

Chart of the Day

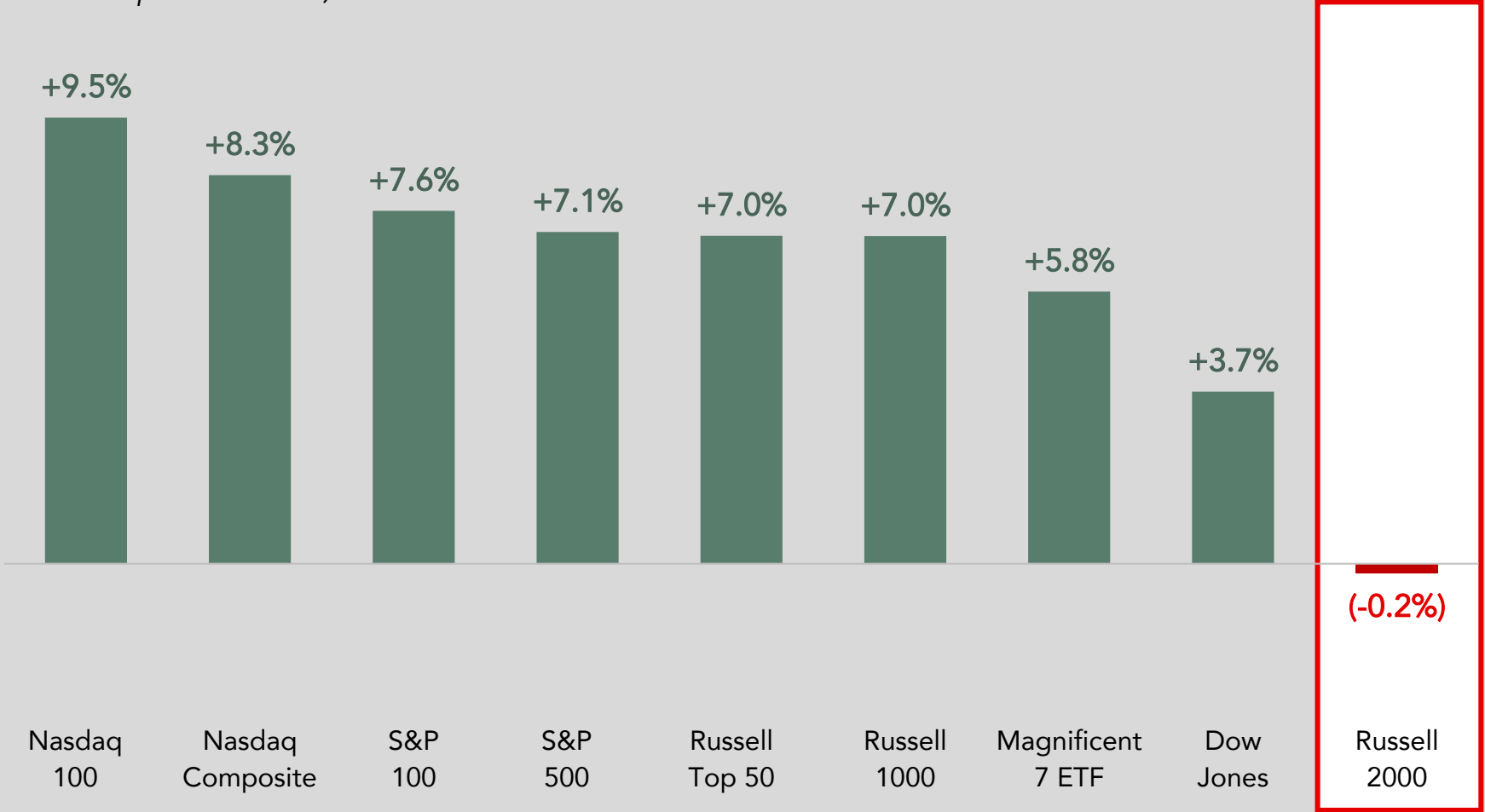


The Russell 2000 is a subset of the Russell 3000, and is considered the benchmark index for tracking small cap US companies. Unlike the S&P 500 and NASDAQ indices, which are heavily weighted to a smaller group of massive companies, the Russell 2000 has broad exposure across a wide range of US companies and industries (financials, energy, industrials, healthcare, tech, consumer).

By virtue of its diversification, US domestic focus, and interest rate sensitivity, the Russell 2000 has historically provided a reliable barometer for health of the US economy. Looking at labor markets alone, more than 50% of Americans are employed by small and medium sized businesses, compared to just 18% employed by larger cap S&P 500 companies.

The Russell 2000 has notably underperformed a wide range of larger cap US equity market indices in 2025 – a notable outlier, in fact, with YTD returns in contraction territory. Notable factors behind the underperformance include: (1) high sensitivity to decelerating US GDP growth and “sticky” inflation; (2) impact of elevated US interest rates and tighter credit conditions for smaller companies in current environment; (3) wide divergence in sector performance within the index (with consumer discretionary and healthcare notable YTD laggards); and (4) investor preference for the high earnings growth and stability of a small group of large cap companies against the current backdrop of global policy and geopolitical uncertainty.

Russell 2000 small cap index vs. larger market cap US indices
(2025 YTD performance)



Source: (1) Bloomberg. Data as of August 6, 2025. Magnificent 7 ETF is Roundhill.

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“Macro stability isn’t everything, but without it, you have nothing.”