Market Commentary Monday, April 19, 2021

April 19, 2021

EXECUTIVE SUMMARY

Q1 Earnings Season – Off to a Good Start
Billionaire Babble – Only Problem with Market Timing…
Economic News – Very Good Numbers Out Last Week
Treasury Rally – Financial Media Attempts to Rationalize
Health News – COVID-19 Cases Tick Up
Sentiment – Optimism Still High
Fund Flows – Investors Buying Stocks…and Bonds
Dollars on the Sideline – Mountain of Cash Still Parked in Money Market Funds
Valuations – Very Reasonable Metrics for our Managed Account Strategies
Target Prices – New Listing Coming to theprudentspeculator.com
Stock News – Updates on JNJ, INTC, KIM, SYF, BLK, JPM, BAC, PNC, TFC, BK, GS, C & MS

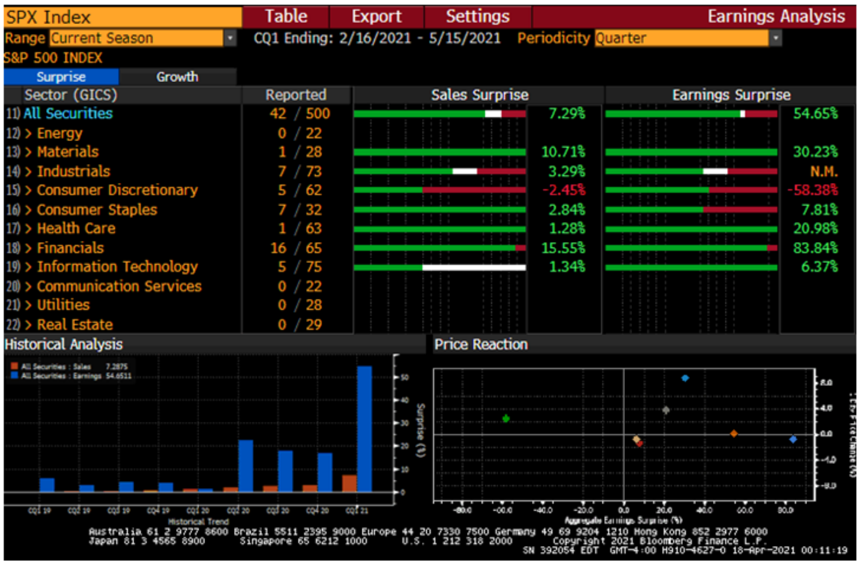
Market Review

With first quarter results likely to be a primary catalyst for near-term stock price movements, it was good to see the reporting season get off to a very good start,…

THE PRUDENT SPECULATOR

EPS PLUNGED IN 2020 BUT SHOULD SOAR IN 2021

Q1 earnings reporting season has been good thus far, relative to analyst projections that were still too 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 this year.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2022	$54.13	$200.95
9/30/2022	$52.06	$194.48
6/30/2022	$48.49	$187.58
3/31/2022	$46.27	$180.68
12/31/2021	$47.66	$173.72
9/30/2021	$45.16	$164.24
6/30/2021	$41.59	$156.98
3/31/2021	$39.31	$142.18
ACTUAL		
12/31/2020	$38.18	$122.37
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

Source: Standard & Poor's. As of 4.8.21

…even as less-than-enthusiastic reactions to generally terrific results from the big banks kept a lid on equity market gains for Value stocks.

THE PRUDENT SPECULATOR

RALLY CONTINUES AND GROWTH LEADS…BUT NO COMPLAINTS FOR VALUE

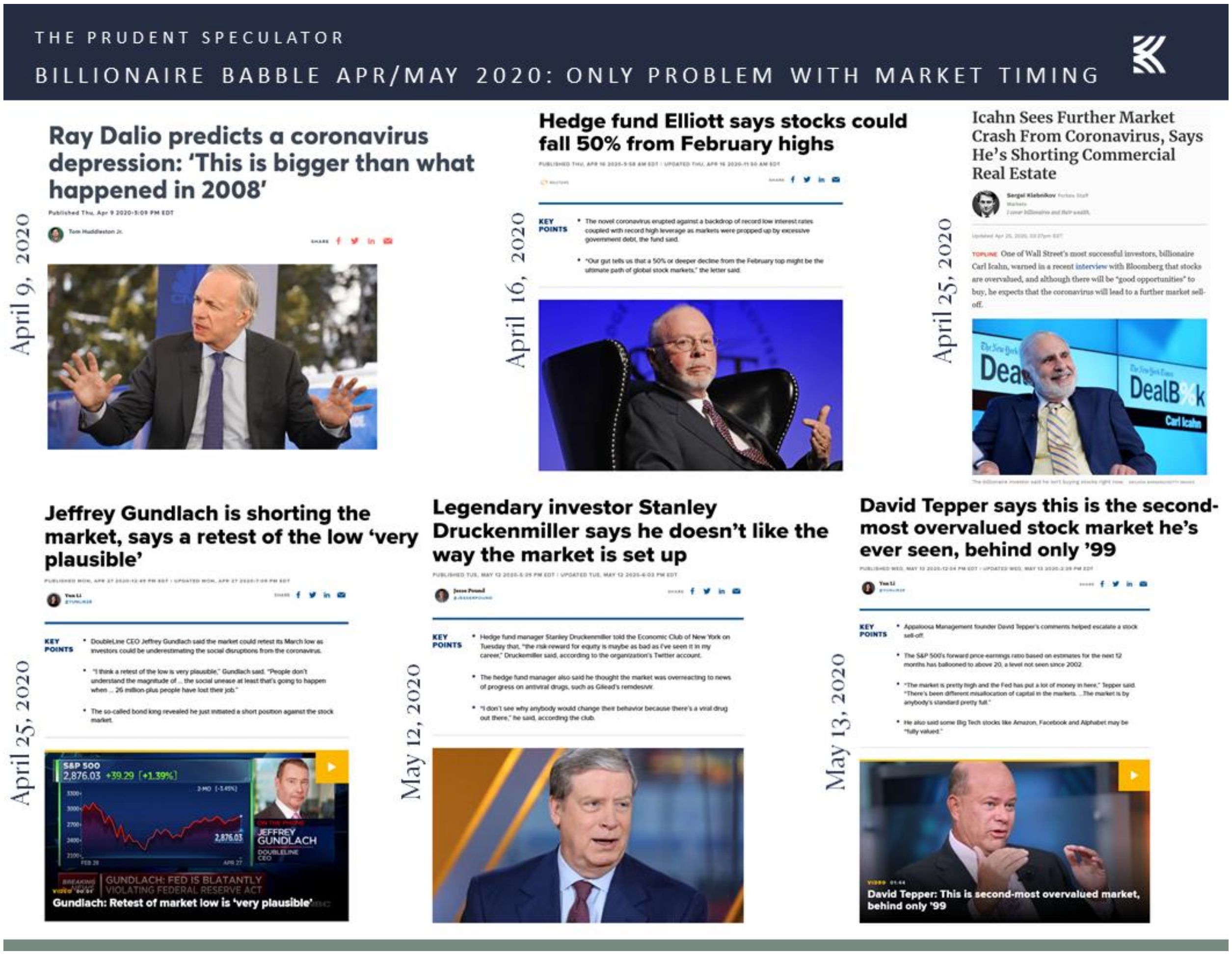
Still posting solid gains for the week, Value stocks took another breather in the performance derby as interest rates declined again, with the yield on the 10-Year U.S. Treasury retreating from recent highs.

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
0.58	-3.25	-0.16	1.82	4.97	8.80	10.98	10.03	14.72	Bloomberg Barclays Global-Aggregate Bond
0.35	-2.56	-1.47	-1.95	-0.22	3.68	11.22	15.82	17.01	Bloomberg Barclays US Aggregate Bond
1.18	12.33	30.27	35.08	48.43	88.05	35.36	49.12	114.99	Dow Jones Industrial Average
1.47	12.16	31.57	38.04	53.19	89.28	31.53	38.72	78.27	New York Stock Exchange Composite
1.72	8.48	25.92	31.42	59.94	102.05	70.50	93.66	173.28	Russell 3000 Growth
1.19	**15.66**	**36.99**	**45.14**	**55.47**	91.48	**30.87**	**39.25**	**78.95**	**Russell 3000 Value**
1.45	11.94	31.20	37.92	58.44	97.94	51.36	66.62	124.50	Russell 3000
1.38	15.92	38.16	48.68	67.31	108.91	42.97	55.91	105.00	S&P 500 Equal Weighted
1.39	11.92	28.95	34.41	52.02	90.47	49.36	65.42	121.76	S&P 500
1.66	9.82	25.39	30.73	55.78	96.23	63.69	86.01	157.76	S&P 500 Growth
1.09	**14.31**	**33.54**	**39.14**	**45.98**	81.59	**31.99**	**42.03**	**82.24**	**S&P 500 Value**
1.78	7.92	26.59	32.91	61.42	105.49	51.76	63.20	129.54	S&P 500 Pure Growth
1.03	**24.01**	**53.48**	**70.58**	**88.56**	129.15	**21.70**	**25.07**	**68.99**	**S&P 500 Pure Value**

As of 04.16.21. Source Kovitz using data from Bloomberg

Of course, the returns this year, Value and Growth, have been terrific and have provided another example of why we constantly admonish that time in the market trumps market timing…and why we always take proclamations and projections from supposed market experts with many grains of salt.



