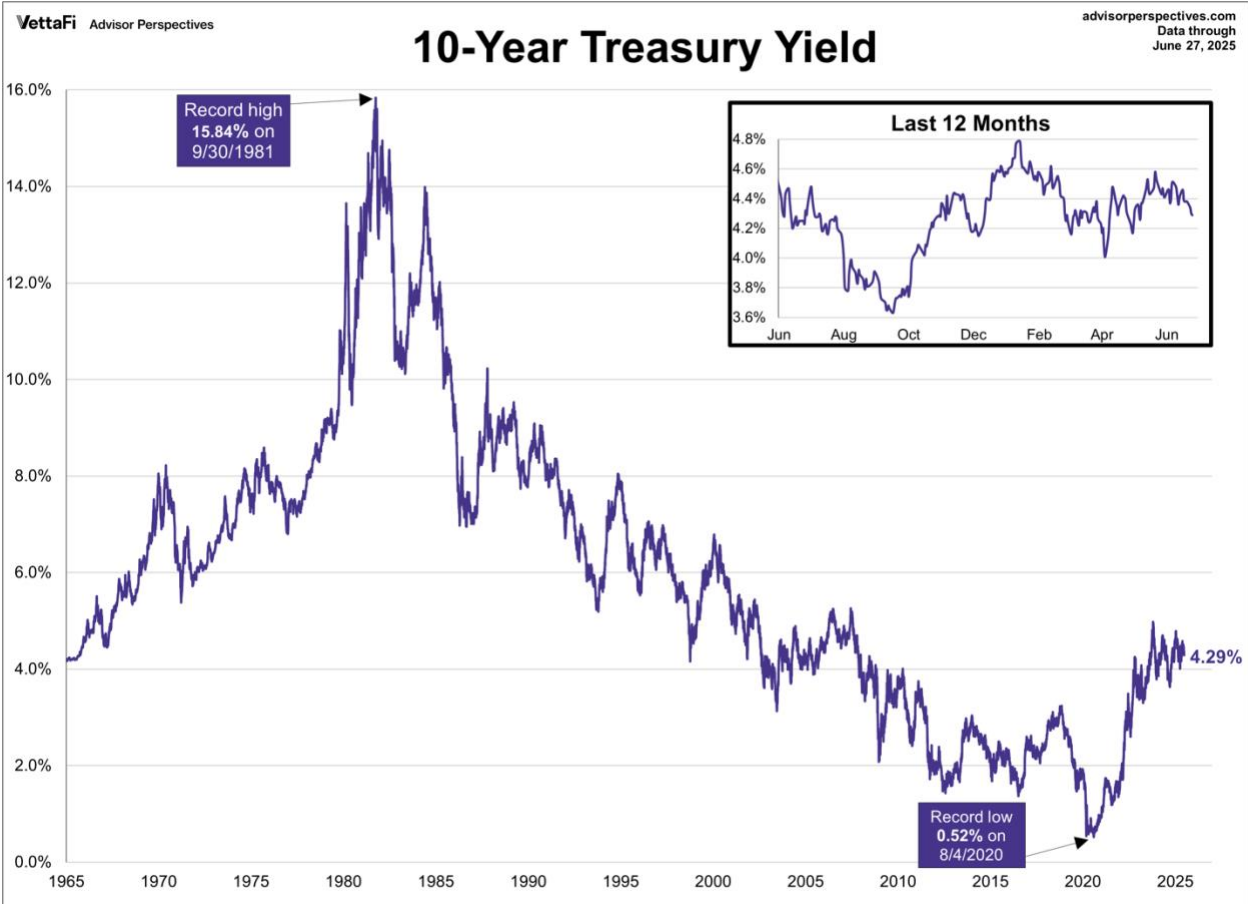


*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER
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Now let's get real, or even more graphically real. Going by the numbers, before the election last year, just 10% of the people on the right thought the economy was good or excellent. Now, a full 36% do. For those to the right of the picture, 41% though it was the gravy days. Today, it's dropped to 11%. Sadly, over the past ten years, there was rarely a moment when half the country thoughts we were in that good to excellent cohort.



Point being, and to tie it back, this is what is called 'the fog of war' as applied to perceptions of the economy. Sets of circumstances change quickly, and there is a complete swap of economic outlooks.

