MARKET COMMENTARY MONDAY, JANUARY 14, 2019

January 14, 2019

EXECUTIVE SUMMARY

Returns Race – Both Value and Growth Performing Well in 2019
First 5 Days Indicator – 2.7% Advance in S&P Bodes Well for the Rest of the Year
Scary Headlines in Jan. 4 Newspapers – Handsome Six-Day Rally in Value Stocks Ensues
Global Econ Projection – World Bank Now at 2.9% Growth Estimate for 2019
Domestic Econ Data – Good Numbers on ISM Non-Manufacturing, Inflation and Jobless Claims
Fed Speak – Chair Powell Will be Patient
Recession Forecast Contra-Indicator – Economists Haven't Been this Pessimistic…Since Fall 2011
Corporate Profits – Peak Growth is Hardly Contraction
Stock Updates – MDT, ZBH, DLR, TGT, KSS & GM

Market Review

While we know that stocks can move lower faster than they rise, and the equity futures are pointing to a decidedly weak start to today's trading when the markets reopen this week, the last five days were very good, adding to the gains seen over the first three-day period of the new year. Indeed, 2019 is off to a fantastic start, even as we concede that 2018 began nicely as well, and we realize that there is a long way to go simply to recoup the losses suffered in December.

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Market of Stocks – Varying Index Returns

Returns Race

2019 Return %	2018 Return %	2017 Return %	2016 Return %	Bloomberg Symbol	Index
		Stock Indexes			
2.93	-3.48	28.11	16.50	INDU Index	Dow Jones Industrial Average
5.09	-2.81	29.73	8.97	CCMP Index	NASDAQ Composite Index
3.87	-4.79	21.68	12.04	RIY Index	Russell 1000 Index
7.36	-11.03	14.63	21.28	RTY Index	Russell 2000 Index
4.11	-5.25	21.12	12.72	RAY Index	Russell 3000 Index
3.63	-4.39	21.82	11.95	SPX Index	S&P 500 Index
3.97	-1.52	30.21	7.07	RLG Index	Russell 1000 Growth Index
3.77	-8.28	13.64	17.33	RLV Index	Russell 1000 Value Index
7.53	-9.34	22.14	11.28	RUO Index	Russell 2000 Growth Index
7.18	-12.85	7.82	31.72	RUJ Index	Russell 2000 Value Index
4.23	-2.12	29.58	7.38	RAG Index	Russell 3000 Growth Index
4.00	-8.59	13.17	18.38	RAV Index	Russell 3000 Value Index
3.55	-0.01	27.43	6.89	SGX Index	S&P 500 Growth Index
3.72	-8.97	15.35	17.39	SVX Index	S&P 500 Value Index
4.93	-4.22	26.76	4.22	SPXPG Index	S&P 500 Pure Growth
6.97	-12.02	17.73	19.62	SPXPV Index	S&P 500 Pure Value
3.77	-13.94	27.22	4.54	ACWX Index	ISHARES MSCI ACWI EX US
		Source: Bloomberg.			

While there has been plenty of dispersion of performance numbers over the last three years, with Growth stocks seeing better overall returns, thanks in large part to high-flying Amazon, the race between Value and Growth thus far in 2019 is nip and tuck.

Still, history shows that it is far better to have a favorable beginning to the new year than the other way around.

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January's First 5 Days Bodes Well for '19

First 5 Days and the Rest of the Year

S&P 500	> 2.695%	Positive	Negative	All
Average First 5	4.0%	1.9%	-2.1%	0.6%
Rest of the Year	6.3%	8.3%	3.9%	6.8%
Whole Year	10.5%	10.4%	1.8%	7.4%
# of Instances	15	60	31	91

Price Return 1928 - 2018. Source: Kovitz Investment Group using data from Bloomberg

Certainly, the past is never an assurance of the future, but we like what history has to say about the First 5 Days of January indicator (the S&P 500 was up 2.695% this go around) and potential price returns (does not include dividends nor the impact of their reinvestment) over the balance of the year.

This is especially true in the current nervous environment, given that many were seemingly ready to throw in the towel after the big 660-point plunge in the Dow Jones Industrial Average on Jan. 3,...

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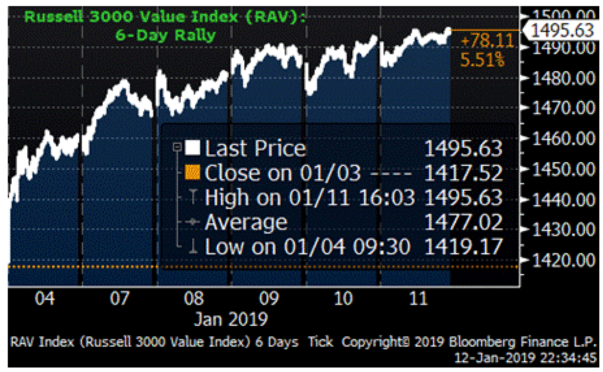
Headlines Can Be Contra Indicators

While we learned long ago that the only problem with market timing is getting the timing right, the financial press is often not very helpful in keeping folks focused on their long-term investment objectives. Case in point were the scary headlines that followed the *here-we-go-again* plunge in the equity markets on Jan. 3. *Stocks Slide As Growth Fears Spread* and *Companies Hint That Investors Are Right To Fret About Growth* greeted front-page readers on Jan. 4, right before Value stocks went on a six-day run that sent the Russell 3000 Value index up 5.5%.



