Market Commentary Monday, May 11, 2020

May 11, 2020

EXECUTIVE SUMMARY

Contrarian Buy Signal – AAII Bears Highest in Seven Years
Econ News – Awful Employment Situation
COVID-19 – Death Toll Continues to Rise; Fatality Projections Revised Upward
Bull Market Conundrum – 10% of Stock Price Reflects Next-12-Month Earnings
Interest Rates – Tremendous Support for Equities
Patience – The Longer You Hold, the Less the Risk of Loss
Stock News – Updates on DIS, SIEGY, PRU, WM, TSN, VIAC, DLR, MDC, WRK, TOT, HFC, NEM & KIM

Market Review

Perhaps we should all send a collective note of thanks to the good folks at the American Association of Individual Investors (AAII) as the latest weekly Sentiment Survey released this past Wednesday evening saw a drop in the number of Bulls and a leap in the number of Bears, the latter hitting a seven year high,…

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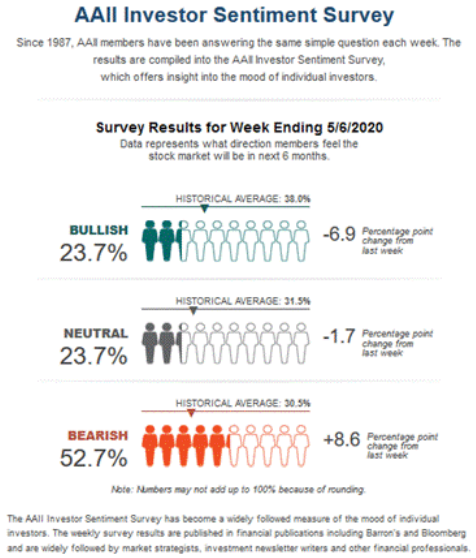
THE PRUDENT SPECULATOR
Sentiment: Pessimistic Toward Stocks

The latest Sentiment Survey of AAII members saw the number of Bears (52.7%) jump to a more-than-seven-year high.



The exodus from stocks picked up steam, per the latest data from ICI, as mutual and exchange traded fund investors resumed their long-running love-affair with bonds, even with interest rates at microscopic levels.

Combined Estimated Long-Term Fund Flows and ETF Net Issuance
Millions of dollars

Week Ended	4/29/2020	4/22/2020	4/15/2020	4/8/2020	4/1/2020
Total Equity	-19,524	-9,454	4,677	6,461	12,498
Domestic	-12,733	-1,522	8,937	8,504	12,502
World	-6,791	-7,933	-4,261	-2,043	-4
Hybrid	-2,309	-507	4,853	-2,655	3,911
Total Bond	6,696	9,717	6,110	-10,526	-30,444
Taxable	8,435	9,103	4,796	-7,623	-28,995
Municipal	-1,739	613	1,314	-2,903	-1,449
Commodity	1,692	4,815	4,012	2,192	3,064
Total	-13,444	4,571	19,651	-4,528	-10,971

Source: Investment Company Institute

…and issuing another Buy signal on this contrarian gauge.

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THE PRUDENT SPECULATOR
AAII Sentiment – Contrarian Buy Signal

The big 6.9-point drop in Bullishness and sizable 8.6-point jump in Bearishness for the week ending 05.06.20 sent the AAII Bull-Bear Spread to a reading of -29.0, pushing the sentiment indicator back to the lowest decile, which history shows offers investors the best near-term returns!

AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
	Below & Above Median Bull Bear Spread = 8.0										
BELOW	-54.0	8.0	872	0.25%	0.21%	1.17%	1.04%	3.23%	2.86%	6.42%	5.71%
ABOVE	8.1	62.9	837	0.15%	0.13%	0.43%	0.34%	1.84%	1.59%	4.51%	4.02%
	Ten Groupings of 1709 Data Points										
1	-54.0	-14.9	171	0.49%	0.42%	1.83%	1.58%	4.70%	4.17%	8.62%	7.46%
2	-14.8	-7.1	171	0.29%	0.26%	0.88%	0.76%	3.16%	2.81%	6.08%	5.35%
3	-7.0	-1.2	171	0.38%	0.35%	1.52%	1.42%	3.15%	2.73%	6.66%	5.96%
4	-1.1	3.0	171	0.04%	0.00%	1.05%	0.96%	2.84%	2.50%	6.29%	5.83%
5	3.0	8.0	188	0.05%	0.02%	0.61%	0.52%	2.40%	2.15%	4.65%	4.13%
6	8.1	12.1	153	0.09%	0.06%	0.36%	0.23%	1.59%	1.35%	4.74%	4.24%
7	12.2	16.4	171	0.17%	0.15%	0.60%	0.51%	2.47%	2.22%	5.23%	4.79%
8	16.5	22.0	175	0.17%	0.15%	0.66%	0.59%	1.92%	1.64%	5.80%	5.37%
9	22.0	29.2	167	0.07%	0.05%	0.22%	0.14%	1.78%	1.50%	4.14%	3.55%
10	29.2	62.9	171	0.26%	0.24%	0.29%	0.22%	1.42%	1.19%	2.62%	2.17%

From 07.31.87 through 4.30.19. Unannualized. SOURCE: Kovitz Investment Group using data from American Association of Individual Investors and Bloomberg

After all, it is hard to credit economic data for the handsome rally (the Russell 3000 Value index rebounded 3.87%) on Thursday and Friday, given that the all-important April Employment Situation report from the Bureau of Labor Statistics was off the charts in a bad way,…

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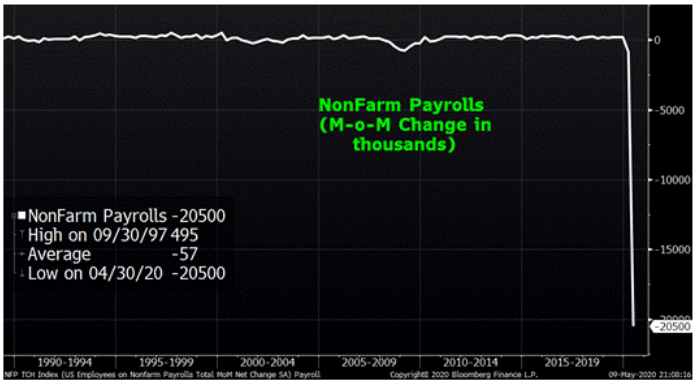
THE PRUDENT SPECULATOR
Abysmal Employment Report



The number of jobs lost in April came in at a massive 20.5 million, which, believe it or not, was a bit better than feared, with leisure and hospitality suffering the worst losses. Still, there was a ray of light as nearly 80% of the unemployed said they had been laid off temporarily and expected to return to work in coming months. Given that a lot of the layoffs were for lower-paying jobs, average hourly earnings jumped 7.9%.

…with the awful 14.7% unemployment rate for April likely to be even worse in May,…

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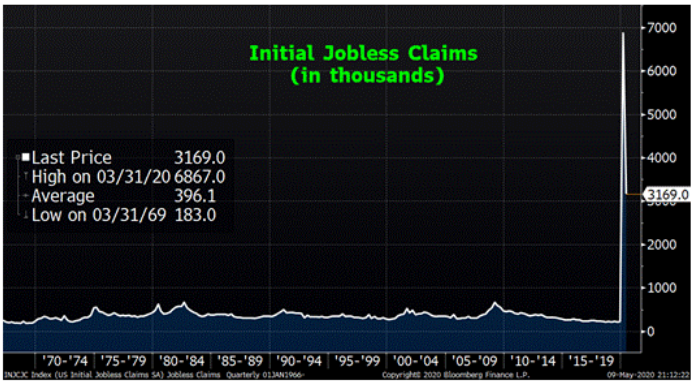
THE PRUDENT SPECULATOR
Historically Bad Labor Numbers



The jobless rate for April soared to 14.7%, shattering the post-Great-Depression records and blowing away the respective 10.0% and 10.8% peaks seen in October 2009 and December 1982. And, the latest figures on initial claims for unemployment benefits saw 3.2 million new filings, down from the all time high of 6.9 million set the week of March 31, but pushing the seven-week total to a mind-numbing 33.5 million.

…and White House economic adviser Kevin Hassett saying this weekend that we may hit a 20% jobless figure this month. Mr. Hassett added, “If you remember that we basically stopped the greatest economy on Earth to save lives and I think that we’re very glad we’ve saved lots of lives.” Obviously, the economic data will continue to be impacted by COVID-19 and the Great Lockdown,…

THE PRUDENT SPECULATOR
ISM Non-Manufacturing Plummets

The April reading on the health of the service sector (NMI) plunged to 41.8, though the COVID-19-impacted tally was better than expected, even as only numbers seen during the Great Recession were worse. The Institute for Supply Management said, "The past relationship between the NMI and the overall economy…corresponds to a 2.3% decrease in real gross domestic product (GDP) on an annualized basis."

