

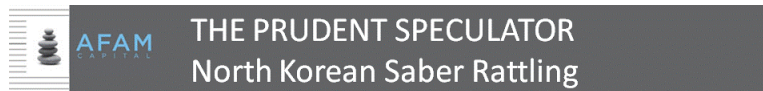
## MARKET COMMENTARY MONDAY, APRIL 9, 2018

### EXECUTIVE SUMMARY

North Korean Perspective – Kim Jong Un / Donald Trump Summit Appears to be a Go  
 Keep Calm and Carry On – Trade Fears Will Eventually Pass  
 Tough Week – At Least Value Beat Growth  
 Don't Believe All That You Hear – Volatility Perspective  
 Econ News – U.S. Outlook Still Generally Upbeat  
 Sentiment – Plenty of Pessimism  
 Trade War Selloff – 25 Undervalued Bargains  
 Stock News – Update on INTC

### Market Review

My iPhone pinged Sunday with Breaking News from *The Wall Street Journal*: *North Korea has told the U.S. that Kim Jong Un is prepared to discuss denuclearization, clearing the way for a summit with Trump*. Obviously, agreeing to talk and actually disarming are two very different matters, and we respect that many have trepidation about what might result from a summit between the two very unorthodox leaders, but investors worried about last week's trade-related headlines should recall that it wasn't that long ago that Guam was under threat of an imminent North Korean missile launch amidst an escalating war of words...who can forget the "Dotard" and "Lil' Rocket Man" insults...that appeared to have the Korean Peninsula on the brink of war.



Disconcerting North Korean Events	Date	S&P 500 Value	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present	
Korean War Begins	6/15/1950	Jun-50	18.93	2%	16%	25%	111%	13658%
Capture of USS Pueblo	1/15/1968	Jan-68	96.42	6%	5%	-4%	23%	2601%
Yongbyon Nuclear Reactor Goes Operational	6/30/1986	Jun-86	250.84	-3%	21%	27%	48%	938%
Test-Fires Medium-Range Rodong Ballistic Missile	6/30/1993	Jun-93	450.53	4%	-1%	49%	152%	478%
Troops Enter the Demilitarized Zone	4/15/1996	Apr-96	642.49	9%	17%	106%	84%	305%
Submarine Battle near Gangneung South Korea	9/15/1996	Sep-96	680.54	17%	35%	94%	61%	283%
Fires Multistage Long-Range Rocket Over Japan	8/15/1998	Aug-98	1,062.75	16%	25%	11%	-7%	145%
George W. Bush Labels North Korea an Axis of Evil	1/15/2002	Jan-02	1,146.19	-20%	-20%	3%	25%	127%
Yellow Sea Gun Battle with South Korea	6/15/2002	Jun-02	1,007.27	-12%	-2%	20%	52%	159%
Withdraws from the Nuclear Non-Proliferation Treaty	1/15/2003	Jan-03	918.22	9%	23%	40%	50%	184%
Admits that it has Nuclear Weapons for "Self Defense"	2/15/2005	Feb-05	1,210.13	2%	6%	12%	-11%	115%
Fires 7 Missiles, Including Long-Range Taepodong-2	7/15/2006	Jul-06	1,236.20	16%	26%	-25%	6%	111%
First Nuclear Weapons Test at Underground Facility	10/15/2006	Oct-06	1,365.62	6%	13%	-20%	-10%	91%
Scraps All Military and Political Deals with South Korea	1/15/2009	Jan-09	843.74	11%	35%	53%	119%	209%
Sinks South Korean Warship Cheonan	1/15/2010	Mar-10	1,136.03	-3%	14%	30%	75%	129%
Claims it has Missiles that Can Hit the U.S. Mainland	10/15/2012	Oct-12	1,440.13	8%	18%	41%	77%	81%
Fires Two Medium-Range Rodong Ballistic Missiles	3/15/2014	Mar-14	1,841.13	8%	12%	30%		41%
Announces First Hydrogen Bomb Test	1/15/2016	Jan-16	1,880.33	15%	21%			39%
Kim Jong-Un's Half Brother Murdered in Malaysia	2/15/2017	Feb-17	2,349.25	5%	16%			11%
North Korean threat to fire ballistic missiles near Guam	8/8/2017	Aug-17	2,473.92	4%				5%
Price Changes Only - Does Not Include Dividends		Averages:		5%	15%	29%	53%	986%
As of 4.6.18. Source: All Events U.S. Income Brackets and BDC.com								

As of 4.6.18. Source: All Frank using Bloomberg and BBC.com

Of course, while there are never any guarantees that cooler heads will always prevail or that every frightening event will be one in which investors wish they had been buying rather than selling, time has healed and then some all major wounds thus far, both pre-Financial Crisis...