...when recession worries were running rampant, no doubt fueled by a financial press that has gone overboard on sensationalism. Obviously, anything can happen when it comes to the economy, and the continued Government Shutdown drama in Washington...

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Washington Closed for Business

With funding for a wall along the U.S.-Mexico border the main sticking point, the U.S. government partially shut down on Dec. 22, with no compromise reached in the three-plus weeks since. Incredibly, a Washington closure over market-trading days has occurred 19 times since 1976, but equities generally have taken these events in stride.

U.S. Government Shutdown Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
9/30/1976	10/11/1976	105.24	101.64	-3%	-7%	3%	19%	2451%
9/30/1977	10/13/1977	96.53	93.46	-3%	12%	41%	46%	2675%
10/31/1977	11/9/1977	92.34	92.98	1%	2%	39%	54%	2689%
11/30/1977	12/9/1977	94.83	93.65	-1%	3%	39%	49%	2669%
9/30/1978	10/18/1978	102.54	100.49	-2%	3%	19%	67%	2481%
9/30/1979	10/12/1979	109.32	104.49	-4%	25%	29%	57%	2382%
11/20/1981	11/23/1981	121.71	121.60	0%	9%	37%	102%	2033%
9/30/1982	10/2/1982	120.42	121.97	1%	36%	51%	169%	2026%
12/17/1982	12/21/1982	137.49	138.61	1%	18%	52%	80%	1771%
11/10/1983	11/14/1983	164.41	166.58	1%	0%	47%	61%	1457%
9/30/1984	10/3/1984	166.10	162.44	-2%	13%	102%	118%	1496%
10/3/1984	10/5/1984	162.44	162.68	0%	13%	102%	119%	1494%
10/16/1986	10/18/1986	239.53	238.84	0%	18%	43%	64%	986%
12/18/1987	12/20/1987	249.16	249.16	0%	11%	32%	77%	941%
10/5/1990	10/9/1990	311.50	305.10	-2%	24%	51%	90%	750%
11/13/1995	11/19/1995	592.30	600.07	1%	24%	92%	128%	332%
12/15/1995	1/6/1996	616.34	616.71	0%	21%	106%	111%	320%
9/30/2013	10/17/2013	1,681.55	1,733.15	3%	9%	23%	62%	50%
1/20/2018	1/22/2018	2,810.30	2,832.97	1%				-8%
Price Changes Only - Does Not Include Dividends			Averages:	0%	13%	50%	82%	1526%

Source: Kovitz Investment Group using data from Bloomberg and https://www.washingtonpost.com/news/wonk/wp/2013/09/25/here-is-every-previous-government-shutdown-why-they-happened-and-how-they-ended/?utm_term=.ab877913da76

… will eventually have an impact on GDP, but the latest “scary” projection from the World Bank called for global economic growth of 2.9% (yes, an inflation-adjusted expansion of 2.9%) this year,…

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World Bank's Darkening Skies: 0.1% Cut?

4 CHAPTER 1 GLOBAL ECONOMIC PROSPECTS | JANUARY 2019

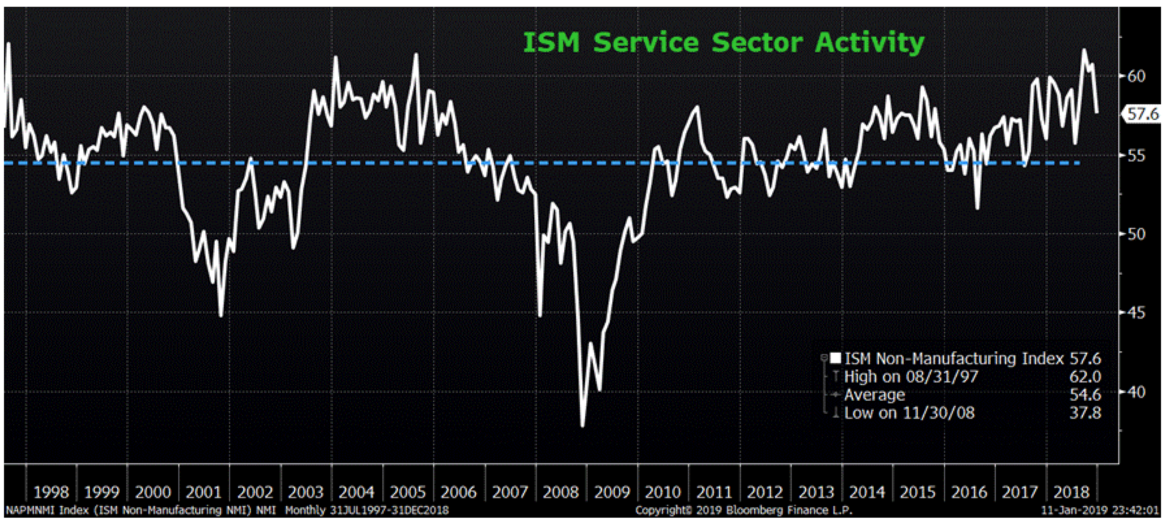
TABLE 1.1 Real GDP[1]
(Percent change from previous year)

