

Advice From “The King of Dip Buying”: It’s Time to Start Shopping... With Two Stocks at the Centers of Two Massive Industries

Stuart Varney, host of Fox Business Network’s No. 1 financial news program, *Varney & Co.*, calls me “the king of dip buying.”

I wear that title with pride.

But last month, when Stuart asked if I was buying the 5% dip in the S&P 500 or the 8% drop in the Nasdaq-100, I said, “No, not yet... because we have lower to go.”

Sure enough, markets stumbled.

The S&P 500 and the Nasdaq Composite entered correction territory – a drop of more than 10% from their recent highs.

The tech sell-off sent stocks – and investors – into a tailspin.

The latest market movements have investors and pundits wondering whether American exceptionalism is under threat...

Whether we might lose our dominance in everything from technology to financial markets... and so on.

I understand the questions.

But when was the last time someone challenged American exceptionalism when U.S. equities corrected or crashed?

This is not the end of American exceptionalism.

We are not ceding capitalism and our financial markets.

Though it may be the beginning of the end of America’s overly generous and wasteful financing of programs and giveaways lavished on friends and foes alike.

This is just the beginning of another buy-the-dip opportunity.

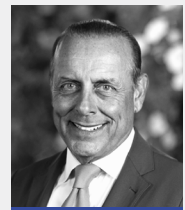
America Still Leads

Two fundamental factors drive markets: confidence in corporate earnings and trust in the broader economic system.

By both measures, the S&P 500 and the Nasdaq Composite have led world markets for not just years but generations.

Even after this recent sell-off, the S&P 500 trades at a historically rich 20.7X forward earnings.

Wall Street superstar and retired hedge fund manager **Shah Gilani** is the Chief Investment Strategist of Manward Press



Shah Gilani

and at the helm of the *Manward Money Report* newsletter and the *Launch Investor* and *Alpha Money Flow* trading services. He’s a sought-after market commentator and has appeared on CNBC, Fox Business, and Bloomberg TV. He’s also been quoted in *The Wall Street Journal*, *The New York Times*, and *The Washington Post*, and he’s had columns published in *Forbes*.

In 1982, he launched his first hedge fund from his seat on the floor of the Chicago Board Options Exchange. He worked in the pit as a market maker when options on the S&P 100 Index first began trading... and was part of a handful of traders who laid the technical groundwork for what would eventually become the CBOE Volatility Index (VIX). He also ran the futures and options division at the largest retail bank in Britain. Shah gained notoriety for calling the implosion of U.S. financial markets (*all the way back in February 2008*) AND the mega bull run that followed.

Now at the helm of Manward, Shah is focused tightly on one goal: **to do his part to make subscribers wealthier, happier, and freer.**

That valuation suggests investors remain unconcerned about a recession or any serious threat to America's position as the world's premier destination for capital.

You don't have to take my word for it.

Look at the numbers.

Since 2010, the S&P 500 has outperformed the rest of the world's stock markets in 78% of all 100-day holding periods, with a 3.6% average outperformance.

Yes, the global landscape is shifting.

Europe committed to up its defense spending. Germany ramped up fiscal stimulus and has plans to expand its defense industry.

China is pushing with higher wages, property backstops, and technology innovation incentives.

With global capital expenditures ramping up, some analysts and asset allocators suggest international equities deserve your attention and capital.

I think they're right.

Sure, investors may want to diversify a bit. But let's not pretend U.S. equities aren't still the best game in town.

Yes, mutual fund and ETF flows turned negative for most of March, which is evidence that investors hit "pause" on new allocations.

But this is classic short-term sentiment at play. Fear leads to hesitation before the inevitable turnaround.

Undeniable Growth

Historically, the Nasdaq Composite has returned 80% on average over five years. That's a compound annual growth rate (CAGR) of 12.5%.

Since 1976, the Nasdaq has delivered positive returns over five-year periods 87% of the time. The most recent five-year gain – 106%, or a 15.6% annualized return – is nothing out of the ordinary.

