Market Commentary Monday, August 17, 2020

August 16, 2020

EXECUTIVE SUMMARY

Value vs. Growth – Inexpensive Stocks Leading the Race Since 07.09.20
Econ News – Solid Numbers…Relative to Expectations…Rebound Should Favor Value
Sentiment – Little Love for Stocks
Volatility – Fixed Income not Immune from Sizable Short-Term Losses
Interest Rates – Still Very Supportive of Equities
Q2 Earnings – 84% of the S&P 500 Beat the Street
Washington – Parties in Powers & Stock Returns
Target Prices – New Listing On the Way
Stock News – Updates on AAPL, TGT, LOW, DE, CMI, BHP, CSCO, TPR, RCL, NTR & FL

Market Review

It was quite a tug-of-war between Value and Growth in the week just ended, with significant divergences between the two in terms of returns each day. Happily, when all was said and done, it turned out to be a very good week for equities in general, with Value leading the charge…as has been the case since July 9.

VALUE SHOWING SIGNS OF LIFE

While five+ weeks does not a trend make, it is nice to see a handsome absolute and relative rebound in undervalued stocks, especially as there is plenty of runway remaining for a return to historical norms.

Total Returns Matrix

Since 7.9.20	Year to Date	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Name
1.77	5.60	5.21	12.25	21.82	20.37	30.55	71.92	154.49	Bloomberg Barclays Global-Aggregate Bond
0.01	6.85	7.08	16.71	23.53	32.45	44.16	93.18	169.09	Bloomberg Barclays US Aggregate Bond
8.85	-0.68	12.29	36.24	80.51	115.59	247.79	285.90	305.34	Dow Jones Industrial Average
8.39	-5.70	7.21	17.94	36.95	61.82	145.60	155.46	189.10	New York Stock Exchange Composite
8.57	5.32	18.32	37.50	55.35	95.43	266.95	271.53	230.47	Russell 2000 Growth
17.77	**-15.38**	**-1.36**	**-1.29**	**22.37**	**37.05**	**133.75**	**123.71**	**349.71**	**Russell 2000 Value**
12.91	-4.62	9.12	17.98	39.64	65.88	197.12	193.33	301.70	Russell 2000
5.36	20.23	37.11	77.12	119.44	196.64	404.47	416.94	224.26	Russell 3000 Growth
9.65	**-10.11**	**2.99**	**12.24**	**34.02**	**63.56**	**173.84**	**157.05**	**249.91**	**Russell 3000 Value**
7.40	5.37	20.43	43.22	74.22	123.96	278.23	272.39	251.56	Russell 3000
7.17	5.66	21.07	45.12	78.55	130.85	284.60	274.83	235.01	S&P 500
6.09	18.94	33.22	70.27	111.73	189.27	388.35	398.03	249.99	S&P 500 Growth
8.83	**-9.38**	**6.61**	**18.88**	**43.32**	**74.39**	**187.30**	**165.87**	**198.50**	**S&P 500 Value**
6.22	11.83	23.54	50.21	76.77	146.71	356.28	392.62	295.45	S&P 500 Pure Growth
15.51	**-23.35**	**-10.04**	**-5.69**	**11.83**	**40.49**	**170.13**	**163.64**	**433.20**	**S&P 500 Pure Value**
17.99	-6.86	7.74	18.99	47.97	80.97	174.76	276.71	413.78	Berkshire Hathaway B

As of 8.14.20. Source Kovitz using data from Bloomberg

For the latest five days, the Russell 3000 Value index gained 0.99% while the Russell 3000 Growth index advanced 0.34%. Even more interesting, perhaps, the Nasdaq Composite Index eked out a 0.09% rise, compared to a 1.87% rally for the Dow Jones Industrial Average and a 2.68% spike upward for the S&P 500 Pure Value index. Indeed, it is a market of stocks and not simply a stock market, and we like that the massive rebound off the lows of March 23 has broadened out to be much more inclusive of inexpensive names.

Of course, given that Value has won the long-term performance derby by a wide margin, despite the inevitable ups and downs associated with equity investing,…

VOLATILITY IS NORMAL: VALUE/DIVS WIN RACE

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	111.0%	976	27	3.4	3/23/2020	8/12/2020
17.5%	66.6%	569	39	2.4	3/23/2020	8/12/2020
15.0%	66.3%	554	45	2.1	3/23/2020	8/12/2020
12.5%	44.2%	333	72	1.3	3/23/2020	8/12/2020
10.0%	34.8%	244	98	0.9	3/23/2020	8/12/2020
7.5%	23.6%	148	156	0.6	3/23/2020	8/12/2020
5.0%	14.7%	72	304	0.3	6/11/2020	8/12/2020

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.4%	286	26	3.5	2/19/2020	3/23/2020
-17.5%	-30.4%	217	38	2.4	2/19/2020	3/23/2020
-15.0%	-28.4%	189	44	2.1	2/19/2020	3/23/2020
-12.5%	-22.8%	138	71	1.3	2/19/2020	3/23/2020
-10.0%	-19.6%	102	97	0.9	2/19/2020	3/23/2020
-7.5%	-15.5%	65	155	0.6	3/13/2020	3/23/2020
-5.0%	-10.9%	37	303	0.4	6/8/2020	6/11/2020

From 02.20.28 through 08.12.20. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	12.7%	26.0%
Growth Stocks	9.6%	21.5%
Dividend Paying Stocks	10.4%	18.1%
Non-Dividend Paying Stocks	8.9%	29.4%
Long-Term Corporate Bonds	6.2%	7.6%
Long-Term Gov't Bonds	5.7%	8.6%
Intermediate Gov't Bonds	5.1%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	2.9%	1.8%

From 06.30.27 through 06.30.20. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

…we are not surprised to see bargain-priced stocks reclaim some time in the sun, especially as they generally have performed very well following economic troughs.

VALUE STOCKS HAVE OUTPERFORMED COMING OUT OF RECESSION

U.S. Recession Trough (per NBER) & Equity Returns

S&P 500 and Fama/French Value Performance

Recession Trough Date	1 Year Post S&P 500 TR	1 Year Post FF Value TR	1 Year Post FF Growth TR	3 Year Post S&P 500 TR	3 Year Post FF Value TR	3 Year Post FF Growth TR	5 Year Post S&P 500 TR	5 Year Post FF Value TR	5 Year Post FF Growth TR
Mar-33	81.5%	88.7%	82.9%	155.7%	135.3%	169.1%	62.4%	69.5%	96.2%
Jun-38	-1.7%	-14.5%	2.7%	0.8%	4.6%	14.5%	43.9%	129.3%	65.5%
Oct-45	-7.2%	-2.2%	-6.8%	14.7%	26.6%	-1.3%	64.8%	76.2%	38.5%
Oct-49	35.1%	43.8%	29.9%	92.8%	96.5%	66.3%	177.8%	174.6%	131.2%
May-54	36.1%	60.2%	34.4%	83.7%	95.5%	69.4%	145.2%	200.3%	143.0%
Apr-58	37.2%	61.0%	51.4%	66.4%	94.4%	86.4%	89.9%	128.4%	84.1%
Feb-61	13.6%	16.9%	8.6%	35.2%	49.1%	12.1%	68.4%	137.0%	55.6%
Nov-70	11.2%	11.0%	20.5%	20.6%	13.5%	-0.7%	25.1%	44.4%	1.5%
Mar-75	28.3%	51.5%	31.3%	22.1%	98.6%	44.4%	55.6%	157.8%	96.9%
Jul-80	13.0%	22.9%	22.8%	56.1%	113.6%	69.7%	100.5%	207.7%	75.2%
Nov-82	25.6%	39.8%	21.1%	66.8%	99.7%	36.4%	103.0%	123.9%	38.2%
Mar-91	11.0%	25.5%	16.7%	29.8%	73.2%	25.8%	98.0%	154.7%	82.9%
Nov-01	-16.5%	-11.9%	-18.5%	8.4%	39.8%	13.7%	34.3%	93.7%	33.5%
Jun-09	14.4%	25.5%	14.7%	57.7%	53.2%	62.3%	136.9%	158.2%	140.8%
Averages	**20.1%**	**29.9%**	**22.3%**	**50.8%**	**71.0%**	**47.7%**	**86.1%**	**132.6%**	**77.4%**