To be sure, the doom-and-gloom crowd will eventually have some time in the sun. After all, on average, 5% downturns happen more than 3 times a year, 10% corrections occur every 0.9 years and even 20% Bear Markets take place every 3.5 years. Yet, despite the usually highly disconcerting volatility endured through the years,…

THE PRUDENT SPECULATOR

LOTS OF FRIGTENING EVENTS

Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	48120%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	27803%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	24978%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	9723%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	9083%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	10637%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	7725%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5913%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4387%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	5448%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4442%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5880%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3878%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4161%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3403%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2485%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1610%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1762%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1224%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1012%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	917%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	844%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	816%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	728%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	377%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	336%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	240%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	212%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	333%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	357%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	284%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	249%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	519%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**5754%**

As of 4.16.21. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

Time will tell how the COVID-19 Pandemic and Great Lockdown are remembered in terms of equity market disruption and ultimate recovery, but history is filled with plenty of disconcerting events. Happily, those who have stayed the course, sticking with their long-term investment plans, have nearly always been rewarded in the fullness of time.

…those with the discipline and patience to stick with stocks have been rewarded quite handsomely in the fullness of time.

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%	112.3%	985	27	3.4	3/23/2020	4/16/2021
17.5%	67.5%	576	39	2.3	3/23/2020	4/16/2021
15.0%	67.1%	560	45	2.0	3/23/2020	4/16/2021
12.5%	44.7%	336	72	1.3	3/23/2020	4/16/2021
10.0%	35.2%	246	98	0.9	3/23/2020	4/16/2021
7.5%	23.7%	148	157	0.6	9/23/2020	4/16/2021
5.0%	14.8%	73	306	0.3	10/30/2020	4/16/2021

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	156	0.6	9/2/2020	9/23/2020
-5.0%	-10.9%	36	305	0.3	10/12/2020	10/30/2020

From 02.20.28 through 4.16.21. 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	13.2%	26.0%
Growth Stocks	9.9%	21.5%
Dividend Paying Stocks	10.6%	18.1%
Non-Dividend Paying Stocks	9.2%	29.4%
Long-Term Corporate Bonds	6.1%	7.6%
Long-Term Gov't Bonds	5.5%	8.6%
Intermediate Gov't Bonds	5.1%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	2.9%	1.8%

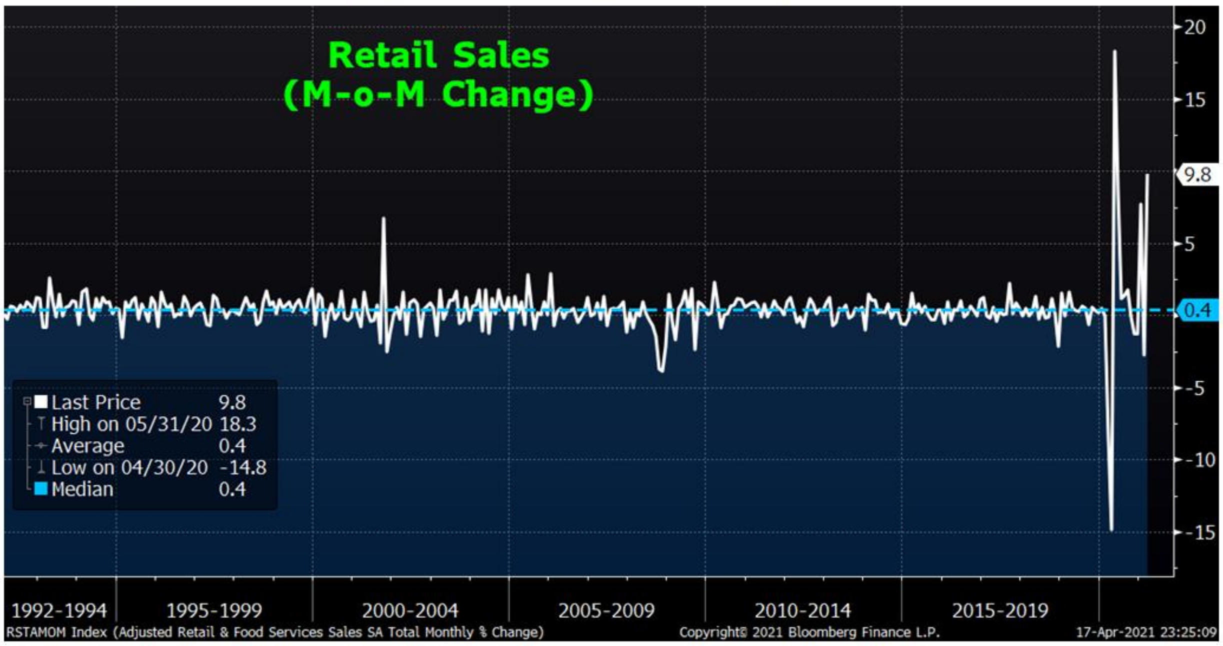
From 06.30.27 through 02.28.21. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the 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

Obviously, there are no guarantees that we will not soon have a sizable and sustained selloff, but as legendary investor Warren Buffett states, "It won't be the economy that will do in investors; it will be investors themselves." And speaking of the economy, the data out last week was very good, especially in relation to retail sales,…

THE PRUDENT SPECULATOR

CONSUMERS WENT SHOPPING IN A BIG WAY DURING MARCH

With $1,400 government stimulus checks hitting bank accounts, shoppers opened their wallets in March as retail sales soared 9.8% on a month-over-month basis, with autos, gasoline, bars and restaurants, clothing and sporting goods leading the charge.



…the outlook for the manufacturing sector,…

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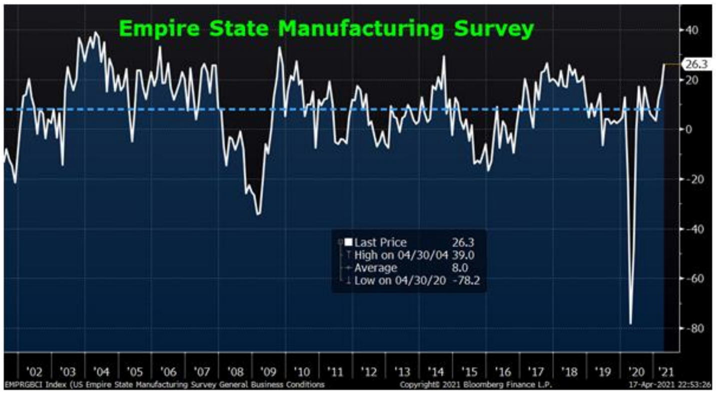
EAST COAST FACTORY SUPERB IN APRIL

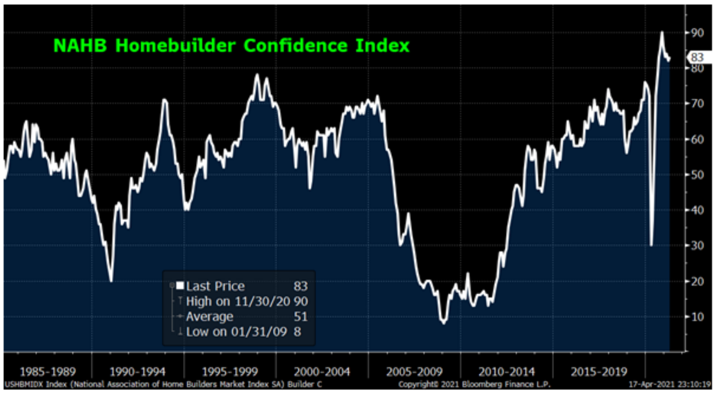


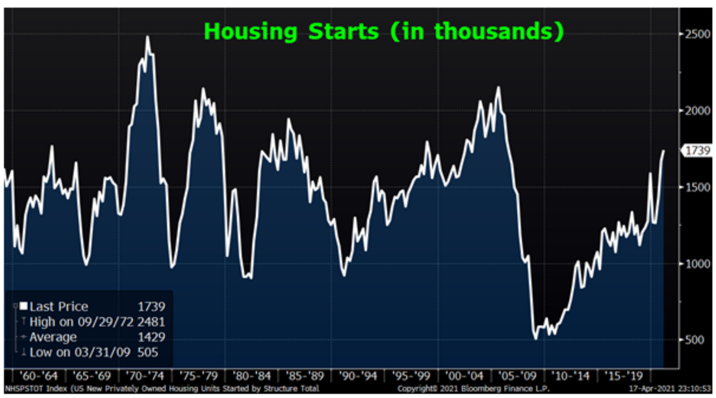
The Empire State gauge of manufacturing activity in the New York area hit its highest level since October 2017, rising to 26.3 in April versus 17.4 in March, well above average for this business conditions index. The Philadelphia Fed's March measure of manufacturing activity in the mid-Atlantic region rocketed higher to an extraordinary 50.2 reading, compared to a revised 44.5 in March, with the tally the highest in nearly 50 years.