	2016	2017	2018e	2019f	2020f	2021f	Percentage point differences from June 2018 projections: 2018e	2019f	2020f
World	**2.4**	**3.1**	**3.0**	**2.9**	**2.8**	**2.8**	**-0.1**	**-0.1**	**-0.1**
Advanced economies	**1.7**	**2.3**	**2.2**	**2.0**	**1.6**	**1.5**	**0.0**	**0.0**	**-0.1**
United States	1.6	2.2	2.9	2.5	1.7	1.6	0.2	0.0	-0.3
Euro Area	1.9	2.4	1.9	1.6	1.5	1.3	-0.2	-0.1	0.0
Japan	0.6	1.9	0.8	0.9	0.7	0.6	-0.2	0.1	0.2
Emerging market and developing economies (EMDEs)	**3.7**	**4.3**	**4.2**	**4.2**	**4.5**	**4.6**	**-0.3**	**-0.5**	**-0.2**
Commodity-exporting EMDEs	0.8	1.7	1.7	2.3	2.9	2.9	-0.8	-0.7	-0.1
Other EMDEs	5.9	6.1	5.8	5.5	5.6	5.6	0.0	-0.3	-0.1
Other EMDEs excluding China	4.9	5.2	5.0	4.7	4.9	5.1	-0.1	-0.4	-0.2
East Asia and Pacific	6.3	6.6	6.3	6.0	6.0	5.8	0.0	-0.1	0.0
China	6.7	6.9	6.5	6.2	6.2	6.0	0.0	-0.1	0.0
Indonesia	5.0	5.1	5.2	5.2	5.3	5.3	0.0	-0.1	-0.1
Thailand	3.3	3.9	4.1	3.8	3.9	3.9	0.0	0.0	0.1
Europe and Central Asia	1.7	4.0	3.1	2.3	2.7	2.9	-0.1	-0.8	-0.3
Russia	-0.2	1.5	1.6	1.5	1.8	1.8	0.1	-0.3	0.0
Turkey	3.2	7.4	3.5	1.6	3.0	4.2	-1.0	-2.4	-1.0
Poland	3.1	4.8	5.0	4.0	3.6	3.3	0.8	0.3	0.1
Latin America and the Caribbean	-1.5	0.8	0.6	1.7	2.4	2.5	-1.1	-0.6	-0.1
Brazil	-3.3	1.1	1.2	2.2	2.4	2.4	-1.2	-0.3	0.0
Mexico	2.9	2.1	2.1	2.0	2.4	2.4	-0.2	-0.5	-0.3
Argentina	-1.8	2.9	-2.8	-1.7	2.7	3.1	-4.5	-3.5	-0.1
Middle East and North Africa	5.1	1.2	1.7	1.9	2.7	2.7	-1.3	-1.4	-0.5
Saudi Arabia	1.7	-0.9	2.0	2.1	2.2	2.2	0.2	0.0	-0.1
Iran	13.4	3.8	-1.5	-3.6	1.1	1.1	-5.6	-7.7	-3.1
Egypt[2]	4.3	4.2	5.3	5.6	5.8	6.0	0.3	0.1	0.0
South Asia	7.5	6.2	6.9	7.1	7.1	7.1	0.0	0.0	-0.1
India[3]	7.1	6.7	7.3	7.5	7.5	7.5	0.0	0.0	0.0
Pakistan[2]	4.6	5.4	5.8	3.7	4.2	4.8	0.0	-1.3	-1.2
Bangladesh[2]	7.1	7.3	7.9	7.0	6.8	6.8	1.4	0.3	-0.2
Sub-Saharan Africa	1.3	2.6	2.7	3.4	3.6	3.7	-0.4	-0.1	-0.1
Nigeria	-1.6	0.8	1.9	2.2	2.4	2.4	-0.2	0.0	0.0
South Africa	0.6	1.3	0.9	1.3	1.7	1.8	-0.5	-0.5	-0.2
Angola	-2.6	-0.1	-1.8	2.9	2.6	2.8	-3.5	0.7	0.2

The good folks at the World Bank joined the sensationalistic media world by titling their latest Global Economic Prospects report, "Darkening Skies!" No doubt, the world economy faces headwinds, but the apparently ominous weather caused the Bank to lower its forecast for 2019 and 2020 global GDP growth by a whopping 0.1% in each year to 2.9% and 2.8%, respectively.

