Market Commentary Monday, November 29, 2021

November 28, 2021

EXECUTIVE SUMMARY

Newsletter Trades – Three Partial Sales
TPS 662 – December Newsletter to be Emailed Thursday
Volatility – Big DJIA Plunge on Friday
Omicron – COVID-19 Variant of Concern #5
Econ Data – Strong Q4 Growth Continues to be Expected
Fed News – Powell Nominated for a Second Term; 2 Fed Funds Hikes Expected in 2022
Interest Rate Regimes – Value & Dividend Payers Perform Well When Rates are Rising…and When Rates are Falling
Valuations – Inexpensive Metrics for our Managed Account Portfolios
Sentiment – Big Pullback in Bullishness & Rise in Bearishness
Stock News – Updates on SJM, MDT, MU, ALB, JWN & DE

Market Review

As discussed on our November 19 *Sales Alert*, we made the following trades on Tuesday, November 23, for our two real money newsletter portfolios:

TPS Portfolio
Sold 146 shares of **Apple** (AAPL – $156.81) at $160.055
Sold 69 shares of **Microsoft** (MSFT – $329.68) at $334.277
Sold 218 shares of **Oracle** (ORCL – $92.33) at $92.861

Buckingham Portfolio
Sold 38 shares of Apple at $160.055
Sold 14 shares of Microsoft at $334.277

We will use those fill prices for the sales of the following in our two hypothetical accounts:

Millennium Portfolio
68 shares of Apple at $160.055
26 shares of Microsoft at $334.277

PruFolio
114 shares of Apple at $160.055
44 shares of Microsoft at $334.277
32 shares of Oracle at $92.861

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Work is underway on the December edition of *The Prudent Speculator*. If all goes according to Hoyle, *TPS 662* will be emailed the evening of Thursday, December 2. This month, we will offer at least one first-time recommendation and our *Graphic Detail* will feature our *Quarterly Earnings Scorecard*.

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Here we thought the Thanksgiving trading-week would be quiet. Yes, trading volumes generally were subdued, but there were a couple of market-moving events, with the week ending with a 905-point drop in the Dow Jones Industrial Average during Friday's holiday-shortened trading session.

THE PRUDENT SPECULATOR

BLACK FRIDAY WAS VERY RED THIS YEAR

Rare are sizable one-day setbacks of 2.5% in the Dow Jones Industrial Average, but the popular market gauge skidded 2.53% on a price basis on Nov. 26, 2021, the 426th worst monthly showing since 1928.

Down > 2.52%

	1920's	1930's	1950's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		24	7	5	1	2	1	5	6	6	21	57
Years Ending in 1		48	3	1	1	0	0	1	6	7	1	67
Years Ending in 2		56	0	0	2	0	1	0	10	0		69
Years Ending in 3		27	2	0	1	4	0	0	2	0		36
Years Ending in 4		8	0	0	0	7	0	0	0	0		15
Years Ending in 5		2	0	2	0	1	0	0	0	3		8
Years Ending in 6		4	12	0	0	0	2	2	0	1		21
Years Ending in 7		20	3	0	0	0	11	2	5	0		41
Years Ending in 8	5	12	3	1	0	0	3	8	24	7		63
Years Ending in 9	25	6	0	0	0	1	1	1	12	3		49
Totals	30	207	30	9	5	15	19	19	65	27	22	426

From 1.31.28 through 11.26.21. Days of index price decreases of more than 2.52%. SOURCE: Kovitz using data from Bloomberg

Up > 2.52%

	1920's	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		12	4	1	0	4	1	4	5	5	13	36
Years Ending in 1		31	1	0	0	1	0	4	7	9	0	53
Years Ending in 2		50	0	0	4	0	9	0	16	0		79
Years Ending in 3		38	0	0	1	5	1	0	5	0		50
Years Ending in 4		8	0	0	0	11	4	0	0	0		23
Years Ending in 5		2	0	0	0	3	1	0	0	1		7
Years Ending in 6		0	6	0	1	0	1	0	0	0		8
Years Ending in 7		8	0	2	0	0	13	5	1	0		29
Years Ending in 8	4	22	0	0	0	3	4	5	24	2		64
Years Ending in 9	16	4	0	0	0	0	1	1	13	1		36
Totals	20	175	11	3	6	27	35	19	71	18	13	385

From 1.31.28 through 11.26.21. Days of index price increases of more than 2.52%. SOURCE: Kovitz using data from Bloomberg

The plunge in the Dow worked out to 2.53% and was the first single-day dip of that size in 2021, after 21 daily setbacks of equal or greater magnitude last year. Certainly, we understand that downside market volatility is something investors must put up with on the way to superb long-term returns,…

THE PRUDENT SPECULATOR

VOLATILITY IS NORMAL BUT VALUE & DIVIDENDS WIN RACE

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

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	113.2%	993	27	3.4	3/23/2020	11/18/2021
17.5%	68.1%	581	39	2.3	3/23/2020	11/18/2021
15.0%	66.7%	565	45	2.0	3/23/2020	11/18/2021
12.5%	45.0%	339	72	1.3	3/23/2020	11/18/2021
10.0%	35.4%	248	98	0.9	3/23/2020	11/18/2021
7.5%	23.8%	150	157	0.6	9/23/2020	11/18/2021
5.0%	14.8%	73	307	0.3	10/4/2021	11/18/2021