…but Mr. Hassett acknowledged that the Congressional Budget Office is calling for GDP growth in Q3 and Q4 as the U.S. and global economies gradually reopen. Also, Larry Kudlow, the chairman of the White House's National Economic Council, stated on Sunday, "As bad as those job numbers were—and I don't want to sugarcoat it, because I think the numbers for May are going to be also very difficult numbers. It's going to take a while for the reopening to have an impact. So, there's that. The second point is, inside the numbers, there's a glimmer of hope. I don't want to downplay the numbers, mind you, but there's a glimmer of hope."

To be sure, there is plenty about which to be concerned on the COVID-19 front as the death counts continue to climb,…

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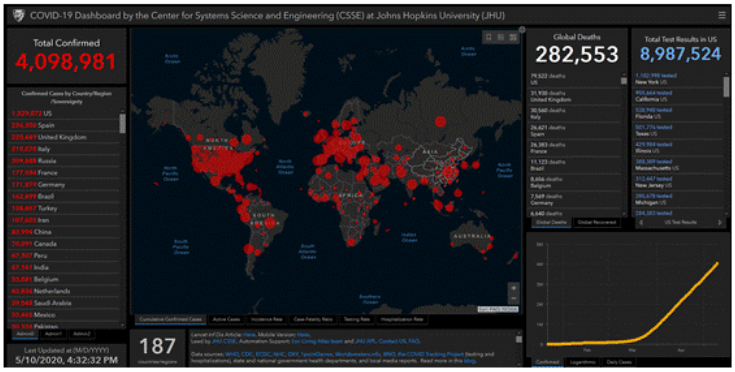
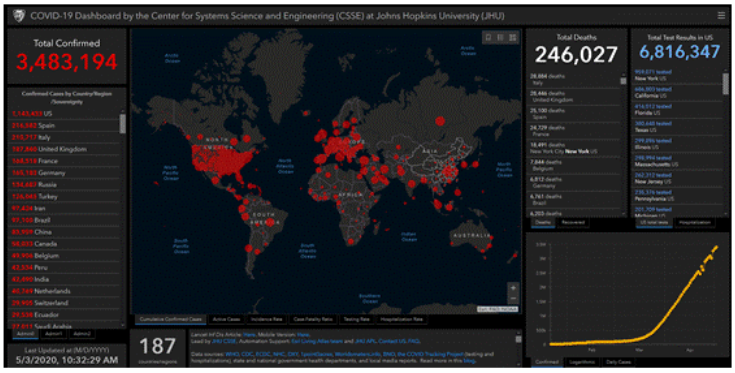
THE PRUDENT SPECULATOR
Slowing COVID-19 Global Spread





Covid-19 confirmed cases and deaths continued to rise in the latest week, with the U.S. now up to nearly 80,000 fatalities, but the so-called "curve" has flattened. And countries and states are slowly reopening their economies, though the health threat is hardly contained, sparking worries about a second wave of infections, even as progress continues to be made on antivirals and vaccines.

https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

…and domestic mortality predictions have moved sharply higher,…

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THE PRUDENT SPECULATOR
Increasing COVID-19 Death Projections

Source: https://covid19.healthdata.org/united-states-of-america

Total COVID-19 fatality estimates by 8.4.20 from the University of Washington's Institute for Health Metrics and Evaluation jumped to 137,184, due to "planned and actual easing of social distancing, changes in mobility, and variability in testing, as well as the observation that deaths in certain U.S. states have been staying at a higher level for a longer period of time than seen in other countries that experienced earlier epidemics."

…which has many market watchers questioning the big bounce that has propelled stocks well into Bull Market territory.

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THE PRUDENT SPECULATOR
Market of Stocks — 2020 Bull Market

2020 Bull Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
3/23/2020	5/8/2020	36.44%	Russell 3000 Average Stock	3/23/2020	5/8/2020	37.33%	NASDAQ Composite Average Stock
3/23/2020	4/29/2020	32.50%	Dow Jones Industrial Average	3/23/2020	5/8/2020	39.00%	S&P 500 Pure Growth Index
3/23/2020	5/8/2020	32.95%	NASDAQ Composite Index	3/23/2020	4/29/2020	39.89%	S&P 500 Pure Value Index
3/23/2020	4/29/2020	32.19%	Russell 1000 Index	3/23/2020	5/8/2020	26.47%	S&P 500 Communication Services
3/23/2020	4/29/2020	35.75%	Russell 2000 Index	3/23/2020	4/30/2020	33.90%	S&P 500 Consumer Discretionary
3/23/2020	4/29/2020	32.40%	Russell 3000 Index	3/23/2020	4/17/2020	24.19%	S&P 500 Consumer Staples Secto
3/23/2020	4/29/2020	31.38%	S&P 500 Index	3/23/2020	4/29/2020	63.66%	S&P 500 Energy Sector GICS Lev
3/23/2020	5/8/2020	34.43%	Russell 1000 Growth Index	3/23/2020	4/29/2020	32.44%	S&P 500 Financials Sector GICS
3/23/2020	4/29/2020	32.81%	Russell 1000 Value Index	3/23/2020	4/27/2020	35.91%	S&P 500 Health Care Sector GIC
3/23/2020	4/29/2020	36.71%	Russell 2000 Growth Index	3/23/2020	4/29/2020	34.36%	S&P 500 Industrials Sector GIC
3/23/2020	4/29/2020	34.59%	Russell 2000 Value Index	3/23/2020	5/8/2020	34.37%	S&P 500 Information Technology
3/23/2020	5/8/2020	34.55%	Russell 3000 Growth Index	3/23/2020	4/29/2020	39.24%	S&P 500 Materials Sector GICS
3/23/2020	4/29/2020	32.91%	Russell 3000 Value Index	3/23/2020	4/9/2020	39.01%	S&P 500 Real Estate Sector GIC
3/23/2020	5/8/2020	33.22%	S&P 500 Growth Index	3/23/2020	4/9/2020	35.83%	S&P 500 Utilities Sector GICS
3/23/2020	4/29/2020	31.85%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source: Bloomberg

Of course, these same pundits seem to have forgotten that we had an unprecedented five-week Bear Market from February 19 through March 23, in which the average stock in the Russell 3000 index plummeted more than 40%,…

2020 Bear Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
2/19/2020	**3/23/2020**	**-40.54%**	**Russell 3000 Average Stock**	**2/19/2020**	**3/23/2020**	**-34.03%**	**NASDAQ Composite Average Stock**
2/12/2020	3/23/2020	-38.40%	Dow Jones Industrial Average	2/19/2020	3/23/2020	-38.19%	S&P 500 Pure Growth Index
2/19/2020	3/23/2020	-32.60%	NASDAQ Composite Index	1/17/2020	3/23/2020	-51.78%	S&P 500 Pure Value Index
2/19/2020	3/23/2020	-36.23%	Russell 1000 Index	2/19/2020	3/23/2020	-31.26%	S&P 500 Communication Services
1/17/2020	3/18/2020	-43.66%	Russell 2000 Index	2/19/2020	3/18/2020	-36.94%	S&P 500 Consumer Discretionary
2/19/2020	3/23/2020	-36.66%	Russell 3000 Index	2/18/2020	3/23/2020	-26.15%	S&P 500 Consumer Staples Secto
2/19/2020	3/23/2020	-35.41%	S&P 500 Index	4/26/2019	3/18/2020	-65.24%	S&P 500 Energy Sector GICS Lev
2/19/2020	3/23/2020	-33.50%	Russell 1000 Growth Index	2/12/2020	3/23/2020	-43.93%	S&P 500 Financials Sector GICS
2/12/2020	3/23/2020	-39.57%	Russell 1000 Value Index	1/22/2020	3/23/2020	-24.47%	S&P 500 Health Care Sector GIC
2/19/2020	3/18/2020	-42.64%	Russell 2000 Growth Index	2/12/2020	3/23/2020	-27.66%	S&P 500 Industrials Sector GIC
1/17/2020	3/23/2020	-46.76%	Russell 2000 Value Index	2/19/2020	3/23/2020	-13.61%	S&P 500 Information Technology
2/19/2020	3/23/2020	-33.98%	Russell 3000 Growth Index	1/2/2020	3/18/2020	-38.12%	S&P 500 Materials Sector GICS
1/17/2020	3/23/2020	-39.97%	Russell 3000 Value Index	2/21/2020	3/23/2020	-21.17%	S&P 500 Real Estate Sector GIC
2/19/2020	3/23/2020	-33.35%	S&P 500 Growth Index	2/18/2020	3/23/2020	-17.66%	S&P 500 Utilities Sector GICS
2/12/2020	3/23/2020	-38.34%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source: Bloomberg

…and that average stock is still down 18.41% year to date as of this writing. Clearly, one cannot say that stocks are somehow mispriced on May 8 and with a straight face suggest that they were properly priced on March 23. This is especially true when, as Wharton Professor and *Stocks for the Long Run* author Jeremy Siegel said this past Friday on *CNBC Television*, "More than 90% of the value of stocks is from earnings more than 12 months in the future."

