Market Commentary Monday, February 22, 2021

February 21, 2021

EXECUTIVE SUMMARY

Newsletter Portfolio Trades – Sold a Portion of GBX
Week in Review – Fantastic Friday…For Value
COVID-19 – Health News Improving
Interest Rates – Rising Rates are not Good…for Bonds
Econ Outlook – Solid GDP Growth Likely in 2021
Earnings – Terrific Q4 Numbers; Rising 2021 Estimates
Yellen Speaks – Most P/E Ratios Reasonable Given Extraordinarily Low Rates
Sentiment – AAII Folks More Optimistic
Bond Bubble – German Bunds Offer Reward Free Risk
Stock News – Updates on NEM, MOS, NTR, DE, ALB, WMT, ALIZY & CVS

Market Review

A bit of housekeeping before this week's missive. As discussed on Monday's *Sales Alert*. We sold 97 shares of **Greenbrier Cos.** (GBX – $45.58) for Buckingham Portfolio at $45.695 on Wednesday, February 17. In our hypothetical accounts, we will use that price to liquidate 267 GBX shares from PruFolio.

*****

It was a glorious end to what had been shaping up as a modestly poor week, with Value stocks generally enjoying a terrific Friday while Growth stocks posted losses. That divergence added to Value's lead since the tide started to turn more than seven months ago,…

THE PRUDENT SPECULATOR

VALUE RALLY CONTINUES…PURE VALUE LEADS IN '21

Illustrating why we say it is a market of stocks and not a stock market, it was our kind of week with Value modestly in the green and Growth in the red, and the average stock in the S&P 500 up, but the index down.

Total Returns Matrix

Last Week	2021 YTD	Since 10.31.20	Since 7.9.20	Since 3.23.20	Last 12 Months	Last 2 Years	Last 3 Years	Last 5 Years	Name
-0.63	-1.94	1.18	3.19	10.27	6.84	13.24	12.19	19.94	Bloomberg Barclays Global-Aggregate Bond
-0.57	-1.80	-0.70	-1.18	4.49	3.51	13.37	17.28	19.69	Bloomberg Barclays US Aggregate Bond
0.16	3.17	19.64	24.06	72.71	9.70	27.36	33.78	116.20	Dow Jones Industrial Average
0.00	6.02	24.37	30.48	78.92	11.82	28.18	29.21	84.88	New York Stock Exchange Composite
-1.70	4.52	21.33	26.63	94.68	32.59	74.10	84.62	188.09	Russell 3000 Growth
0.31	**6.70**	**26.38**	**33.89**	**76.64**	**8.68**	**24.35**	**26.40**	**81.13**	**Russell 3000 Value**
-0.73	5.57	23.74	30.08	86.68	21.41	49.16	55.06	131.98	Russell 3000
0.26	6.32	26.71	36.36	91.60	16.96	36.15	41.48	108.36	S&P 500 Equal Weighted
-0.68	4.23	20.09	25.17	77.38	17.44	45.93	51.43	124.79	S&P 500
-1.65	3.62	18.31	23.35	85.16	27.16	63.66	73.14	164.51	S&P 500 Growth
0.44	**4.92**	**22.58**	**27.71**	**66.68**	**5.37**	**25.70**	**27.65**	**82.23**	**S&P 500 Value**
-1.67	6.20	24.58	30.79	102.22	28.31	56.33	60.70	147.96	S&P 500 Pure Growth
1.85	**12.46**	**39.19**	**54.70**	**107.81**	**5.56**	**12.37**	**11.79**	**73.57**	**S&P 500 Pure Value**

As of 02.19.21. Source Kovitz using data from Bloomberg

…with better news on the health front a major catalyst for the Value renaissance,…

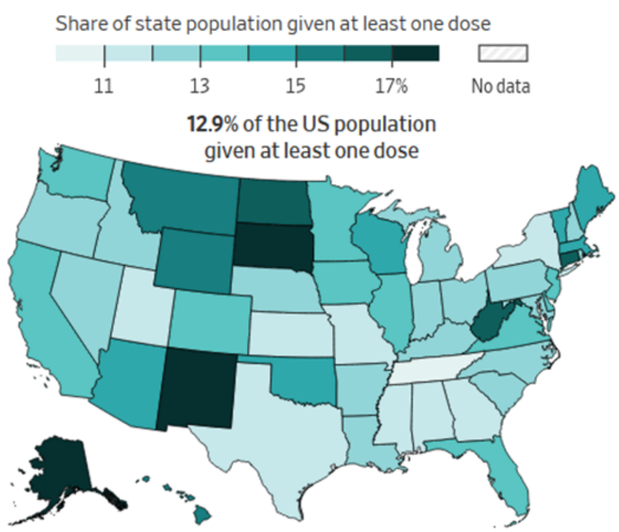
THE PRUDENT SPECULATOR

VACCINES CONTRIBUTING TO MUCH BETTER U.S. COVID-19 NUMBERS

61,289,500 doses given

79,128,495 total doses distributed

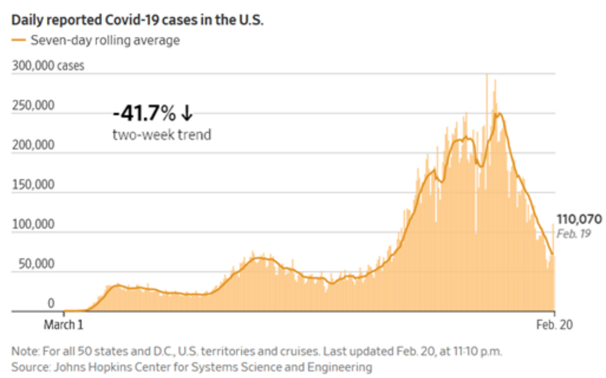
Shots given | Doses distributed | Doses used



Note: Total includes U.S. territories and federal agencies. Last updated Feb. 20, at 5:00 p.m.
Source: Centers for Disease Control and Prevention

U.S. newly reported Covid-19 cases and hospitalizations continued a steady, weekslong decline, even as a winter storm disrupted vaccinations across the country and likely created lags in data reporting. Even with the decreases, health officials have warned that numbers remain high and new variants, quickly spreading through the U.S., could reverse gains.

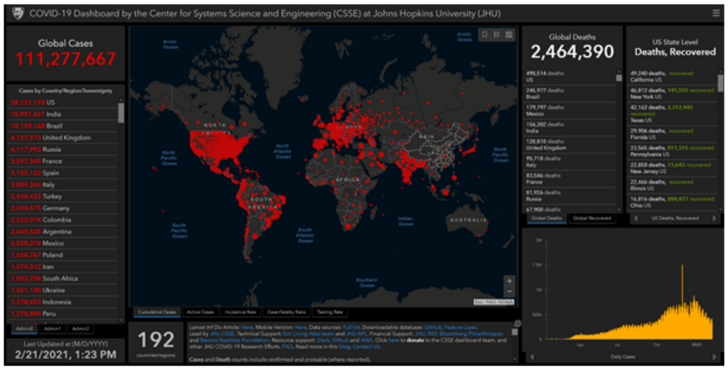
New research showing the Pfizer-BioNTech vaccine generates robust immunity after one dose and can be stored in ordinary freezers could have substantial implications on vaccine policy and distribution around the world, simplifying the logistics of distribution. – *Wall Street Journal*, 2.19.21

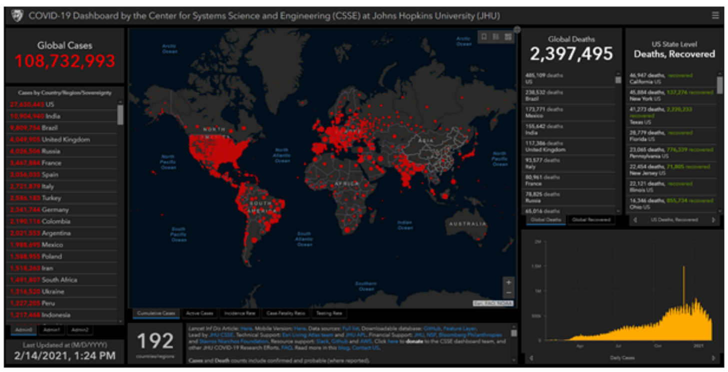


…even as we know that it will be quite some time before COVID-19 is put into the rear-view mirror.

