

Market Commentary Monday, April 5, 2021

April 5, 2021

EXECUTIVE SUMMARY

Week in Review – Stocks Gain Over the Holiday-Shortened Period

Health News – Mixed COVID-19 Picture

Econ News – Strong Numbers

Interest Rates – Rising Bond Yields Not an Issue, on Average, for Stocks

Tax Rates – Rising Corporate Tax Levels & Investment Returns

Sentiment – AAIH a Bit Less Bullish

Stock News – Updates on MU, LRCX, AYI & KR

Market Review

We hope everyone had a nice Easter weekend. Due to the Holiday and given that we emailed out the April edition of *The Prudent Speculator* on Friday, this week's missive is a bit shorter than most.

It was another eventful week in the equity markets, with a sizable advance on the final trading day sending stocks higher for the period...



Value stocks took a breather over the holiday-shortened trading week, but a nice rally on Thursday brought the average member of the S&P 500 into the green for the four days.

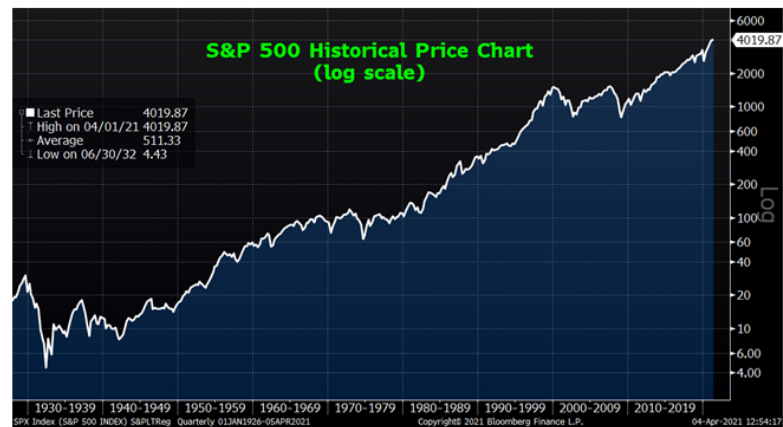
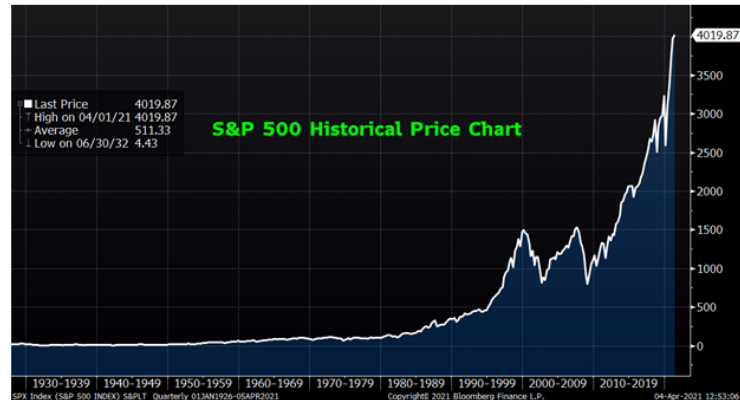
Total Returns Matrix									
Last Week	2021 YTD	Since 10.31.20	Since 7.9.20	Last 12 Months	Since 3.23.20	Last 2 Years	Last 3 Years	Last 5 Years	Name
-0.25	-4.28	-1.23	0.73	4.75	7.64	9.61	8.85	14.41	Bloomberg Barclays Global-Aggregate Bond
0.23	-3.05	-1.97	-2.45	0.94	3.15	10.48	15.00	16.95	Bloomberg Barclays US Aggregate Bond
0.25	8.85	26.23	30.89	61.77	82.23	32.21	47.39	109.73	Dow Jones Industrial Average
0.48	9.07	27.95	34.23	63.87	84.06	29.19	36.93	75.82	New York Stock Exchange Composite
2.30	2.81	19.34	24.55	74.80	91.49	64.32	86.24	160.08	Russell 3000 Growth
0.29	12.97	33.81	41.77	68.04	87.03	29.56	38.04	76.23	Russell 3000 Value
1.28	7.71	26.24	32.71	72.64	90.45	47.86	62.70	117.35	Russell 3000
0.64	12.70	34.31	44.54	82.42	103.10	41.25	53.33	100.34	S&P 500 Equal Weighted
1.16	7.43	23.77	29.01	65.51	82.83	45.48	61.14	113.87	S&P 500
2.31	3.71	18.42	23.46	69.20	85.32	56.29	78.06	143.69	S&P 500 Growth
-0.02	11.65	30.43	35.90	58.79	77.36	31.36	40.97	79.53	S&P 500 Value
3.05	2.73	20.51	26.52	76.72	95.62	45.76	56.97	118.18	S&P 500 Pure Growth
0.11	22.25	51.31	68.17	105.15	125.90	22.87	25.70	68.05	S&P 500 Pure Value

As of 04.01.21. Source Kovitz using data from Bloomberg

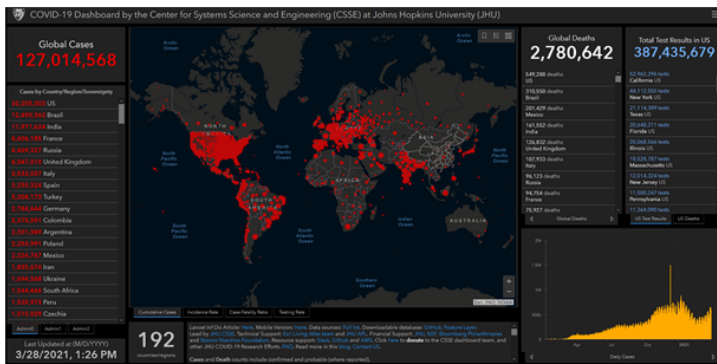
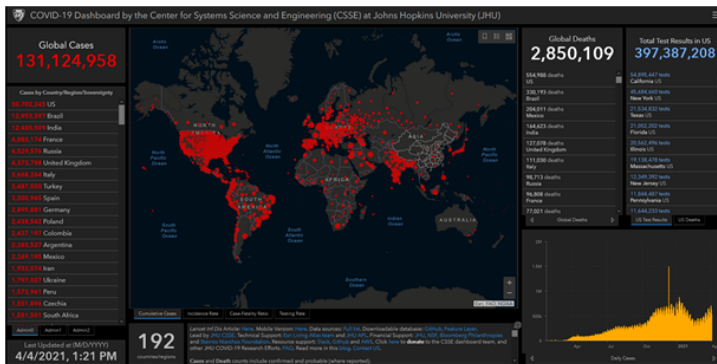
...and propelling the S&P 500 to a new record high above the 4000 milestone,...