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	306	0.3	9/2/2021	10/4/2021

From 02.20.28 through 11.18.21. 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	13.3%	26.0%
Growth Stocks	10.0%	21.3%
Dividend Paying Stocks	10.8%	18.0%
Non-Dividend Paying Stocks	9.4%	29.3%
Long-Term Corporate Bonds	6.1%	7.6%
Long-Term Gov't Bonds	5.5%	8.6%
Intermediate Gov't Bonds	5.0%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	2.9%	1.8%

From 06.30.27 through 10.31.21. 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

…and the latest trip south has not yet hit the 5% level, the occurrence of which has taken place three times a year on average, but only one time so far this year.

THE PRUDENT SPECULATOR

5% UPS AND DOWNS (ON A CLOSING PRICE BASIS) 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

3/26/2009	3/30/2009	-5.44%	BEAR		3/9/2009	3/26/2009	23.11%	BULL
6/12/2009	7/10/2009	-7.09%	BEAR		3/30/2009	6/12/2009	20.15%	BULL
10/19/2009	10/30/2009	-5.62%	BEAR		7/10/2009	10/19/2009	24.89%	BULL
1/19/2010	2/8/2010	-8.13%	BEAR		10/30/2009	1/19/2010	11.01%	BULL
4/23/2010	5/7/2010	-8.74%	BEAR		2/8/2010	4/23/2010	15.19%	BULL
5/12/2010	6/7/2010	-10.34%	BEAR		5/7/2010	5/12/2010	5.47%	BULL
6/18/2010	7/2/2010	-8.49%	BEAR		6/7/2010	6/18/2010	6.38%	BULL
8/9/2010	8/26/2010	-7.14%	BEAR		7/2/2010	8/9/2010	10.29%	BULL
2/18/2011	3/16/2011	-6.41%	BEAR		8/26/2010	2/18/2011	28.25%	BULL
4/29/2011	6/15/2011	-7.20%	BEAR		3/16/2011	4/29/2011	8.49%	BULL
7/7/2011	8/8/2011	-17.27%	BEAR		6/15/2011	7/7/2011	6.94%	BULL
8/15/2011	8/19/2011	-6.72%	BEAR		8/8/2011	8/15/2011	7.60%	BULL
8/31/2011	9/9/2011	-5.30%	BEAR		8/19/2011	8/31/2011	8.49%	BULL
9/16/2011	10/3/2011	-9.60%	BEAR		9/9/2011	9/16/2011	5.35%	BULL
10/28/2011	11/25/2011	-9.84%	BEAR		10/3/2011	10/28/2011	16.91%	BULL
4/2/2012	6/1/2012	-9.94%	BEAR		11/25/2011	4/2/2012	22.47%	BULL
9/14/2012	11/15/2012	-7.67%	BEAR		6/1/2012	9/14/2012	14.69%	BULL
5/21/2013	6/24/2013	-5.76%	BEAR		11/15/2012	5/21/2013	23.34%	BULL
1/15/2014	2/3/2014	-5.76%	BEAR		6/24/2013	1/15/2014	17.50%	BULL
9/18/2014	10/15/2014	-7.40%	BEAR		2/3/2014	9/18/2014	15.47%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR		10/15/2014	3/2/2015	13.69%	BULL
9/16/2015	9/28/2015	-5.69%	BEAR		8/25/2015	9/16/2015	6.84%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR		9/28/2015	11/3/2015	12.12%	BULL
6/23/2016	6/27/2016	-5.34%	BEAR		2/11/2016	6/23/2016	5.64%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR		6/27/2016	1/26/2018	43.60%	BULL
3/9/2018	4/2/2018	-7.35%	BEAR		2/8/2018	3/9/2018	7.96%	BULL
9/20/2018	11/23/2018	-10.17%	BEAR		4/2/2018	9/20/2018	13.55%	BULL
12/3/2018	12/24/2018	-15.74%	BEAR		11/23/2018	12/3/2018	5.99%	BULL
4/30/2019	6/3/2019	-6.84%	BEAR		12/24/2018	4/30/2019	25.30%	BULL
7/26/2019	8/14/2019	-6.12%	BEAR		6/3/2019	7/26/2019	10.25%	BULL
2/19/2020	3/12/2020	-26.74%	BEAR		8/14/2019	2/19/2020	16.11%	BULL
3/13/2020	3/23/2020	-17.47%	BEAR		3/12/2020	3/13/2020	9.29%	BULL
3/26/2020	4/1/2020	-6.07%	BEAR		3/23/2020	3/26/2020	17.55%	BULL
6/8/2020	6/11/2020	-7.12%	BEAR		4/1/2020	6/8/2020	30.84%	BULL
9/2/2020	9/23/2020	-9.60%	BEAR		6/11/2020	9/2/2020	19.28%	BULL
10/12/2020	10/30/2020	-7.48%	BEAR		9/23/2020	10/12/2020	9.18%	BULL
9/2/2021	10/4/2021	-5.21%	BEAR		10/4/2021	11/18/2021	9.40%	BULL
Average Drop		-8.99%			**Average Gain**		14.83%	

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 likely still 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 37 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 4594.62.