THE PRUDENT SPECULATOR

COVID-19 GLOBAL CASE AND MORTALITY GROWTH RATES SLOWING





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

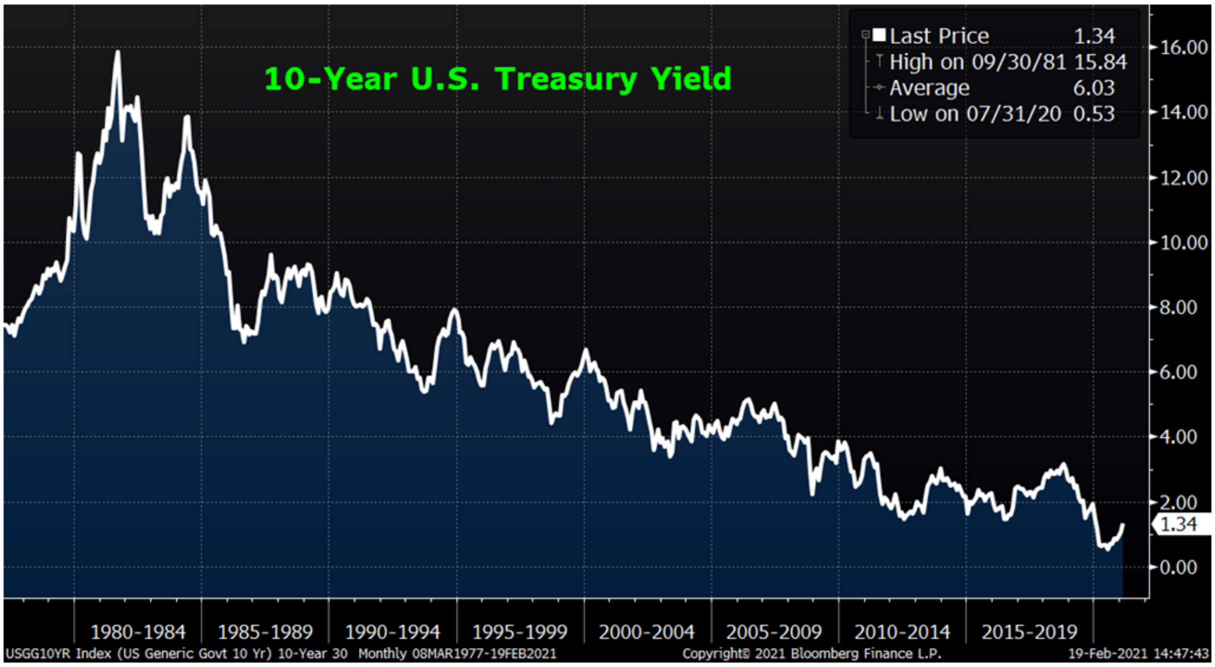
Given that nearly 2.5 million have lost their lives around the world, with almost 500,000 of those in the U.S., there isn't much positive to say health-wise about the COVID-19 Pandemic, even as the latest numbers have improved significantly. There was a sizable drop in the growth of those diagnosed as the virus increase last week was "only" 2.5 million, down from 2.7 million the week prior, and the rise in weekly fatalities fell from nearly 84,000 to less than 67,000. Still nothing to cheer about, of course, as new more deadly virus strains are making their way around the world, but hospitalizations have declined considerably, while vaccinations have helped considerably.

Another significant cause of the Value resurgence is the jump in interest rates, with the yield on the 10-Year U.S. Treasury having soared to 1.34% on Friday, up from 0.53% on July 31.

THE PRUDENT SPECULATOR

INTEREST RATES CAN MOVE IN BOTH DIRECTIONS

While the trend in the 10-Year U.S. Treasury yield has been down for most of the past four decades, rates have more than doubled over the last seven months or so, even as a 1.34% yield is still extraordinarily low.



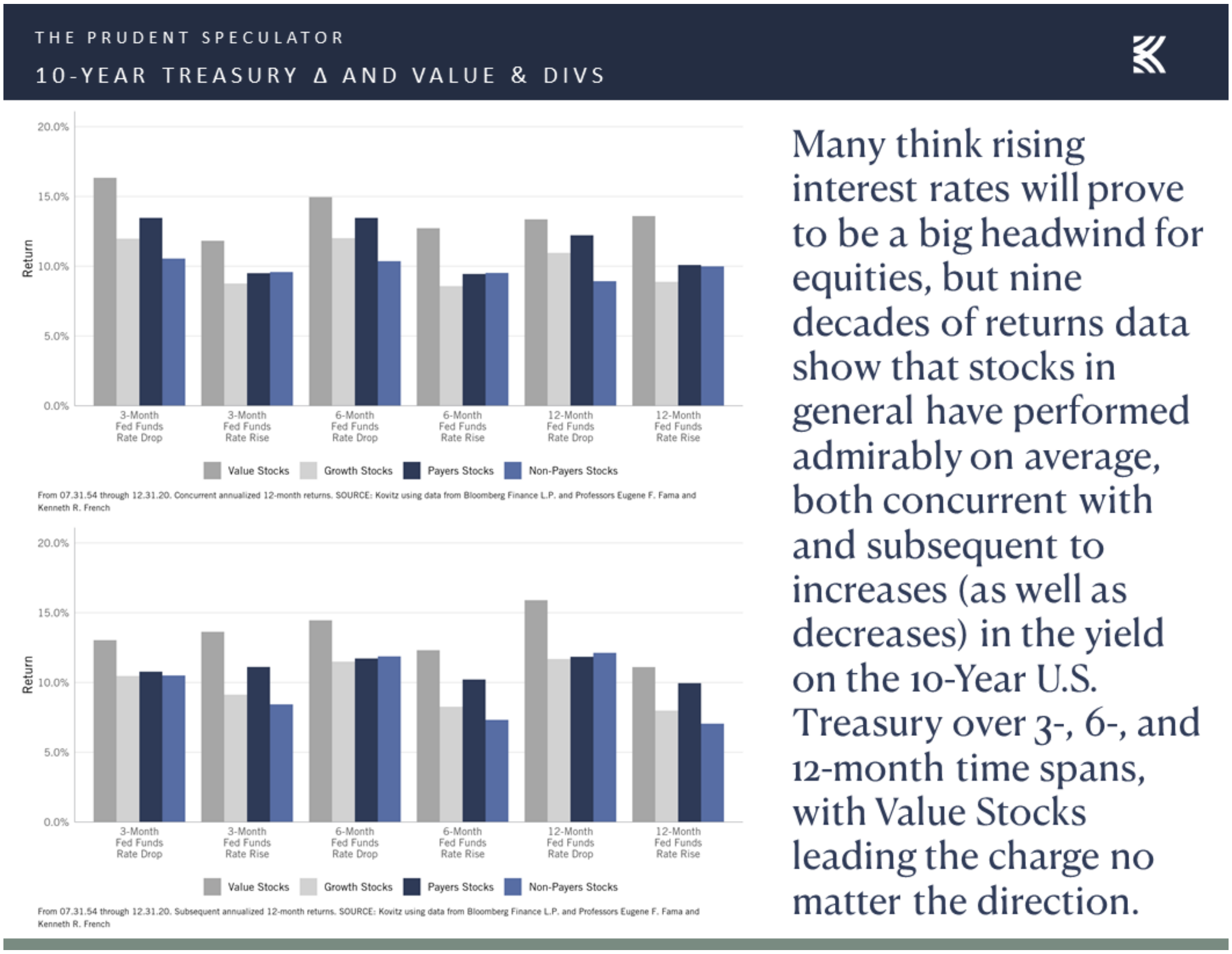
Of course, the increase in rates has started to draw the inevitable warnings from market pundits and the financial press, with *The Wall Street Journal* proclaiming this weekend, “Bond Selloff Prompts Rethink by Stock Investors: If yields rise more quickly and unpredictably than expected, that would be disruptive to assets like shares, many analysts say.” Incredibly, the article downplayed the obvious, namely that rising rates can be horrific for bonds, as the wildly popular iShares long-term government bond ETF (traded under the ticker symbol TLT) has had a total return of -15% (yes, that is a minus sign) since 07.31.20.

THE PRUDENT SPECULATOR

GOVERNMENT BONDS ARE NOT WITHOUT RISK

No doubt, folks have in recent years made plenty of money on the iShares 20+ Year U.S. Treasury ETF (TLT), but fixed income investors have suffered double-digit percentage losses over the last 7 months.

Instead, the opening paragraph stated, “The sharp increase this month in U.S. government-bond yields is sending tremors through stocks, weighing on hot technology shares and some other sectors while prompting a deeper reassessment of the threat posed by rising interest rates.” This, despite abundant evidence to the contrary that suggests that equities perform fine, on average, whether rates are rising or falling, even as there are no guarantees and any market data series nearly always has outliers both pro and con.