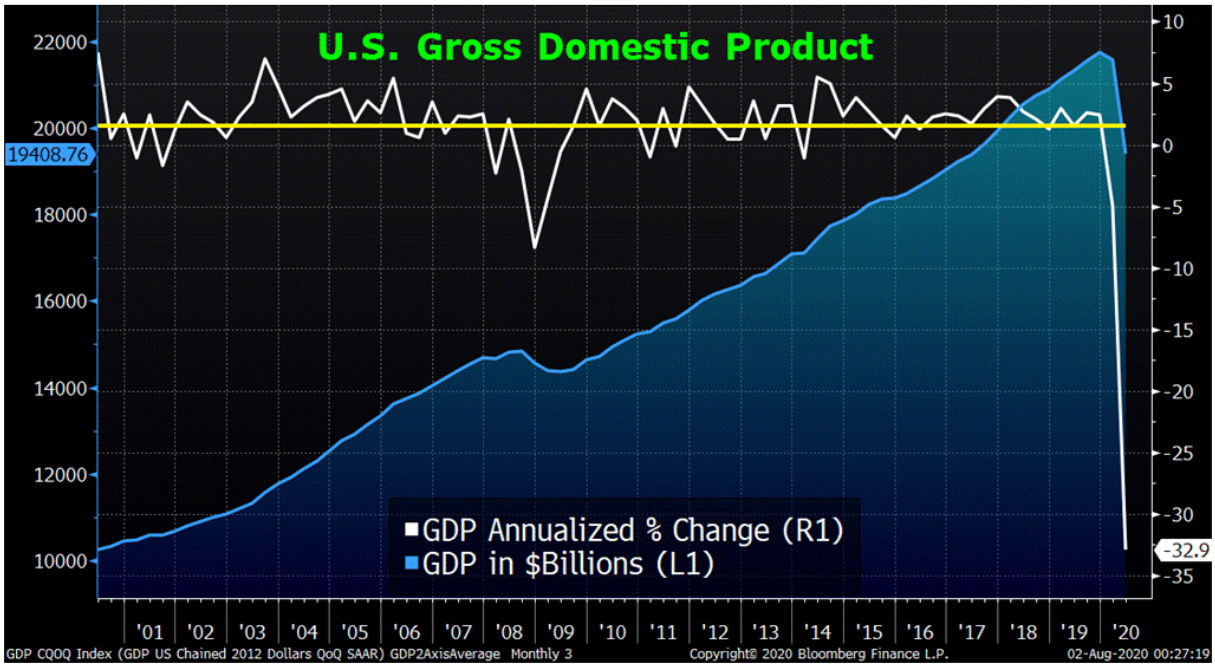
Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

No guarantees, of course, that the official arbiters will declare the recession over with Q2's horrific 32.9% (on an annualized basis) contraction in GDP,…

THE PRUDENT SPECULATOR

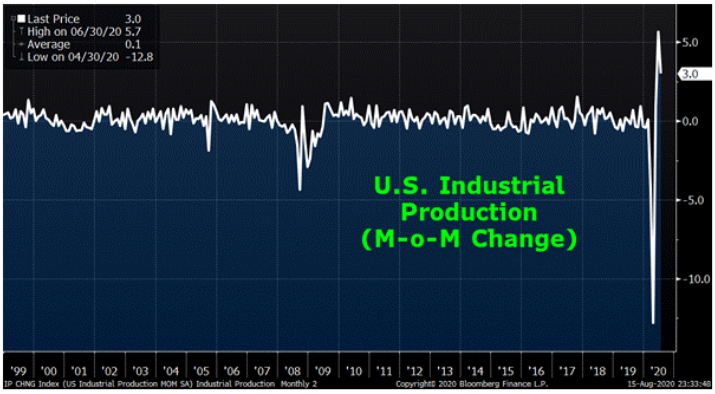
HORRENDOUS (BUT BETTER THAN EXPECTED) Q2 U.S. GDP

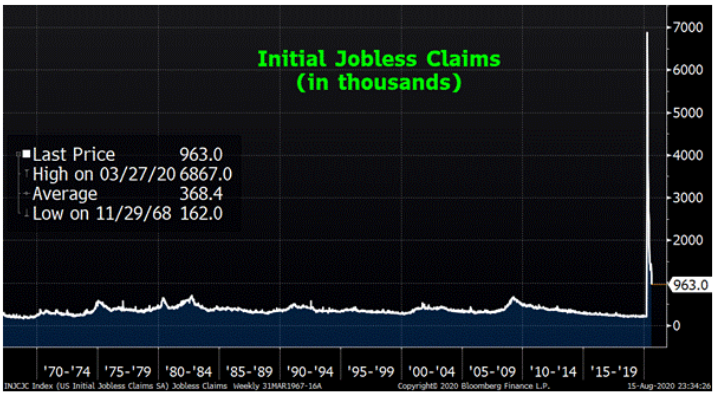
Second quarter real (inflation-adjusted) domestic economic growth came in at an abysmal decline of -32.9% on an annualized basis, but the supposed experts had been calling for an even worse -34.6% plunge.



…but the latest batch of economic numbers were solid, all things considered,…

BETTER-THAN-FORECAST ECON STATS





Factory output rose for the third straight month in July, with industrial production climbing 3.0%, topping estimates of a 2.7% advance, while capacity utilization vaulted to 70.6%, up from 68.5% in June. Of course, though showing considerable improvement, the labor market remains in tatters, with the number of first-time filings for unemployment benefits coming in at 963,000 for the latest week, but that tally was significantly better than expected.

…and projections for Q3 GDP growth presently stand at a whopping 26.2% (on an annualized basis),…

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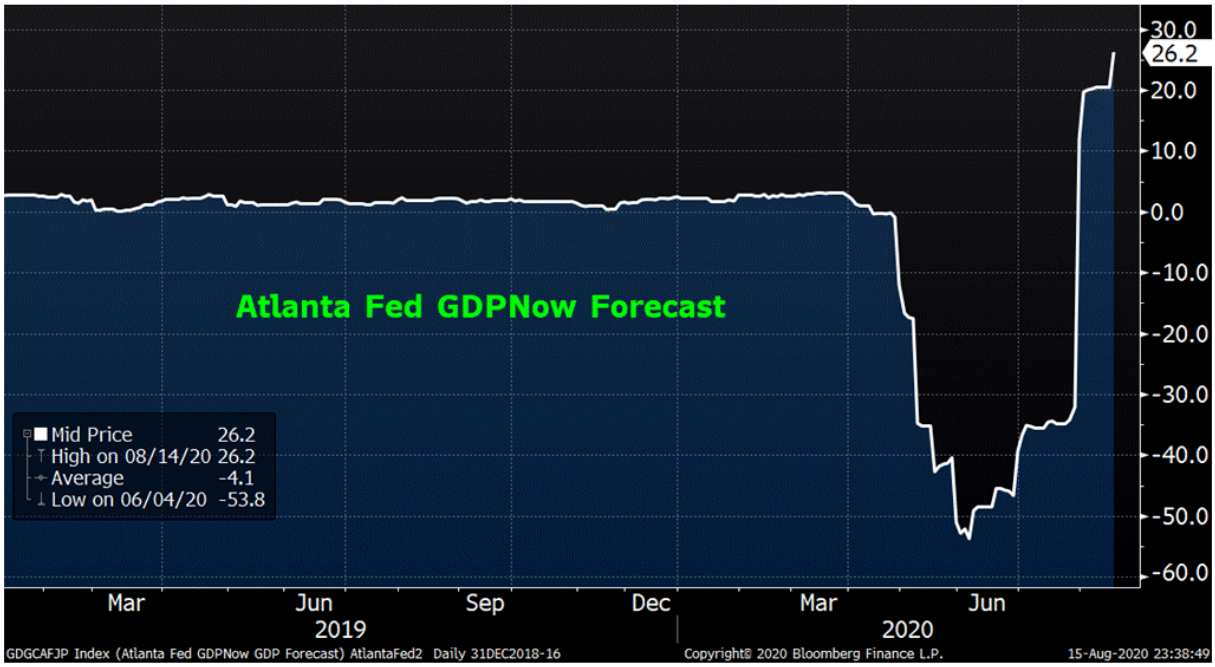
SIGNIFICANT BOUNCE IN U.S. GDP EXPECTED IN Q3

While a rebound is almost a mathematical certainty, given the magnitude of the massive Q2 economic contraction, the Atlanta Fed is now projecting a 26.2% increase in GDP in Q3 on an annualized basis.