## THE PRUDENT SPECULATOR Lots of Frightening Events

Event	Reaction Dates	S&P		Event	12 Months		36 Months		60 Months		Event End thru Present
		Start Value	End Value		Gain/Loss	Later	Later	Later			
Pearl Harbor	12/7/1941 12/10/1941	9.32	8.68	-7%	8%	51%	76%	25802%			
Truman Upset Victory	11/2/1948 11/10/1948	16.70	15.00	-10%	8%	52%	62%	16867%			
Korean War	6/23/1950 7/13/1950	19.14	16.69	-13%	32%	45%	153%	14903%			
Eisenhower Heart Attack	9/23/1955 9/26/1955	45.63	42.61	-7%	8%	17%	25%	5864%			
Sputnik	10/3/1957 10/22/1957	43.14	38.98	-10%	31%	37%	41%	6344%			
Cuban Missile Crisis	8/23/1962 10/23/1962	59.70	53.49	-10%	36%	72%	78%	4574%			
JFK Assassination	11/23/1963 11/22/1963	71.62	69.61	-3%	24%	14%	53%	3505%			
Kent State Shootings	5/4/1970 5/14/1970	79.00	75.44	-5%	35%	40%	22%	3443%			
Arab Oil Embargo	10/18/1973 12/5/1973	110.01	92.16	-16%	-28%	12%	6%	2612%			
Nixon Resigns	8/9/1974 8/29/1974	80.86	69.99	-13%	24%	38%	56%	3692%			
U.S.S.R. in Afghanistan	12/24/1979 1/1/1980	107.66	105.22	-2%	30%	31%	54%	2288%			
Hunt Silver Crisis	2/13/1980 3/27/1980	118.44	98.22	-17%	37%	55%	83%	2436%			
Falkland Islands War	4/1/1982 5/7/1982	113.79	119.47	5%	39%	51%	147%	2103%			
U.S. Invades Grenada	10/24/1983 11/7/1983	165.99	161.91	-2%	4%	52%	69%	1466%			
U.S. Bombs Libya	4/15/1986 4/21/1986	237.73	234.74	-3%	20%	27%	37%	975%			
Crash of '87	10/2/1987 10/19/1987	328.07	224.84	-31%	23%	39%	85%	949%			
Gulf War Ultimatum	12/24/1990 1/16/1991	329.90	316.17	-4%	32%	50%	92%	693%			
Gorbachev Coup	8/16/1991 8/19/1991	385.58	376.47	-2%	11%	23%	77%	561%			
ERM U.K. Currency Crisis	9/14/1992 10/16/1992	425.27	411.73	-3%	14%	42%	132%	528%			
World Trade Center Bombing	2/26/1993 2/27/1993	443.38	443.38	0%	5%	46%	137%	684%			
Russia Mexico Orange County	10/11/1994 12/20/1994	465.79	457.10	-2%	33%	107%	210%	466%			
Oklahoma City Bombing	4/19/1995 4/20/1995	504.92	505.29	0%	28%	122%	184%	408%			
Asian Stock Market Crisis	10/7/1997 10/27/1997	983.12	876.99	-11%	21%	57%	2%	185%			
Russian LTCM Crisis	8/18/1998 10/6/1998	1,101.20	959.44	-13%	39%	11%	8%	159%			
Clinton Impeachment Proceedings	12/19/1998 2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	110%			
USS Cole Yemen Bombings	10/11/2000 10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	86%			
September 11 Attacks	9/10/2001 9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	156%			
Iraq War	3/19/2003 5/1/2003	874.02	916.30	5%	21%	42%	54%	180%			
Madrid Terrorist Attacks	3/10/2004 3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	131%			
London Train Bombing	7/6/2005 7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	113%			
2008 Market Crash	9/15/2008 3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	244%			
Price Changes Only - Does Not Include Dividends				Averages:	-7%	19%	41%	68%	3433%		

As of 4.6.18. Source: Al Frank using Bloomberg and Neil Davis Research Events & Reaction Dates

History is filled with plenty of disconcerting events, including a Presidential Resignation and an Impeachment, but those who have stayed the course, sticking with their long-term investment plans, have nearly always been rewarded in the fullness of time.

...and post-Financial Crisis, noting that the three charts referenced here show only price appreciation. The inclusion of dividends and their reinvestment would result in far larger gains.

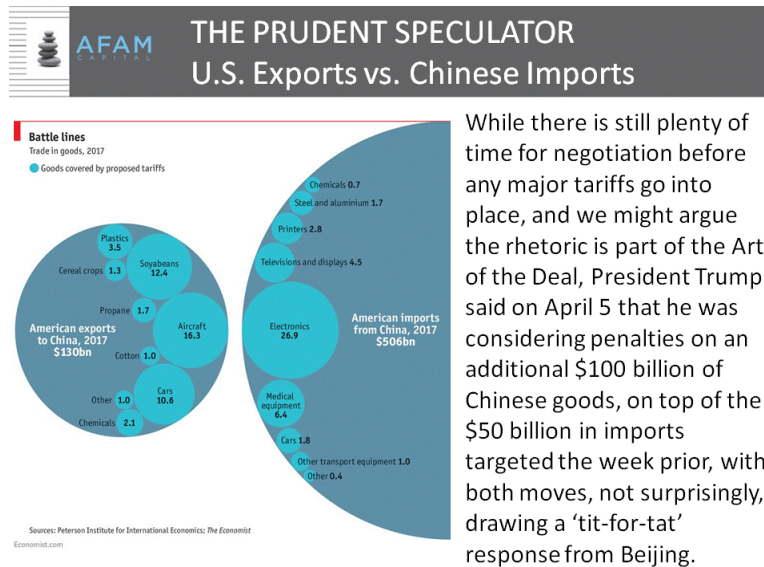
## THE PRUDENT SPECULATOR Keep Calm and Carry On

Memories tend to fade over time, but since the end of the nasty Financial Crisis Bear Market in March 2009, there have been more than a few frightening events, yet stocks have still managed to move higher.

