

Cybersecurity Resilience Amid Market Volatility

Monthly Cybersecurity Update

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Market update: volatility rises amid US tariff uncertainty

Financial markets experienced increased volatility in March, with US equities particularly affected by the new US administration's tariff policies. These tariffs have created uncertainty, leading to fears of inflation and disrupted supply chains, causing US equities to underperform compared to European markets. Towards the end of the month, the situation worsened as markets reacted to the new set of looming tariffs announced by President Trump, set to take effect on April 2.

Tariffs have also been a key focus in the speech delivered by Fed Chair Powell on March 19. The Fed's decision was to hold interest rates steady at 4.25%-4.50%, acknowledging the persistent economic uncertainty and the potential impact of tariffs on inflation and growth. While many economists outside the Fed have increased their estimates of a potential recession, the Fed does not anticipate a severe downturn. However, despite acknowledging the overall strength of the US economy, the Fed lowered their GDP growth projections for 2025 and increased their core PCE inflation estimates.

A recap of Q1 2025: market decline driven by policy and tariffs uncertainty, not cybersecurity outlook, amid strong earning seasons

The ISE Cyber Security UCITS™ Index (HUR™) started the year on a strong note, gaining 7.60% in January. That month, 26 out of 33 companies reported positive results, with an average gain of 9.67% while the remaining 7 reported an average loss of 4.48%.

However, momentum weakened in February due to macroeconomic uncertainty and escalating trade tariff. On February 18, the index reached its all-time high, before reversing course, declining by 3.59%. Only 10 companies posted positive results (average gain of 6.58%), while 23 companies recorded an average loss of 10.61%.

Market conditions deteriorated further in March, with the index dropping 8.03%. 6 companies reported gains, averaging 6.64%, while 27 companies saw an average decline of 7.78%. YTD the index is down 4.59%. The uncertainty surrounding macroeconomic conditions and escalating trade tensions also weighed on broader equity markets, leading to declines in major indexes. The S&P 500 (SPX) and the Nasdaq-100® (NDX®) both posted losses of 5.75% and 7.69%, respectively, during March 2025, reflecting investor caution and increased volatility.

Despite the overall downtrend, the market's growth expectations for the HUR index remain stable, with anticipated revenue growth of 9.47% and earnings growth of 3.70% over the next 12 months.

Earnings season was a notable bright spot. Compared to last month, 6 additional companies have reported their Q4 2024 Earnings. The number of companies beating both top and bottom-line estimates has increased to 23 (76.71% of total index weight).

	Beats		Misses	
	No. of firms/Index weight	Average % Beat	No. of firms/Index weight	Average % Miss
Q4 24 Revenues	26 / 86.75%	3.13%	4 / 5.63%	(2.91%)
Q4 24 Earnings	24 / 77.19%	22.10%	5 / 14.00%	(10.01%)

This positive trend reinforces the resilience and growth potential within the index, despite macroeconomic challenges. Cybersecurity companies remain a key area of strength, benefiting from increasing demand for robust security solutions in response to rising cyber threats and increased adoption of digital technologies. The global cybersecurity market is expected to almost triple, reaching \$563 billion by 2032.¹ McKinsey estimated this market could be worth \$2 trillion if customer demand will be fully met. This gap suggests insufficient investment in cybersecurity by organizations, due to underfunded budgets for CISOs, but it is also a signal of the immense growth potential for companies in the cybersecurity space.²

Cybersecurity funding increased significantly in 2024, with venture investments reaching \$11.6 billion, a 43% increase versus 2023 figures, but still below the \$17 billion invested in 2022. Deal size grew, with 29 rounds of \$100 million or more raised, up from 18 in 2023.³ This trend highlights investor confidence in the cybersecurity market, with larger investments going into high-potential startups. At the same time, major players, like Google, are making significant moves to strengthen their cybersecurity portfolios. On March 18, Alphabet announced its largest acquisition to date by agreeing to purchase cybersecurity startup WIX for \$32 billion. This strategic move aims to bolster Google’s cloud security offering and underscores the strategic importance of the cybersecurity industry.⁴

