On The Mark

ASSETMARK

June 2025

Does the Big Bill Pack a Big Punch?

Key Takeaways

- The conflicting combination of tax cuts, tariffs and spending cuts are expected to provide a **limited boost to economic growth**, even in the face of rising debt levels.
- While the Bill as a whole lacks a big punch, the policy timing of stimulus first and spending cuts later should act a **tailwind for equities** while keeping upward pressure on interest rates.

What's in the Bill?

The reconciliation package of President Trump's priorities on taxes and spending now sits in the Senate after narrowly passing through the House.

The three key pieces of One Big, Beautiful Bill (aka, the Bill) are the permanent extension of the Tax Cuts and Jobs Act of 2017, temporary tax breaks for overtime and tips for certain taxpayers, and deductions for State and Local Taxes (SALT) through 2028, and increased resources for border security and national defense.

The spend is partially offset by cuts in Medicaid, nutrition assistance, and student loans, and by eliminating or reducing the tax credits for clean energy production and electric vehicles in the 2021 Inflation Reduction Act.

The Bill also raises the debt ceiling, adding urgency to the timing of the Bill. However, should negotiations deteriorate, Congress can raise the debt ceiling separately.

How Does It Affect the Economy?

The Bill, while big in size, lacks a big punch. It is expected to boost economic growth by 0.4% to 0.8% by 2034, according to estimates from the Tax Foundation and the Penn Wharton Budget Model. It is also expected to raise the deficit by $2.8 to $3.4 trillion over the next ten years, when including interest on the incremental debt. The deficit estimates do not include any benefits that may accrue from additional growth due to stimulus, and they exclude tariff revenues. Estimating tariff revenues is challenging given the ongoing negotiations. Models from Yale Budget Lab show that even when tariffs are included, the Federal debt rises anyway.

What Does It Mean for Markets?

While the Bill as a whole provides limited boost to growth, the timing of the different provisions makes a difference. The tax cut provisions in the Bill are front-loaded through 2029, while spending cuts are backloaded through 2034. Thus, the combined impact of tax cuts, tariffs, and some spending cuts still provides a net stimulus to the economy, which would be a tailwind to equities in the near term.

While the Bill may be good news for stocks, bonds face a different outlook. After the House passed the reconciliation bill, interest rates on longer-term US Treasuries have risen. Bond prices, which move in the opposite direction of interest rates, have fallen as investors demand higher interest rates for the larger debt burden.

For investors, shorter maturity bonds can be a sensible choice to manage deficit concerns. They provide ballast against interest rate volatility as they are less susceptible to price changes that occur with interest rate fluctuations, while also providing ballast against stock market volatility.

Bottom Line

The Bill is likely to see changes, possibly a lot, as it comes through the Senate. However, one outcome is clear: the Bill will extend the current TCJA tax cuts, given that it is baked into market expectations. While the Bill as a whole lacks a big punch, the policy timing of stimulus first and spending cuts later should act as a tailwind for equities while keeping upward pressure on interest rates.

AssetMark, Inc.

1655 Grant Street
10th Floor
Concord, CA 94520-2445
800-664-5345

Important Information

This is for informational purposes only, is not a solicitation, and should not be considered investment, legal or tax advice. The information in this report has been drawn from sources believed to be reliable, but its accuracy is not guaranteed, and is subject to change. Investors seeking more information should contact their financial advisor. Financial advisors may seek more information by contacting AssetMark at 800-664-5345.

Investing involves risk, including the possible loss of principal. Past performance does not guarantee future results. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio. No investment strategy, such as asset allocation, can guarantee a profit or protect against loss. Actual client results will vary based on investment selection, timing, market conditions, and tax situation. It is not possible to invest directly in an index. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Index performance assumes the reinvestment of dividends.

Investments in equities, bonds, options, and other securities, whether held individually or through mutual funds and exchange-traded funds, can decline significantly in response to adverse market conditions, company-specific events, changes in exchange rates, and domestic, international, economic, and political developments.

Bloomberg® and the referenced Bloomberg Index are service marks of Bloomberg Finance L.P. and its affiliates, (collectively, “Bloomberg”) and are used under license. Bloomberg does not approve or endorse this material, nor guarantees the accuracy or completeness of any information herein. Bloomberg and AssetMark, Inc. are separate and unaffiliated companies.

AssetMark, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission.

8073136.1 | 06/2025 | EXP 06/2027