

# Nasdaq-100®'s Tariff Resilience

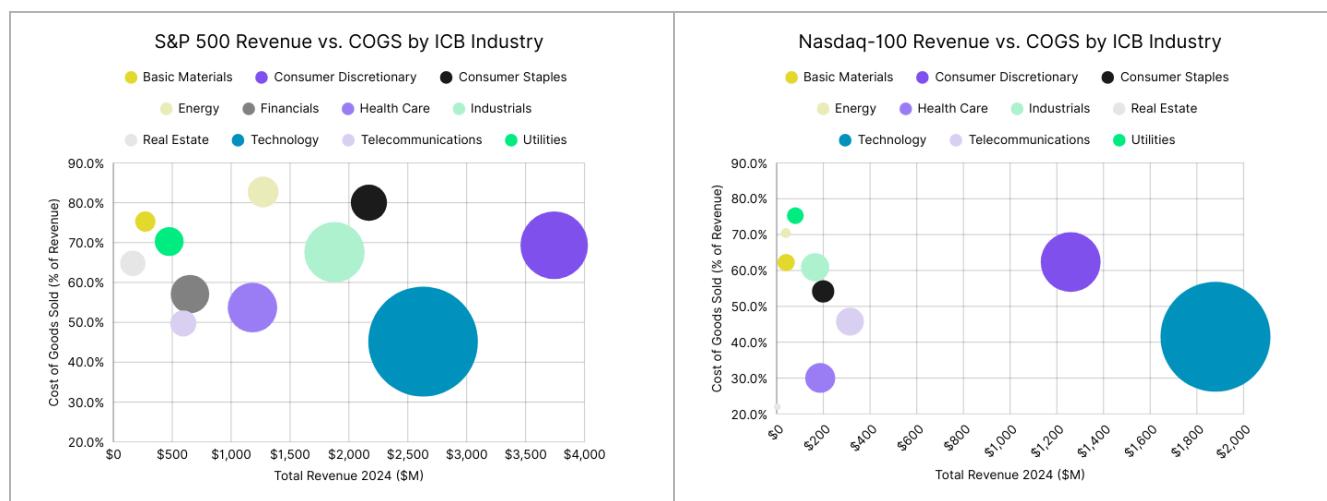
Mark Marex, CFA, Senior Director, Nasdaq Index Research  
Sanjana Prabhakar, Index Research Senior Specialist

## Market Update

As of late August 2025, the economic environment remains uncertain with effective tariff rates now around 15-20% on average across all US imports. A resolution to tariff uncertainty has mostly arrived with lower-than-feared rates for many major trading partners, while elevated rates and uncertainty remain for Canada (35%), Switzerland (39%), Brazil (50%), and India (50%). China negotiations are ongoing, while new sector-specific tariffs continue to loom over pharmaceuticals and semiconductors. Economic data have recently become notably weaker, with inflation creeping up across goods while remaining subdued among services; however, the latter seemingly is reflecting headwinds to economic growth, thanks to slowing consumer spending and jobs growth.

The uncertainties around tariffs in 1Q'25, followed by the unveiling of more concrete proposals on Liberation Day (April 2), triggered severe drawdowns across most equity benchmarks both in the US and globally, with the Nasdaq-100 Index® (NDX®) [briefly entering a bear market after a peak-to-trough decline of 23%](#). Since the lows on April 8th, NDX has outperformed with a gain of 36%, helped by a combination of softening tariff policies but also thanks to better-than-expected fundamentals reported throughout the most recent earnings season covering activity in 2Q'25. With 86 companies having reported by August 20, NDX is on track for YoY earnings growth of 34%, well ahead of estimates of 22% and triple the rate of the S&P 500 (11.6%), demonstrating the index's unique resilience against macro headwinds<sup>1</sup>.

## Cost of Goods Sold: The Key to Understanding Tariff Exposure



Source: Nasdaq, Factset. Bubbles sized by index weight of each ICB Industry in the respective indexes.