A closer look at the HUR index: top and bottom contributors

During the month, the Index saw its worst daily performance on March 10, dropping -4.47%, reflecting increased market anxiety, driven by broader economic pressures and policy uncertainty. The index reached its lowest point on March 13, a day marked by significant market downturns. On that day, major US equity indexes, including SPX and NDX, fell sharply due to escalating trade tensions following President Trump’s announcement of increased tariff. The HUR index started to recover from mid-March. On March 25, the index was up 2.62% YTD and was up +8.19% compared to its lowest point on March 13. This positive shift was also mirrored in the broader equity markets. Such recovery was largely attributed to the US administration's announcement of more targeted tariffs, which provided a boost to the markets, helping

¹ <https://www.fortunebusinessinsights.com/industry-reports/cyber-security-market-101165>

² <https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/cybersecurity/new-survey-reveals-2-trillion-dollar-market-opportunity-for-cybersecurity-technology-and-service-providers>

³ <https://news.crunchbase.com/cybersecurity/big-rounds-comeback-4q-eoy-2024/#:~:text=Cybersecurity%20venture%20investment%20jumped%2043,of%20deals%20during%20the%20year>

⁴ <https://www.reuters.com/technology/cybersecurity/google-agrees-buy-cybersecurity-startup-wiz-32-bln-ft-reports-2025-03-18/>

them recover from the lowest consumer confidence reading in 12 years.^{5,6} Such recovery was short-lived, as on March 25, a new announcement regarding automobile tariffs from the Trump administration weighed market sentiment, underscoring the markets' sensitivity to policy changes. This led to another downturn with the HUR index reversing and retreating from its recent gains.

Check Point and Okta were among the top contributors for the month of March. Check Point, the cybersecurity company specializing in network, cloud and endpoint security, gained 3.48% during the month and is up 22.08% YTD. The company has demonstrated consistent financial performance, as evidenced by its recent quarterly results. Q4 FY24 revenues rose by 6% YoY to \$704 million, surpassing estimates. Q4 FY24 net income increased by 3.3% YoY to \$257.5 million. On March 27, the stock reached an all-time high closing price of \$231.31. On March 31, the company was recognized as a leader in Attack Surface management following its acquisition of Cyberint.⁷

Okta, a leading identity and access management company, has seen its shares rise by 16.28% in March 2025 and it is up +33.53% YTD. On March 4, the company experienced a significant surge in its stock price, rising by 24.27% to \$108.31. This significant increase was primarily driven by the company's release of strong quarter earnings, which exceeded analysts' expectations.

BlackBerry, the Canadian company providing intelligent security software solutions, was among the bottom contributors to HUR during for the month of March. Despite a positive start in January, with the stock rising by 16.77% (in USD), the company has been affected by concerns over tariffs imposed on Canada. In March, it declined by 20.46% and is down -0.81% YTD (in USD). The tariffs have created a challenging environment for many Canadian companies, including BlackBerry, as they navigate the economic impacts and market volatility. Additionally, the company's fundamentals have also been a concern. In December last year, the company released its Q3 results for fiscal 2025, which concluded on November 30, 2024. Q3 revenues was down 5.92% YoY to \$143 million. Over the past three quarters, BlackBerry's top line has declined by 34% to \$432 million⁸.

	Top/Bottom Contributor	Average Weight (during March)	Total Return (as of March 31)	Contribution to HUR Total Return
Check Point	Top 1	6.06%	3.48%	0.19%
Digital Arts	Top 2	1.29%	10.53%	0.12%
Okta	Top3	0.72%	16.28%	0.09%
Broadcom	Bottom 3	4.18%	-16.05%	-0.66%
BlackBerry	Bottom 2	5.78%	-20.46%	-1.22%
Cloudflare	Bottom 1	5.93%	-22.44%	-1.51%

Sources: Nasdaq Index Research, Bloomberg, FactSet.

⁵ <https://www.cnbc.com/2025/03/25/consumer-confidence-in-where-the-economy-is-headed-hits-12-year-low.html>

⁶ <https://www.bloomberg.com/news/articles/2025-03-22/trump-plans-his-tariff-liberation-day-with-more-targeted-push>

⁷ <https://finance.yahoo.com/news/check-point-software-emerges-leader-152000852.html>

⁸ The cumulative revenues for the first three quarters in 2023 were \$657 million

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