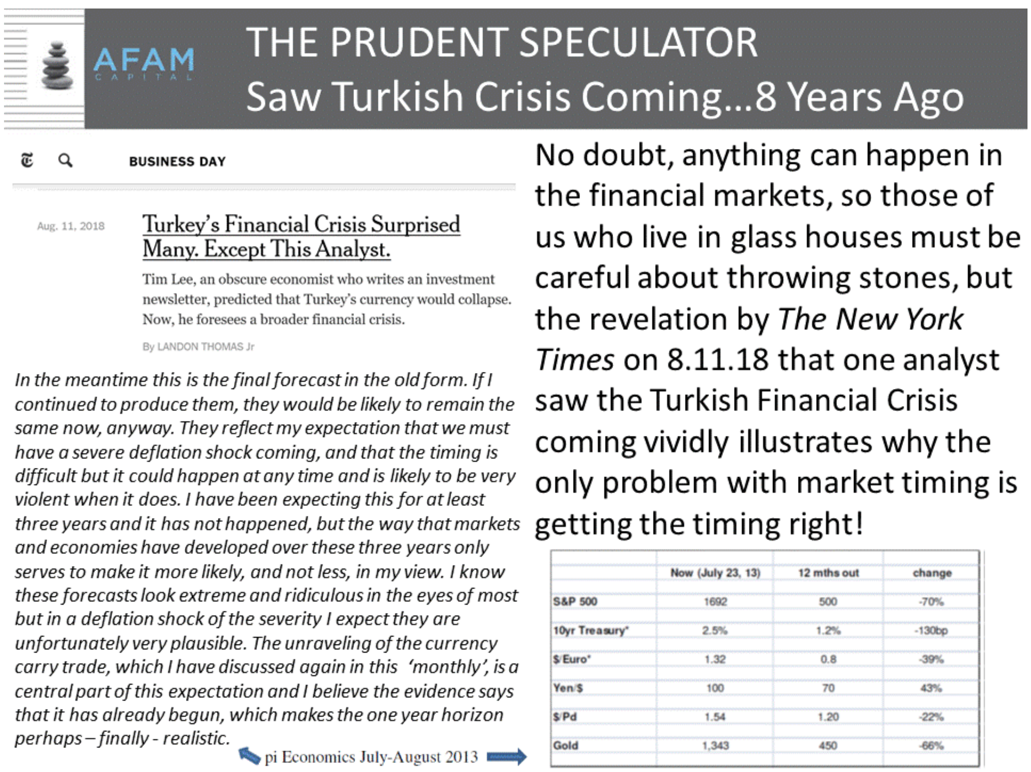
EXECUTIVE SUMMARY

Turkey Soothsayer - Only Problem with Market Timing...
Secret to Success in Stocks - Don't Get Scared Out of Them
Week in Review - Equities Advance as China Trumps Turkey
Econ News - Solid Data Out Last Week
Reasons for Optimism - Rising Corporate Profits and Dividend Payouts
MoneyShow San Francisco - Buckingham Speaking on Friday and Saturday
Target Prices - New Listing Posted
Stock News - Updates on DE, WMT, TPR & CSCO

Market Review

No, the most interesting story in last week's edition of *The New York Times* was not the bizarre interview with Tesla CEO Elon Musk. Instead, it was the *told-you-so* feature on "an obscure economist who writes an investment newsletter and who predicted that Turkey's currency would collapse."



	Now (July 23, 13)	12 mths out	change
S&P 500	1692	500	-70%
10yr Treasury*	2.5%	1.2%	-130bp
$/Euro*	1.32	0.8	-39%
Yen/$	100	70	43%
$/Pd	1.54	1.20	-22%
Gold	1,343	450	-66%

Alas, as Neils Bohr once said, "Prediction is very difficult, especially if it is about the future," for the would-be Nostradamus first made his Turkish prognostication in 2010, reiterating the doom-and-gloom call in a 2013 newsletter. Better to be on target eventually than not at all, we suppose, but it appears that those who acted on this arguably correct forecast might have lost a ton of money, if they were betting on a 500 reading for the S&P 500, and missed out on substantial equity market appreciation, given that the benchmark is today at 2850.

Certainly, anything can happen in the equity markets, and the *Times* article did its best to also spook investors with predictions of an imminent collapse worse than 2008, but we continue to offer the friendly reminder that the secret to success in stocks is not to get scared out of them. After all, in our 41 years of publishing *The Prudent Speculator*, we have managed to avoid precisely ZERO of the many market downturns that have taken place, yet we can't complain about our overall annualized rate of return.