…and the health of the housing sector.

THE PRUDENT SPECULATOR

ROBUST HOUSING STATS





The National Association of Home Builders' monthly confidence index for April inched up to 83, 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 rebounding from a dip in February, builders began construction of new homes at a seasonally adjusted annual pace of 1.74 million, well above the long-term average.

Small business and consumer sentiment tallies were not as stellar,…

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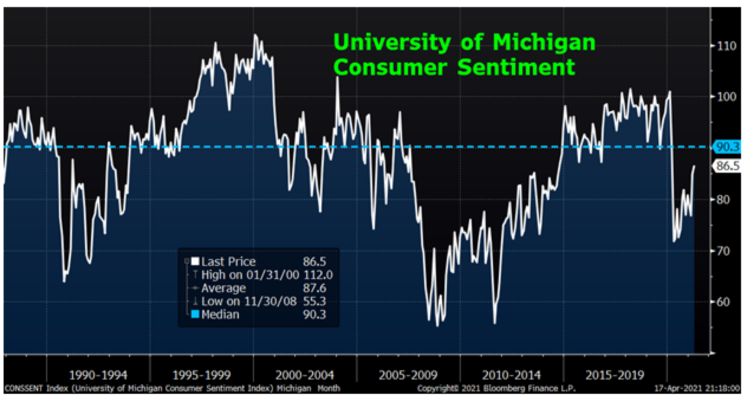
IMPROVING MAIN STREET SENTIMENT



The NFIB Small Business Index for March came in at 95.8, up 2.4 points from February, with the figure slightly above the 30-year average. Meanwhile, the preliminary Univ. of Michigan gauge of consumer sentiment this month rose to a weaker-than-expected post-pandemic-high of 86.5, up from a final reading of 84.9 in March. Of course, given that the median for this gauge has been 90.3, consumers are not yet feeling that optimistic.

…but the jobless claims figures were surprisingly strong.

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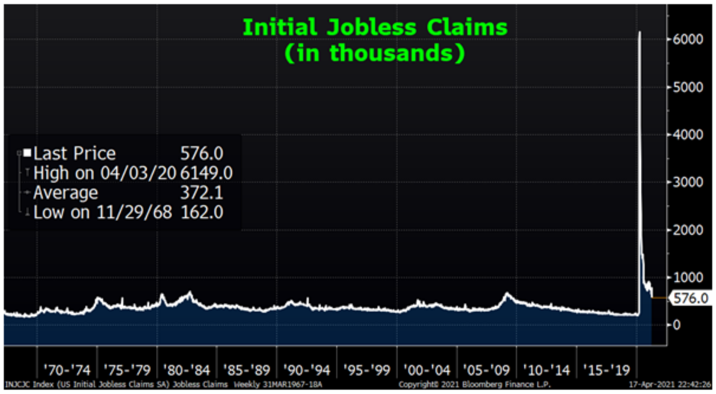
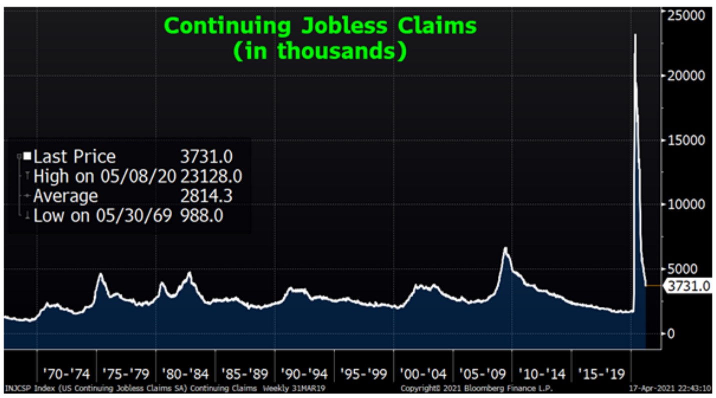
BIG DROP IN FIRST-TIME FILINGS





The jobs market strengthened considerably in the latest week, with new applications for unemployment benefits falling to a seasonally adjusted and much-better-than-expected pandemic low of 576,000 for the period ended Apr. 10, down 193,000 from the week prior. Continuing jobless claims filed through state programs remained right at 3.73 million for a second week, near a pandemic low.

Interestingly, the strong economic statistics out last week sent the yield on the benchmark 10-year U.S. Treasury down to 1.58%, compared to 1.66% at the end of the week prior. As the textbooks would argue that such an event was not supposed to happen, *The Wall Street Journal* was ready with an explanation…

STRONG ECONOMIC DATA GOOD FOR TREASURY PRICES?

Debt investors, though, have shrugged off good economic data in recent days as much as they ignored some weak data over the winter. Instead, higher yields have lured buyers, apparently aided by technical factors such as renewed demand from Japanese investors.

Banks and insurers in Japan had contributed to a wave of global selling in February, according to investors and analysts, prompted by efforts to finalize their investment returns for the financial year that ended on March 31. Now, there is evidence that they are buying again, with new government data showing that Japanese investors bought the equivalent of $15.6 billion of overseas bonds on net last week, the most since November.

One factor supporting Treasurys right now is that "April was always going to be a transition month," said Jim Vogel, interest-rates strategist at FHN Financial.

Investors sold Treasurys earlier in the year because they were optimistic for a Covid-19 vaccine and government spending-fueled economic rebound that could generate higher inflation and, eventually, interest-rate increases from the Federal Reserve. Now they are more interested in seeing that forecast come to fruition, but they need more than one month of data to know if it has, Mr. Vogel said.

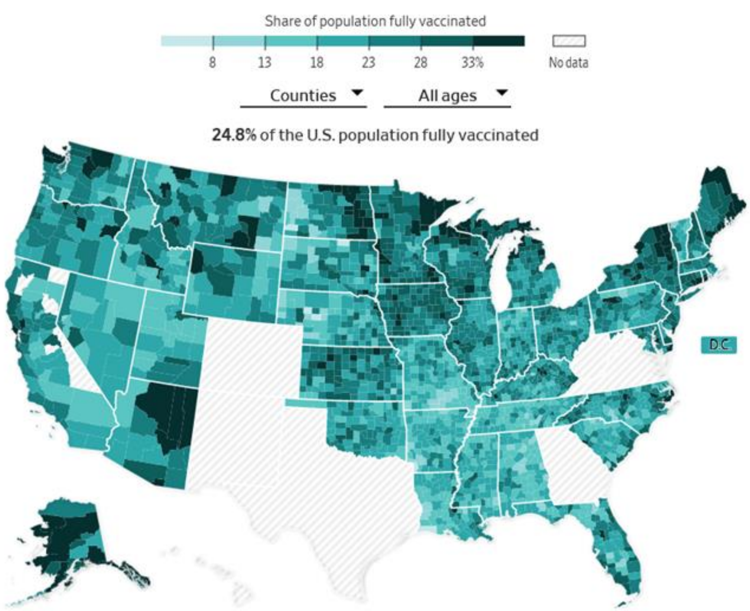
- Wall Street Journal, April 16, 2021

…that didn't exactly make a lot of sense to this market watcher. So, Japanese banks and insurers stopped buying in February and March to lock in their full-year losses (the 10-Year yield was 0.67% on March 31, 2020, and 1.74% on March 31, 2021, while the iShares 7-10 Year Treasury ETF had a total return of minus 6.15% during that span), but now they are buying again? And other investors have stopped selling Treasuries because they are waiting to see if the economy can continue to rebound?

Aside from saying that one never really can find exact rationale for short-term market movements, we might argue that a better explanation for Treasury market strength was concern about the progress on COVID-19 vaccinations,…

THE COVID CAVALRY IS COMING BUT NOT WITHOUT SOME FITS AND STARTS

With the numbers continuing to rise (more than 3 million having lost their lives around the world, with more than 567,000 of those in the U.S.), COVID-19 remains front and center more than 13 months after the WHO declared a pandemic. Headway is being made, however, even as only 2.5% of the world's population had been fully vaccinated as of April 18 and some problems have arisen with two of the vaccines.



HEALTH

U.S. urges pause on use of Johnson & Johnson Covid-19 vaccine after rare blood clotting cases

By Helen Branswell April 13, 2021

Reprints

Federal authorities on Tuesday recommended that states stop using Johnson & Johnson's Covid-19 vaccine while an investigation is conducted into six serious cases of clotting problems that were reported among women who received the vaccine, one of them fatal.