…even as data out last week on retail sales was not as robust as hoped,…

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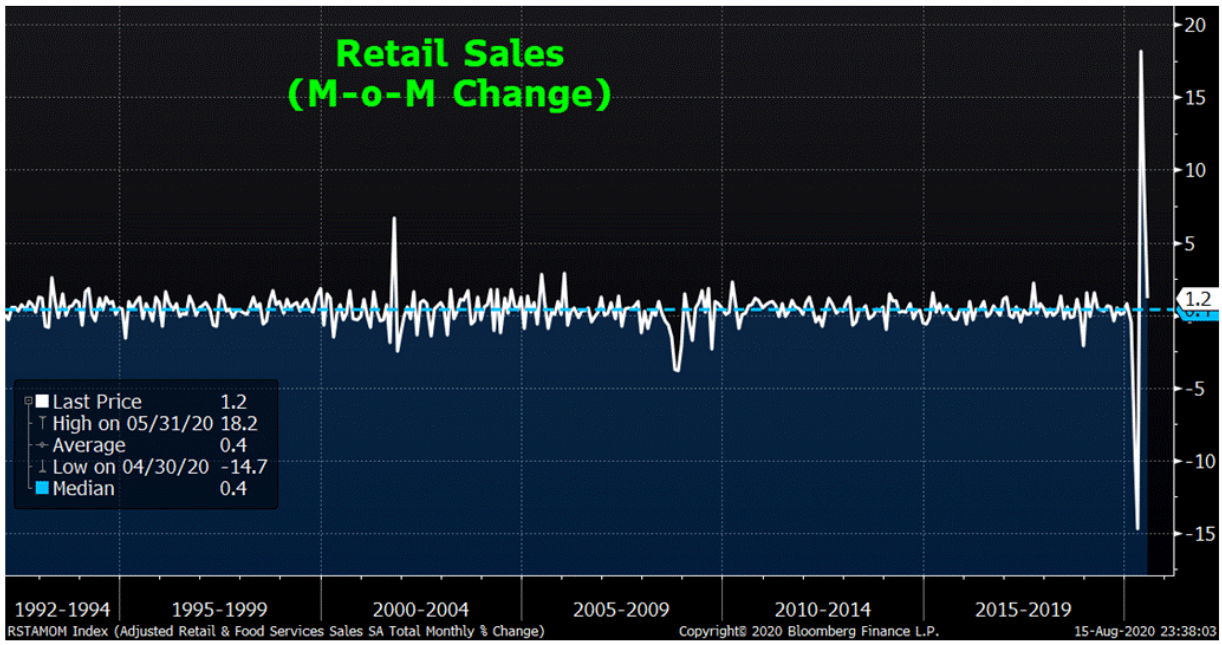
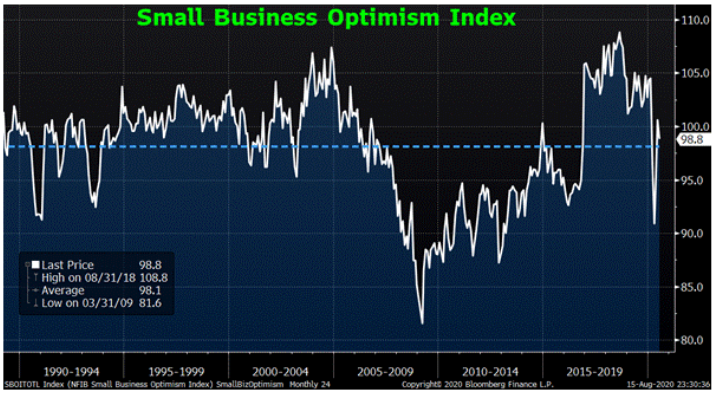
BIG, THOUGH SMALLER-THAN-EXPECTED, INCREASE IN RETAIL SALES

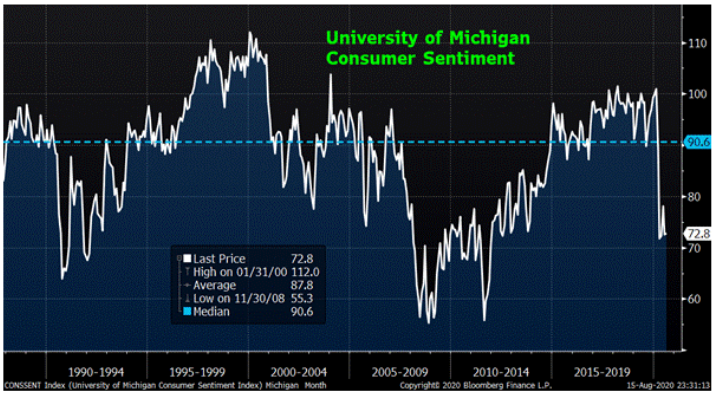
While the gain was far below the 18.3% and 8.3% jumps the two respective months prior, Americans continued to open their pocketbooks in July, though questions remain about the future, given that government stimulus largesse has expired.



…and the outlook on Main Street is hardly exuberant.

MIXED PICTURE ON MAIN STREET SENTIMENT





The NFIB Small Business Optimism Index for July pulled back by a bigger-than-expected 1.8 points to 98.8, though the figure is still modestly above the 30-year average. On the other hand, the preliminary Univ. of Michigan gauge of consumer sentiment this month edged up a tad to 72.8, compared to a final reading of 72.5 in July. Of course, given that the average for this measure has been 87.8, consumers are not exactly feeling upbeat.

And speaking of sentiment, we remain pleased, given our contrarian nature, that investors are by no means euphoric about equities. Incredibly, despite folks again seeing another real-life testament that the secret to success in stocks is not to get scared out of them, money continues to flow out of equities and into bonds,…

SENTIMENT: NO ENTHUSIASM FOR STOCKS

Pessimism among individual investors continues to be high, remaining more than 11 points above normal in the latest AAII Sentiment Survey. Bullish sentiment jumped in the latest week yet is still 8.0 percentage points below normal.

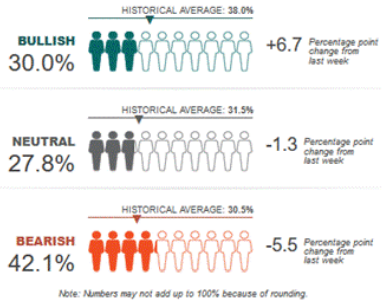
We remain perplexed that many supposed market experts continue to argue that investors are piling into stocks, given that the latest data on mutual and exchange traded fund flows from ICI shows a massive exodus from U.S. stocks and a continued infatuation with bonds.

AAII Investor Sentiment Survey

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

Survey Results for Week Ending 8/12/2020

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



Note: Numbers may not add up to 100% because of rounding.

The AAII 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.

Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Millions of dollars

Week Ended	8/5/2020	7/29/2020	7/22/2020	7/15/2020	7/8/2020
Total Equity	-20,379	-14,372	-11,396	-18,772	-9,310
Domestic	-18,818	-10,864	-7,889	-16,781	-6,050
World	-1,562	-3,508	-3,507	-1,991	-3,259
Hybrid	-275	-925	-641	-1,732	-293
Total Bond	27,334	18,496	23,077	14,523	23,235
Taxable	23,924	15,616	19,472	12,780	21,391
Municipal	3,410	2,879	3,605	1,743	1,844
Commodities	2,600	3,388	2,229	1,035	1,575
Total	9,279	6,586	13,269	-4,947	15,207

Source: Investment Company Institute

…even as the big bounce in interest rates last week illustrated that fixed income investments can quickly lose value,…

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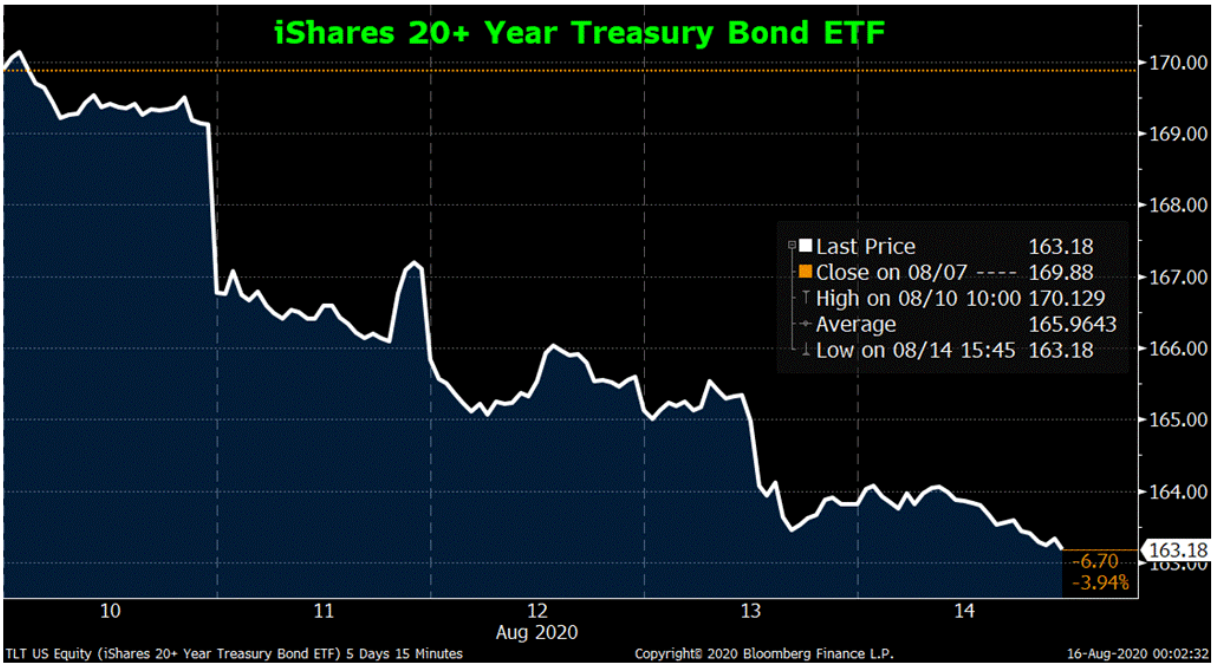
RUDE AWAKENING FOR FIXED INCOME LAST WEEK

Certainly, an investment in long-term U.S. Treasuries has been very lucrative for quite some time, but a sizable pullback in yields last week saw the popular TLT ETF lose nearly 4% in five trading days.