Obviously, the catalyst for Friday's skid was disconcerting coronavirus news, with the World Health Organization (WHO) warning of the new Omicron variant that was first identified in South Africa.

THE PRUDENT SPECULATOR

BAD WEEK ON THE COVID-19 FRONT

HEALTH

What's known and unknown about Omicron, the coronavirus variant identified in South Africa

By Andrew Joseph Nov. 26, 2021 Reprints

People line up to get vaccinated at a shopping mall in Johannesburg.
DENIS FARRELL/AP

Scientists in South Africa have identified a new coronavirus variant with a worrisome combination of mutations that experts fear could make it more transmissible and allow it to evade immune protection — including the protection generated by vaccines.

Experts are scrambling to learn more about the variant, known by its scientific name B.1.1.529 and called Omicron by the World Health Organization. Right now, there are more open questions than firm answers. And although scientists have expressed significant early concern over the variant — the WHO designated it as a "variant of concern" on Friday — they have cautioned that they are still seeking critical information about it.

Below, STAT outlines what is known and unknown.

One reminder: There have been a series of variants that have caused initial alarm, only to prove largely unimportant in the course of the pandemic.

BIOTECH

New data, analyses take some of the shine off Merck's Covid pill

By Matthew Herper Nov. 26, 2021 Reprints

MEL EVANS/AP

New data, in addition to analyses by scientists at the Food and Drug Administration, may take some of the shine off Merck's experimental Covid-19 pill, molnupiravir.

On Friday, the drug maker released full results from its study of the pill, molnupiravir, showing it reduced the risk of hospitalization by 30%, down from a decrease of 50% seen in an earlier analysis. In the 1,433-patient study, fewer patients died when they received the treatment. There were nine deaths in the placebo group in the final analysis, and one in the molnupiravir group.

The data were released as the FDA published its own analysis of molnupiravir ahead of a meeting of advisers being convened by the agency to vote on whether the medicine's benefits outweigh its risks.

In that analysis, FDA researchers seemed to favor the authorization of molnupiravir but raised concerns that could mean people who are at lower risk from the disease would not be offered the pill.

There is still much to be learned about Omicron, but leaders around the world quickly imposed travel restrictions from Africa, with Israel going much further in banning all foreign visitors for 14 days. U.S. President Joe Biden commented, "We have decided we're going to be cautious. We don't know a lot about the variant except that it is a big concern and seems to spread rapidly."

It is said that equity investors do not like uncertainty (when is there ever certainty?), so we suppose Friday's market hit should not be a big surprise. Of course, we note that Dr Angelique Coetzee, the South African doctor who first spotted the Omicron variant, said this weekend, "The patients seen so far have had extremely mild symptoms, but more time is needed before we know the seriousness of the disease for vulnerable people." Also, we can't forget that vaccines and antivirals exist to fight the virus.

Health is more important than wealth, but it is interesting that Omicron is the fifth Variant of Concern identified by the WHO in the past 11 months, with the previous four, including Delta, not causing long-term stock market harm.

THE PRUDENT SPECULATOR

VARIANTS OF CONCERN AND EQUITY RETURNS

Variants of Concern (VOC)

Working definition:

A SARS-CoV-2 variant that meets the definition of a VOI (see below) and, through a comparative assessment, has been demonstrated to be associated with one or more of the following changes at a degree of global public health significance:

- Increase in transmissibility or detrimental change in COVID-19 epidemiology; OR
- Increase in virulence or change in clinical disease presentation; OR
- Decrease in effectiveness of public health and social measures or available diagnostics, vaccines, therapeutics.

Currently designated Variants of Concern (VOCs)+:

WHO label	Pango lineage*	GISAID clade	Nextstrain clade	Additional amino acid changes monitored°	Earliest documented samples	Date of designation
Alpha	B.1.1.7	GRY	20I (V1)	+S:484K +S:452R	United Kingdom, Sep-2020	18-Dec-2020
Beta	B.1.351	GH/501Y.V2	20H (V2)	+S:L18F	South Africa, May-2020	18-Dec-2020
Gamma	P.1	GR/501Y.V3	20J (V3)	+S:681H	Brazil, Nov-2020	11-Jan-2021
Delta	B.1.617.2	G/478K.V1	21A, 21I, 21J	+S:417N +S:484K	India, Oct-2020	VOI: 4-Apr-2021 VOC: 11-May-2021
Omicron*	B.1.1.529	GR/484A	21K	-	Multiple countries, Nov-2021	VUM: 24-Nov-2021 VOC: 26-Nov-2021

*see TAG-VE statement issued on 26 November 2021

° only found in a subset of sequences

Variants of Concern	Date of Designation	S&P End Value	1 Month Later	3 Months Later	6 Months Later	12 Months Later	Event thru Present
Alpha	12/18/2020	3,709.41	2%	6%	12%	24%	24%
Beta	12/18/2020	3,709.41	2%	6%	12%	24%	24%
Gamma	1/11/2021	3,799.61	3%	9%	15%		21%
Delta	5/11/2021	4,152.10	2%	7%	12%		11%
Omicron	11/26/2021	4,594.62					
Price Changes Only. Does not Include Dividends							
		Averages:	**2%**	**7%**	**13%**	**24%**	**20%**

Source: Kovitz using data from Bloomberg. As of 11.26.21

While there is still plenty to be learned about the Omicron Coronavirus variant, like transmissibility, disease severity, risk of reinfection and effectiveness of vaccines and therapeutics, this is the fifth Variant of Concern so designated by the World Health Organization (WHO). Stocks thus far have had pretty good immunity to the first four, including Delta.