The Bursting of the Tech Bubble in 2000-2002, the Financial Crisis/Great Recession in 2007-2009 and the COVID-19 Pandemic Crash of 2020 are about the only visible blips on the long-term (back to 1927) chart of the S&P 500 index, but if one utilizes a log-scale for the Y-axis, the swings of the equity markets over the past 90+ years are more easily evident. Of course, the long-term trend has been very favorable AND these charts show only price appreciation of the S&P 500, ignoring the historically lucrative impact of dividends and their reinvestment.



...even as news on the health front remains mixed. Indeed, the Centers for Disease Control and Prevention reported that 31.4% of the U.S. population has received at least one dose of a coronavirus vaccine and that those who are fully vaccinated can travel in the U.S. without tests or quarantines, but also warned of “impending doom” as new infections and hospitalizations have ticked up again.



Given that more than 2.8 million have lost their lives around the world, with 555,000 of those in the U.S., there isn't much positive to say health-wise about the COVID-19 Pandemic, especially as the increase in the latest week's global new diagnoses is still above 4 million. The rise in weekly fatalities also rose to near 70,000, up from 68,000 the week prior, while Italy and France imposed new Easter lockdowns, officials are worried about another surge in cases in the U.S. and more contagious virus strains are making their way around the world. Vaccinations (the U.S. administered 3.1 million doses a day last week) are rising, though!

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

Of course, while we do not mean to minimize the loss of life and livelihood for so many this time around, history shows that stocks have managed to persevere through previous health scares,...



September 29, 2014



March 30, 2020

Magazine Cover	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
<i>Time Magazine: The Aids Hysteria</i>	7/4/1983	168.91	-2%	-1%	-9%	49%	61%	2280%
<i>Time Magazine: The Truth About SARS</i>	5/5/2003	926.55	4%	14%	21%	43%	52%	334%
<i>Time Magazine: Avian Flu Death Threat</i>	9/26/2005	1,215.63	4%	7%	10%	0%	-6%	231%
<i>Time Magazine: H1N1 How Bad Will It Get?</i>	8/24/2009	1,025.57	8%	8%	3%	38%	94%	292%
<i>Bloomberg BusinessWeek: Ebola Is Coming</i>	9/29/2014	1,977.80	6%	4%	-5%	27%	50%	103%
<i>Time Magazine: Coronavirus</i>	3/30/2020	2,626.65	18%	28%	51%			53%
Price Changes Only. Does not Include Dividends								
Averages:			6%	10%	12%	31%	50%	549%

Source: Kovitz using data from Bloomberg. As of 4.1.21



August 24, 2009



September 26, 2005



May 5, 2003

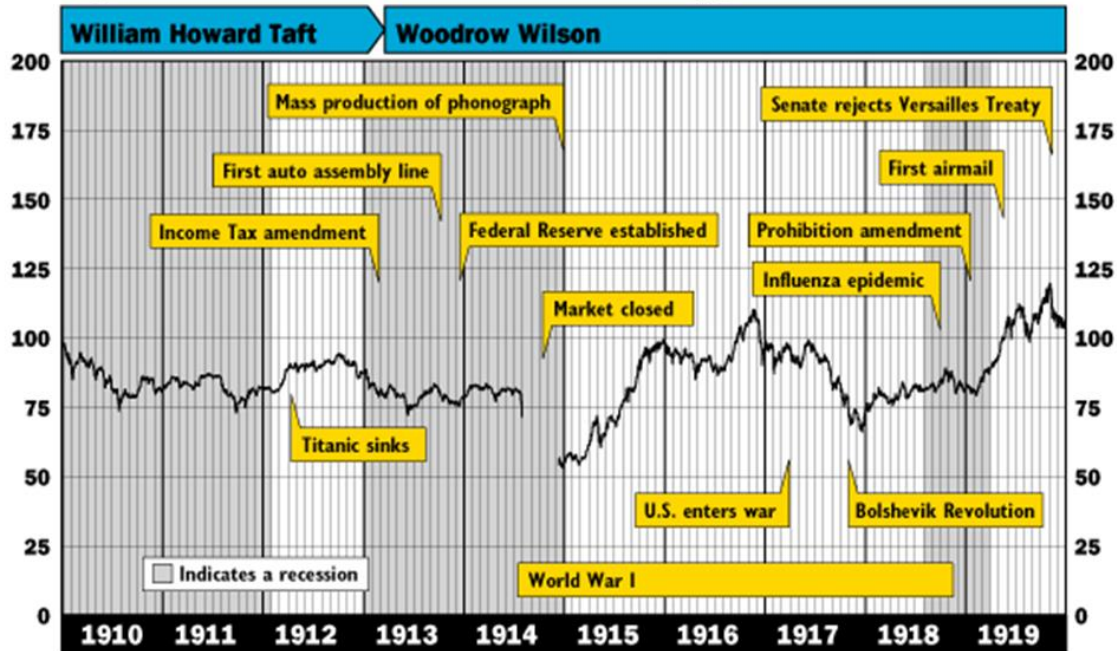


July 4, 1983

...including the even deadlier Spanish Flu in 1918-1919.



It was 100 years ago and life obviously is different today, but stocks managed to gain ground during the 1918-1919 Spanish Flu Pandemic, despite 50 million deaths worldwide, with 675,000 of those in the U.S.



<https://leduc998.wordpress.com/2008/05/14/dow-jones-history-1910-1919/>

No doubt, incredibly accommodative monetary policy efforts by the U.S. Federal Reserve and central bankers around the world, not to mention massive government stimulus programs, have bolstered the global economies and kept the wheels of commerce turning. As such, it would seem that the Fed's present projection for real U.S. GDP growth of 6.5% this year is not unreasonable,...