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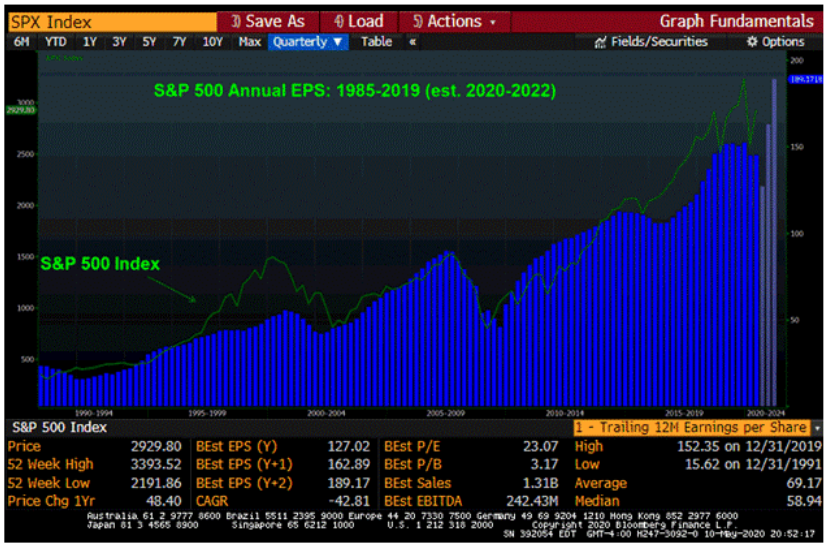
THE PRUDENT SPECULATOR
EPS to Crater in '20 and Rebound in '21

Analysts are likely still too high in lowering their projections for COVID-19-impacted earnings this year, but it is hardly unreasonable to expect a significant rebound in corporate profits in 2021.



S&P 500 Earnings Per Share		
Quanter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2021	$45.25	$165.12
9/30/2021	$43.07	$156.96
6/30/2021	$39.19	$146.28
3/31/2021	$37.61	$131.66
12/31/2020	$37.09	$121.94
9/30/2020	$32.39	$124.03
6/30/2020	$24.57	$131.45
3/31/2020	$27.89	$147.02
ACTUAL		
12/31/2019	$39.18	$157.12
9/30/2019	$39.81	$152.97
6/30/2019	$40.14	$154.54
3/31/2019	$37.99	$153.05
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

Source: Standard & Poor's. As of 5.1.20

No doubt, we do not know how COVID-19 will evolve, and stock prices will likely remain quite volatile, but we cannot ignore all of the stimulus doled out by Washington and the gargantuan liquidity boost provided by the Federal Reserve,…

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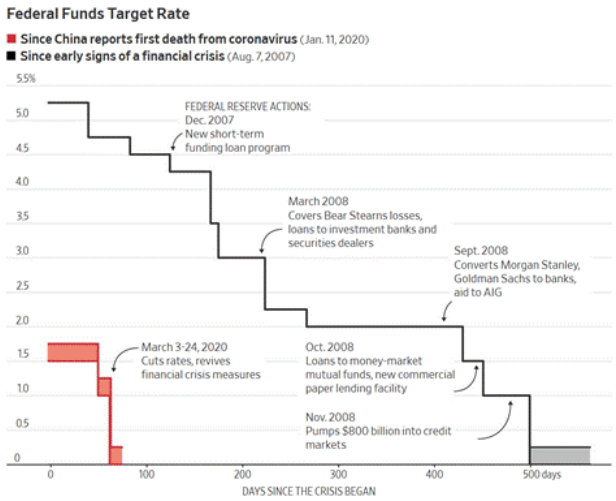
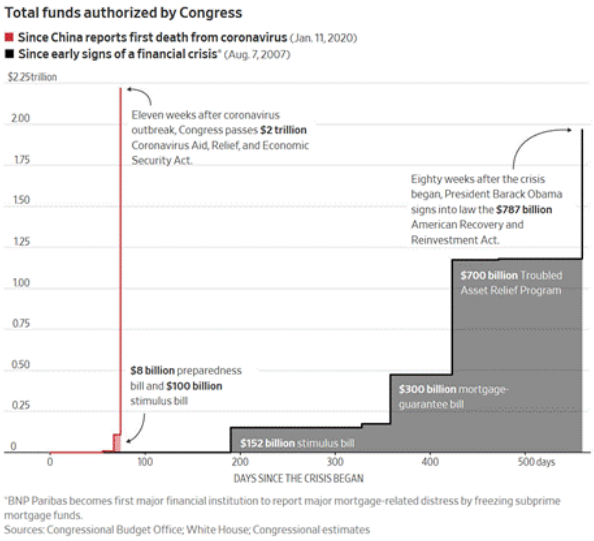
THE PRUDENT SPECULATOR
Washington's Incredibly Swift Response

As *The Wall Street Journal* reported, "The Fed and Congress sped up the response to the coronavirus pandemic using strategies tested a decade ago in the financial crisis, while a united GOP and less concern for the deficit smoothed way for $2 trillion legislation."





…which has sent interest rates skidding to record lows, making stocks extremely attractive vis-à-vis bonds on a valuation and income perspective,…

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THE PRUDENT SPECULATOR
Interest Rates Very Supportive of Stocks

The so-called Fed Model suggests that the yield on 10-Year Treasuries should be similar to the S&P 500 Earnings Yield, which is the inverse of the P/E ratio. If the 10-Year is greater than the S&P Earnings Yield, a market is overvalued and if the reverse is true, as it is today, a market is undervalued. Though some argue that the Fed Model is no longer an effective tool, we like today's very rich earnings yield (4.96%), and that the S&P dividend yield (2.07%) dwarfs the 10-Year Treasury's (0.68%).

…even as we will have to temporarily forgo some dividend payouts this year.

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THE PRUDENT SPECULATOR
Dividends Provide Handsome Income

While dividends are never guaranteed, as we are seeing today in the wake of the Great Lockdown, the historical evidence suggests that Corporate America has a long history of raising payouts.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2020 (as of 5.6.20)	147	1	16	31
2019	355	6	7	0
2018	374	6	3	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

Source: Standard & Poor's.

S&P 500 DIVIDENDS PER SHARE	
2021 (Est.)	$62.82
2020 (Est.)	$59.69
2019	$58.69
2018	$53.86
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

Source: Bloomberg. As of 5.8.20

True, fixed income prices generally are far less volatile than equity prices, but for those with a long-term time horizon, the odds really favor stocks these days in the forward-looking prospective performance derby.

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THE PRUDENT SPECULATOR
The Longer the Hold, the Lower the Risk

While many view bonds as much less risky than equities, given that fixed income investments generally boast lower volatility, it is nice to see the odds of Value Stocks and Dividend Payers outperforming intermediate U.S. Government bonds increase markedly as the level of patience rises.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >0.64%	Count <=0.64%	Percent >0.64%
1 Month	696	417	62.5%
3 Months	743	368	66.9%
6 Months	778	330	70.2%
1 Year	803	299	72.9%
2 Year	908	182	83.3%
3 Year	941	137	87.3%
5 Year	941	113	89.3%
7 Year	991	39	96.2%
10 Year	959	35	96.5%
15 Year	930	4	99.6%
20 Year	874	0	100.0%

DIVIDEND PAYERS

	Count >0.64%	Count <=0.64%	Percent >0.64%
1 Month	698	415	62.7%
3 Months	763	348	68.7%
6 Months	793	315	71.6%
1 Year	822	280	74.6%
2 Year	915	175	83.9%
3 Year	910	168	84.4%
5 Year	955	99	90.6%
7 Year	981	49	95.2%
10 Year	955	39	96.1%
15 Year	932	2	99.8%
20 Year	874	0	100.0%

From 07.31.27 through 03.31.20. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Stock Updates

Q1 earnings reporting season remains in high gear, and Jason Clark, Chris Quigley and Zach Tart look at a baker's dozen of our companies that posted quarterly results or had updates out last week. Not surprisingly, our work has had to shift toward financial liquidity and business viability, versus the usual focus on price-related financial metrics. Readers should keep in mind that all stocks are rated as a "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/.