…which we think provides additional support to our assertion that those who share our long-term time horizon,…

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THE LONGER THE HOLD, THE LOWER THE RISK

While fixed income investments generally boast lower volatility than equities, it is nice to see the historical odds of Value Stocks and Dividend Payers outperforming the current 1.45% yield on the 30-year U.S. Treasury increase markedly as the level of patience rises.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >1.45%	Count <=1.45%	Percent >1.45%
1 Month	698	418	62.5%
3 Months	738	376	66.2%
6 Months	772	339	69.5%
1 Year	787	318	71.2%
2 Year	889	204	81.3%
3 Year	931	150	86.1%
5 Year	927	130	87.7%
7 Year	987	46	95.5%
10 Year	961	36	96.4%
15 Year	931	6	99.4%
20 Year	877	0	100.0%

DIVIDEND PAYERS

	Count >1.45%	Count <=1.45%	Percent >1.45%
1 Month	694	422	62.2%
3 Months	750	364	67.3%
6 Months	781	330	70.3%
1 Year	817	288	73.9%
2 Year	907	186	83.0%
3 Year	902	179	83.4%
5 Year	938	119	88.7%
7 Year	974	59	94.3%
10 Year	951	46	95.4%
15 Year	921	16	98.3%
20 Year	877	0	100.0%

From 07.31.27 through 06.30.20. 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

…should be moving money toward stocks and not into supposedly safe instruments with pitiful yields.

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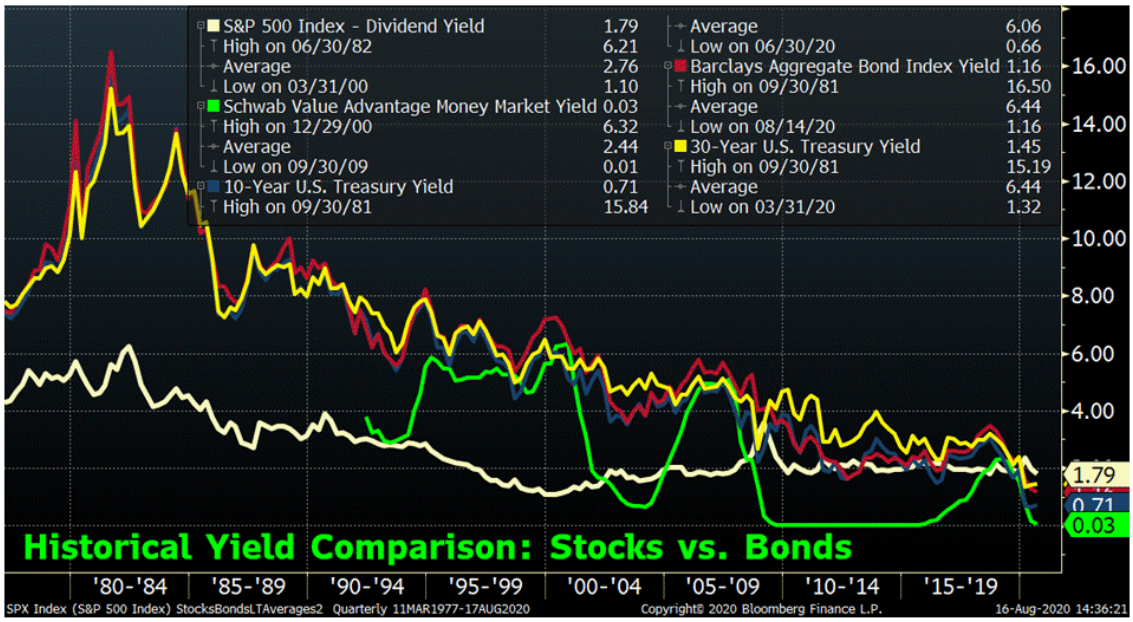
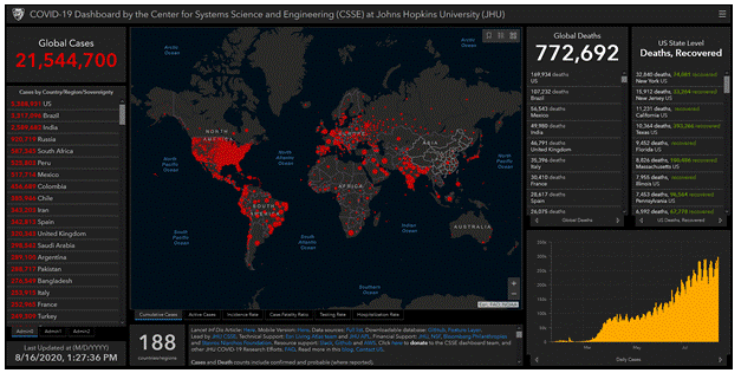
EQUITY VS. FIXED INCOME YIELDS

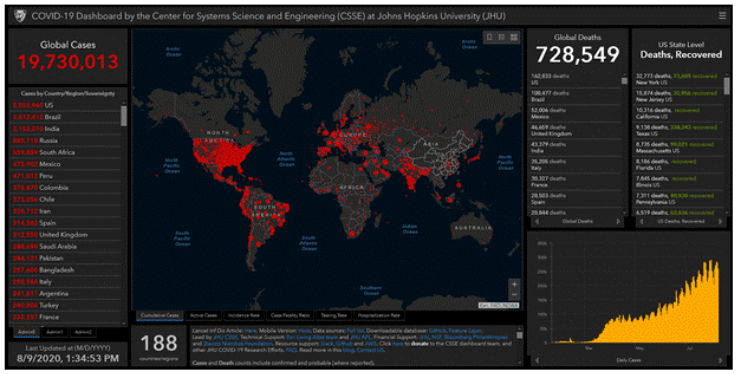
Though stocks are not necessarily a substitute for cash, government or corporate bonds, the payout on the S&P 500 (1.79%) is extraordinarily generous versus the income provided by fixed income, especially given the recent plunge in rates. Incredibly, **equities yield more than the Barclays Aggregate Bond Index and 60 times a "generous" Money Market Fund!**



To be sure, developments on the COVID-19 front will be paramount in the near-term direction of stock prices,…

COVID-19 GLOBAL SPREAD





With access to testing remaining high, there was another jump of more than 1.8 million in global COVID-19 confirmed cases in the latest week. Case counts have surged as economies have reopened, social distancing has waned and mask wearing has been inconsistent, and the U.S. is now up to more than 169,000 fatalities. With deaths lagging cases, we would expect to see a big jump in the former, but the global mortality increase over the last several weeks has been constant, climbing 6.1% in the latest period, versus 6.1% and 6.2%, respectively, for the two weeks prior.

https://www.arcgis.com/apps/opsdashboard/index.html#/bda759474ofd4029942346 7b48e9ecf6

…and we understand that the U.S. death toll estimates through the end of November are approaching 300,000,…

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DEATH IS AN UNFORTUNATE FACT OF LIFE

National Center for Health Statistics First 28-Weeks-of-the Year Overall U.S. Mortality Statistics

Year	Total Deaths	Year-over-Year Change	Versus 7-Year Average
2014	1,419,373		92%
2015	1,490,318	5.0%	97%
2016	1,480,955	-0.6%	96%
2017	1,537,145	3.8%	100%
2018	1,566,394	1.9%	102%
2019	1,555,916	-0.7%	101%
2020	1,726,623	11.0%	112%

Source: National Center for Health Statistics (NCHS)

The 295,011 American fatalities from COVID-19 through 12.1.20 that is now expected by the Institute for Health Metrics and Evaluation is hard to fathom, but that mortality count would be #3 on the annual rankings for cause of death in the U.S., while some may be surprised that the overall death rate so far in 2020 from all causes is 11.0% above that of 2019.