The Fed dramatically increased its consensus projection for a massive U.S. economic recovery in 2021, taking its GDP forecast for real (inflation-adjusted) growth sharply higher to 6.5%, up from a 4.2% estimate just three months ago. And, with forecasts for growth in 2022 and 2023 remaining relatively modest, Jerome H. Powell & Co. will likely leave the Fed Funds rate near zero through 2023.

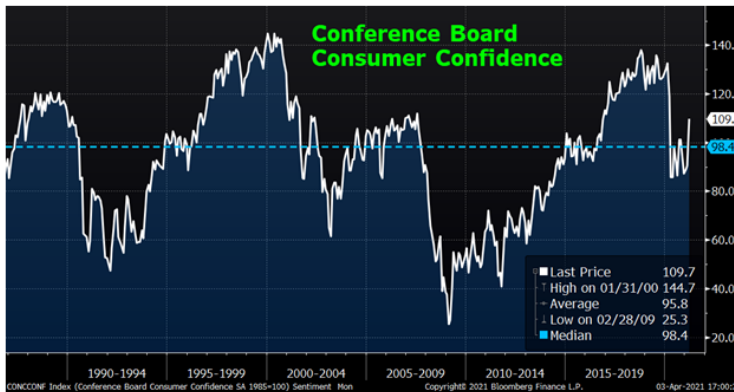
Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2021

Percent

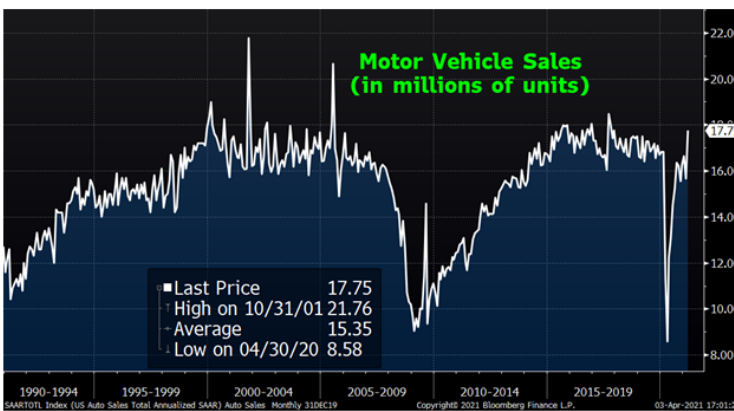
Variable	Median ¹				Central Tendency ²				Range ³			
	2021	2022	2023	Longer run	2021	2022	2023	Longer run	2021	2022	2023	Longer run
Change in real GDP	6.5	3.3	2.2	1.8	5.8-6.6	3.0-3.8	2.0-2.5	1.8-2.0	5.0-7.3	2.5-4.4	1.7-2.6	1.6-2.2
December projection	4.2	3.2	2.4	1.8	3.7-5.0	3.0-3.5	2.2-2.7	1.7-2.0	0.5-5.5	2.5-4.0	2.0-3.5	1.6-2.2
Unemployment rate	4.5	3.9	3.5	4.0	4.2-4.7	3.6-4.0	3.2-3.8	3.8-4.3	4.0-5.5	3.2-4.2	3.0-4.0	3.5-4.5
December projection	5.0	4.2	3.7	4.1	4.7-5.4	3.8-4.6	3.5-4.3	3.9-4.3	4.0-6.8	3.5-5.8	3.3-5.0	3.5-4.5
PCE inflation	2.4	2.0	2.1	2.0	2.2-2.4	1.8-2.1	2.0-2.2	2.0	2.1-2.6	1.8-2.3	1.9-2.3	2.0
December projection	1.8	1.9	2.0	2.0	1.7-1.9	1.8-2.0	1.9-2.1	2.0	1.2-2.3	1.5-2.2	1.7-2.2	2.0
Core PCE inflation ⁴	2.2	2.0	2.1		2.0-2.3	1.9-2.1	2.0-2.2		1.9-2.5	1.8-2.3	1.9-2.3	
December projection	1.8	1.9	2.0		1.7-1.8	1.8-2.0	1.9-2.1		1.5-2.3	1.6-2.2	1.7-2.2	
Memo: Projected appropriate policy path												
Federal funds rate	0.1	0.1	0.1	2.5	0.1	0.1-0.4	0.1-0.9	2.3-2.5	0.1	0.1-0.6	0.1-1.1	2.0-3.0
December projection	0.1	0.1	0.1	2.5	0.1	0.1	0.1-0.4	2.3-2.5	0.1	0.1-0.4	0.1-1.1	2.0-3.0

Source: Federal Reserve, March 17, 2021

...especially given the latest batch of economic stats out last week. The data showed strong numbers in regard to the consumer,...



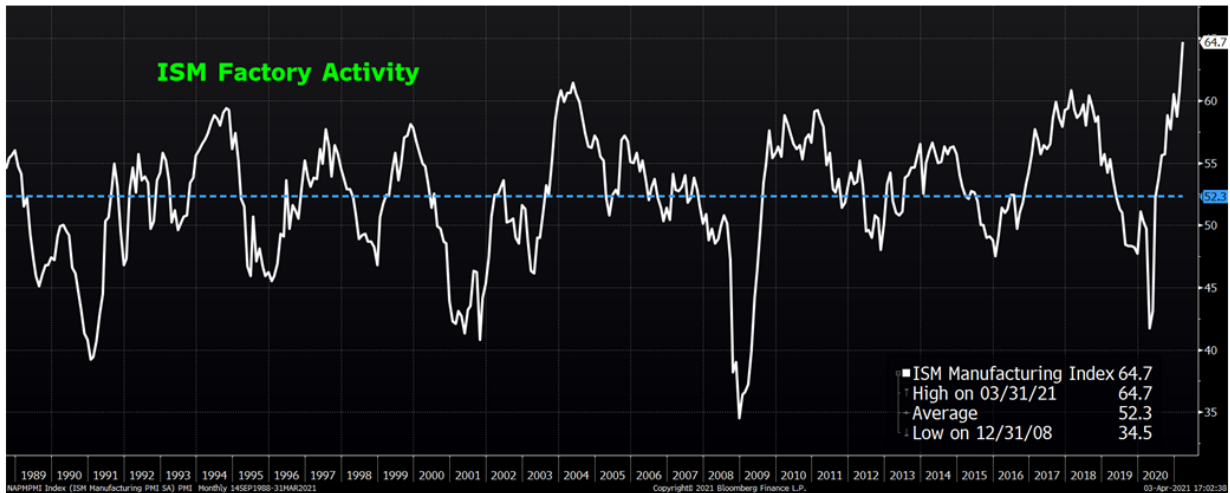
Consumer confidence, per data from the Conference Board, soared to a one-year high in March, jumping to 109.7, up from a revised 90.4 in February and well above expectations. Meanwhile, despite the ongoing shortage of semiconductors, sales of cars and trucks leapt in March, with the seasonally adjusted annualized rate for light vehicles sold estimated at 17.75 million units, according to Wards Automotive Group.