…while even supposedly disappointing domestic economic statistics, such as the Non-Manufacturing Index (NMI) out last week from the Institute for Supply Management, suggested very solid U.S. GDP Growth.

The latest read on the health of the service sector fell to 57.6 last month, a reading that is still well above average, with the Institute for Supply Management stating, “The past relationship between the NMI® and the overall economy indicates that the NMI® for December corresponds to a 3.2% increase in real gross domestic product on an annualized basis.”



And, with non-threatening inflation numbers and continued healthy U.S. labor data,...

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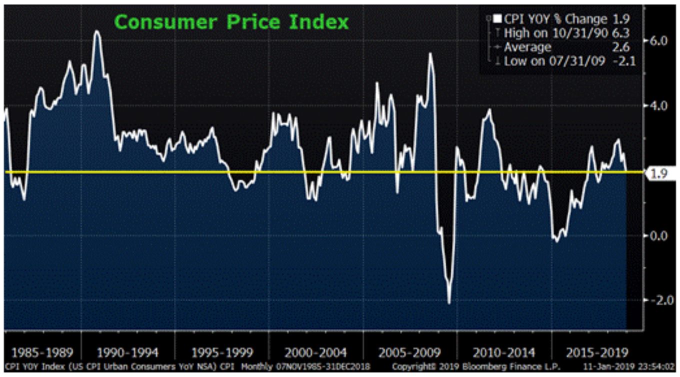
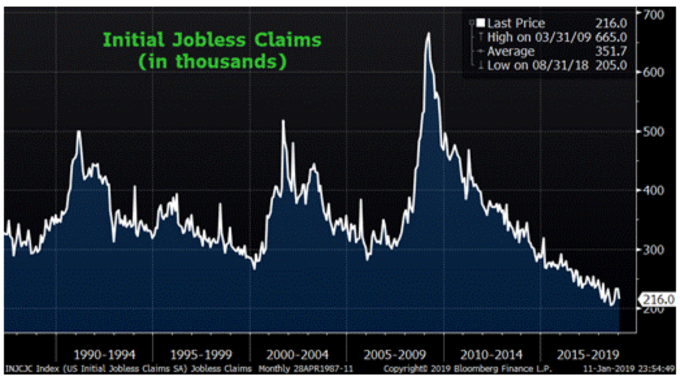
Subdued Inflation & Strong Labor Picture





Declining energy costs pulled down consumer prices in December as the CPI slipped an as-expected 0.1%, with the year-on-year measure of inflation ending 2018 at 1.9%. The ex-energy ex-food core rate also came in as projected, with a year-over-year tally of 2.2%. Despite little in the way of inflation, the jobs picture remained very healthy, as first-time filings for jobless benefits fell to a near record low of 216,000 in the latest week.

…it would seem that some investors are starting to come around to the idea that the economy will muddle through and that the Federal Reserve will remain patient in hiking interest rates any further this year.

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Fed Chair Powell Speaks: Jan. 10, 2019

"We are in a place where we can be patient and flexible and wait and see what does evolve…The U.S. economy is solid…There is no preset path for rates. We'll take into account tightening financial conditions, which we've seen, and we'll also lower our rate path and try to have monetary policy offset weakness before it even happens."

Of course, despite plenty of evidence to the contrary, some (happily, the most since 2011) are of the mind that a recession is on the horizon,…

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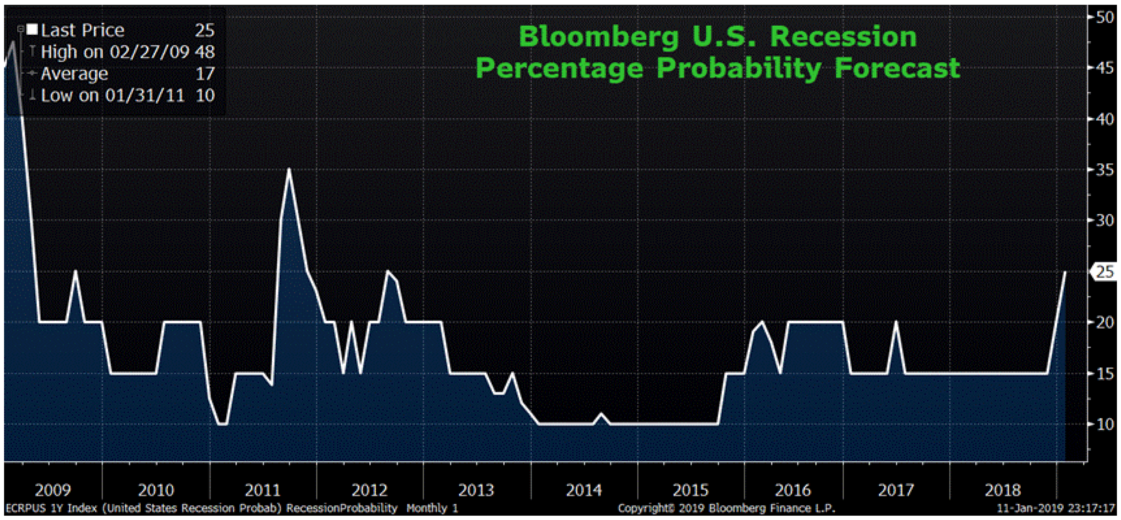
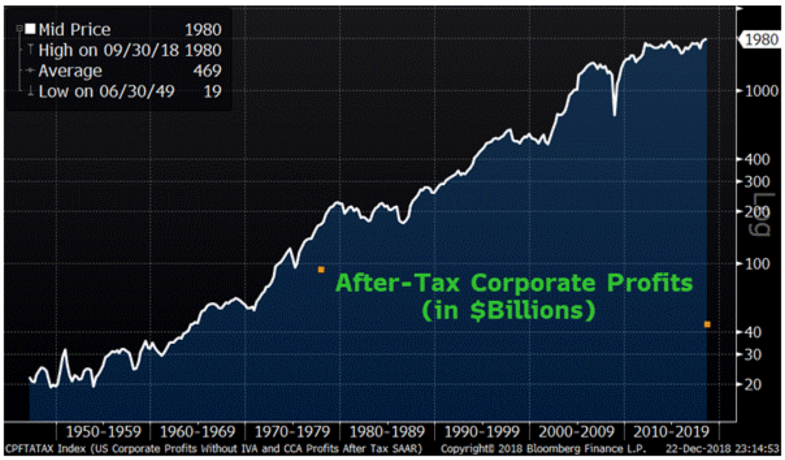
Recession Forecasts: Contra Indicator?

"Economists See Rising Risk of Downturn," proclaimed *The Wall Street Journal* on Jan. 11, as the chance of recession rose to 25%. The tally was the highest since the fall of 2011…which proved to be a fantastic time to buy equities, as the S&P 500 returned 30.2% over the ensuing 12 months following the Sept. 2011 35% *high-water* recession projection.



…with the pessimism dimming the outlook for corporate profits. Of course, as *The Wall Street Journal* stated this weekend, "Few believe earnings are about to contract. Analysts are projecting S&P 500 companies will post earnings growth in the low single-digit range in the first three quarters of 2019 before climbing to 12% in the fourth quarter, according to FactSet."

After-tax corporate profits rose a year-on-year 6.1% in the third-quarter, up 0.2% from the initial estimate. The annualized rate was $1.980 trillion without inventory valuation and capital consumption adjustments. And, the outlook for continued earnings growth remains favorable.



S&P 500 Earnings Per Share

Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2019	$44.91	$170.30
9/30/2019	$44.02	$165.77
6/30/2019	$42.14	$163.13
3/31/2019	$39.23	$159.64
12/31/2018	$40.38	$156.95
ACTUAL		
9/30/2018	$41.38	$150.42
6/30/2018	$38.65	$140.37
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 1.9.19

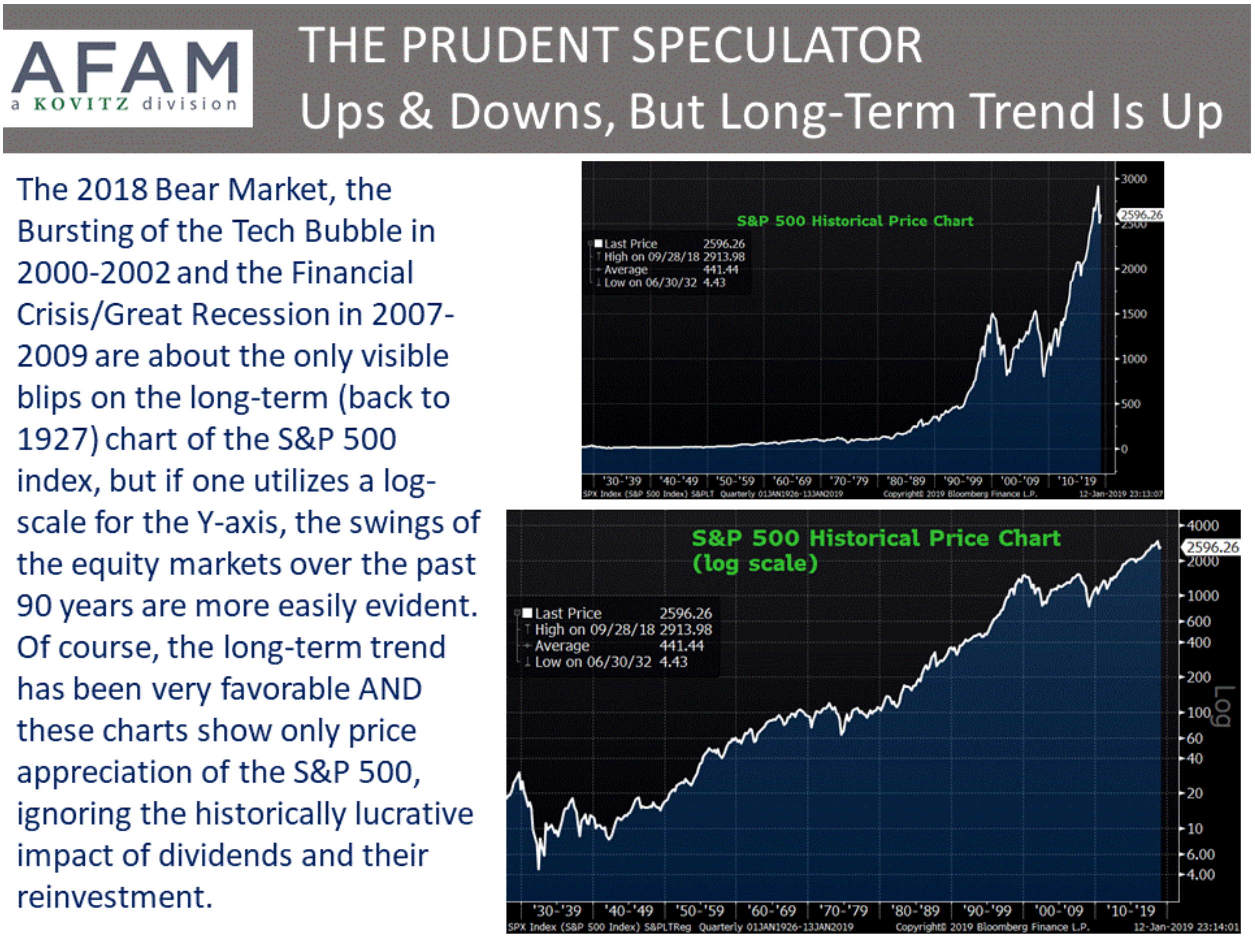
True, 2019 will see a hefty decline in the massive growth rate for corporate profits enjoyed in 2018, but it is important to understand that S&P itself is still calling for a very healthy increase in EPS in 2019 for the S&P 500. As such, we very much agree with a pundit cited in that *Journal* article, "Peak growth is not the same thing as contraction, and I think investors will coalesce around that idea perhaps soon!"

While we have to expect volatility to remain elevated, we continue to be optimistic about the long-term prospects of our broadly diversified portfolios of what we believe are undervalued stocks, especially as the ugliness of the fourth quarter discounted, in our view, far more negatives than are likely to materialize.

Stock Updates

Keeping in mind that all stocks are rated as "Buy" until such time as they are a "Sell," while a listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/, Chris Quigley and Jason Clark offer updates on six of our companies that had news last week that was of sufficient importance to trigger a review of their respective Target Prices...

These days, the adage that stocks take the stairs up and the (express) elevator down seems more apt than ever, even as market history has shown that it is often an escalator ride higher over the truly long term for those able to stomach the inevitable volatility associated with equity investing.



Illustrating the fickle nature of short-sighted investors, shares of **Medtronic PLC** (MDT – $84.84) stumbled more than 6% on Monday, even as the health care equipment developer and manufacturer reaffirmed its revenue guidance for fiscal 2019. Of course, MDT CFO Karen Parkhill went on to say at a J.P. Morgan Healthcare Conference that higher taxes and a strong dollar would lead to weaker-than-expected profit growth in fiscal 2020. Ms. Parkhill said that the company will not likely hit its target for earnings growth of at least 8% next fiscal year.

Sitting down with *CNBC's* Jim Cramer at the Conference, CEO Omar Ishrak said Medtronic still expects sales to achieve its guidance from November (revenue growth between 5.0% and 5.5%, with a negative contribution of $420 million to $520 million range if current exchange rates hold). Mr. Ishrak responded to a question about MDT's spotty execution record, "The most important thing is our technology. We just introduced Micra, which is a leadless pacemaker that nobody else has. We recently acquired a company called Mazor X with a robotics platform for surgical robots for spinal implants. And we've integrated that into our stealth navigation together with that product into a new product."

Despite the trader dissatisfaction, we continue to believe that MDT offers handsome long-term-return potential and agree with Mr. Ishrak that Medtronic's technology makes it appealing from a longer-term business perspective. Happily, Ms. Parkhill, who on Wednesday picked up $250,000 of MDT and Mr. Ishrak, who bought $1 million of MDT, each for an average price of $84, share our optimism.

We remain fans of Medtronic's diverse portfolio, as when certain product lines wax and wane, new offerings are seemingly always rolled out to help offset slowdowns and foster growth. With domestic demographic trends in its favor, we like its products and pipeline, including treatments for atrial fibrillation, aortic stenosis and various neurological disorders. MDT yields 2.4% and profit growth expectations are not exactly awful with EPS expected to climb from $5.13 in fiscal 2019 to $5.52 in fiscal 2020 to $5.99 in fiscal 2021. Our Target Price for MDT is now $105.

Shares of **Zimmer Biomet Holdings** (ZBH – $104.28) fell as much as 5% on Tuesday, but fully recovered by the end of the week, after CEO Bryan Hanson said that the medical device maker expects a larger foreign exchange headwind that previously anticipated. While on a previous earnings call, the company thought that the foreign exchange hit would be about 100 basis points, Zimmer now thinks it will be closer to 150 basis points, with a larger impact in the front half of the year.

Recapping the past year and the company's two-year roadmap, Mr. Hanson said, "I think it's important because when I looked at that two-year roadmap, believe me we retired a lot of risk. Out of the gate not knowing exactly where we were with the FDA, not knowing when the end was going to be there for supply recovery, knowing that we had to make pretty significant talent changes and structure changes all at once, there was a lot of risk that we were taking on in that first year. We've retired a decent portion of that. But the reason why we're calling it a two-year, really, re-transformation of the business is we still have quite a bit to do with that new talent in the organization, that new structure has got to gel. We have got to launch the new products that we have and make sure that we put a true value proposition in place that we can market aggressively. We've got to puta change in compensation structure so that we can incent people to actually focus on those things, and we've got to make sure that we do all of that in 2019. So I'm very bullish on what we have in front of us, the innovation that we're bringing to the table and the way we're going to go about it. But at the end of the day there's still quite a bit that we need to do to get to that 2020 at market growth rate performance."

We think ZBH has room to grow its knee business over the next few years and are enthusiastic about the company's prospects with the ROSA robot, which is being deployed for both expanded spine and orthopedic uses, in addition to its already-approved spine and brain application. We would not be surprised to see increasing interest from surgeons and hospitals to investigate robotic technology in other surgeries.

We like that ZBH is the king of hip and knee implants and we believe favorable demographics, which include aging "Baby Boomers" and (unfortunately) high obesity rates, will drive solid demand for large-joint replacement over the coming years. Additionally, we like that Zimmer has a history of strong relationships with the orthopedic surgeons that use its products. The doctors in this specialty have frequently shown resistance to efforts by hospitals or health systems to limit their ability to choose their brand. That said, we know that ZBH has had its struggles. However, we think management continues to move the firm in the right direction, as it seeks to remediate FDA concerns with manufacturing, restore inventory supplies and reinvigorate the salesforce. ZBH shares currently trades at less than 14 times NTM adjusted earnings projections, which is still materially lower than the average of its key competitors, and our Target Price now stands at $166. Shares yield just under 1.0%.

Data center REIT **Digital Realty Trust** (DLR – $106.64) slumped after the company offered initial 2019 guidance. DLR expects Funds from Operations (FFO) between $6.60 and $6.70 per share on revenue of $3.2 billion to $3.3 billion, with capital expenditures between $1.2 billion and $1.4 billion.

"The strength of our global, connected, sustainable platform – supported by durable secular demand drivers – provides the framework for our expectation of continued growth in earnings, cash flow and dividends per share in 2019 and beyond," commented Chief Executive Officer A. William Stein.

"In 2018, we significantly expanded our global platform with our entry into Latin America, secured our supply chain with major strategic land purchases in key metro areas, and further strengthened our investment grade balance sheet with a $1.1 billion forward equity offering, pre-funding our capital spending needs into 2020," added Chief Financial Officer Andrew P. Power. "These initiatives enhance our long-term ability to power our customers' digital ambitions around the world, while bolstering our commitment to delivering long-term sustainable growth for our customers, shareholders and employees."

We think that the buildout of cloud infrastructure around the world creates growing demand for DLR's offerings, as major technology companies like Microsoft work to deploy their cloud-based applications and services. With its 195+ data centers in 30+ global metro markets (and adding Latin America), DLR has enhanced metro area exposure, additional hyper-scale product offerings, cost synergies and external growth potential via a strong development pipeline. We like that the company has a broad customer base (more than 2,300 clients), solid FFO growth potential and a 3.8% dividend yield. We remain fond of DLR, especially at the recently discounted quotation, though our Target Price has edged down to $130.

Shares of numerous retailers were hit on Thursday after mall-based department store Macy's warned that its holiday quarter ended weakly and that it would miss expectations pretty much across the board. That day also featured updates from two of our retailers, **Target** (TGT – $69.61) and **Kohl's** (KSS – $67.27), which saw their shares hit hard out of the gate, before both enjoyed a recovery later on Thursday, which carried over into Friday. Believe it or not, both TGT and KSS ended up on the week.

We were surprised to see Target shares open off so much on Thursday morning as the company announced strong holiday results, with same-store-sales growth of +5.7% in November and December. Comps were almost entirely traffic-driven, though ticket comparisons were slightly positive. Comparable strength was also broad-based, with all of TGT's core categories realizing gains during the period, led by strength in toys, baby and seasonal. Digital sales rose 29%, with Store Pickup and Drive Up accounting for a quarter of digital growth and climbing 60% year-over-year. Evidently, investors were initially disappointed that the company continues to expect fourth quarter comparable sales growth of approximately 5%, full-year Adjusted EPS of $5.30 to $5.50, and GAAP EPS of $5.41 to $5.61.

CEO Brian Cornell elaborated, "We are very pleased with Target's holiday season performance, which came on top of really strong results in the same period last year. This performance demonstrates the benefit of placing our stores at the center of every way we serve our guests, including both in-store shopping and digital fulfillment. Given our fourth quarter outlook, we are on track to deliver Target's strongest full-year comparable sales growth since 2005, market-share gains across all of our core merchandising categories, and double-digit growth in Adjusted EPS. In 2019, we expect to build on this momentum as we gain further scale in our fulfillment capabilities and deliver profitable growth throughout the year."

We were happy to see the continued momentum as Target continues to evolve as it aggressively takes on titans like Amazon and Walmart. Our Target Price for TGT, which trades for 12.4 times NTM earnings and yields 3.7%, presently stands at $93.

While Kohl's announcement wasn't as impressive as Target's, we thought that investors missed many of the positives, especially coming off such strong numbers last holiday season. KSS said comparable same store sales were up 1.2% in November and December, which was somewhat impressive, given the massive 6.9% growth in holiday sales in the year-ago period. Transactions were positive in the quarter, compared to flattish for the year. All business lines contributed and digital rose double digits on top of 25% last year. The company also raised its EPS guidance to the high-end of its prior $5.35 to $5.55 range.

"We are delighted with our 1.2% shifted comparable sales increase for the Holiday period, which builds on the positive momentum we have achieved throughout the year," said CEO Michelle Gass. "The organization once again delivered a very strong holiday that topped last year's exceptional holiday season. The strong performance we achieved this holiday reflects the compelling product offering, great marketing strategy, and consistent execution in stores and online. We are particularly pleased with the positive transaction growth and the double-digit digital growth we experienced this holiday, as our customers continue to embrace the omnichannel investments we are making."

We continue to like Kohl's evolution and believe there is plenty of upside in the name, recalling that shares were above $83 in early November 2018. Our Target Price for KSS is currently a conservative $85 and we note that the stock now trades for 11.9 times estimated earnings, while yielding 3.6%.

Shares of **General Motors** (GM – $37.18) rose 7% on Friday after the global automobile manufacturing giant announced 2019 guidance at its New York analyst day. For the current year, GM expects adjusted automotive free cash flow, which excludes the Cruise autonomous vehicle business, of $4.5 billion to $6.0 billion, up from $3.4 billion in 2018, including a discretionary pension contribution. GM guided adjusted diluted 2019 EPS to a range of $6.50 to $7.00.

Though the gains "should have been" far greater, GM stock reacted favorably, given that it also indicated that 2018 EPS would exceed prior guidance given on Oct. 31 of $5.80 to $6.20. CEO Mary Barra commented, "We will continue to strengthen our core business and invest in the technologies that will transform the future of mobility. Managing both well is critical to position General Motors for success for generations to come."

CFO Dhivya Suryadevara added, "The company will also continue focusing on efficiently deploying capital to higher-return products and segments, creating an efficient cost structure and improving cash flow. We are focused on strengthening our cash generation and creating efficiencies that will position us to take advantage of opportunities through the cycle."

We like that GM continues to execute well, all while transforming itself, and we really struggle to understand why the investment community seems to still think the company is destined for failure. After all, even after the Friday bump up, the stock trades for just 5.5 times the midpoint of the new full-year 2019 guidance and yields 4.1%. With GM executing on its core business, becoming more efficient and effective, while the company has made major progress in electric and autonomous vehicle production, we can't help but be major fans of the improved balance sheet, cost control initiatives, ability to generate stronger free cash flow and generous capital return programs. Not surprisingly, we continue to see meaningful upside in the shares with our Target Price driven ahead a bit to $55.