Event	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Flash Crash	5/6/2010	1,128.15	-1%	9%	19%	43%	84%	131%
Japan Tsunami	3/11/2011	1,304.28	-3%	-12%	5%	43%	55%	100%
S&P Downgrade	8/6/2011	1,199.38	4%	12%	16%	60%	82%	117%
Hurricane Sandy	10/22/2012	1,433.82	4%	9%	22%	43%	80%	82%
Fiscal Cliff	1/1/2013	1,426.19	10%	13%	30%	43%		83%
Taper Tantrum	5/22/2013	1,655.35	0%	9%	14%	24%		57%
Russia and Ukraine	2/20/2014	1,839.78	2%	8%	15%	28%		42%
Ebola Scare	9/4/2014	1,997.65	4%	5%	-4%	24%		30%
Charlie Hebdo	1/7/2015	2,025.90	2%	3%	-4%			29%
Greek Default	6/30/2015	2,063.11	-7%	0%	2%			26%
China Devalues Yuan	8/10/2015	2,104.18	-1%	-12%	3%			24%
Paris Bataclan	12/13/2015	2,012.37	0%	3%	13%			29%
U.S. Interest Rate Hike	12/16/2015	2,073.07	-2%	0%	9%			26%
China GDP Slowing	1/19/2016	1,881.33	12%	15%	20%			38%
Brexit	6/23/2016	2,113.32	2%	7%	15%			23%
Trump Victory	11/8/2016	2,139.56	7%	12%	21%			22%
Price Changes Only								
Does Not Include Dividends		Averages:	2%	5%	12%	39%	75%	54%

Source: Al Frank using Bloomberg as of 4.6.18

No doubt, we recognize that the latest Wall Street bogeyman, a possible Trade War with China, has provided plenty of near-term investor consternation. Thus far, neither the U.S. nor the Middle Kingdom has shown any sign of backing down, with new White House chief economic adviser Larry Kudlow saying on Sunday, "Look, we have had to go in and fire a shot across the bow. China's behavior, it's 20 years now, it's more than unfair trade practices. It's illegal trading practices." Mr. Kudlow added, "So, the President is trying to get their attention again. This process may include tariffs. I can't rule that out. It may rest eventually on negotiations."



Certainly, there is plenty of ball to be played before significant tariffs would go into effect, so it is not surprising to hear tough talk from both sides, with President Trump reiterating his position this weekend, "The United States hasn't had a Trade Surplus with China in 40 years. They must end unfair trade, take down barriers and charge only Reciprocal Tariffs. The U.S. is losing \$500 Billion a year, and has been losing Billions of Dollars for decades. Cannot continue!"

While we think that there will be eventual serious negotiations and a full-scale Trade War will be averted (Treasury Secretary Steve Mnuchin said exactly that on CBS's "Face the Nation" this weekend), the President admitted "I'm not saying there won't be a bit of pain... So we may take a hit, and you know what, ultimately were going to be much stronger for it, but it's something we ought to do."

To be sure, short-term-oriented investors are not usually interested in any near-term pain, so the knee-jerk reaction to supposed market uncertainty is to sell, even as there is never any certainty in regard to business, the economy or politics, and even as equities have proved highly rewarding in the fullness of time for those who remember that the secret to success in stocks is not to get scared out of them.

Indeed, the major market averages fell again last week, with the S&P 500 and Russell 3000 indexes dropping 1.35% and 1.33%, respectively. Happily, for the third straight week, Value managed to outperform Growth, with the Russell 3000 Value index losing "only" 1.12%, compared to a 1.53% setback for the Russell 3000 Growth index.

## THE PRUDENT SPECULATOR Value vs. Growth

Returns Race					
Since 3.16.18	2018 YTD	2017	2016	Bloomberg Symbol	Index
-4.03	-2.62	28.11	16.50	INDU Index	Dow Jones Industrial Average
-7.53	0.47	29.73	8.97	CCMP Index	NASDAQ Composite Index
-5.22	-2.04	21.68	12.04	RIY Index	Russell 1000 Index
-4.50	-1.11	14.63	21.28	RTY Index	Russell 2000 Index
-5.17	-1.97	21.12	12.72	RAY Index	Russell 3000 Index
-5.30	-2.10	21.82	11.95	SPX Index	S&P 500 Index
-5.24	-2.68	18.65	10.67	WS000 Index	Wilshire 5000 Total Market
-6.17	-0.14	30.21	7.07	RLG Index	Russell 1000 Growth Index
-4.20	-3.97	13.64	17.33	RLV Index	Russell 1000 Value Index
-5.16	0.77	22.14	11.28	RUO Index	Russell 2000 Growth Index
-3.73	-3.14	7.82	31.72	RUJ Index	Russell 2000 Value Index
-6.09	-0.07	29.58	7.38	RAG Index	Russell 3000 Growth Index
-4.16	-3.91	13.17	18.38	RAV Index	Russell 3000 Value Index
-6.54	0.20	27.43	6.89	SGX Index	S&P 500 Growth Index
-3.87	-4.51	15.35	17.39	SVX Index	S&P 500 Value Index
-7.04	2.38	26.76	4.22	SPXPV Index	S&P 500 Pure Growth Index
-3.79	-2.55	17.73	19.62	SPXPV Index	S&P 500 Pure Value Index

Source: Bloomberg. As of 4.6.18

After winning the returns race in 2016, Value has struggled versus Growth, though the last three weeks have been a different story. Of course, generating less red ink, and still losing 4% or so, is nothing to write home about, but history shows that Value has outperformed Growth by a score of 13.4% to 9.5% per annum since 1927.