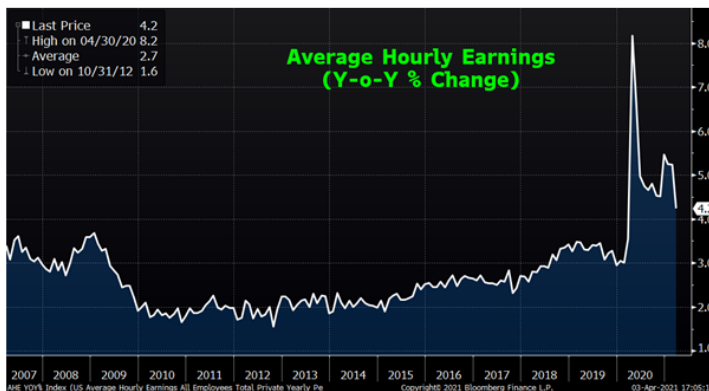
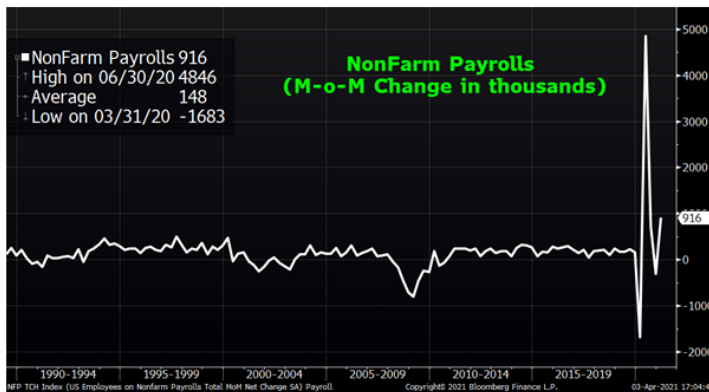
...and the manufacturing sector,...



The latest data point on the health of the manufacturing sector came in at a much-better-than-expected 64.7 in March, the highest level ever for the 30-year history of the gauge. The Institute for Supply Management stated, “The past relationship between the Manufacturing PMI and the overall economy... corresponds to a 6.2% increase in real gross domestic product (GDP) on an annualized basis.”

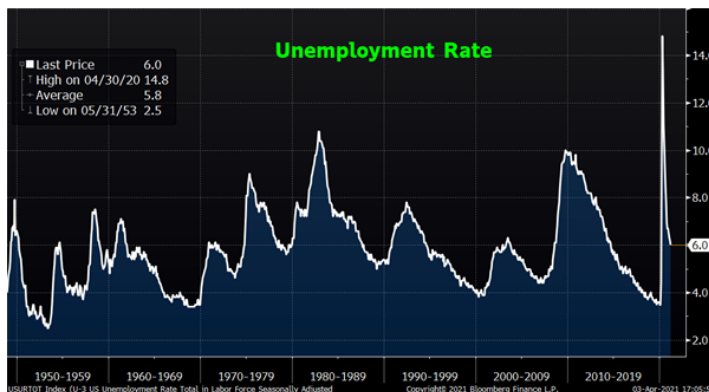


...while the all-important monthly jobs report blew past estimates,...

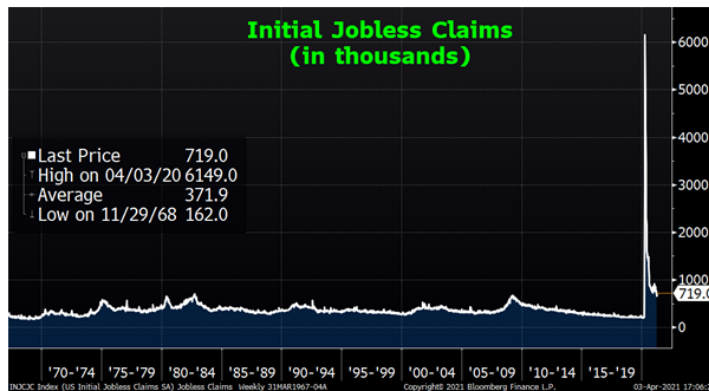


Economists were looking for a huge gain of 675,000 payrolls, so the increase of 916,000 in March thrashed expectations, with the struggling leisure and hospitality sector accounting for a whopping 280,000 increase in jobs during the month. There are still millions out of work but given that a lot of the recent layoffs were for lower-paying jobs, average hourly earnings comparisons remained high, rising 4.2% on a year-over-year basis.

...with the unemployment rate falling to 6.0%.



With a new round of government stimulus and millions of vaccinations helping the cause, the jobless rate for March dipped to 6.0%, continuing its improvement from April's record 14.8% level.

