

A Strong Recovery Amid Ongoing Uncertainty

The announcement of unexpectedly large tariffs by President Trump on April 2 (“Liberation Day”) set off havoc in the market, causing stock prices to drop 7% from April 2 to April 7. In anticipation of the tariff announcement, the S&P 500 had already dropped over 7% from its February 19 high through April 2. The total decline in the S&P from February 19 through April 7 was over 17%, one of the sharpest declines ever recorded in such a short period of time.

Nevertheless, the market then experienced a recovery that was just as dramatic, as it gained over 24% from its April 7th low through mid-July. The Trump Administration has backed away from some of its more extreme tariff proposals, which has led to a recovery in investor confidence. Even the outbreak of an actual shooting war between Iran and Israel on June 13 has not been enough to derail the market recovery.

The recovery thus far has been strongest in more speculative areas of the market such as high beta stocks and certain Technology issues. An index of non-profitable tech stocks (stocks of companies that do not earn a current profit) has gained 59.8% since the April 7th low, far exceeding the return of the market as a whole and suggesting that investors may be becoming more complacent about risk.

The full impact of tariffs on the real economy has yet to be seen, and further market volatility is possible in the months ahead. However, it’s worth noting that after significant declines earlier this this year, the consensus earnings estimate for S&P 500 companies for calendar year 2026 seems to have stabilized in recent weeks. As more extreme tariff proposals have been delayed or eliminated entirely, it appears that analysts have become more bullish on earnings forecasts. At mid-July the consensus growth projection for 2026 earnings versus 2025 was for a 12.3% gain, which is a positive for the market.

We continue to believe that a broadly diversified portfolio of reasonably priced, high-quality growth stocks offers the best probability of posting favorable risk adjusted returns going forward.

GOLDMAN SACHS UNPROFITABLE TECH INDEX⁽¹⁾



Data from 7/18/2024–7/18/2025

⁽¹⁾ The Goldman Sachs Non-Profitable Tech Basket consists of non-profitable U.S. listed companies in innovative industries. Technology is defined quite broadly to include new economy companies across GICS industry groupings. The basket is optimized for liquidity every rebalance so no name exceeds 10% of ADV for \$300m.

Source: Bloomberg

EARNINGS ESTIMATES STABILIZE

Consensus 2026 S&P 500 EPS Estimate



Data from 12/31/2024–7/18/2025

Source: Bloomberg

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REFERENCED INDEX

(Indices are unmanaged and are not available for direct investment.)

S&P 500 Index—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.

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