The Nasdaq's composition has changed over the years, but markets continue to reward American innovation.

If history is any guide, betting against U.S. disruption is a losing trade.

Valuations reflect investor confidence in earnings. Over the past decade, that confidence has ranged from

a 14X price-to-earnings multiple at the low end to 22X to 23X at the high. The 10-year average is 18.3X.

Today, the S&P 500 trades at 20.7X forward earnings. That shows investors have a high degree of confidence in future corporate profits.

The Street expects 2025 S&P 500 earnings per share to be \$271, which is 11.5% higher than 2024's actual EPS of \$243. That's an acceleration from last year's 10.5% earnings growth. And it certainly doesn't reflect any major slowdowns related to tariffs or trade concerns.

The reality is that companies continue to innovate, drive revenue, and generate profits, regardless of the latest geopolitical headwinds.

Now let's talk about how valuations have evolved over time.

From 2015 to 2019, the S&P 500's P/E ratio typically topped out at 18X to 19X.

Since 2020, it has more often been above 20X in bull markets, and today is no exception. While Big Tech plays a role in this, it's not the whole story.

According to FactSet data, nine of the 11 S&P 500 sectors have higher P/E ratios than their 10-year averages. The only exceptions are utilities and energy – industries that face unique regulatory and commodity price volatility.

One reason valuations are elevated is the global preference for U.S. equities.

American companies have consistently delivered stronger earnings, year after year.

For decades, global investors have exported capital to U.S. markets as the rest of the world's stock markets have consistently underperformed.

This is the "American exceptionalism" trade. And it's about more than earnings.

It's about trust in the U.S. system of capitalism.

What the Valuations Are Really Saying

That steady flow of global capital has been a long-term tailwind for U.S. valuations.

It will likely continue to support elevated multiples.

Despite recent turbulence, the S&P 500's current valuation still reflects strong investor confidence in earnings growth and capital invested in American companies.

The U.S. has an unparalleled track record of economic growth and innovation.

A few weeks, months, or even quarters of trade policy uncertainty won't erase the goodwill built over decades.

Not after the dot-com bust, the 2008 financial crisis, and the COVID meltdown – each was followed by a strong U.S. recovery.

Markets move at the margins. Investors are always reassessing where to put their money for the best future returns.

Lately, some have gotten jittery – pulling back on new allocations and waiting for clarity.

That's exactly why this pullback is starting to look like another buy-the-dip opportunity.

Time to Act... But Stay Tactical

Think about it...

When investors panicked in 2018 after the Fed tightened too aggressively, stocks bounced back.

They sold off during COVID's initial shock and then roared higher.

Investors dumped stocks in 2022 when the Fed raised rates. 2023 delivered a stellar recovery. 2024 was even better.

And now, after a tech-led pullback, the setup looks eerily similar.

The smart money isn't running for the exits. It's watching and waiting.

As the dust begins to settle, those who buy this dip are likely to be the ones who reap the rewards.

That means it's time to start buying.

When I told Stuart Varney there was more downside to come, I was measuring the impact of President Donald Trump's tariff pronouncements.

The administration walked back some of those. Others Trump doubled down on. All of it stirred up a level of uncertainty that rattled the markets.

Now that we've hit correction territory and plenty of great companies are trading at discounts, it's time to make our first moves.

When stocks correct, especially in a bull market – and yes, we're still in one – it's time to look for opportunity.

Some stocks are on sale. Others are trading at bargain-basement prices. A few have held up well, proving their resilience and importance.

And then there are the disrupters – companies that will prove their mettle over time and do it in spades.

This may not be the bottom of the dip.

Markets could drift lower or slide further if tariff talks turn into full-blown trade wars.

So far, the president's tactics haven't crossed that line.

Hopefully he knows when to back off if he doesn't hold the right cards.

But he's The Donald. That means more uncertainty ahead, and not a lot of guarantees.

