ICON Insights

Market Commentary - June 2025

By Craig Callahan, DBA | ICON Founder

Published 6'3'2025

Equities

We believe the stock market entered a new theme, or personality, on July 1st, 2024, driven by the expectation, and then reality, that the Federal Reserve would move monetary policy back toward neutral. That theme (which we will call the "new market") hit a peak on February 19, 2025, but was interrupted by the uncertainty regarding the new tariffs and trade war. From that peak through the low April 8, 2025, the S&P 1500 Index dropped 18.9% in two phases. The first phase was in anticipation of what the tariffs would be. The second phase was immediately after the announcement. Table 1 shows sector index performance from peak to trough, which reveals to us that investors' reaction was fear of a potential recession. The so-called recession-proof, defensive sectors like Consumer Staples, Utilities, and Healthcare dropped the least. Economically sensitive, cyclical sectors dropped the most.

Table 2 shows those same indexes off the low of April 8 through May 30, 2025, with the S&P 1500 advancing 18.7%. It is almost a complete reversal of the drop, with economically sensitive, cyclical sectors leading the rebound and defensive, recession-proof sectors lagging. Apparently, investors are backing off from their initial "knee jerk" reaction of recession fears. Other than Information Technology leading the sector performance during the rebound, the recovery theme is similar to the "new market" theme.

Table 1: 2/19/25 - 4/8/25

Sector Index	Return
Consumer Staples	-7.5%
Utilities	-7.7%
Healthcare	-9.6%
Real Estate	-12.2%
Financials	-15.9%
Energy	-16.7%
Industrials	-16.8%
Materials	-17.1%
S&P 1500 Index	**-18.9%**
Telecomm. Services	-20.5%
Consumer Discretionary	-23.4%
Information Technology	-25.9%
S&P Small-Cap 600	-22.5%
Dow Jones Dividend	-13.3%

Table 2: 4/8/25 - 5/30/25

Sector Index	Return
Information Technology	29.5%
Industrials	22.5%
Consumer Discretionary	21.9%
Telecomm. Services	21.0%
S&P 1500 Index	18.7%
Materials	**16.3%**
Financials	16.0%
Real Estate	12.2%
Utilities	11.6%
Consumer Staples	10.0%
Energy	7.1%
Healthcare	0.5%
S&P Small-Cap 600	16.4%
Dow Jones Dividend	10.9%

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

As for Information Technology, it was not part of the "new market' leadership as it ranked only 8th of 11 sector indexes from June 30, 2024, through the peak on February 19, 2025. Because of the lag, and the pounding it took during the trade war sell-off, we've found some value at the bottom. We added exposure to that sector in mid-April in two industries: Semiconductors and Computer Hardware & Storage. Otherwise, we are content with our sector positioning heavily favoring the "new market" theme.

Bonds

The bond market had similar reactions to the anticipation and announcement of tariffs. Initially, the yield on the 10-year Treasury declined, which was consistent with recession expectations, or at least a slowing economy. Since early April, however, the yield has risen, also consistent with fading concerns about a recession. We don't see the need for any extremes in the bond market. The yield on the 10-year Treasury has been in the range of 4.0% to 4.6% this year, which seems sensible to us.

Summary

Analysts who specialize in forecasting corporate earnings are regularly surveyed, and the compilation of their forecasts are reported on Bloomberg. Currently, they are forecasting positive year-over-year growth in 2026 for all eleven S&P sectors as well as the (large) S&P 500, Mid-Cap 400, and Small-Cap 600. This "bottom up" view, derived company by company, is showing no expectation of an economic slowdown. Given that we can still find value, we like owning stocks over the next year.

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.

The unmanaged Standard & Poor's Composite 1500 (S&P 1500) Index is a broad-based capitalization-weighted index comprising 1,500 stocks of Large-cap, Mid-cap, and Small-cap U.S. companies. 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 unmanaged Standard & Poor's (S&P) SmallCap 600 Index is an unmanaged index of 600 domestic stocks chosen for their market capitalization, liquidity, financial viability, and sector representation. The Dow Jones U.S. Dividend 100 Index is designed to measure the performance of high-dividend-yielding stocks in the U.S. with a record of consistently paying dividends, selected for fundamental strength relative to their peers, based on financial ratios. Individuals cannot invest directly in an index.

Federal Funds: In the United States, the federal funds rate is the interest rate at which private depository institutions (mostly banks) lend (federal funds) at the Federal Reserve to other depository institutions, usually overnight. Changing the target rate is one form of open market operations that the Chairman of the Federal Reserve uses to regulate the supply of money in the U.S. economy.

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