Movies, entertainment and theme park company **Walt Disney** (DIS – $109.16) earned $0.60 per share in fiscal Q2 2020 (vs. $0.86 est.). DIS had revenue of $18.0 billion (vs. $17.7 billion est.). While the company beat estimates, those projections have been whittled down over the past two months from about $1.40 of EPS and $19.5 billion. DIS shares were volatile on the earnings news but gained a little more than 3% for the week.

CEO Bob Chapek commented, "While it's too early to predict when we'll be able to begin resuming all of our operations, we are evaluating a number of different scenarios to ensure a cautious, sensible and deliberate approach to the eventual reopening of our parks. As you know, our parks have been closed around the world: Shanghai and Hong Kong since January; Tokyo

since February and our U.S. and Paris parks since mid-March. The approach we take may include implementation of guest capacity and density control measures as well as health and prevention procedures that comply with state and federal guidelines. We are seeing encouraging signs of a gradual return to some semblance of normalcy in China." Disney reported that all of the all of the tickets for Shanghai Disneyland had sold out. Visitors will be required to wear face masks at all times (except when eating), among other safety-related changes, but the strong demand is an encouraging sign that folks are ready to enjoy Disney parks again.

Mr Chapek continued, "ESPN has truly stepped up in the absence of live sports, finding new and innovative ways to deliver compelling content that fans want. This included releasing, 2 months early, the highly anticipated 10-part docuseries on Michael Jordan and the Chicago Bulls, *The Last Dance*. The series, which continues through May 17, is the most viewed ESPN documentary ever and currently ranks as the #1 program in America amongst all key male demos since sports halted. On the studio side, we're incredibly excited about our upcoming slate of films. However, with theaters closed and our production shutdown due to COVID-19, we've had to reschedule a number of release dates for tentpole movies. In late March, as planned and despite COVID-19, we had an incredibly successful launch of Disney+ in Western Europe, followed by a highly successful launch in India. We announced in early April that in just 5 months, we had surpassed 50 million subscribers globally, a significant milestone for us. We've been quite pleased with the growth that we've seen in the 4 weeks since then, and there's more to come."

While there's uncertainty related to consumer spending, consumer behavior and the effect of the sky-high unemployment rate, we think that the ships will begin sailing again and major sports will resume competitions in due time. Indeed, major sports leagues are reportedly working on plans to restart, including this past week's release of the fall NFL schedule, and we think that while the competitive environment might look different, people will be thrilled to have live action back on TV. For the Parks, if Shanghai is any indication, it looks that there will be plenty of visitors ready to visit the company's properties when they reopen. The company's streaming services, Hulu and Disney+ in particular, have been stellar during the broad stay-at-home orders and we think that the momentum is unlikely to abate as the restrictions are lifted. While DIS has discontinued its July dividend payment in order to preserve cash, our enthusiasm for the company remains strong as ever. Our Target Price for DIS is $143.

German industrial conglomerate **Siemens AG** (SIEGY – $47.88) posted earnings per share of $0.66, versus the $0.50 estimate, in fiscal Q2 2020. SIEGY had sales of $15.7 billion, versus the $22.4 billion estimate, which obviously had not been completely adjusted for the COVID-19 global economic shutdown. The stock gained more than 5% on the news, as revenue guidance was stronger than expected. While SIEGY pulled its EPS guidance, the company said that it expects a "moderate comparable revenue decline" for FY 2020, which we think is better than it could have been.

SIEGY says that the pandemic will have an even larger impact in fiscal Q3 than Q2 and that the current challenges bring midterm opportunities. Management believes that global stimulus packages "offer further opportunities for our businesses, be it in modernized — industrial

modernization, IOT, AI applications, energy efficiency, sustainable mobility or improving their health care systems."

Deputy CEO Roland Busch said, "Beginning in January and in February, we saw unprecedented downturn in China, with a clear bounce back in March. Since then, pandemic-related lockdowns have spread around the globe. We see currently a massive decline in economic output and customer demand. Many of our core verticals, like automotive and machine building, are affected… Our more focused and simplified portfolio is well suited for cyclical fluctuations and macroeconomic volatility. Our companies offer a healthy mix of short- and long-cycle businesses combined with a growing service and software component. We are leading the digital transformation in our industries. Even after carving out [future carve-out] Siemens Energy, with a backlog of EUR 81 billion, the remaining backlog stands at impressive EUR 69 billion."

CFO Ralf Thomas added, "We build on our core strengths in this crisis; a dedicated and experienced team that continues to serve our customers very well; a healthy balance sheet with financial flexibility to act from a position of strength; a sound strategy with Vision 2020+, which we implement in a very stringent way, shaping a more focused and resilient portfolio. We will come out of this crisis stronger by driving structural improvements and adjusting the cost base to mitigate the financial impact. Finally, we build on our leading capabilities in automation and digitalization to drive midterm opportunities arising from the crisis."

Analysts expect Siemens to earn about $3.00 per share in 2020, growing to $4.50 by fiscal 2022. The company still expects to maintain its annual dividend, but historical precedent suggests that it wouldn't be paid until February 2021, so there is lots of time left to decide to make different capital allocation decisions. We believe the near-term headwinds could be stiff, but the giant infrastructure projects that Siemens specializes in are decisions that are made in terms of years or decades. Therefore, we see no reason at present to dampen our enthusiasm for SIEGY. Our Target Price remains $78.

Prudential Financial (PRU – $58.98) shares continued to struggle in 2020 (down 37%) after reporting Q1 financial results. The insurance titan announced that during the first three months of the year, adjusted EPS came in at $2.32, trailing the consensus estimate by more than 16%. Variable investment income accounted for the majority of the miss. Of note, PRU said its adjusted book value per share reached $99.71 in Q1, leaving its shares trading at just 59% of the value.

PRU CEO Charles Lowrey commented, "The strength of our balance sheet enables us to manage our business for the long-term growth, while dealing with short-term business realities. Prioritizing the well being of our employees enables us to address the evolving health and financial needs of our customers, as the pandemic and its economic impact reverberate more broadly. We've also provided customers with assistance, such as premium deferrals and fee waivers as well as enhanced digital tools…We're confident in our ability to successfully manage in this environment, in large part due to the robust operational and financial risk framework that we put into place after the Great Recession of 2008. This framework prepared us with a playbook to address multiple stress scenarios, including pandemics and economic conditions that are more severe than what we are currently experiencing."

Supported by Our Rock Solid Balance Sheet

- Capital continued to exceed AA strength levels as of March 31, 2020
- Enacted stress scenario playbook in 1Q20, further enhancing balance sheet strength
  - Raised $1.5 billion of debt, intended to cover maturities through 2021, including $500 million green bond issuance – 1st U.S. company in our sector
  - Increased liquidity in subsidiaries
  - Temporary suspension of share repurchases
- Variable annuity hedging 99% effective
- Conservative investment portfolio
- Significant additional resources available

Mr. Lowrey continued, “In addition, we benefit from our recurring revenue model and mix of complementary businesses, which offset risk and produce capital benefits giving us confidence about Prudential to navigate the current environment. We began 2020 with a strong capital and liquidity position and our capital ended the quarter exceeding AA financial strength levels. As the pandemic unfolded and in light of uncertainty in the global markets, we executed our playbook. We successfully issued $1.5 billion of senior debt in early March, while spreads were still attractive. This included $500 million Green Bond issuance, the first of its kind for a U.S. company in our sector. These actions pre-funded our opportunities through the end of 2021 and enhanced the liquidity of our businesses.”

He concluded, “As part of the playbook, we further enhanced liquidity of our businesses and also paused share repurchases at the end of the first quarter to see how the economic environment develops. During the quarter, our variable annuity hedging performed extremely well, with a 99% effective rate. Our approach to hedging the economic risk resulted in significant gains on our equity market and interest rate hedges to offset the increased liability. We feel comfortable about our ability to manage equity market fluctuations and continued low interest rates over time. We’re also highly confident about the quality of our investment portfolio. The strength of our financial position means our dividend to shareholders remain well covered by our income and free cash flow.”

While low interest rates, reduced equity valuations, lower sales volumes and mortality adjustments will serve as near-term headwinds, we still think PRU shares offer investors attractive long-term upside, especially after the beating they have taken since mid-February. The dividend is still in place, and the yield is currently 7.5%. All things considered, our Target Price for PRU has been trimmed to $120.

