CAPTRUST

Market Update | July 2025

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We have a saying in the investment markets: “Pessimists sound smart. Optimists make money.”

Over the last six months, investors have experienced stomach-churning price swings. Stocks pushed to all-time highs to start the year. Then, only three months later, investors panicked, sending stocks down 20 percent, with new global tariffs threatening economic growth. And as we enter the third quarter of the year, tariff panic has receded, and stocks have again surged to new highs. How can investors navigate this chaotic whirlwind?

Short-term economic uncertainty creates doubt in investors’ minds about future outcomes. That’s why prices go down during periods of panic. And yet, through recessions, political upheaval, wars, terrorist attacks, and pandemics, companies resolutely go about their singular work of creating shareholder value, expanding markets, developing new products and services, and growing earnings. And the stock market responds, mostly by going up over time.

Thirty years ago, the companies that make up the S&P 500 Index generated $244 billion in profits. In 2024, the same index produced $1.9 trillion, a growth rate of 6.7 percent per year. Up more than seven-fold. Companies continue to grow. This trend in corporate performance has paralleled society’s improvements globally. In the online media outlet *The Free Press*, authors Cliff Asness and Michael Strain argue that there has never been a better time to be alive.

- Since 1995, wages for the average worker have grown by 44 percent after inflation.
- U.S. government data shows that real incomes for the bottom 20 percent of wage earners more than doubled from 1990 to 2021.
- In the 1960s, based on consumption, 20 percent of households lived in poverty. Today, that number is approximately 1 percent.
- Life expectancy in the U.S. is higher than in Asia, the Americas, Africa, or Europe.

Two of today's most respected researchers, Morgan Housel and Steven Pinker, also argue for the amazing progress that defines society today, but mostly goes unnoticed by the media. Progress, after all, is slow and tedious at times. Panics
live in the moment, draw eyeballs and clicks and, in a past world, used to sell newspapers. Today, nothing sells newspapers.

Don't be fooled by short-term, media-driven crises. Do your best to sidestep the panics. The world has gotten better, and only continues to improve. Don't bet against the long-term economic progress of the U.S. and the world. Remember: Optimists make money.

The future of progress and strong equity returns are inextricably linked to two big questions: debt and demographics vs. technological advancement. Slowing demographic growth and high debt levels could lead to deflation: a weaker global economy where profit growth is even harder to come by. See? Don't we sound smart?

Yet technology holds the potential to offset that pessimism. Technology vs. debt, these are the two main protagonists that will shape and define the next 10-20 years of development and progress. No, not the next 10-20 months of progress. Years. Investors need to hurry up and wait for a decade or two to allow portfolios to season, blossom, and grow. The real story of human history is one of progress and overcoming obstacles. The future, we expect, will be no different.

Until then, try your best to ignore the drama and volatility of short-term craziness. Focus instead on the next few decades of progress. And embrace a future brimming with advancement and opportunity. Your future portfolio will thank you.