Interestingly, the *WSJ* went on to say, “They will also keep watching Treasury yields, whose rise can hurt stocks in a few different ways, according to investors and analysts. As yields move up, borrowing costs for most businesses should also rise, crimping profits. Higher yields could also attract to bonds some investors who were previously invested in stocks because they felt they had no other alternative to earn a meaningful return.”

Those are not unreasonable points, but nine decades of market history suggests that some of those dollars that have poured into Fixed Income of late and over the last six years,…

THE PRUDENT SPECULATOR

BONDS REMAIN STUNNINGLY POPULAR

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

Week Ended	2/10/2021	2/3/2021	1/27/2021	1/20/2021	1/13/2021
Total Equity	31,694	-21,677	-6,863	2,524	-10,288
Domestic	19,860	-12,607	-5,477	-5,923	-11,020
World	11,834	-9,069	-1,386	8,446	732
Hybrid	-45	-1,361	-753	-612	-693
Total Bond	18,576	27,933	23,116	22,739	23,090
Taxable	14,482	24,724	18,966	18,912	19,053
Municipal	4,093	3,209	4,150	3,827	4,037
Commodities	-570	1,561	-40	990	-615
Total	49,655	6,456	15,460	25,641	11,495

Source: Investment Company Institute

Investment Company Institute
Long-Term Mutual Fund and Exchange-Traded Fund (ETF) Flows
Millions, U.S. dollars

Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total
Jan-15	-14,465	17,535	Jul-16	292	33,575	Jan-18	10,778	46,287	Jul-19	-7,889	44,811
Feb-15	5,547	30,321	Aug-16	-9,956	30,859	Feb-18	-41,444	2,706	Aug-19	-29,908	22,304
Mar-15	-1,494	4,905	Sep-16	-5,713	24,669	Mar-18	-22,152	14,148	Sep-19	-4,650	38,482
Apr-15	-34,681	11,027	Oct-16	-23,109	13,855	Apr-18	-7,403	24,176	Oct-19	-24,645	43,187
May-15	-17,287	5,010	Nov-16	22,993	-13,289	May-18	10,068	11,749	Nov-19	-11,716	44,480
Jun-15	-7,023	6,324	Dec-16	18,859	-4,142	Jun-18	-21,004	16,995	Dec-19	-27,500	50,733
Jul-15	-14,864	-1,255	Jan-17	5,097	31,037	Jul-18	1,007	22,495	Jan-20	-24,544	73,855
Aug-15	-18,569	-18,122	Feb-17	17,613	33,991	Aug-18	-6,660	17,219	Feb-20	-28,220	25,064
Sep-15	-4,725	-10,849	Mar-17	9,411	36,562	Sep-18	886	18,526	Mar-20	-7,485	-273,714
Oct-15	-807	15,397	Apr-17	-8,266	22,064	Oct-18	-9,657	-27,700	Apr-20	2,664	14,672
Nov-15	654	-5,573	May-17	-10,725	33,070	Nov-18	2,783	-7,459	May-20	-20,929	73,166
Dec-15	476	-25,043	Jun-17	-7,944	29,372	Dec-18	-28,953	-49,512	Jun-20	-24,822	100,075
Jan-16	-27,222	7,686	Jul-17	-12,518	29,139	Jan-19	-21,195	29,308	Jul-20	-46,524	98,490
Feb-16	-9,108	11,915	Aug-17	-22,771	25,078	Feb-19	3,632	45,138	Aug-20	-57,594	84,113
Mar-16	7,711	29,296	Sep-17	-9,775	33,440	Mar-19	-3,654	38,412	Sep-20	-28,899	50,996
Apr-16	-12,610	22,114	Oct-17	3,166	36,110	Apr-19	-5,307	40,565	Oct-20	-52,484	63,920
May-16	-14,252	16,925	Nov-17	-4,417	19,788	May-19	-24,652	21,332	Nov-20	41,141	58,856
Jun-16	-15,530	16,623	Dec-17	-9,054	19,491	Jun-19	-11,997	39,771	Dec-20	-34,053	76,178
									Totals:	-788,047	1,562,729

While most of the major equity market averages reside near all-time highs and many individual stocks have hit record prices, investors remain infatuated with fixed income. Indeed, data from ICI show that Bonds, aside from a big hiccup last March, continue to garner nearly all the love, despite microscopic yields, the increase of which has produced modest red ink for many fixed income holders thus far in 2021.

…might be better positioned in stocks, especially those of the Value persuasion.

Rising Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.6%	11.1%	10.2%	13.8%	1.1%	-0.8%	2.2%	3.6%
Geometric Average	11.5%	8.1%	8.1%	8.7%	1.0%	-0.9%	2.1%	3.5%
Median	16.3%	12.7%	14.1%	11.2%	1.5%	0.0%	1.8%	3.3%
Max	116.2%	84.0%	66.0%	81.8%	14.2%	9.1%	9.6%	13.8%
Min	-58.2%	-50.2%	-52.2%	-58.8%	-8.1%	-14.7%	-5.2%	0.0%
Count	46	46	46	46	46	46	46	46

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

Falling Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.8%	12.4%	13.0%	12.4%	11.7%	12.7%	8.2%	2.9%
Geometric Average	13.2%	10.3%	11.5%	8.4%	11.5%	12.5%	8.0%	2.8%
Median	18.1%	14.8%	14.8%	16.5%	10.5%	10.3%	7.7%	2.1%
Max	56.3%	44.2%	44.4%	68.9%	36.8%	34.9%	26.1%	10.1%
Min	-51.5%	-42.3%	-39.9%	-56.3%	2.7%	2.8%	1.4%	0.0%
Count	45	45	45	45	45	45	45	45

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

After all, as the *WSJ* asserted, “Finally, many investors use the 10-year Treasury yield as a discount rate in formulas to value stocks. All else equal, the expected cash flows of companies are considered less valuable when yields are higher. That poses a threat to many tech stocks because much of their earnings are expected to come further in the future.” What was left unsaid is that as rates rise, near-term profits arguably are worth more, meaning that investors should look more favorably upon inexpensively valued stocks like those that we have long championed.

CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	19.5	15.2	1.2	2.6	2.3
ValuePlus	21.8	16.0	1.5	2.5	2.0
Dividend Income	18.9	14.9	1.1	2.6	2.7
Focused Dividend Income	20.0	15.4	1.3	2.8	2.6
Focused ValuePlus	18.9	15.5	1.6	2.7	2.3
Small-Mid Dividend Value	17.8	14.5	0.7	1.7	2.2
Russell 3000	36.5	24.3	2.8	4.1	1.4
Russell 3000 Growth	46.8	33.0	4.8	11.8	0.7
Russell 3000 Value	29.6	18.9	1.9	2.4	2.1
Russell 1000	33.6	23.7	2.9	4.2	1.4
Russell 1000 Growth	41.8	31.5	5.0	12.4	0.8
Russell 1000 Value	27.8	18.8	2.0	2.5	2.1
S&P 500 Index	32.0	22.9	2.9	4.3	1.5
S&P 500 Growth Index	37.7	29.3	5.6	10.3	0.8
S&P 500 Value Index	27.3	18.4	1.9	2.6	2.3
S&P 500 Pure Value Index	18.4	11.8	0.7	1.2	2.8