Environmental and waste services firm **Waste Management** (WM – $100.97) reported Q1 EPS of $0.93, versus the $0.92 consensus analyst estimate. During the three-month period, WM generated $3.73 billion of revenue, topping investor forecasts of $3.71 billion. WM CEO Jim Fish commented, "For the first 2.5 months of the quarter, our operations were performing extremely well, putting us on track to exceed our first quarter goals. Of course, the whole world changed during the second half of March, and we swiftly began to adapt our business and identify cost-saving opportunities. I can assure you that we are maximizing our asset utilization and looking at all discretionary costs and capital spending."

Mr. Fish concluded, "We're looking at this unprecedented event as an opportunity to permanently change our business processes, our customer service offering, our work, our office work model and application of digital business solutions, to name a few. WM has always been a very resilient business model, and we will make sure we come out of this pandemic stronger, more differentiated and even more resilient than we were going in. It has been about 1 year since we announced our acquisition of Advanced Disposal. Despite the general business disruption caused by COVID-19, we continue to make progress and currently anticipate being in a position to receive final antitrust regulatory approval and proceed towards closing by the end of second quarter of 2020. We're looking forward to completing this transaction, integrating the ADS team and operations and creating long-term value for our shareholders."

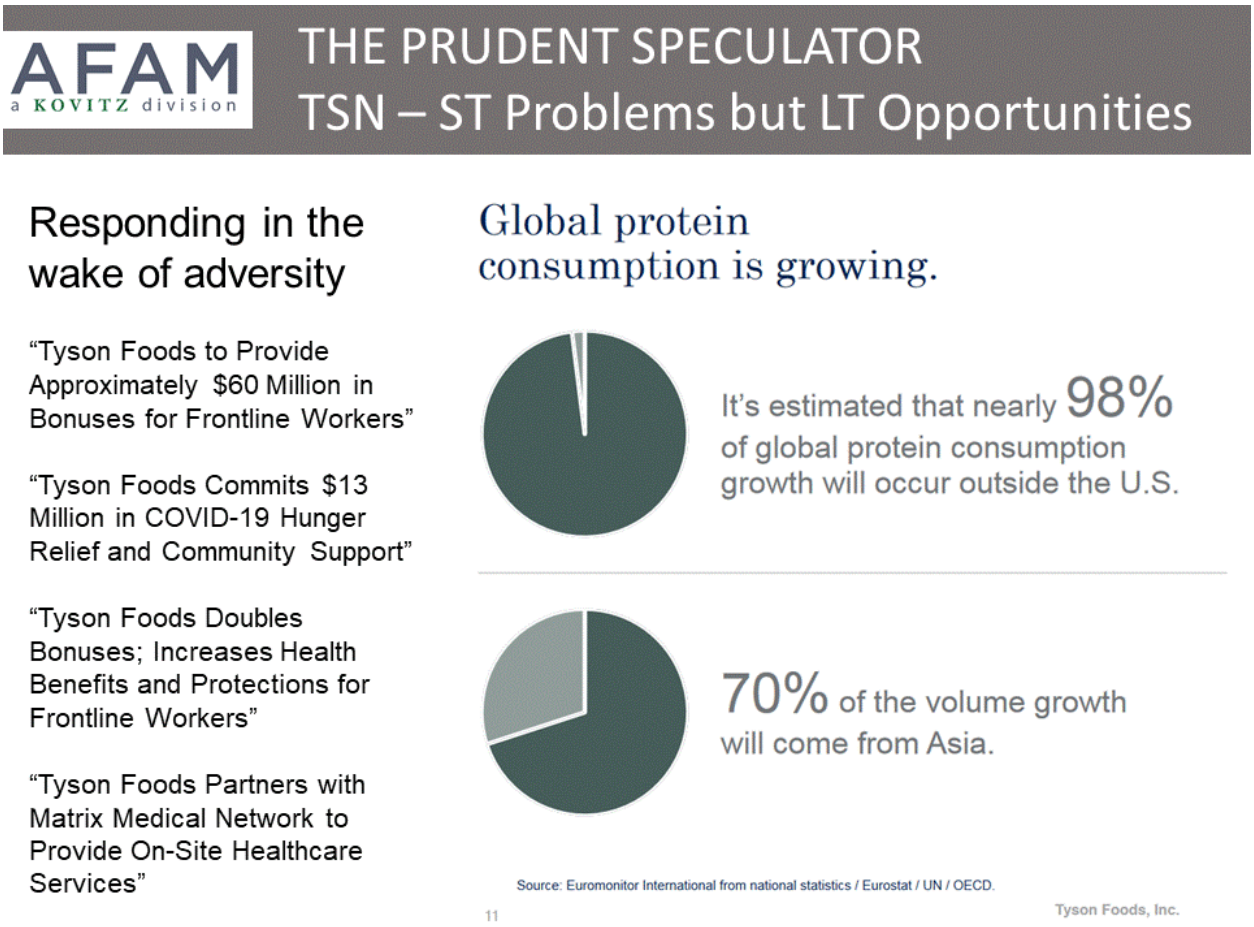
We like that WM has the largest network of recycling facilities, transfer stations and landfills in the industry (even receiving revenue in certain regions from competitors that have to use its landfills). While shares were beaten down during the coronavirus-related rout in February and March, we think that they will bounce back quickly as garbage hauling for individuals and businesses is one of the most essential services. WM generates attractive free cash flow and has a strong balance sheet, which gives the company flexibility in this challenging near-term operating environment. WM shares currently yield 2.2%. Our Target Price is $125.

After an early-part-of-the-week trouncing, shares of protein producer **Tyson Foods** (TSN – $60.39) rallied to end the five days slightly higher. Tyson disappointed investors by turning in a weaker-than-expected fiscal Q2. The company said it achieved adjusted EPS of $0.77, 26% less than forecasts, while revenue of $10.89 billion during the quarter also fell short of the consensus estimate of $10.96 billion.

Processing protein is quite labor-intensive, and the line workers are often close together, which is seemingly why the company has seen COVID-19 outbreaks at several plants. The prevailing estimate is that about a third of its beef and pork capacity is impacted, with plants either closed for several days or running much slower than usual. The pandemic has caused livestock prices to fall, but prices for cuts of processed meats to jump. This should reduce Tyson's costs while

increasing its selling prices, and could be a substantial benefit if the company can safely bring capacity back, as most competitors are suffering the same issues.

"The health and well being of our team members remains our top priority as we fulfill our critical role feeding the world in these uncertain times," said CEO Noel White. "We have instituted safeguards that meet or exceed CDC and OSHA guidelines at all our facilities to protect our teams and keep our workers, families and communities safe…During the quarter, we witnessed an unprecedented shift in demand from foodservice to retail, temporary plant closures, reduced team member attendance, and supply chain volatility as a result of the virus. Despite these challenges, we were able to adjust our product mix and redirect products to the appropriate channels…While we cannot anticipate how long the challenges presented by COVID-19 will persist, we remain focused on driving long-term growth. Our solid balance sheet, ample liquidity, scale and diversity continue to give us confidence in our long-term outlook."



While operational headwinds aren't going anywhere, and a prolonged recession could weaken demand for TSN products, we believe Tyson should benefit from positive trade developments as the African Swine Fever has caused a global pork shortage especially in Asia. We believe that TSN is well positioned to supply China with pork and other proteins and backfill other markets. While the near term is definitely murky, we like the long-term potential across its product lines, including prepared foods and plant-based offerings. Also, we can't ignore the likelihood of long-

term increasing protein consumption around the globe, especially in emerging economies as citizens step up in socioeconomic class. Tyson maintained its dividend, and the yield is now 2.8%. We have adjusted our Target Price to $87.

Media conglomerate **ViacomCBS** (VIAC – $18.08) produced earnings in Q1 that beat consensus analyst estimates by more than 15% ($1.13 vs. $0.98). Compensating for revenue from Super Bowl in 2019 and the canceled NCAA March Madness earlier this year, overall advertising was up 4% due to an additional NFL playoff game and political spots, which is expected to rally in the back half of the year. Both free and pay streaming platforms grew users/subscribers at solid rates in the quarter. Pluto domestic monthly active users grew 55% year-over-year to more than 24 million as of quarter end, while domestic pay streaming offerings grew 50% year-over-year, with subscribers totaling 13.5 million at the end of the quarter, driven by original hit programming from CBS All Access and Showtime OTT.