AFAM CAPITAL

THE PRUDENT SPECULATOR
Staying the Course Has Rewards

Despite enduring two-dozen market pullbacks of at least 12% since its launch in 1977, *The Prudent Speculator* has performed admirably.

Start Date		End Date	Price Return %	Start Date		End Date	Price Return %
11.03.15	to	02.11.16	-13.3	03.24.00	to	04.04.01	-27.8
05.21.15	to	08.25.15	-12.4	07.16.99	to	10.15.99	-12.1
04.29.11	to	10.03.11	-19.4	07.17.98	to	08.31.98	-19.3
04.23.10	to	07.02.10	-16.0	07.16.90	to	10.11.90	-19.9
01.06.09	to	03.09.09	-27.6	10.21.87	to	12.04.87	-13.3
11.04.08	to	11.20.08	-25.2	08.25.87	to	10.19.87	-33.2
05.19.08	to	10.27.08	-40.5	10.10.83	to	07.24.84	-14.4
10.09.07	to	03.10.08	-18.6	11.30.81	to	08.12.82	-18.9
11.27.02	to	03.11.03	-14.7	11.28.80	to	09.25.81	-19.7
08.22.02	to	10.09.02	-19.3	02.13.80	to	03.27.80	-17.1
01.04.02	to	07.23.02	-32.0	09.12.78	to	11.14.78	-13.6
05.21.01	to	09.21.01	-26.4	12.31.76	to	03.06.78	-19.1
						AVERAGE	**-20.6**

Down Markets for the S&P 500 Price Return index are defined as periods where the index fell more than 12% without an intervening 12% advance. SOURCE: Al Frank using data from Bloomberg

Hulbert Rankings
Since Inception
Performance Scorecard

Newsletter	Tracking Began	Newsletter Portfolio Annualized Gain	Wilshire 5000 Annualized Gain
Prudent Speculator, The	1980.06.30	14.98	11.49
NoLoad FundX	1980.06.30	12.27	11.49
Investment Reporter, The	1983.12.31	12.47	10.94
Investment Quality Trends	1985.12.31	11.70	10.58
Fidelity Monitor & Insight	1986.12.31	11.83	10.41
Bob Brinker's Marketimer	1986.12.31	10.61	10.41
Turnaround Letter, The	1987.12.31	12.62	10.69
Chartist Mutual Fund/ETF Letter, The	1988.12.31	9.61	10.45
Blue Chip Investor, The	1990.12.31	8.50	10.48
Sound Advice	1992.12.31	8.52	9.70
Investor Advisory Service	1995.12.31	12.51	9.03
Buyback Letter, The	1996.12.31	11.82	8.49
Nate's Notes	1999.12.31	12.92	5.90
Linde Equity Report	2001.08.30	12.39	8.11
Wagmore Advisory Letter, The	2013.08.30	-26.10	13.44
Picky Investor, The	2017.09.30	8.03	11.52
Long/Short Pair Tactical Stock Research	2018.03.31	7.66	5.63

