ICON Insights

Market Commentary - April 2025

By Craig Callahan, DBA | ICON Founder **Published 4'1'2025**

Equities

The broad market began 2025 by moving higher, reaching a peak on February 19, but the drop that followed took it negative for the quarter. The drop in late February and March was driven by uncertainty over the tariff threats emanating from the White House. Some analysts argue that, like most tax increases, they will slow the economy and even increase unemployment. Other analysts believe that tariffs will be inflationary which could derail the Federal Reserve's trend toward easier monetary policy. A third group combines those two concerns and is calling for stagflation, a slowing economy combined with higher inflation. We believe these fears are overblown, but that is normal when there is a high level of uncertainty. The uncertainty is primarily a result of not knowing which potential tariffs are just threats that may go away if a country makes certain desired concessions, or which threats are part of the administration's economic policy.

ICON defines problematic inflation as a compounding price increase, on top of price increase, on top of price increase, and so on. Instead, tariffs would seem to be just a one-time price increase, highly unlikely to induce a spiral. The difference between compounding and one-time matters, because with a one-time price increase, there is no need for investors to reprice stocks and bonds for continued higher inflation. Supporting the case that sustained higher inflation is unlikely is Capacity Utilization. It is currently at 78.2%. During the 1970s' high inflation it was between 86% and 88%. We would expect our ability to produce more would have a dampening affect on any potential inflation.

During the market drop of late February and March, so-called recession proof, defensive stocks held up best, and economically sensitive, cyclical sectors fared the worst. Such performance reflects that investors are anticipating or fearing a recession. Given the current strong economic data, the leap from tariffs to recession seems to be excessive and unwarranted.

Bonds

During the stock market retreat, the yield on the 10-Year Treasury dropped so, in general, investors were selling stocks and buying bonds. This, too, is consistent with investor expectations of a slowing economy and this left the yield at the low end of a trading range it has been in for about five months. This range has seemed sensible to ICON.

Summary

Looking at various behaviors and data, we do not see extremes often seen at bottoms or peaks. The recent selloff just seems to be investors pricing in a worst case scenario regarding potential tariffs. You might call it, "sell first and ask questions later." At the company level, we can still find companies with growing earnings and attractive stock prices.

The data quoted represents past performance, which is no guarantee of future results. *Opinions and forecasts regarding sectors, industries, companies, countries and/or themes, and portfolio composition and holdings, are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security, industry, or sector.*

Investing in securities involves inherent risks, including the risk that you can lose the value of your investment. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. Investments in international securities may entail unique risks, including political, market, regulatory and currency risks. In general, there is less governmental supervision of foreign stock exchanges and securities brokers and issuers. Investing in fixed income securities such as bonds involves interest rate risk. When interest rates rise, the value of fixed income securities generally decreases.

Individual account holdings and composition may vary. Opinions and forecasts regarding sectors, industries, companies, countries and/or themes, and portfolio composition and holdings, are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security, industry, or sector.

ICON's value-based investing model is an analytical, quantitative approach to investing that employs various factors, including projected earnings growth estimates and bond yields, in an effort to determine whether securities are over- or underpriced relative to ICON's estimates of their intrinsic value. ICON's value approach involves forward-looking statements and assumptions based on judgments and projections that are neither predictive nor guarantees of future results. Value readings are contingent on several variables including, without limitation, earnings, growth estimates, interest rates and overall market conditions. Although valuation readings serve as guidelines for our investment decisions, we retain the discretion to buy and sell securities that fall beyond these guidelines as needed. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies.

ICON's value-to-price ratio is a ratio of the intrinsic value, as calculated using ICON's proprietary valuation methodology, of a broad range of domestic and international securities within ICON's system as compared to the current market price of those securities. According to our methodology, a V/P reading of 1.00 indicates stocks are priced at intrinsic value. We believe stocks with a V/P reading below 1.00 are overvalued while stocks with a V/P reading above 1.00 are undervalued. For example, we interpret a V/P reading of 1.15 to mean that for every $1.00 of market value, there is $1.15 of intrinsic value which has not yet been realized in the market price.

*Capacity Utilization refers to the extent to which a company or economy uses its productive resources (like equipment, labor, and facilities) to generate output, measured as a percentage of potential output. For example, if a factory can produce 1000 units per day at full capacity but is currently producing 800 units, its capacity utilization rate is 80% (800/1000 * 100).*

The 10-year yield is the benchmark 10-year yield to maturity reflected by the current issue 10 year U.S. Treasury note.

Sources: Bloomberg

Please visit ICON online at ICONAdvisers.com or call 1-800-828-4881 for the most recent copy of ICON's Form ADV, Part 2.

8480 E Orchard Road, Suite 1200
Greenwood Village, CO 80111
1-800-828-4881 • ICONAdvisers.com
Portfolio_Update (4/2025)