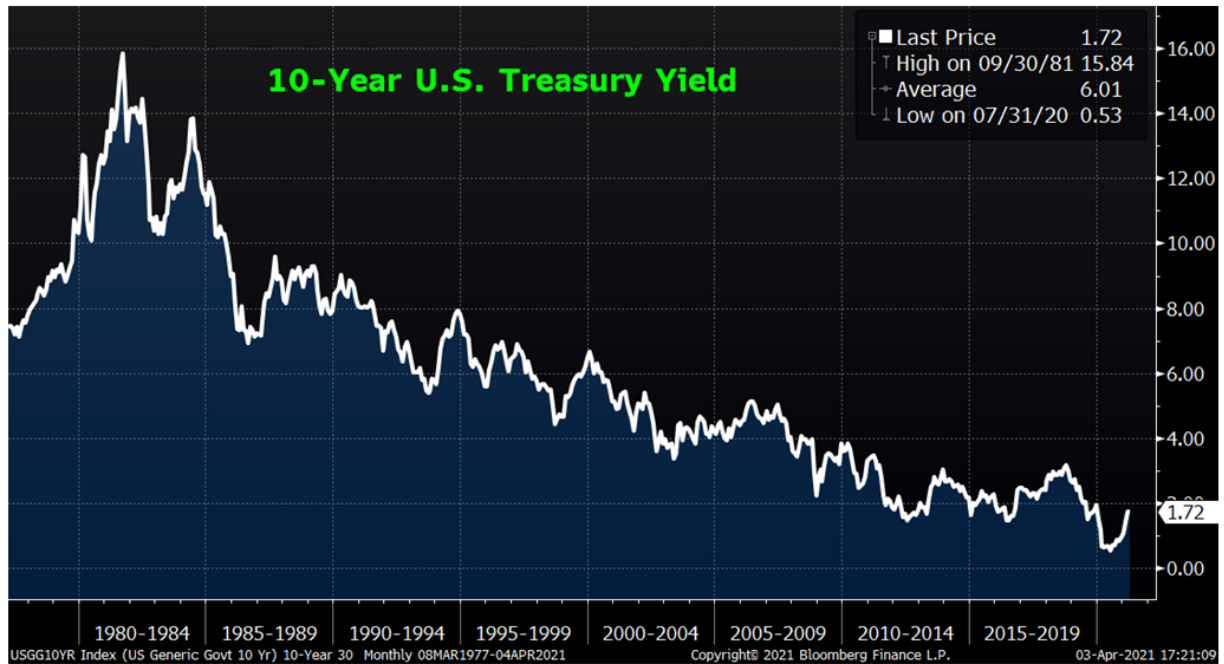


Meanwhile, first-time filings for unemployment benefits in the latest week came in at 719,000, a bit worse than projected, but continuing jobless claims fell to 3.79 million, a new pandemic low.

Certainly, we respect that economic rebound has many investors fretting about increasing bond yields,...



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 tripled over the last eight months, even as a 1.72% yield is still extraordinarily low.



...despite what nine decades of evidence suggest about the relationships between rising (and falling) interest rates and equity prices. The data would argue that folks should be more worried about their fixed income exposure,...



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	17.8%	12.5%	11.2%	15.7%	1.0%	-1.0%	2.2%	3.7%
Geometric Average	13.5%	9.4%	9.1%	10.1%	0.8%	-1.1%	2.1%	3.7%
Median	17.0%	12.2%	14.3%	10.9%	1.3%	-0.2%	1.8%	3.3%
Max	126.6%	93.1%	69.8%	88.2%	14.6%	9.2%	9.7%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-8.1%	-14.9%	-5.1%	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	15.7%	12.7%	14.3%	11.5%	12.3%	13.4%	8.5%	2.9%
Geometric Average	12.9%	10.5%	12.6%	7.6%	12.0%	13.1%	8.4%	2.9%
Median	16.4%	13.8%	14.9%	12.3%	10.8%	10.7%	7.8%	2.1%
Max	71.1%	48.3%	53.5%	90.5%	42.6%	40.4%	29.1%	10.5%
Min	-43.6%	-37.0%	-34.8%	-48.6%	2.6%	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.

...but money continues to be shoveled into bond funds.



Combined Estimated Long-Term Fund Flows and ETF Net Issuance					
Millions of dollars					
Week Ended	3/24/2021	3/17/2021	3/10/2021	3/3/2021	2/24/2021
Total Equity	3,330	53,692	21,548	-3,438	8,881
Domestic	-3,534	42,983	16,540	-429	14,876
World	6,864	10,709	5,008	-3,008	-5,994
Hybrid	1,194	290	81	-475	361
Total Bond	9,241	15,844	1,192	20,431	12,416
Taxable	7,862	13,370	-523	20,692	11,968
Municipal	1,379	2,474	1,715	-261	448
Commodities	-266	-631	-1,952	-2,183	-1,523
Total	13,499	69,195	20,868	14,336	20,135

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	Aug-16	-9,956	30,859	Mar-18	-22,152	14,148	Oct-19	-24,645	43,187
Feb-15	5,547	30,321	Sep-16	-5,713	24,669	Apr-18	-7,403	24,176	Nov-19	-11,716	44,480
Mar-15	-1,494	4,905	Oct-16	-23,109	13,855	May-18	10,068	11,749	Dec-19	-27,500	50,733
Apr-15	-34,681	11,027	Nov-16	22,993	-13,289	Jun-18	-21,004	16,995	Jan-20	-24,544	73,855
May-15	-17,287	5,010	Dec-16	18,859	-4,142	Jul-18	1,007	22,495	Feb-20	-28,220	25,064
Jun-15	-7,023	6,324	Jan-17	5,097	31,037	Aug-18	-6,660	17,219	Mar-20	-7,485	-273,714
Jul-15	-14,864	-1,255	Feb-17	17,613	33,991	Sep-18	886	18,526	Apr-20	-2,664	14,672
Aug-15	-18,569	-18,122	Mar-17	9,411	36,562	Oct-18	-9,657	-27,700	May-20	-20,929	73,166
Sep-15	-4,725	-10,849	Apr-17	-8,266	22,064	Nov-18	2,783	-7,459	Jun-20	-24,819	100,103
Oct-15	-807	15,397	May-17	-10,725	33,070	Dec-18	-28,953	-49,512	Jul-20	-46,524	98,490
Nov-15	654	-5,573	Jun-17	-7,944	29,372	Jan-19	-21,195	29,308	Aug-20	-57,594	84,113
Dec-15	476	-25,043	Jul-17	-12,518	29,139	Feb-19	3,632	45,138	Sep-20	-28,900	51,000
Jan-16	-27,222	7,686	Aug-17	-22,771	25,078	Mar-19	-3,654	38,412	Oct-20	-52,484	63,918
Feb-16	-9,108	11,915	Sep-17	-9,775	33,440	Apr-19	-5,307	40,565	Nov-20	41,143	58,854
Mar-16	7,711	29,296	Oct-17	3,166	36,110	May-19	-24,652	21,332	Dec-20	-34,003	76,186
Apr-16	-12,610	22,114	Nov-17	-4,417	19,788	Jun-19	-11,997	39,771	Jan-21	-37,318	93,757
May-16	-14,252	16,925	Dec-17	-9,054	19,491	Jul-19	-7,889	44,811			
Jun-16	-15,530	16,623	Jan-18	10,778	46,287	Aug-19	-29,908	22,304			
Jul-16	292	33,575	Feb-18	-41,444	2,706	Sep-19	-4,650	38,482	Totals:	-825,311	1,656,522

