ICON Insights

Market Commentary - November 2024

By Craig Callahan, DBA | ICON Founder

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Equities

The S&P 1500 Index moved higher the first half of October 2024, but then retreated to finish the month down just less than 1.00%. We suspect election uncertainty was the primary force behind the retreat as investors lacked clarity on the future President, Senate and House of Representative tilts. In addition, some investors began to doubt that the Federal Reserve (Fed) would lower its Federal Funds target rate at its November meeting which prompted some selling.

The market theme or personality change we have been writing about for several months is still underway in our opinion. During the first half of 2024 the market leadership was very narrow. Only two sector indexes, Information Technology and Communication Services, beat the broad 1500 index. Small-cap and dividend paying stocks were very sluggish. We expect the new theme that will emerge out of this transition to be very different with much more broad leadership. We also expect small-caps and dividend paying stocks to be among the leaders.

The table shows index performance since June 30, 2024, through November 1, 2024. The two sectors that led the first half of the year have been the second and fourth worst sectors lately. Seven of the eleven sectors have beaten the broad 1500 index, which reveals much more broad leadership and participation. The Dow Jones Dividend Index and the S&P Small-cap 600 Index are both beating the broad 1500 index. The performance of Utilities and Financials makes sense to our valuation system. We expect it is sustainable.

Index Returns 6/30/24 - 11/1/24

Sector Index	Return
Utilities	14.88%
Financials	14.06%
Real Estate	12.07%
Industrials	10.06%
Consumer Discretionary	7.93%
Materials	6.31%
Consumer Staples	5.66%
S&P 1500	5.46%
Communication Services	3.84%
Healthcare	1.94%
Information Technology	1.15%
Energy	-2.91%
S&P Small-cap 600	7.65%
Dow Jones Dividend	11.85%

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

Bonds

Short term and long-term interest rates have become disconnected. Despite the fact that the Fed has stated it is in the process of reducing its Federal Funds target rate, the yield on the 10-year Treasury note increased from 3.62% on September 16 to 4.38% on November 1, 2024. It appears some of this is due to election uncertainty, as neither Presidential candidate is running on a constrained fiscal policy, or balanced budget, platform. We do not believe the increase in the 10-year yield is sustainable. A survey of economists reported on Bloomberg shows they are calling for a continued gradual reduction in inflation. If they are right, and we think they are, long term rates should turn around and head lower.

Summary

Through November 1, 899 of the 1500 companies in the S&P 1500 Index have reported quarterly earnings. On average, they have beaten analysts' forecasts by 6.85% and they are 7.53% larger than the quarter a year ago. With these earnings, we like owning stocks in industries that have value and are part of the new leadership.

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 (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

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8480 E Orchard Road, Suite 1200
Greenwood Village, CO 80111
1-800-828-4881 • ICONAdvisers.com