Market Commentary Monday, May 3, 2021

May 3, 2021

EXECUTIVE SUMMARY

May Newsletter – *TPS 655* Coming Tuesday Evening
Value Investing 101A & 101B – Buckingham MoneyShow Presentation
Week in Review – Minimal Volatility, Value Beats Growth
Interest Rates – Rising Rates OK for Stocks
Sentiment – Not Everyone is Bullish
Perspective – 36 Pullbacks of 5% Since March 2009
Inflation – Rising Rates OK for Stocks
Earnings – Q1 Numbers Continue to Impress
Econ Update – Solid Statistics; Fed Remains on Hold
Income – Equities Compare Favorably to Fixed Income
Stock News – Updates on AAPL, MSFT, GOOG, QCOM, GLW, CMCSA, AMGN, ADM, MMM, COF, MRK, NSC & NYCB

Market Review

Work is underway on the May edition of *The Prudent Speculator*. We expect to email out *TPS 655* Tuesday evening, May 4. An updated listing of Target Prices for all of our recommendations is in the process of being posted to theprudentspeculator.com.

Note, also, that your Editor will be presenting at the upcoming *MoneyShow Virtual Expo* on Tuesday, May 11, 2021 – 2:00 pm to 4:00 pm EDT.

The *MoneyShow* folks charge for this event, a two-hour presentation titled *Value Investing 101A & 101B*, but we think it will be well worth the price of admission.

Click here for more information: https://online.moneyshow.com/2021/may/virtual-expo/speakers/1149spk/john-buckingham/?scode=052902

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For the second straight week, the equity markets provided an example that volatility is always dependent on the length of the measuring stick. While it was a lousy Friday, the S&P 500 and Russell 3000 indexes ended the full five days of trading near where they started, with a tiny gain for the former of 0.04% and a small loss for the latter of 0.07%. Happily, Value stocks outperformed Growth for the week by a comfortable margin,…

THE PRUDENT SPECULATOR

ANOTHER LOW VOL FIVE DAY PERIOD – VALUE TRUMPS GROWTH

With Value performing quite a bit better than Growth, the broad-based market averages ended close to breakeven last week, despite robust corporate profits and strong economic data.

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
-0.36	-3.25	-0.17	1.81	3.95	8.79	10.77	11.81	13.93	Bloomberg Barclays Global-Aggregate Bond
-0.18	-2.61	-1.52	-2.00	-0.27	3.63	10.55	16.39	16.98	Bloomberg Barclays US Aggregate Bond
-0.50	11.30	29.07	33.84	42.12	86.33	33.36	50.20	114.44	Dow Jones Industrial Average
0.10	12.44	31.91	38.39	46.02	89.76	30.69	40.24	77.21	New York Stock Exchange Composite
-0.55	7.76	25.08	30.55	52.41	100.71	66.85	94.57	176.93	Russell 3000 Growth
0.40	**16.21**	**37.64**	**45.83**	**47.78**	92.39	**30.21**	**41.38**	**78.20**	**Russell 3000 Value**
-0.07	11.83	31.08	37.79	50.92	97.75	49.35	68.29	125.60	Russell 3000
0.19	16.77	39.17	49.77	57.05	110.44	43.04	58.23	105.81	S&P 500 Equal Weighted
0.04	11.84	28.85	34.31	45.98	90.33	47.24	67.11	123.20	S&P 500
-0.42	9.14	24.62	29.92	48.86	95.02	59.80	86.87	162.12	S&P 500 Growth
0.53	**14.90**	**34.24**	**39.86**	**40.90**	82.54	**31.52**	**44.35**	**81.56**	**S&P 500 Value**
-2.07	6.11	24.48	30.69	48.90	102.06	47.86	62.98	129.41	S&P 500 Pure Growth
1.46	**25.92**	**55.84**	**73.21**	**72.32**	132.68	**22.63**	**25.94**	**67.99**	**S&P 500 Pure Value**

As of 04.30.21. Source Kovitz using data from Bloomberg

…as interest rates moved higher.

THE PRUDENT SPECULATOR

WASHINGTON AND THE FED – HIGHER BOND YIELDS, FOR A WEEK ANYWAY

With President Biden's address to Congress and a Federal Open Market Committee meeting to digest, bond investors decided to sell 10-Year U.S. Treasuries last week, driving the yield up to 1.63%, from 1.56%.

True, one week does not a trend make, but history suggests that Value stocks are a good place to be when interest rates are rising, numbers that are often ignored by market pundits and those in the financial press.

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

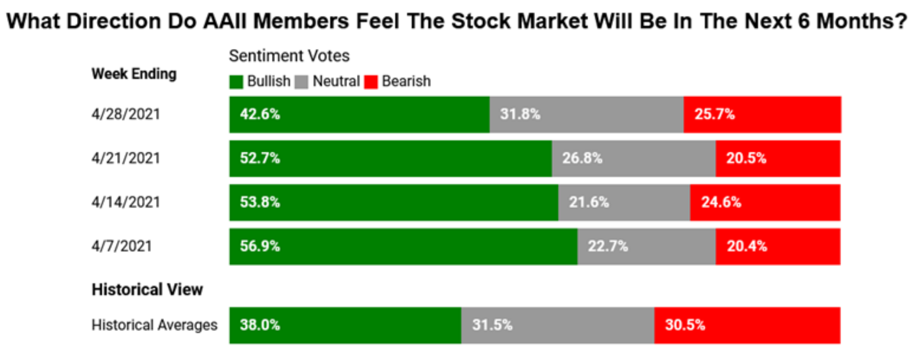
Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.7%	12.7%	14.3%	11.5%	12.3%	13.4%	8.5%	2.9%
Geometric Average	12.9%	10.5%	12.6%	7.6%	12.0%	13.1%	8.4%	2.9%
Median	16.4%	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.

For example, a column in the Sunday edition of *The New York Times* a week ago suggested that there are “harbingers of trouble” brewing for equities, including rising bond yields, “signs of incipient inflation,” and “reports that higher capital gains may be coming for the truly rich.” Sounds ominous, especially given the sensationalistic title of the piece, “Now that Everyone is Bullish, Exercise Caution.”

THE PRUDENT SPECULATOR

AAII SENTIMENT – PESSIMISM AT AN 11-WEEK HIGH



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%	3.68%	3.29%	7.17%	6.42%
ABOVE	8.1	62.9	858	0.17%	0.15%	0.48%	0.39%	1.85%	1.59%	4.36%	3.89%
	Ten Groupings of 1757 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	176	0.31%	0.27%	1.57%	1.47%	3.42%	3.02%	7.32%	6.68%
4	-1.4	3.0	182	0.10%	0.06%	1.05%	0.96%	2.85%	2.49%	6.27%	5.74%
5	3.0	8.0	191	0.04%	0.02%	0.65%	0.56%	2.46%	2.21%	4.55%	4.04%
6	8.1	12.2	154	0.08%	0.06%	0.35%	0.22%	1.54%	1.29%	4.79%	4.29%
7	12.2	16.6	176	0.21%	0.19%	0.70%	0.60%	2.44%	2.19%	5.04%	4.60%
8	16.6	22.0	180	0.18%	0.16%	0.70%	0.63%	1.99%	1.72%	5.47%	5.05%
9	22.0	29.2	172	0.05%	0.04%	0.32%	0.24%	1.81%	1.54%	4.00%	3.43%
10	29.2	62.9	176	0.30%	0.28%	0.33%	0.26%	1.41%	1.19%	2.54%	2.11%

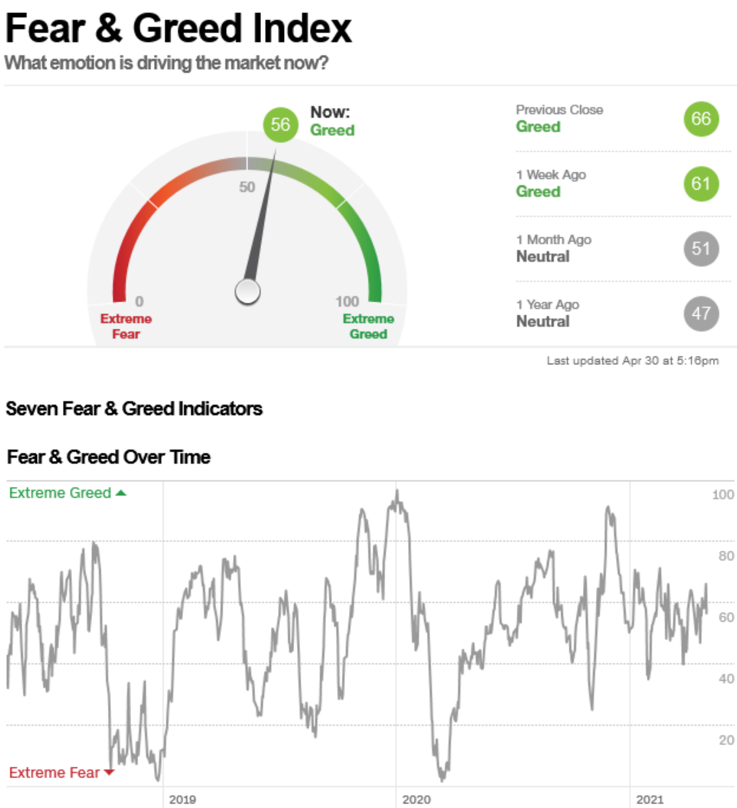
From 07.31.87 through 4.29.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed as a contrarian indicator, and the latest AAII Sentiment Survey released on Wednesday evening, April 28, 2021, saw the number of Bears rise to an 11-week high, even as the Bull-Bear Spread of 16.9% remained well above average.

Obviously, everyone is not Bullish, with pessimism on Main Street at an 11-week high, and a real-time gauge of sentiment suggesting folks are not too far from neutral in their attitude toward stocks,…

THE PRUDENT SPECULATOR

FEAR & GREED INDEX…NEAR NEUTRAL DESPITE S&P 500 NEAR RECORD HIGH



No doubt, there is plenty of frothiness in richly valued (or impossible to value) areas of the equity market, but the *CNNMoney* Fear & Greed Index is now only modestly above Neutral, with overall market enthusiasm per this gauge of seven indicators tempered by a Fear reading for Put and Call Options, Stock Price Breadth and Safe Haven Demand.

…and money continuing to flow into fixed income mutual and exchange traded funds at a hefty clip.

THE PRUDENT SPECULATOR

INFLOWS CONTINUE INTO BOND FUNDS

Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Millions of dollars

Week Ended	4/21/2021	4/14/2021	4/7/2021	3/31/2021	3/24/2021
Total Equity	8,421	11,374	12,437	7,947	2,975
Domestic	422	4,833	4,830	3,773	-3,533
World	7,999	6,541	7,606	4,175	6,508
Hybrid	823	1,155	791	-144	1,194
Total Bond	17,394	18,005	21,634	13,038	9,226
Taxable	14,427	15,211	19,113	11,981	7,857
Municipal	2,967	2,794	2,521	1,057	1,369
Commodities	-161	-498	-466	-804	-266
Total	26,477	30,036	34,395	20,037	13,129

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

While there have been modest net inflows into U.S. equity funds in recent weeks, the long-playing investor love affair with fixed income remains intact, per data on flows for stock and bond mutual and exchange traded funds as calculated by the Investment Company Institute. With the major equity market averages now near all-time highs, one wonders where stocks would be if fund folks actually liked them!