Following a record level of inflows into U.S. equity mutual and exchange traded funds for the week ended 3.17.21, stocks stumbled over the next five trading days, with the equal-weighted S&P 500 down 2.6% for the week ended 3.24.21. And, after stock flows turned negative again, the equal-weighted S&P 500 advanced 2.6% for the week ended 3.31.21. Meanwhile, the long-playing love affair with fixed income continues.

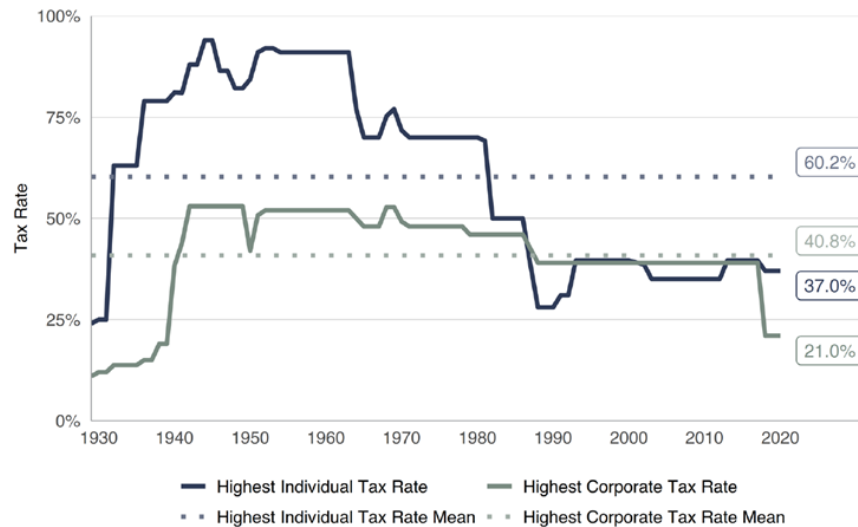
A larger worry these days might be the impact of higher taxes, with President Biden unveiling a gargantuan \$1.9 trillion “infrastructure” spending package that would be paid for in large part by a hike in the corporate tax rate to 28% from the current 21%. There will be plenty of debate before such an eventuality occurs, and we realize that there is also talk ongoing about increases in individual income, dividend, capital gains and estate taxes, but it is important to consider that tax rates are very low today relative to the averages over the last nine decades,...



We, like almost everyone else, do not want to pay higher taxes, and we are not suggesting anyone should be happy about future tax hikes. However, the increased individual income tax and corporate tax rates that are being bandied about in Washington generally would not be that high by historical standards.

Long-Term U.S. Tax Rates

Tax years 1930 through 2020.
SOURCE: Kovitz using data from
the Internal Revenue Service



...while stocks have performed OK, on average, in the years in which the max corporate tax rate has been hiked.



While there is plenty of dispersion in the returns and it is difficult to draw conclusions from a data set with only 9 constituents, the historical evidence would argue that there is no need to head for the hills if Washington enacts a corporate tax hike...though Value stocks, as is usually the case, have been the place to be.

Years With Max U.S. Corporate Tax Rate Increase								
Year & Change	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
1968: 53% up from 48%	36.3%	17.5%	14.3%	20.7%	2.6%	-0.3%	4.5%	5.2%
1952: 52% up from 51%	13.9%	10.5%	14.5%	9.9%	3.5%	1.2%	1.6%	1.7%
1951: 51% up from 42%	13.0%	18.9%	20.6%	7.1%	-2.7%	-3.9%	0.4%	1.5%
1941: 44% up from 38%	-3.4%	-14.6%	-12.1%	-16.3%	2.7%	0.9%	0.5%	0.1%
1940: 38% up from 19%	-7.2%	-6.5%	-5.1%	-12.2%	3.4%	6.1%	3.0%	0.0%
1938: 19% up from 15%	27.1%	39.5%	30.7%	35.7%	6.1%	5.5%	6.2%	0.0%
1936: 15% up from 14%	65.0%	29.8%	28.7%	53.5%	6.7%	7.5%	3.1%	0.2%
1932: 14% up from 12%	3.2%	-7.2%	-5.2%	0.0%	10.8%	16.8%	8.8%	1.0%
1930: 12% up from 11%	-43.6%	-31.6%	-31.1%	-48.6%	8.0%	4.7%	6.7%	2.4%
Arithmetic Average	11.6%	6.3%	6.1%	5.5%	4.6%	4.3%	3.9%	1.3%
Geometric Average	7.5%	4.0%	4.2%	1.2%	4.5%	4.1%	3.8%	1.3%
Median	13.0%	10.5%	14.3%	7.1%	3.5%	4.7%	3.1%	1.0%
Max	65.0%	39.5%	30.7%	53.5%	10.8%	16.8%	8.8%	5.2%
Min	-43.6%	-31.6%	-31.1%	-48.6%	-2.7%	-3.9%	0.4%	0.0%
Count	9	9	9	9	9	9	9	9

Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar and the Internal Revenue Service.