Time will tell if Omicron will cause more near-term equity market selling, but history shows that stocks have fairly strong long-term viral immunity.

THE PRUDENT SPECULATOR

VIRUSUS HAVE YET TO KILL THE STOCK MARKET

September 29, 2014

March 30, 2020

Magazine Cover	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Time Magazine: The Aids Hysteria	7/4/1983	168.91	-2%	-1%	-9%	49%	61%	2620%
Time Magazine: The Truth About	5/5/2003	926.55	4%	14%	21%	43%	52%	396%
Time Magazine: Avian Flu	9/26/2005	1,215.63	4%	7%	10%	0%	-6%	278%
Time Magazine: H1N1 How Bad	8/24/2009	1,025.57	8%	8%	3%	38%	94%	348%
Bloomberg BusinessWeek: Ebola Is Coming	9/29/2014	1,977.80	6%	4%	-5%	27%	50%	132%
Time Magazine: Coronavirus	3/30/2020	2,626.65	18%	28%	51%			75%
		Price Changes Only. Does not Include Dividends						
		Averages:	**6%**	**10%**	**12%**	**31%**	**50%**	**642%**

Source: Kovitz using data from Bloomberg. As of 11.26.21

August 24, 2009

September 26, 2005

May 5, 2003

July 4, 1983

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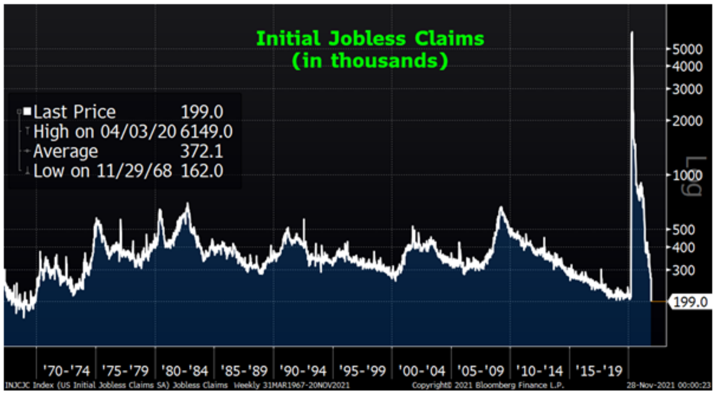
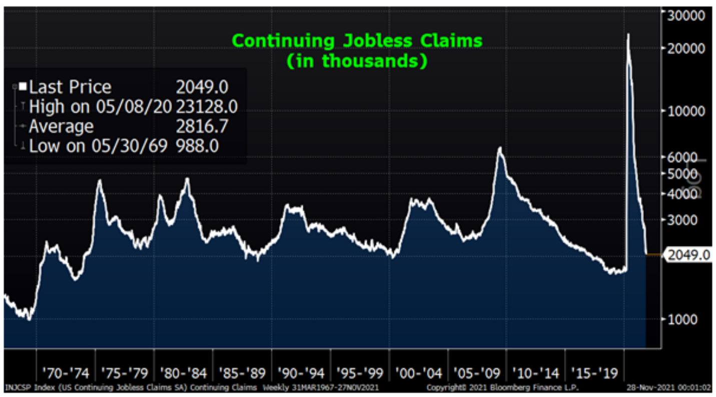
Prior to the Omicron news, the week just ended was shaping up as a good one, especially for Value stocks, as the latest economic data were generally favorable, led by a 52-year low in initial jobless claims.