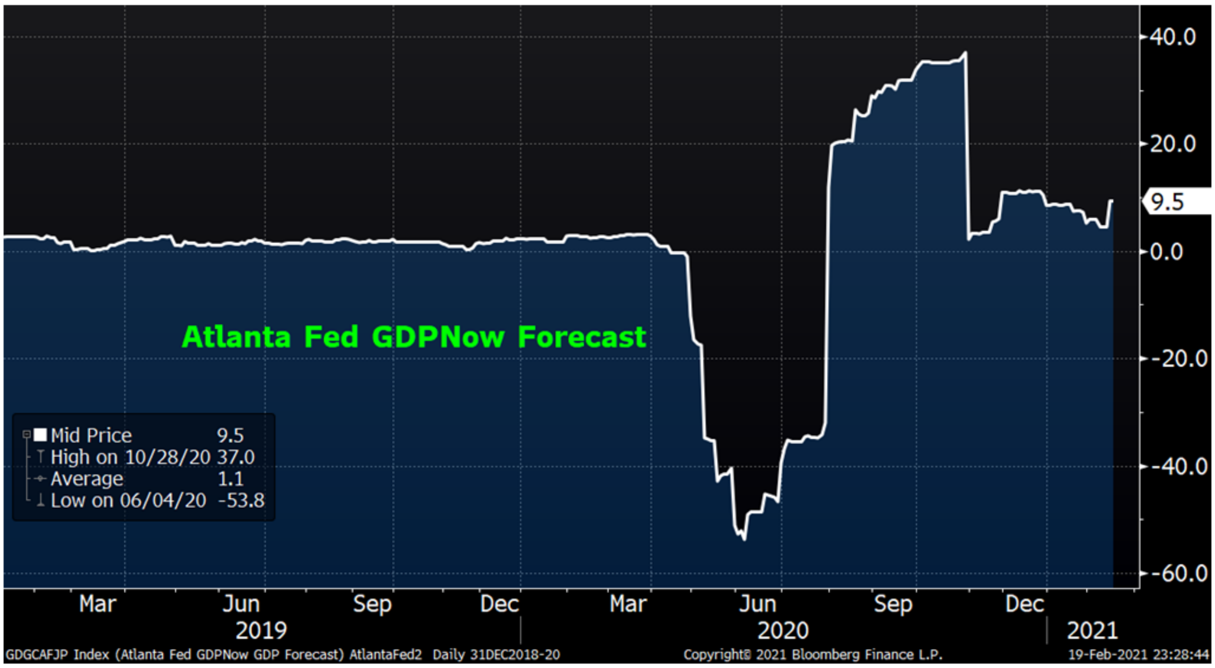
As of 02.19.21. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

We also cannot ignore the primary reason that interest rates have been on the rise, namely an improving economic outlook,…

THE PRUDENT SPECULATOR

SOLID U.S. GDP GROWTH EXPECTED IN Q1

While the quarter just completed saw a continuation of the economic expansion, following an epic contraction in Q2 2020, the Atlanta Fed is now projecting a 9.5% increase in Q1 2021 GDP on an annualized basis.



…with strong data out last week on the health of retail sales,…

THE PRUDENT SPECULATOR

POCKETBOOKS LOOSEN - RETAIL SALES SOAR

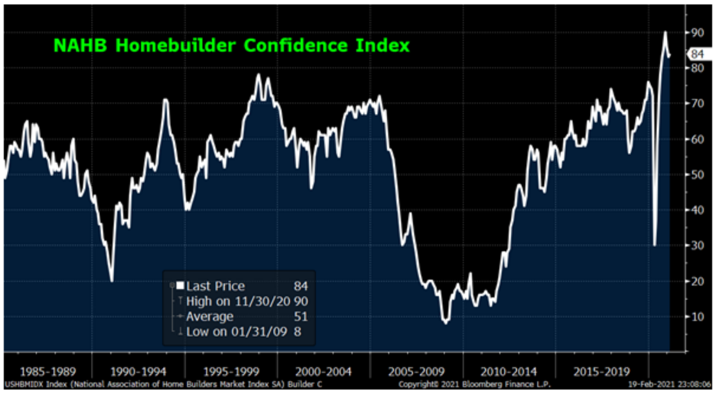
Government stimulus helping dramatically, retail sales leapt 5.3% in January, reversing three months of decline. Sales were strong in all categories, with department stores, Internet retailers, electronic stores and home-furnishing outlets all posting double digit percentage gains.

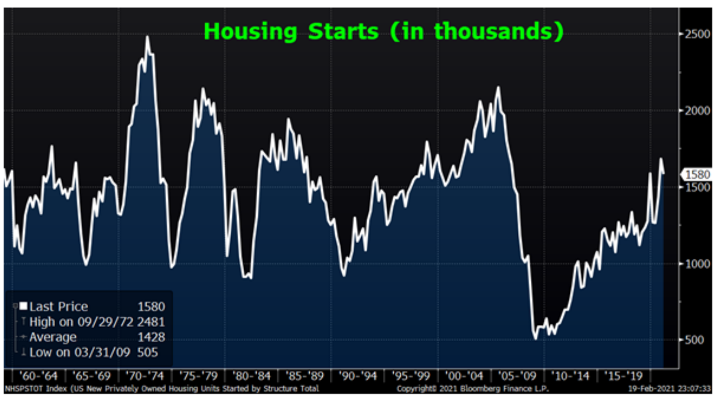
…existing home sales,…

…the state of the new home market,…

THE PRUDENT SPECULATOR

HEALTHY HOUSING STATS



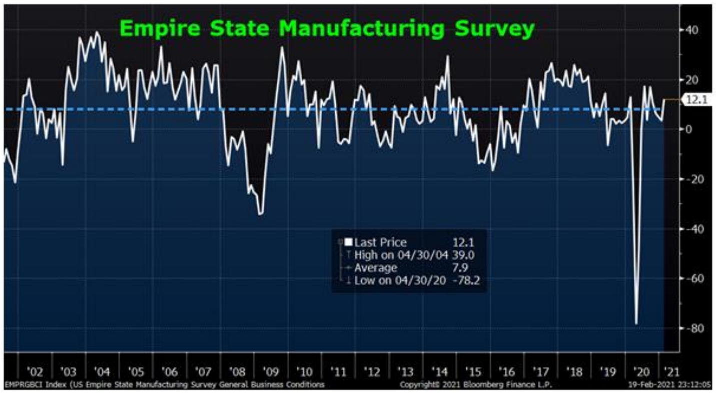


The National Association of Home Builders' monthly confidence index for February inched up to 84, still a sky-high level, even as it does mark a retreat from November's record tally of 90 on the 35-year-old gauge. No doubt, record low mortgage rates are supporting the housing market, and builders started construction of new homes in January at a seasonally adjusted annual pace of 1.58 million as cold weather led to a modest decline versus December.

…the optimism levels for East Coast factory purchasing managers,…

THE PRUDENT SPECULATOR

EAST COAST FACTORY NUMBERS VERY GOOD IN FEBRUARY

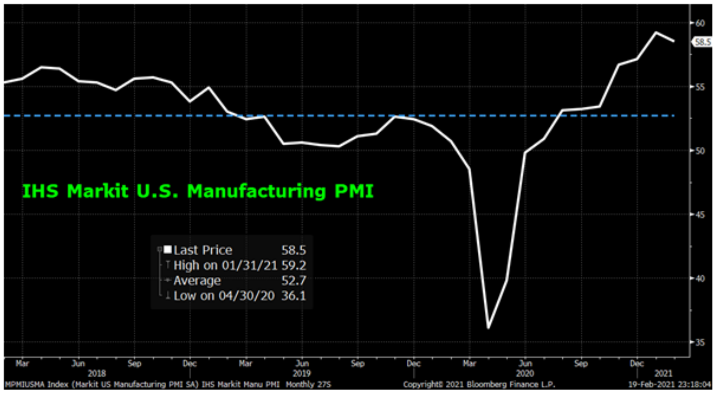


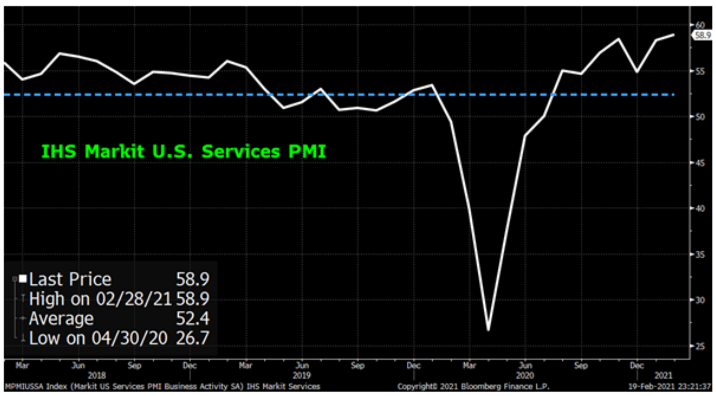
The Empire State gauge of manufacturing activity in the New York area hit its highest level in seven months in February, rising to 12.1 versus 3.5 in January, well above average for this business conditions index. The Philadelphia Fed's February measure of manufacturing activity in the mid-Atlantic region pulled back 3.0 points to 23.1, though the tally was still near a post-pandemic high. Both numbers indicate improving factory conditions.

…and the near-term views of those in the manufacturing and services sectors.