So, though we understand that downside volatility is always part of the process, we remain optimistic for the long-term prospects of our broadly diversified portfolios of what we believe to be undervalued stocks,...



CURRENT PORTFOLIO AND INDEX VALUATIONS

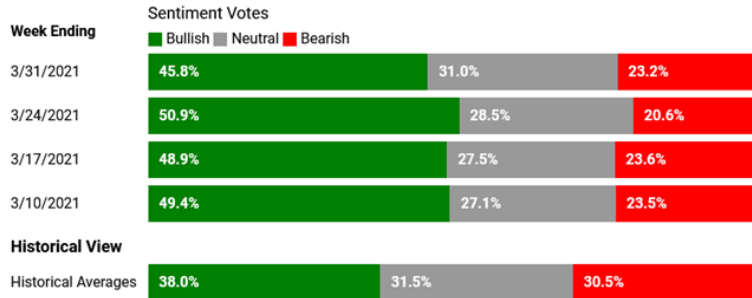
Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	21.1	15.7	1.3	2.5	2.2
ValuePlus	23.5	16.3	1.6	2.5	1.9
Dividend Income	20.6	15.7	1.2	2.5	2.5
Focused Dividend Income	20.7	15.8	1.3	2.6	2.5
Focused ValuePlus	20.2	16.1	1.6	2.6	2.2
Small-Mid Dividend Value	19.4	14.9	0.8	1.7	2.1
Russell 3000	37.4	24.4	2.8	4.2	1.4
Russell 3000 Growth	46.2	32.2	4.7	11.4	0.7
Russell 3000 Value	31.6	19.7	2.0	2.6	2.0
Russell 1000	34.1	23.8	3.0	4.3	1.4
Russell 1000 Growth	41.2	30.7	4.9	12.0	0.8
Russell 1000 Value	29.2	19.5	2.2	2.7	2.0
S&P 500 Index	32.8	23.1	3.0	4.4	1.4
S&P 500 Growth Index	37.7	28.8	5.5	10.1	0.8
S&P 500 Value Index	28.8	19.2	2.0	2.8	2.1
S&P 500 Pure Value Index	20.0	12.5	0.8	1.3	2.4

As of 04.04.21. 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.

...and we are happy to see one of our favorite contrarian sentiment indicators become a little less bullish in the latest week,...



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



The gauge is widely viewed as a contrarian indicator, and the latest AAIL Sentiment Survey released on Wednesday evening, March 31, 2021, saw the Bull-Bear Spread come in at 22.6%, down from 30.3% the week prior, which had been the widest level of the year.

AAIL Bull-Bear Spread											
Decile	Low	High	R3K	R3K	R3K	R3K	R3K	R3K	R3K	R3K	R3K
	Reading of the	Reading of the		Next 1-Week	Next 1-Week	Next 1-Month	Next 1-Month	Next 3-Month	Next 3-Month	Next 6-Month	Next 6-Month
	Range	Range	Count	Arithmetic Average TR	Geometric Average TR	Arithmetic Average TR	Geometric Average TR	Arithmetic Average TR	Geometric Average TR	Arithmetic Average TR	Geometric Average TR
Below & Above Median Bull Bear Spread = 8.00											
BELOW	-54.0	8.0	901	0.27%	0.23%	1.27%	1.14%	3.66%	3.27%	7.04%	6.29%
ABOVE	8.1	62.9	854	0.16%	0.14%	0.46%	0.37%	1.85%	1.59%	4.38%	3.91%
Ten Groupings of 1754 Data Points											
1	-54.0	-15.0	176	0.57%	0.50%	2.21%	1.97%	5.87%	5.31%	10.65%	9.40%
2	-15.0	-7.4	175	0.35%	0.32%	0.97%	0.84%	3.97%	3.62%	7.30%	6.53%
3	-7.3	-1.4	176	0.31%	0.28%	1.56%	1.46%	3.44%	3.05%	7.12%	6.47%
4	-1.4	3.0	183	0.09%	0.06%	1.01%	0.92%	2.76%	2.40%	5.84%	5.34%
5	3.0	8.0	167	0.05%	0.02%	0.61%	0.51%	2.46%	2.20%	4.13%	3.58%
6	8.0	12.0	176	0.08%	0.06%	0.45%	0.33%	1.61%	1.37%	5.14%	4.66%
7	12.1	16.5	175	0.19%	0.17%	0.64%	0.55%	2.35%	2.10%	5.06%	4.63%
8	16.5	22.0	182	0.18%	0.17%	0.70%	0.63%	2.05%	1.78%	5.49%	5.07%
9	22.0	29.1	169	0.08%	0.06%	0.30%	0.21%	1.86%	1.58%	4.06%	3.49%
10	29.2	62.9	176	0.25%	0.24%	0.26%	0.19%	1.40%	1.17%	2.55%	2.11%

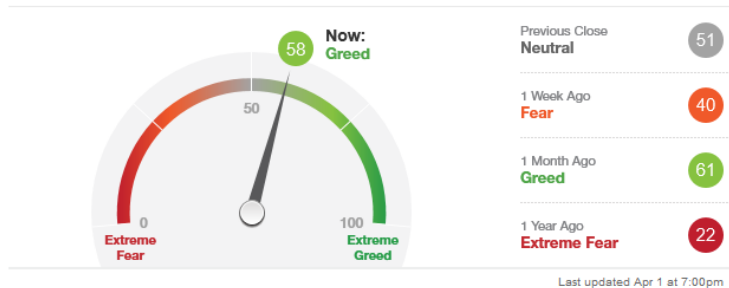
From 07.31.87 through 4.1.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

...and another more recently established gauge still not that far from a neutral reading.



Fear & Greed Index

What emotion is driving the market now?



Seven Fear & Greed Indicators

Fear & Greed Over Time



Frothiness remains in many “meme” stocks, cannabis companies and SPACs, and the market averages are at all-time highs, but the *CNNMoney* Fear & Greed Index is now only modestly in the Greed range, with overall market enthusiasm per this gauge of seven indicators tempered by Extreme Fear in Stock Price Breadth and Fear readings for Stock Price Strength & Put and Call Options.