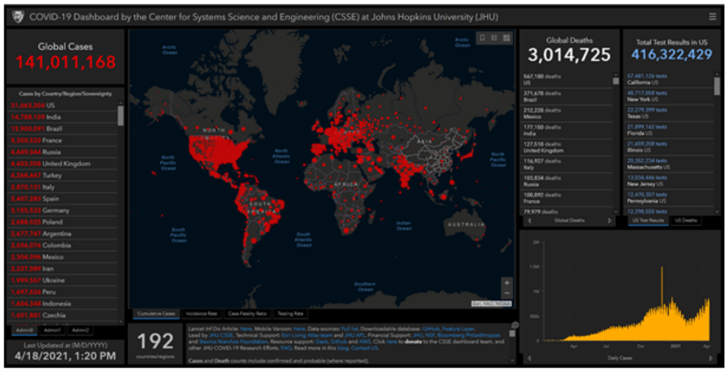
The clotting problem, which appears to be extraordinarily rare, is similar to the one reported after use of AstraZeneca's Covid-19 vaccine, which has not been authorized for use in the United States to date. And it is similar to an event that occurred during Johnson & Johnson's U.S.-based clinical trial, an event that led to a temporary pause in that trial.

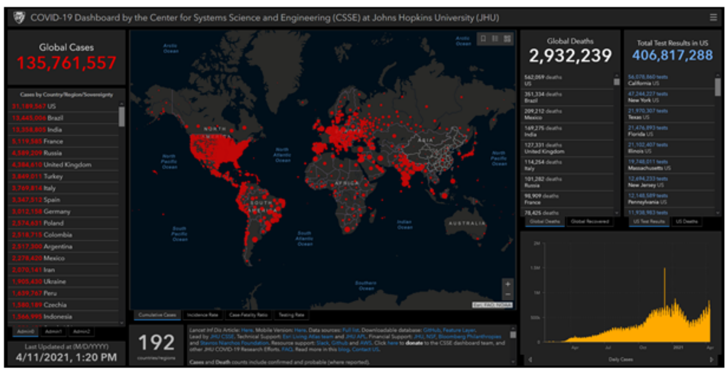
The Centers for Disease Control and Prevention and the Food and Drug Administration jointly announced the recommendation, which falls short of an order not to use the vaccine. The statement said a special meeting of CDC's Advisory Committee on Immunization Practices will be held Wednesday to review the data around the issue.

…and the uptick in cases and fatalities around the world,…

THE PRUDENT SPECULATOR

COVID-19 GLOBAL CASE AND MORTALITY RATES





Given that more than 3.0 million have lost their lives around the world, with 567,000 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 jumped by 5.25 million. The rise in weekly fatalities also climbed by 82,500, versus 82,000 the week prior, while India is experiencing a second wave of cases, officials are worried about another surge in the U.S. and more contagious virus strains are making their way around the world. Vaccinations (the U.S. administered 3.2 million doses a day last week) are rising, though!

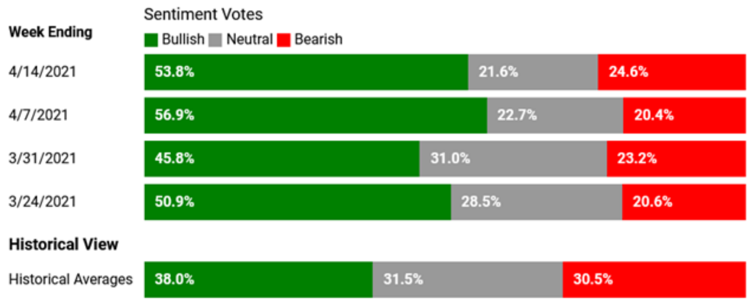
https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

…even as one might have expected stocks to head south, especially given the elevated level of investor optimism.

THE PRUDENT SPECULATOR

AAII SENTIMENT – OPTIMISM PULLS BACK A TAD

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 = 8.00										
BELOW	-54.0	8.0	901	0.27%	0.23%	1.27%	1.14%	3.66%	3.27%	7.09%	6.34%
ABOVE	8.1	62.9	856	0.17%	0.15%	0.47%	0.38%	1.85%	1.60%	4.37%	3.90%
	Ten Groupings of 1756 Data Points										
1	-54.0	-15.0	176	0.57%	0.50%	2.21%	1.97%	5.87%	5.31%	10.78%	9.53%
2	-15.0	-7.3	176	0.35%	0.32%	0.92%	0.80%	3.95%	3.60%	7.20%	6.42%
3	-7.3	-1.4	175	0.31%	0.28%	1.61%	1.52%	3.46%	3.06%	7.34%	6.70%
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	191	0.04%	0.02%	0.65%	0.56%	2.42%	2.17%	4.55%	4.04%
6	8.1	12.1	153	0.09%	0.06%	0.36%	0.23%	1.51%	1.26%	4.72%	4.22%
7	12.2	16.5	176	0.20%	0.18%	0.67%	0.58%	2.45%	2.20%	5.04%	4.61%
8	16.6	22.0	180	0.18%	0.17%	0.72%	0.64%	2.02%	1.75%	5.55%	5.13%
9	22.0	29.2	171	0.06%	0.04%	0.29%	0.20%	1.82%	1.55%	4.02%	3.45%
10	29.2	62.9	176	0.29%	0.27%	0.29%	0.22%	1.41%	1.19%	2.54%	2.11%

From 07.31.87 through 4.15.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed as a contrarian indicator, and the latest AAII Sentiment Survey released on Wednesday evening, April 14, 2021, saw the Bull-Bear Spread come in at 29.2%, down from 36.5% the week prior, which was the widest level in three years.

Clearly, nothing is ever black and white when it comes to investing as it would seem that folks have been buying of late both stocks and bonds,…

THE PRUDENT SPECULATOR

INFLOWS INTO EQUITY FUNDS

Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Millions of dollars

Week Ended	4/7/2021	3/31/2021	3/24/2021	3/17/2021	3/10/2021
Total Equity	12,427	7,947	2,975	53,692	21,546
Domestic	4,826	3,773	-3,533	42,983	16,540
World	7,602	4,175	6,508	10,709	5,005
Hybrid	791	-144	1,194	290	81
Total Bond	21,583	13,039	9,225	15,844	1,192
Taxable	19,062	11,981	7,856	13,370	-523
Municipal	2,521	1,057	1,369	2,474	1,715
Commodities	-466	-804	-266	-631	-1,952
Total	34,335	20,038	13,128	69,195	20,866

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	93,758
May-16	-14,252	16,925	Dec-17	-9,054	19,491	Jul-19	-7,889	44,811	Feb-21	45,170	71,788
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:	-780,141	1,728,311

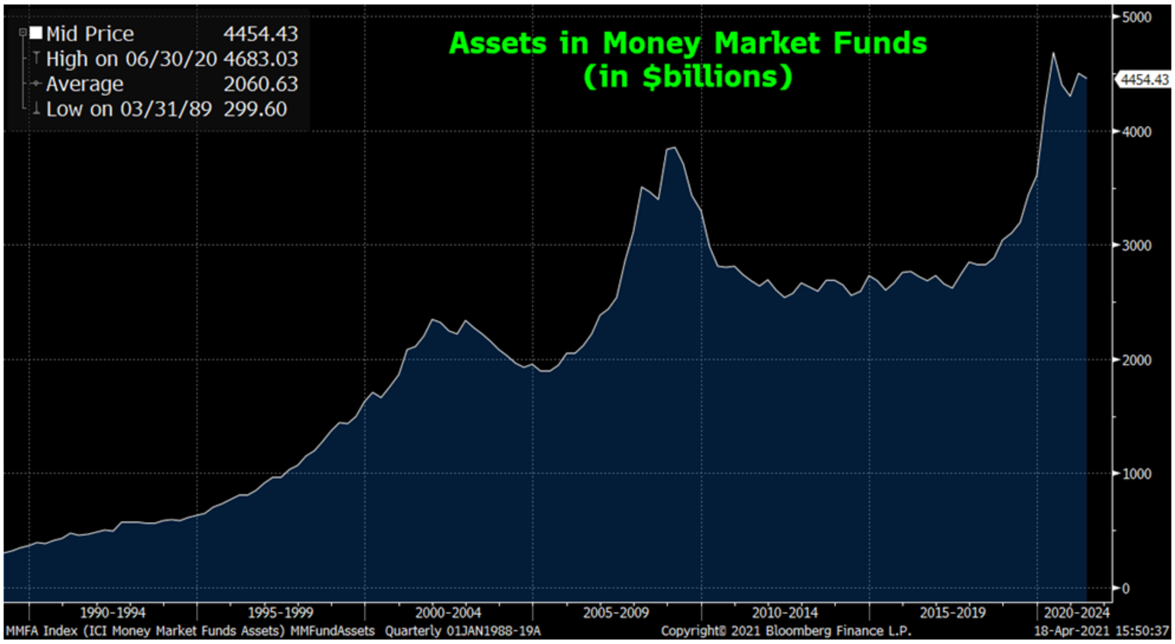
Following a record level of inflows into U.S. equity mutual and exchange traded funds for the week ended 3.17.21, investors have resumed their long-playing love affair with fixed income, as flows in bond funds and ETFs continue to be heavy, even as many of those instruments are in the red this year. With the major equity market averages now at all-time highs, one wonders where stocks would be if fund folks actually liked them!