That's why we're cautiously buying this dip... starting with two stocks at the forefront of two massive industries: AI and defense. Let's get to it.

A Sound Investment in an AI Play Growing by Leaps and Bounds

This month, we're getting into **SoundHound AI** (SOUN).

The Santa Clara, California-based company develops voice-powered artificial intelligence solutions.

These technologies provide businesses with conversational experiences for their customers.

Voice-powered AI that interacts with customers might sound like just a "nice to have" technology.

However, it's much more than that.

In fact, it has already become mission-critical for major players across multiple industries.

The company boasts an impressive client roster, including 30% of the top quick-service restaurants and 70% of the top financial institutions worldwide. You might recognize names like Hyundai and Stellantis.

SoundHound's technology streamlines the entire food ordering process for restaurants. The system recognizes orders whether a customer is dining in, calling ahead, visiting the drive-thru, or speaking from their vehicle.

Customers talk in their natural voice – as if speaking to a server – and the AI processes their order seamlessly across all these scenarios.

SoundHound's Employee Assist tool works as a voice-activated guide for restaurant staff. Employees can ask questions about menu details, ingredients, or company policies and receive real-time answers.

The system is already making a difference at over 10,000 locations, including familiar names like Chipotle, Krispy Kreme, Papa John's, and Burger King.

On the automotive front, SoundHound isn't just a background player. It's in the driver's seat with its Chat AI assistant. The tech lets you pull up everything from local restaurant recommendations to real-time flight updates using nothing but your voice.

Not only is this a huge convenience, but it also improves driver safety.

On its own, the auto-related Chat AI assistant is impressive. But the fully customizable white-label solutions really stand out. Automakers can shape the AI's personality to match their brand.

SoundHound's technology flexes to fit the tone, with customizable voice options that feel unique to the driver and the vehicle, whether that be a family car or a high-performance sports vehicle.

Yet we've only begun to scratch the surface of SoundHound.

Agent of Change

The company's agentic AI delivers a network of autonomous agents working together to achieve complex goals and execute actions.

Each agent operates independently, making decisions, completing tasks, and collaborating to optimize performance.

Let's say a user sets a goal. The agentic AI system intelligently identifies the necessary steps. It then orchestrates them and applies reasoning skills to deliver the best outcome.

SoundHound's proven conversational AI platform, deep AI expertise, and AI-driven customer service solutions are embedded in hundreds of enterprise brands across industries, including healthcare, financial services, insurance, telecom, travel and hospitality, and energy.

This company isn't just adding AI to the mix. It's delivering game-changing, real-time, humanlike interactions. Is it any surprise its revenue has grown like gangbusters?

Big Numbers

The company reported Q4 2024 results in February. The results included record revenue of \$35 million, which was at the top end of its guidance and marked a 100% increase year over year.

In fact, in the last five years, revenue increased at a compound annual growth rate of 50%.

SoundHound finished 2024 with a cumulative subscriptions and bookings backlog of nearly \$1.2 billion, up over 75% year over year.

The company isn't profitable yet. But I'm okay with that.

SoundHound is strategically positioned as the leading independent voice AI platform, with fully integrated and proprietary solutions in 25 languages, giving it a deep competitive moat.

Here's the best part...

After a massive run-up of over 400% in 2024 from October to December, shares of SoundHound have shed 60% over the last three months as AI tech sold off and news that Nvidia had exited a stake in SoundHound hit the wires.

I'm not concerned about the Nvidia news.

SoundHound is still working with Nvidia to bring cloud-based large language models directly to vehicles.

The sell-off is a huge bonus. We can scoop up shares while everyone else focuses on trade wars and tariffs.

Action to Take No. 1: Buy to open a half position in SoundHound AI (Nasdaq: SOUN) at market. Wait for further instructions regarding the second half of the position. We'll hold the position in the Rocket Riders portion of the Modern Asset Portfolio.