We like to challenge assertions that are made in the popular press, especially as so many pundits and journalists seemingly fail to do their homework on their “harbingers of trouble” and what actually has occurred with stocks previously. Certainly, anything can happen in the equity markets and downturns are always part of the investment landscape,…

THE PRUDENT SPECULATOR

PERSPECTIVE: 5% UPS AND DOWNS SINCE FINANCIAL CRISIS

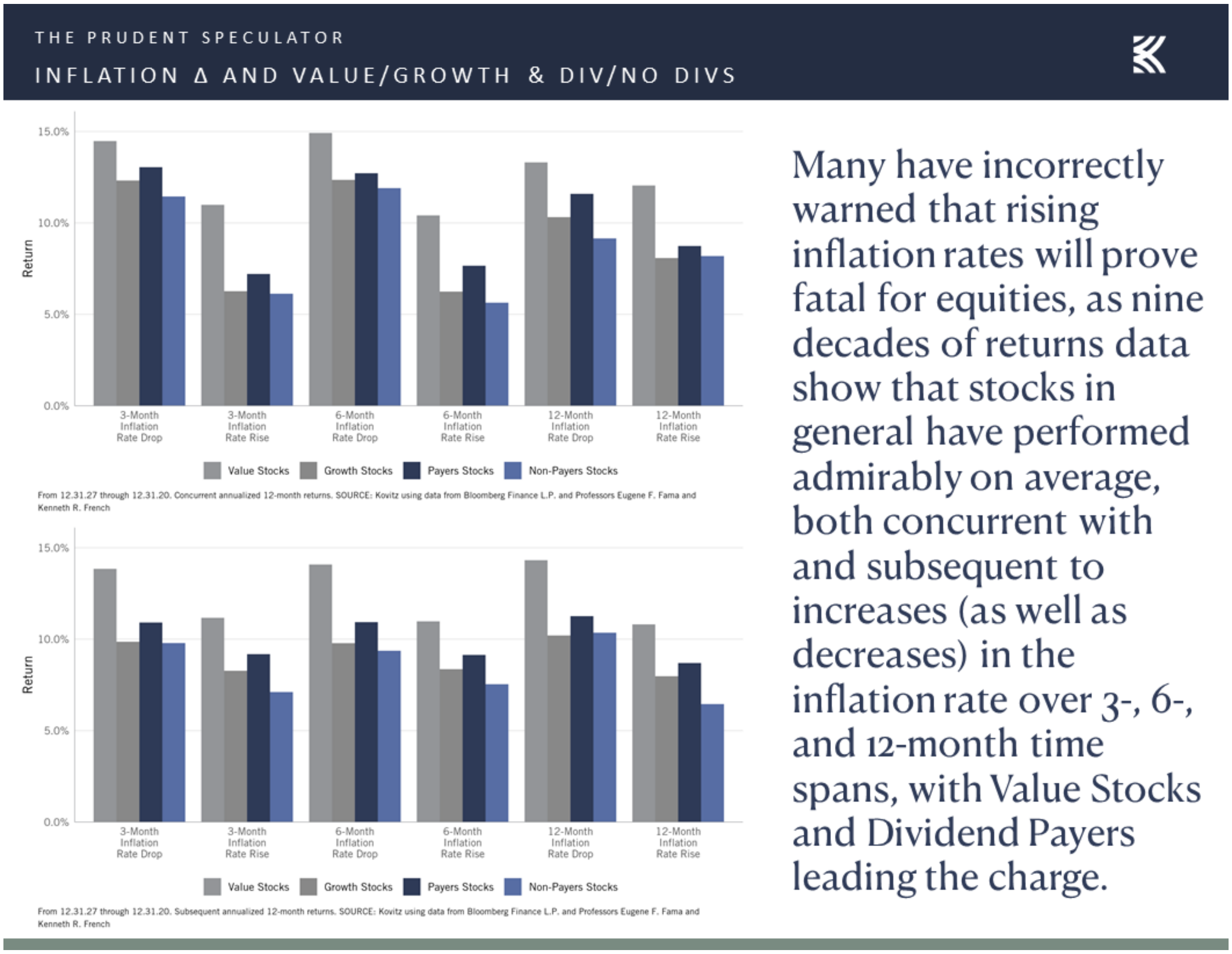
S&P 500 Moves (on a Closing Basis) of 5% Without a Comparable Move in the Other Direction Since 03.09.09

				3/9/2009	3/26/2009	23.11%	BULL
3/26/2009	3/30/2009	-5.44%	BEAR	3/30/2009	6/12/2009	20.15%	BULL
6/12/2009	7/10/2009	-7.09%	BEAR	7/10/2009	10/19/2009	24.89%	BULL
10/19/2009	10/30/2009	-5.62%	BEAR	10/30/2009	1/19/2010	11.01%	BULL
1/19/2010	2/8/2010	-8.13%	BEAR	2/8/2010	4/23/2010	15.19%	BULL
4/23/2010	5/7/2010	-8.74%	BEAR	5/7/2010	5/12/2010	5.47%	BULL
5/12/2010	6/7/2010	-10.34%	BEAR	6/7/2010	6/18/2010	6.38%	BULL
6/18/2010	7/2/2010	-8.49%	BEAR	7/2/2010	8/9/2010	10.29%	BULL
8/9/2010	8/26/2010	-7.14%	BEAR	8/26/2010	2/18/2011	28.25%	BULL
2/18/2011	3/16/2011	-6.41%	BEAR	3/16/2011	4/29/2011	8.49%	BULL
4/29/2011	6/15/2011	-7.20%	BEAR	6/15/2011	7/7/2011	6.94%	BULL
7/7/2011	8/8/2011	-17.27%	BEAR	8/8/2011	8/15/2011	7.60%	BULL
8/15/2011	8/19/2011	-6.72%	BEAR	8/19/2011	8/31/2011	8.49%	BULL
8/31/2011	9/9/2011	-5.30%	BEAR	9/9/2011	9/16/2011	5.35%	BULL
9/16/2011	10/3/2011	-9.60%	BEAR	10/3/2011	10/28/2011	16.91%	BULL
10/28/2011	11/25/2011	-9.84%	BEAR	11/25/2011	4/2/2012	22.47%	BULL
4/2/2012	6/1/2012	-9.94%	BEAR	6/1/2012	9/14/2012	14.69%	BULL
9/14/2012	11/15/2012	-7.67%	BEAR	11/15/2012	5/21/2013	23.34%	BULL
5/21/2013	6/24/2013	-5.76%	BEAR	6/24/2013	1/15/2014	17.50%	BULL
1/15/2014	2/3/2014	-5.76%	BEAR	2/3/2014	9/18/2014	15.47%	BULL
9/18/2014	10/15/2014	-7.40%	BEAR	10/15/2014	3/2/2015	13.69%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR	8/25/2015	9/16/2015	6.84%	BULL
9/16/2015	9/28/2015	-5.69%	BEAR	9/28/2015	11/3/2015	12.12%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR	2/11/2016	6/23/2016	5.64%	BULL
6/23/2016	6/27/2016	-5.34%	BEAR	6/27/2016	1/26/2018	43.60%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR	2/8/2018	3/9/2018	7.96%	BULL
3/9/2018	4/2/2018	-7.35%	BEAR	4/2/2018	9/20/2018	13.55%	BULL
9/20/2018	11/23/2018	-10.17%	BEAR	11/23/2018	12/3/2018	5.99%	BULL
12/3/2018	12/24/2018	-15.74%	BEAR	12/24/2018	4/30/2019	25.30%	BULL
4/30/2019	6/3/2019	-6.84%	BEAR	6/3/2019	7/26/2019	10.25%	BULL
7/26/2019	8/14/2019	-6.12%	BEAR	8/14/2019	2/19/2020	16.11%	BULL
2/19/2020	3/12/2020	-26.74%	BEAR	3/12/2020	3/13/2020	9.29%	BULL
3/13/2020	3/23/2020	-17.47%	BEAR	3/23/2020	3/26/2020	17.55%	BULL
3/26/2020	4/1/2020	-6.07%	BEAR	4/1/2020	6/8/2020	30.84%	BULL
6/8/2020	6/11/2020	-7.12%	BEAR	6/11/2020	9/2/2020	19.28%	BULL
9/2/2020	9/23/2020	-9.60%	BEAR	9/23/2020	10/12/2020	9.18%	BULL
10/12/2020	10/30/2020	-7.48%	BEAR	10/30/2020	4/29/2021	28.79%	BULL
Average Drop		-9.10%		**Average Gain**		15.35%	

SOURCE: Kovitz using data from Bloomberg

While the traumatic five-week February/March 2020 Bear Market brought on by the COVID-19 Pandemic and Great Lockdown is certainly fresh in the mind of most investors, we suspect that many have forgotten the numerous other downturns endured by the equity markets. Believe it or not, just since the S&P 500 bottomed at 676.53 on March 9, 2009, there have been 36 setbacks of 5% or more without a comparable move in the other direction (three per year on average), yet the popular index today stands at 4181.17.

…but we hardly think folks who share our long-term time horizon should have a major concern about inflation, given what the data we have crunched show for rising and falling inflation rates and equity returns.



Of course, it is not just *The New York Times* that is in the business of spooking investors as *The Wall Street Journal* is not immune to running with spurious headlines,…

FEAR OVER FACTS – BE CAREFUL WHAT YOU READ

Why an Unpleasant Inflation Surprise Could Be Coming

If inflation turns up, economists have long assumed it would do so slowly, giving the Fed plenty of time to respond. But Michael Feroli of J.P. Morgan notes this assumption is built on models in which the world behaves in a predictable, linear way. In fact, he says, the world isn't linear and inflation can change suddenly for unexpected reasons: it "is sluggish and slow-moving, until it isn't."

A case in point: in 1966, inflation, which had run below 2% for nearly a decade, suddenly accelerated to over 3%. Some of the circumstances echo the present: unemployment had slid to 4%, taxes had been cut and federal spending for the Vietnam War and Lyndon Johnson's "Great Society" programs was surging. Deutsche Bank economists note the budget deficit jumped by more than 2% of gross domestic product between 1965 and 1968, similar to what they project between 2016 and 2019. Except in recessions, stimulus of this size "is unprecedented outside of these two episodes," they said.

The effect of an overheating economy was then compounded by policy errors. Fed chairmen William McChesney Martin Jr. and Arthur Burns were too optimistic about how low unemployment could go without pushing prices higher, and succumbed to pressure from Johnson and then Richard Nixon to keep interest rates low. **From 1966 to 1981, inflation and interest rates climbed to double digits, decimating stock and bond values.**

Wall Street Journal, February 28, 2018

In yet another example of fear over facts, *The Wall Street Journal* warned of dire consequences should we have another inflation and interest rate scare like 1965-1981. If past is prologue, as Value investors, we hope they are right.