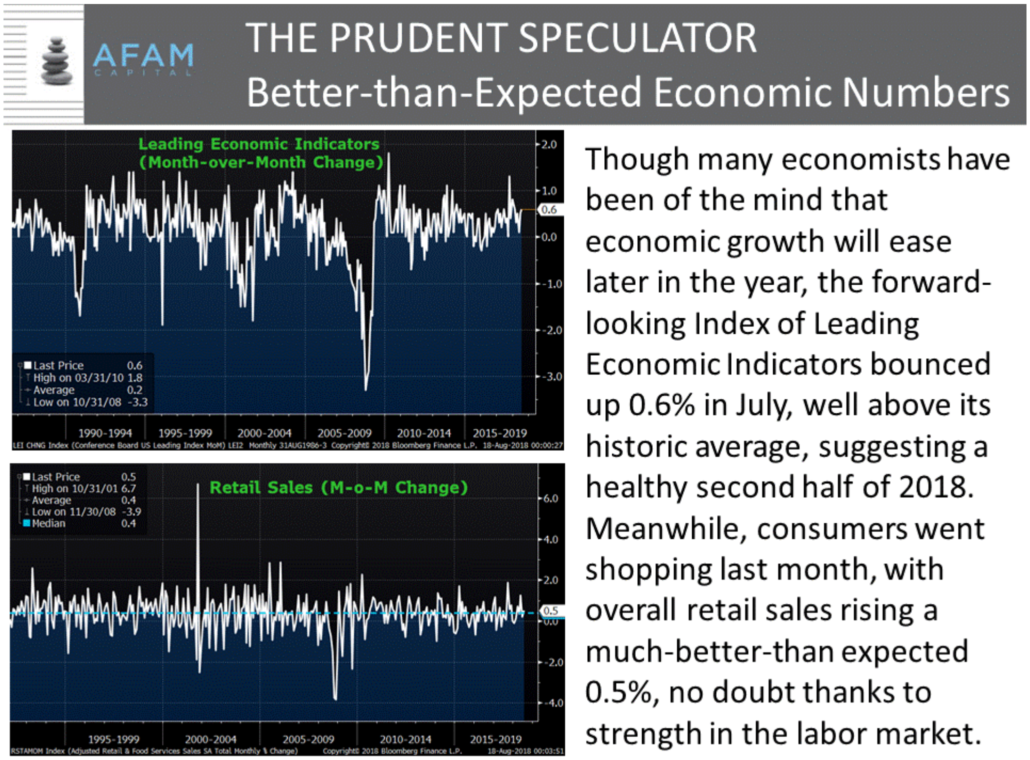
As of 7.31.18. Source: http://hulbertratings.com/since-inception/

That does not mean that the troubles in Turkey should easily be dismissed, especially as President Trump on Friday threatened further consequences if the Erdogan government continues to refuse to release an American pastor who is being held on questionable espionage charges. However, as we saw last week, Turkey is far less important a player on the international stage than China.

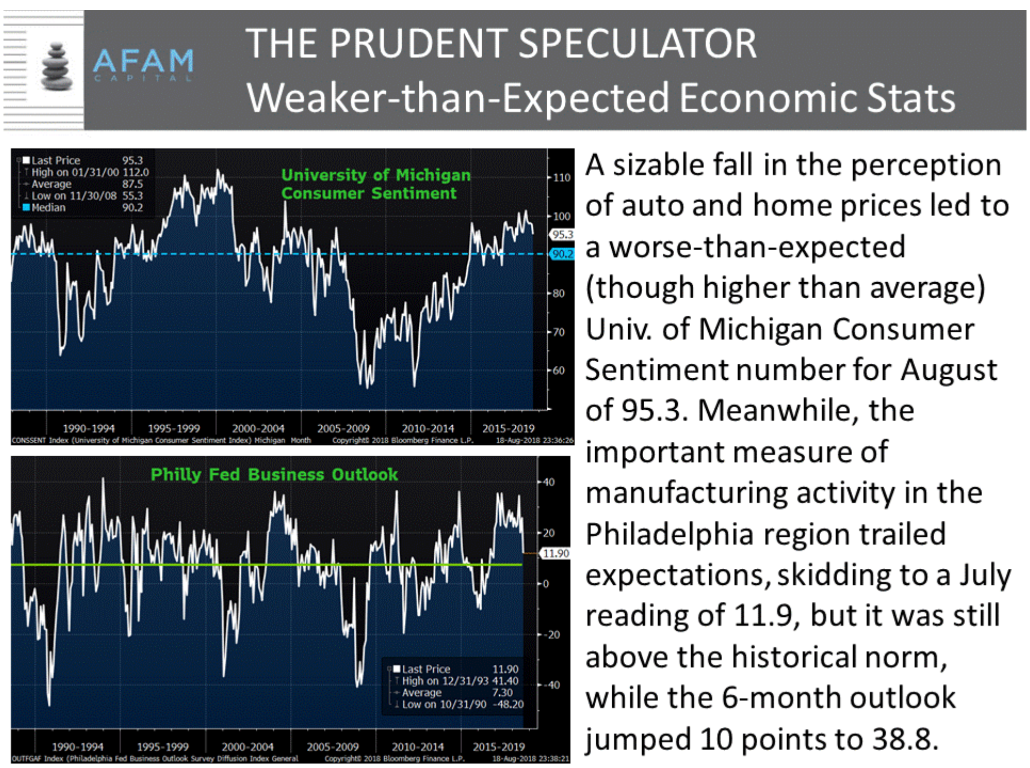
Indeed, stocks rallied smartly when progress on the trade front seemed to be made with the Middle Kingdom, with Saturday's edition of *The Wall Street Journal* offering the headline, "China, U.S. Chart End to Impasse." To be sure, neither side appears willing to back down just yet, as Larry Kudlow, the director of the White House's National Economic Council, said, "The Chinese government in its totality must not underestimate President Trump's toughness and willingness to continue this battle."