New agreements were struck with the NFL, Verizon and YoutubeTV. CBS reached a deal with the NFL to broadcast one additional wildcard game in 2021 as part of the NFL's playoff expansion with a live stream on CBS All Access and a separately produced telecast on Nickelodeon, tailored for a younger audience. The first true combined company affiliate deal spanning pay and connected tv and mobile was inked with Verizon, which is expected to be an additional launching point for Pluto. The deal with YoutubeTV not only renews current agreements for Showtime and CBS but will add several of Viacom's Cable Networks to the platform, highlighting a benefit of combing the two firms.

Management has intentions to use the Pluto TV platform as a launching pad to integrate content across the business as it transitions to streaming. CEO and President Bob Bakish elaborated, "The Pluto TV platform is powerful, and the world is quickly embracing it. But you shouldn't just think of it as a standalone service. It is also key to our integrated streaming strategy, where it will serve as an important complement to and funnel for our pay services. In June, we will introduce click-through ad units on Pluto, embedded in relevant content to allow users to subscribe to CBS All Access. As time goes on, this integration will continue to evolve as we create an owned and operated streaming ecosystem with a massive free point of entry combined with upsell pay option. And speaking of pay, we are accelerating our plans for an expanded subscription service, building off our CBS All Access platform with major changes coming this summer as we track towards the rebrand and relaunch of a transformed product. We believe audiences want their entertainment on demand and their news, sports and events live. And through our expanded offering, we will be the service that gives them what they want, how they want it, all in one place and at a great value."

He continued, "This will be a compelling foundational service for some consumers and a differentiated complement to what some other consumers already have. On the entertainment side, we start with what All Access has today: CBS network programming, a very deep CBS on-demand library and an expanding slate of originals, add to that content from Nickelodeon, Comedy Central, Smithsonian, MTV, BET and Paramount. This starts with over 100 Paramount films launched this week on the platform as well as thousands of additional hours across TV and film arriving in current and coming months. And we will build on this incredible base of content, a catalog multiple times larger than many of the new SVOD [Subscription video on demand]

entrants by expanding our original slate across the portfolio. This will bring first-window content from each of our brands to this platform. Our biggest franchises will be key to this strategy as will our broad programming strength across genres, from animation to sci-fi, comedy, reality, kids, crime procedurals and more. Add to that, national and local news from over 200 CBS affiliates, available both live and on-demand and a critical mass of live sports, including CBS network-delivered NFL, NCAA, PGA and more, plus exclusive streaming rights to major properties like women's soccer and UEFA."

While the trends toward video on demand may pressure network ad revenue over time and gradual cord cutting is likely to result in TV subscriber declines from Viacom networks, we think VIAC has made solid strides in bringing the current and potential new content offerings from the combined firm toward direct-to-consumer subscription platforms. In addition, recent deals with CBS highlight the value of the network's reach to almost all households in the U.S. Despite the 18% bounce over the past few trading sessions, shares still trade at under 5 times expected 2020 earnings and yield over 5%. Of course, the balance sheet sports a massive amount of debt, so VIAC is definitely a more volatile holding. Our Target Price for VIAC is $58.

Data center REIT **Digital Realty Trust** (DLR – $146.06) had core FFO (funds from operations) of $1.53 per share in Q1, versus the consensus analyst estimate of $1.526. DLR had revenue of $823 million, which was ahead of the average forecast of $776 million. The company reported 100% uptime for the quarter, which was achieved by deferring non-critical maintenance. DLR closed on the sale of 10 data centers in North America to Mapletree in January for $550 million, started construction at the InterXion Paris Digital Park and acquired a 49% interest in the Westin Building Exchange facility in Seattle. The facility houses global cloud, content and interconnection providers with over 150 carriers and more than 10,000 cross connects.

CEO A. William Stein explained, "As we are all aware, the global economy has ground to a halt. As you've heard me say many times before, data center demand is not directly correlated to job growth, and we are fortunate to be operating in a business levered to secular demand drivers, both growing faster than global GDP growth and somewhat insulated from economic volatility. To put a finer point on the secular demand drivers underpinning our business. McKinsey recently conducted a global survey of 3,600 B2B decision-makers on their business outlook and priorities. The surveyed executives stated they value digital interactions with customers as 2 to 3x more important than traditional interactions, reflecting continued need for digital infrastructure and capacity demand for data centers. According to the market intelligence firm Intricately, on average, enterprises utilize 27 cloud products, deployed and consumed across 8 points of presence globally. We are seeing indicators of this demand globally across our platform in the volume of new logos led by our enterprise vertical, as these firms shift their strategy to enable digital interactions for their customers."

DLR completed its acquisition and is working on integration of InterXion, a European provider of carrier and cloud-neutral colocation data center services. Mr. Stein believes that the combination with InterXion "has the potential to change the global datacenter landscape" thanks to the comprehensive global platform of datacenters and cloud solutions. Analysts expect funds from operations (FFO) to reach almost $7.50 per share by 2022, and shares of DLR offer a current dividend yield of 3.1%. A stellar performer this year, with a 21% price gain, our Target Price has been bumped up to $160.

Shares of **MDC Holdings** (MDC – $29.85) initially dropped sharply last week after reporting Q1 financial results, yet the homebuilder went on to close the week strongly, ending 3.5% higher for the five days. Despite a strong start to the first quarter and a bulging backlog, MDC saw business plummet through the end of March and into April. Adjusted EPS for Q1 came in at $0.56, almost 18% below the consensus forecast. Revenue also missed expectations, though by less than 1%, coming in at $719 million. The company also announced its backlog dollar value was up 31% year-over-year to $2.17 billion.

CEO Larry A. Mizel commented, "In response to the COVID-19 pandemic, we have adapted our business to protect the health and safety of our employees, subcontractors and customers. For example, we are using technology to help drive compliance with social distancing and shelter-in-place requirements by guiding many customers through the homebuilding process using a virtual

environment. Our technology has also enabled hundreds of our employees to work from home. For those who cannot work remotely, we have greatly enhanced our cleaning and sanitizing protocols and implemented screening at our sites and offices across the country, and we have modified our business practices as necessary to allow for social distancing. On behalf of our management team, I would like to express sincere gratitude to our dedicated employees and all others who have supported our Company in adjusting to the new reality brought on by COVID-19."

Mr. Mizel continued, "As our results from the first quarter demonstrate, 2020 was off to an excellent start thanks to a robust job market, elevated consumer confidence and low levels of new and existing home inventory. This positive fundamental backdrop, coupled with our continued shift to more affordable product offerings, resulted in a 21% increase in our homebuilding pretax income for the quarter, as well as solid order and backlog growth. While demand trends deteriorated significantly at the end of March and into April, we believe the long-term outlook for our industry remains positive due to the ongoing demographic shifts taking place in our country and the lack of available housing supply."