Data table for Figure 2. Number of deaths, percentage of total deaths, and age-adjusted death rates for all causes and the 10 leading causes of death in 2018: United States, 2017 and 2018

Rank[1]	Cause of death (based on *International Classification of Diseases, 10th Revision* [ICD–10])		2017 Number	2017 Percent	2017 Rate[2]	2018 Number	2018 Percent	2018 Rate[2]
...	All causes		2,813,503	100.0	731.9	2,839,205	100.0	723.6
1	Diseases of heart	(I00–I09,I11,I13,I20–I51)	647,457	23.0	165.0	655,381	23.1	163.6
2	Malignant neoplasms	(C00–C97)	599,108	21.3	152.5	599,274	21.1	149.1
3	Accidents (unintentional injuries)	(V01–X59,Y85–Y86)	169,936	6.0	49.4	167,127	5.9	48.0
4	Chronic lower respiratory diseases	(J40–J47)	160,201	5.7	40.9	159,486	5.6	39.7
5	Cerebrovascular diseases	(I60–I69)	146,383	5.2	37.6	147,810	5.2	37.1
6	Alzheimer disease	(G30)	121,404	4.3	31.0	122,019	4.3	30.5
7	Diabetes mellitus	(E10–E14)	83,564	3.0	21.5	84,946	3.0	21.4
8	Influenza and pneumonia	(J09–J18)	55,672	2.0	14.3	59,120	2.1	14.9
9	Nephritis, nephrotic syndrome and nephrosis	(N00–N07,N17–N19,N25–N27)	50,633	1.8	13.0	51,386	1.8	12.9
10	Intentional self-harm (suicide)	(*U03,X60–X84,Y87.0)	47,173	1.7	14.0	48,344	1.7	14.2
...	All other causes	(residual)	731,972	26.0	...	744,312	26.2	...

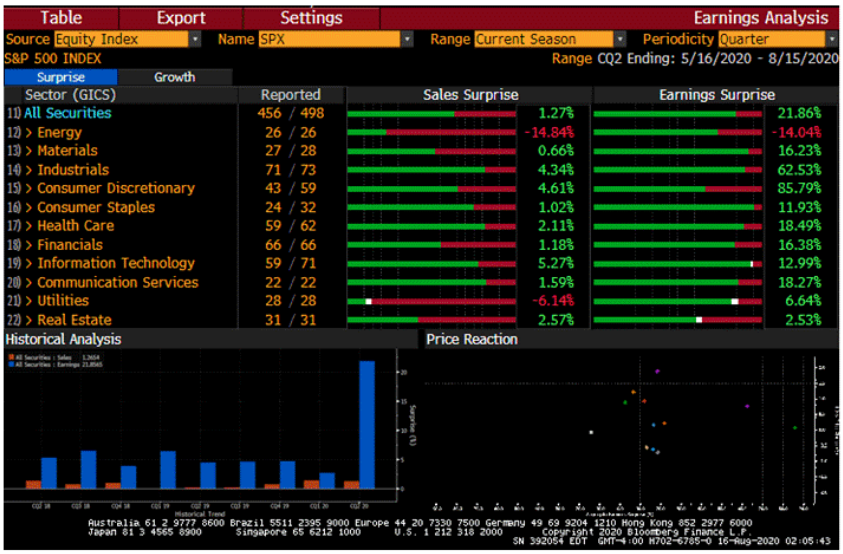
... Category not applicable.
* Code not included in ICD–10.
[1]Based on number of deaths.
[2]Deaths per 100,000 U.S. standard population.
SOURCE: NCHS, National Vital Statistics System, Mortality.

Data Brief 355. Mortality in the United States, 2018

…but the average stock remains well off its highs, with the Russell 3000 Value index still down more than 10% on the year, the Federal Reserve continues to be extraordinarily supportive and corporate profits have held up far better than most had envisioned.

EPS LIKELY TO PLUNGE IN 2020 BUT REBOUND SHARPLY IN 2021

Q2 reporting season has been very good, relative to analyst projections that have been a little too pessimistic in their top- and bottom-line estimates. Of course, full-year 2020 COVID-19-impacted EPS likely will be miserable, but a significant rebound is projected next year.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2021	$44.91	$163.43
9/30/2021	$42.12	$153.96
6/30/2021	$39.60	$143.62
3/31/2021	$36.80	$130.10
12/31/2020	$35.44	$112.80
9/30/2020	$31.78	$116.54
6/30/2020	$26.08	$124.57
ACTUAL		
3/31/2020	$19.50	$138.63
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 8.13.20

Yes, we always must be braced for downside market movement, especially as we have seen seven straight weeks of gains, and the Presidential Election campaign is heating up, but we continue to believe that time in the market trumps market timing.

THE PRUDENT SPECULATOR

STOCKS AND WASHINGTON

The current polls suggest a sizable lead for the Biden/Harris ticket in the race for the White House. Of course, market history (albeit not that many data points) shows that a Democrat in the Oval Office is good for stocks and that a complete "D" sweep would bode very well for Value.

PARTIES IN POWER & ANNUALIZED RETURNS

Conceding that there are not a lot of data points from which to draw grand conclusions, stocks seem to like the letter D better than R.

Pres Pty	Con Pty	Div Payers	Non-Div Payers	Value Stocks	Growth Stocks	Large Stocks	Small Stocks
D	R	14.8%	10.1%	15.6%	9.9%	15.0%	10.4%
D	D	14.1%	20.7%	20.6%	16.5%	12.9%	24.0%
D	S	15.3%	15.3%	14.5%	14.9%	15.6%	14.3%
R	R	-2.2%	-7.7%	-2.4%	-4.2%	-2.0%	-4.9%
R	D	9.8%	2.2%	10.7%	6.7%	9.5%	6.4%
R	S	6.7%	-3.5%	10.7%	1.9%	5.8%	5.4%
D Pres		**14.3%**	**18.0%**	**19.0%**	**14.9%**	**13.5%**	**20.3%**
R Pres		**5.1%**	**-2.3%**	**6.1%**	**2.0%**	**4.8%**	**2.3%**

Annualized Total Returns. From 12.31.28 through 12.31.18. Performance segregated by presidential and congressional party are geometric averages. Performance divided only by presidential party are also geometric averages. SOURCE: Kovitz using data from the U.S. House of Representatives, Morningstar and Professors Eugene F. Fama and Kenneth R. French