THE PRUDENT SPECULATOR

JOBLESS FILINGS AND CONTINUING CLAIMS TUMBLE



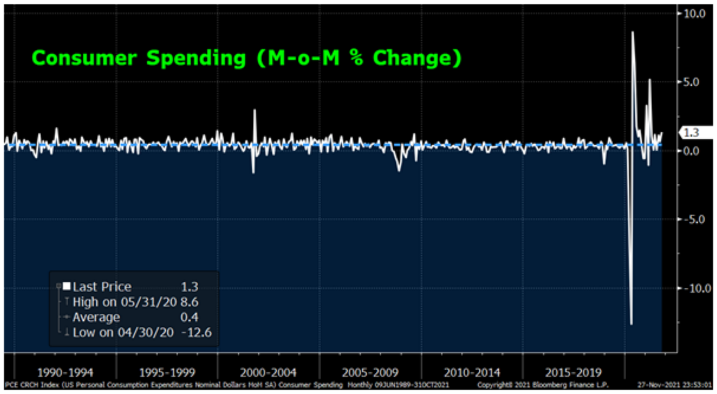


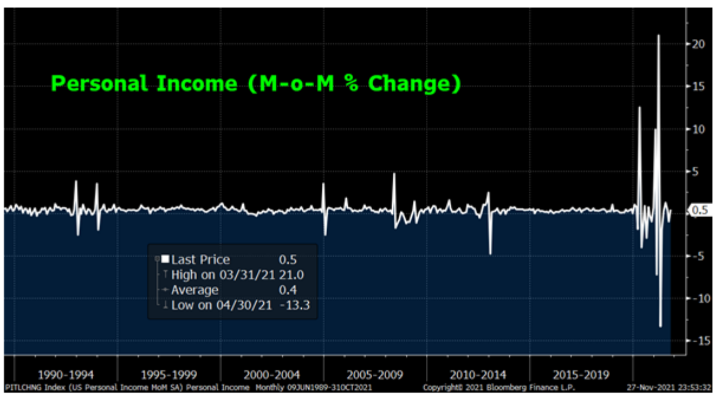
While there is likely some noise in the number due to the Thanksgiving holiday, new filings for unemployment benefits for the period ended November 20 came in at a seasonally adjusted 199,000, a plunge of 71,000 from the week prior and the lowest tally since 1969. Continuing claims filed through state programs edged down to 2.05 million, hitting a new pandemic low, even as businesses continue to struggle to find workers.

In addition, consumer pocketbooks were open in October,…

THE PRUDENT SPECULATOR

CONSUMER SPENDING & PERSONAL INCOMES RISE



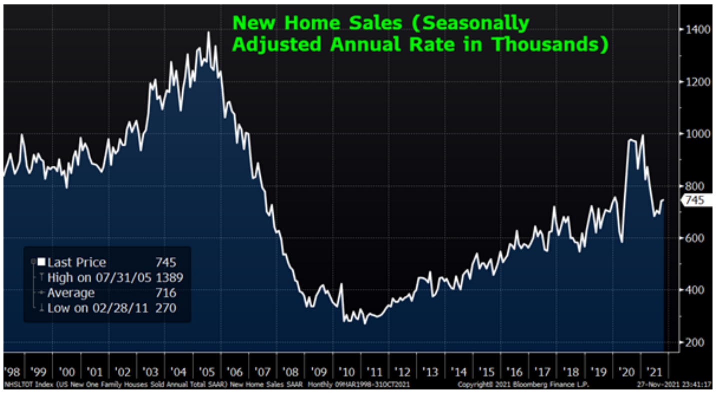


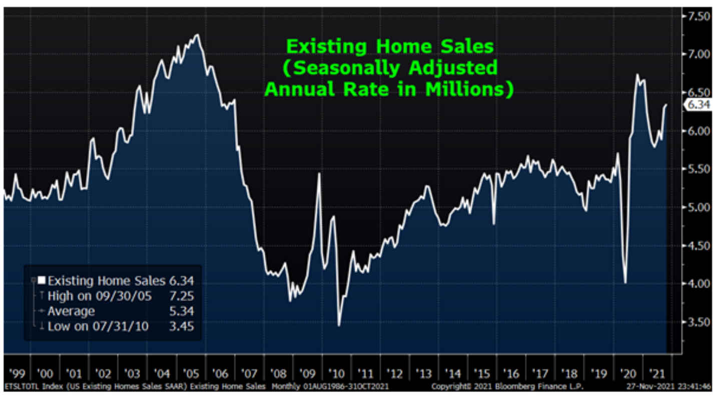
While inflation accounted for about half the gain, more money was shelled out for new cars and travel in October with consumer spending soaring 1.3%, better than expectations and up from a 0.6% gain in September. Shoppers did not have to reach too deeply into their wallets as personal income rose 0.5%, rebounding from a 1.0% drop in September. The savings rate came in at 7.3%, down from 8.2% in September, but not too far off the pre-pandemic level.

…while housing numbers also moved higher.