Annualized Returns December 1965 - December 1981	
Inflation	7.0%
IA SBBI US 1 Yr Treasury TR	7.1%
IA SBBI US 30 Day TBill TR	6.8%
IA SBBI US LT Govt Bonds TR	2.5%
IA SBBI US IT Govt Bonds TR	5.8%
IA SBBI US LT Corp Bonds TR	2.9%
FF Growth Stocks TR	7.4%
S&P 500 TR	6.0%
Dow Jones Industrials TR	3.9%
FF Value Stocks TR	13.4%

Source: Morningstar

…but we hope that folks take comfort in the weight of the historical evidence that we present.

THE PRUDENT SPECULATOR

HIGHER CAPITAL GAINS TAX REGIMES: STOCK TAILWIND & BOND HEADWIND

Higher Tax Regimes - Max U.S. Long-Term Capital Gains Tax Rate > 23.8%: Annual Returns

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	20.2%	14.3%	14.6%	18.0%	4.3%	4.0%	4.5%	3.9%
Geometric Average	17.7%	12.2%	13.3%	13.5%	4.1%	3.7%	4.3%	3.9%
Median	19.8%	14.7%	14.9%	15.2%	2.8%	2.8%	2.9%	3.5%
Max	72.4%	58.2%	53.5%	90.5%	27.2%	31.7%	16.9%	11.2%
Min	-20.9%	-34.2%	-23.6%	-40.0%	-8.1%	-9.2%	-5.1%	0.3%
Count	49	49	49	49	49	49	49	49

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

Lower Tax Regimes - Max U.S. Long-Term Capital Gains Rate <= 23.8%: Annual Returns

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	12.6%	10.6%	10.5%	8.5%	9.1%	8.6%	6.3%	2.7%
Geometric Average	8.2%	7.3%	7.9%	3.7%	8.8%	8.0%	6.1%	2.6%
Median	12.9%	10.3%	12.5%	10.3%	8.8%	6.2%	6.5%	1.0%
Max	126.6%	93.1%	69.8%	73.9%	42.6%	40.4%	29.1%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-7.4%	-14.9%	-3.7%	0.0%
Count	42	42	42	42	42	42	42	42

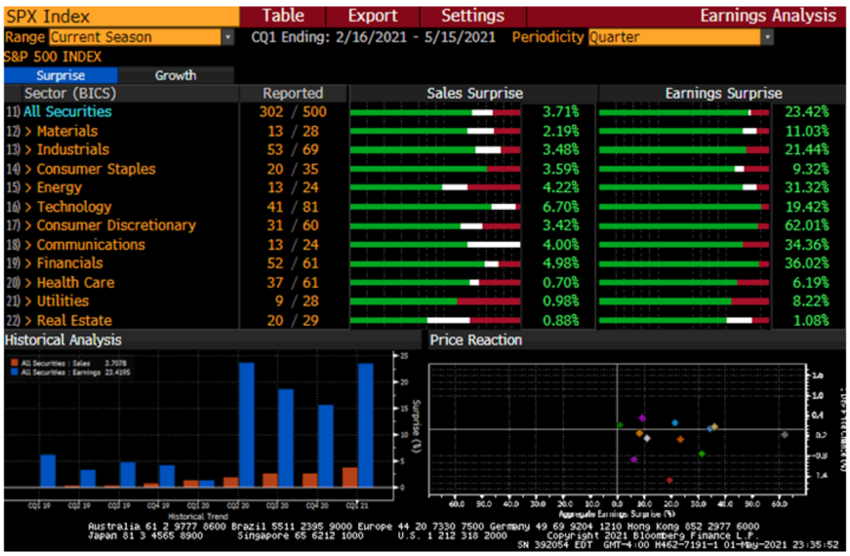
Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar, Congressional Research Service and the Internal Revenue Service.

*****

It is a little easier these days to be optimistic about equities, given the incredible strength of Q1 sales and earnings. In fact, Bloomberg has calculated that of the 302 members of the S&P 500 to have announced results thus far, 87.4% have exceeded bottom-line estimates and 71.4% have beat top-line forecasts,…

EPS PLUNGED IN 2020 BUT SHOULD SOAR IN 2021

Q1 earnings reporting season has been very 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	$54.64	$202.75
9/30/2022	$52.43	$196.14
6/30/2022	$48.86	$189.30
3/31/2022	$46.82	$182.63
12/31/2021	$48.03	$178.09
9/30/2021	$45.59	$168.24
6/30/2021	$42.19	$160.55
3/31/2021	$42.28	$145.15
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

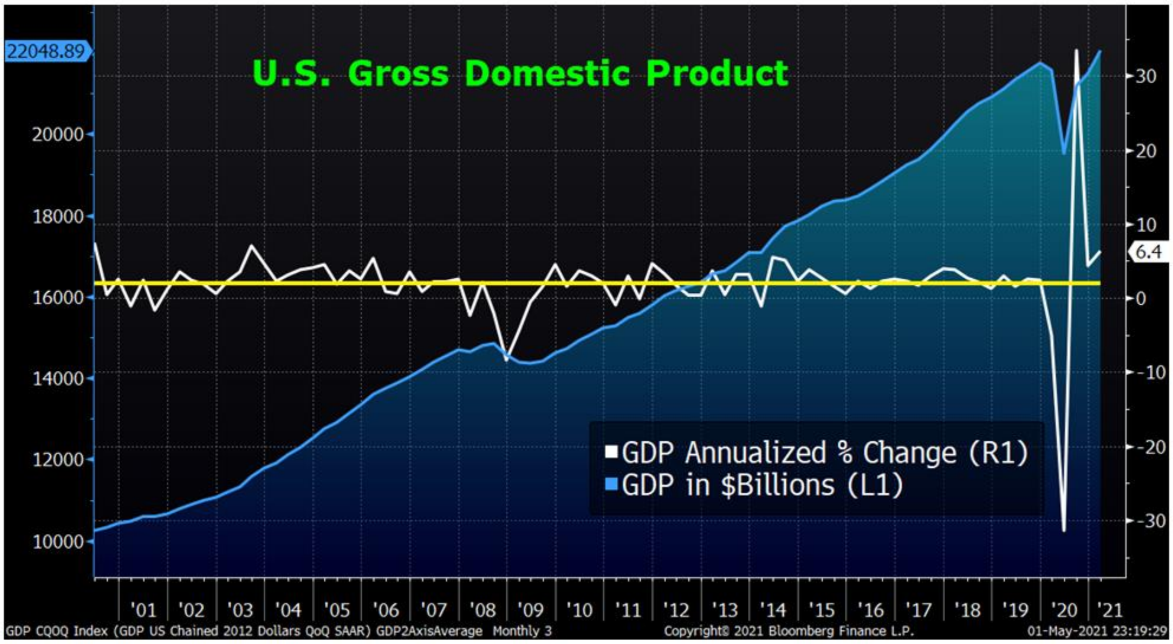
Source: Standard & Poor's. As of 4.22.21

…with the terrific numbers no doubt bolstered by stellar U.S. GDP growth,…

THE PRUDENT SPECULATOR

EXCELLENT Q1 U.S. GDP GROWTH OF 6.4%

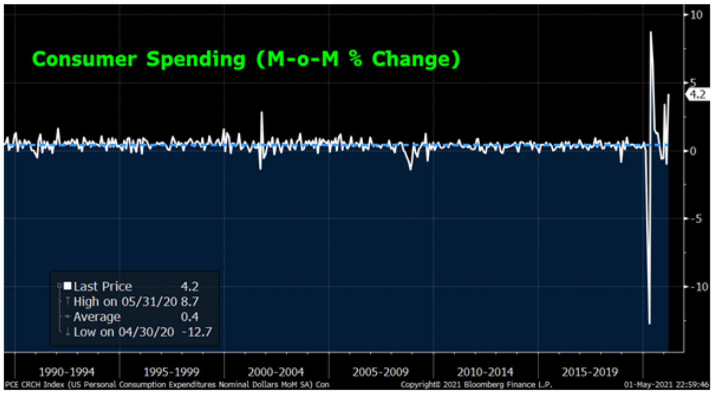
First quarter 2021 real (inflation-adjusted) domestic economic growth came in at a very strong 6.4% rate on an annualized basis, and the current-dollar GDP figure of $22.0 trillion is now at an all-time high, surpassing the $21.7 trillion posted in Q4 2019.

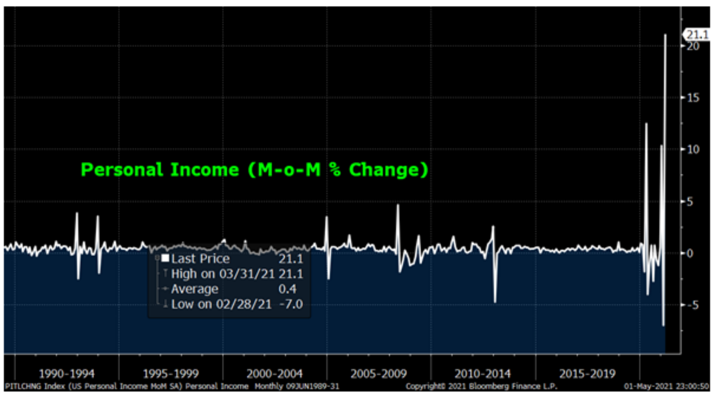


…and robust consumer spending.

THE PRUDENT SPECULATOR

CONSUMERS SPLURGE AND INCOMES SOAR IN MARCH



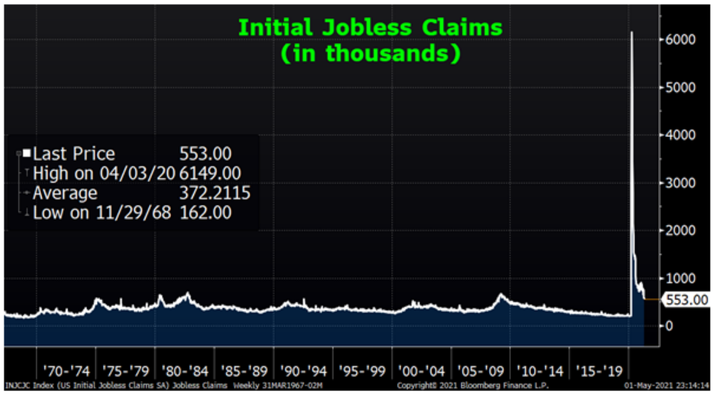


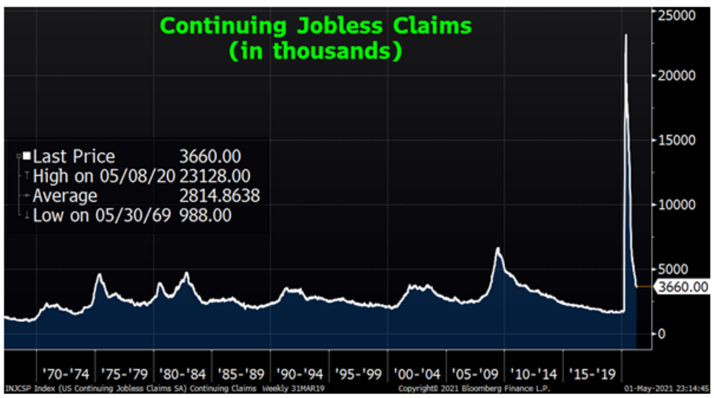
With new government stimulus payments in pocketbooks, consumer spending soared to a better-than-expected increase of 4.2% in March, the biggest gain since June 2020. Shoppers did not have to reach into their savings, as personal income skyrocketed a whopping 21.1% in March, following a big 7.0% decrease in February. No doubt, the partial/full reopening of economies in most states is boosting spending.