Of course, Mr. Kudlow was quick to add, "Any time you're talking, that's better than not talking," with his comments helping the U.S. equity markets gain ground for the week. The S&P 500 moved up 0.66% and the Russell 3000 advanced 0.59%. Happily, Value topped Growth for a change, with the Russell 3000 Value index climbing 0.91%, compared to a 0.28% increase in the Russell 3000 Growth index.

Certainly, it didn't hurt that some of the economic data out last week was pretty good,…



…while even the disappointing statistics were still very solid by historical standards,...



…which continues to suggest, in our view, that corporate profit growth will remain robust,…

THE PRUDENT SPECULATOR
Significant EPS Growth Estimated

History shows that stock prices generally have followed earnings, so it is nice to see actual and projected EPS moving up, even as earnings forecasts often turn out to be too rosy. Happily, the number of companies (81.2%) exceeding expectations in Q2 2018 has been far better than the average beat-rate over the prior 5 years.

S&P 500 Earnings Per Share

Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2019	$47.09	$177.02
9/30/2019	$45.05	$172.33
6/30/2019	$43.79	$167.56
3/31/2019	$41.09	$162.56
12/31/2018	$42.40	$158.01
9/30/2018	$40.28	$149.46
6/30/2018	$38.79	$140.51
ACTUAL		
3/31/2018	$36.54	$132.23
12/31/2017	$33.85	$124.51
9/30/2017	$31.33	$118.56
6/30/2017	$30.51	$115.92
3/31/2017	$28.82	$111.11
12/31/2016	$27.90	$106.26
9/30/2016	$28.69	$101.42
6/30/2016	$25.70	$98.17
3/31/2016	$23.97	$98.61
12/31/2015	$23.06	$100.45
9/30/2015	$25.44	$104.14
6/30/2015	$26.14	$108.30
3/31/2015	$25.81	$111.50
12/31/2014	$26.75	$113.01

Source: Standard & Poor's. As of 8.16.18

S&P 500 Quarterly Earnings Comparisons

	BEAT	MISSED	MET		BEAT	MISSED	MET
Q1 2018	78.2%	15.6%	6.2%	Q2 2015	69.8%	22.0%	8.3%
Q4 2017	73.5%	18.1%	8.4%	Q1 2015	67.7%	22.9%	9.4%
Q3 2017	72.4%	19.3%	8.2%	Q4 2014	68.6%	21.0%	10.4%
Q2 2017	70.2%	20.1%	9.7%	Q3 2014	73.7%	17.2%	9.0%
Q1 2017	74.0%	18.9%	7.2%	Q2 2014	65.7%	21.2%	13.0%
Q4 2016	67.3%	22.0%	10.8%	Q1 2014	67.1%	22.6%	10.2%
Q3 2016	70.5%	21.1%	8.4%	Q4 2013	63.9%	25.3%	10.8%
Q2 2016	70.2%	20.9%	8.9%	Q3 2013	66.1%	23.2%	10.6%
Q1 2016	72.3%	20.6%	7.0%	Q2 2013	65.4%	26.8%	7.8%
Q4 2015	68.8%	21.6%	9.7%	Q1 2013	65.9%	25.9%	8.2%
Q3 2015	67.9%	23.0%	9.0%	AVERAGE	69.5%	21.4%	9.1%

Source: Standard & Poor's and Bloomberg

…with the healthy bottom lines allowing Corporate America to continue to boost dividend payouts,…

THE PRUDENT SPECULATOR
Dividends Have Grown Over Time

While dividends are never guaranteed, the historical evidence suggests that Corporate America has a long history of raising quarterly payouts, whereas the coupons on most debt instruments are fixed.