President Party	Congress Party	Start Date	End Date	Dividend Payers	Non-Div Payers	Value Stocks	Growth Stocks	Large Stocks	Small Stocks
R	R	12.31.1928	12.31.1930	-39.5%	-65.3%	-56.0%	-54.4%	-31.2%	-69.9%
R	R	12.31.1930	12.31.1932	-50.1%	-50.8%	-52.6%	-44.2%	-48.0%	-52.5%
Hoover		**12.31.1928**	**12.31.1932**	**-69.8%**	**-82.9%**	**-79.1%**	**-74.5%**	**-64.2%**	**-85.7%**
D	D	12.31.1932	12.31.1934	80.1%	60.8%	116.0%	137.5%	51.8%	201.7%
D	D	12.31.1934	12.31.1936	83.4%	153.2%	152.1%	78.6%	97.8%	131.0%
Roosevelt		**12.31.1932**	**12.31.1936**	**230.3%**	**307.2%**	**444.6%**	**324.2%**	**200.1%**	**597.0%**
D	D	12.31.1936	12.31.1938	-13.7%	-31.2%	-31.3%	-19.3%	-14.8%	-44.2%
D	D	12.31.1938	12.31.1940	-3.0%	-22.0%	-16.1%	3.1%	-10.2%	-4.8%
Roosevelt		**12.31.1936**	**12.31.1940**	**-16.4%**	**-46.3%**	**-42.3%**	**-16.8%**	**-23.5%**	**-46.9%**
D	D	12.31.1940	12.31.1942	5.7%	13.5%	31.0%	-1.0%	6.4%	31.5%
D	D	12.31.1942	12.31.1944	61.5%	164.2%	143.3%	68.4%	50.8%	189.6%
Roosevelt		**12.31.1940**	**12.31.1944**	**70.7%**	**199.7%**	**218.8%**	**66.7%**	**60.4%**	**280.8%**
D	D	12.31.1944	12.31.1946	30.5%	44.3%	47.2%	31.8%	25.4%	53.4%
D	R	12.31.1946	12.31.1948	7.3%	-20.2%	8.5%	-5.0%	11.5%	-1.2%
Truman		**12.31.1944**	**12.31.1948**	**40.0%**	**15.1%**	**59.7%**	**25.2%**	**39.9%**	**51.6%**
D	D	12.31.1948	12.31.1950	59.2%	98.0%	84.7%	58.2%	56.5%	66.1%
D	D	12.31.1950	12.31.1952	38.0%	17.8%	28.9%	30.7%	46.8%	11.1%
Truman		**12.31.1948**	**12.31.1952**	**119.7%**	**133.2%**	**138.2%**	**106.8%**	**129.7%**	**84.5%**
R	R	12.31.1952	12.31.1954	51.7%	42.4%	58.2%	47.1%	51.1%	50.2%
R	D	12.31.1954	12.31.1956	36.8%	19.2%	33.7%	28.9%	40.2%	25.6%
Eisenhower		**12.31.1952**	**12.31.1956**	**107.5%**	**69.7%**	**111.6%**	**89.6%**	**111.8%**	**88.6%**
R	D	12.31.1956	12.31.1958	31.2%	30.6%	38.5%	37.5%	27.9%	40.9%
R	D	12.31.1958	12.31.1960	15.2%	0.8%	9.8%	13.8%	12.5%	12.6%
Eisenhower		**12.31.1956**	**12.31.1960**	**51.1%**	**31.6%**	**52.0%**	**56.5%**	**43.9%**	**58.6%**
D	D	12.31.1960	12.31.1962	17.7%	-8.1%	22.5%	4.3%	15.8%	16.4%
D	D	12.31.1962	12.31.1964	44.8%	15.4%	58.7%	28.0%	43.0%	57.6%
Kennedy/Johnson		**12.31.1960**	**12.31.1964**	**70.5%**	**6.0%**	**94.4%**	**33.6%**	**65.7%**	**77.6%**
D	D	12.31.1964	12.31.1966	1.6%	42.6%	20.1%	14.5%	1.1%	31.8%
D	D	12.31.1966	12.31.1968	42.9%	127.4%	103.6%	84.1%	37.7%	149.6%
Johnson		**12.31.1964**	**12.31.1968**	**45.1%**	**224.3%**	**144.6%**	**110.8%**	**39.3%**	**229.0%**
R	D	12.31.1968	12.31.1970	-7.4%	-48.9%	-13.9%	-23.9%	-4.8%	-38.1%
R	D	12.31.1970	12.31.1972	34.2%	21.4%	29.0%	38.7%	36.0%	21.7%
Nixon		**12.31.1968**	**12.31.1972**	**24.2%**	**-38.0%**	**11.1%**	**5.6%**	**29.4%**	**-24.7%**
R	D	12.31.1972	12.31.1974	-36.1%	-63.2%	-33.7%	-54.6%	-37.2%	-44.7%
R	D	12.31.1974	12.31.1976	81.0%	127.1%	139.5%	88.6%	69.9%	140.5%
Nixon/Ford		**12.31.1972**	**12.31.1976**	**15.7%**	**-16.5%**	**58.7%**	**-14.4%**	**6.6%**	**33.0%**
D	D	12.31.1976	12.31.1978	5.2%	41.7%	26.2%	17.3%	-1.1%	54.8%
D	D	12.31.1978	12.31.1980	60.3%	161.8%	56.5%	90.6%	56.8%	100.7%
Carter		**12.31.1976**	**12.31.1980**	**68.7%**	**270.9%**	**97.5%**	**123.6%**	**55.1%**	**210.6%**
R	S	12.31.1980	12.31.1982	20.4%	-4.2%	55.3%	9.7%	15.4%	45.8%
R	S	12.31.1982	12.31.1984	29.3%	-1.9%	54.1%	8.5%	30.2%	30.4%
Reagan		**12.31.1980**	**12.31.1984**	**55.6%**	**-6.1%**	**139.3%**	**19.1%**	**50.3%**	**90.0%**
R	S	12.31.1984	12.31.1986	57.9%	26.4%	56.2%	42.2%	56.6%	33.2%
R	D	12.31.1986	12.31.1988	21.8%	8.9%	23.1%	10.2%	22.9%	11.5%
Reagan		**12.31.1984**	**12.31.1988**	**92.3%**	**37.7%**	**92.3%**	**56.8%**	**92.5%**	**48.5%**
R	D	12.31.1988	12.31.1990	24.2%	2.8%	0.3%	15.6%	27.3%	-13.6%
R	D	12.31.1990	12.31.1992	45.2%	70.3%	73.5%	56.8%	40.6%	78.4%
Bush H.		**12.31.1988**	**12.31.1992**	**80.4%**	**75.1%**	**74.1%**	**81.3%**	**79.0%**	**54.2%**
D	D	12.31.1992	12.31.1994	9.9%	17.4%	20.8%	3.1%	11.4%	24.7%
D	R	12.31.1994	12.31.1996	69.6%	56.9%	69.6%	55.4%	69.1%	58.2%
Clinton		**12.31.1992**	**12.31.1996**	**86.4%**	**84.1%**	**104.9%**	**60.3%**	**88.5%**	**97.3%**
D	R	12.31.1996	12.31.1998	65.7%	60.8%	50.5%	41.1%	71.5%	13.8%
D	R	12.31.1998	12.31.2000	16.9%	16.6%	28.4%	13.4%	10.0%	25.1%
Clinton		**12.31.1996**	**12.31.2000**	**93.7%**	**87.4%**	**93.3%**	**60.0%**	**88.7%**	**42.4%**
R	R	12.31.2000	12.31.2002	-18.7%	-45.5%	-10.5%	-32.4%	-31.4%	6.5%
R	R	12.31.2002	12.31.2004	41.7%	62.0%	75.6%	56.9%	42.7%	90.3%
Bush W.		**12.31.2000**	**12.31.2004**	**15.2%**	**-11.7%**	**57.1%**	**6.0%**	**-2.1%**	**102.6%**
R	R	12.31.2004	12.31.2006	23.0%	19.1%	37.1%	12.7%	21.5%	22.8%
R	S	12.31.2006	12.31.2008	-31.7%	-36.4%	-39.8%	-31.3%	-33.5%	-40.0%
Bush W.		**12.31.2004**	**12.31.2008**	**-16.0%**	**-24.3%**	**-17.4%**	**-22.5%**	**-19.3%**	**-26.4%**
D	D	12.31.2008	12.31.2010	41.8%	84.4%	46.9%	64.9%	45.5%	68.1%
D	S	12.31.2010	12.31.2012	17.5%	15.5%	13.1%	14.0%	18.5%	14.4%
Obama		**12.31.2008**	**12.31.2012**	**66.7%**	**112.9%**	**66.2%**	**88.0%**	**72.4%**	**92.3%**
D	S	12.31.2012	12.31.2014	50.5%	53.7%	52.2%	53.0%	50.5%	49.3%
D	R	12.31.2014	12.31.2016	12.8%	11.4%	19.8%	9.7%	13.5%	21.1%
Obama		**12.31.2012**	**12.31.2016**	**69.7%**	**71.2%**	**82.3%**	**67.8%**	**70.8%**	**80.8%**
R	R	12.31.2016	12.31.2018	12.9%	26.8%	1.1%	22.8%	16.5%	-7.5%
Trump		**12.31.2016**	**12.31.2018**	**12.9%**	**26.8%**	**-1.1%**	**22.8%**	**16.5%**	**-7.5%**

Total Returns are not annualized. From 12.31.28 through 12.31.18. SOURCE: Kovitz using data from the U.S. House of Representatives, Morningstar and Professors Eugene F. Fama and Kenneth R. French

Stock Updates

We will be posting updated Target Prices to theprudentspeculator.com for all our formerly recommended and not yet closed out stocks. Readers should keep in mind that all stocks are rated as a "Buy" until such time as they are a "Sell." A listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/, and we offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

We note that Target Prices have been boosted for several of our holdings…

It sure feels like we are writing about **Apple** (AAPL – $459.63) every weekend, with the company again smashing its all-time high last week and nearly reaching a $2 trillion market capitalization. It is a good problem to have, we believe, considering that our initial recommendation came at $1.60 in October 2000. Of course, with swelling position sizes in our broadly diversified portfolios, we have trimmed our holdings multiple times over the years but have generally benefited from the overweight positions that are a result of gains above the rest of the portfolio.

While Apple has taken on debt, primarily as a method of financial engineering and had more than $193 billion of cash on its balance sheet on June 27, we think that little resistance to slow demand for Apple's devices, in spite of wide Apple Store shutdowns, demonstrates that the ecosystem is strong as ever. Of course, the yield is down to 0.7% and the forward P/E is 32, but EPS growth is expected to be 9% or more each of the next three years and the company continues to grow Apple TV, wearables and other business lines. While any big weight is a potential source of cash to deploy to other opportunities that present better risk/reward profiles, we remain content for the moment with AAPL's still-large current weighting and we have raised our Target Price once more to $470.

General merchandise discount store chain **Target** (TGT – $136.53) continued its rally this year, setting a new all-time high amid strong demand for the store's merchandise. Target had significant missteps several years ago, including aging stores and a failed Canada expansion. After retreating and regrouping, the retailer launched small-footprint stores, which we think gained extra importance in the pandemic, as folks could get critical items more quickly than a big-box store. Target also used its stores as mini distribution centers for its online sales, either for last-mile shipping or using its bring-to-car service. The company's RedCard also offers a 5% discount on all purchases, providing an additional incentive to loyal shoppers. Taken together, we think the transformed Target experience resonated with customers and that's evident in the company's sales, earnings and share price.