Looking ahead, the favorable economic backdrop seems likely to continue, given significant recent improvement in the labor market,…

THE PRUDENT SPECULATOR

PANDEMIC LOW IN FIRST-TIME FILINGS FOR JOBLESS BENEFITS





The jobs market held steady in the latest week, with new applications for unemployment benefits dipping to a seasonally adjusted 553,000 for the period ended Apr. 24, down 13,000 from the week prior's revised tally to a new pandemic low. Continuing jobless claims filed through state programs ticked up slightly by 9,000 to a seasonally adjusted 3.66 million. Of course, more than 80 million unemployment claims have been filed since March 2020.

…and favorable readings on consumer confidence/sentiment.

THE PRUDENT SPECULATOR

MUCH IMPROVED CONSUMER CONFIDENCE/SENTIMENT

Consumer confidence, per data from the Conference Board, leapt last month, jumping to a pandemic high of 121.7, up from a revised 109 in March and well above expectations. Meanwhile, the final Univ. of Michigan gauge of consumer sentiment in April came in at 88.3, beating estimates and up from a final reading of 86.5 in March. Interestingly, the Michigan gauge is still below average.

Certainly, the economy is being supported by the Federal Reserve, with the FOMC last week maintaining its highly accommodative stance toward monetary policy,…

FOMC STATEMENT: 4.28.21

The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Amid progress on vaccinations and strong policy support, indicators of economic activity and employment have strengthened. The sectors most adversely affected by the pandemic remain weak but have shown improvement. Inflation has risen, largely reflecting transitory factors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy will depend significantly on the course of the virus, including progress on vaccinations. The ongoing public health crisis continues to weigh on the economy, and risks to the economic outlook remain.

The Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2% for some time so that inflation averages 2% over time and longer-term inflation expectations remain well anchored at 2%. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4% and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals. These asset purchases help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

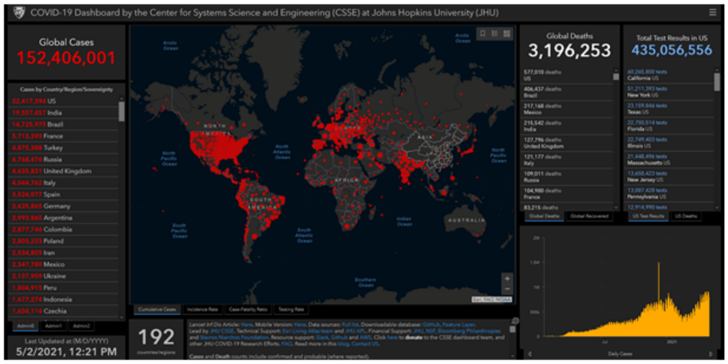
…even as Fed Chair Jerome H. Powell was relatively upbeat in his assessment of the economic situation…

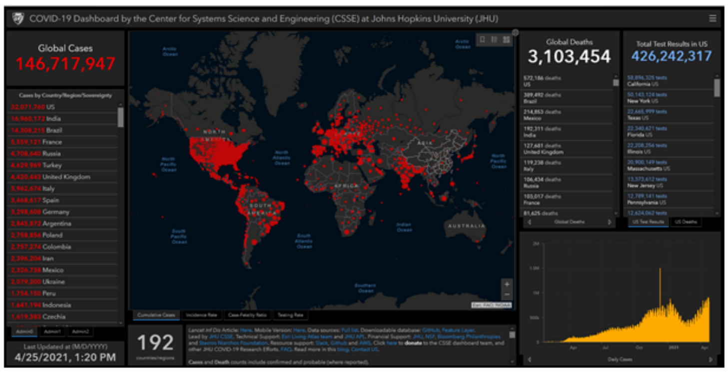
Widespread vaccinations, along with unprecedented fiscal policy actions, are also providing strong support to the recovery. Since the beginning of the year, indicators of economic activity and employment have strengthened. Household spending on goods has risen robustly. The housing sector has more than fully recovered from the downturn, while business investment and manufacturing production have also increased. Spending on services has also picked up, including at restaurants and bars. More generally, the sectors of the economy most adversely affected by the pandemic remain weak but have shown improvement. While the recovery has progressed more quickly than generally expected, it remains uneven and far from complete.

The path of the economy continues to depend significantly on the course of the virus and the measures undertaken to control its spread. Since March, progress on vaccinations has limited the number of new cases, hospitalizations, and deaths. While the level of new cases remains concerning, especially as it reflects the spread of more infectious strains of the virus, continued vaccinations should allow for a return to more normal economic conditions later this year. In the meantime, continued observance of public health and safety guidance will help us reach that goal as soon as possible.

THE PRUDENT SPECULATOR

COVID-19 GLOBAL CASE AND MORTALITY RATES





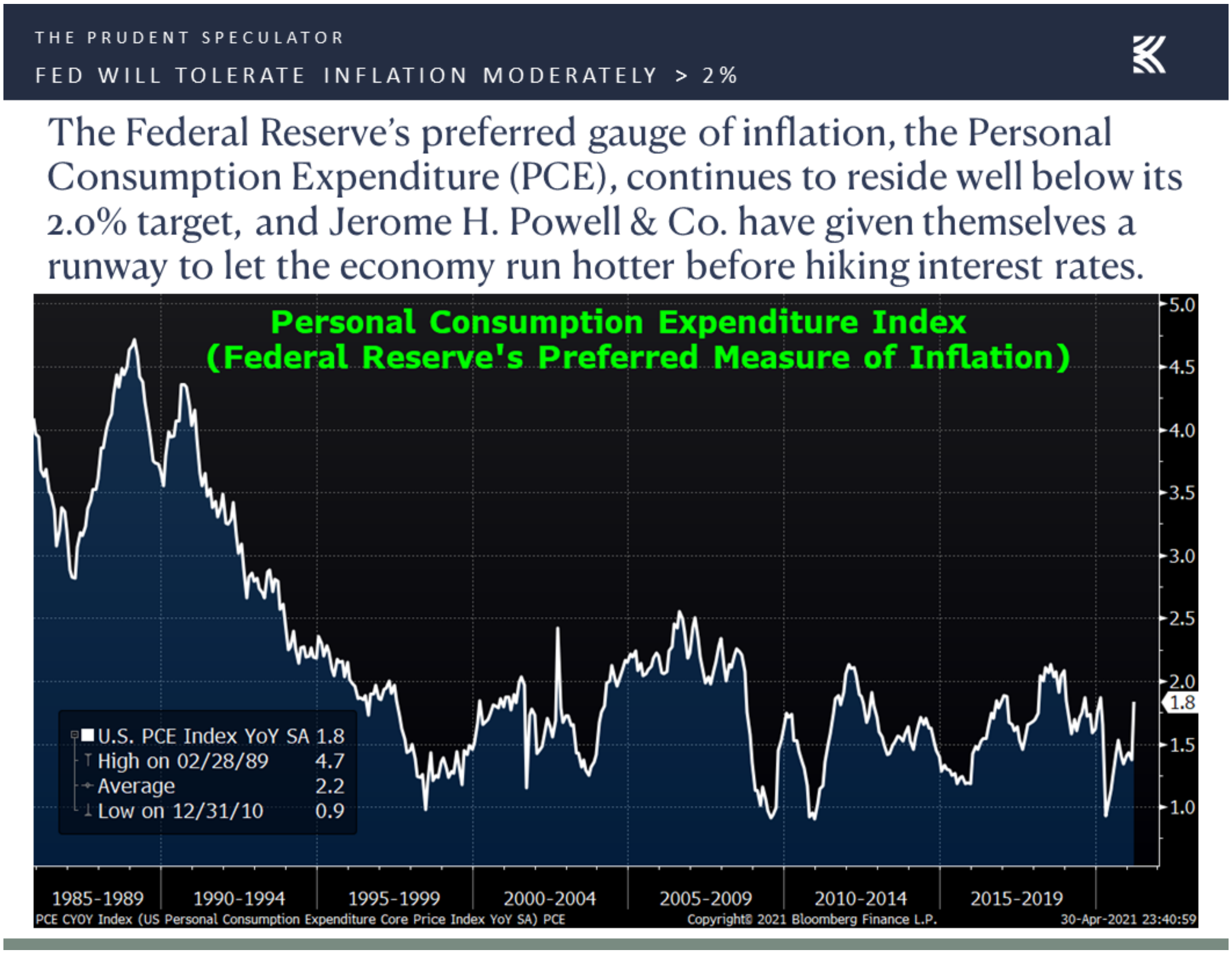
https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

Given that nearly 3.2 million have lost their lives around the world, with 572,000 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 5.7 million. The rise in weekly fatalities also climbed by 93,000, versus 90,500 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. On the plus side, 100 million Americans are now fully vaccinated.

And considering the Fed's objectives of maximum employment, stable prices and moderate long-term interest rates, Chair Powell added,…

As with overall economic activity, conditions in the labor market have continued to improve. Employment rose 916,000 in March, as the leisure and hospitality sector posted a notable gain for the second consecutive month. Nonetheless, employment in this sector is still more than 3 million below its level at the onset of the pandemic. For the economy as a whole, payroll employment is 8.4 million below its pre-pandemic level. The unemployment rate remained elevated at 6 percent in March, and this figure understates the shortfall in employment, particularly as participation in the labor market remains notably below pre-pandemic levels.

Readings on inflation have increased and are likely to rise somewhat further before moderating. In the near term, 12-month measures of PCE inflation are expected to move above 2 percent as the very low readings from early in the pandemic fall out of the calculation and past increases in oil prices pass through to consumer energy prices. Beyond these effects, we are also likely to see upward pressure on prices from the rebound in spending as the economy continues to reopen, particularly if supply bottlenecks limit how quickly production can respond in the near term. However, these one-time increases in prices are likely to have only transitory effects on inflation.