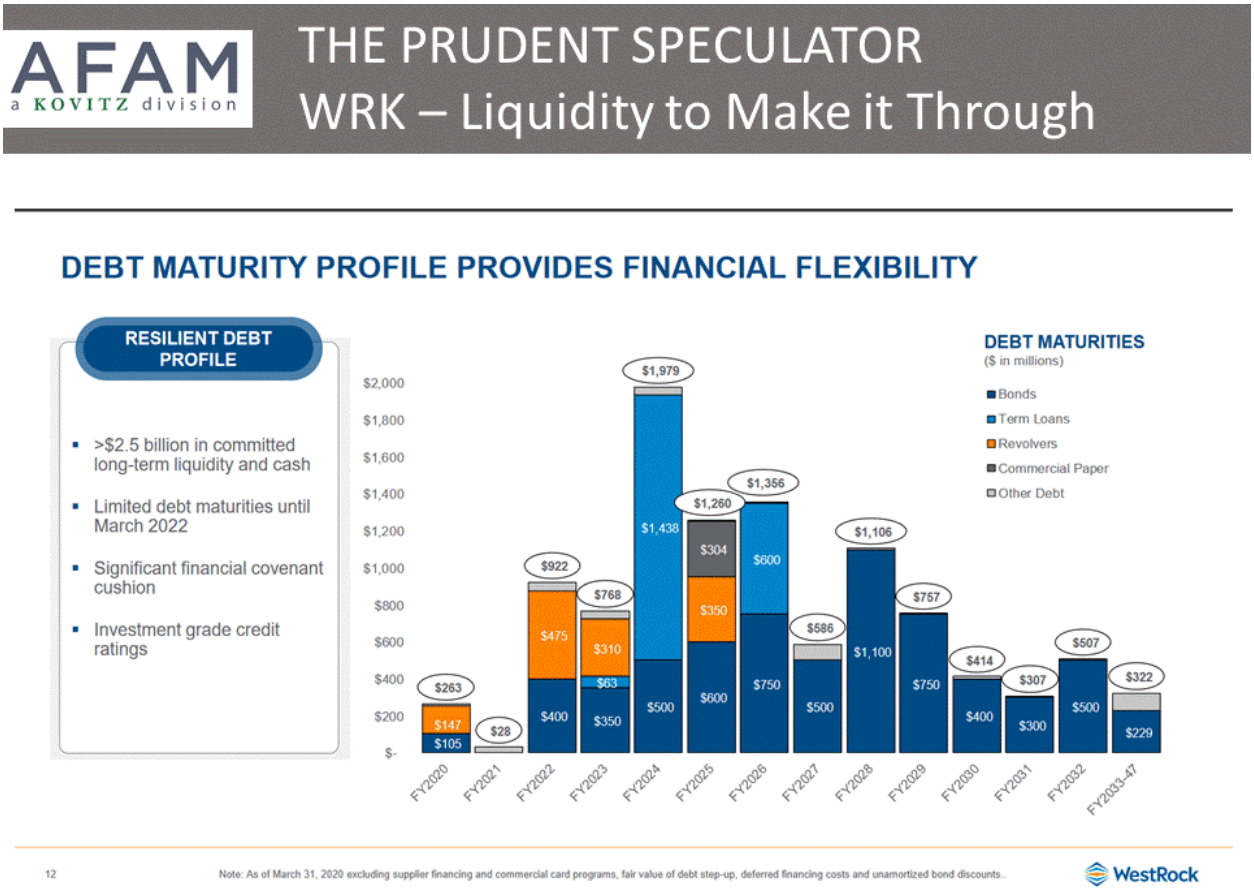
Mr. Mizel concluded, "Although the ultimate impact of COVID-19 on the economy is still unclear, MDC is well-positioned to weather the current economic crisis thanks to our seasoned leadership team, our strong balance sheet and our conservative operating model. With high liquidity, low leverage and limited speculative inventory, our company is built to succeed through the entirety of the homebuilding cycle. We believe that this approach, coupled with our industry-leading dividend, will lead to superior risk-adjusted returns for shareholders over time."

While COVID-19's impact on the economy in general is still unknown, we still believe that MDC is poised for long-term success. Interest rates are low and probably will remain that way, which should help MDC as the cost of borrowing for both it and its potential customers remains extremely attractive. MDC sports a broad geographic footprint, boasts successful cost control initiatives and maintains a solid balance sheet ($1.41 billion of liquidity) that the company can draw from if it must remain in a defensive posture through the crisis or can use to smartly acquire land in attractive markets. Additionally, we like MDC's focus on first time buyers (many millennials) with its Seasons collection of homes. The company maintained its dividend, and the yield is now 4.4%. Our Target Price for MDC has been trimmed to $50.

Corrugated and consumer packaging manufacturer **WestRock** (WRK – $27.00) reported fiscal Q2 financial results last week that beat bottom-line analyst estimates, but the stock price still suffered a sizable greater-than-12% beating over the five days. The company posted earnings of $0.67 per share (vs. $0.61 est.) on net sales of $4.4 billion (vs. $4.5 billion est.). Westrock experienced strength in e-commerce channels, food & beverage and others, while luxury goods and industrial products segments were soft due to impacts from COVID-19, where multiple customers have closed plants and reduced shifts to adjust to the current economic environment. In addition, strong volumes were offset by weaker pricing across the business.

CEO Steve Voorhees offered his take on the state of the business, "WestRock is well positioned to weather the current economic environment. We have the ability to serve a wide array of end market segments, we have flexibility across our supply chain, including the ability to use both

virgin and recycled fiber. Our global scale provides redundancy and versatility in this rapidly changing market. End market demand is quickly changing…Demand in e-commerce channels is very strong. We believe this will continue to grow. Processed and retail food markets, beverage and liquid packaging were strong in March as customers sheltered in place and worked from home. Protein markets have shifted from strongly positive to negative over the last few weeks as protein processing companies have felt the impact from COVID-19. Industrial and distribution customers demand has been negatively impacted by closures, and other markets such as food service and commercial print continue their pattern of end market declines from the previous quarter. From where we stand today, it's difficult to predict which trends are transient, and which will persist. Fortunately, our diverse portfolio of paper and packaging products positions us well to adapt and meet our customers' changing needs across a broad cross-section of the economy. While the outlook remains unclear, we have taken and are preparing to take actions to navigate market conditions as they develop."



WRK is one of the latest in our portfolios to cut the dividend, resetting the previous $0.465 quarterly rate down to $0.20 per share, or $0.80 on an annual basis. While the paring of the payout did not play well with investors, and the stock is off 37% this year, it should reduce risk on a go-forward basis as the action will result in savings of $275 million per year that management intends to apply toward debt reduction. Moreover, management has stated plans to reduce capital investments by $150 million for 2020 and has decreased salaries by up to 25% for

the senior executive team and board of directors. Of course, there are no significant debt maturities until fiscal 2022, so the company would seem to have plenty of liquidity to make it through the coronavirus storm.

While the current environment remains challenging, we appreciate the opportunity for the entire package space to right-size supply with lower, current demand, which we expect to support price increases on the other side. We also continue to expect WRK to benefit from e-commerce in the long run. Our Target Price is now $56 and the revised yield is 3.0%.

Shares of French integrated energy giant **Total SA** (TOT – $36.42) rebounded more than 8% last week, thanks in large part to the release of its Q1 financial results. Earnings per share of $0.60 per share bettered the $0.55 that analysts had expected. A 27% increase in LNG sales year-over-year drove performance in the gas and renewables segment, although refining and chemicals experienced a 20% decrease in margins. Operating income from exploration and production was over 50% lower year-over-year as oil and gas prices softened materially.

Given the turmoil in the global economy in general and energy markets in particular, management disclosed a plan to reduce spending by 25% to $14 billion and institute a program to save at least $1 billion in 2020. These actions are expected to bring the firm's cash breakeven down to below $25 per barrel of oil in 2020. Total suspended its buyback program indefinitely at the beginning of March given the sharp drop in oil prices, although it repurchased more than $500 million of shares in the first quarter as crude prices were as high as $60 per barrel.

Total continues to focus on adapting to the changing energy markets to ensure a sustainable future, and is focusing on LNG and renewables, which it believes will grow the fastest. We like that the firm is keyed in on its cost structure in the current environment as it strives to drive its breakeven cost of oil ever lower. We continue to like that Total's production costs and leverage are meaningfully lower than most of its large integrated peers and the company's portfolio of high-quality assets. The company has not taken any government bailout money and management seems committed to maintaining the dividend. The net dividend yield is now 6.8%. Our Target Price now stands at $59.

Oil and gas refiner **HollyFrontier** (HFC – $31.21) announced this past Thursday that it earned $0.53 per share in Q1, versus the $0.41 expected by analysts; roughly the same as the $0.54 earned for the same period in 2019. Shares dipped to below $28 on Thursday before rallying 10% on Friday to close the week slightly above where they began. Crude throughput increased to 436,360 barrels per day (bpd) in Q1, up from 400,430 bpd a year ago.

CEO Mike Jennings gave a broad overview of the state of Holly's business, "The impact of COVID-19 on the global macro economy has created unprecedented destruction of demand as well as lack of forward visibility for many of the transportation fuels, Lubricants and Specialty products and the associated transportation and terminal services that we provide. We expect a strong recovery of demand for all these essential products in the long run, there's little visibility on the timing for or the extent of this recovery in the near term. In response to the COVID-19 pandemic and with the health and safety of our employees as our top priority, we took several actions, including limiting on-site staff at all of our facilities to essential operational personnel

only, implementing a work from home policy for certain employees and restricting travel unless improved by senior leadership. We will continue to monitor COVID-19 developments and the dynamic environment to properly address these policies going forward."

We also thought Mr. Jennings comments regarding crude prices at the end of April to be particularly interesting, "We thought in the first quarter, look, we saw very good demand and good sales growth, frankly, in the Rack Forward side of the business. On the Rack Back side, obviously, as the bottom fell out of the crude market that pulled feedstock prices down with it and it widened benchmark margins. The reality was in the — probably the last month of the quarter, there was no actual buyer on the other side of those margins. There was no demand, that's sort of evaporated, and that's continued into April. So the margins look good on paper. They weren't real. It's probably the simplest way to say that."