THE PRUDENT SPECULATOR

STRONG IHS MARKIT PMI'S IN FEBRUARY



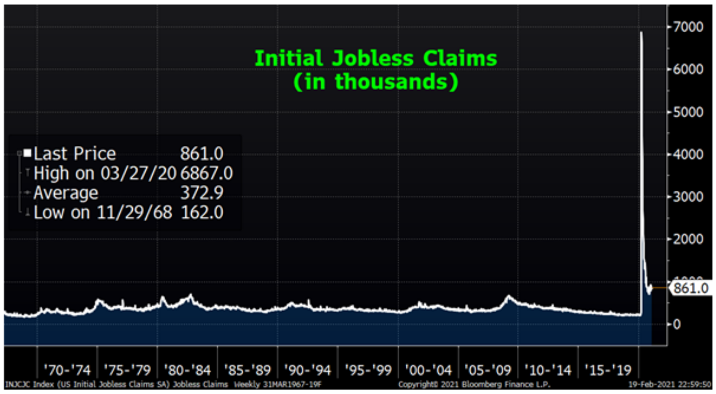


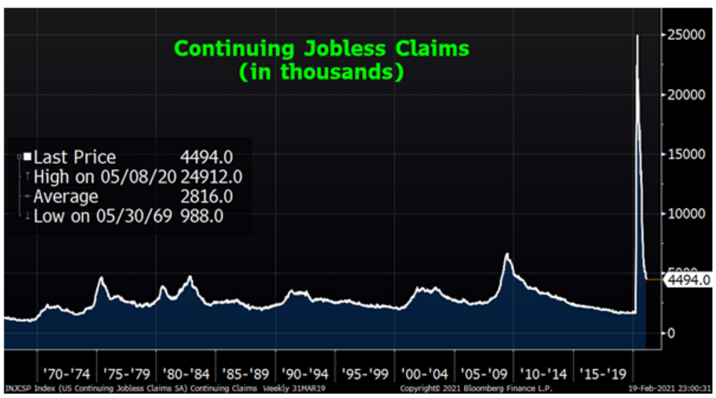
IHS Markit's preliminary U.S. PMIs for the manufacturing and services sectors in February came in at 58.5 and 58.9, respectively, the former close to and the latter at a record high. Information provider IHS stated, "The data add to signs that the economy is enjoying a strong opening quarter to 2021, buoyed by additional stimulus and the partial reopening of the economy as virus related restrictions were eased on average across the country."

True, the labor market remains a major work in progress,…

THE PRUDENT SPECULATOR

MORE FIRST-TIME FILINGS BUT FEWER CONTINUING CLAIMS





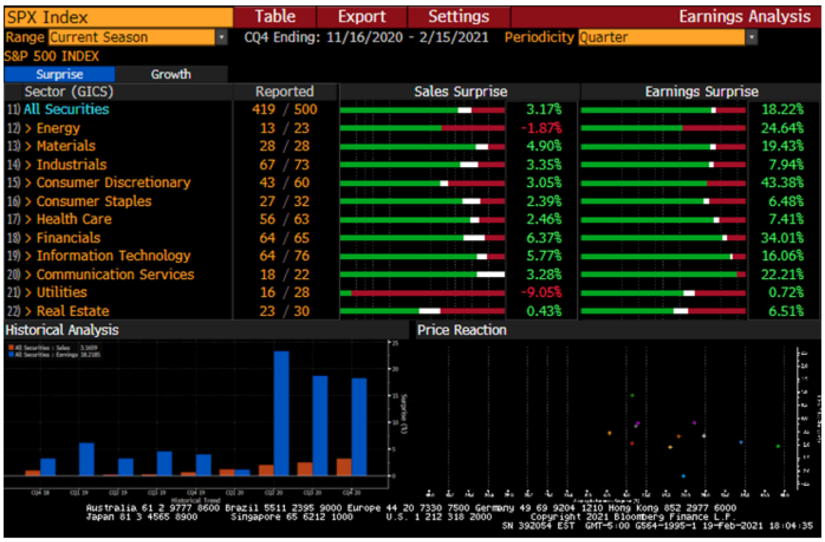
The jobs market weakened in the latest week, with new applications for unemployment benefits climbing to a seasonally adjusted and worse-than-expected 861,000 for the period ended Feb. 13, up 13,000 from the week prior. Conversely, continuing jobless claims filed through state programs dropped by 64,000 to a seasonally adjusted 4.49 million, a new pandemic low. Of course, a massive 78.9 million unemployment claims have been filed since March 20.

…but estimates for corporate profits suggest a tremendous rebound is likely this year,…

THE PRUDENT SPECULATOR

EPS PLUNGED IN 2020 BUT SHOULD SOAR IN 2021

Q4 earnings reporting season has been very good thus far, relative to analyst projections that had been too pessimistic in their top- and bottom-line estimates. Of course, full-year 2020 COVID-19-impacted EPS were not so grand, 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	$46.87	$170.76
9/30/2021	$44.53	$158.47
6/30/2021	$40.75	$151.84
3/31/2021	$38.61	$137.88
12/31/2020	$34.58	$118.77
ACTUAL		
9/30/2020	$37.90	$123.37
6/30/2020	$26.79	$125.28
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 2.11.21

…which will further support the earnings yield comparison, an analysis that Treasury Secretary Janet Yellen indirectly cited this past Thursday when asked on *CNBC Television* whether she thought it made sense for the major U.S. stock indexes to be trading near record highs during the coronavirus pandemic and its related economic damage. Ms. Yellen responded, "Well, partly we're in a very low interest rate environment. And, while valuations are very high, in a world of very low interest rates, price earnings, tight multiples tend to be high. That said, there may be sectors where we should be very careful."

THE PRUDENT SPECULATOR

INTEREST RATES VERY SUPPORTIVE OF STOCKS

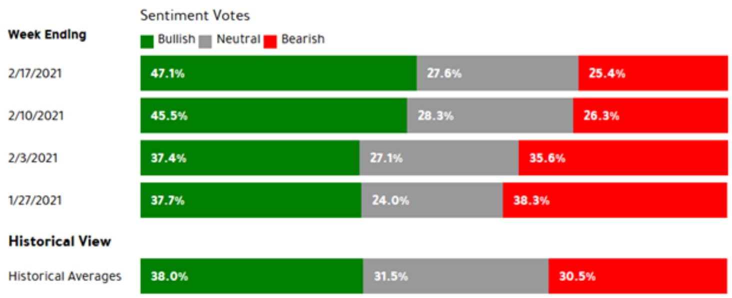
The so-called Fed Model suggests that the yield on 10-Year Treasuries should be similar to the S&P 500 Earnings Yield, which is the inverse of the P/E ratio. If the 10-Year is greater than the S&P Earnings Yield, a market is overvalued and if the reverse is true, as it is today, a market is undervalued. Though many dismiss the Fed Model, we like today's rich (and temporarily depressed) relative earnings yield (3.13% vs. 1.34% 10-Year) and generous S&P 500 dividend yield of 1.48%.

We agree with the Treasury Secretary that valuations for some stocks are off the charts, and we have been busy in recent weeks trimming some of our more richly priced names that have run up strongly of late. We also note that investor sentiment (often a contra-indicator) has become much more enthusiastic,…

THE PRUDENT SPECULATOR

AAII SENTIMENT – BULL-BEAR SPREAD MUCH MORE OPTIMISTIC

What Direction Do AAII Members Feel The Stock Market Will Be In The Next 6 Months?



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 = 7.77										
BELOW	-54.0	7.8	875	0.27%	0.24%	1.28%	1.14%	3.70%	3.31%	6.90%	6.15%
ABOVE	7.9	62.9	874	0.16%	0.14%	0.48%	0.39%	1.83%	1.57%	4.50%	4.02%
	Ten Groupings of 1749 Data Points										
1	-54.0	-15.1	175	0.57%	0.50%	2.20%	1.95%	5.88%	5.31%	10.38%	9.12%
2	-15.0	-7.5	175	0.34%	0.31%	0.97%	0.84%	3.98%	3.62%	6.90%	6.14%
3	-7.4	-1.4	175	0.33%	0.30%	1.58%	1.48%	3.39%	2.99%	7.02%	6.37%
4	-1.4	3.0	185	0.09%	0.05%	1.02%	0.93%	2.82%	2.46%	5.96%	5.46%
5	3.0	7.8	164	0.04%	0.02%	0.57%	0.46%	2.40%	2.14%	4.09%	3.54%
6	7.8	12.0	178	0.08%	0.06%	0.51%	0.39%	1.73%	1.49%	5.43%	5.05%
7	12.0	16.4	172	0.17%	0.15%	0.56%	0.47%	2.28%	2.02%	4.87%	4.33%
8	16.4	22.0	185	0.19%	0.18%	0.75%	0.68%	1.91%	1.64%	5.43%	5.01%
9	22.0	29.1	165	0.10%	0.08%	0.29%	0.21%	1.87%	1.58%	4.16%	3.57%
10	29.2	62.9	175	0.24%	0.22%	0.26%	0.19%	1.41%	1.18%	2.57%	2.13%

From 07.31.87 through 2.18.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

Even as many stocks took of break from their 2021 advance, folks on Main Street became more optimistic last week, as the latest AAII Sentiment Survey saw the number of Bulls inch up to 47.1%, 9.1 points above normal, while the tally of Bears came in at 25.4%, 5.1 points below average.