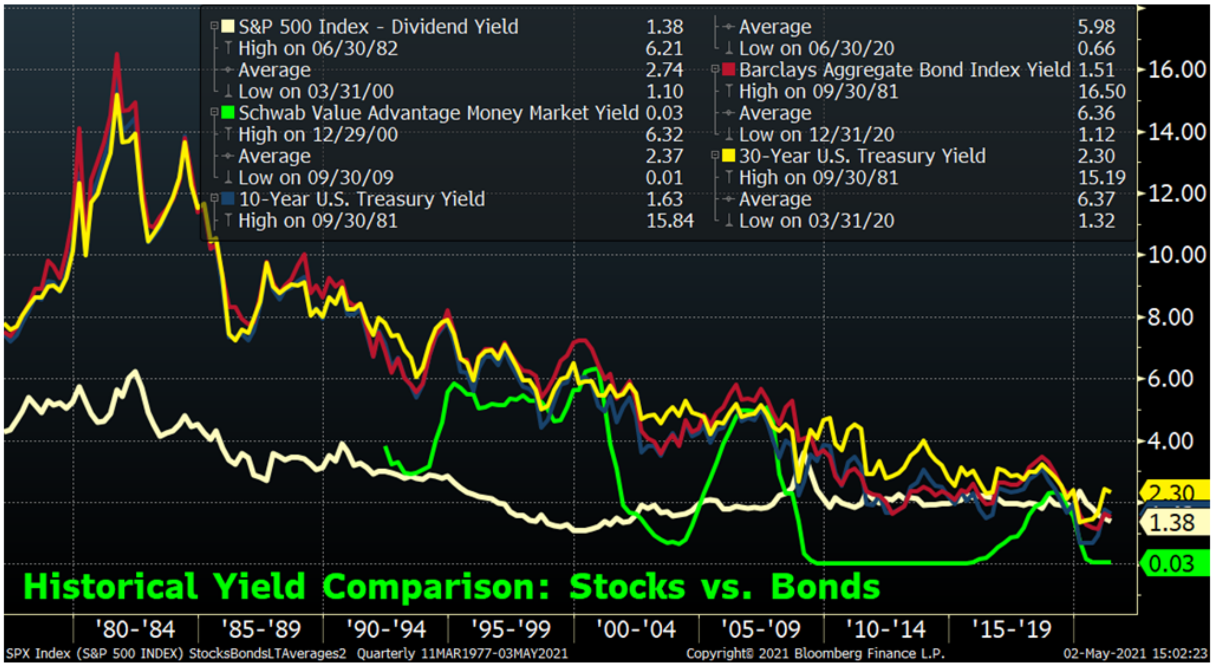


So, with the Fed seemingly on hold for the foreseeable future in regard to potential interest rate hikes, and our expectation that, while they may tick up further, rates will remain very low by historical standards, we continue to believe that equities in general are attractive from an income perspective,…

THE PRUDENT SPECULATOR

EQUITY VS. FIXED INCOME YIELDS

Though stocks are not necessarily a substitute for cash, government or corporate bonds, the payout on the S&P 500 (1.38%) is generous versus the income provided by fixed income. Incredibly, **equities yield almost as much as the Barclays Aggregate Bond Index and 46 times the yield of a "generous" Money Market Fund**!



…with our portfolios in particular especially appealing.

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	20.2	15.3	1.3	2.6	2.2
ValuePlus	21.2	15.8	1.7	2.6	1.9
Dividend Income	18.9	15.0	1.1	2.7	2.5
Focused Dividend Income	19.8	15.2	1.4	2.7	2.5
Focused ValuePlus	19.4	15.7	1.8	2.9	2.1
Small-Mid Dividend Value	17.1	14.2	0.8	1.8	2.0
Russell 3000	35.2	24.0	2.9	4.3	1.3
Russell 3000 Growth	46.6	32.1	4.8	11.8	0.7
Russell 3000 Value	28.3	19.2	2.1	2.6	1.9
Russell 1000	31.7	23.6	3.0	4.4	1.3
Russell 1000 Growth	39.7	30.7	5.0	12.3	0.7
Russell 1000 Value	26.4	19.1	2.2	2.7	1.9
S&P 500 Index	30.6	23.0	3.1	4.5	1.4
S&P 500 Growth Index	36.0	28.7	5.6	10.4	0.7
S&P 500 Value Index	26.2	18.9	2.1	2.8	2.1
S&P 500 Pure Value Index	17.5	12.4	0.8	1.3	2.4

As of 05.02.21. 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 a baker’s dozen of our companies that either had news out last week of sufficient interest to merit a Target Price review or are worthy of comment.

Technology hardware designer and manufacturer **Apple** (AAPL – $131.46) obliterated expectations when after the close on Wednesday it announced Q2 2021 EPS of $1.40 (vs. $0.99 est.) on total revenue of $90 billion, versus the $77 billion estimate. Despite the magnificent quarter, analyst upgrades and Wall Street price target increases, the stock actually closed slightly in the red on Thursday. Apple had strong sales growth for iPad and Mac, while China earnings almost doubled (on easy comps which include the pandemic shutdown) and 5G iPhone demand remained strong. The company also boosted the quarterly dividend to $0.22 per share, up 7% from the previous $0.205, and added a whopping $90 billion to its stock repurchase program.

CEO Tim Cook commented, “Apple is proud to report another strong quarter one where we set new March quarter records for both revenue and earnings vesting our year ago revenue performance by 54% reflecting both the enduring ways our products have helped our users meet this moment in their own lives as well as the optimism consumers seem to feel about better days ahead we set new March quarter records in every geographic segment and success was broadly distributed across our product categories.”

Mr. Cook said of Apple’s U.S. presence, “We were proud to announce that we have expanded and accelerated our commitment to the US economy over the next five years, we will invest $430 billion, creating 20,000 jobs in the process. The investments will support American innovation and drive economic benefits in every state, including a new North Carolina campus and job-creating investments in innovative feels like silicon engineering and 5G technology.”

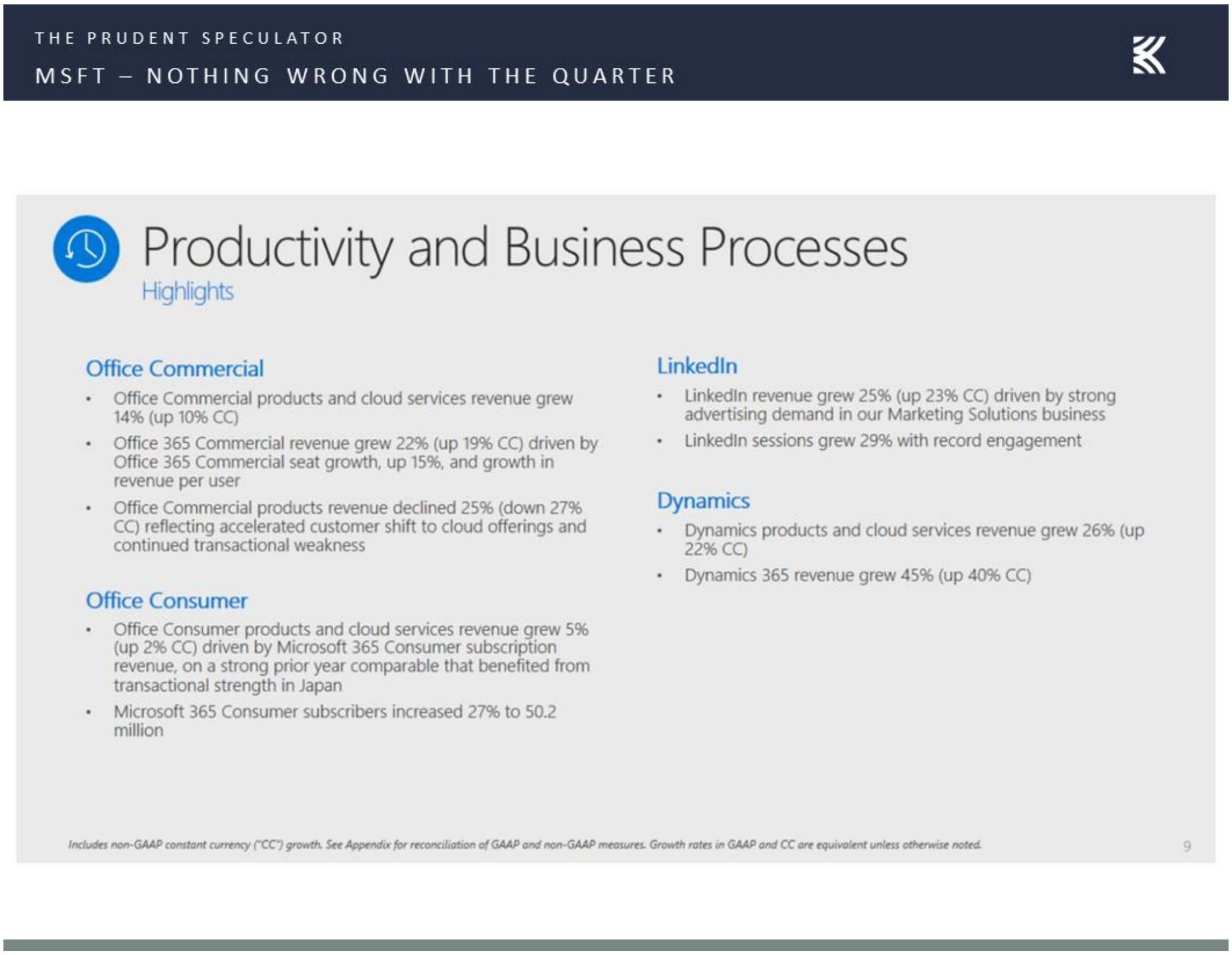
CFO Luca Maestri offered updates on the supply chain and finances, “We believe supply constraints we have revenue impact of $3 billion to $4 billion in the June quarter. We expect gross margin to be between 41.5% and 42.5% we expect OpEx to be between $11.1 billion and $11.3 billion we expect OI&E to be around 50 million and our tax rate to be around 14.5% finally, reflecting the approved 7% dividend increase I just mentioned.”

We are glad that Apple hiked its dividend, but the 0.7% yield remains far below what the company is capable of paying. Apple sits on a cash mountain $204 billion tall, which is big enough to buy almost any company in the S&P 500 for cash, while the company’s overall market capitalization has surpassed $2.1 trillion. We are pleased to see the U.S. investment, not only because it will help the domestic economy, but also because it’s important from a supply chain standpoint. As Mr. Maestri mentioned, the disruptions cost Apple billions in the quarter and we would hope those remain infrequent. We continue to be fans of Apple and our Target Price has jumped to $167. It remains one of the largest holdings in our broadly diversified portfolios, which we are comfortable with at present despite its stretched valuation relative to its own history.

Computing giant **Microsoft** (MSFT – $252.18) earned $1.95 per share in fiscal Q3 2021 (vs. $1.78 est.). MSFT had total revenue of $41.7 billion, versus the $41.1 billion estimate. We thought Microsoft’s third quarter results were solid, but shares retreated on concerns that the cloud business’ revenue wasn’t up more (it was up ‘only’ 46% y/y) and there was surely some profit taking as MSFT shares have rallied around 13% this year.

CEO Satya Nadella commented, “It was a record quarter powered by our continued strength of our commercial cloud. Over a year into the pandemic, digital adoption curves aren’t slowing down. In fact, they’re accelerating and it’s just the beginning. Digital technology will be the foundation for resilience and growth over the next decade. We are innovating and building the cloud stack to accelerate the digital capability of every organization on the planet. Now I’ll highlight our growing opportunity and momentum, starting with Azure. As the world’s COGS become more digital, computing will become more ubiquitous and decentralized. We are building Azure to address organizations’ needs in a multi-cloud, multi-edge world. We have more data center regions than any other provider, including new regions in China, Indonesia, Malaysia as well as United States. Azure has always been hybrid by design, and we are accelerating our innovation to meet customers where they are. Azure Arc extends the Azure control plane across on-premise, multi-cloud and the edge and going further with Arc-enabled machine learning and Arc-enabled Kubernetes. Companies like Fujitsu and KPMG are using Arc to simplify hybrid management and run Azure data services anywhere.”

Mr. Nadella concluded his comments by stating, “We’re innovating across the entire tech stack as we differentiate and lead in areas that will be critical to the success of every customer going forward. I’m optimistic about our opportunity ahead.”