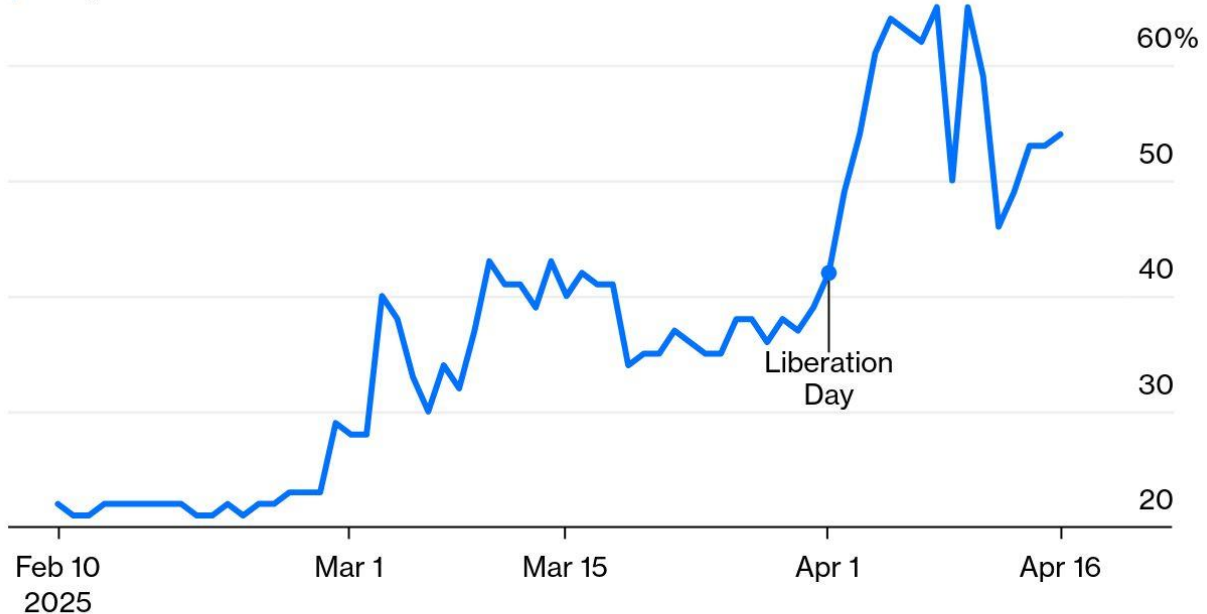


The longer term chart above is 'Exhibit A' in terms of why equities have been in a forty year bull market. The more interesting one when we are looking at the current fog is upper right. In January we are ripping to what seems like 5% on the ten year treasury. Four months later we are touching 4% because the world economy is about to hit the skids, hard. Notice the spot in correlation with 'Liberation Day'.

Bettors Are Gambling on a Recession

Prediction markets odds on a formal downturn this year have shot up

Polymarket Odds of a US Recession in 2025



Source: Bloomberg

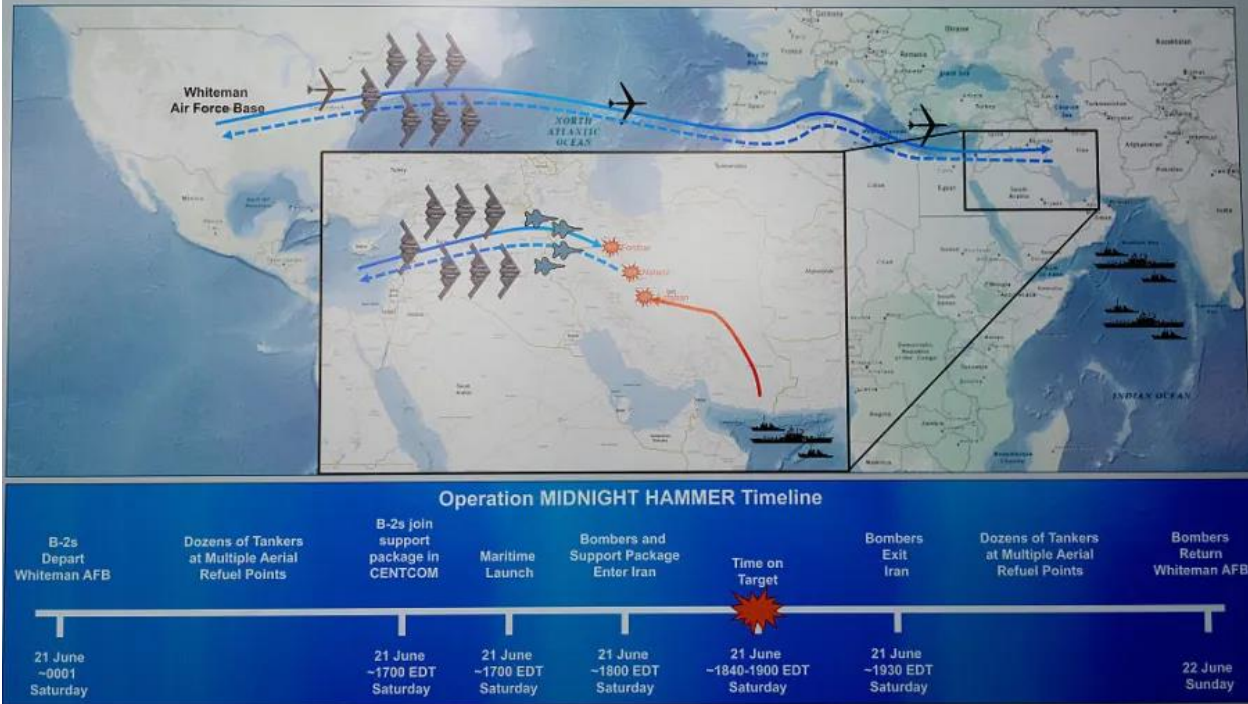
Bloomberg Opinion

Point being, and back to the discussion of the fog we are in at least economically, this is chaos, it simply is. That said, just like there is 'good trouble', there very much is its brother 'good chaos'. Or as I described it recently, we have now entered a period called 'the hold my beer economy'. As in, 'hold my beer and watch this while I do something crazy that might work, or it might not'. I swear those might be my last words too, and I'm okay with it.



One last thing, before I wrap this up. Two weeks ago, students in a course on markets that I lecture at USC asked why the market wasn't more volatile going into what looked either like a near term peaceful resolution, or a not small bombing of Iran by the United States and Israel. My answer, and it was emphatic, was it was already a done deal. And by 'done deal' I meant the planes taking off, flying to the destinations, dropping payloads, hitting targets, and then returning home safely was priced in. It was going to happen and be a successful mission. And by most accounts, 'Midnight Hammer' was a success.

Operation MIDNIGHT HAMMER



With that, I'm bidding this one farewell because I too have planned some fun this week and weekend. We are so big on the 4th of July up here in the 59068 that the parades start today, and the bulls ride on Thursday. Friday night will sound like a domestic version of Khe Sanh, with not live rounds of course. But what is important, is important. Looks like Kyle Shanahan must have been coaching England. Thirteen colonies, is a lot of colonies.

NEVER FORGET



**ENGLAND BLEW
A 13 COLONY LEAD**