

Market Resource May 2025:

1 message

Allen Cooke <allen@broxtoncapital.com>
To: Allen Cooke <allen@broxtoncapital.com>

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MAY 2025

BROXTON
CAPITAL ADVISORS



YTD as of 4/30/2025

AlphaPortfolio -0.77%
Smart Yield .09%

MARKETS

DOW JONES -4.50%
S&P 500 -5.38%
NASDAQ 100 -6.99%
REIT INDEX -.84%
SMALL CAP -11.81%
HIGH YIELD -.06%

BOND YIELDS

10 YR TREAS 4.69%

YTD CHANGE 2.29%

30 YR TREAS 4.79%
YTD CHANGE -.08%

SINCE INCEPTION

Through December 31, 2024
BROXTON 462.93%
S&P 500 583.91%
DOW JONES 519.11%

The Market in focus

(above) The Houston Express, a Hapag-Lloyd container carrier

Stock Market Update: The April rebound for stocks continued into May due to positive announcements on tariff delays or countries that had reached agreements with the Trump administration. Also as the 1st quarter earnings rolled in there was little impact from the tariffs which were initiated in April. Only 15% of companies reduced guidance for 2025.

Factset commented: " Given the uncertainty around tariffs, why are so many S&P 500 companies maintaining their previous annual EPS guidance for the year? Some companies stated they are being conservative in their outlook given the uncertainty around tariffs, some companies stated that other factors (such as the weaker U.S. dollar) are offsetting the impact of tariffs and a number of companies also stated they are able to mitigate the impact of tariffs." So overall only a limited number of companies are anticipating a negative impact from tariffs. Currently,

The **Tax Foundation** predicts that for each household on average scheduled tariffs will amount to an average tax increase of \$1,155 in 2025 and \$1,397 in 2026. JP Morgan predicts: "If the universal tariff is 10% and the tariff on China is 60%, the direct global shock would likely dampen global GDP by 0.7%, building to around 1% when considering spillovers." So amazingly, it doesn't seem to be amounting to much on average.

Restaurant Stocks: Last month we highlighted the difficulties for some restaurant chains. Denny's, Outback Steakhouse, Jack in the Box, Ihop and Shake Shack shares have all sank more than 30%, as of last month, for 2025. So how did the group do on earnings? So we decided to only look at the operating income of each chain. Denny's saw a 50% drop in operating income, Outback steakhouse group (Bloomin Brands) saw a 20% drop in



operating income, Jack was down around 16% (adjusted for a massive Del Taco write off), the IHOP group saw a 7% decline and Shake Shak led with an increase of operating income to 2.8 million from 0 last year. The main culprit for the losers? Slightly lower revenues per store and increases in cost.

Economy: Despite the above restaurant news, (NRA reported): Eating and drinking places registered total sales of \$97.9 billion in April, up 1.2% from March and around an incredible 7.6% from 2024. NRA commented: Eating and drinking place sales were up 3.8% between April 2024 and April 2025, on an inflation-adjusted basis. Equifax, showed improvements in bank cards and auto loans with a small uptick in private label credit card delinquencies. As of today, GDPNow is indicating 3.8% growth for the 2nd quarter and NY Fed Nowcast is predicting a 2.4% increase in the U.S. economy for 2nd quarter. ***So at this time we have no indication of an incoming recession although the predictions for one increased markedly with the tariffs.***

ARES CAPITAL CORPORATION (ARCC): We continue our coverage of publicly traded loan portfolios by initiating coverage on the common shares of Ares Capital Corporation (ARCC). With an equity value of approximately \$15 billion, Ares is the largest Business Development Company (BDC). BDCs are investment companies established by the government that are generally not taxed but must meet certain requirements and distribute at least 90% of their taxable income to shareholders, similar to REITs. BDCs are an excellent way to get meaningful income into portfolios. Ares Capital is considered a premium BDC that has a broadly diversified income generating portfolio. We initiated coverage with a Hold rating due to the current 10% trading price premium to its net asset value (NAV). Over the last five years ARCC has traded above and below its NAV. We recommend investors try to buy the shares in the \$20-21 range or a more reasonable 2-5% premium to NAV. [REPORT](#)

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R. Allen Cooke
Portfolio Manager
Broxton Capital Advisors

www.broxtoncapital.com

310 208 2151 (W)
310 208 2228 (F)
310 279 3338 (C)

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