CEO Amy Hood offered a detailed outlook, “In Q4, we begin to see growth rates that reflect the first full quarter impact of COVID-19 a year ago, both across revenue and operating expenses. Last year, across Windows OEM, Gaming and Surface, we saw surges in purchasing and usage that will negatively impact Q4 growth rates. In our Search and LinkedIn businesses, Q4 growth rates will be positively impacted given the advertising and job markets a year ago…Overall, we have performed well through three quarters of our fiscal year in a challenging environment, and we fully expect a strong Q4 to lay the foundation for FY ’22. We will, of course, continue to focus on delivering strong revenue growth in the short term. But even more importantly, this year has reinforced the critical importance of investing boldly to capture the significant list of opportunities ahead of us. Excellence in daily execution, coupled with a thoughtful vision for the future that creates value as well as opportunity for our customers globally will lead to long-term revenue and profit growth."

Microsoft remains one of our larger holdings, a position we are comfortable with at present. Microsoft has seen tremendous growth in Azure, and we think that trend shows no signs of stopping. Like Apple, Microsoft's market capitalization is near $2 trillion and we think that MSFT, in many ways, could be on the path to eclipse Apple in size. Of course, the valuation is still on the high end, but MSFT is the second-largest component in the S&P 500 and Russell 3000 indexes, meaning that even at our base portfolio weights, we would look better against those indexes if Microsoft shares plunged in price. Our MSFT Target Price has been increased to $277.

Search engine and internet technology leader **Alphabet** (GOOG – $2,410.12) posted adjusted earnings per share of $26.29, versus the $15.64 estimate, in Q1 2020. GOOG had adjusted sales of $45.6 billion, versus the $42.6 billion estimate. With the company crushing forecasts on the top and bottom lines, shares gained more than 3% to set another all-time high, even as we think they should have been up even more. The company's market capitalization stands at $1.6 trillion.

CEO Sundar Pichai commented, "After a hard year, people in some parts of the world are beginning to rebuild their lives, businesses and communities, but recovery is far from uniform across the globe as the tragic scenes in countries like India and Brazil remind us. We are continuing to help support public health officials in their vital and urgent work. Our focus is on providing authoritative information. We are helping over 100 government agencies and nonprofits worldwide distribute critical information and billions of PSAs about COVID-19 and vaccines. And Google Cloud Technology is powering a virtual agent to help make vaccination appointments over the phone, supporting 28 languages and dialects for those with limited Internet access. We are focused on doing our part to help. In some parts of the world, the economy began to rebound, which created a rising tide in the first quarter that benefited a number of sectors, including existing and emerging companies and partners…As we look ahead to the rest of 2021, our 4 big themes continue to guide us: first, building and providing the most helpful products and services; second, continuing to earn the trust of our users by investing in high-quality information, and keeping users' data safe and private; third, strong execution as a company, particularly as we start to reopen our offices; and fourth, building sustainable value in our own business and for our partners."

Chief Business Officer Philipp Schindler added, "Year-on-year performance reflects elevated consumer online activity, broad-based strength in advertiser spend and lapping of the initial impact of the pandemic on advertising revenues that began in March last year… We're also developing more valuable relationships with some of our strategic partners. By teaming up, we're able to build new experiences for our users while helping our partners innovate and grow. We've gone well beyond ads to bring the best of Google across Cloud, Play, YouTube and more to help them do just that."

CFO Ruth Porat offered the outlook, "For Google services, for the remainder of 2021, year-over-year comparisons will be affected meaningfully by the impact of COVID last year with a greater benefit in Q2 from an easier comp relative to what you saw in Q1 and then beginning to lap stronger performance in the second half of the year. In the first quarter, we continued to benefit from elevated consumer online activity and broad-based strength in advertiser spend. It is too early to say how durable this consumer behavior will be as economies recover and restrictions on mobility are lifted. Within other revenues, Play benefited from an increased level of user engagement starting in Q1 last year due to the pandemic, which we are now beginning to lap. In terms of investment levels within Google Services, we still intend to invest aggressively to support the extraordinary opportunities we see. That being said, in some areas like travel and entertainment and marketing events, the pace of investment through the balance of the year may be affected by the pace of COVID recovery globally. As for Google Cloud, our approach to building the business has not changed. We remain focused on revenue growth, and we will continue to invest aggressively in products and our go-to-market organization given the opportunity we see. The operating results in Q1, in part, reflect some notable items in the quarter: first, the lapping of the unusually high allowances for credit losses recorded in the first quarter of 2020, as I already mentioned; and second, lower depreciation expense due to the change in estimated useful lives, although the dollar benefit will diminish throughout the course of the year across segments."

We think the long term for Alphabet remains bright, and while the company's valuation is not super inexpensive (the forward P/E is in the 25 range, but that drops near 19 by using 2023 estimates), we believe the terrific balance sheet (around $137 billion in cash and marketable securities versus just $26 billion of debt, half of which is from long-term leases) and great opportunities ahead make it an attractive holding. The company continues to face regulatory risk in Europe and in the Biden Administration related to potentially anti-competitive practices within the Tech and Communication Services sectors. At this point, it's difficult to handicap the direction the governing bodies will head on that front, but we remain comfortable with our GOOG position. While there is always fear that regulation can kill a company, we think GOOG will be just fine after any dust-up with regulators. Our Target Price has been raised to $2,725.

Semiconductor designer **Qualcomm** (QCOM – $138.80) earned $1.90 per share in fiscal Q2 2021 (vs. $1.67 est.). QCOM had adjusted sales of $7.93 billion (vs. $7.63 billion est.). Qualcomm reported strong revenue in the chipset business, which grew 52% year-over-year, while the latest generation of the company's Snapdragon mobile phone platform is in more than 40 devices, a figure which QCOM expects to double. The company's automotive platform, including applications such as telematics, digital cockpits and autonomous driving, has a $9 billion pipeline, an increase of $1 billion over the past year.

CEO Steve Mollenkopf, who is stepping down soon and will be replaced by QCOM President Cristiano Amon, said, "Several years ago, we put in place a strategy to lead in 5G, which today is delivering results beyond our expectations. Even this fiscal year, with all the unusual challenges, we are on track to deliver results better than what we expected when we started the fiscal year. As exciting as our current performance is, I cannot underestimate the long-term opportunity for Qualcomm and how well positioned the company is, where we have a unique opportunity to exceed our success in handsets as industries adopt the wireless road map. This enviable position is what I find most rewarding when looking back over the past 7 years. Undeniably, over my tenure as CEO, I dealt with and overcame unprecedented challenges, which I always put in perspective. Our mission and singular focus of inventing breakthrough technologies transforming how the world connects, computes and communicates is important and hard to do. Our challenges tightened our focus on this mission. And at the core, innovation was always the solution. As a result, Qualcomm enters the 5G era with our whole company stronger and more resilient. Most importantly, we never lost focus on the impact and opportunity digitization will bring to our customers, partners, governments and consumers worldwide as a result of our collective efforts."

Mr. Amon stated, "We continue to develop and patent the new essential innovations for future releases of 5G, which we expect to have a longer life cycle than prior generations due to its impact on multiple industries. We believe that our model of early research and development, consistent standards leadership, flexible licensing and global implementation support will continue to add value to our partners and stockholders for years to come. Overall, we continue to see unprecedented demand across all of our technologies and businesses as the current environment is accelerating the scale of connectivity and processing at the edge. Despite the industry-wide semiconductor supply shortage, we're utilizing our scale and working across our entire global supply chain to maximize our ability to capture this opportunity. We expect material improvements by the end of the calendar year due to planned capacity builds and multi-sourcing initiatives."

QCOM expects revenue for Q3 between $7.1 billion and $7.9 billion, with adjusted EPS between $1.55 and $1.75. The industry-wide semiconductor shortage has impacted QCOM, but the company says it is using its scale and global supply chain to improve the situation by the end of the year. Qualcomm shares have retreated since rising as high as $164.78 in February, and the company's valuation metrics remain reasonable, including a forward P/E ratio near 17 and a free cash flow yield around 5%. Shares yield 2.0% and our Target Price has been increased to $175.

Electronic components maker **Corning** (GLW – $44.21) earned an adjusted $0.45 per share in fiscal Q1 2021 (vs. $0.43 est.). GLW had revenue of $3.26 billion, versus the $3.14 billion estimate. Shares dipped 3% on the news, even though Corning posted huge year-over-year EPS gains (Q1 2020 EPS was $0.20) and revenue was nearly $750 million higher. Corning benefited from strong demand across all business lines, with Environmental Technologies gaining 38% year-over-year, while margins were impacted to the tune of $50 million by the supply chain issues that plagued most in the tech manufacturing industry.

CEO Wendell Weeks highlighted three areas for success, "First, invention is fundamental to our long-term strategy. Through our relentless commitment to R&D, we developed category-defining products that transform industries and enhance lives. Second, as we partner closely with our customers to move their industries forward, we unlock new ways to integrate more Corning content into their ecosystems. This is a powerful growth mechanism. And finally, we continue to build a stronger, more resilient company, one that is committed to rewarding shareholders while supporting our customers, our people and our communities."

Mr. Weeks concluded, "On all dimensions, Corning is operating exceptionally well, and our capabilities are vital to progress on multiple fronts. We're succeeding at building a stronger, more resilient company." CFO Tony Tripeny offered a quick update on the second quarter outlook, “We expect core sales of $3.3 billion to $3.5 billion and earnings per share of $0.49 to $0.53. And for the rest of the year, we expect that momentum to continue.”

GLW continues to repurchase its own shares and bought back 4% of all outstanding shares from Samsung Display. Samsung Display still holds around 10% of GLW shares, according to data from Bloomberg, and management expects the company to remain a “significant shareholder.” Corning also increased the quarterly dividend in February from $0.22 to $0.24 (a 9% increase resulting in a 2.2% yield). Though it has been upset a little bit by supply chain challenges, Corning’s post-pandemic recovery has been swift, aided by major demand in all areas of its operations. Shares have retreated a couple of dollars from the near-term high set on April 21 (the all-time high was $99.33 on 9/29/2000), but earnings remain solid and cash flow robust. Our Target Price has been elevated to $51.