While TGT's valuation metrics aren't cheap anymore, we continue to hold our shares due to the diversification and stability they offer to our broadly diversified portfolios. TGT's forward price-to-earnings ratio is 22.5, which is still less expensive than competitors **Walmart** (WMT – $132.60) at 26x, Amazon (79x) and Costco (37x). TGT shares yield 2.0% and our Target Price is $142.

Shares of **Lowe's Cos** (LOW – $154.34) continued to climb last week, pushing the year-to-date gain above 30%, and since this year's low on March 18, the stock is up 140%. Despite the giant gain, we continue to hold the our shares because we believe that the DIYers are unlikely to be finished with their projects soon. Additionally, the uncertainty related to workplaces and schools makes home improvement or remodeling more attractive and management has plenty of room to implement operational efficiencies that should improve margins (the company's profit margin is 5.9% and operating margin is 8.8%).

On a fundamental basis, we think the valuation remains reasonable, including metrics like 21 times forward P/E and a 4.3% free cash flow yield. Analysts project EPS growth of 23% in fiscal 2021, with 2022 and 2023 expectations of 5% and 14%, respectively. We think these measures beat out LOW's nearest competitor Home Depot, which sports a forward P/E of 26 and expected EPS growth between 4% and 8% the next three years. LOW's shares also yield 1.4%. Our revised Target Price is $163.

Shares of agricultural, farm and construction machinery firm **Deere & Co**. (DE – $191.13) continued to march higher, passing our previously published Target Price. We have decided to boost our Target Price, and also chose not to trim any of our position at this time, noting that quarterly results and a forward outlook are due to be released this coming Friday.

We continue to remain quite optimistic about the long-term potential of global agriculture in general and we believe Deere is the highest quality company in the space. True, in the near term, ag continues to be complicated by the three Ps (pandemic, politics and production). However, longer term, we view the replacement cycle and precision ag as highly supportive with technology advancements continuing to support and drive pricing. Further, we think demand will continue to increase as worldwide arable land and population growth should force farmers to be more productive and should continue to drive the need for more efficient farming. We also like that Deere has the diversifier of its construction products, and think the company will benefit from continued emerging market urbanization. Our Target Price on DE is now $200, but we will continue to monitor our position closely.

Shares of engine manufacturer **Cummins Inc.** (CMI – $213.51) have rallied 9% just since our last commentary nearly two weeks ago, reaching a new all-time high on Friday of $215.43. We suspect much of the recent excitement for the stock has a bit to do with investor enthusiasm for all things alternative energy given Cummins' New Power segment, which is focused on electrified power, fuel cell and hydrogen production technologies. While the competition for these end markets will be stiff and the business will not contribute to the bottom line for some time, Cummins has established relationships with firms that are already adopting these technologies, including Gillig and Blue Bird in the North American urban/school bus markets and Alstom Transport in Europe for PEM fuel cell powered regional commuter trains. Cummins also inked a joint venture with L'Air Liquide, S.A. to supply on-site hydrogen when it acquired Hydrogenics Corporation in 2019.

As we mentioned in our recent commentary, Cummins also continues to execute within its traditional business lines. Last Tuesday, the firm announced an extension to its partnership with Navistar to supply medium-duty and heavy-duty big bore engines in its international trucks and internal combustion engine buses in the U.S. and Canada. Navistar is a key customer, and is one of the top four customers that represented a cumulative 37% of sales in 2019.

Up 46% over the past 52 weeks and trading for nearly 23 times expected 2020 earnings per share, the stock isn't cheap, but it isn't all that expensive either versus a market multiple above 26. Given a history of strong operating results, decent returns on capital and a very solid balance sheet, we remain comfortable holding CMI for the time being. Shares yield 2.5% and we have raised our Price Target to $220.

Shares of natural resource producer **BHP Group** (BHP – $56.99) continued to climb over the past week as iron ore and other commodity prices rose. Up nearly 84% since bottoming in March, the year-to-date price performance is now in the green by a few percentage points. BHP reported in July that robust demand in China has driven strong iron ore (~44% of revenue) production in recent periods. With the release of financial results expected next week, commentary around effects from COVID-19 and the firm's climate strategy are likely to be in focus.

Though we understand that commodity prices are notoriously volatile, our Target Price for BHP is now $62. We note that the company has been a generous dividend payer through the years,

and the shares yield 4.6% on an annualized basis, while they trade for 15.7 times full-year expected earnings.

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Second quarter earnings reporting season is winding down. The numbers have been very good relative to subdued expectations. With 456 members of the S&P 500 having announced results, per data from Bloomberg, 84.1% have topped analyst projections, much better than the usual 70% or so that beat Wall Street forecasts.

Management team outlooks have been very subdued and forward guidance ranges have been broad if they are provided at all, but Jason Clark, Chris Quigley and Zach Tart look at five of our companies that posted quarterly results last week.

Communications equipment firm **Cisco Systems** (CSCO – $42.50) reported earnings per share of $0.80, versus the $0.74 estimate, in fiscal Q4 2020. CSCO had sales of $12.2 billion (vs. $12.1 billion est.). Since the release, shares have fallen 11%, thanks to weaker-than-expected guidance for next quarter. CSCO expects revenue to drop between 9% and 11% in Q1, compared with the analyst consensus of -7.2%. First quarter earnings per share is expected to come in between $0.69 and $0.71, while the consensus estimate was $0.76.

CEO Chuck Robbins explained, "In 2017, we laid out key metrics for our transformation. We set a goal of 30% of our revenue to come from software. And while we achieved 29% in fiscal year '20, we did achieve 31% in Q4. We also delivered 51% of our revenue from software and services in FY '20, exceeding our target of 50%. Lastly, we now have 78% of our software revenue sold as subscription, beating our target of 66%. With our customers as our guide, we have successfully executed against our strategy to help them transform and modernize their organizations."

"I want to reiterate my confidence for what the future holds. Over the past 5 years, we have not shied away from making bold moves to position us for long-term growth, and now is no different. We are committed to running a strong business as well as leveraging technology for good to solve the world's biggest challenges and create new opportunities for the future. As we've demonstrated, we have helped our customers build resiliency in difficult environments through industry disruptions and in times of rapid growth," continued Mr. Robbins. "We will also continue to use our position to make our communities and world a better place. Whether it's tackling the global health pandemic or social injustice and intolerance, we are committed to our purpose of powering an inclusive future for all. As we start a new fiscal year, I believe we have incredible opportunities in front of us. We will navigate the pandemic in the most effective way possible while not damaging the long-term prospects for Cisco. We remain strongly aligned to our customers' priorities and deeply committed to delivering long-term growth."

COVID-19 continues to impact Cisco, although management believes it has a better handle on the ongoing impacts than it did at the previous analyst call. The Infrastructure Platforms and Data Center segments are expected to see ongoing headwinds as companies and governments slow some projects, while wireless, network security and cloud switching products are likely to see continued demand growth. Despite the revenue challenges in some areas, we think that

CSCO has positioned itself to be substantially more stable than it was a few years ago, thanks in part to the switch toward the subscription model for software. Analysts do not expect CSCO's EPS to grow next year, but that trend should reverse in fiscal 2022 and 2023. Cisco sports a forward P/E ratio near 14 and a solid 3.4% yield. We continue to find CSCO to be a value-priced stock with decent long-term growth potential. Our Target Price has been trimmed to $59.

Luxury lifestyle brand **Tapestry** (TPR – $15.93) released its fiscal Q4 and full year financial results last Thursday, the first report since the unexpected resignation of former CEO Jide Zeitlin. Tapestry said that it lost $0.25 per share over the preceding three months, versus the $0.58 of red ink expected by analysts. Full year earnings tallied $0.97 as a 53% sales decline year-over-year in Q4 brought the full-year figure to $4.96 billion (vs. $6.03 billion in 2019). Despite the sales declines, the firm achieved triple-digit growth of digital sales and gross margin increases at each of Coach, Kate Spade and Stuart Weitzman in the final quarter. Shares have gained roughly 2% in the two trading days since the announcement.

Amid temporary store closures from the pandemic, Tapestry has launched a new Acceleration Program designed to reduce operating costs and enhance digital capabilities. Interim CEO Joanne Crevoiserat elaborated: "First, we're sharpening our focus on the consumer. We will operate with a clearly articulated purpose for each of our brands and an unwavering focus on the consumer at the core of everything we do. Authentically engaging consumers is foundational to the success of any brand, and we have strong brands with rich heritage to build from in this work. To ensure that we deliver on the potential of our brands, we are more clearly defining the distinctive brand equities in key customer segments for each of our brands. This clarity will guide decision-making, and it will drive stronger consistent execution at all brand touch points and deeper engagement with consumers. This is critically important because we understand that to win in today's environment, the bar is high. Consumers have more choice than ever before, and consumers' priorities are changing. They are increasingly driven by their values, are more connected and seek brands with authenticity that engage seamlessly and align with their values. Our 3 powerful brands, all with authentic heritage and distinctive positioning in the market, are well positioned to thrive in this context. We will deepen our connection with our consumers through our grounding and purpose, authentic principles and heritage, and our relentless focus on the omnichannel experience."