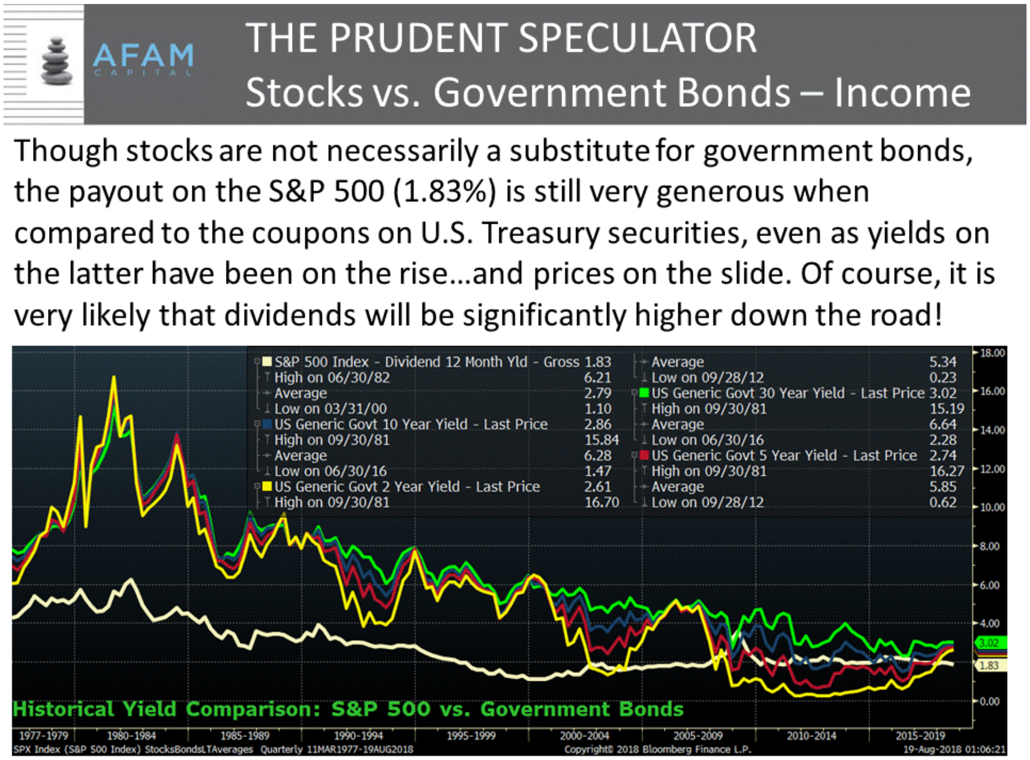
COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	CESSATIONS
2018 YTD	268	3	1	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
2009	151	6	68	10
2008	236	5	40	22
2007	287	11	8	4
2006	299	6	7	3
2005	306	10	9	2

Source: Standard & Poor's. As of 8.16.18

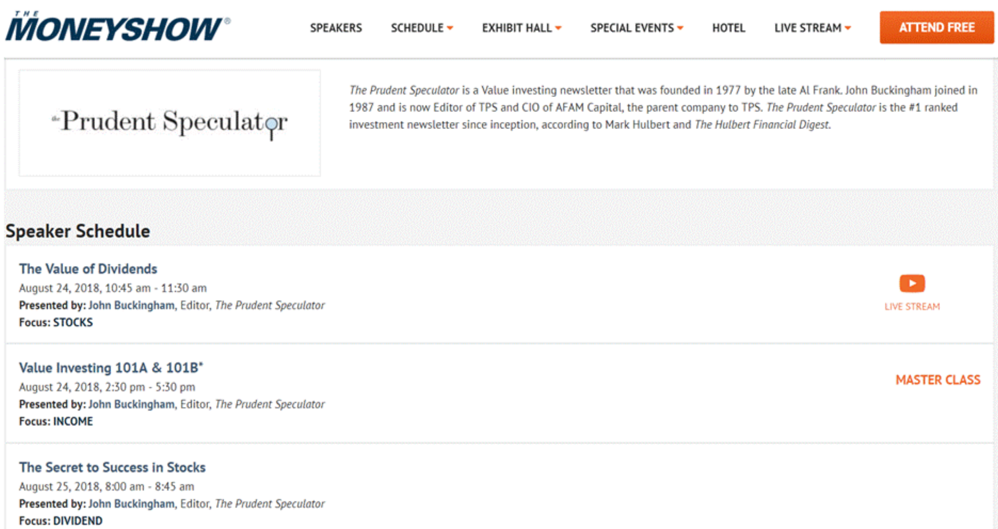
S&P 500 DIVIDENDS PER SHARE	
2019 (Est.)	$58.34
2018 (Est.)	$54.11
2017	$50.47
2016	$46.73
2015	$43.49
2014	$39.44
2013	$34.99
2012	$31.25
2011	$26.43
2010	$22.73
2009	$22.41
2008	$28.39
2007	$27.73
2006	$24.88
2005	$22.22

Source: Bloomberg. As of 8.17.18

…helping to keep stocks very competitive from an income perspective with other investment choices.



