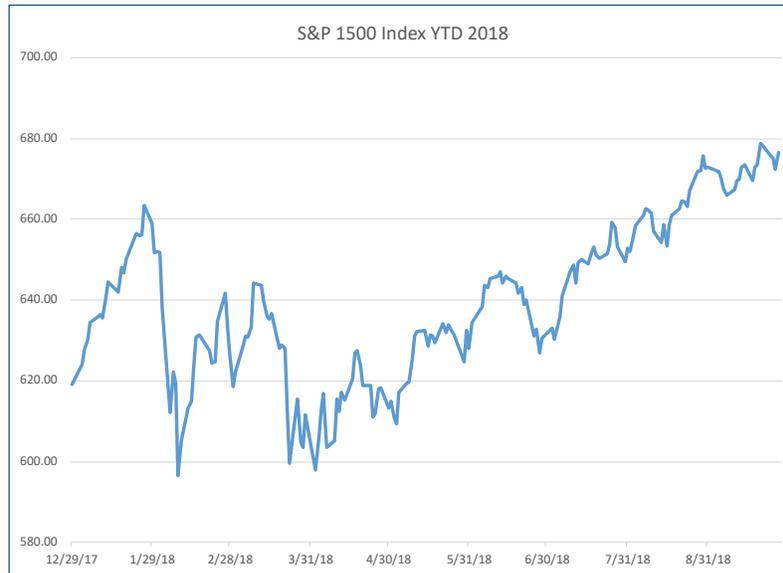


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Domestic Equities

The graph below shows the S&P 1500 Index daily returns for year-to-date 2018. After moving higher the first few weeks of January, the Index dropped sharply on fears of wage inflation, fears which have disappeared and been forgotten by most analysts. Since April 2nd, the market has recovered and moved higher for the year, although there were frequent setbacks and theme reversals.



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

We believe the primary driving force for this market advance is earnings. The table at right shows year-over-year earnings per share (EPS) growth forecasts from a Bloomberg survey of analysts for the S&P 500 (Large Cap), S&P 400 (Mid Cap) and S&P 600 (Small Cap) Indexes. 2018 stands out as an exceptional year of expected growth, while in 2019 and 2020 earnings are forecasted to continue growing, but at a lower rate and more in line with historic averages. While analysts can be wrong, they should have a good view of 2018, as it is already about 75% over. We expect 2019 and 2020 to be revised through time.

Analysts' Estimated Growth of EPS			
	S&P 500	S&P 400	S&P 600
Year	(Large Cap)	(Mid-Cap)	(Small-Cap)
2018	31.5%	39.7%	68.9%
2019	10.4%	11.4%	15.5%
2020	10.1%	13.2%	12.6%

Source: Bloomberg

In the ICON valuation system, earnings are one of the primary determinants of intrinsic value. So all else equal, if earnings grow, value grows. In the current setting, we see value growing because of earnings and prices just trying to keep up.

With various stock market indexes hitting all-time highs and the recent bull market lasting nine and a half years, there is no shortage of commentary calling for its imminent end, or at least calling for investor caution. During the bull market it seems as though there has been a contest to see who can be the first (and/or loudest) to call for its end. We ended September with an ICON market value/price (V/P) ratio of 1.02, meaning we do not see the over-pricing often seen at market peaks. Based on that reading and the expected growth in earnings and, therefore, value, we expect the market to move higher over the next year. On an intuitive basis, we think the bull market can continue at least two to three more years, but we will stick to value, not intuition, and take it one year at a time.

International Equities

Emerging market countries, especially China, are negative for the year and have moved up our V/P rankings. In a very unusual occurrence, emerging markets countries dominate the top of our country V/P rankings, suggesting that if international trade concerns fade, those developing country markets can lead the rebound. In the meantime, analysts are trying to assess the potential damage from the U.S. - China trade conflict. So far, by the way they are pricing stocks, they appear to believe China and various emerging markets will be the short-term losers.

Like in the U.S., the Financials sector has the highest international sector V/P. After that, the ranking is very different, with Information Technology, Consumer Discretionary, and Industrials being at the bottom rather than right behind Financials as they are in the U.S. rankings. In other words, there is not a common global sector theme, but pricing more individualized based on global events and situations.

Bonds

Since the beginning of February, the yield on the 10-year Treasury Note has only been out of the 2.80% to 3.00% range for a handful of days. In late September it pushed upward through 3.00%. We do not believe this is the beginning of a sustainable ascent. Given recent inflation and future expectations for inflation from a survey of economists, a yield close to 3.00% seems sensible to us. For fixed income, we generally favor short-term over long-term, and corporate bonds over government bonds. Our preference for short-term bonds has been beneficial this year. Also, we are generally not being attracted to high-yield corporate bonds, mortgage-backed securities, or bank loans.

Summary

Based on the last four multi-year bull markets, investors are familiar with the classic ending to a bull market and subsequent bear market and recession. The Federal Reserve (FED) had seen inflation (CPI) rising above its desired range and tightened monetary policy. Since the early 1980s, market peaks with tight FED policy have occurred with inflation in the 4% range, suggesting the 4% level appears too high and bothersome to the FED. Currently, economists surveyed by Bloomberg are calling for inflation of 2.3% in 2019 and 2020, a rate that we can only assume is tolerable to the FED. If so, we can only guess they would take monetary policy to neutral, not tight, and the classic ending to a bull market can be delayed a few years. As the old line goes, "if it ain't broke, don't fix it!"

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. High-yield bonds involve a greater risk of default and price volatility than U.S. Government and other higher-quality bonds.

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) 500 Index is a market value-weighted index of large-cap common stocks considered representative of the broad market. 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 unmanaged Standard & Poor's (S&P) MidCap 400 Index is a widely recognized unmanaged mid-cap index of 400 domestic stocks chosen for their market capitalization, liquidity, and industry group representations. Total return for the unmanaged indexes include the reinvestment of dividends and capital gain distributions but do not reflect deductions for commissions, management fees, and expenses. The Portfolios' composition may differ significantly from the indexes. Individuals cannot invest directly in an index.

EPS: Earnings from ongoing operations; earnings per share equals total earnings divided by the number of shares outstanding.

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The CPIs are based on prices of food, clothing, shelter, fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living.

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

Source: Bloomberg, FactSet

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