<sup>1</sup> Returns as of July 31, 2025 unless otherwise noted.

The Nasdaq-100 is known for its overweight exposure to the technology sector, but overall it is more akin to a benchmark for the services-heavy “new economy” which encompasses Tech (more services than physical goods-driven, other than Hardware), Consumer Discretionary (overweight to more service-oriented companies within the space), and Healthcare (mostly biotech). The index’s exposure to these three innovation and services-heavy sectors (80-85%, on average) has been key to its fundamental and return outperformance over the past two decades, as well as during the most recent macroeconomic headwinds. Its relatively low ratio of Cost-of-Goods-Sold (COGS) as a percentage of Revenue – 50% vs. 65% for the S&P 500, based on full-year 2024 data – ensured an enhanced degree of insulation against cost input pressures as the implementation of tariffs began in 2Q’25. Even within the same sectors, the Nasdaq-100 registers lower COGS/Revenue ratios than the S&P 500, with a ratio of only 30% for its Health Care companies (vs. 54% for S&P 500 Health Care), 54% for Consumer Staples (vs. 80% for S&P 500), and 62% for Consumer Discretionary (vs. 69% for S&P 500).

Getting down a level deeper, the Nasdaq-100’s top three exposures by ICB Subsector (Semiconductors, Software, and Consumer Digital Services) all rank within the lowest quintile by COGS sensitivity across the 120 subsectors present in the S&P 500, with COGS/Revenue ratios of 46%, 28%, and 35% respectively. After the initial announcement of tariffs, many technology stocks sold off significantly, particularly within the Computer Hardware subsector as most of their supply chains are based in Southeast Asia and China. Semiconductor stocks also sold off but to a lesser degree, while Software sold off the least. Under the current tariff regime, only physical goods are tariffed, with services largely exempt.

## NDX Megacaps’ Exposure to Tariffs

While the largest NDX companies are vulnerable to tariffs and have seen varied responses since the original announcement, the long-term outlook remains favorable due to [consistently strong fundamentals](#). Some of these companies have taken steps to mitigate the impacts, most notably by diversifying their supply chains to countries with lower tariff rates. Recent earnings from Apple (54% COGS/Revenue ratio) and Amazon (51%) point to a high degree of resiliency against tariffs. In the most recent quarter, Amazon’s CEO Andy Jassy reported that tariffs have not had a major impact on their business thus far in 2025, and that the company has not seen diminishing demand or appreciating prices; its tariff exposure is largely tied to its third-party seller platform. Apple, which was marred by tariff fears in recent months, posted its strongest revenue growth since 2021 as its iPhone sales surpassed estimates. Tariffs impacted the company less than expected, costing Apple around \$800 million vs. the \$900 million that was initially guided in the prior quarter, as the company shifts more of its supply chains away from China towards India and Vietnam. Apple expects tariffs to add \$1.1 billion in costs in the coming quarter – a rather paltry figure compared to quarterly revenues average nearly \$100 billion. Tesla is by far the best example of a large NDX company with a high degree of sensitivity to COGS (ratio of 82%), but thanks to its highly localized supply chains, appears much less impacted than non-NDX competitors like Ford and GM. The remaining names in this group – Meta Platforms (18%), Microsoft (30%), Google (42%), and Nvidia (27%) – are heavily insulated as they do little manufacturing and importing relative to their massive, high-margin service businesses in software, advertising, cloud computing and artificial intelligence that are driving their current growth.

