



## The Weekly Market Update – 5/27/25: Return of the “Mag 7” vs. New Leadership

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,802.82	-2.61%	3.40%	-1.34%	15.23%	6,144.15	5.9%
Dow Jones Industrial Average	41,603.07	-2.47%	-0.95%	-2.21%	10.01%	45,014.04	8.2%
NASDAQ Composite	18,737.21	-2.47%	8.31%	-2.97%	19.67%	20,173.89	7.7%
Russell 2000	2,039.85	-3.47%	1.39%	-8.53%	3.34%	2,442.74	19.8%
MSCI EAFE (USD)	2,579.57	1.16%	7.45%	14.05%	13.11%	2,602.72	0.9%
MSCI Emerging Markets (USD)	1,170.98	-0.12%	6.32%	8.88%	11.95%	1,444.93	23.4%
Bloomberg Commodity Index	102.70	1.73%	-3.48%	3.99%	1.01%	237.95	131.7%
Barclays U.S. Aggregate Bond	90.77	-0.47%	-1.66%	0.37%	3.16%	112.07	23.5%

Source: FactSet

**Despite a -2.6% decrease last week (ended 5/23/25), the S&P 500 equity index has rallied +16.5% from the 2025 closing low of 4,983 on 4/8/25.** The market's rapid recovery from the depths of early April followed President Trump's policy pivot that suspended many tariffs for 90 days to prioritize trade deal negotiations. This drove a positive shift in investor sentiment as the odds of a tariff-led recession receded, and pro-growth trade agreements are now the new market expectation. S&P 500 gains since 4/8 were led mostly by growth sectors, especially Technology +26.5% (gain from 4/8/25 to 5/23/25), Consumer Discretionary +19.9%, and Communications Services +18.5%. Combined, those three sectors comprised 52% of the market capitalization weight of the S&P 500 (as of 5/23), and each of the seven technology- and growth-centric “Magnificent (Mag) 7” stocks reside in one of those sectors. Over the same period, the average “Mag 7” increase was +26.3%, driving the index and growth stocks higher. The growth stock leadership over the past seven weeks has followed a familiar playbook, reminding us of growth sector leadership (vs. value sectors) in both 2023 and 2024. In 2024 alone, the Russell 1000 Growth index increased +32.5% compared to the Russell 1000 Value index's increase of +11.9%, and the average gain for the Mag 7 was +60.2%. However, we see indicators supporting the idea that sector leadership away from the Mag 7 could resume in future periods. Since 4/8/25, the S&P 500 Industrials sector gained +20.7% (the second-largest sector gain behind Technology) as the sector has broad exposure to global tariffs (now paused) and first quarter earnings reports for the group exceeded estimates. Looking at year-to-date (YTD), 12/31/24 to 5/23/25 returns (this period includes the recent market gains), the S&P 500 declined -1.3% not including dividends, but six of the eleven GICS sectors were positive. The top-performing sectors YTD were Industrials, Utilities, Consumer Staples, and Financials. In our view, solid relative performance from value sectors can continue (three sectors – Financials, Health Care, and Industrials – comprise 52% of the Russell 1000 Value index) as markets navigate trade deal expectations and higher interest rates. This can favor companies with improving earnings visibility and relative valuation discounts.

**The “Big Beautiful” tax bill passed the House and now moves to the Senate.** Initial market reaction to the tax bill moving through the U.S. House of Representatives was negative as investors were disappointed that annual budget deficit estimates have increased. This led to a decline in equity prices and lower bond prices (and a corresponding surge in interest rates). The U.S. 10-year Treasury yield traded up to 4.63%, but as of Monday trading was back down to 4.43%. The 2025 budget process has loomed as a challenge because extending the 2017 “Trump tax cuts,” despite widespread support, creates larger deficits without spending cuts or additional revenue (tariffs or taxes). The Senate could negotiate deeper spending cuts into the final bill, but we expect the president to promote his pro-growth platform (deregulation, capital investment incentives, and trade deals) as a way for the economy to exceed expectations.

**Consumer confidence rebounded in May, revealing 2025 volatility in survey data, while actual spending levels have remained solid.** The Conference Board's widely followed confidence survey rebounded in May following five consecutive monthly declines. While still relatively weak, the consumer outlook for business conditions, job prospects, and future income all increased. Spending patterns have been resilient (since a weak January), and the Atlanta Fed GDPNow estimate (which tracks current quarter economic growth from reported data) reflected 2Q25 growth of +2.2% (5/27/25).

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**Market Indices:** The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Sectors that are called "defensive," are thought to be less exposed to economic cycles compared to "cyclical" sectors, and often attract investor interest during periods of economic weakness.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Trump Administration, on 2/12/25, announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "[Fair and Reciprocal Plan](#)." On 3/26/25, the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a [Fact Sheet](#) from the president that outlines the action. The president's [April 2, 2024 Tariff Announcement](#) is also linked. Also linked is the White House [Fact Sheet on the U.K. trade agreement](#).

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

In 2025, the U.S. Congress (both the Senate of House of Representatives) will work on a joint budget bill that is expected to include an increase in the debt ceiling and include spending priorities and spending cuts supported by the President. The reconciliation process is a way the expedite bills, as they can be passed by a simple majority vote in the senate as long as certain budgetary rules are followed.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at [www.bea.gov](http://www.bea.gov).

The 2017 Tax Cuts and Jobs Act (TCJA) legislated significant changes in the U.S. tax code, including reducing the top individual tax bracket to 37.0% from 39.6%, lowering the small business pass through tax, and raising the standard deduction. Many of the individual tax changes were scheduled to sunset in 2025 (as part of the budget bill at that time). [A summary of the TCJA](#) is linked.

Moody's provides credit analysis on issuers of debt and issues a credit rating on a scale of 21 ratings categories. A credit rated Aaa is judged to be "of the highest quality, with minimal risk." The next highest category Aa1 is "high quality and subject to very low credit risk". Here is a link to [Moody's Rating Scale and Definitions](#).

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months;" and also looks at the depth, diffusion, and duration of the downturn.

When we discuss "growth stocks" we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 12/31/24) were Information Technology, Consumer Discretionary, and Communication Services. "Value" stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 value index (as of 12/31/24) were Financials, Industrials and Health Care.

The Conference Board conducts a monthly Consumer Confidence Survey design to reflect prevailing business conditions and potential outcomes in the months ahead. It surveys consumer attitudes, buying intent, and expectations stratified by age and income in nine U.S. regions. A second widely followed survey of consumer confidence is conducted monthly by the University of Michigan. Its Survey of Consumers, surveys personal finances, business condition, unemployment, and inflation.

The term "Magnificent 7" was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla.