

# Market Commentary Monday, June 17, 2019

June 17, 2019

## EXECUTIVE SUMMARY

Newsletter Portfolio Sales – KMB

Week in Review – We'll Take a Half-Percent Advance

Sentiment – Folks Still Pessimistic

Market Timing – Only Problem is Getting the Timing Right

Bear Market 2018 – Continuing to Battle the Age of the Bull Market Myth

Market of Stocks – 26 Undervalued Bargains in a Private Bear Market

Econ Data – Generally Positive Numbers Out Last Week

Reasons for Optimism – Growing Corporate Profits and Favorable Dividend Yield Comparisons

Target Prices – New Listing Posted to [theprudentspeculator.com](http://theprudentspeculator.com)

Stock Updates – GLW

## Market Review

A little bit of housekeeping before we move on to the Father's Day Week *Market Commentary*. As indicated in our Sales Alert on June 7, we sold our holdings in our newsletter portfolios of **Kimberly-Clark** (KMB – \$137.65) on Tuesday, June 10, at \$134.8118. Those sales included 70 and 275 shares respectively held in Buckingham Portfolio and TPS Portfolio. We will also use the \$134.8118 sale price for the liquidation of the 90 and 193 KMB shares respectively held in our hypothetical Millennium Portfolio and PruFolio.

While there was plenty of potential market moving news, ranging from geopolitical developments to commodity price volatility, it was a relatively quiet week for the equity markets, at least in terms of five-day movements for the major market averages. Happily, the overall direction for most of the indexes was modestly higher, with the S&P 500 advancing 0.53% and the Russell 3000 gaining 0.50% on the week.

Of course, it should be difficult to complain about a half a percent weekly return, given that such a figure if repeated each week would work out to an annualized return of 29.6%! Also, given how strong the week prior turned out to be, with the Dow Jones Industrial Average jumping 4.71%, we might argue that it was a small victory to see stocks hold on to and even add to the rebound from the dreadful month of May.

That said, we suspect that more than a few folks missed out on the June recovery, as evidenced by the lack of enthusiasm shown for stocks in the latest sentiment numbers from the American Association of Individual Investors (AAII) and the fund flow data from the Investment Company Institute (ICI). 'Twas ever thus, as our founder Al Frank liked to say.

# THE PRUDENT SPECULATOR

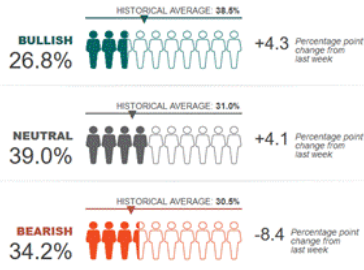
## Investors Pessimism Remains High

### AAll Investor Sentiment Survey

Since 1987, AAll members have been answering the same simple question each week. The results are compiled into the AAll Investor Sentiment Survey, which offers insight into the mood of individual investors.

#### Survey Results for Week Ending 6/12/2019

Data represents what direction members feel the stock market will be in next 6 months.



The AAll Investor Sentiment Survey has become a widely followed measure of the mood of individual investors. The weekly survey results are published in financial publications including Barron's and Bloomberg and are widely followed by market strategists, investment newsletter writers and other financial professionals.

**June 13, 2019** - Bullish sentiment, expectations that stock prices will rise over the next six months, rose 4.3 percentage points to 26.8%. Though at a four-week high, optimism is below 30% for the fifth consecutive week. It is also below its historical average of 38.5% for the 17th time this year. Bearish sentiment, expectations that stock prices will fall over the next six months, plunged 8.4 percentage points to 34.2%. Even with the drop, pessimism is above its historical average of 30.5% for the fifth consecutive week.

Optimism continues to be at an unusually low level (more than one standard deviation above/below its respective historical averages). The lower breakpoint between typical and unusual readings is 28.1%. Historically, unusually low levels of bullish sentiment have been followed by higher-than-median and higher-than-average six-month returns for the S&P 500 index.

While stocks have enjoyed a terrific rebound thus far in June, many investors have not participated. Sadly, the number of Bulls in the latest AAll Sentiment Survey remained well below average and investors in U.S. stock funds and ETFs continued to sell, with bonds garnering all of the love.

### Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Millions of dollars

Week Ended	6/5/2019	5/29/2019	5/22/2019	5/15/2019	5/8/2019
<b>Total Equity</b>	<b>-9,675</b>	<b>-4,714</b>	<b>3,827</b>	<b>-11,397</b>	<b>-8,305</b>
Domestic	-8,191	-4,412	3,722	-9,569	-10,162
World	-1,484	-302	105	-1,828	1,857
Hybrid	-1,017	-1,191	-736	-985	-837
<b>Total Bond</b>	<b>4,656</b>	<b>3,026</b>	<b>4,565</b>	<b>1,680</b>	<b>7,592</b>
Taxable	3,226	1,402	2,486	-138	5,261
Municipal	1,430	1,624	2,078	1,819	2,331
Commodity	681	157	178	-708	-745
<b>Total</b>	<b>-5,355</b>	<b>-2,721</b>	<b>7,834</b>	<b>-11,409</b>	<b>-2,294</b>

*Source: Investment Company Institute*

Alas, investors have proven to be lousy market timers,...



## THE PRUDENT SPECULATOR Few Come Close to Beating the Indexes

Since 1994, DALBAR's Quantitative Analysis of Investor Behavior has measured the effects of investor decisions to buy, sell and switch into and out of mutual funds over short and long-term timeframes. As the latest evidence (as of 12.31.18) reveals, folks are lousy market timers.

	Average Equity Fund Investor (%)	Average Fixed Income Fund Investor (%)	Average Asset Allocation Fund Investor (%)	S&P 500 (%)	BloombergBarclays Aggregate Bond Index (%)	Inflation (%)
20 Year	3.88%	0.22%	1.87%	5.62%	4.55%	2.17%
10 Year	9.66%	0.70%	4.53%	13.12%	3.48%	1.82%
5 Year	3.96%	-0.40%	1.50%	8.49%	2.52%	1.56%
3 Year	5.58%	-0.11%	1.84%	9.26%	2.06%	2.04%
12 Month	-9.42%	-2.84%	-6.97%	-4.38%	0.01%	1.93%

...and today's technology, which allows instant access to portfolio information and provides the ability to act at the tap of a screen or a mouse click, has made the temptation to trade hard to resist. And the "friction" associated with trading is also virtually non-existent with bid-ask-spreads measured in pennies and commissions now totaling only a few dollars.

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains and a tendency to evaluate outcomes frequently...The investors who got the most frequent feedback (and thus the most information) took the least risk and earned the least money.

A-Z	PRICE	CHG %
<b>AAPL</b>	<b>197.18</b>	<b>-2.77</b>
Apple Inc	Vol 37.9M	05/10/19 EDT <b>-1.39%</b>
<b>AXP</b>	<b>118.46</b>	<b>+1.20</b>
American Express Co	Vol 2.4M	05/10/19 EDT <b>+1.02%</b>
<b>BA</b>	<b>354.67</b>	<b>+0.54</b>
Boeing Co	Vol 4.2M	05/10/19 EDT <b>+0.15%</b>
<b>CAT</b>	<b>131.34</b>	<b>+0.14</b>
Caterpillar Inc	Vol 4.3M	05/10/19 EDT <b>+0.11%</b>
<b>CSCO</b>	<b>53.36</b>	<b>+0.44</b>
Cisco Systems Inc	Vol 21.0M	05/10/19 EDT <b>+0.83%</b>
<b>CVX</b>	<b>121.99</b>	<b>+0.80</b>
Chevron Corp	Vol 8.6M	05/10/19 EDT <b>+0.66%</b>
<b>DIS</b>	<b>134.04</b>	<b>+0.45</b>

Oxford Journals > Social Sciences > Quarterly Journal of Economics > Volume 112, Issue 2 > Pp. 647-661.

Click here to read a free collection of highly cited articles.

### The Effect of Myopia and Loss Aversion on Risk Taking: An Experimental Test\*

Richard H. Thaler, Amos Tversky, Daniel Kahneman and Alan Schwartz  
+ Author Affiliations

**Abstract**

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains and a tendency to evaluate outcomes frequently. Two implications of myopic loss aversion are tested experimentally. 1. Investors who display myopic loss aversion will be more willing to accept risks if they evaluate their investments less often. 2. If all payoffs are increased enough to eliminate losses, investors will accept more risk. In a task in which investors learn from experience, both predictions are supported. The investors who got the most frequent feedback (and thus the most information) took the least risk and earned the least money.

Footnotes

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Needless to say, it isn't easy these days to stay invested through thick and thin, especially given that folks are bombarded with worrisome media stimuli, some of it coming from very credible sources. Case in point was Saturday's *Wall Street Journal*, in which your Editor's second-favorite journalist Jason Zweig (the author of a terrific book on neural economics, entitled *Your Money and Your Brain*) perpetuated the argument that the current Bull Market began on March 9, 2009.

While Jason Zweig is a terrific financial writer, we think that determining Bull and Bear Markets only on a closing basis (as he did in the 6.15.19 edition of *The Wall Street Journal*) misses the very important fact that stocks actually trade when the market is open!

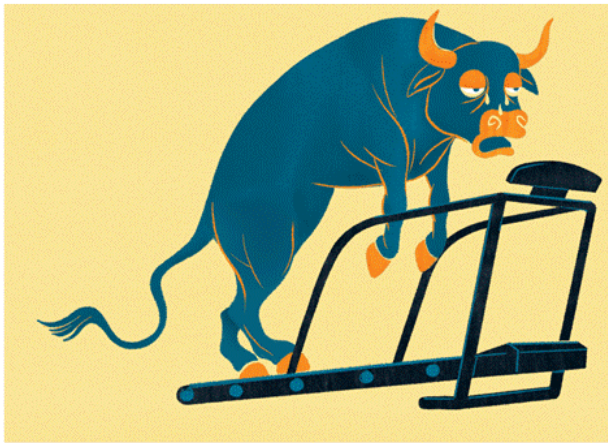
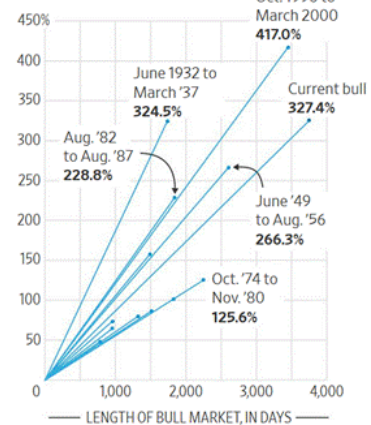


ILLUSTRATION: ALEX NABAUM

**Running of the Bulls**

The current bull market, which has lasted nearly 3,750 days, is the longest on record for the S&P 500. Is it getting tired?

**Percentage change in S&P 500 in previous bull markets**



Note: The current bull market—defined as a 20% rise in the S&P 500 Index from its previous low, ending when the index reaches its high and subsequently declines by 20%—began on March 9, 2009. Returns do not include reinvested dividends.  
Source: S&P Dow Jones Indices

Happily, there is plenty of evidence to refute Mr. Zweig’s assertion, as there was a Bear Market last year in just about every U.S. equity market index as well as in the average stock in the Russell 3000 and the Nasdaq Composite indexes.

2018 Bear Market							
Start	End	Perf	Instrument	Start	End	Perf	Instrument
9/20/2018	12/24/2018	-24.58%	Russell 3000 Average Stock	8/28/2018	12/24/2018	-24.64%	NASDAQ Composite Average Stock
10/3/2018	12/26/2018	-19.44%	Dow Jones Industrial Average	8/29/2018	12/24/2018	-23.28%	S&P 500 Pure Growth Index
8/30/2018	12/24/2018	-23.89%	NASDAQ Composite Index	1/24/2018	12/26/2018	-25.36%	S&P 500 Pure Value Index
9/21/2018	12/26/2018	-20.46%	Russell 1000 Index	2/1/2018	12/24/2018	-22.90%	S&P 500 Communication Services
8/31/2018	12/24/2018	-27.28%	Russell 2000 Index	10/1/2018	12/24/2018	-23.88%	S&P 500 Consumer Discretionary
9/21/2018	12/26/2018	-20.91%	Russell 3000 Index	1/29/2018	12/26/2018	-18.12%	S&P 500 Consumer Staples Secto
9/21/2018	12/26/2018	-20.21%	S&P 500 Index	5/22/2018	12/26/2018	-32.25%	S&P 500 Energy Sector GICS Lev
10/1/2018	12/24/2018	-22.64%	Russell 1000 Growth Index	1/29/2018	12/26/2018	-27.13%	S&P 500 Financials Sector GICS
1/26/2018	12/26/2018	-20.64%	Russell 1000 Value Index	10/1/2018	12/24/2018	-16.90%	S&P 500 Health Care Sector GIC
8/31/2018	12/24/2018	-29.11%	Russell 2000 Growth Index	1/29/2018	12/26/2018	-25.86%	S&P 500 Industrials Sector GIC
8/27/2018	12/26/2018	-25.99%	Russell 2000 Value Index	10/3/2018	12/24/2018	-24.50%	S&P 500 Information Technology
10/1/2018	12/24/2018	-23.02%	Russell 3000 Growth Index	1/26/2018	12/26/2018	-26.58%	S&P 500 Materials Sector GICS
1/26/2018	12/26/2018	-20.69%	Russell 3000 Value Index	12/6/2018	12/24/2018	-12.83%	S&P 500 Real Estate Sector GIC
10/1/2018	12/24/2018	-21.34%	S&P 500 Growth Index	12/13/2018	12/24/2018	-9.20%	S&P 500 Utilities Sector GICS
1/26/2018	12/26/2018	-21.63%	S&P 500 Value Index				

Yes, we understand that the “official” measure of a Bear Market is a 20% drop in the S&P 500 index, and that the benchmark fell “only” 19.8% on a closing basis, but as discussed above, investors have information and tools available at their finger-tips to trade their accounts throughout the day, meaning that we believe that ignoring intraday movements (the S&P was off 20.2% from its high on Boxing Day morning) is irresponsible,...

# THE PRUDENT SPECULATOR

## 2018 Bear Market: 09.21.18 – 12.26.18

While some correctly called it a Bear Market, given the 20.2% decline on an intraday basis from the high on 9.21.18 to the low on 12.26.18, the loss from 9.20.18 to 12.24.18 on a closing basis was “only” 19.8%



...especially when business television had no qualms about screaming that we were in a Bear Market back in December.

# THE PRUDENT SPECULATOR

## Bear Market '18: Financial TV Confirms

December 24, 2018



“The S&P 500 entered Wednesday's session in a bear market, down 20.06 percent from an all-time intraday high set on Sept. 21 amid ongoing turmoil in Washington. Stocks entered bear market territory on Monday after the worst Christmas Eve sell-off in history.” – CNBC.com



Readers know that we have been fighting the “Bull Market is too Old” argument for some time now,...



Recent Bull & Bear Markets			
Bull Market	Bear Market	Bloomberg	
12.24.18 - 6.14.19	9.20.18 - 12.24.18	Symbol	Index
Stock Indexes			
21.16	-17.77	INDU Index	Dow Jones Industrial Average
26.61	-22.63	CCMP Index	NASDAQ Composite Index
24.35	-19.69	RIY Index	Russell 1000 Index
20.99	-26.08	RTY Index	Russell 2000 Index
24.11	-20.17	RAY Index	Russell 3000 Index
24.04	-19.37	SPX Index	S&P 500 Index
28.20	-21.44	RLG Index	Russell 1000 Growth Index
20.61	-17.94	RLV Index	Russell 1000 Value Index
25.23	-27.83	RUO Index	Russell 2000 Growth Index
16.66	-24.24	RUJ Index	Russell 2000 Value Index
27.99	-21.94	RAG Index	Russell 3000 Growth Index
20.34	-18.40	RAV Index	Russell 3000 Value Index
26.64	-20.15	SGX Index	S&P 500 Growth Index
21.16	-18.44	SVX Index	S&P 500 Value Index
26.31	-22.33	SPXPG Index	S&P 500 Pure Growth
19.04	-22.39	SPXPV Index	S&P 500 Pure Value
13.29	-14.02	MXWOU Index	MSCI World Ex. U.S.
Source: Bloomberg			

We continue to hear otherwise smart folks argue that the Bull Market dates back to March 2009, even as numerous indexes, like the broad-based Russell 3000 (on a closing basis) and the S&P 500 (on an intraday basis), endured a Bear Market last year. As such, we assert that the Bull Market is less than six months old, a good sign, given that the average Bull has lasted some five years!

...and we were pleased to report a while back that your Editor's favorite financial journalist, Mark Hulbert, was one of the few who shared our view.

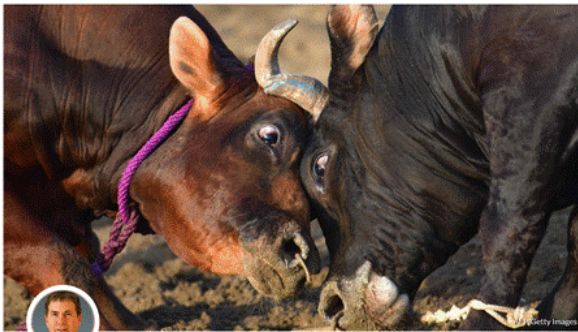
While our attempts to set the record straight in regard to the 2018 Bear Market generally have fallen on deaf ears, at least as far as the press goes, one of the nation's finest financial journalists has seen the light.

**MarketWatch** Latest Watchlist Markets Investing Barron's Economy Personal Finance

**Opinion: This bull market is 10 years old? Try three months**

Published: Mar 8, 2019 10:13 a.m. ET

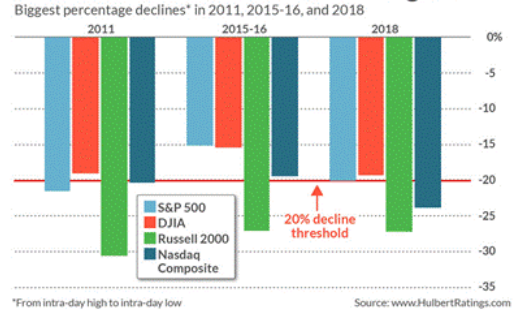
Investors conveniently ignore bear markets that hit over the past decade



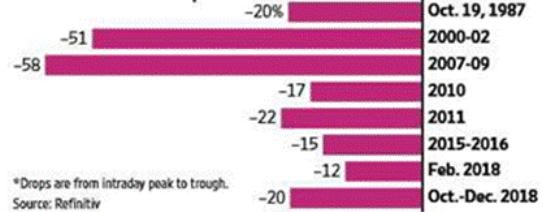
By  
**MARK HULBERT**

The birthday party Wall Street is throwing for the bull market's 10th birthday is a fraud.

**No bear market since 2009? Guess again**



**Selected S&P 500 drops\***



Of course, whether an index was off 19.8% or 20.2% is basically irrelevant as we know that it is a market of stocks and not simply a stock market, so individual names may be moving to the beat of their own drummer, independent of what the S&P 500 may be doing. In fact, numerous stocks, despite the big bounce since the end of June and since the end of the Bear Market last year, are presently in their own private Bear Markets. By way of example, we offer two baker's dozens of TPS stocks that are presently off at least 20% from their 52-week highs, making them particularly attractive by our way of thinking, no matter how old the current Bull Market might be.

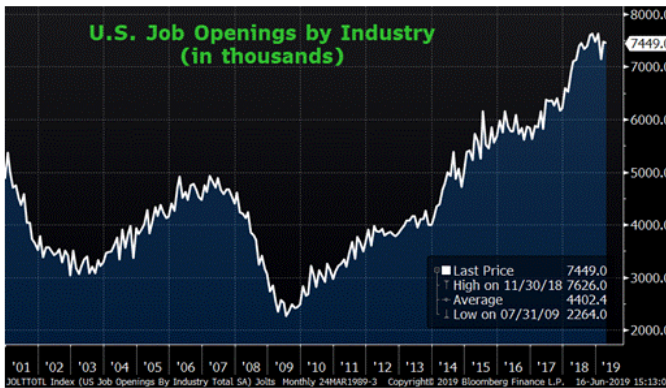
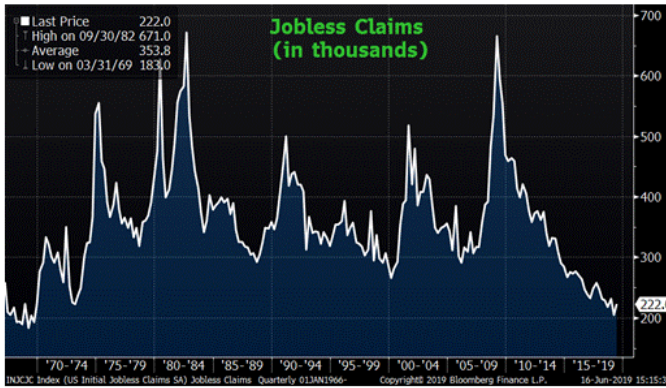
# THE PRUDENT SPECULATOR

## Undervalued Stocks in a Bear Market

Stocks in Private Bear Market - Off More than 20% from 52-Week High														
Symbol	Common Stock	Below High	6-14-19 Price	Target Price	Sector	P/E	P/S	P/TBV	ROCE	EV/ EBITDA	FCF Yld	Debt/ TE (%)	Div Yld	Mkt Cap
ADM	Archer-Daniels-Midland	-22%	\$40.79	\$56.03	Food, Bev, Tobacco	12.4	0.4	1.7	8.8	11.7	-17.7	62%	3.4%	22,849
ALB	Albemarle	-35%	\$70.88	\$128.40	Materials	13.1	2.2	4.3	18.6	8.4	-4.0	87%	2.1%	7,510
AVX	AVX Corp	-26%	\$15.80	\$22.25	Technology Hardware	9.8	1.5	1.4	11.7	4.5	3.9	0%	2.9%	2,663
BIIB	Biogen	-41%	\$227.67	\$423.46	Pharma, Biotech	8.4	3.2	8.6	33.5	6.6	12.0	124%	0.0%	44,144
BMY	Bristol-Myers Squibb	-25%	\$47.56	\$69.56	Pharma, Biotech	11.5	3.3	10.2	37.0	12.1	6.7	81%	3.4%	77,795
CAH	Cardinal Health	-24%	\$44.16	\$76.91	Health Care Equip/Srvcs	8.5	0.1	nmf	0.0	11.2	18.4	nmf	4.4%	13,162
CAT	Caterpillar	-20%	\$127.23	\$181.50	Capital Goods	11.2	1.3	9.8	41.5	6.6	5.4	333%	3.2%	72,760
CCL	Carnival Corp	-22%	\$53.12	\$78.68	Consumer Services	12.6	1.9	1.8	12.7	8.9	0.7	45%	3.8%	36,309
CMA	Comerica	-30%	\$70.21	\$107.00	Banks	9.0	nmf	1.6	16.7	nmf	nmf	nmf	3.8%	10,824
COHU	Cohu Inc	-44%	\$15.69	\$24.17	Semiconductors	13.6	1.3	nmf	-15.2	-47.9	8.8	nmf	1.5%	644
FDX	FedEx	-38%	\$164.55	\$285.84	Transportation	10.0	0.6	3.3	18.7	7.4	3.2	133%	1.6%	42,878
FL	Foot Locker	-37%	\$43.12	\$78.84	Retailing	9.0	0.6	2.0	21.3	6.7	10.6	121%	3.5%	4,730
GS	Goldman Sachs Group	-22%	\$191.66	\$283.86	Diversified Financials	8.4	nmf	1.0	12.3	nmf	nmf	nmf	1.8%	72,915
GT	Goodyear Tire	-42%	\$14.83	\$28.07	Autos & Components	7.4	0.2	0.8	11.7	5.5	4.4	151%	4.3%	3,444
HFC	HollyFrontier	-47%	\$40.30	\$72.12	Energy	6.5	0.4	2.4	18.5	4.7	16.1	96%	3.3%	6,882
ING	ING Groep NV	-28%	\$11.02	\$19.15	Banks	7.2	nmf	0.8	8.9	nmf	nmf	nmf	5.8%	42,939
INTC	Intel	-22%	\$46.19	\$61.10	Semiconductors	10.0	2.9	5.4	28.4	6.7	5.9	69%	2.7%	206,793
KR	Kroger Co	-26%	\$24.26	\$33.88	Food & Staples Retailing	11.6	0.2	5.5	41.9	6.8	5.8	341%	2.3%	19,570
KSS	Kohl's	-43%	\$47.77	\$85.26	Retailing	8.5	0.4	1.4	14.6	5.8	15.0	106%	5.6%	7,740
MOS	Mosaic	-40%	\$22.36	\$45.67	Materials	10.3	0.9	1.0	5.3	6.8	3.2	53%	0.9%	8,626
NTAP	NetApp	-31%	\$60.98	\$86.77	Technology Hardware	13.5	2.5	nmf	74.1	9.1	7.6	nmf	3.1%	15,061
SLB	Schlumberger Ltd	-48%	\$35.93	\$85.29	Energy	23.2	1.5	19.5	5.6	9.9	6.7	646%	5.6%	49,767
SYMC	Symantec	-22%	\$19.36	\$31.79	Software & Services	12.2	2.5	nmf	0.6	14.4	10.5	nmf	1.5%	11,968
TPR	Tapestry	-46%	\$29.54	\$54.39	Consumer Dur/Apparel	11.5	1.4	27.6	21.2	7.2	14.4	516%	4.6%	8,571
WBA	Walgreens Boots	-39%	\$52.57	\$100.67	Food & Staples Retailing	8.6	0.4	nmf	19.7	8.5	9.3	nmf	3.3%	48,065
WRK	Westrock	-40%	\$36.05	\$68.43	Materials	9.0	0.5	nmf	7.3	7.1	12.4	nmf	5.0%	9,266

As of 6-14-19. nmf=Not meaningful. ROCE = Return on Common Equity. TBV = Tangible book value. EV/EBITDA = Enterprise value to earnings before interest, taxes, depreciation and amortization. FCF Yield = Free Cash Flow Yield

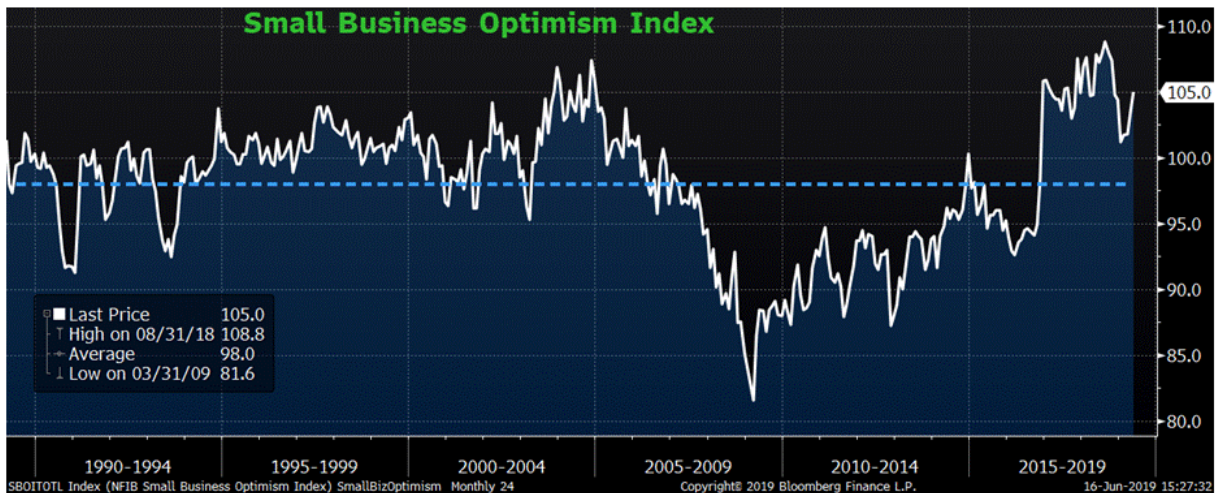
To be sure, the above is not meant to suggest that there is nothing to worry about as we know that there is plenty of drama left to play out regarding trade, the Fed, Brexit and the Middle East, to name just a few of the issues that may drive near-term market movements. Despite these and other concerns, we remain optimistic for the long haul, especially as the U.S. economy seems to be holding up well, given data out last week related to employment,...



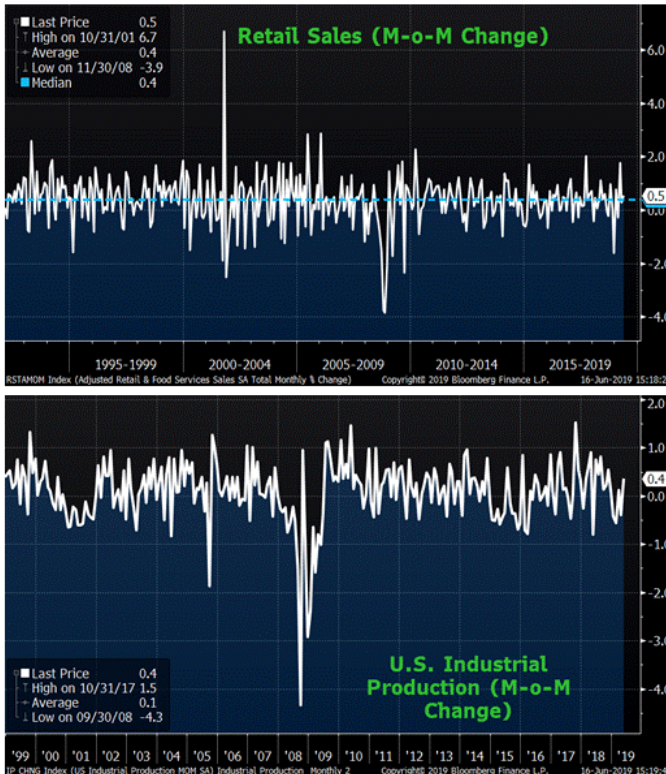
The latest figures (for the week ended 6.8.19) on first-time claims for unemployment benefits saw a higher-than-expected 222,000 new filings, though the tally is not too far from lows last seen in the late-1960s when the U.S. workforce was significantly smaller than it is today. And, job openings came in at a robust 7.449 million in April, a figure that is well ahead of the number of hires as well as those actively looking for a job.

...business sentiment,...

Given that the ratcheting up of trade tensions last month was part of this survey, it is interesting that the NFIB Small Business Optimism Index for May gained ground over April, rising 1.5 points to a reading of 105.0, well above the 98.0 historical average. The figure was even more impressive in that consensus forecasts ranged from 101.0 to 103.5.



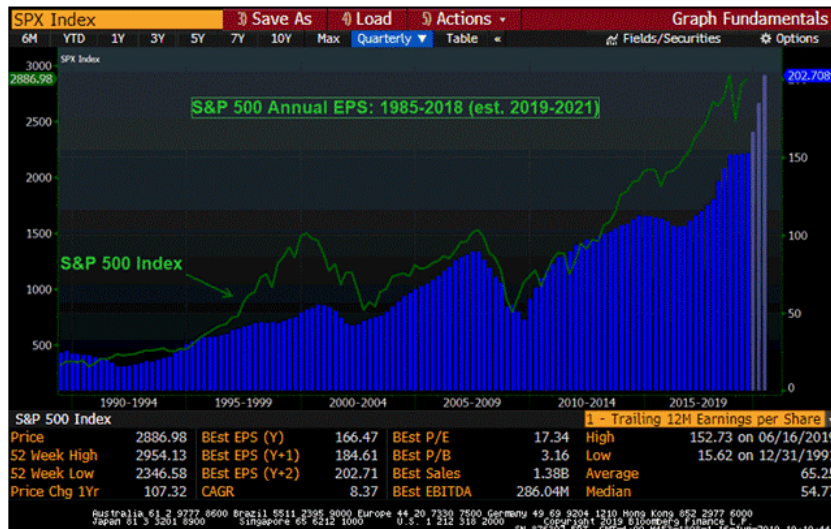
...and the health of the retail and factory sectors.



Uncle Sam said that retail sales for May rose 0.5%, while April's tally was revised upward to an increase of 0.3%. Retail sales excluding automobiles and gasoline also rose a solid and better-than-average 0.5%. Meanwhile, output at the nation's factories, mines and utilities rebounded to a stronger-than-expected 0.4% advance in May. Capacity utilization also climbed to 78.1%, up from 77.9% in April.

Certainly, we respect that the U.S. economy is slowing from the 3.1% GDP growth enjoyed in Q1, but we continue to think that corporate profits will continue to grow this year and over the next two years,...

Certainly, we understand that analysts are often overly optimistic in their projections, but sizable year-over-year earnings expansion is expected in '19, with further growth likely in '20 and '21.