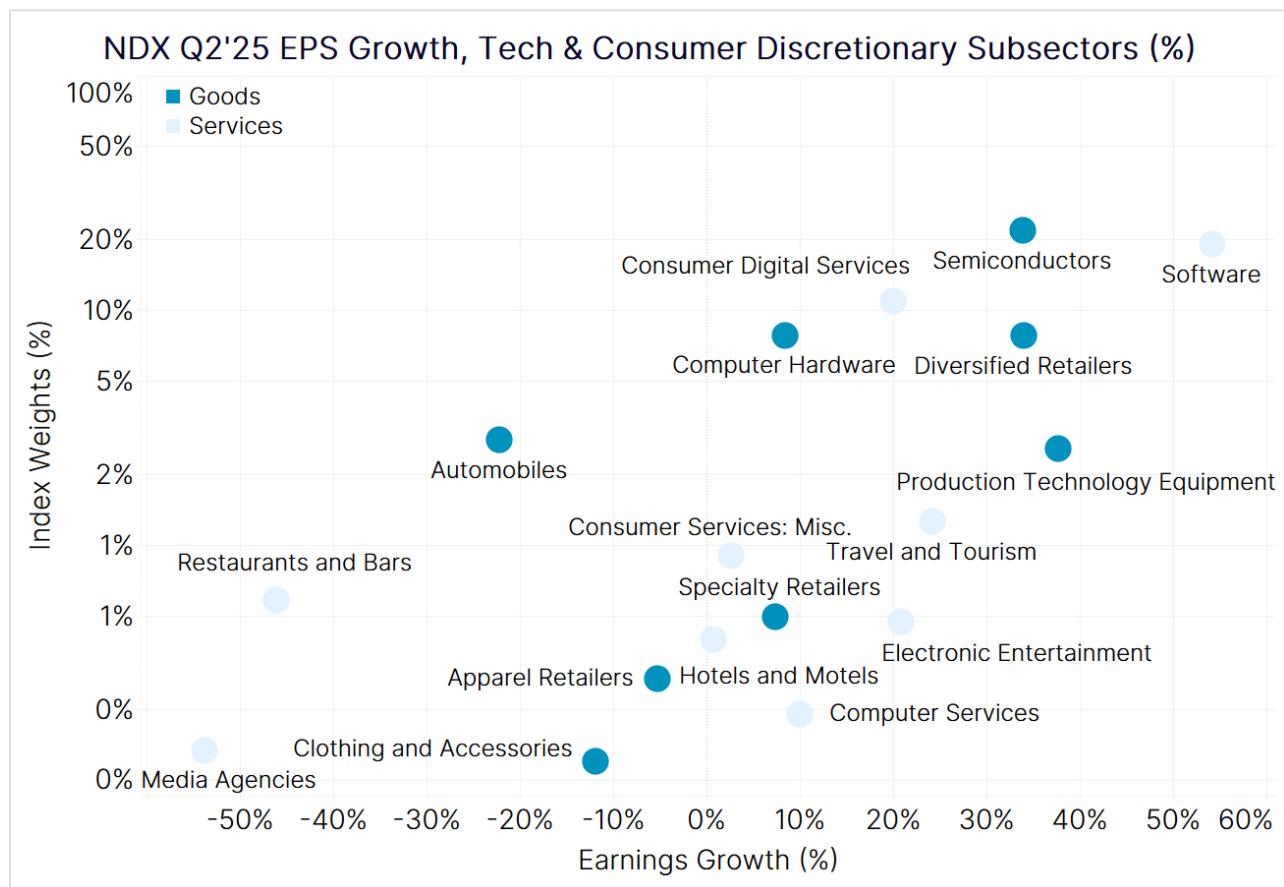
## 2Q 2025 Earnings Illustrate Tariffs’ Varied Impacts

With the 2Q’25 earnings season winding down, analysts have their first pieces of hard evidence indicating how tariffs are impacting margins and earnings. As per Goldman Sachs research, companies are expected to ultimately pass ~70% of tariff costs to consumers, with business surveys pointing to lower pass-through

of tariff costs thus far<sup>2</sup>. As predicted by our analysis on COGS sensitivity, there are stark differences in the earnings growth rates reported across sectors in the Nasdaq-100. Most goods-heavy sectors are reporting either negative (Consumer Staples, -7%; Industrials -2%) or low single digit positive (Basic Materials, 5%; Energy, 2%) earnings growth. This stands in contrast with the services-focused sectors with less tariff exposure, which are all expected to see positive growth, with four sectors reporting double-digit positive growth (Technology, 30%; Consumer Discretionary, 115%; Health Care, 68%; Real Estate, 18%).