…while we never forget that equity prices move in both directions.

THE PRUDENT SPECULATOR

PERSPECTIVE: 10% UPS AND DOWNS SINCE TPS INCEPTION

S&P 500 Moves (on a Closing Basis) of 10% Without a Comparable Move in the Other Direction

9/12/1978	11/14/1978	-13.55%	BEAR	11/14/1978	10/5/1979	20.30%	BULL
10/5/1979	11/7/1979	-10.25%	BEAR	11/7/1979	2/13/1980	18.59%	BULL
2/13/1980	3/27/1980	-17.07%	BEAR	3/27/1980	11/28/1980	43.07%	BULL
11/28/1980	9/25/1981	-19.75%	BEAR	9/25/1981	11/30/1981	12.04%	BULL
11/30/1981	3/8/1982	-15.05%	BEAR	3/8/1982	5/7/1982	11.30%	BULL
5/7/1982	8/12/1982	-14.27%	BEAR	8/12/1982	10/10/1983	68.57%	BULL
10/10/1983	7/24/1984	-14.38%	BEAR	7/24/1984	8/25/1987	127.82%	BULL
8/25/1987	10/19/1987	-33.24%	BEAR	10/19/1987	10/21/1987	14.92%	BULL
10/21/1987	10/26/1987	-11.89%	BEAR	10/26/1987	11/2/1987	12.33%	BULL
11/2/1987	12/4/1987	-12.45%	BEAR	12/4/1987	10/9/1989	60.68%	BULL
10/9/1989	1/30/1990	-10.23%	BEAR	1/30/1990	7/16/1990	14.23%	BULL
7/16/1990	10/11/1990	-19.92%	BEAR	10/11/1990	10/7/1997	232.74%	BULL
10/7/1997	10/27/1997	-10.80%	BEAR	10/27/1997	7/17/1998	35.32%	BULL
7/17/1998	8/31/1998	-19.34%	BEAR	8/31/1998	9/23/1998	11.37%	BULL
9/23/1998	10/8/1998	-10.00%	BEAR	10/8/1998	7/16/1999	47.88%	BULL
7/16/1999	10/15/1999	-12.08%	BEAR	10/15/1999	3/24/2000	22.45%	BULL
3/24/2000	4/14/2000	-11.19%	BEAR	4/14/2000	9/1/2000	12.10%	BULL
9/1/2000	4/4/2001	-27.45%	BEAR	4/4/2001	5/21/2001	19.00%	BULL
5/21/2001	9/21/2001	-26.43%	BEAR	9/21/2001	1/4/2002	21.40%	BULL
1/4/2002	7/23/2002	-31.97%	BEAR	7/23/2002	8/22/2002	20.68%	BULL
8/22/2002	10/9/2002	-19.31%	BEAR	10/9/2002	11/27/2002	20.87%	BULL
11/27/2002	3/11/2003	-14.71%	BEAR	3/11/2003	10/9/2007	95.47%	BULL
10/9/2007	3/10/2008	-18.64%	BEAR	3/10/2008	5/19/2008	12.04%	BULL
5/19/2008	10/10/2008	-36.97%	BEAR	10/10/2008	10/13/2008	11.58%	BULL
10/13/2008	10/27/2008	-15.39%	BEAR	10/27/2008	11/4/2008	18.47%	BULL
11/4/2008	11/20/2008	-25.19%	BEAR	11/20/2008	1/6/2009	24.22%	BULL
1/6/2009	3/9/2009	-27.62%	BEAR	3/9/2009	4/23/2010	79.93%	BULL
4/23/2010	7/2/2010	-15.99%	BEAR	7/2/2010	4/29/2011	33.35%	BULL
4/29/2011	10/3/2011	-19.39%	BEAR	10/3/2011	5/21/2015	93.85%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR	8/25/2015	11/3/2015	12.97%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR	2/11/2016	1/26/2018	57.07%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR	2/8/2018	9/20/2018	13.55%	BULL
9/20/2018	12/24/2018	-19.78%	BEAR	12/24/2018	2/19/2020	44.02%	BULL
2/19/2020	3/23/2020	-33.92%	BEAR	3/23/2020	2/12/2021	75.87%	BULL
Average Drop		-18.35%		**Average Gain**		41.77%	

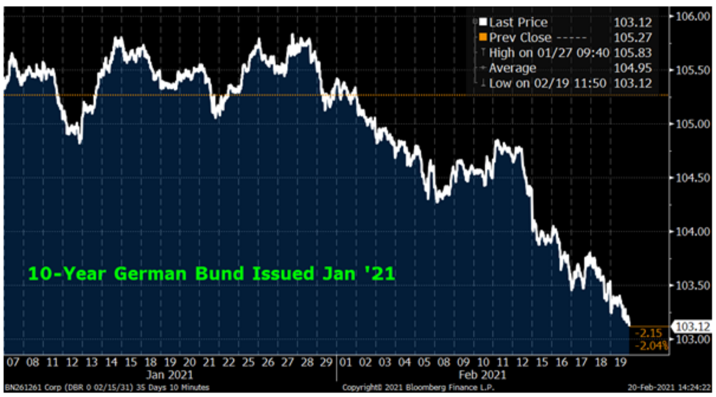
SOURCE: Kovitz using data from Bloomberg

The five-week February/March 2020 Bear Market brought on by the COVID-19 Pandemic and Great Lockdown is no doubt still fresh on the mind of investors, given that the S&P 500 plunged 33.9%. Of course, stocks have again rebounded, with the tremendous volatility last year representing the 33rd pullback of 10% or more without an intervening 10% recovery since the launch of *The Prudent Speculator* more than 43 years ago. Happily, the returns in the winning periods have dwarfed the losses!

Nevertheless, we see no reason to alter our enthusiasm for the long-term prospects of our broadly diversified portfolios of what we believe to be undervalued stocks. We respect that some are arguing that equity prices are in a bubble, but we do not think such an assertion applies to the stocks we own, while we remain perplexed that few are calling attention to the reward-free risk (bonds can’t be in a bubble, evidently) offered by negative-yielding European government debt.

THE PRUDENT SPECULATOR

REWARD FREE RISK – GERMAN BUNDS



On 1.6.21, Germany issued €5 billion of 10-year bonds with a coupon of 0% in a deal that attracted plenty of "interest" at a price of €105.36. That is not a typo! In order to receive €100 back in 10 years and NO interest along the way, "investors" gladly paid €105.36, locking in a sizable loss if held to maturity. Hoping to lose roughly 0.5% per annum, they must be thrilled with the 4-fold increase (the bonds have lost 2.0%) in their expected annual return in just seven weeks!

Stock Updates

Keeping 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/. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Jason Clark, Chris Quigley and Zack Tart take a look at eight of our companies that had news out last week of sufficient interest to merit a Target Price review.

Giant precious metals miner **Newmont Corp** (NEM – $56.67) turned in EPS of $1.06 in Q4, 11% better than the Street consensus estimate. Trading of NEM shares was mostly flat following the release on Thursday, but the stock has outpaced the S&P 500 by some 13% since Valentine's Day a year ago (just before COVID-19 sent markets into turmoil). For all of 2020, the firm produced 5.9 million attributable ounces of gold and over 1 million attributable gold equivalent ounces of co-products, generating a record $4.9 billion of cash from continuing operations and $3.6 billion of free cash flow. Newmont's balance sheet remains strong ending the year with $5.5 billion of consolidated cash and approximately $8.5 billion of liquidity. Management expects to produce 6.5 million ounces for 2021, and between 6.2 and 6.7 million ounces through 2023, and between 6.5 and 7.0 million ounces longer-term through 2025.