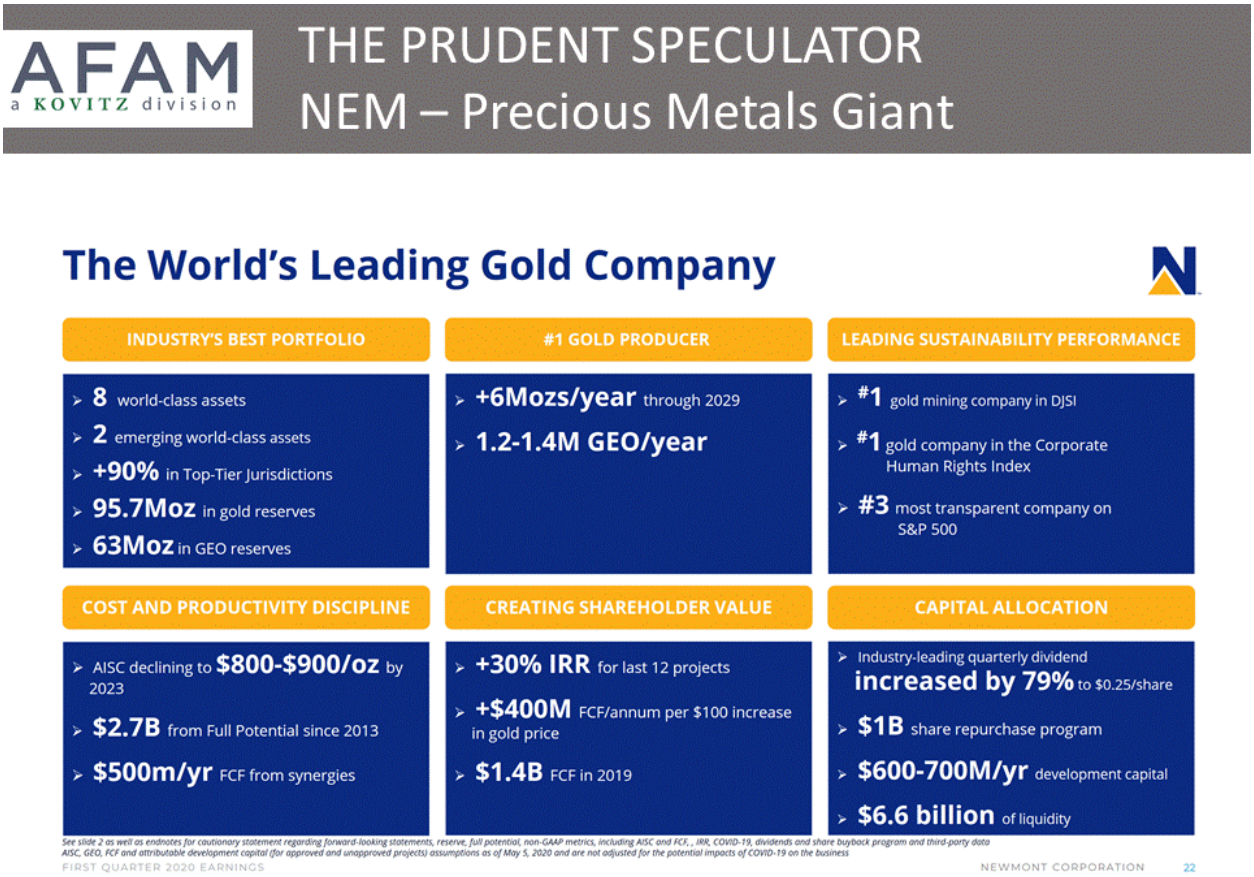
Management pulled earnings guidance which is a result of end market demand that has understandably fallen off in the current pandemic. It did, however, guide for a 20% decrease in crude throughput for the current quarter. Although the firm typically purchases most of its crude on 30-day contracts, future margins should benefit from contango in the crude market and building inventory from reduced throughput in Q2.

We like the firm's strong liquidity position, with over $2.2 billion comprised of an $890 million cash balance and a $1.35 billion unsecured credit facility that was undrawn as of last week. At the end of Q1 Holly had $1 billion of stand-alone debt outstanding, excluding obligations owed by the company's pipeline HEP Partners, which aren't due until 2026. And although Holly is smaller than its peers on average, we think the complexity and geographical positioning of its refineries will continue to be advantageous. Shares yield 4.5% and we've adjusted our Target Price to $54.

Giant precious metals miner **Newmont Goldcorp** (NEM – $64.55) posted adjusted Q1 EPS of $0.40 as the price of gold jumped to levels last seen in 2012. CEO Tom Palmer commented, "The strength of both our strategy and operating model is shown through our solid first quarter performance, despite the impacts and disruptive nature of the COVID-19 pandemic. In the first quarter, we produced nearly 1.5 million ounces of gold at all-in sustaining costs of $1,030 per ounce. And we also produced 339,000 gold equivalent ounces from co-products. We generated operating cash flow of $935 million and free cash flow of $611 million. And we continued to progress our full potential program across our portfolio, with a particular focus on the more than $240 million in value we have identified at Penasquito, Cerro Negro and mines in Canada. During the quarter, we continued to strengthen our investment-grade balance sheet, receiving $1.4 billion in proceeds after completing the sale of KCGM, Continental Gold and Red Lake. We refinanced approximately $1 billion of debt through the issuance of new senior notes at historically low coupon of 2.25%, and we lowered our net to adjusted EBITDA ratio to 0.7x."

Mr. Palmer addressed impacts related to the health pandemic, "As the COVID-19 pandemic continues to evolve, our deep bench of experienced leaders and proven operating model continue to serve as a competitive advantage. We are proactively planning for and evaluating short-, medium- and long-term risk through a comprehensive framework that involves the following actions. Mapping the virus in each of their countries in order to be prepared for a safe and

efficient return to more normal operations. For 2020, we're assuming the greatest impact to operations and financial performance could occur during the second quarter. However, we're also planning for other scenarios where we could see a resurgence of the virus later in 2020 and early '21. And finally, we're evaluating a lower likelihood scenario where there is a recurring seasonal impact from the virus."



No doubt, boosted by strength in the precious yellow metal, NEM shares are up some 48% year-to-date. That said, we do acknowledge the complexities and obstacles inherent in the mining industry, so we continue to monitor Newmont's efforts to streamline operations and control costs as it integrates Goldcorp. The company maintains a strong balance sheet to support the dividend, which was increased 79% by the board in April, pushing the yield to 1.6%. Our Target Price for NEM has been boosted to $68, and we still like the equity-market hedge provided by the miner, but we will not stay wedded to the stock at these elevated levels should we find another more attractive and more undervalued stock.

After shares of **Kimco Realty** (KIM – $10.90) took a brutal beating due to the uncertainty surrounding its shopping centers because of the COVID-19 pandemic, the stock price has enjoyed some relief, jumping 40% since early April, including a big day Friday after the report of Q1 financial results. The near-term rally was also boosted by the company continuing to boost its liquidity to help ride out the storm.

Kimco's Q1 FFO came in at $0.37, a penny ahead of reduced estimates, whiles its revenue of $289.7 million was also better than expected. While the company collected a decent amount of its April rents from tenants, there were plenty that were looking for deferrals. In addition to the added liquidity, KIM's board decided to suspend its quarterly stock dividend until the environment has returned to a better place. That said, the company said it will reinstate the dividend in 2020 to at least an amount required to maintain compliance with its REIT taxable income distribution requirements.

"Our results this quarter continue to speak to the strength and quality of our portfolio," stated CEO Conor Flynn. "Given the significant transformation successfully executed over the last several years, we now own a predominantly grocery-anchored portfolio clustered in the nation's top markets. We also have the strongest liquidity position and one of longest debt maturity profiles in our sector, to not only overcome the current challenges, but to potentially capitalize on emerging opportunities as we move ahead. I have been moved and humbled by our associates' focus on tenant and community support during this time of crisis. Our commitment to servicing and engaging with all of our stakeholder groups will remain a hallmark of Kimco's success going forward."

In a CNBC interview on Friday, Mr. Flynn said that the company's move to transition to shopping centers anchored by grocery, building supply and the likes of Walmart are currently "paying off" given the environment. He also stated that the key right now for mom-and-pop businesses is for the big businesses to continue to pay their rents.

No doubt, there is increased uncertainty at this time for Kimco beyond its tenants competing with the likes of Amazon and growing e-commerce enterprises, but we like KIM's bolstered liquidity position, and note the stimulus package should help some small businesses make lease payments. Longer term, we are positive on KIM's continued transformation and rejuvenation, including a higher quality portfolio of assets and a pipeline of development and redevelopment that can produce attractive long-term growth. Our Target Price for KIM is presently $19.