The chart below breaks down the services-based and goods-based subsectors of Consumer Discretionary and Technology, which are the two biggest sector exposures in the Nasdaq-100 and have a unique mix of tariff-resilient companies. Amazon for example is still considered a Diversified Retailer, even though it earns nearly the same amount of revenue from services businesses like Amazon Web Services, Advertising, and Subscriptions as it does from Online Retailing. Overall, Amazon reported a 35% YoY growth in earnings in the most recent quarter, driving the overall rate of growth for the Diversified Retailers subsector to a healthy 34% despite being “goods-focused.” Electronic Entertainment and Travel & Tourism also fared well, with growth rates of 21% and 24%, respectively.

Within Technology, Software led with earnings growth of 54%, followed by Semiconductors and its sister subsector, Production Technology Equipment, with growth rates of 35% and 40%, respectively. Computer Hardware lagged with a rate of 8.4%, while Consumer Digital Services notched a healthy 20%.



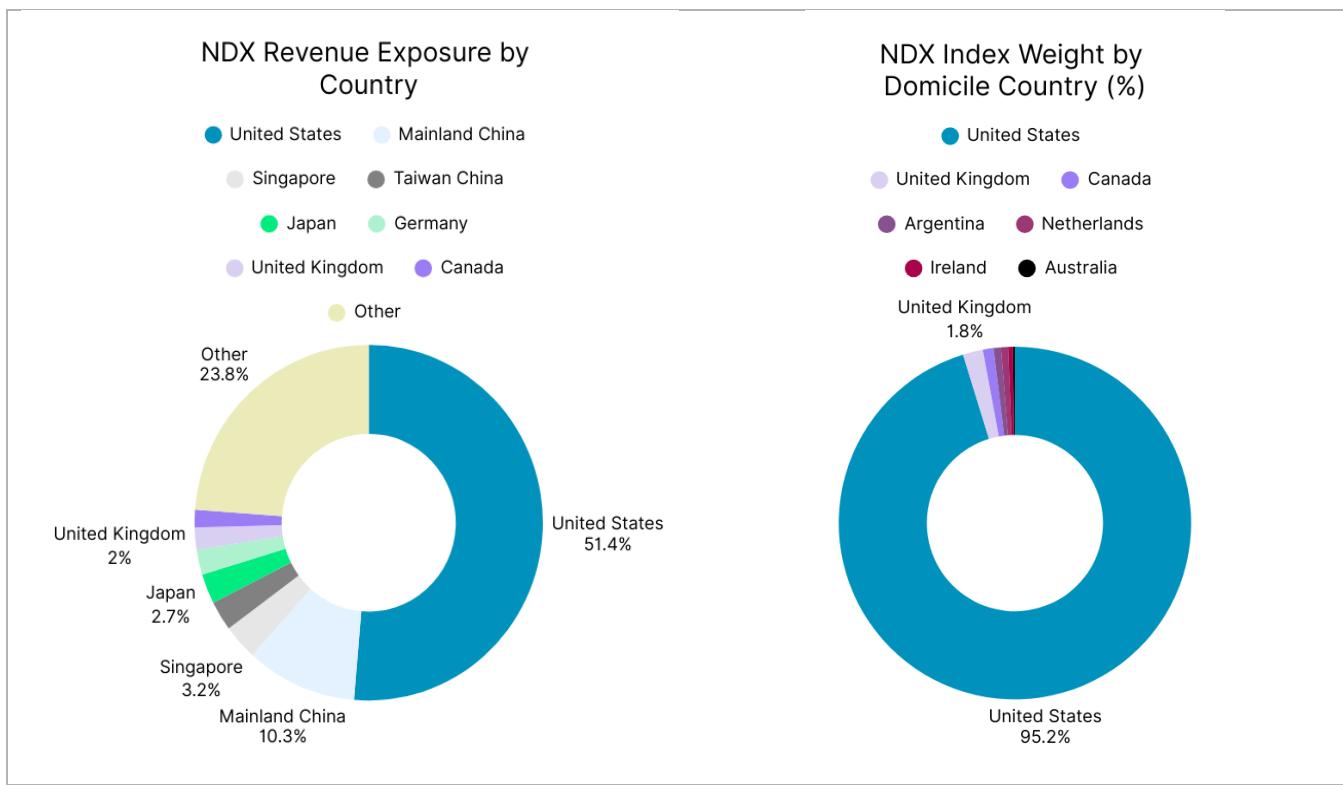
Source: Nasdaq, Factset as of 8/12/2025.