THE PRUDENT SPECULATOR

HOUSING SHOWING STRONG DEMAND



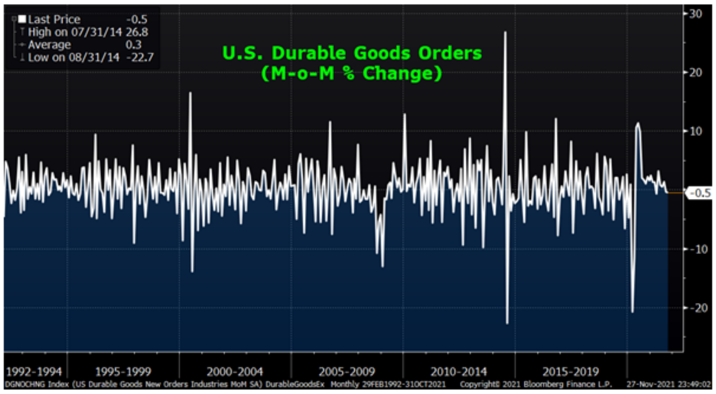


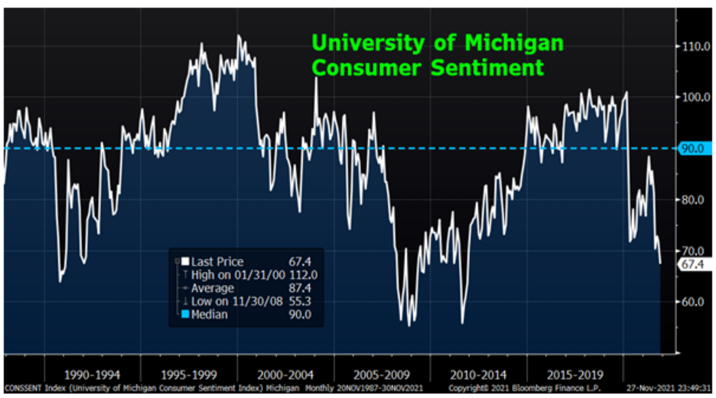
Sales of new homes in October fell short of expectations, despite rising 0.4% over September to 745,000 units, with the biggest gain in the Midwest. The median price for a new home rose to a record of $407,700. Sales of existing homes climbed 0.8% in October to a seasonally adjusted annual rate of 6.34 million, with home prices jumping to $353,900 and unsold inventory at just a 2.4-month supply, compared to 6 months for a balanced market.

To be sure, not everything was trending upward,…

THE PRUDENT SPECULATOR

DISAPPOINTING ECONOMIC NUMBERS

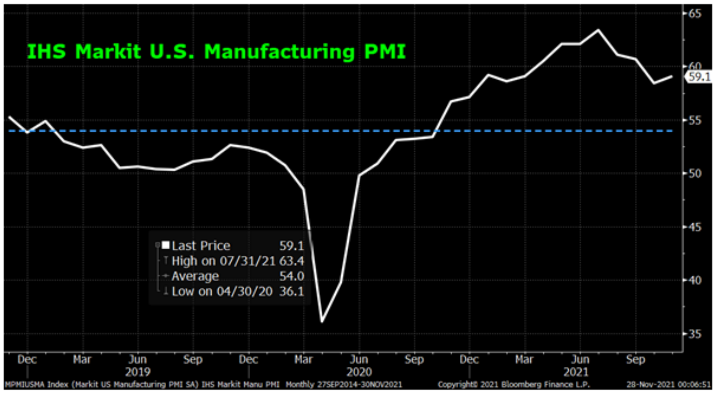


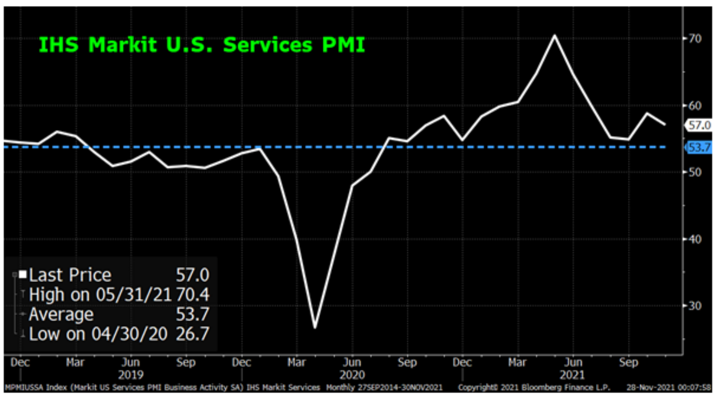


The headline number for durable goods orders in October dipped 0.5%, compared to a 0.4% rise the month prior, with ongoing supply shortages to blame. Excluding the volatile transportation sector, orders rose 0.5%, on top of a 0.8% advance in September, with business investment still pointing to a solid industrial expansion. Meanwhile, the University of Michigan gauge of consumer sentiment this month fell to 67.4, down from 71.7 in October.