…while Blackrock CEO Larry Fink said last week, “There’s a lot of money in motion today. But many investors continue to keep significant amounts of cash on the sideline.”

THE PRUDENT SPECULATOR

MONEY MARKET FUND ASSETS OVER TIME

Despite yields near zero, total assets in money market funds have never been greater...which we think bodes very well for stocks, given previous asset spikes in 2000 following the bursting of the Tech Bubble and in 2008 after the brunt of the Global Financial Crisis damage.



We understand that equity prices have come a very long way since the Bear Market lows last year, so we remain braced for the inevitable pullback. However, we see no reason to alter our optimism 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	20.9	15.9	1.3	2.6	2.1
ValuePlus	23.1	16.4	1.7	2.6	1.9
Dividend Income	20.3	15.6	1.1	2.6	2.5
Focused Dividend Income	19.9	15.6	1.3	2.6	2.5
Focused ValuePlus	20.3	16.3	1.7	2.7	2.1
Small-Mid Dividend Value	19.6	15.0	0.8	1.8	2.0
Russell 3000	38.5	25.0	2.9	4.3	1.3
Russell 3000 Growth	51.6	34.0	4.9	12.1	0.7
Russell 3000 Value	30.6	19.7	2.1	2.6	1.9
Russell 1000	34.2	24.4	3.1	4.5	1.3
Russell 1000 Growth	43.5	32.4	5.2	12.7	0.7
Russell 1000 Value	28.1	19.5	2.2	2.7	1.9
S&P 500 Index	32.7	23.7	3.1	4.6	1.4
S&P 500 Growth Index	39.8	30.5	5.8	10.7	0.7
S&P 500 Value Index	27.4	19.1	2.1	2.8	2.1
S&P 500 Pure Value Index	19.4	12.5	0.8	1.3	2.4

As of 04.17.21. 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.

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 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. We also are in the process of posting updated Target Prices to our website for all of our recommended stocks.

News from **Johnson & Johnson** (JNJ – $162.24) that its COVID-19 vaccine may cause blood clots rippled around the world, sent shares (briefly) tumbling and caused consternation among those waiting to be vaccinated. On the heels of a major manufacturing mistake the caused 15 million doses to be dumped a few weeks ago, the report was the last thing JNJ and the U.S. CDC needed to shore up confidence in the vaccination effort. While JNJ shares recovered from the losses early in the week, its jabs remain paused and advisors to the CDC said they did not have enough information on the complications so the vaccination pause remains in place as of this writing.

While we leave the medical impact assessment to the professionals and won't postulate on the outcome of the blood clot review, we do think that the vaccination effort has been hugely beneficial to our Value stocks, especially those in the travel, entertainment and retail businesses. The CDC reported that 66 million Americans have received shots as of Friday afternoon and 5,800 fully vaccinated individuals have become infected with COVID-19. The agency reported that 29% of those were asymptomatic and 7% were hospitalized, while 74 individuals died despite being fully vaccinated. While there was not any information related to the distribution between the three brands of vaccine, the effectiveness of the vaccine is extraordinary (https://www.cdc.gov/coronavirus/2019-ncov/science/science-briefs/fully-vaccinated-people.html). Israel, which has vaccinated more than half of its population and has mostly returned to a pre-pandemic lifestyle, offers hope that a successful vaccination effort in the U.S. will lead to widespread reopening of theme parks and movie theaters, and a resumption of entertainment events and sporting events with fans. We believe that a fast return-to-normal will benefit our brand of Value stocks tremendously, even as we recognize that the majority of our holdings weathered the pandemic remarkably well.

With J&J a diversified healthcare giant, we do not see a major monetary impact either way no matter the ultimate disposition of the company's COVID-19 vaccine. Our Target Price for JNJ, which trades fro a reasonable 17 times forward earnings estimated and yields 2.5%, is $183.

Intel (INTC – $64.75) was dealt another blow this week by graphics chip giant NVIDIA, which announced that it will get into the data center server chip market. Intel would have much to lose in this scenario, considering that enterprise revenue is generally stable and lucrative. Analysts and newspapers seemed to be in one of two camps. The first camp is an out-loud wondering "How high can the NVIDIA share price go?" and the second camp is that NVIDIA bit off more than it can chew.

At this point, NVIDIA says its Grace chips will be available in 2023 and it will only go after a niche segment of the data center market. The Swiss National Computer Center and Los Alamos National Laboratory have inked deals with NVIDIA to use Grace processors in future supercomputers. But the transition will require much of customers, including an ecosystem migration and a long-term commitment to iron out any glitches on many companies' most critical infrastructure. We do not have so little confidence in NVIDIA that we think it's an impossible task; however, the road to the server market is littered with skeletons of failed Intel x86 competitors, including a big push by **Qualcomm** (QCOM – $138.21) to use Arm-based servers.

The global chip shortage is expected to last at least until 2023 and we think that INTC's valuation metrics remain favorable, even if the competition is heating up in some ways. Intel's forward P/E remains under 15 and the free cash flow yield is a healthy 7.7%. Shares yield 2.2% and our Target Price is $72.

Shopping center and mixed-use focused REIT **Kimco Realty** (KIM – $19.72) announced a strategic merger with grocery-anchored Sun Belt shopping center REIT Weingarten Realty (ticker WRI) on April 15, sending shares modestly higher. Under the merger agreement, Weingarten shares would be converted to 1.408 newly issued KIM shares plus $2.89 in cash. The total consideration is roughly $30.32, a modest 11% premium to Wednesday's unimpacted closing price.

"This business combination is highly strategic, creating a stronger platform that is even more capable of delivering long-term growth and value creation," said KIM CEO Conor Flynn. "Not only will the merged company and its shareholders enjoy a larger, higher quality, more diversified portfolio with significant embedded growth opportunities, the transaction also reduces the combined company's leverage, creating a stronger financial profile. This combination reflects our conviction in the grocery-anchored shopping center category, which has performed well throughout the pandemic and provides last mile locations that are more valuable than ever due to their hybrid role as both shopping destinations and omnichannel fulfillment epicenters. It also gives us even greater density in the Sun Belt markets we are targeting as well as visibility into the trends shaping necessity-based retail."

THE PRUDENT SPECULATOR

KIM – WEINGARTEN MERGER RATIONALE

- **Enhanced Asset Diversification and Quality:** Adding Weingarten's collection of 159 high-quality, open-air grocery-anchored shopping centers and mixed-use properties advances Kimco's strategy of providing tenants and shoppers with greater last-mile fulfillment opportunities.

- **Expanded Geographic Reach in High-Growth, First-Ring Suburbs of Core Markets:** The transaction will grow Kimco's presence in strategic Sun Belt.

- **Greater Tenant Diversity:** The combined company's top ten tenants are essential, industry-leading grocers such as Kroger, Whole Foods and Walmart and best-in-class retailers such as TJX, Ross Stores and Burlington.

- **Compelling Value Creation Pipeline:** The combination of Weingarten's largely funded and de-risked development pipeline, together with Kimco's significant redevelopment projects and entitlements embedded in its existing portfolio, present compelling future growth opportunities.

- **Substantial Operational Savings and Corporate Synergies:** The combined company is expected to realize annualized cost synergies of $35 to $38 million on a GAAP basis (excluding accounting adjustments) and $31 to $34 million on a cash basis.

- **Earnings Accretion and NOI Growth Opportunities:** Upon closing, the transaction is expected to be immediately accretive to earnings metrics.

- **Increased Financial Strength and Flexibility:** The business combination will further strengthen Kimco's balance sheet by reducing net debt plus preferred to EBITDA.

Kimco intends to maintain its current dividend policy, which pays out roughly 3.4%, and we think the transaction is a good one, especially considering that KIM did not pay a massive premium on Weingarten's share price. The customary closing and regulatory risks still apply and the deal is expected to complete in the second half of 2021. Our Target Price for KIM has been bumped up to $23.