Our optimism notwithstanding, we always remain braced for downside volatility, but we continue to see no reason for long-term-oriented folks to become disenchanted with equities, a message your Editor will again be delivering at the *MoneyShow San Francisco* at the end of this week. We hope to see readers at the show…our booth number is 216!



Stock Updates

Q2 earnings season is winding down and we have posted updated Target Prices for all 120+ of our recommendations to theprudentspeculator.com. Four of our companies were out with results last week and Jason Clark and Chris Quigley provide updates…

Shares of **Deere & Co.** (DE – $140.59) fell more than 3% in morning trading on Friday after the company posted fiscal Q3 financial results that included a miss of expectations on the bottom line. The agriculture and industrial concern said higher raw material costs and increased shipping costs impacted profitability. Deere reported Q3 revenue of $9.29 billion, which slightly outpaced consensus forecasts, while adjusted EPS of $2.59 fell short of consensus estimates of $2.74.

However, DE shares reversed course during the company's earnings call and ended the day up almost 2.4%. Traders and algorithms that initially fled the shares after the earnings release piled back in when management said it saw fiscal 2019 machinery demand growing and downplayed the impact of the U.S. and China trade dispute on soybean prices. DE said that it was optimistic that the outlook for corn, wheat and cotton would outweigh the decline in soybeans.

"Deere's third-quarter performance benefited from favorable market conditions and positive response to our advanced product lineup," said DE CEO Samuel R. Allen. "Farm machinery sales in North America and Europe made solid gains, while construction equipment sales moved sharply higher and received significant support from our Wirtgen road-building unit. At the same time, we have continued to face cost pressures for raw materials and freight, which are being addressed through a combination of cost management and pricing actions."

Looking ahead, Deere now projects company equipment sales to increase by about 30% for fiscal 2018 and by about 21% for the fourth quarter compared with the same periods of 2017. Of these amounts, Wirtgen is expected to add about 12% to overall sales for both the full year and fourth quarter. Foreign-currency rates are not expected to have a material translation effect on equipment sales for the year but are anticipated to have an unfavorable effect of about 3% for Q4. Management also reiterated its fiscal 2018 net income outlook of $3.1 billion.

“We continue to believe Deere is well-positioned to capitalize on growth in the world's agricultural and construction equipment markets,” Mr. Allen explained. “Replacement demand for large agricultural equipment is driving sales even in the face of tensions over global trade and other geopolitical issues. At the same time, we are heartened by our customers' enthusiastic response to the advanced features and technology found on our new products. What's more, the powerful global trends of population growth and increased urbanization remain quite vibrant and are putting a positive light on the company's prospects for the future. As a result, we're confident Deere is on track to continue its strong performance and deliver significant value to customers and investors in the years ahead.”

We have continued to be pleased with Deere’s progress and we remain optimistic about the long-term potential of global agriculture in general, as the decline of global arable land and population growth should force farmers to be more productive and should continue to drive demand for more efficient farming. That said, while we think that Deere will benefit from continued global demand, we will be paying close attention to input costs, trade conflict impact and regional demand movement. Our Target Price for DE has been boosted to $191.

Shares of **Walmart** (WMT – $97.85) bounced back a bit from a tough last six months by delivering solid quarterly numbers, with the stock ending the week higher by 8.5%. Revenue for fiscal Q2 2019 was $128 billion, versus forecasts of $126 billion. Adjusted EPS for the quarter came in at $1.29, compared to consensus estimates of $1.22. WMT raised its full-year fiscal 2019 adjusted EPS guidance to $4.90 to $5.05, not including the impact of its recent Flipkart acquisition (which it is still working to get closed).

Walmart’s U.S. same store sales increased 4.5%, the strongest growth in more than a decade, led by the performance of grocery, apparel and seasonal. Strong comp sales were supported by traffic and ticket growth, with each exceeding 2.0%. Walmart U.S. omni-channel saw significant progress with an expanded online assortment, including 1,100 popular new brands. Management expects eCommerce net sales to show full-year fiscal 2019 growth of 40%. WMT also said that grocery pickup is now in more than 1,800 locations and is showing good traction. Net sales at Walmart International were $29.5 billion, an increase of 4.0%. Excluding currency, net sales were $29.2 billion, an increase of 3.1%. Comp sales were positive in the four largest international markets.