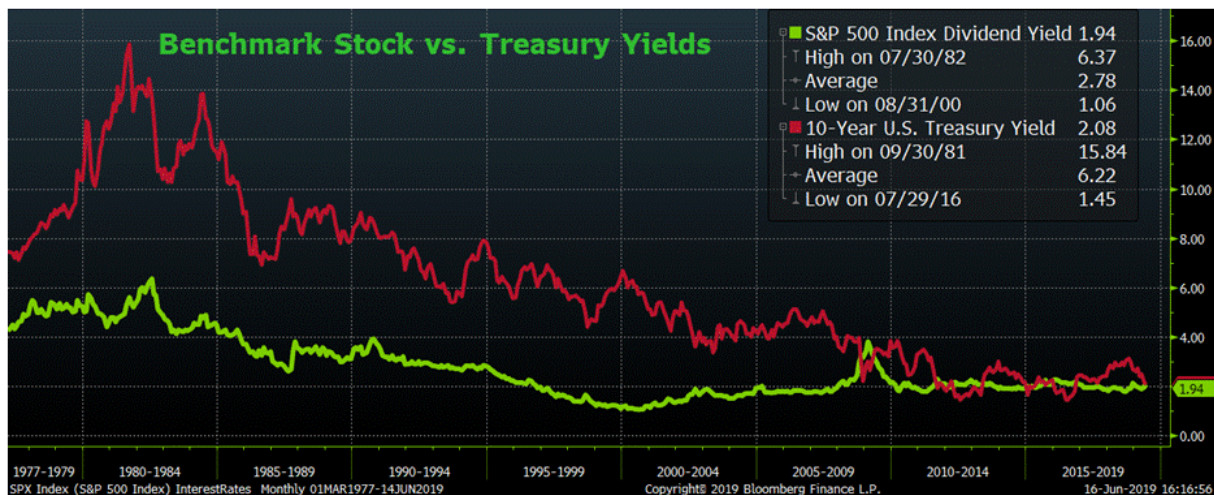


S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
<b>ESTIMATES</b>		
12/31/2020	\$49.27	\$184.82
9/30/2020	\$47.66	\$179.67
6/30/2020	\$45.31	\$174.77
3/31/2020	\$42.58	\$169.53
12/31/2019	\$44.12	\$164.93
9/30/2019	\$42.76	\$155.84
6/30/2019	\$40.07	\$154.46
3/31/2019	\$37.98	\$153.04
<b>ACTUAL</b>		
12/31/2018	\$35.03	\$151.60
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

Source: Standard & Poor's. As of 6.13.19

...while the current extraordinarily low interest rate environment makes the income offered by equities even more valuable.

Though we respect that equities and fixed income are two different asset classes, the current payout on the S&P 500 (1.94%) is extremely generous relative to the present 2.08% yield on the 10-Year U.S. Treasury. After all, the income offered by the benchmark government bond historically has been more than twice that of the S&P.



## 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://theprudentpeculator.com/dashboard/>, Jason Clark offers an update on one of our companies that had news last week that was of sufficient importance to trigger a review of its Target Price. And speaking of Target Prices, we posted this weekend an updated listing of our fair valuation measures for all our recommended stocks to our website, [theprudentpeculator.com](https://theprudentpeculator.com).

Electronic components maker **Corning** (GLW – \$30.91) hosted its 2019 Investor Day last week in which management laid out its plans and goals for the next four years.

“Over the past four years, Corning has created substantial shareholder value through successful execution of our Strategy and Capital Allocation Framework,” said CEO Wendell P. Weeks. “By the end of the year, we will have met or exceeded all the goals we set in late 2015, including returning more than \$12.5 billion to shareholders, while investing \$11 billion to extend our leadership and deliver growth. We did what we said we would do, and our shareholders have benefitted. We are excited to introduce our new Strategy and Growth Framework and provide insights into how Corning will generate growth and additional value through 2023.”



Management said that over the next four years, it believes that the firm can achieve a 6% to 8% compound annual sales growth, primarily driven by organic growth in Corning's market-access platforms. The company sees its EPS compound annual growth rate coming in between 12% to 15%, due to strong sales growth, improved operating margin, and continued share repurchases. Corning also anticipates generating \$16 billion to \$18 billion in total operating cash flow before RD&E, up significantly from the \$13 billion expected in 2016 through 2019, with \$8 billion to \$10 billion distributed to shareholders.

“We believe that Corning is more resilient than at any point in its history,” commented CFO Tony Tripeny. “Our strategic investments are paying off and our relationships with industry-leading customers are creating new opportunities for collaboration and growth. Based on these factors and our record of execution, we are confident in our ability to meet the long-term goals we are setting today.”

While some were looking for a bit stronger revenue growth and there are still concerns around the potential impact on Corning from the U.S. trade skirmish with China, we were encouraged by the outlook and we continue to think GLW offers best-in-class products with a strong management team that has achieved stated goals consistently. GLW yields 2.6% and trades at 15.1 times NTM adjusted EPS expectations. Our Target Price is \$44.