Shares of Synchrony **Financial** (SYF – $41.39) have gained more than 20% this year, boosted by a solid Q4 (reported in January) and improving consumer spending trends. However, the consumer finance concern was dropped last week as a co-branded credit card partner by clothing retailer Gap, which we think will result in a limited long-term impact since Gap's importance has been declining over the last few years. Despite the two companies' 22-year relationship, company filings indicated that the parties could not agree on terms, which we believe meant that Gap was asking too much of Synchrony. Indeed, SYF said it will recognize a gain from the sale of the credit card portfolio, which represented 5% of the company's receivables, and will redeploy approximately $1 billion of overall capital to fund stock repurchases and to invest in higher-growth programs.

While we can understand that the knee-jerk reaction was to sell SYF on the bad news, we have seen credit card relationships come and go over the years and both parties end up no worse for the wear over the long term. SYF expects newer relationships with Venmo, Verizon (VZ – $58.28) and the like to grow in importance and prominence as a result. In addition to the business upside, we think SYF shares remain inexpensive, with a forward P/E ratio under 9 and a yield around 2%. Our Target Price for SYF is $55.

Shares of **BlackRock** (BLK – $811.45) hit a new all-time high last week after reporting fiscal Q1 2021 results, bringing the ETF and asset management giant's YTD gain to 13%, on top of a 47% rise last year. BLK earned an adjusted $7.77 per share (vs. $7.71 est.) and had revenue of $4.40 billion (vs. $4.31 billion est.). The company had $172 billion of net inflows in the quarter, which translated to 8% organic asset growth and 14% annualized fee growth. BlackRock has had more than half a trillion dollars of inflows in the past twelve months.

CEO Larry Fink commented, "The strong results BlackRock saw this quarter are the outcome of a multiyear investments we've made in our asset management and technology platform to better serve our clients worldwide. More than ever before, we are seeing the benefits of these long-term investments resonating. We have stronger results and deeper relationships with clients across their entire portfolios."

Mr. Fink noted that the firm continues to make investments that are likely to resonate with younger investors, "The work we are doing to expand our sustainable iShares business is a great example of how we continue to innovate ahead of our clients' needs… The global transition to a net zero economy will impact every company's growth prospects, and BlackRock believes that they are adapting and pivoting their strategies and business models ahead of this tectonic shift that will outperform over the long term. Every investor will need to position their portfolios accordingly, and BlackRock is investing to provide clients with more choice as we become a leader in sustainable and climate-aware investing. We launched 2 low-carbon transition readiness ETFs last week, raising a total of nearly $2 billion, representing the largest ETF launch in U.S.

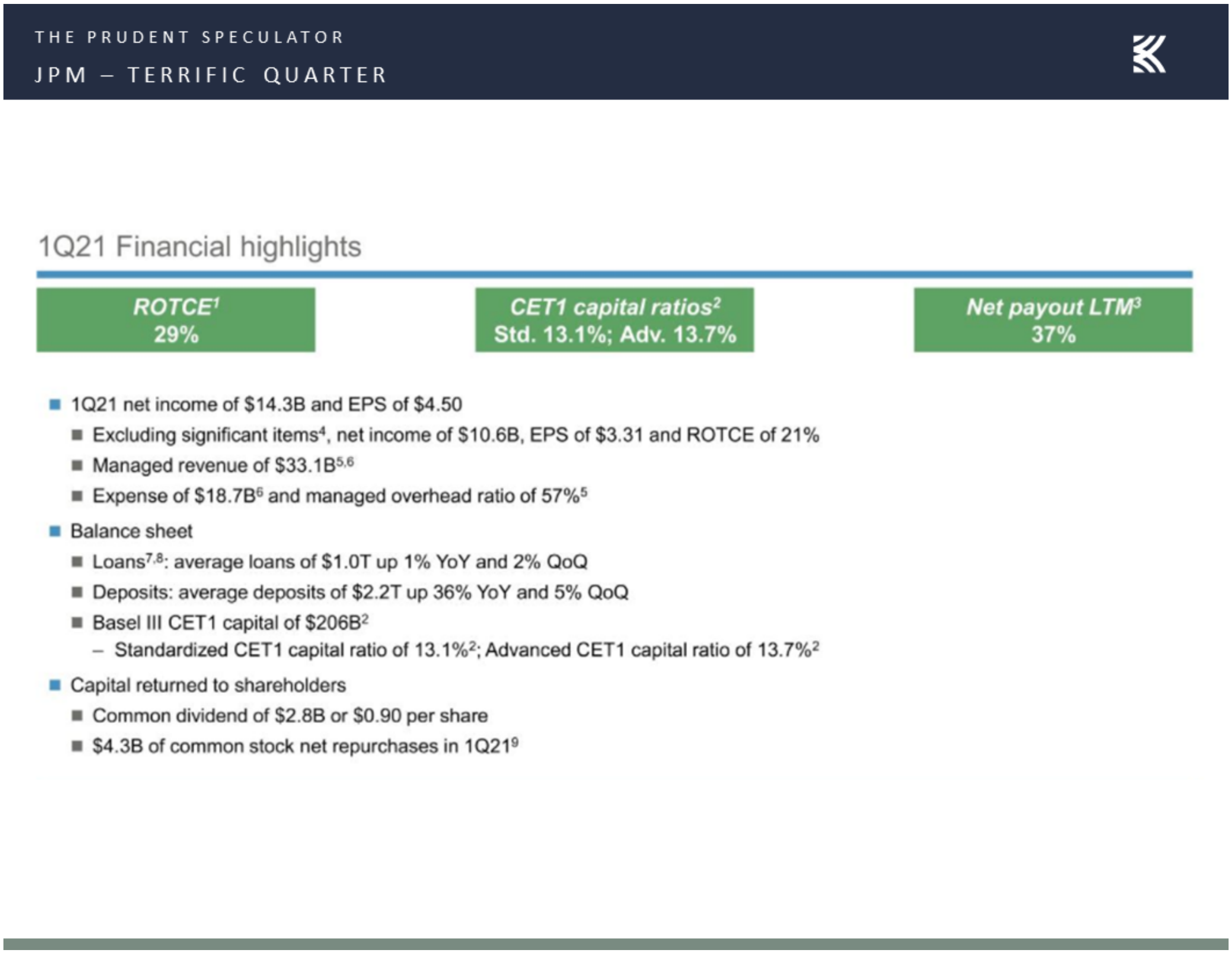
history. Traditionally, climate products have been backward-looking, really focused on reported greenhouse gas emissions. Using advanced data and analytics and research driven by insights, BlackRock developed a forward-looking active climate investment strategy in a transparent active ETF vehicle. These active ETFs are the first of their kind and a great example of how BlackRock is innovating to expand access to sustainable strategies for more investors worldwide. In total, BlackRock manages $353 billion in sustainable investments, including cash, and we believe this category will grow to more than $1 trillion by 2030. Sustainable investing presents opportunities for BlackRock, not only in terms of AUM growth, but in the demand for industry-leading technology and data. As sustainability becomes a critical building block in portfolios, investors need a clear understanding of how sustainable-related risk and opportunities impact their portfolio."

We again hiked our Target Price for BLK, as we think the company will continue to see inflows. Analysts continue to look for solid earnings growth over the next few years, with EPS expected to rise from $33.82 in 2020 to more than $46 in 2023. The quarterly dividend was hiked from $3.63 to $4.13 per share, resulting in a yield today of 2.0%. We have raised our Target Price for BLK to $873.

The banks in the KBW index that reported Q1 earnings last week topped analyst estimates by an average of 34%. Alas, the average return for the respective shares last week was roughly flat, even as the average total return year-to-date remains a robust 23%. Shares of money-center banks **JPMorgan** (JPM – $153.30) and **Bank of America** (BAC – $39.15) dipped nearly 3% and 5% the morning of their respective releases despite earning significantly more in the quarter than analysts had anticipated. Regional banks **PNC Financia**l (PNC – $178.86) and **Truist Financial** (TFC – $57.84) weren't immune from ailments experienced by their larger peers, like loan balance declines and compressed net interest margin, although they also were able to release a lot of the reserves that were previously budgeted for future credit losses as their economic outlooks improved. Overall, we continue to appreciate that most of the banks in our portfolios operate with substantial capital levels with diversified revenue streams.

Another massive quarter in JPMorgan's trading and investment banking divisions and a $5.2 billion credit reserve release contributed to $4.50 of earnings per share (vs. the $3.01 analyst estimate). Deposits continued to climb in the period, up more than 30% over the last 12 months to nearly $2.3 trillion by quarter-end. Loan demand remains tepid, however, as corporate clients continue to opt for capital markets access for liquidity over drawing from bank loans. The loan book is conservatively positioned, with one of the highest CET1 ratios of its peer group and existing loans that remain well-reserved for credit losses. JPM continues to operate at a very high level, producing 29% returns on average common equity and an efficiency ratio below 60%, while growing tangible book value per share by 10% year-over-year.