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://theprudentpeculator.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 several of our companies that either had news out last week of sufficient interest to merit a Target Price review or are worthy of comment.

Semiconductor stocks continued their rise last week, propelled by **Micron’s** (MU – \$92.41) fiscal Q2 2021 results release. The company released preliminary results on March 8 and the actual results were in line with those estimates. Micron had sales of \$6.24 billion (compared to \$6.20 billion to \$6.25 billion on March 8) and EPS of \$0.98 (\$0.93 to \$0.98 on March 8). While the pre-release last month sent shares down a bit, the actual earnings sent shares up by 5%, driven by management’s outlook.

CEO Sanjay Mehrotra was positive on the quarter, “Micron delivered strong FQ2 results above our original projections driven by solid execution and higher-than-expected demand across multiple end markets. The DRAM market is in severe shortage, and the NAND market is

showing signs of stabilization in the near term. The execution from the Micron team and these strengthened conditions enabled us to set revenue records for Mobile MCPs and automotive products and to reach normal levels of inventory ahead of schedule... We are in an excellent position to capitalize on the strong demand for memory and storage driven by artificial intelligence and 5G across the data center, the intelligent edge, and user devices.”

Mr. Mehrotra continued, “Turning to the market outlook, calendar 2021 is shaping up to be a solid year, and our overall outlook across DRAM and NAND has improved since our last earnings call, with broad strength across nearly all end markets. The pandemic has driven changes in our economy that we believe will not only benefit us this year but also serve to accelerate the digital transformation of the economy and drive new opportunities for Micron... In DRAM, due to the stronger demand, we now expect calendar 2021 bit growth at 20%, above our prior forecast of high teens... In NAND, we now expect calendar 2021 bit growth in the low to mid-30% range, above our prior expectation of 30%.”

Management said that despite non-memory component shortages due to the pandemic and the earthquake-related disruption at the Taiwan fabs in December, the company expects to continue at full production levels and is optimistic that the vaccine distribution around the world will have a positive impact. Recently, Taiwan has experienced drought conditions, but MU said it has secured alternate water sources and is accelerating water conservation efforts.

Micron shares sit just below the all-time high set on July 14, 2000, at \$96.56 and we believe that the company is stronger than ever. We believe that MU has matured into a stable manufacturer of memory products and we are keeping the positions in our broadly diversified portfolios unchanged at present as we think there’s room to run. We believe that Micron can continue to grow its earnings (the current consensus EPS estimate for fiscal 2023 is north of \$10.50, compared to \$2.83 in 2020). Our Target Price for MU has been boosted to \$111.

We also raised our Target Price for **Lam Research** (LRCX – \$639.38) to \$668, as we think the strength in the semiconductor space is likely to stay a while longer. Embedded in President Biden’s \$1.9 trillion infrastructure plan is a \$50 billion allocation to research and production incentives for chip manufacturing. We think that intellectual property theft remains a major concern, and was brought up routinely by the Trump administration, and manufacturing diversification for critical components outside of Asia would serve the U.S. well on many levels, including job creation and national security.

Shares of lighting and building management concern **Acuity Brands** (AYI – \$168.90) took a rocket ride, rallying over 23% last week as the firm reported its fiscal Q2 financial results. Sales declined for the third quarter in a row to \$776.6 million as large customers (notably big-box retailers) continued to defer renovations and rebalanced inventory. Nevertheless, Acuity earned \$2.28 per share in the period (33% above the consensus analyst estimate) as productivity improvements expanded gross and operating margins by 170 basis points. Management appears dedicated to growth of the firm’s technology-focused product suite (Atrius and Distech), which is centered around open protocol solutions to building management.

CEO Neil Ashe commented, “As you know, the pandemic has created real challenges over the past several quarters and we have yet to return to a steady state. The slowdown last year had a global impact on supply chains and logistics, and we continue to feel the impact of this in the economy and in our operations, yet we have continued to have consistent and strong performance during this time. As we look forward, we are facing some new and existing challenges. As demand begins to rebound, global logistics, for example, continues to encounter issues. New challenges include the global chip shortages and the rising cost of some components. To be clear, these are good problems to have. We are managing these challenges aggressively, and our entire team will work tirelessly to deliver the best possible outcomes for our customers and continued high-quality results.”

We continue to appreciate the financial flexibility built into Acuity’s business model, which allows it to scale with prevailing demand and the opportunistic deployment of capital (management purchased 10% of share outstanding since last May). And we expect margin expansion to persist as volume improves given the productivity efforts. Despite the recent rally by the stock, we still find the shares quite attractive, given a forward PE multiple of 18.5 (in line with the 5-year average) and several channels for growth on the horizon. Our Target Price has been hiked to \$199.

Kroger (KR – \$35.95) held its Investor Day last Wednesday where it detailed the firm’s strategic priorities for the next couple of years. The grocer expects to gain market share and will emphasize its digital channel and assortment expansion, where it intends to double down on private-label products and expand its third-party seller marketplace. KR management says it will also be investing in its supply chain (expecting to open up to 6 more centralized fulfillment centers across the U.S. through 2023) to expand its network and improve the cost of delivery to support an Anything, Anywhere, Anytime strategy where customers can experience personalized shopping through delivery, pickup or at the store.

CEO Rodney McMullen commented, “Our 4 competitive moats: Seamless, Personalization, Fresh and Our Brands, are stronger today than ever before, reinforcing our confidence in our ability to grow sales and market share. We are committed to delivering consistent and attractive total shareholder return of 8% to 11% per year, underpinned by a financial model that now includes a higher operating profit base and a clear path to deliver earnings growth of 3% to 5% and strong and growing free cash flow to invest in our growth initiatives.”

While we remind that growth almost always comes at a cost, particularly in the near-term, we appreciate that KR is using its momentum from the pandemic to support and expand its advantages within a fiercely competitive industry. We continue to appreciate the defensive characteristics that KR offers our portfolios as shares now trade at 12.8 times expected EPS for 2021 and offer a dividend yield of 2.0%. Our Target Price for KR, which boasts Warren Buffett’s Berkshire Hathaway as a big shareholder, now stands at \$43.

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