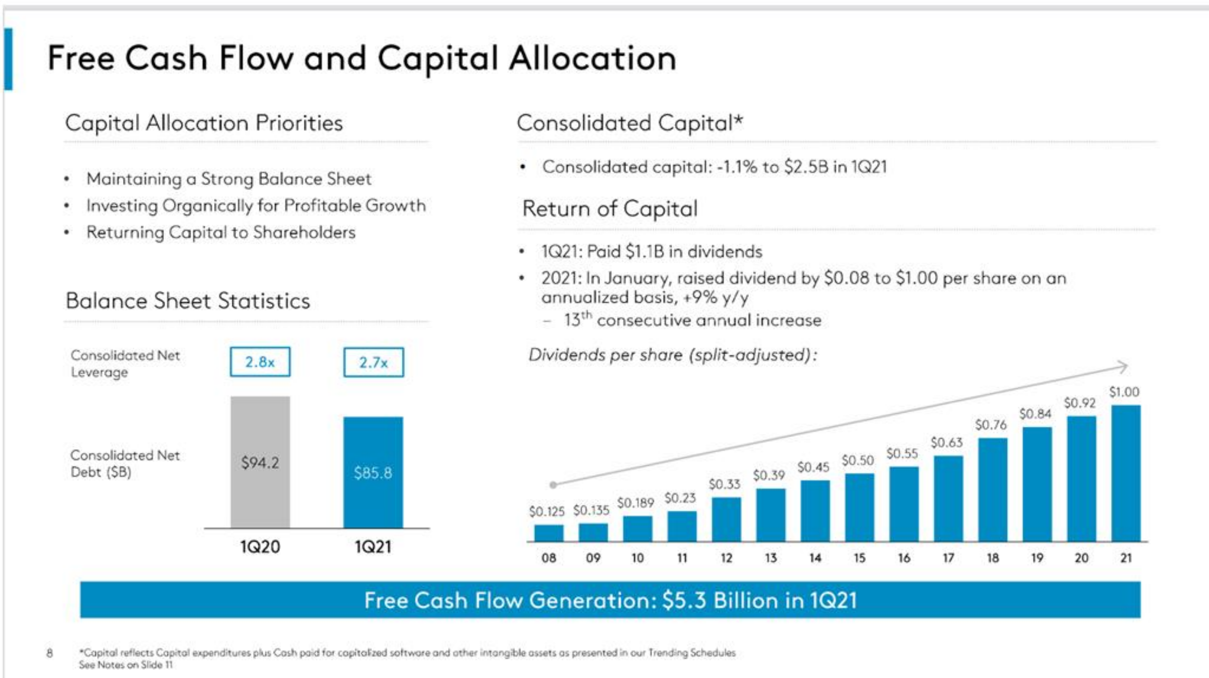
Cable and satellite firm **Comcast** (CMCSA – $56.15) reported earnings per share of $0.76, versus the $0.59 estimate, in Q1 2021. CMCSA had sales of $27.2 billion (vs. $26.7 billion est.). Shares gained more than 4% following the announcement, propelled by 42 million signups for the company’s Peacock streaming service since it launched last July and the lowest broadband churn in company history. The streaming gains, both for subscriptions and internet, resulted in the loss of 491,000 paid TV subscribers.

CEO Brian Roberts said, “We’re all very proud and encouraged by our first quarter results. This performance is a testament to the resilience and evolution of our company. Excellent execution of our growth initiatives, combined with tight cost control, brings us one step closer to our balance sheet goals. And I am eager to see us return to our historical practice of repurchasing shares starting in the second half of this year. Lastly, I want to thank our team. Everyone across the company has continued to show up and innovate for our customers, audience, guests and each other.”

CFO Michael Cavanagh added, “For the second quarter, we expect revenue growth to accelerate to low double-digit levels on a constant currency basis due to the comparison to last year’s second quarter, which was the most impacted by COVID-19, as well as continued strength in our U.K. business. We also anticipate significantly higher sports rights amortization compared to last year when events were paused. As a result, we expect to generate a similar level of EBITDA in the second quarter as we did in the first quarter. We were recently outbid for some of the broadcast rights for Serie A in Italy as we stood firm in our disciplined approach to sports-related costs. We believe this was the right long-term financial decision, but we expect a reduction in programming and production expenses and a potential decline in customer relationships in Italy as a result. We continue to expect Sky EBITDA in the second half of this year to accelerate from first half levels, reflecting the benefits of a reset to major sports rights as well as a more efficient operating structure.”

THE PRUDENT SPECULATOR

CMCSA – STRONG FREE CASH FLOW GENERATION



At the end of Q1, CMCSA had $104 billion of debt with a weighted-mean interest expense of 3.6% and maturity of 14 years. Despite the large debt pile, the company continues to generate free cash flow, which has nearly doubled over the past decade. As things begin to reopen, thanks in large part to widespread vaccine availability in the U.S., we believe that significant pent-up demand will result in a fast rebound in revenue for the Parks segment. We still aren't sure the Tokyo Olympics are going to happen and are presently counting them out of our Target Price, but should they go on we expect a nice revenue boost from the Games. We also like CMCSA's diverse media portfolio (including NBC, Telemundo, E!, NBC Sports Network, Sky), geographically diverse theme parks (Universal Parks & Resorts, including Universal Studios Hollywood) and investments in alternative methods of content delivery (Peacock). We also like the forward P/E ratio around 18 and just-increased dividend yield of 1.8%. Our Target Price has been hiked to $65.

Shares of **Amgen** (AMGN – $239.64) plunged over 7% on Wednesday, after the biotech giant reported underwhelming Q1 financial results. The $3.70 per share earned in the quarter was 8% below the consensus analyst estimate and 11% below the 2020 figure. Total product sales decreased 5% for the period versus the same quarter a year ago as a 7% decline in net selling prices was offset by 4% unit volume growth. Representing 20% of total sales, the firm's leading drug Enbrel continues to have a major impact on the top line. Enbrel sales decreased by 20%

year-over-year for the first quarter, driven by unfavorable changes in estimated sales deductions, volume declines and lower net selling price.

CEO Robert Bradway explained, “Last year, if you recall, we came out of the gate with a very strong January and February and then started to really feel the impact of the pandemic in March. This year, especially in the U.S., it was almost the reverse. We felt the impact of the pandemic in January and February, and we began to see a recovery in March, a trend that seems to be holding in April as well. Setting aside the pandemic, we executed effectively in the first quarter. And this is reflected in the strong competitive performance of our brands globally, our strong biosimilars showing, the rapid progress of our lead pipeline molecules and the addition of an attractive Phase III-ready molecule in oncology. Altogether, we remain confident in our full year outlook.”

That outlook anticipates the negative pricing pressures in recent months to alleviate in the back half of the year, with $25.8 billion to $26.6 billion of sales and EPS in the range of $16.00 to $17.00 for the full year. Management also upped the top end of its spending range for share repurchases by $1 billion to between $3 billion and $5 billion.

Competition from biosimilars against Amgen’s portfolio is expected to intensify in the coming years. Nevertheless, the firm’s sound balance sheet and significant cash flow generation allow it to invest in defending its position through R&D or through acquisitions. AMGN also continues to prioritize capital returns: In recent months, the board increased the dividend by 10% in Q1 to $1.76 and management repurchased 3.7 million shares in the first quarter at an average price of close to $234 per share. Given selling pressure from the past week, shares are within a stone’s throw of their price a year ago and are changing hands at a very reasonable forward P/E multiple of 14. With the dividend yield now at 2.9% and the company boasting a strong pipeline of new therapeutics, our Target Price for AMGN now resides at $289.

Archer Daniels Midland (ADM – $63.13) shares continued their strong showing in 2021, following a very healthy Q1 financial release relative to consensus analyst estimates. The agricultural giant announced that adjusted EPS for the period were $1.39, some 33% higher than expectations, on $18.9 billion of revenue, which outpaced the average forecast by more than 16%. Nearly every sub-segment saw meaningful year-over-year improvement, especially crushing results, which enjoyed record earnings driven by strong demand for soybean oil and meal. Happily, carbohydrate solutions saw signs of recovery as food service demand began to pick up.

CEO Juan Luciano commented, “ADM delivered an outstanding first quarter, building on our great 2020 performance. As expected, we achieved strong earnings spanning all three of our businesses, and a sixth consecutive quarter of year-over-year adjusted operating profit growth. Our team executed well across the board, as we continued to find new and innovative ways to meet the evolving needs of our customers. We are seeing clear, favorable demand trends for many of our products, and we expect that pattern to continue as vaccine rollouts accelerate and restrictions ease.”

Mr. Luciano added, “We are also moving into the next phase of our strategic transformation, which will sharpen our focus on two key pillars — Productivity and Innovation — to enhance our capabilities to deliver outstanding execution, serve customer needs, and power growth and profitability. Taking all of these factors into account, our outlook today is even more optimistic than what we shared at the beginning of the year. We expect significant year-over-year growth in earnings across all three of our businesses in 2021 and continued sustainable growth in the years to come."

After a decade of divestments and portfolio investments, coupled with efforts to optimize its businesses, ADM is now moving its focus to two key pillars, productivity and innovation. Under productivity, the company aims to centralize its operations and deliver best practices across the firm. This includes, but is not limited to, yield improvements, plant automation and supply change management. Under Innovation, ADM will invest more heavily in its R&D platform, delivering new technologies that can replace petroleum-based products. We expect these efforts, along with continued investment in Nutrition, to further stabilize earnings and drive longer-term growth. The stock currently yields 2.3% and trades for 15 times NTM EPS projections, while our Target Price has been boosted to $68.

Shares of **3M** (MMM – $197.14) dipped nearly 4% in early trading on Tuesday despite the release of solid financial results for Q1. The industrial conglomerate earned $2.77 per share versus the $2.30 expected by the Street, a 28% improvement from Q1 2020. Sales also grew 9.6% to $8.9 billion supported by 18% and 10% respective increases in Asia Pacific and EMEA (Europe, Middle East and Africa). The Safety & Industrial and Transportation & Electronics business groups were areas of strength producing $3.3 billion and $2.5 billion of sales, respectively, with each showing roughly 10% organic growth year-over-year and operating margins over 20%. 3M has reduced its debt balance by about $5 billion over the past year and management has guided to 3% to 6% organic sales growth, earnings per share of $9.20 to $9.70 and free cash flow conversion of 95% to 105% in 2021.

Q1 Business Group performance

	Organic growth	Segment Operating Margin	Commentary
Safety & Industrial	+10.3%	24.4%	• Improving end markets (industrial, automotive, electronics, construction) driving growth in industrial adhesives and tapes, roofing granules, auto body repair, electrical OEM/MRO and abrasives • Respirator demand added 6.4 ppts to organic growth • Operating margins +70 bps YoY; improvement due to sales growth leverage, partially offset by rising raw materials, logistics and legal costs
Transportation & Electronics	+9.8%	23.3%	• Organic growth led by electronics due to strong demand in data center, semiconductor, interconnect and consumer electronics (TVs/laptops); automotive OEM outgrew global car builds • Operating margins +260 bps YoY; improvement due to sales growth leverage and prior year COVID-19 impacted asset write-downs, partially offset by rising raw materials and logistics costs
Health Care	+9.3%	22.7%	• Organic growth led by oral care due to higher patient visits; separation and purification growth driven by development and manufacturing of COVID-19 vaccines; medical solutions continues to be impacted by year-on-year declines in healthcare procedure volumes • Operating margins +120 bps YoY; improvement due to sales growth leverage, partially offset by supply chain disruptions and rising raw materials and logistics costs
Consumer	+7.8%	21.1%	• Continued strength in home improvement; office and stationery delivered positive organic growth driven by emerging return-to-school and work-place trends • Operating margins similar YoY; sales growth leverage, offset by higher raw materials, logistic and outsourced hardgoods manufacturing costs, and investments in advertising and merchandising

3M

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CEO Mike Roman commented, “The first quarter was strong for 3M, with broad-based organic growth across all business groups and geographic areas. Our team executed well and posted record sales, robust cash flow and expanded margins, along with a double-digit increase in earnings per share. We saw encouraging improvement in many of our end markets, while others remained well below pre-pandemic levels. We also faced and addressed ongoing supply chain disruptions due to COVID-19, exacerbated by improving macroeconomic trends and winter storm Uri, all of which are increasing the cost of doing business.”