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THE PRUDENT SPECULATOR
WMT – Solid Sales Numbers

Walmart U.S. - quarterly financial highlights

Sales
- Comp sales[1] increased 4.5% driven by comp ticket growth of 2.3% and comp traffic growth of 2.2%. eCommerce contributed approximately 100 basis points to segment comp sales growth with strength in online grocery and eCommerce home delivery.
- On a two-year stacked basis, comp sales and traffic were up 6.3% and 3.5%, respectively.
- Fresh food category sales were strong and led to the best grocery comp in 9 years.
- Warmer weather contributed to strong general merchandise sales primarily in seasonal, lawn & garden and apparel.

Gross Margin
- Gross margin rate declined 34 basis points due primarily to price investments, increased transportation expense from higher fuel costs and third-party transportation rate pressures, and the mix effects from our growing eCommerce business.

Expenses
- Segment operating expenses leveraged 26 basis points. Physical stores leveraged expenses for the 6th consecutive quarter largely due to strong sales performance in conjunction with productivity improvements that more than offset investments in eCommerce and technology.

Other Income
- Other income declined 12 basis points due primarily to lower sustainability income from cardboard recycling.

Inventory
- We have a favorable inventory position as we prepare for the holiday season. Total inventory decreased 30 basis points versus last year and comp store inventory declined approximately 70 basis points, while in-stock levels remained high. On a two-year stacked basis, comp store inventory is down 4.5% and on a three-year stacked basis, it is down 11%.

Format growth
- We had net openings of 4 Supercenters and 1 Neighborhood Market. We also remodeled 154 stores.
- As of the end of Q2, we had more than 1,800 grocery pickup locations, more than 320 stores offering grocery delivery, and more than 325 pickup towers.

Walmart
Save money. Live better.

[1] Comp sales for the 13-week period ended July 27, 2018, excluding fuel.

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"Thanks to the hard work of our associates, we had a great quarter with strong results and momentum across the business. We're pleased with how customers are responding to the way we're leveraging stores and eCommerce to make shopping faster and more convenient. We're continuing to aggressively roll out grocery pickup and delivery in the U.S., and we recently announced expanded omni-channel initiatives in China and Mexico. Customers have choices and we're making it easier than ever for them to choose Walmart," commented CEO Doug McMillon.

While we believe the quarter was very strong, we know that WMT's competitive landscape will only get more intense versus rivals Amazon, Target and the numerous other players that are out there. Still, we continue to think that the steps the company has taken over the last few years to transform itself has it on the right track for long-term success. As we wrote back in May, while the price paid for Flipkart seems on the hefty side now, the potential of the market in India may have us viewing the purchase as a value in the not-so-distant future. We continue to like that WMT generates strong free cash flow and remains committed to returning capital to shareholders via buybacks and dividends (the stock yields 2.1%). We do respect that with last week's price boost, the stock is no longer as inexpensive as when we first invested, but we understand that the investment into the company's future growth here and abroad has had a near-term negative impact on the financials. All things considered, our Target Price for WMT shares has been increased to $112.

Tapestry (TPR - $51.41), formerly Coach, earned $0.60 per share in fiscal Q4 2018 (vs. $0.57 est.). The specialty retailer had total revenue of $1.5 billion, matching the consensus estimate. Shares rose more than 8% for the week, due to sales momentum and quarter-over-quarter improvement in each of the three main labels (Coach, Kate Spade, Stuart Weitzman).

CEO Victor Luis commented, "During the fourth quarter, we estimate the men's and women's premium handbag and accessories market, which is now over $45 billion, grew at a low-double digit rate globally, benefiting in part from the weaker U.S. dollar. On an organic basis, we estimate that the global category rose high-single digits similar to the March quarter. The strong fourth quarter number drove the trailing 12-month growth rate to a low-double digit rate in U.S. dollars and a high-single digit on an organic basis."

"Very positive global macroeconomic factors, including strong consumer confidence, historically low unemployment, rising consumer spending and stock markets near all-time highs, have driven consumer demand across our categories. Additionally, we see the resurgence of logo and branded product, which started with the European brands, as an incremental tailwind. However, we must note that there is uncertainty in the FY 2019 macroeconomic outlook, which could impact market growth in the year ahead," Mr. Luis added.