A Defensive Play for a Changing World

Now let's shift our attention to the Trump administration and its criticism of the North Atlantic Treaty Organization.

The president claims member countries aren't meeting the requirement that they spend at least 2% of their gross domestic product on defense to support the alliance's collective efforts.

He's not wrong. At the end of 2021, only six countries hit the 2% threshold.

That's why President Trump is considering a significant change to the United States' participation in NATO.

He has discussed with aides the calibrating of America's NATO engagement in a way that favors members of the alliance that spend a set percentage of their GDP on defense.

Europe got the message: It needs to spend more on defense.

Ursula von der Leyen, the president of the European Commission, responded with a "ReArm Europe" program that seeks to mobilize up to 800 billion euros (\$878B) in funding for defense.

The plan was "firmly supported" by 26 of the 27 EU leaders at a Special European Council meeting on March 6 alongside commitments to bolster European support for Ukraine.

Now, who would you turn to if you were a European country looking to spend 800 billion euros to rearm the region?

The continent doesn't have a robust military-industrial complex. Sure, European companies can provide some of the necessary technology, weapons, and equipment. But only the United States has the capacity to deliver at scale on time.

That means billions of dollars' worth of contracts coming to U.S. defense contractors!

My favorite investment here is **Lockheed Martin** (LMT).

Going on the Defensive

You're likely familiar with this global aerospace and defense company. It researches, designs, develops, manufactures, and integrates advanced technology systems, products, and services.

The company operates four business segments:

1. **Aeronautics** – Develops and manufactures advanced military aircraft, including the fifth-generation F-35 Lightning II fighter, the versatile C-130 Hercules transport aircraft, the combat-proven F-16 Fighting Falcon, and the stealthy F-22 Raptor
2. **Missiles and Fire Control** – Designs and produces sophisticated air and missile defense systems, such as the PAC-3 interceptor, Terminal High Altitude Area Defense system, Multiple Launch Rocket System, and next-generation Precision Strike Missiles
3. **Rotary and Mission Systems** – Creates commercial and military helicopters, naval vessels, integrated defense systems, and more, including the Aegis Combat System, Littoral Combat Ship, Black Hawk utility helicopters, and the CH-53K King Stallion heavy-lift helicopter
4. **Space** – Leads development of advanced satellites, space transportation systems, and strategic deterrence capabilities, producing communication and navigation satellites, planetary exploration spacecraft, the Orion Multi-Purpose Crew Vehicle for NASA, ground-based missile defense systems, and components of the nation's nuclear deterrent infrastructure.

Even if Europe wanted to build its own capacity, it would take years to develop and scale what Lockheed Martin delivers now.

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That makes Lockheed Martin, a trusted partner of the U.S. and other governments for many decades, an attractive destination for European capital looking to fulfill part of its “ReArm Europe” plans.

We see those multi-decade relationships in the company’s record \$176 billion backlog at the end of 2024.

In January, the company reported full-year 2024 financial results that included...

- Net sales of \$71.0 billion, compared with \$67.6 billion in 2023
- Net earnings of \$5.3 billion, or \$22.31 per share, including \$2.0 billion in losses for classified programs, compared with \$6.9 billion, or \$27.55 per share, in 2023
- A return of \$6.8 billion in cash to shareholders for the year through dividends and share repurchases.

The stock’s \$13.20 per share annual dividend is a 2.83% yield at the stock’s current price.

It’s a no-brainer to add the stock to the portfolio.

Action to Take No. 2: Buy Lockheed Martin (NYSE: LMT) at market and use a 25% trailing stop. We’ll hold the position in the Growth and Income portion of the Modern Asset Portfolio.

Outlasting the “Pain Trade”

One of my investing mentors loved to talk about the “pain trade.”

He was convinced the market wanted to drain as much money from as many people’s accounts as possible.



Robert Ross

If everyone leans too bullish, the market plunges.