<sup>2</sup> <https://www.goldmansachs.com/insights/articles/us-earnings-will-start-to-show-the-impact-of-trumps-tariffs>

## Revenue Exposure by Geography

One of the more popular theories earlier this year posited that domestically-oriented companies in the US – both in terms of supply chains, and geographical revenue exposure – should be positioned to outperform larger, more globally-exposed companies such as those in the Nasdaq-100. In fact, the opposite has occurred with the Nasdaq-100 up nearly 11% through July 31, 2025, while the domestic-heavy Russell 2000 Index of small caps was down about 1%. Companies that make up the Nasdaq-100 derive about half of their revenues from the United States, followed by Mainland China at 10% (per Factset). And so, while the index is a bit more globally exposed in terms of revenue than the S&P 500 (59% revenue derived inside the US), its more favorable mix of services-oriented companies offsets this one form of geographic risk. To the extent these companies do not use imported components or raw materials, they have low levels of risk from tariff policies despite international revenue exposure.

Nasdaq-100 companies earning significant revenue abroad have been largely insulated due to the absence of retaliatory tariffs by a majority of trade partners – which was not the initial expectation on Liberation Day. China has been the only country of note enacting retaliatory tariffs, making the episode very different from prior trade wars. The index's international revenue exposure thus may not be very predictive of the overall level of risk to revenues earned outside the US. One caveat worth mentioning is the semiconductor industry, which due to its geopolitical sensitivity has recently become the target of new export taxes, sector-specific tariffs, and varying export restrictions from both the US and China. As the index's single biggest subsector exposure at 22% (and even a bit higher, once Production Technology Equipment is added in at 2.5%), the semiconductor industry remains a unique source of geopolitical and macroeconomic risk for the Nasdaq-100, to a larger extent than most other broad-based equity benchmarks.



Source: Nasdaq, Factset as of June 30, 2025.

## Conclusion

Markets have displayed resilience amid a great deal of tariff uncertainty in 2025. In particular, the Nasdaq-100 experienced an impressive rebound in performance right after registering one of the fastest bear-market drawdowns in its history, culminating on April 8th. Two of the top three subsectors of the Nasdaq-100 – Software and Consumer Digital Services – are fully services-based and therefore much less exposed to tariffs. More broadly speaking, the index's top sector exposures of Tech, Consumer Discretionary, and Healthcare are all overweight services, and display a lower level of COGS sensitivity than the same sector exposures in the S&P 500. The Nasdaq-100's overweight of sectors and subsectors less vulnerable to tariffs has helped offset the more acute effects felt by other broader US benchmarks that are more exposed to the "old economy" sectors, driven to a larger degree by the manufacture and/or import of physical inputs and finished goods.

In general, the global nature of the technology industry enables companies like Apple to more nimbly adopt measures that mitigate the impact of tariffs, such as shifting supply chains out of China. The same cannot be said of many domestically oriented companies with more fixed supply chains. As investors navigate the second half of 2025, they may conclude the Nasdaq-100 is fairly immune to prevailing macroeconomic risks due to its track record of resilience against tariff policies, among other headwinds it has faced in recent years.

Sources: Nasdaq Global Indexes, Factset, Bloomberg, Goldman Sachs.

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