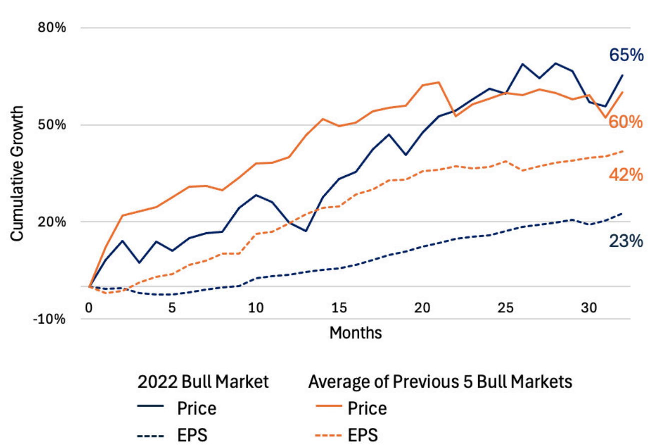
Authors: Crit Thomas, CFA, CAIA / Erik M. Aarts, CIMA / Tim Paulin, CFA

July 24, 2025

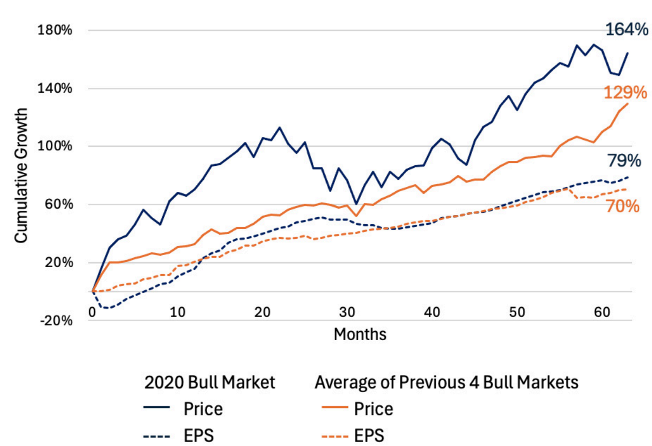
Domestic Equities: A Most Unusual Bull Market

- After tumbling 25% in 2022, the S&P 500 bottomed on October 12, 2022 – putting us 33 months into a new bull market. How does this bull market compare to past cycles?
- On a price basis, this bull market beats the average of the five bull markets dating back to 1987. But when we look at EPS growth, it trails significantly.
- Given the highly concentrated leadership of this bull market, we also looked at returns a couple other ways.
    - The Magnificent 7 surged an impressive 265%, though their EPS increase is only 166%.
    - The equal weighted S&P 500 rose just 43% in price and 13% in EPS.
- Regardless of how we slice it, it appears prices are well ahead of earnings. However, unlike most bull markets – which emerge from an economic downturn – 2022's bear market was driven by fears of a recession that never happened. Earnings remained resilient, making this recovery partly a catch-up to fundamentals, though the massive rally from the Magnificent 7 exaggerates the more modest recovery of the broader market.
- What if we were to treat 2022 as more of a correction within a bull market that started in 2020?
- With this lens, earnings line up much better with the past. However, even this picture is distorted as stocks recovered even before the pandemic set in, pulling earnings down. If we calculate the EPS growth from their trough, they are up just over 100%.
- It is also notable that the equally weighted S&P 500 performance looks much better with a 2020 starting gun, up 155% in price and 130% in EPS (surpassing the cap-weighted S&P 500).
- Through this lens, it looks like a two-stage recovery, with broad market gains following the pandemic and then much narrower leadership taking over after the 2022 correction.
- We remain cautiously optimistic. We believe a recession is less likely, which suggests this bull market has room to run. However, tailwinds – like fiscal and monetary stimulus, and pricing power – are fading, which may slow earnings. And since prices are already ahead of earnings, we expect returns may slow from here.

S&P 500: Assuming the Bull Market Started in 2022



S&P 500: Assuming the Bull Market Started in 2020



Source: Bloomberg. EPS based on forward 12-month estimates. Bull market starting dates: 12/4/1987, 10/11/1990, 10/9/2002, 3/9/2009, 3/23/2020, 10/12/2022

Word About Risk

Fixed-income securities can experience reduced liquidity during certain market events, lose their value as interest rates rise and are subject to credit risk which is the risk of deterioration in the financial condition of an issuer and/or general economic conditions that can cause the issuer to not make timely payments of principal and interest also causing the securities to decline in value and an investor can lose principal. When interest rates rise, the price of debt securities generally falls. Longer term securities are generally more volatile. Investment grade debt securities may be downgraded by a Nationally Recognized Statistical Rating Organization to below investment grade status. Non-investment grade debt securities are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and has had more frequent and larger price changes than other debt securities. Equities are subject to market volatility and loss. Growth stocks may be more volatile than investing in other stocks and may underperform when value investing is in favor. Value stocks may not appreciate in value as anticipated or may experience a decline in value. Stocks of large-cap companies may be unable to respond quickly to new competitive challenges. Stocks of small- and mid-cap companies may be subject to more erratic market movements than stocks of larger, more established companies. Investments in foreign, and emerging market securities carry the associated risks of economic and political instability, market liquidity, currency volatility and accounting standards that differ from those of U.S. markets and may offer less protection to investors. The risks associated with investing in foreign markets are magnified in emerging markets, due to their smaller and less developed economies.

The information provided reflects the research and opinion of Touchstone Investments as of the date indicated, and is subject to change without prior notice. Past performance is not indicative of future results. There is no assurance any of the trends mentioned will continue or forecasts will occur. Investing in certain sectors may involve additional risks and may not be appropriate for all investors.

The indexes mentioned are unmanaged statistical composites of stock or bond market performance. Investing in an index is not possible.

For Index Definitions see: TouchstoneInvestments.com/insights/investment-terms-and-index-definitions

Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus and the summary prospectus contain this and other information about the Fund. To obtain a prospectus or a summary prospectus, contact your financial professional or download and/or request one on the resources section or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Investment return and principal value of an investment in a Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All investing involves risk.

Touchstone Funds are distributed by **Touchstone Securities, Inc.**

A registered broker-dealer and member FINRA/SIPC

A member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com