ICON Insights

Market Commentary - July 2025

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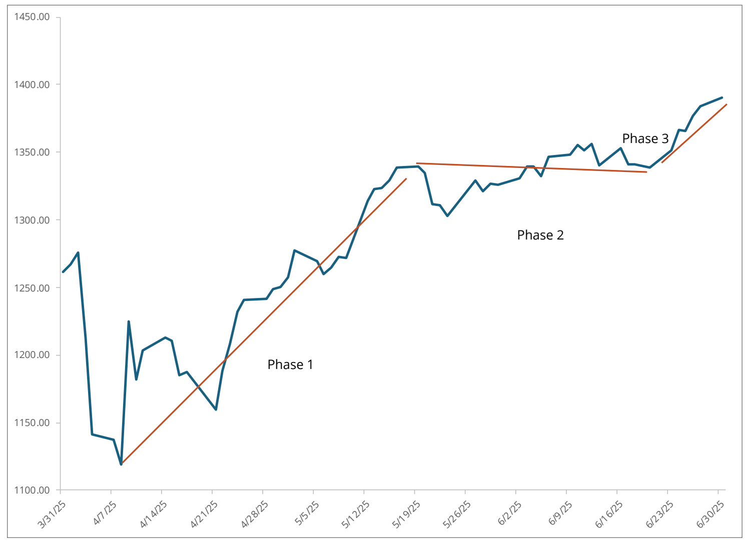
Published 7'1'2025

Equities

From the peak, 2/19/2025, to the low of 4/8/2025, the S&P 1500 Index dropped 18.90% in two phases. The first phase was in anticipation of tariffs. The second phase was when the tariffs were announced. Information Technology was the worst-performing sector on the way down. The other sectors with the biggest drops were economically sensitive and cyclical. The graph shows the S&P 1500 Index daily since 3/31/2025 and its climb to an all-time high. The advance has not been steady but has included a short-term theme reversal. We have divided the recovery into three phases: the initial surge (4/8/25 to 5/19/25), the messy sideways move (5/19/25 to 6/20/25) and the recent upward continuation (6/20/25 to 6/30/25).

The table below shows sector index performance during those three phases. What stands out is the reversals of three economically sensitive sectors: Financials, Industrials, and Consumer Discretionary – generally going from leaders to laggards to leaders. Just the opposite, Energy went from laggard to leader to laggard. We believe two factors contributed to the messy second phase. First, there was the war in the Middle East as Israel attacked Iran, and second, investors worried that the Federal Reserve (Fed) would discontinue lowering its Federal Funds target because of the inflationary impact of tariffs. The theme of Phase 3, which is very sensible to our valuation readings, suggests to us that those fears have subsided.

S&P 1500, 3/31/25 - 6/30/25



The data quoted represents past performance, which is no guarantee of future results. *Source: Bloomberg*

Phase #1, 4/8/25 - 5/19/25

Sector Index	Return
Information Technology	31.08%
Industrials	23.97%
Consumer Discretionary	23.47%
S&P 1500	**19.88%**
Communication Services	19.43%
Financials	17.68%
Materials	17.36%
Real Estate	13.41%
Utilities	12.45%
Energy	10.75%
Consumer Staples	8.93%
Healthcare	1.77%

Phase #2, 5/19/25 - 6/20/25

Sector Index	Return
Energy	5.99%
Information Technology	2.61%
Communication Services	1.95%
S&P 1500	**0.08%**
Real Estate	-0.56%
Materials	-0.82%
Healthcare	-1.40%
Industrials	-1.41%
Consumer Staples	-1.69%
Utilities	-2.15%
Consumer Discretionary	-2.36%
Financials	-2.45%

Phase #3, 6/20/25 - 6/30/25

Sector Index	Return
Communication Services	6.53%
Information Technology	5.66%
Financials	4.35%
Industrials	4.02%
S&P 1500	**3.90%**
Consumer Discretionary	3.34%
Materials	2.48%
Healthcare	2.04%
Utilities	1.67%
Consumer Staples	0.83%
Real Estate	0.01%
Energy	-4.20%

The data quoted represents past performance, which is no guarantee of future results. *Source: Bloomberg*

Information Technology has its own unique situation. It lagged the market from 6/30/24 to the peak 2/19/25. Then it dropped the most during the sharp sell-off. That sequence created some value in that sector and off the April 8th low, we bought into two industries: Semiconductors and Hardware & Storage.

Bonds

Since mid-February, the yield on the 10-year Treasury has been in the range of 4.0% to 4.6% and finished the first half of the year about in the middle of that range at 4.23%. This seems sensible to us as we don't see any reason for a big move, or breakout, in either direction.

Summary

When the market reaches an all-time high, many investors wonder, "Is it too high?" We don't think so, as we still see stocks, on average, priced below our estimate of fair value. In addition, we do not see the behaviors that often accompany peaks. In other words, the market appears normal to us.

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The unmanaged Standard & Poor's (S&P) Composite 1500 Sector Indexes track the performance of sectors that comprise the S&P Composite 1500 Index. Total return figures for the unmanaged sector indexes do include the reinvestment of dividends and capital gain distributions but do not reflect the costs of managing a mutual fund. The Standard and Poor's (S&P) 1500 Consumer Discretionary Index is an unmanaged capitalization-weighted index comprising companies in the Consumer Discretionary sector as determined by S&P. Total returns for the unmanaged index include the reinvestment of dividends and capital gain distributions beginning on January 1, 2002. Index returns with reinvested dividends and distributions are unavailable prior to that date. The Standard and Poor's (S&P) 1500 Consumer Staples Index is an unmanaged capitalization-weighted index comprising companies in the Consumer Staples sector as determined by S&P. The Standard and Poor's (S&P) 1500 Energy Index is an unmanaged capitalization-weighted index comprising companies in the Energy sector as determined by S&P. The Standard and Poor's (S&P) 1500 Financials Index is an unmanaged capitalization-weighted index comprising companies in the Financials sector as determined by S&P. The Standard and Poor's (S&P) 1500 Healthcare Index is an unmanaged capitalization-weighted index comprising companies in the Healthcare sector as determined by S&P. The Standard and Poor's (S&P) 1500 Information Technology Index is an unmanaged capitalization-weighted index comprising companies in the Information Technology sector as determined by S&P. The Standard and Poor's (S&P) 1500 Materials Index is an unmanaged capitalization-weighted index comprising companies in the Materials sector as determined by S&P. The Standard and Poor's (S&P) 1500 Industrials Index is an unmanaged capitalization-weighted index comprising companies in the Industrials sector as determined by S&P. Total returns for the S&P 1500 Industrials Index include the reinvestment of dividends and capital gain distributions beginning on January 1, 2002. Index returns with reinvested dividends and distributions are unavailable prior to that date. The Standard and Poor's (S&P) 1500 Real Estate Index is an unmanaged capitalization-weighted index comprising companies in the Real Estate sector as determined by S&P. The Standard and Poor's (S&P) 1500 Utilities Index is an unmanaged capitalization-weighted index comprising companies in the Utilities sector as determined by S&P. Individuals cannot invest directly in an index.

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

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