The daily gyrations the past five trading sessions were elevated, with the Dow Jones Industrial Average skidding 459 points on Monday, rebounding 389 points on Tuesday, jumping 231 points and 241 points on Wednesday and Thursday, respectively, and plunging 572 points on Friday. Not surprisingly, the volatility brought out plenty of superlatives from market pundits, with legendary Vanguard founder John Bogle proclaiming, "I have never seen a market this volatile to this extent in my career. Now that's only 66 years, so I shouldn't make too much about it, but you're right: I've seen two 50-percent declines, I've seen a 25-percent decline in one day and I've never seen anything like this before."

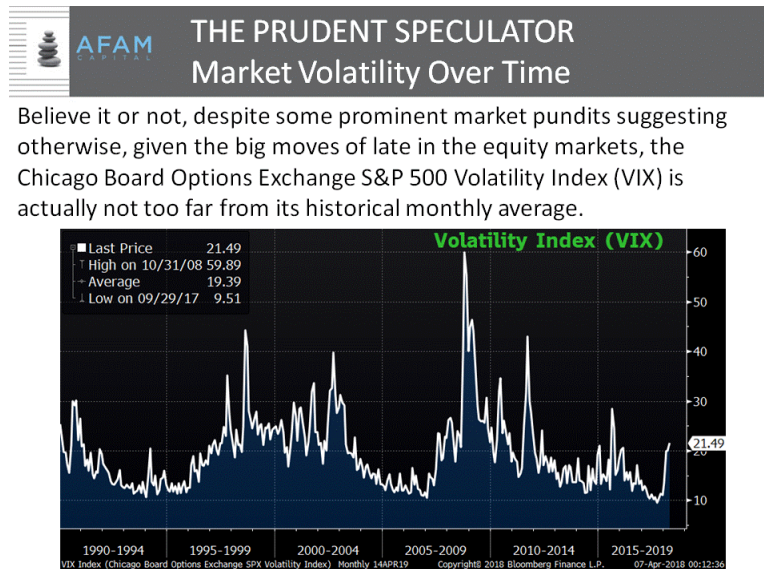
Alas, Mr. Bogle seems to have misremembered his market history as stocks were far more volatile (in terms of the magnitude of the average daily moves and the number of days with 2%+ changes) than the current 49-day (since the January 26, 2018 peak) stretch back in 2011, 2009, 2008 and 1987, to name a few of the obvious periods.