He continued, “I am proud of the way 3Mers have stepped up to manage and overcome these challenges, keeping our factories running, expanding our manufacturing capacity, and driving innovation for our customers across our businesses. We have found new ways to engage with customers and create solutions no matter where we are around the world, learnings we will take forward as we come out of the pandemic. Looking ahead, we expect continued strengthening of the global economy, though we anticipate the recovery to be uneven as the trajectory of the pandemic, rollout of vaccines and government policies evolve in different stages around the world. We are confident in our business as we navigate COVID-19 uncertainty.”

After a few years of spinning its wheels, we are delighted that 3M has been able to spur growth once again. While the company is still working through its association with PFAS chemicals, its key role in providing essential protective equipment ought to have engendered substantial goodwill from the powers that be. We expect areas of the business affected by the pandemic to find their footing in the next few quarters. MMM offers a reasonable valuation (20 times forward EPS estimates) for exposure to a blue-chip company with a very attractive dividend yield of 3.0%, versus still-paltry yields from fixed income alternatives. We've increased our Target Price to $223.

Shares of **Capital One Financial** (COF – $149.08) marched nearly 10% higher in the days following the release of its Q1 financial results. The consumer finance giant posted EPS of $7.03 in the quarter, a massive number in comparison to the $4.13 expected by analysts, although a $1.6 billion release of loan loss allowance padded the bottom line to the tune of about $1.79 per share. Like many of the banks in our universe, Capital One has suffered from tepid loan demand in recent months as stimulus-driven liquidity has led borrowers to pay down existing debts, credit cards in particular, with their higher interest rates. But as COF CEO Rich Fairbank said, "For the third consecutive quarter, the story of our Domestic Card business continues to be 2 sides of the same coin. Historically, high payment rates amplified by the effects of government stimulus continue to put pressure on loan balances. And on the flip side, the same factors are driving exceptional credit performance." Loans 30 days or more delinquent declined to 2.24% of the total compared to an average figure of around 3% in recent years, and well below the 4.68% in Q1 2020

Mr. Fairbank added, "Three key themes are evident in our first quarter results. High payment rates continue to put near-term pressure on loan balances and revenue growth, particularly in our Domestic Card business. On the flip side, strikingly strong credit drove a third consecutive quarter of record earnings per share. And our investments to transform our technology and transform how we work are paying off. Our modern technology is powering our response to the pandemic and putting us in a strong position for opportunities that emerge as sweeping digital change transforms banking. Pulling way up, we continue to focus on the things that create enduring value when delivered and sustained over the long term, continuing to transform our technology from the ground up, capitalizing on our transformation to drive innovation and growth, generating positive operating leverage and improving efficiency over time and managing capital efficiently and effectively, including significant planned capital distribution."

With the loan book well reserved for credit losses and a strong capital base, we expect improving economic trends to support capital returns in the near future. CFO Andrew Young explained, "We continue to estimate that our CET1 capital need is around 11%. Recall that in January, our Board of Directors authorized a repurchase plan of up to $7.5 billion of the company's common stock. In the first quarter, we repurchased…$490 million of common stock at an average price of approximately $114 per share. Based on the Fed's extension of the trailing 4-quarter average earnings rule, our share repurchase capacity will be limited to approximately $1.7 billion in the second quarter."

We remain more concerned about a smaller credit card portfolio than we are about credit losses as we move to the other side of this pandemic and the economy starts to reaccelerate. However, we continue to be long-term fans, liking that COF has historically acted opportunistically to acquire assets in efforts to bolster returns and diversify, while its digital focus allows it to spend more on advertising than on traditional overhead. COF trades today for less than 9 times the consensus 2021 EPS estimate and offers a 1.1% dividend yield. Our Target Price has been bumped to $162.

Shares of **Merck & Co.** (MRK – $74.50) dropped over 5% on Thursday as the pharmaceutical giant announced that it earned $1.40 per share in Q1, nearly 14% below the consensus analyst estimate. Revenue for the quarter declined marginally to $12.1 billion as a high bar in Q1 of 2020 and COVID-19 presented headwinds, even as Keytruda (32% of sales) grew 16%. Current CEO Ken C. Frazier reminded that he is set to retire on June 30 and will be succeeded by Robert Davis, who is currently the firm's President.

Executive VP & President Human Health Frank Clyburn commented, "The underlying strength in our Human Health business was impacted this quarter due to the increase in cases and additional lockdowns across the globe. These headwinds were, in part, the continuation of reduced patient access to physician offices and lower-than-normal wellness visits and were more pronounced early in the quarter given the wave of infections that occurred. The rollout of the COVID-19 vaccines and recommendations against co-administration have also impacted parts of our vaccine business. As a reminder, roughly 70% of our pharmaceutical revenue is comprised of physician-administered products."

He concluded, "With the strong rollout of the COVID vaccines, we expect that patients will be more comfortable to seek care in a timely manner. In fact, we are encouraged by the recovery trends we saw as we exited the first quarter, with March wellness visits in the United States tracking above prepandemic levels. We are confident in the strength and resilience of our portfolio of innovative medicines and vaccines. We expect to return to more normal operations later this year and strong full year growth. There is underlying patient demand for our products, and we believe that once we move through the temporary market dynamics created by the pandemic, our business will resume to a strong growth trajectory long into the future."

The spin-off of Merck's women's health, trusted legacy brands and biosimilars businesses (to be called Organon) is expected to take place on June 2, with trading in the new stock commencing on June 3. For the combined entity, management anticipates revenue of $51.8 billion to $53.8 billion, representing growth of 8% to 12% versus 2020, and adjusted EPS to be between $6.48 to $6.68, reflecting growth of 12% to 15%.

We think that the continuing successful data on Keytruda in several indications offers Merck significant growth potential and reinforces the strong pricing power for the drug. MRK also has a wide lineup of high-margin drugs outside of Keytruda, as well as a pipeline of new drugs which should ensure strong returns on invested capital over the long term. MRK boasts a history of returning cash to shareholders, a diversified revenue stream and solid free-cash-flow generation. The current dividend yield is 3.5%. Our Target Price for the combined MRK is now $107.

Norfolk Southern (NSC – $279.24) posted top- and bottom-line results on Wednesday that edged analyst expectations. The east coast railroad operator earned $2.66 per share (vs. 2.54 est.) as lower fuel, compensation and benefits, and materials expenses helped push the operating ratio to a record 61.5%. Amid still very tight trucking conditions, the intermodal segment remained strong, improving 10% year-over-year, though slightly lower versus Q4, while Merchandise and Coal segments continued to improve on a sequential basis.

CEO James A. Squires commented, "Our steadfast commitment to improving productivity and executing our precision scheduled railroading strategy has propelled us to another record operating ratio performance while we grew revenues and earnings in the quarter. Our first-quarter results demonstrate our team's ability to deliver strong performance in the face of significant supply chain disruptions. The reopening of the economy provides meaningful tailwinds for continued strength in both the consumer and manufacturing sectors, and our long history of delivering sustainable transportation solutions for customers will continue to drive long-term value for our shareholders, customers, and the communities we serve."

NSC's exposure to hot areas of the economy, which we think are poised to gain steam as we move through the year, position it well. We also expect efficiency gains as management continues to implement its TOP21 program. We concede that NSC doesn't appear cheap as the stock's 63% performance over the last 12 months has pushed the forward P/E ratio to 23.5, but we note that Canadian Pacific has agreed to buy railroad operator Kansas City Southern for a price north of 30 times earnings. The dividend yield for NSC is 1.4% and our Target Price is now $293.

New York Community Bancorp (NYCB – $11.96) announced last week that it earned $0.29 per share in Q1, edging out the $0.27 that analysts expected. Total deposits increased 22% year-over-year to $34.2 billion as loans modestly rose to $43.1 billion. Non-performing assets declined 12% versus Q4, as management said that all of its full-payment loan deferrals had returned to payment status as of March 31. The bank remains reasonably capitalized with a CET1 ratio of 9.8% at the holding company.

NYCB also announced that it would be using its stock to acquire Midwest regional Flagstar Bancorp for approximately $2.6 billion. Flagstar shareholders will receive 4.0151 shares of New York Community common stock for each share of Flagstar. The new company will have over $87 billion in assets and operate nearly 400 traditional branches in nine states and 87 loan production offices across a 28-state footprint. The combined entity will have its headquarters on Long Island, New York, with regional headquarters in Troy, Michigan, and Flagstar Bank will maintain its brand in the Midwest, including its mortgage division. Management expects the transaction to close by the end of 2021.

Commenting on the transaction, Thomas R. Cangemi stated, "When I was appointed President and CEO of New York Community earlier this year, one of my top priorities was to seek out a like-minded partner that would provide NYCB with a diversified revenue stream, an improved funding mix, and leverage our scale and technology, as we transition away from a traditional thrift model. In Flagstar, we have found such a like-minded partner. The combination of our two companies will allow each of us to continue our transformation to a full-service commercial bank by broadening our product offerings while expanding our geographic reach with no branch overlap. Over the past several months, I have gotten to know the Board and management team of Flagstar and found that we share the same values and commitment to our employees, customers, and the communities which we serve. Importantly, we both hold shareholder value as paramount.

Sandro and his team have done a terrific job at Flagstar and I look forward to working closely with them as we build a bank for the future. The merger of our two organizations will provide us with a larger platform, a more robust product offering, a strong employee talent pool, and significant balance sheet size to accelerate our transformation into a high performing commercial bank."

Mr. Cangemi added, "This partnership brings multiple benefits to our organization. It is expected to be immediately accretive to both our EPS and tangible book value per share, and accelerates our transformation to a commercial banking model. It provides us with geographic diversification as we will enter new markets in the Midwest and California, diversifies our loan portfolio, increases our core deposits, greatly improves our funding mix and interest rate risk positioning, and it adds a top ten mortgage banking company to our model. In addition, we both see significant opportunities to provide our customers with a full suite of consumer and commercial banking products and services. It also adds significant management expertise, especially in those areas that are key for us as we transition to a commercial bank. This is a tremendous alliance for each of our companies and I am excited to work with Flagstar's management team and board as we come together and build a bank for the future.:

President and CEO of Flagstar Alessandro DiNello commented, "For Flagstar, this is a unique opportunity. With our existing Flagstar platform, we had every expectation of continuing to build on our success as a leader in creating value in the mid-size bank space. Now, in partnership with NYCB, we are positioned to further accelerate everything we've been doing during my tenure as Flagstar's CEO to build a best-in-class commercial bank, supported by one of the best mortgage and servicing businesses in the country."

The market seemed to like the deal with shares of both companies initially rallying on the announcement. We have expected transactions of this sort for some time as smaller regionals are pressed to compete with much larger peers technologically and to enhance scale amid paltry loan yields. With NYCB shares trading slightly below book value, we would like to have seen a little more bank for its buck, even as the company is paying only slightly over book value for Flagstar. However, we think the regional diversification is quite attractive for NYCB investors as we have long been mindful of risks within the NYC multifamily market. Flagstar has more than doubled its book value per share over the last decade, with much of the growth coming over the past three years. NYCB has stated that the current quarterly dividend of $0.17 is intact, which puts the yield at 5.7% as of Friday's close. Our Target Price for NYCB is now $17.