CEO Jamie Dimon had some very positive comments about the U.S. economy, "With all of the stimulus spending, potential infrastructure spending, continued Quantitative Easing, strong consumer and business balance sheets and euphoria around the potential end of the pandemic, we believe that the economy has the potential to have extremely robust, multi-year growth. This growth can benefit all Americans, particularly those who suffered the most during this pandemic. If all of the government programs are spent wisely and efficiently, focusing on actual outcomes, the benefits will be more widely shared, economic growth will be more sustainable and future problems, like inflation and too much debt, will be reduced."



With the pandemic hopefully headed for the rear-view mirror, America's largest bank is set up nicely to benefit from robust economic growth expected over the next few years. JPM is a systemically important bank that is still growing its branch network and the company expects to have a presence in all lower 48 states by July. Shares trade at an attractive 12 times the consensus 2021 earnings estimate with a dividend yield of 2.4%. Our Target Price for JPM has been hiked to $176.

Bank of America had EPS of $0.86 in Q1 (vs. the $0.65 est.) and a 17.1% return on average common equity. A $2.7 billion release in loan reserves padded the bottom line to the tune of $1.6 billion as loan balances continue to decline, particularly within U.S. commercial, which represents nearly a third of the $887 billion total. Nonperforming loans ticked higher to 58 basis points of total loans (additions on the consumer loan book outweighed reductions on the commercial side) as several loans left deferral status, although net charge-offs continue to decline as they have in each of the last three quarters, remaining below pre-pandemic levels. The allowance for loan losses now stands at 1.8% of the total, a decrease compared to Q4. B of A added nearly 1 million active digital customers in the period, pushing the count past 40 million active users.

CFO Paul Donofrio commented, “Because of the responsible way we have operated the company over many years, coupled with government stimulus and strong customer liquidity, we were able to report improved asset quality metrics and lower credit costs. We saw strong growth in our capital markets and wealth management businesses, which allowed us to absorb additional expenses and still report $8.1 billion in earnings. We believe our strong balance sheet, the diversity of our business lines, and the careful way we have managed risk for many years should enable us to continue to return to our shareholders the excess capital that is not needed to support economic growth, deliver for customers and communities, invest in our future and sustain strength and stability through future economic cycles.”

We expect BAC to release more reserves as the economy strengthens further into 2021, even as management has guided toward higher expenses in the near-term. In addition, the Board announced a $25 billion share repurchase program that ought to come into play subsequent to the Federal Reserve’s next capital review in June. BAC remains a favored holding in many of our diversified portfolios as we continue to appreciate the bank’s propensity to stretch its technological capability. Shares trade at a very reasonable forward P/E multiple of 13 and offer a dividend yield of 1.8%. Our Target Price for BAC has been bumped up to $45.

PNC shares dipped Thursday before recovering to end the week even as the bank massively beat analyst earnings estimates ($4.10 vs. $2.71). The figure was helped by the release of $551 million of credit loss reserves as net interest income and average loans declined by 3%. Current credit loss reserves amount to 2.2% of current loans. Fee income grew by 5% versus Q4 and represented 44% of revenue in the period.

CEO Bill Demchak states, “We had a solid start to the year as we grew revenue and controlled our expenses to generate positive operating leverage in the linked quarter comparison. Our first quarter results also benefited from our provision recapture, driven largely by an improving economic outlook. Despite this recapture, our reserves remain at over 2% of loans as we continue to work through the COVID fallout and work to understand potential secular changes on certain asset classes. Our capital and liquidity levels also remain at record highs. With a rise in term yields, we’ve been deploying some of this excess liquidity and increased our investment securities by $9 billion at period end. You’ll notice they didn’t change much on an average basis as we bought later in the quarter.”

Mr. Demchak also echoed many of his peers in saying, “While not a surprise, the quarter was impacted by continued weak loan demand in the face of strong bond market issuance levels, paydowns and competition resulting in historically low utilization levels. Based on the strength of the U.S. economy, we would expect to see loan demand improve and ultimately drive utilization rates higher over time.”

Management reiterated that the bank’s purchase of BBVA’s U.S. assets is set to close mid-year. Mr. Demchak concluded, “We continue to execute well against our strategic priorities, including our national expansion, which will significantly accelerate through our pending acquisition of BBVA USA. We’re making good progress on BBVA integration planning and are on track for a midyear close pending regulatory approval. We haven’t found any significant surprises regarding the quality or nature of BBVA’s business, and our employees are working effectively with their BBVA counterparts on everything, including the technology conversion. But the quality of BBVA markets, especially in their largest market in Texas — and the quality of their largest markets, especially in Texas, is proving to be everything we hoped it would be. As we plan for the integration of BBVA U.S.A., we continue to invest in and leverage our own technology so that we can better serve our customers…We continue to execute well against our strategic priorities, including our national expansion, which will significantly accelerate through our pending acquisition of BBVA USA. We’re making good progress on BBVA integration planning and are on track for a midyear close pending regulatory approval. We haven’t found any significant surprises regarding the quality or nature of BBVA’s business, and our employees are working effectively with their BBVA counterparts on everything, including the technology conversion.”

As we wrote last month, a convergence of factors (steepening yield curve, very low-cost funding, strong capital bases, etc.) have led us to raise Target Prices for our bank holdings in general. With nearly 60% of income from rate spreads and an above average CET1 of 12% we expect these factors to immensely benefit PNC, which has grown its tangible book value per share by 11% per annum over the past decade. In addition, the purchase of BBVA's U.S. assets will propel it into the top-five largest U.S. banks in terms of assets, deposits and branches. The dividend yield for PNC is a healthy 2.6% and our Target Price has been boosted to $197.

Truist earned $1.18 per share (vs. $1.09 expected by analysts) in Q1 even as both fee and interest income were slightly down versus the prior quarter, offset by lower deposit costs (average deposit cost was 5 bps) and a mild loss reserve release of $190 million. However, insurance, investment banking and trading produced record revenue, while the bank's loan loss provision continued to decline to $48 million. Current loan loss allowances now equate to 1.94% of total loans and net charge-offs were 33 bps. TFC produced a 16.4% return on tangible equity in the period and operated at an efficiency ratio of 56.9%, while Tier 1 common equity remained 10% of risk-based assets.

The Charlotte-headquartered bank continues to chip away at integrating SunTrust and BBT. CEO Kelly King commented, "I just want to point out to you that the risk of executing our merger has already been reduced substantially and is going down daily as we do conversions and we're getting a lot of the actual merger work done. A huge amount of work has already been done on the core bank conversion. I just want to emphasize the point that for those who think that the risk is going to remain high and won't subside until we do the final branch conversion, that is not a good way to look at it. The risk is being mitigated daily as we do these various conversions and make progress in terms of preparing for the final conversion. We did close 226 branches in the first quarter, which is part of our strategy. We have been very, very happy with our teammate reaction to that. They're very, very engaged. Recall that we promised all of our client-facing performing teammates that they would not lose their jobs, and so it's going very, very well. And our clients are very supportive, because remember, most of these branches are very, very close to each other, and so it's no inconvenience to our clients."

We like the conservative lending culture that BB&T brings to the marriage, and appreciate the competitive brands that both BB&T and SunTrust have in the southeastern U.S. We'll be watching for cost savings from the merger to start bearing fruit throughout the year. TFC offers an attractive dividend yield of 3.1% and trades at a forward P/E multiple of 13. We've adjusted our Target Price upward to $73.

Bank of New York Mellon (BK – $46.07) shares dipped 4% Friday as the firm released its Q1 financial results. The custody bank earned $0.97 per share, versus the $0.88 estimate, good enough for a 16% return on tangible equity even as paltry short-term interest rates continue to weigh on results. Fee revenue did grew 5% versus Q4, although money market fee waivers detracted, while net interest income declined for another quarter. Management repurchased 16.8 million shares (nearly 1.9% of shares outstanding) in the quarter for an average price of $41.61 per share. Assets under custody and administration grew 18% to $41.7 trillion, primarily reflecting higher market values and net new business. BNY is looking to take advantage of growing client demand for digital assets, having announced the establishment of a new unit which is building a multi-asset platform to enable the custody of cryptocurrencies and other digital assets.