## THE PRUDENT SPECULATOR Volatility 2018: Far Greater Previously

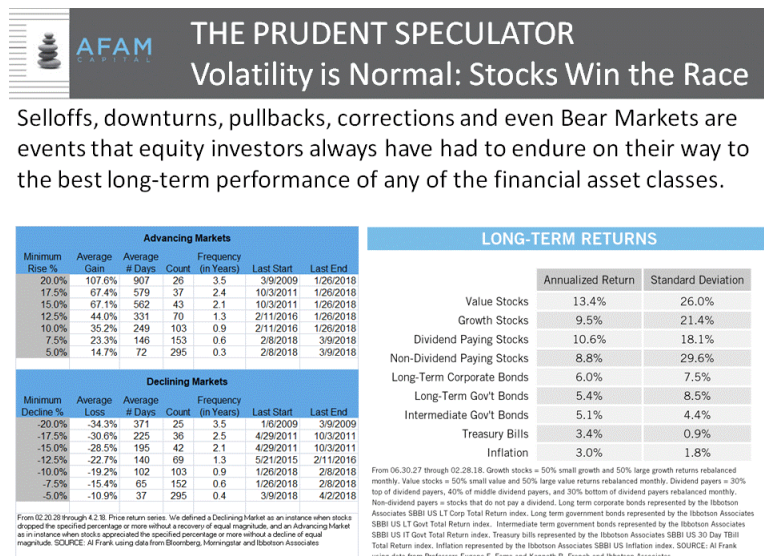
Market Volatility S&P 500 Index Daily Change									
2018		2011		2009		2008		1987	
1/26/2018	1.2%	3/5/2018	1.1%	7/27/2011	-2.0%	8/31/2011	0.5%	1/2/2009	3.2%
1/29/2018	-0.7%	3/6/2018	0.3%	7/28/2011	-0.3%	9/1/2011	-1.2%	1/5/2009	-0.5%
1/30/2018	-1.1%	3/7/2018	0.0%	7/29/2011	-0.6%	9/2/2011	-2.5%	1/6/2009	0.8%
1/31/2018	0.0%	3/8/2018	0.4%	8/1/2011	-0.4%	9/6/2011	-0.7%	1/7/2009	-3.0%
2/1/2018	-0.1%	3/9/2018	1.7%	8/2/2011	-2.6%	9/7/2011	2.9%	1/8/2009	0.3%
2/2/2018	-2.1%	3/12/2018	-0.1%	8/3/2011	0.5%	9/8/2011	-1.1%	1/9/2009	-2.1%
2/5/2018	-4.1%	3/13/2018	-0.6%	8/4/2011	-4.8%	9/9/2011	-2.7%	1/12/2009	-2.3%
2/6/2018	1.7%	3/14/2018	-0.6%	8/5/2011	-0.1%	9/12/2011	0.7%	1/13/2009	0.2%
2/7/2018	-0.5%	3/15/2018	-0.1%	8/8/2011	-4.7%	9/13/2011	0.8%	1/14/2009	-3.3%
2/8/2018	-3.8%	3/16/2018	0.2%	8/9/2011	4.7%	9/14/2011	1.3%	1/15/2009	0.1%
2/9/2018	1.5%	3/19/2018	-1.4%	8/10/2011	-4.4%	9/15/2011	1.7%	1/16/2009	0.8%
2/12/2018	1.4%	3/20/2018	0.1%	8/11/2011	4.6%	9/16/2011	0.8%	1/20/2009	-5.3%
2/13/2018	0.3%	3/21/2018	-0.2%	8/12/2011	0.5%	9/19/2011	-1.0%	1/21/2009	4.3%
2/14/2018	1.3%	3/22/2018	-2.5%	8/15/2011	2.2%	9/20/2011	-0.2%	1/22/2009	-1.5%
2/15/2018	1.2%	3/23/2018	-2.1%	8/16/2011	-1.8%	9/21/2011	-2.9%	1/23/2009	0.5%
2/16/2018	0.0%	3/26/2018	2.7%	8/17/2011	0.1%	9/22/2011	-3.2%	1/26/2009	0.6%
2/20/2018	-0.6%	3/27/2018	-1.7%	8/18/2011	-4.5%	9/23/2011	0.6%	1/27/2009	1.1%
2/21/2018	-0.5%	3/28/2018	-0.3%	8/19/2011	-1.5%	9/26/2011	2.3%	1/28/2009	3.4%
2/22/2018	0.1%	3/29/2018	1.4%	8/22/2011	0.0%	9/27/2011	1.1%	1/29/2009	-3.3%
2/23/2018	1.6%	4/2/2018	-2.2%	8/23/2011	3.4%	9/28/2011	-2.1%	1/30/2009	-2.3%
2/26/2018	1.2%	4/3/2018	1.3%	8/24/2011	1.3%	9/29/2011	0.8%	2/2/2009	-0.1%
2/27/2018	1.3%	4/4/2018	1.2%	8/25/2011	-1.6%	9/30/2011	-2.5%	2/3/2009	1.8%
2/28/2018	-1.1%	4/5/2018	0.7%	8/26/2011	1.5%	10/1/2011	-2.8%	2/4/2009	-0.7%
3/1/2018	-1.3%	4/6/2018	-2.2%	8/29/2011	2.8%	10/4/2011	2.2%	2/5/2009	1.6%
3/2/2018	0.5%			8/30/2011	0.2%			2/6/2009	2.7%
Average Change: 1.1%		Average Change: 1.9%		Average Change: 2.0%		Average Change: 3.8%		Average Change: 2.6%	
# of 2%+ Moves: 8		# of 2%+ Moves: 21		# of 2%+ Moves: 21		# of 2%+ Moves: 32		# of 2%+ Moves: 24	



And the widely followed Volatility Index (VIX) also confirms that the current investing climate is a long way from being extreme.



That is not to minimize the red ink that has been endured of late, but the decline is hardly out of the ordinary, given that a 10% correction has occurred more than once a year on average.



We don't want to sound cavalier, but we like what Jamie Dimon, CEO of **JPMorgan Chase** (JPM – \$109.09) had to say last week in the financial giant's Annual Letter to Shareholders:

*We are always prepared for volatility and rapidly moving markets – they should surprise no one. I am a little perplexed when people are surprised by large market moves. Oftentimes, it takes only an unexpected supply/demand imbalance of a few percent and changing sentiment to dramatically move markets. We have seen that condition occur recently in oil, but I have also*

*seen it multiple times in my career in cotton, corn, aluminum, soybeans, chicken, beef, copper, iron — you get the point. Each industry or commodity has continually changing supply and demand, different investment horizons to add or subtract supply, varying marginal and fixed costs, and different inventory and supply lines. In all cases, extreme volatility can be created by slightly changing factors...It is fundamentally the same for stocks, bonds, and interest rates and currencies. Changing expectations, whether around inflation, growth or recession (yes, there will be another recession — we just don't know when), supply and demand, sentiment and other factors, can cause drastic volatility.*

And speaking of recession, we do find it interesting that a few economists are warning that a big downturn is around the corner, especially given Friday's comments from Federal Reserve Chair Jerome Powell on Recent Developments and the State of the Economy...

