

## Market Resource June 2025:

1 message

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# JUNE 2025

**BROXTON**  
CAPITAL ADVISORS



YTD as of 5/31/2025

AlphaPortfolio .23%

Smart Yield .89%

### MARKETS

DOW JONES -.62%

S&P 500 .57%

NASDAQ 100 1.54%

REIT INDEX 1.52%

SMALL CAP -7.19%

HIGH YIELD 1.17%

### BOND YIELDS

10 YR TREAS 4.57%

YTD CHANGE 0.00%

30 YR TREAS 4.71%

YTD CHANGE -1.59%

### SINCE INCEPTION

Through December 31, 2024

BROXTON 462.93%

S&P 500 583.91%

DOW JONES 519.11%

### The Market in focus

(above) The Alborz mountains

**Market Update:** The rebound for stocks continued into June despite an escalation in the mid east conflict which suddenly saw Iran attacked by Israel. But amazingly, the conflict deescalated after an Iranian attack on U.S. forces in the area. This was seen as a desirable end to the Israeli, U.S., Iran portion of the conflict and stocks rallied. The same day oil spiked higher but then suddenly reversed as much as \$12 per barrel due to the markets belief that this portion of the conflict was concluded. This brings another point into the discussion: Peak Demand and the fact that Oil is not seen as a forever fuel anymore.

**Peak Oil Demand?** When will we hit peak oil usage? This is the point when global oil demand reaches its maximum rate, after which it is expected to decline irreversibly. This is predicted due to electric cars and other more efficient transportation. There is a consensus that it will be in the late 2020s or early 2030s. The IEA reports that: "Global oil demand will decline faster than expected in the coming decades -- creating a likely supply surplus -- as electric vehicles continue to erode oil use in road transport, while biofuels and hydrogen deflate the need for oil in the aviation and shipping sectors." However, Goldman Sachs predicts demand will increase through 2034 and then plateau. Oil is not seen as a forever fuel at this point and this was part of the reason for the sudden reversal and \$12 drop from the highs last week when investors suddenly considered that the Iranian part of the conflict was concluded.

One think tank concludes that the rise of batteries will dictate the decline in oil demand. And Rocky Mountain Institute, or **RMI predicts this will occur at much faster rate than expected:** "Battery demand is growing exponentially, driven by a domino effect of adoption that cascades from country to country and from sector to sector. As volumes increased, battery costs plummeted and energy density — a key metric of a battery's quality — rose steadily. As battery costs fall and energy density improves, one application after another opens up. We call this the battery domino effect: the act of one market going battery-electric brings the scale and technological improvements to tip the next." [Article](#)



**Earnings Outlook:** FACTSET reported: that earnings growth expectations had dropped since March of this year. For this quarter the earnings growth rate is now predicted to be 5.0% down from 9.4% in March. Not so bad considering the amount of tariff and war news that began in April.

**Economy:** National Restaurant Association (NRA reported): "Consumers pulled back on spending in May. Eating and drinking places registered total sales of \$97.4 billion in May, close to 1% from April. However, consumer spending in restaurants stood 5.3% above year-ago levels. So overall not bad and considering the above mentioned news of war and tariffs! Looking at Equifax; auto delinquencies rose slightly from April but were unchanged versus the prior year. Bank Card and private label credit cards delinquency rates improved slightly, remaining slightly below last year's level. Lower grade credit improved as well with the high yield indexes hitting new 24 month highs. As of today, [GDPNow](#) is indicating 2.9% growth for the 2nd quarter and NY Fed Nowcast is predicting a 1.7% increase in the U.S. economy for 2nd quarter. ***So at this time we have no indication of an incoming recession although the predictions for one increased markedly in the 2nd quarter.***

**MFA FINANCIAL INC. (MFA):** Is there anything harder than being a residential mortgage REIT on Wall Street? MFA and the other mortgage REITs got hit by the covid crisis in 2020, followed by the Fed's interest rate rises of 2022. The company lost 60% of its value. These problems were basically repeated at almost every single residential mortgage REIT. Mortgage REIT ETF ([MORT](#)) (27 holdings) dropped 60% since 2019. However, MFA was fairly stable in the years leading up to 2020. A few things prompted us to take a look. MFA is trading at a 27% discount to book value and pays a close to 15% dividend. MFA is a real estate investment trust or REIT that invests in non-traditional residential mortgage loans such as non-conforming and single family rentals. Overall, mortgage REITs are difficult, but the environment may be stabilizing. We focused on the 9% and 8.875% Notes of 2029 for investors since they are senior to over \$1.5 billion in equity and trade close to par. We also forecast that margins should improve slightly for MFA leading to higher earnings as a result of the lowering of rates. Fed funds are expected to fall by over 2% in the next 24 to 30 months. [REPORT](#)

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