

# MARKET MINUTE

## With McGAREL



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*Past performance is no guarantee of future results.*

The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Index data is for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

**Return on Assets (ROA)** ratio shows how efficiently a company uses its assets to generate profits. It reveals what earnings are generated from invested capital. A higher ROA means a company is more efficient and productive at managing its balance sheet to generate profits.

**Return on Equity (ROE)** is a measure of a company's financial performance. It is calculated by dividing net income by shareholders' equity.

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The S&P 500 Index ended a volatile first half of 2025 with a total return of 6.2%, including dividends, closing at a record high. Despite the continued strength of the U.S. stock market, some have questioned whether American exceptionalism has peaked, whether the U.S. dollar is no longer a safe haven, and even suggested that America's economic might versus the rest of the world is on the wane.

After all, the dollar has weakened this year and the rest of the world's stock markets are generally outperforming the U.S. year-to-date. Perhaps the critics are right? We would heartily disagree. Simply put, the strength and exceptionalism of the American economy and U.S. corporations is without peer throughout the rest of the world. The U.S. remains the preeminent economic power. And it's not particularly close.

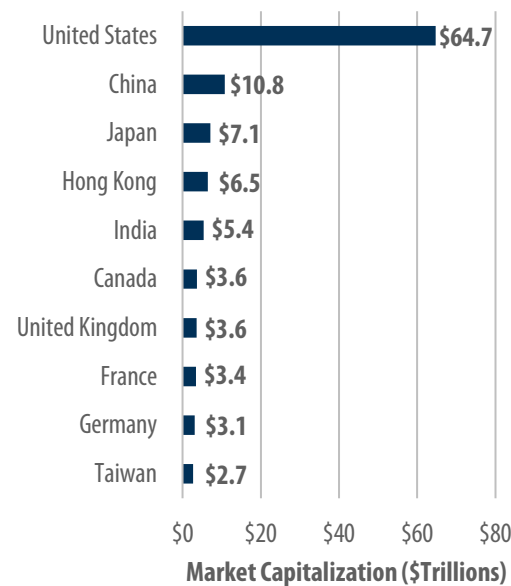
The U.S. accounts for nearly half of the world's publicly traded market capitalization, with approximately \$64.7 trillion as of 30 June 2025 [Chart 1]. In comparison, China ranks second with a significantly lower market capitalization of \$10.8 trillion, which is less than the combined market capitalization of just four U.S. companies: NVIDIA, Microsoft, Apple and Berkshire Hathaway. Japan's market capitalization stands at \$7.1 trillion, smaller than the combined equity valuation of Amazon, Meta, JPMorgan Chase and Alphabet.

One big reason for the dominance of American companies is they are extremely well run and the returns on shareholder capital are elite. Among the top 10 countries by market capitalization, the U.S. boasts the highest return on equity (ROE) and return on assets (ROA) [Chart 2].

We were all taught that "capital goes to where it is treated best" and no country on earth treats capital better than the United States.

**Happy July 4th!**

**Chart 1: Country Market Capitalization**



Source: Bloomberg. Data as of 30/6/25.

**Chart 2: Country Profitability**

|                | ROA   | ROE   |
|----------------|-------|-------|
| United States  | 16.96 | 25.93 |
| China          | 7.77  | 16.08 |
| Japan          | 6.19  | 12.54 |
| Hong Kong      | 3.81  | 13.31 |
| India          | 9.25  | 19.88 |
| Canada         | 5.50  | 12.84 |
| United Kingdom | 5.83  | 15.94 |
| France         | 5.65  | 13.06 |
| Germany        | 3.89  | 12.63 |
| Taiwan         | 13.98 | 24.32 |

Source: Factset. Data as of 30/6/25. Data reflects MSCI Country Indexes.