If everyone tilts bearish, the market rips higher, leaving them on the sidelines, watching in disbelief.

We’ve seen this play out time and time again.

Do you remember when everyone was all-in on tech stocks, SPACs, and high-flying growth names in 2021? We had the GameStop saga, along with AMC apes.

It seemed like stocks would soar forever.

Then came 2022.

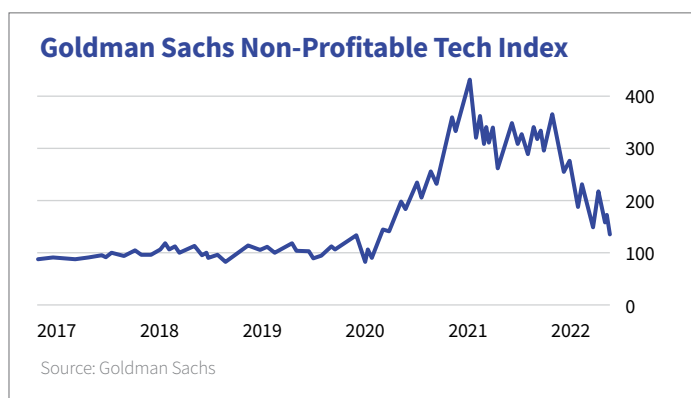
Markets lost trillions of dollars in value.

Traders who thought they were geniuses stared at zero-balance accounts.

To give you some perspective, I want to show you something.

The Goldman Sachs Non-Profitable Tech Index tracks small cap stocks with the highest risk and pre-earnings companies.

Its chart tells the story better than I ever could.



Sentiment hit rock-bottom in 2022. Pessimism permeated every corner. And that’s when the market quietly bottomed.

The S&P 500 rallied 50% from that low.

Even back in March 2020, when doomsday predictions were the soup du jour, the biggest rally in modern history blindsided nearly everyone.

Why do I bring this up?

Right now, we’re seeing another setup for the “pain trade” to catch investors off guard.

Stocks and crypto puked over the last few weeks. Confused investors don’t know what comes next.

So where is the pain trade this time? I have a feeling I found it.

An Intentional Crash

The scuttlebutt is the Trump administration is intentionally crashing the markets.

Honestly, this makes a lot of sense. Chaos has become the White House’s modus operandi.

We threaten to slap 25% tariffs on our largest trading partners one day, only to remove them 24 hours later. After 48 hours, they're back on, but this time at 50%.

No business owner can effectively plan with this bedlam.

Here's the thing... This pain-first strategy isn't new. We've seen something like this before.

Back in 1980, the U.S. economy was in absolute shambles. Inflation spiraled out of control, peaking at 14.8% – the highest in modern history. Interest rates skyrocketed while consumer confidence cratered.

The country was teetering on the edge of recession when Ronald Reagan took office in January 1981.

Rather than trying to delay the inevitable, Reagan and Federal Reserve Chairman Paul Volcker ripped the Band-Aid off.

Volcker jacked up interest rates to nearly 20%, intentionally driving the U.S. into one of the worst recessions ever. The economy shrunk by 3.6% between 1981 and 1982, and unemployment shot up to nearly 11% – the highest level since the Great Depression.

At the time, it looked like economic suicide. Businesses failed, home sales collapsed, and the stock market suffered a 27% drawdown from its peak in 1980.

The pain was immediate and severe. People weren't just losing jobs... they were losing homes and businesses. Reagan's approval rating dropped to 35%, and many thought his policies had completely failed.

But then something incredible happened.

The Boom That Followed

By 1983, inflation had plummeted to 3.2%, the economy had roared back to life, and the U.S. had entered one of the greatest economic expansions in history.

The stock market, which had been battered during the early 1980s, more than doubled over the next six years.

From 1982 to 1990, the S&P 500 returned over 220% and unemployment steadily declined. The boom laid the foundation for a two-decade-long bull run, culminating in the dot-com mania of the late 1990s.