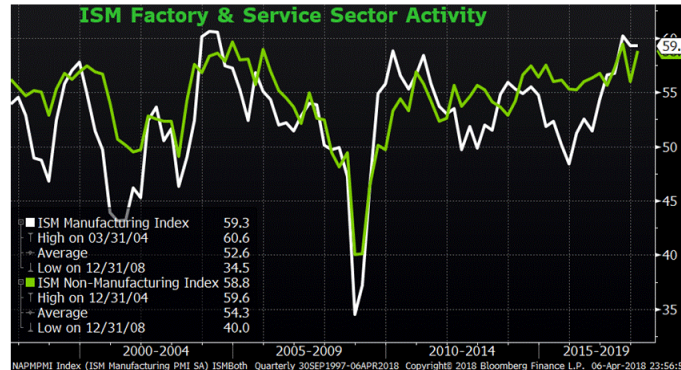
*After what at times has been a slow recovery from the financial crisis and the Great Recession, growth has picked up. Unemployment has fallen from 10 percent at its peak in October 2009 to 4.1 percent, the lowest level in nearly two decades. Seventeen million jobs have been created in this expansion, and the monthly pace of job growth remains more than sufficient to employ new entrants to the labor force. The labor market has been strong, and my colleagues and I on the Federal Open Market Committee (FOMC) expect it to remain strong. Inflation has continued to run below the FOMC's 2 percent objective but we expect it to move up in coming months and to stabilize around 2 percent over the medium term.*

*Beyond the labor market, there are other signs of economic strength. Steady income gains, rising household wealth, and elevated consumer confidence continue to support consumer spending, which accounts for about two thirds of economic output. Business investment improved markedly last year following two subpar years, and both business surveys and profit expectations point to further gains ahead. Fiscal stimulus and continued accommodative financial conditions are supporting both household spending and business investment, while strong global growth has boosted U.S. exports.*

Of course, the Fed is always data dependent and a Trade War would have to weigh on the thinking, but recent economic data has generally been supportive of a positive outlook,...

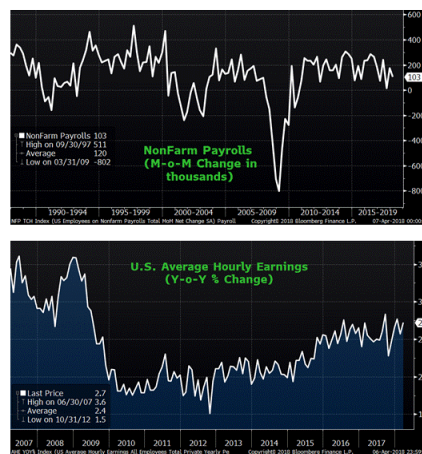
## THE PRUDENT SPECULATOR Very Good ISM Numbers

Both the Institute for Supply Management's Manufacturing and Non-Manufacturing indexes now stand near all-time highs, suggesting that domestic economic growth is healthy.



...even as the latest read on the labor market was not as upbeat as expected,...

## THE PRUDENT SPECULATOR Modestly Disappointing Jobs Numbers



The Labor Department said that the unemployment rate remained at a 17-year low of 4.1% in March, even as a less-than-expected 103,000 new jobs were created, due in part to lousy winter weather.

Meanwhile, amidst concerns about higher inflation, wages rose 2.7% on a year-over-year basis, up from 2.6% in February, but down from the 2.8% increase in January that caused plenty of bond and equity market consternation.

...and the likelihood of three more rate hikes this year in the Federal Funds rate has come down somewhat,...

## THE PRUDENT SPECULATOR Futures: Two, Three of Four Hikes in 2018

Export Data			World Interest Rate Probability							
United States		Instrument	Futures: Fed Funds - Midpoint			Fed Effective Rate 1.68				
Overview		Future Implied Probability		Add/Remove Rates						
Current Implied Probabilities			Calculated 03/20/2018		Based on rate 1.25-1.50					
Dates	Meeting	Hike Prob	Cut Prob	1.5-1.75	1.75-2	2-2.25	2.25-2.5	2.5-2.75	2.75-3	3-3.25
03/21/2018	100.0%	0.0%	0.0%	80.0%	20.0%	0.0%	0.0%	0.0%	0.0%	0.0%
05/02/2018	100.0%	0.0%	0.0%	74.9%	23.8%	1.3%	0.0%	0.0%	0.0%	0.0%
06/13/2018	100.0%	0.0%	0.0%	19.8%	61.4%	17.9%	0.0%	0.0%	0.0%	0.0%
08/01/2018	100.0%	0.0%	0.0%	17.3%	56.2%	23.3%	3.0%	0.1%	0.0%	0.0%
09/26/2018	100.0%	0.0%	0.0%	7.7%	34.6%	41.6%	14.3%	1.7%	0.1%	0.0%
11/08/2018	100.0%	0.0%	0.0%	6.4%	30.2%	40.5%	18.8%	3.8%	0.3%	0.0%
12/19/2018	100.0%	0.0%	0.0%	4.0%	21.3%	36.6%	26.9%	9.4%	1.6%	0.1%
01/30/2019	100.0%	0.0%	0.0%	3.6%	19.5%	35.1%	27.9%	11.2%	2.4%	0.3%