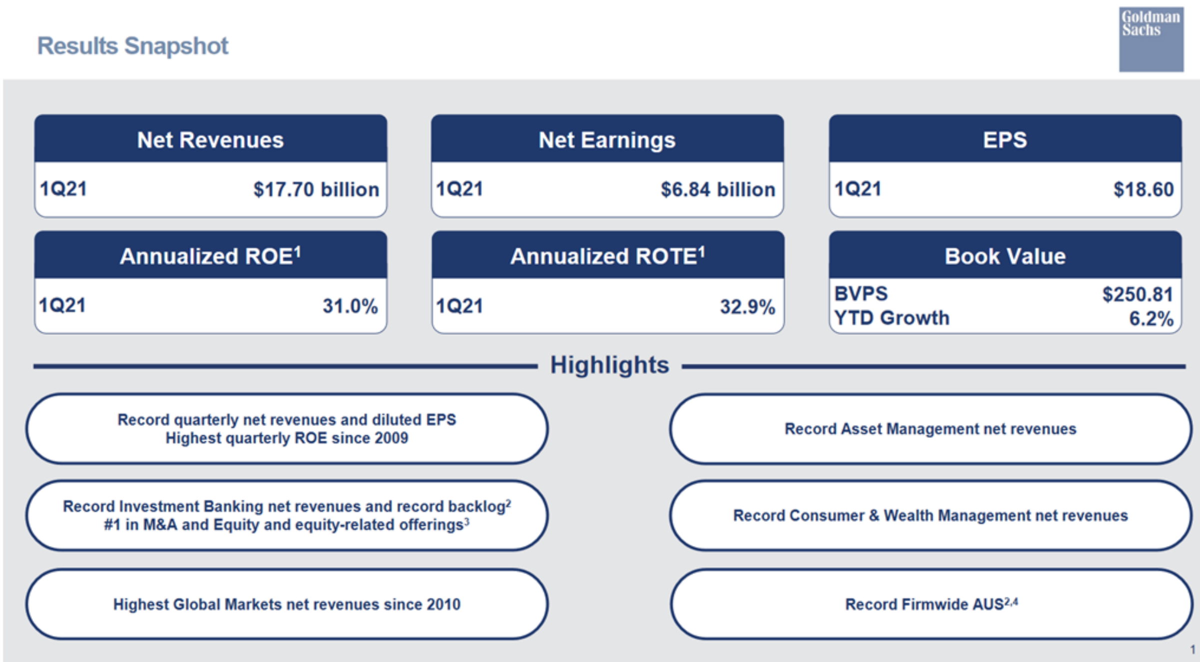
CEO Thomas Gibbons said, "As I reflect on the past year, the word that keeps coming to mind for me is resilience, the resilience of our business model, our global financial infrastructure and, of course, our clients and our employees. Indeed, we saw the resilience of the financial system itself due to the lessons learned from the previous financial crisis and to the quick and decisive action from the government and regulators. And now we're moving from a period of resilience to a period that we are all optimistic will be one of recovery and growth. While we all remain clear-eyed about the challenges that still exist, I'm one of many business leaders who have seen many reasons to be positive in the period ahead when move past the COVID cloud. The optimism stems from the confluence of several factors, including the deployment of the vaccine, potential strength from consumers."

He concluded, "The year started with continued extraordinary efforts by the U.S. government and Federal Reserve to address the economic fallout of the pandemic through fiscal and monetary stimulus. Much uncertainty remains, but equity markets have been generally optimistic, although somewhat volatile, and longer-term treasury yields have steepened, with the amount of liquidity in the system and in closing, the money market funds have driven short-term rates lower, in some cases, even negative. So there are many positive factors that support our business model, but short-term rates continue to be a challenge."

Admittedly, BK's outsized exposure to short-term rates presents unique challenges even if they are largely outside of its control. Nonetheless, we are hard pressed to think that short-term benchmark rates aren't higher from current levels a year from now even as negative yields persist across the pond. We continue to evaluate our relatively small exposure to the stock, although we do think the bank maintains strong market positions in several segments (particularly in its Pershing business and certain other asset services offerings). Shares now trade at parity to book value with a yield of 2.7%. Our Target Price for BK now stands at $60.

Shares of **Goldman Sachs Group** (GS – $342.31) rose more than 3% last week after the global investment firm turned in another blowout quarter. GS reported a top-line of $17.7 billion, which was more than 41% higher than expectations, and adjusted EPS of $18.60, more than 84% better than the consensus analyst estimate of $10.07. Goldman posted record net revenue and EPS in Q1, highlighted by robust capital markets activity and profitability in the Investment Banking and Global Markets segments, and record quarterly net revenue in the Asset Management business.

GS CEO Dave Solomon stated, "We have been working hard alongside our clients in preparation for a world beyond the pandemic and a more stable economic environment. Our businesses remain very well positioned to help our clients reposition for the recovery, and that strength is reflected in the record revenues and earnings achieved this quarter. I am proud of our people for the performance they've delivered for clients over the past year under challenging conditions, and pleased that our client centric strategy continues to drive additional value for our shareholders."



Strong activity levels, a healthy balance sheet and sound strategic repositioning have us thinking that GS shares remain quite attractive for the long-term, especially given the fantastic results the company has been able to produce the last year, including $30.68 of adjusted EPS in the last two quarters. We would not be surprised to continue to see strong earnings versus competitors because of the company's lower interest-rate exposure. The build out of its traditional banking and investment-management businesses should serve shareholders well in the long run, as almost two-thirds of Goldman's revenue still comes from its investment banking and global markets trading business segments. The ultimate goal of Goldman's evolution is to change the trading and deal-making titan into a more well-rounded financial firm with more stable consumer and commercial businesses, which we believe continues to progress. That said, we realize that it may take some time for the efforts to begin to be truly rewarded by investors. Our Target Price for GS has been raised to $398.

Shares of **Citigroup** (C – $72.45) were relatively flat last week as the global banking concern released Q1 financial results. Adjusted EPS for Q1 came in at $3.62, versus the consensus analyst estimate of $2.48. The quarter was definitely aided by the release of almost $4 billion in credit loss reserves the bank had taken earlier in the pandemic, as well as another stellar period for investment banking and trading. Global consumer banking and consumer cards are still not back to where they were a year ago.

New Citigroup CEO Jane Fraser said, “It’s been a better than expected start to the year, and we are optimistic about the macro environment. We are committed to serving our clients through the recovery and positioning the bank for a period of sustained growth. Our capital levels remained strong and stable, allowing us to respond to the needs of our clients and return capital to our shareholders. At 11.7%, our Common Equity Tier One Ratio was unchanged from the fourth quarter and we resumed the repurchase of common stock, which we had voluntarily paused at the onset of the pandemic.”

The bank also announced strategic actions in Global Consumer Banking – as part of an ongoing strategic review – with Citi focusing on directing investments and resources to the businesses where it has the greatest scale and growth potential. Ms. Fraser explained, “As a result of the ongoing refresh of our strategy, we have decided that we are going to double down on wealth. We will operate our consumer banking franchise in Asia and EMEA solely from four wealth centers, Singapore, Hong Kong, UAE and London. This positions us to capture the strong growth and attractive returns the wealth management business offers through these important hubs.”

While Citi must continue to get its house in order, we are constructive on the fact the company is trying to be more effective and efficient in fewer markets, versus being mediocre in many. Stimulus and potential infrastructure spending under the current administration could be a boon to lenders like Citi this year. A longer-term return to improving operational execution and business lines in faster growth markets around the globe (vs. its U.S. business) will be quite beneficial for shareholders. We still like that C has good leverage towards the U.S. economy, while also having the potential to show outsized benefits versus its peers from growth abroad. Our Target Price for C now stands at $103 and the yield is 2.8%.

Despite turning in an a sensational Q1, shares of **Morgan Stanley** (MS – $78.59) fell more than 2.5% last week as the company announced during its earnings release that it had suffered a $911 million loss as part of the Archegos family office debacle. The announcement of the loss weighed on the stock more heavily than the enthusiasm stoked from the strong Q1 results as investors wondered if the company might need to spend to further revamp overall risk management. For the quarter, MS managed to deliver adjusted EPS of $2.22, more than 31% greater than forecasts looking for $1.68. MS continued to show strength in Wealth Management and Investment Management, and Q1 also saw strong results in Investment Banking and Trading.

Chairman and CEO James Gorman commented, “The firm delivered record results. The integrated Investment Bank continues to thrive. We closed the acquisition of Eaton Vance which takes Investment Management to over $1.4 trillion of assets. Wealth Management brought in record flows of $105 billion. The Firm is very well positioned for growth in the years ahead.”

Concerning Archegos, more than two-thirds of Morgan Stanley’s losses resulted from collateral the bank sold at lower values after Archegos was unable to repay its margin loans. The remainder of the Archegos losses came when the bank closed out smaller positions that weren’t subject to margin calls. While those positions weren’t especially problematic for the bank, Mr. Gorman said the company chose not to take the risk that they could later sour and lead to bigger losses. “I regard that decision as necessary and money well spent,” he outlined. “We didn’t want this thing to be lingering.”

We like the diversifying acquisition of Eaton Vance and we also believe the recently closed purchase of E-Trade gives MS greater scale in tech, a deeper product and service base, and self-directed investors to complement advisor-assisted wealth-management clients. In the near-term, we believe MS will benefit from continued strong capital market activities and we see the opportunity to take larger wallet share in wealth management. While financial stocks have done well recently, they continue to face headwinds in the low-interest-rate environment. Still, we are constructive on MS’s lower exposure to consumer and commercial loans, the healthy balance sheet and the relatively inexpensive valuation. Our Target Price has been lifted to $94.