The U.S. economy modernized, industries flourished, and American businesses regained their competitive edge on the world stage.

Are We Seeing a Repeat in 2025?

It's easy to look back now and see the wisdom in Reagan and Volcker's strategy.

Yet at the time? People thought they were insane!

Nobody wants to suffer short-term pain, even if it's necessary for long-term stability.

But sometimes things like this happen whether we like them or not.

Today, Trump's economic policies, particularly his aggressive stance on tariffs and government spending cuts, are drawing similar criticism.

His administration is front-loading economic pain to make the U.S. economy more self-sufficient and less debt-dependent down the road.

In Treasury Secretary Scott Bessent's words, the goal is to "detox" the U.S. economy – to treat our public debt addiction and transition to a private-sector-driven economy.

While history never repeats itself exactly, it does rhyme.

We may be in for a very rough 2025 if Trump continues down this path.

Markets could sink further. Businesses will struggle.

Economic uncertainty will be the norm.

However, if history is any guide, this could also set the stage for a massive recovery. If we position ourselves correctly, we can capitalize on this situation.

How to Position for What's Next

If the Trump administration's policies are front-loading the pain, the best play is to have patience and be strategic about what you buy.

Crypto and high-growth tech stocks are getting destroyed right now. Bitcoin is down 25% from its all-time high. Semiconductors are in the toilet as investors flee risk assets.

The 1981-1982 recession eventually set up a historic bull run. I see the same scenario playing out here.

Investors should watch for opportunities. If your time horizon is one or two years, consider adding to your **Bitcoin** (BTC) position here if it's still a small percentage of your portfolio. Bitcoin has historically led every major market rebound after these corrections.

High-quality altcoins like **Solana** (SOL), **Ethereum** (ETH), and **Algorand** (ALGO) could also be worth nibbling on at these levels. These will be the first to rally when liquidity returns to the market. However, they may continue to drop in the short term.

Don't forget that cash is a position. If you're feeling uneasy, hold a strong cash reserve to deploy later.

Our Shelter From the Storm

The pain trade means getting comfortable with being uncomfortable.

Right now, that means holding through the turbulence and staying patient.

The biggest mistake I see people make is chasing emotions instead of sticking to a game plan.

Markets bottom when everything feels the worst.

But if history is any guide, those who can ride out this storm could see massive gains in the next cycle.

I can't tell you whether markets will melt down or make a cyclical correction.

I'd put the chances of each at 20% to 80%.

However, if this proves to be merely a cyclical correction, it does not necessarily mean we'll see the same "leaders" emerge when the bull run begins again.

So take a deep breath, hold steady, and prepare for the next big opportunity.

But Wait... There's More!

Keep reading the April issue online for portfolio highlights and more!



Visit www.manward.co/april2025.

Alpesh Patel's Ratings Corner ▶ Marsh & McLennan (MMC)

Overview

Marsh & McLennan is a global firm that provides insurance brokerage, risk management, and consulting through four main businesses: Marsh, Guy Carpenter, Mercer, and Oliver Wyman.

The company uses AI to improve insurance operations, like risk assessment and claims processing, while also helping clients predict risks, strengthen cybersecurity, improve HR strategies, and meet environmental regulations.

Key Metrics

Market cap	\$118B
Current price	\$238
Fair value	\$280
✓ Forecast P/E	25.1X
✓ CROCI	11.7%
✓ Return on equity	30.1%
✓ Volatility	4.94%
✓ Return alpha	4.70%
✓ Sortino ratio	1.24

Strengths

- ✓ Strong revenue growth and improving profitability
- ✓ Pays a 1.36% dividend that is well covered by earnings
- ✓ Strong CROCI, ROE, and alpha

Alpesh's Rating: A

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Manward Money Report Team

Shah Gilani | Chief Investment Strategist
Alpesh Patel | Quantitative Investing Specialist
Robert Ross | Speculative Assets Specialist
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