…but the numbers continue to be healthy,…

IHS MARKIT PMI READINGS MIXED IN NOVEMBER





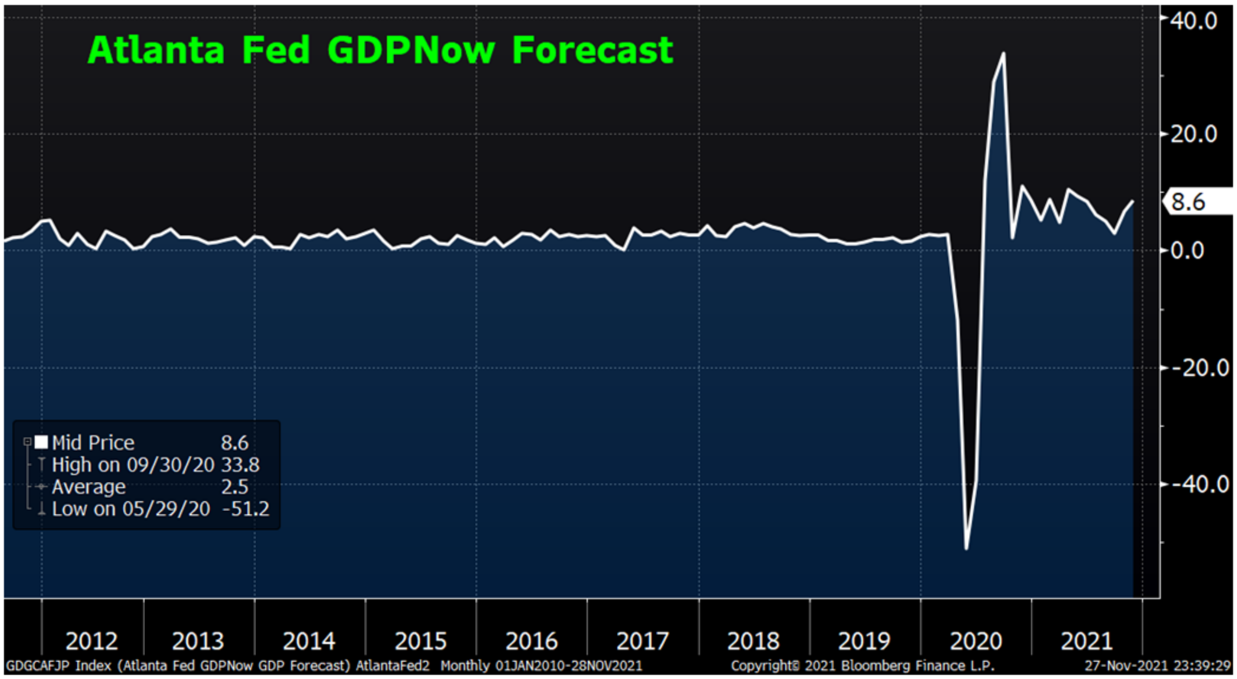
IHS Markit's respective U.S. PMIs for the manufacturing and services sectors in November came in at 59.1 and 57.0, the former in line with expectations, even as the latter trailed forecasts. IHS said, "The U.S. economy continues to run hot. Despite a slower rate of expansion of business activity in November, growth remains above the survey's long-run pre-pandemic average as companies continue to focus on boosting capacity to meet rising demand."

…with the outlook for Q4 U.S. GDP growth remaining terrific.

THE PRUDENT SPECULATOR

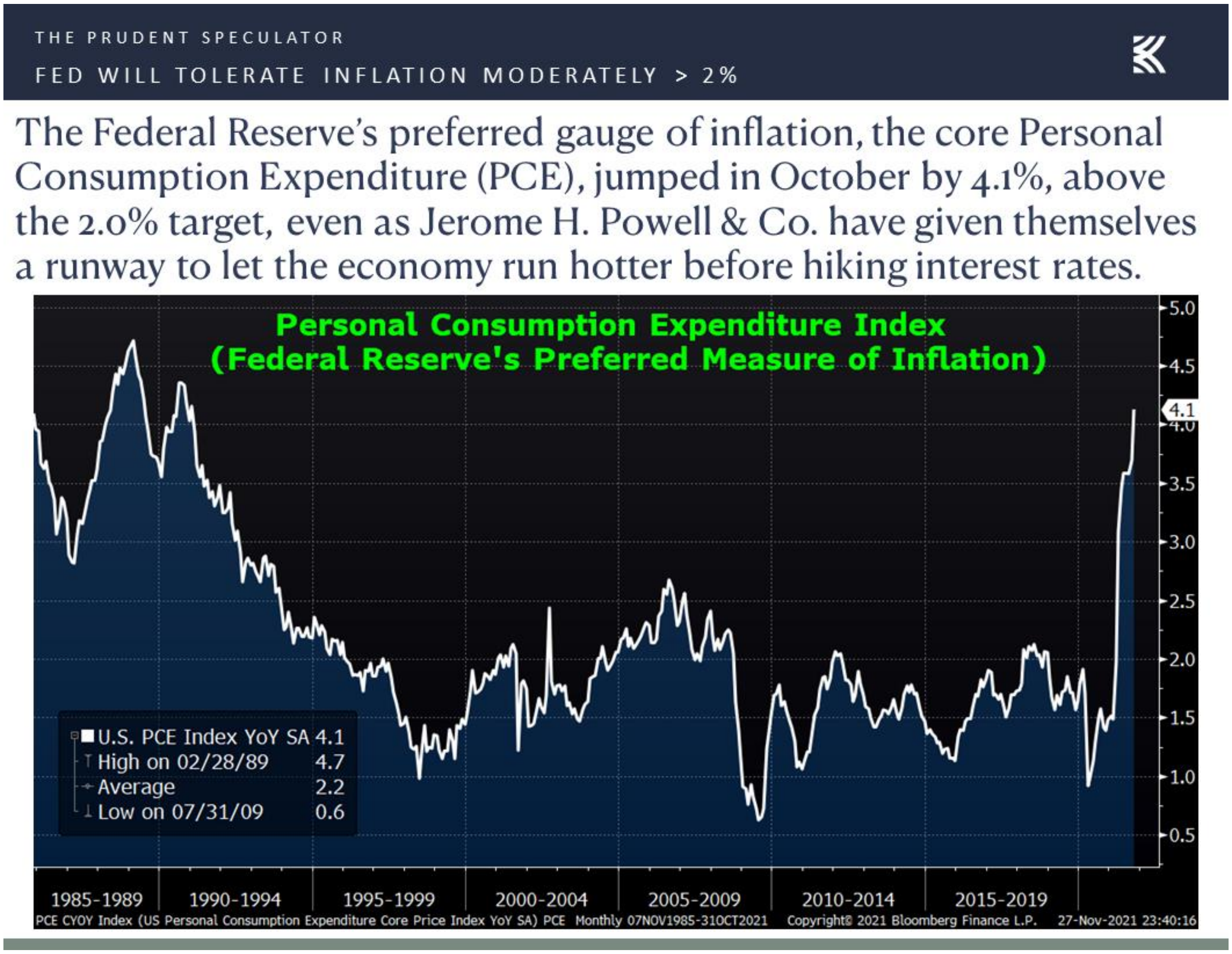
BIG JUMP IN U.S. GDP GROWTH ESTIMATED FOR Q4