"We expect total revenue for Tapestry in fiscal 2019 to increase on a mid-single-digit rate from fiscal 2018 to $6.1 billion to $6.2 billion. This includes the expectation from low-single-digit growth at Coach, driven by continued positive low-single digit comps. We expect Kate Spade sales to increase on a double-digit rate from reported fiscal 2018 results fueled by new distribution as well as positive comps in the second half of the year. As discussed we now expect Stuart Weitzman revenue growth in the second fiscal quarter," said CFO Kevin Wills.

We were pleased to see TPR beat EPS estimates and shares recover almost all the ground lost from the plunge at the end of April. While shares are once again near multi-year highs, we think they have plenty of upside left. Tapestry has worked hard to acquire talent and expand its product line, and we believe that benefits from the efforts remain on the horizon. We think there are a number of positive drivers that will aid forward performance, including solid U.S. results and potential in key international markets, channel mix, synergies with Kate Spade, diminishing footwear drag, cost saving initiatives and benefits from foreign currency exchange. The company now expects to post EPS for the full year in the range of $2.70 to $2.80. TPR shares carry a 2.6% dividend yield, and our Target Price has been raised to $61.

Communications equipment firm **Cisco Systems** (CSCO - $45.87) posted earnings per share of $0.70, versus the $0.69 estimate, in fiscal Q4 2018. CSCO had sales of $12.8 billion, in line with the consensus estimate. Shares rose 3% following the announcement and 4.8% overall for the week. Analysts, for their part, were thrilled, writing in research notes tidbits like "Cisco's return to growth is no longer on the horizon, it has arrived" (Cowen) and "The transition to a more software and subscription-based model continues to take shape" (BMO Capital).

CEO Chuck Robbins said, "Our momentum was broad-based across our portfolio, customer segments, and geographies. We also continued to generate solid margins, cash flow, and returns for our shareholders. Our results demonstrate a combination of strong customer adoption of our latest innovations, the ongoing value customers see in our software and subscription offerings, and excellent execution across our customer segments and geographies. Our strategy is working and we believe that we are well-positioned to capture growth across the portfolio with our pipeline of innovation. Our momentum was broad-based across our portfolio, customer segments, and geographies. We also continued to generate solid margins, cash flow, and returns for our shareholders. Our results demonstrate a combination of strong customer adoption of our latest innovations, the ongoing value customers see in our software and subscription offerings, and excellent execution across our customer segments and geographies. Our strategy is working and we believe that we are well-positioned to capture growth across the portfolio with our pipeline of innovation."

Mr. Robbins concluded, "2018 was a great year. We returned to growth, invested in our core franchises, delivered new innovative platforms, and continued to shift our business to more software and subscriptions. Our record results demonstrate the strength of our business as well as the strategic focus and execution that we have delivered over the past 12 months. I want to thank our teams around the globe for delivering these results. We are looking forward to fiscal year 2019 with a clear focus on growth, execution, and innovation. We see incredible opportunities across our business and believe we are uniquely positioned to deliver on our vision to be one of the most strategic partners to our customers as they go through their digital transformation."

CFO Kelly Kramer offered the guidance for fiscal Q1 2019, "We expect revenue growth in the range of 5% to 7%year-over-year. This range includes the impact of ASC 606 which we estimate to be a benefit of about 1%. We anticipate the non-GAAP gross margin rate to be in the range of 63% to 64%. The non-GAAP operating margin rate is expected to be in the range of 30% to 31% and the non-GAAP tax provision rate is expected to be 19%. Non-GAAP earnings per share is expected to range from $0.70 to $0.72. The guidance includes our Service Provider Video Software Solutions business that we recently agreed to sell and excludes the Duo acquisition since both transactions have not closed. We expect the SPVSS transaction to close in the first half of fiscal 2019, subject to customary closing conditions and regulatory approvals."

After shaking off the Amazon-rumor-related dip in July, shares of the communications giant have traded hands as high as $45.87, nearly eclipsing the post-Tech-Bubble peak of $46.30 on May 10 of this year. Just like in Q3, Cisco repurchased $6 billion of shares and paid $1.5 billion out via dividends to shareholders in Q4. We think Cisco's challenging transformation has put the company on a path to long-term success, and shareholders are beginning to see the benefits of those efforts. We continue to like the strong balance sheet with about $4.50 per share in net cash and believe that the stock still trades at a sizable discount with a forward 12-month P/E ratio of 15.4 and a 2.9% dividend yield. Our Target Price has been hiked to $53.