Export Data			World Interest Rate Probability		
United States	Instrument	Futures: Fed Funds - Midpoint	Fed Effective Rate 1.69		
Overview			Future Implied Probability		
Current Implied Probabilities			Add/Remove Rates		
Dates	Meeting	Calculation	Calculated 04/06/2018		Based on rate 1.50-1.75
Meeting	Hike Prob	Cut Prob	1.5-1.75	1.75-2	2-2.25
05/02/2018	25.7%	0.0%	74.3%	25.7%	0.0%
06/13/2018	78.0%	0.0%	22.0%	59.9%	18.0%
08/01/2018	79.3%	0.0%	20.7%	57.6%	20.6%
09/26/2018	90.4%	0.0%	9.6%	37.7%	40.5%
11/08/2018	91.2%	0.0%	8.8%	35.4%	40.3%
12/19/2018	94.0%	0.0%	6.0%	26.9%	38.7%
01/30/2019	94.4%	0.0%	5.6%	25.7%	38.0%

Source: Bloomberg

Despite an upgrade to the economic outlook at the March 21, 2018 FOMC Meeting, the chance of four or more rate hikes this year has dropped from 38.0% pre-Fed-confab to 28.4% today.

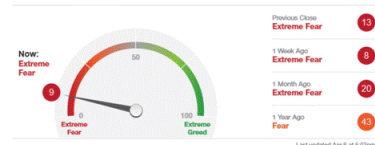
...which isn't a bad thing given that the market swoon in February was caused in large part by the fear that interest rates would rise too quickly.

And with rates remaining low by historical standards and the outlook for corporate profit growth continuing to be robust, especially given the benefits of the Tax Cuts and Jobs Act, we can't help but maintain our long-term optimism for the prospects of our broadly diversified portfolios of undervalued stocks, especially as so many investors are now pessimistic!

## THE PRUDENT SPECULATOR Be Greedy When Others are Fearful

### Fear & Greed Index

What emotion is driving the market now?



### Seven Fear & Greed Indicators

Combined Estimated Long-Term Fund Flows and ETF Net Issuance					
Millions of dollars					
Week Ended	3/28/2018	3/21/2018	3/14/2018	3/7/2018	2/28/2018
Total Equity	-11,926	-13,766	25,210	-6,440	11,714
Domestic	-12,554	-17,107	19,062	-10,973	6,399
World	628	3,341	6,148	4,533	5,315
Hybrid	-1,311	151	-611	-500	-422
Total Bond	465	5,315	8,446	1,524	5,181
Taxable	336	4,546	7,743	1,310	5,071
Municipal	129	769	703	214	110
Commodity	-332	938	30	210	278
Total	-13,104	-7,363	33,074	-5,207	16,751

Source: Investment Company Institute

While sentiment gauges like the CNNMoney Fear & Greed Index often gyrate wildly, the measure is presently flashing an Extreme Greed reading, which would seem to make sense, given the exodus of dollars, per the latest weekly data from ICI, flowing out of U.S. stock mutual funds and ETFs. Of course, folks loaded up on domestic equities at much higher prices during the second week of March, illustrating the difficulty of market timing.

## Stock Updates

We will be making our newsletter portfolio purchases for April today. In addition to the names highlighted in *TPS 618*, those looking to take advantage of the 2018 pullback might want to consider the undervalued stocks that were hit hardest last week.