While the impact of the coronavirus is an obvious wildcard, we respect that gross margin increases within top brands suggests a strong product portfolio. We are pleased to see business in Asia returning strongly, while we like that TPR trades at 9.3 times the fiscal 2021 earnings estimate, and that respective EPS forecasts for fiscal ‘22 and ’23 stand at $2.17 and $2.51. That said, the dividend remains suspended, so we continue to weigh our TPR position against other opportunities in the Consumer Discretionary space. Our Target Price has been bumped up to $29.

Cruise operator **Royal Caribbean** (RCL – $60.50) reported a loss of $6.13 per share for its recently ended Q2 2020 amid another quarter of virtually no revenue. Trading was volatile throughout the week, yet the stock climbed 16% higher by market close on Friday. Though the shares are down almost 55% year-to-date, they have tripled in price off the lows seen in March. With all cruises cancelled at least through October, expenses are related to lay-up of the fleet and include housing and repatriation of crew. Royal has been able to enter a 12-month debt amortization holiday, obtaining various covenant waivers until Q4 of 2021, and has shifted delivery of ships such that three instead of five are to be delivered through 2021. With these actions, debt maturities amount to $300 million and $1.3 billion for the remainder of 2020 and through 2021, respectively. The firm ended the quarter with $4.1 billion of liquidity, a result of various forms of debt capital raised over an average maturity of about 5 years, but with minor issues maturing as late as 2032.

CEO Richard Fain commented on the quarter, "While it definitely seems like an eternity, it's been 5 months since COVID-19 upended our lives. Every one of those days has been a challenge to all of us on every level. The impact on us on individuals, as families, as businesses, probably most importantly, as communities have been profound and sometimes even humbling. During these 5 months, we, at the Royal Caribbean Group, have been working on scenarios that were unimaginable for us just a while ago, from massive crew repatriations and bid capital raises to developing new fleet-wide health and safety protocols, all while working remotely. It's been and continues to be a monumental effort."

Management has said that 2021 bookings have benefited from guests with future cruise credits, although the cadence of demand has more-or-less followed the news cycle, growing as COVID-19 cases decline and vice versa. More than 60% of bookings received since mid-May have been new bookings, and cumulative book load factor for these bookings is still within historical ranges. Customer deposit balances at the end of June were $1.8 billion with approximately $300 million associated to 2020 sailings.

For many, the burden of proof that cruising remains a safe and viable way to spend a vacation is likely on the cruise companies themselves. To that end, Royal has put together a Healthy Return-to-Service program designed to enhance health protocols on board. Mr. Fain detailed, "As I mentioned before, this new program will focus on 4 key aspects: upgraded screening of guests and crew prior to boarding; enhanced health processes and protocols on board; a special focus on addressing the destination we visit; and lastly, procedures for addressing any reports of exceptions. We recognize that this is extremely complex. Therefore, besides our dedicated internal teams, we, in cooperation with Norwegian Cruise Line, have assembled an expert panel called the Healthy Sail Panel. It's tasked to help us develop comprehensive and multifaceted set of enhanced health and safety protocols. We think they will address the key aspects of our return-to-service program given the challenges of COVID-19. We've also recently created the position of Global Chief Public Health Officer, who will raise our standards for enhancing and implementing all the protocols and recommendations fleet-wide."

Though the stock has performed admirably over the eight-plus years since our initial recommendation back in 2012, we have certainly taken our lumps on RCL this year and the future is far from certain. Still, we think that RCL is checking the right boxes in terms of liquidity, significantly reducing costs and ramping up measures to enhance passenger health in the future. We reiterate from our prior commentary that it appears from our vantage point that RCL will likely make it to the other side of the current storm and given current bookings for 2021, a case can be made that long-term cruising demand remains very strong. That said, debt issuance and payment deferrals into the future will eventually come home to roost, and efforts to make cruising safer will come at a cost, both of which will weigh on results even once cruisings are eventually reinstated, so we are keeping a watchful eye on RCL. Our Price Target now stands at $76.

Nutrien (NTR – $38.42) saw its shares surge more than 8% last week as the provider of crop inputs and agricultural services posted its Q2 financial results. While revenue for the period of $8.18 billion fell short of consensus expectations by about 2%, adjusted EPS of $1.45 was ahead of the average forecast of $1.35. The quarter saw strong demand lead to record volumes and high

operational efficiency, offsetting broadly lower average realized prices. The retail business was solid with sales growth of a decent 3.6%, with gross margins expanding an impressive 180 basis points.

"Nutrien delivered compelling second-quarter and first-half results supported by strong growth in our Retail Ag Solutions earnings and excellent operational performance across our Potash and Nitrogen business units. Nutrien's many competitive advantages were apparent this quarter, including the quality of our assets and impressive free cash flow generation, even at the bottom of the commodity cycle. Our digital platform continues to exceed expectations. We now expect to reach $1 billion in online orders by the end of the year and are introducing new data-driven offerings to help farmers make quicker and more informed decisions for their business," commented CEO Chuck Magro.

Additionally, management offered up its outlook on agriculture and retail as well as the crop nutrient markets. The company said that U.S. crop demand fundamentals have stabilized as a result of a rebound in ethanol demand and strong Chinese purchases due to tight Chinese inventories and rising prices. However, favorable U.S. growing conditions, high crop conditions ratings and supportive weather forecasts have combined to pressure prices in recent weeks. North American spring fertilizer application was robust and customer engagement in summer fill programs was strong as wholesale customers replenished inventories. The U.S. corn and soybean crop is progressing well ahead of 2019 levels, which could be supportive of strong fall applications. Brazilian soybean and corn prices continue to be historically high. As a result, Brazilian growers are realizing record margins and have forward contracts to sell historically high proportions of their anticipated 2021 harvest. Brazilian soybean acreage is expected to increase approximately 5% in the upcoming planting season.

Considering the crop nutrient markets, management offered that global potash buying increased meaningfully following the signing of the China and India potash contracts, particularly in Brazil. With strong demand in most key regions, many producers have announced they are now sold out through September 2020 and Brazilian prices have rebounded by over $30/mt from low values in the second quarter of this year. Global urea demand has been supported by strong consumption in many key regions, particularly in India. Chinese urea exports continue to be lower year-over-year, but we expect the pace to increase in the second half of 2020. Ammonia prices have continued to be held back by weaker-than-normal industrial demand in the Western Hemisphere, while improved industrial utilization in Asian markets is supporting both demand and prices in that region. Global phosphate prices have been supported by anticipated strength in second-half demand in India and Brazil.

We continue to like that Nutrien has a strong balance sheet and rich dividend (4.7% current yield). The company also has scale offered by a large retail presence with over 2,000 locations in seven countries, diversification across the three major crop nutrients and a strategy of selling directly to farmers. We continue to be constructive on the long-term global agriculture story and we think NTR is a beneficiary. Our Target Price is now $53.

Shares of **Foot Locker** (FL – $28.73) lost some steam as the week went on, but still ended the five days up 4.5% after the company preannounced some of its Q2 financial results prior to the

scheduled release on 8.21.2020, and the stock received a number of analyst upgrades. In the update, management said that same store sales jumped approximately 18% and adjusted EPS was expected to show a final report of $0.66 to $0.70. The bottom-line result will come in more than 100% above the consensus analyst estimate. More detail on the quarter, as well as how "back to school" is looking to start Q3 will be shared this week.

"In the midst of the COVID pandemic, our team delivered strong second-quarter results. As we continued to reopen stores throughout the quarter, we saw a strong customer response to our assortments, which we believe was aided by pent-up demand and the effect of fiscal stimulus. This fueled our in-store sales and also drove continued momentum across our digital channels," commented CEO Richard Johnson. "While these undoubtedly remain challenging times, we are nonetheless pleased by the health of our category, our deep connections with our customers, and the strength of our vendor relationships."

"Despite gross margin pressure from channel mix shift and a highly promotional environment, we were able to return to positive earnings per share due to the meaningful lift in top-line sales and disciplined expense management," added CFO Lauren Peters.

While the near-term continues to be filled with headwinds and uncertainties, we believe that Foot Locker has several competitive edges, including broad distribution channels, geographic locations, and multiple banners and product categories. We also think longer-term FL will benefit from its strategic cost control and productivity plans, in addition to further penetration of its apparel offerings and solid growth of its digital shopping platforms, including eastbay.com. There will continue to be evolution as the company is seeing the value of bolstering its digital presence, and it may have to consider "off-mall" concepts in the future as there is the chance that some malls in the U.S. might not survive or may no longer be optimal in some geographic locations. Our Target Price for FL has been hiked to $63.