THE PRUDENT SPECULATOR

NEM – THE GOLD STANDARD

CEO Tom Palmer commented, “In 2020, Newmont achieved record performance including $3.6 billion of free cash flow and ending the year with over $5.5 billion of consolidated cash. These results enable Newmont to lead the industry in shareholder returns, invest in organic growth and maintain financial flexibility. While generating record value for shareholders, we also achieved record safety performance with the lowest injury rate in Company history. As we complete our 100th year, we will remain focused on delivering superior operational performance whilst creating value and improving lives through sustainable, responsible mining.”

We like that Newmont is focused on returning capital to shareholders, delivering over $2.7 billion to owners through dividends and stock buybacks in 2019 and 2020. The firm completed the 2020 $1 billion share-repurchase program and recently announced another $1 billion program, while declaring its fourth quarter dividend of $0.55 per share, an increase of 38% over the prior quarter. Our modest exposure to the precious yellow metal has certainly proved beneficial over the past year, although we 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 fresh dividend increase now pushes the yield to

3.9%, while our Target Price for NEM now resides at $80. We still like the equity-market hedge provided by the miner, but we will not stay wedded to the stock should we find another more attractive and more undervalued company.

Crop nutrient competitors **Mosaic** (MOS – $29.08) and **Nutrien Ltd** (NTR – $56.50) reported Q4 and full-year fiscal 2020 results last week. Tightening fertilizer markets in the second half of the year created a favorable environment and allowed both firms to beat consensus analyst expectations on the top and bottom lines, with MOS and NTR earning $0.57 (versus the $0.22 est.) and $0.24 (versus the $0.18 est.) per share, respectively. Higher selling volumes contributed mightily to strong performance in the second half of the year, even as prices recovered from a much weaker first half.

Nutrien CEO Chuck Magro was upbeat in his views when he stated, "The importance of food security and Nutrien's purpose to feed the world has never been more apparent and important and your dedication and commitment are truly appreciated. That dedication was also evident in the impressive execution right across our businesses in the fourth quarter. We achieved excellent progress across virtually all key operating metrics, including our best year ever for health and safety results. We remain committed to our long-term strategy of both growing our business in a thoughtful and fiscally responsible manner while also returning capital to shareholders."

He continued, "First, we believe there is a cyclical recovery in agriculture underway, aided by some structural catalysts, including solid growth in food and fertilizer demand despite the global economic turndown. Second, Nutrien is very well positioned with earnings leverage from higher fertilizer prices and sales volumes growth. And finally, we have plans that will contribute to growth, cost reductions and the implementation of industry-leading technologies that are within our control, and that will further improve our competitive position across the ag input value chain."

Mosaic CEO Joc O'Rourke was also optimistic about the near term, "We are realizing the benefits of our extensive cost transformation work, and we are beginning to see the earnings leverage we have created. Second, agriculture and fertilizer markets around the globe are very strong. Phosphate prices are at 7-year highs and potash prices have risen substantially. We expect the global supply and demand balance to remain tight in 2021. And third, we delivered great results for 2020, and we expect significantly higher earnings this year." He was a bit more tempered in adding, "However, in the U.S. market, those strong trends depend in part on the outcome of a pending trade case whose outcome is uncertain."

Political turmoil and difficult weather have dealt fertilizer businesses a tough hand over the last couple of years, but we are delighted to see our two holdings in the space making hay while the sun is shining. We continue to like the tremendous operating leverage for Mosaic, especially given current trends, while the retail network at Nutrien offers scale through its network of repeat business. MOS trades at 13 times forward earnings per share estimates while the more diversified NTR is expected to see EPS accelerate from $1.80 last year to $2.58 this year and $2.92 in 2022, supporting its rich dividend yield of 3.3%. We've hiked our respective Target Prices for MOS and NTR to $34 and $66.

Shares of **Deere & Co.** (DE – $330.00) plowed more ground last week, gaining more than 5% as the agricultural and construction equipment giant reported a much-better-than expected fiscal Q1. For the period, management announced that revenue was $8.05 billion, almost $1 billion better than consensus expectations. Adjusted EPS of $3.87 came in 80% better than projected.

Deere announced that it was now breaking out Ag & Turf into two new segments; Production and Precision Ag and Small Ag and Turf. P&P Ag includes large ag and precision ag, which is considered the higher multiple segment. Both of the new reported segments had impressive operating margins in the quarter (P&P 21% and Small 18.6%). The company boosted its FY21 net income outlook to $4.6 billion to $5 billion (versus the prior guidance of $3.6 billion to $4 billion). One could argue that the full-year guidance is conservative as fiscal Q1 is typically the seasonally weakest of the year, and this Q1 was way ahead of pace.

"John Deere started 2021 on a strongly positive note," said CEO John C. May. "Our results were aided by outstanding performance across our business lineup and improving conditions in the farm and construction sectors. In addition, our smart industrial operating strategy is making a significant impact on the company's results while it also helps our customers be more profitable and sustainable. We are proud of our success executing the strategy and creating a more focused organization that can operate with greater speed and agility. As our recent performance shows, these steps are leading to improved efficiencies and helping the company target its resources and investments on areas that have the greatest impact. At the same time, even as we ramp up factory production and intensify our efforts to serve customers, we are mindful of the continuing challenges associated with the global pandemic. We remain committed, above all else, to safeguarding the health and well-being of our employees."

With possibly the strongest brand in agriculture, Deere continues to operate at a very high level. We think the firm will continue to benefit from a sustainable equipment replacement cycle and precision ag as technology advancements support and drive pricing. And for those worried that we may be near a cyclical peak, Joshua Jepsen, Deere's Director of Investor Relations, stated, "We are definitely working very closely with the dealers in terms of how do we manage the cycle but acknowledge right now we're early early days in terms of seeing some of this demand pick-up. We've got really good visibility, but I think that it's a good indicator of the replacement demand that we've been expecting."

And, as Bloomberg wrote on the subject, "Indications are building that the rally has legs. China's buying spree has 'at least another couple of quarters to go,' Dave MacLennan, chief executive officer of top crop trader Cargill Inc., said this month. His opposite number at Andersons Inc. Pat Bowe said a grain rally that started in mid-November is 'unlike anything we've seen in a long time.' Another major trading house, Archer-Daniels-Midland Co., expects as many as two years of market tightness."

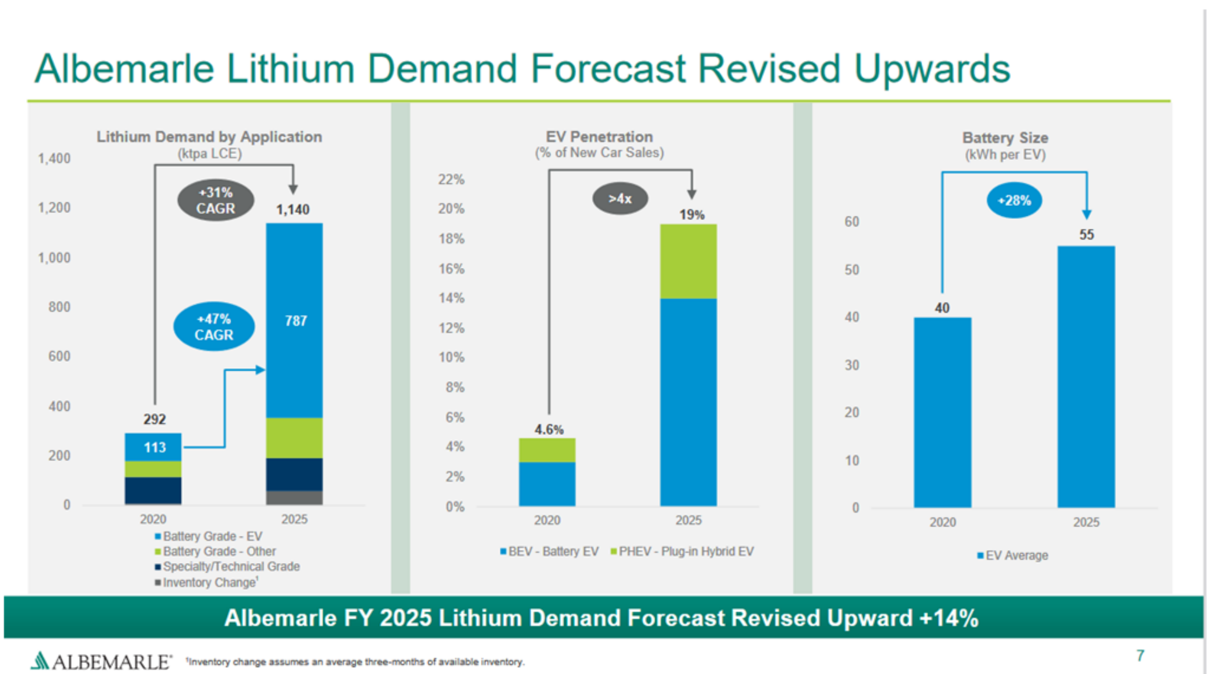
Further, given the diversification of its construction products, a strong appetite for U.S. infrastructure spending should provide a boost in the coming years. We have hiked our Target Price on our remaining DE shares to $361.