AFAM CAPITAL THE PRUDENT SPECULATOR Trade War Bargains

2018 Tariff Talk Shopping List														
Symbol	Common Stock	Latest 2018 WTD TR %	YTD TR %	4.6.18 Price	Target Price	Sector	P/E	P/S	P/BV	EV/EBITDA	FCF Yld (%)	Debt/TE (%)	Div Yld (%)	Mkt Cap
ABT	Abbott Labs	-3.9	1.4	\$57.57	\$68.19	Health Care Equipment	23.0	3.7	nmf	21.0	4.4	nmf	1.9%	100,536
ARI	American Railcar	-3.0	-11.9	\$36.30	\$52.98	Capital Goods	19.8	1.5	1.1	8.2	-5.7	79%	4.4%	693
AVX	AVX Corp	-2.8	-6.4	\$16.08	\$20.05	Technology Hardware	19.8	1.9	1.4	7.5	4.1	0%	2.9%	2,707
BIIB	Biogen	-5.9	-19.1	\$257.65	\$445.68	Pharmaceuticals, Biotech	11.8	4.4	13.3	8.4	6.8	145%	0.0%	54,509
CAT	Caterpillar	-3.0	-8.8	\$142.99	\$174.30	Capital Goods	20.8	1.9	15.9	11.8	4.0	443%	2.2%	85,455
CMI	Cummins Inc	-2.6	-10.0	\$157.90	\$195.56	Capital Goods	14.9	1.3	5.0	9.3	6.7	31%	2.7%	26,066
CSCO	Cisco Systems	-4.3	8.0	\$40.73	\$48.65	Technology Hardware	16.6	4.1	10.3	11.3	6.8	134%	3.2%	196,217
DAL	Delta Air Lines	-3.2	-4.7	\$53.05	\$75.16	Transportation	10.7	0.9	nmf	5.2	3.3	nmf	2.3%	37,502
DE	Deere & Co	-6.4	-6.7	\$145.39	\$177.28	Capital Goods	21.3	1.5	5.9	8.4	-2.0	330%	1.7%	47,076
ETN	Eaton Corp PLC	-4.9	-3.1	\$75.97	\$92.10	Capital Goods	16.3	1.6	nmf	11.7	6.4	nmf	3.2%	33,283
GILD	Gilead Sciences	-2.6	3.2	\$73.41	\$127.45	Pharmaceuticals, Biotech	8.3	3.7	nmf	6.0	11.8	nmf	3.1%	95,716
GLW	Corning	-4.8	-16.5	\$26.55	\$41.75	Technology Hardware	15.3	2.2	2.1	9.2	0.9	44%	2.3%	22,547
INTC	Intel	-6.3	6.4	\$48.79	\$55.20	Semiconductors	14.1	3.6	7.0	9.1	4.5	76%	2.5%	228,255
JBL	Jabil Inc	-2.7	6.8	\$27.95	\$43.86	Technology Hardware	11.6	0.2	3.5	5.1	5.3	161%	1.1%	4,788
MAN	ManpowerGroup	-3.8	-12.2	\$110.78	\$145.25	Professional Services	15.9	0.3	6.4	8.8	4.7	42%	1.7%	7,328
MDT	Medtronic PLC	-3.2	-3.3	\$77.64	\$101.22	Health Care Equipment	16.6	3.5	nmf	13.2	4.1	nmf	2.4%	105,231
NSC	Norfolk Southern	-4.7	-10.3	\$129.36	\$166.23	Transportation	19.9	3.5	2.2	9.9	4.1	56%	2.2%	36,648
QCOM	Qualcomm	-4.1	-16.3	\$53.12	\$73.87	Semiconductors	13.1	3.5	5.7	18.3	5.5	141%	4.7%	78,637
STX	Seagate Tech	-3.2	36.7	\$56.62	\$66.12	Technology Hardware	13.5	1.5	nmf	10.1	8.3	nmf	4.5%	16,127
TRN	Trinity Industries	-3.0	-15.2	\$31.65	\$40.23	Capital Goods	21.2	1.3	1.3	8.6	1.0	87%	1.6%	4,758
TSN	Tyson Foods	-4.2	-13.2	\$70.11	\$89.81	Food	12.7	0.7	nmf	10.1	5.6	nmf	1.7%	28,003
WBA	Walgreens Boots	-3.1	-12.1	\$63.47	\$116.19	Food & Staples Retailing	11.2	0.5	nmf	10.4	8.6	nmf	2.5%	62,941
WHR	Whirlpool	-3.0	-11.3	\$148.52	\$230.49	Consumer Durables	10.8	0.5	nmf	8.6	5.6	nmf	3.0%	10,499
WSM	Williams-Sonoma	-4.7	-2.0	\$50.30	\$74.01	Retailing	13.8	0.8	3.5	6.4	7.4	25%	3.4%	4,191
ZBH	Zimmer Biomet	-3.5	-12.6	\$105.18	\$170.60	Health Care Equipment	13.1	2.7	nmf	16.6	5.1	nmf	0.9%	21,371

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As of 4.6.18, unaffiliated messaging. TR % = Target/stock value. EV/EBITDA = Enterprise value to earnings before interest, taxes, depreciation and amortization. FCF Yld = Free Cash Flow Yield

One of those companies was in the news last week and Chris Quigley takes a look...Chip giant **Intel** (INTC – \$48.79) plunged as much as 9% last Monday, after a Bloomberg report surfaced that **Apple** (AAPL – \$168.38) may switch away from Intel chips in its Mac products beginning in 2020. Intel chips have not been in Apple products forever, first appearing in MacBook laptops and in Mac desktops beginning in 2006. Nor are they a giant portion of Intel's business: Apple currently makes up 4% of Intel's total revenue and less than 1% of profit, according to Stifel Nicolaus & Co analyst Kevin Cassidy.

We think that the market's reaction to the report, which was still unconfirmed by both Intel and Apple at the time of this Market Commentary's publishing, was unnecessarily panicked. For Apple, a processor and architecture transition has happened on more than one occasion. The Apple II used a MOS Technology 6502 processor, while its replacement, the Macintosh, was released with Motorola 68000 models. Even after Apple changed to PowerPC processors, it struggled to regain market share lost to Windows-based PCs until it released models with Intel Core family processors in 2006. Macs with Intel processors have been solid and generally well-regarded, but given Apple's penchant for taking design in-house, we were hardly shocked when we saw the Bloomberg news. In all instances, Apple had been working on replacement processors and code for many years, each time making big jumps in ability which translated to a better product to fight against other PC manufacturers. For Intel, it represents a small loss (as a percentage) and is surely something the company will have seen coming, if/when Apple chooses to go in a different direction.

We think that the sell-off for Intel was overdone and should not have been such a big deal, at least from a stock price standpoint, though we did pare our Target Price for INTC to \$55, owing mainly to the fact that it is larger holding in our portfolios and we might consider trimming our position were the shares to rebound smartly. We remain fans of both Apple and Intel, and think that ultimately customers win when Apple puts the best processors it can find (or create) in its computers.



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