Shares of stellar-2020-performer **Albemarle** (ALB – $156.17) fell almost 4% last week, even as the lithium miner and specialty chemicals company reported Q4 results that beat the top- and bottom-line consensus analyst estimate. Illustrating the fickleness of traders these days, the stock skidded $16 on Thursday as management provided a full-year 2021 outlook that disappointed versus continuously expanding bullish forecasts, despite saying the company expects total lithium demand to grow by about 30% per year through at least 2025, led by the increased global use of electric vehicles, which are expected to grow by 47% annually. ALB also announced that it was shuttering four of its plants because of the extreme winter weather, which could have an impact on Q1 and Q2.

The stock price rebound nearly $15 on Friday, perhaps because folks realized it really should not have been down the day before. After all, CEO Kent Masters said, “Albemarle reported another solid quarter with Q4 2020 adjusted EBITDA exceeding outlook. This performance is due to the hard work and diligence of our operating teams who ran our businesses safely and efficiently throughout this challenging year. As we continue to rebound from last year’s pandemic-related lows, we are accelerating high-return growth in our Lithium and Bromine businesses and maintaining our focus on operational discipline to drive cost and efficiency improvements.”

THE PRUDENT SPECULATOR

ALB – LONG-TERM GROWTH STORY



Even with the run over the last twelve months, we continue to think that over the long term ALB will benefit from a major positive catalyst in lithium batteries as electric vehicle adoption increases and the world's leading car companies race to get desirable EVs to market. In addition, lithium is used in backup and storage batteries for the power grid, so we believe there will be great demand growth in this arena. Albemarle also generates healthy profits from bromine, which is primarily used in flame retardants. While demand for bromine has slipped in TVs and computers, it has risen for servers and automobile electronics. Further, ALB generates steady cash flows from its refining catalyst business. Having already taken some money off the table, our Target Price for ALB now stands at $187.

Discount supermarket and Superstore chain **Walmart** (WMT – $138.34) reported on Thursday that it earned $1.39 per share, shy of the $1.50 anticipated by the Street. Shares slumped nearly 6% on the release, as the company said it would raise the average wage for employees to above $15 an hour. Nevertheless, comparable U.S. sales grew 8.6%, excluding fuel, and U.S. eCommerce sales jumped 69%.

CEO Doug McMillon commented, "We completed a strong year and a strong Q4 thanks to our amazing associates. They stepped up to serve our customers and members exceptionally well during a busy holiday period in the midst of a pandemic. Change in retail accelerated in 2020. The capabilities we've built in previous years put us ahead, and we're going to stay ahead. Our business is strong, and we're making it even stronger with targeted investments to accelerate growth, including raises for 425,000 associates in frontline roles driving the customer experience."

He added, "This is a time to be even more aggressive because of the opportunity we see in front of us. The strategy, team and capabilities are in place. We have momentum with customers, and our financial position is strong."

CFO Brett Biggs explained, "Our associates responded unbelievably to serve customers in one of the most challenging times we've faced. We have tremendous momentum having just completed a year with record sales and operating cash flow. We accomplished this while accelerating our long-term strategy of transforming Walmart into a dynamic omnichannel business. It's now time to accelerate even more."

Competition is fierce within retail, but we applaud Walmart for its continual transformation to build an omnichannel presence, aided by a dense network of stores and a new Walmart+ program to compete with Amazon Prime. And, despite additional costs required to adapt under the age of COVID, we note that the company increased its dividend for the 48th consecutive year and recently approved a new $20 billion share repurchase program. We continue to think investments in Jet.com, Flipkart, JD.com and others lengthen the retailer's runway for growth into the future. The dividend yield is 1.6%, with the next declared quarterly payment of $0.55 to be paid in April. Our Target Price for WMT is presently $163.

Allianz SE (ALIZY – $23.64) posted adjusted EPS of $0.52 in Q4 2020 (modestly higher than the $0.49 in Q4 2019) as business for the diversified German insurer and financial services concern appeared to normalize in the period. Shares traded mostly flat on the news, and for much of the past few months, despite a rally in most things financial. Revenue of $42.5 billion was 8% higher year-over year, mostly due to the weakening dollar relative to the Euro. Operating leverage in Asset Management and strong underwriting in Property and Casualty drove an 8% bump in operating profit in the firm's home currency.

With regard to returning capital to shareholders, CEO Oliver Bate explained, "We, of course, we're thinking about whether we would be able to reinstate share buybacks, which we would like to do, or maybe at some point, even increase dividend earlier than anticipated. Under the current circumstances, we were advised that we are good to go with the EUR 9.60. And then we will rediscuss towards the Q3 and Q4 with our supervisor when we can reinstate increases in payouts. And you should know that whatever we can't invest into the growth of the business, as over the last 5 years, we would like to return to shareholders. That is the clear intent and the clear thing that we'd like to do."

While negative-to-microscopic yields globally continue to pressure investment income for many insurers, we are delighted that underwriting profits appear strong. We like that Allianz has a diversified global income stream (including bond manager PIMCO) and diligent management team. Shares continue to look attractive, trading for just under 10 times estimated earnings and boasting a dividend that yields 3.0%. Our Target Price now stands at $33.

Shares of **CVS Health** (CVS – $70.42) fell more than 4% last week despite the announcement of top- and bottom-line results for Q4 that were better than analyst estimates and a full-year 2021 outlook that was above previous expectations. The integrated pharmacy healthcare provider reported adjusted EPS of $1.30 vs a consensus projection of $1.23. Revenue was $69.55 billion, versus the consensus outlook of $68.77 billion. Q4 sales increased 4.0% year over year as Health Care Benefits (HCB) revenue rose 11.4%, Retail/LTC sales grew 6.6%, and Pharmacy Services sales declined 1.9%. Operating income was above expectations due to a strong performance from the Retail/LTC segment, which was partially offset by weakness in HCB, where the adjusted medical benefit ratio increased 260 basis points year over year to 88.3%. Softness in the HCB results was primarily driven by Covid-19 related investments, testing and treatment costs, and the divestiture of certain businesses. The company announced its 2021 adjusted EPS guidance range to be between $7.39 to $7.55. Additionally, CVS says it now sees cash flow from operations in the range of $12.0 billion to $12.5 billion.

CEO Karen S. Lynch explained, “The COVID-19 pandemic presented unique challenges to our business and to the entire health care industry. We utilized the full depth and breadth of our capabilities and our presence in local communities across the country to play a leadership role in COVID-19 testing and vaccine administration. Our ability to deliver 2020 full year results above expectations is a testament to the strength of our strategy and the flexibility of our diversified health services model. We are proud to be a trusted health partner to more than 100 million customers through our Pharmacy and Health Care businesses and to be able to support millions of Americans in our local communities, many in underserved and remote areas. We are grateful for the dedication of our nearly 300,000 colleagues, many serving on the frontlines, who demonstrated an unwavering commitment to our fellow Americans.”

She concluded, “Our goal is to make health care more accessible, more affordable and simpler. In order to do this, we will accelerate the pace of our progress through targeted investments in key areas that will drive our consumer-focused strategy. We believe that solving consumer health needs will deliver better health outcomes and lower costs while creating future economic benefit for CVS Health and its shareholders.”

CVS also announced on Friday that it is expecting to receive 570,000 doses of COVID-19 vaccines for its locations that are participating in the federal pharmacy partnership. The company said that it plans to expand vaccine access to additional states while increasing the number of stores offering vaccinations.

Although the competitive landscape is challenging, COVID-19 is still impacting operations, the regulatory environment presents questions and opioid litigation remains (though it seems to be coming to a conclusion), we continue to believe that CVS is a free-cash-flow generating behemoth with strong potential to evolve its business to a broader health care delivery model. We think CVS shares are very underappreciated as they trade for less than 10 times NTM adjusted earnings estimates and yield 3.1%, and we believe 2021 forecasts might be on the conservative side. Our Target Price for CVS has been boosted to $117.