While Q1 and Q2 2021 saw an acceleration, the economic rebound slowed in Q3 to 2.1%, but the Atlanta Fed's current projection for Q4 2021 GDP growth on an annualized basis stands at a very robust 8.6%.



President Biden also relieved some equity market worry by nominating Jerome H. Powell for a second term as Chair of the Federal Reserve. Mr. Biden said, "Put directly: at this moment both of enormous potential and enormous uncertainty for our economy, we need stability and independence at the Federal Reserve. Jay has proven the independence that I value in a Fed chair."

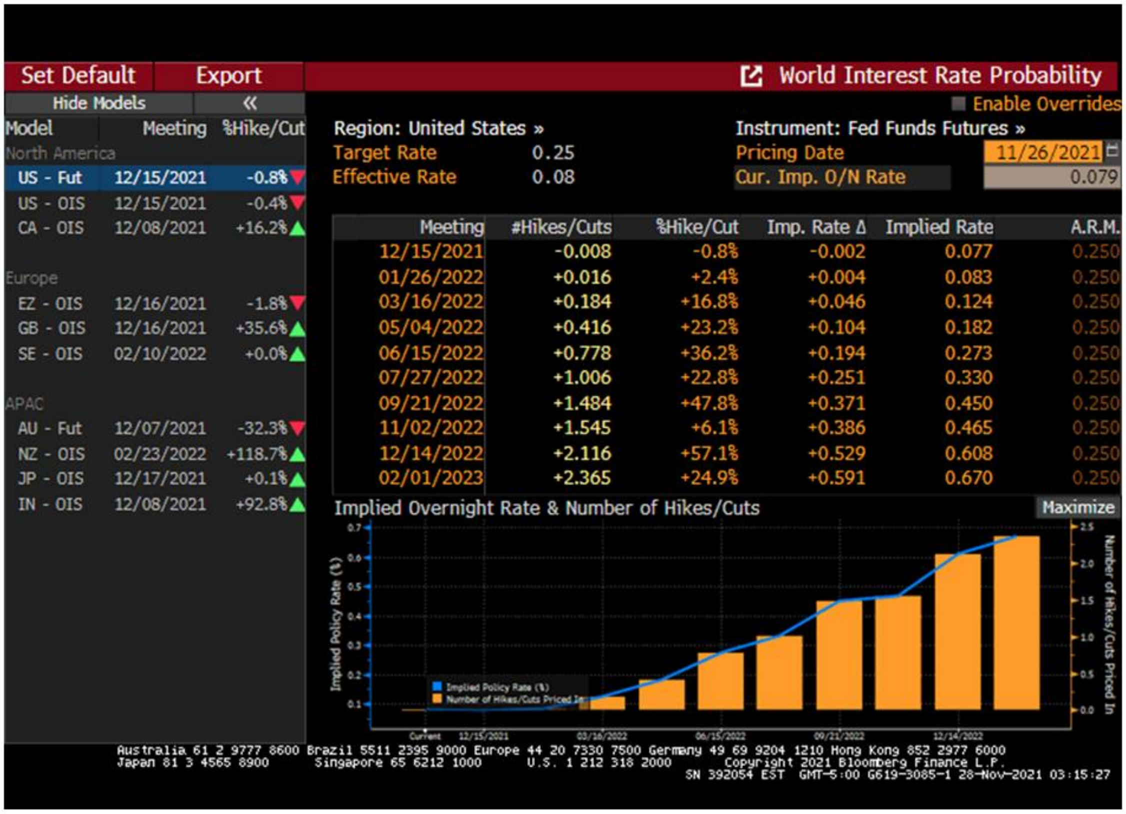
The path COVID-19 takes will play a role in future Federal Reserve policy, but we also learned last week that the Fed's preferred measure of inflation rose by 4.1% in October, well above the 2.0% long-term target,…



…supporting the current view that the Fed Funds rate will be hiked two times in 2022,…

THE PRUDENT SPECULATOR

FED FUNDS RATE ODDS STILL SUGGEST TWO RATE HIKES IN 2022



…with a rising interest rate regime not something that should provide a ton of consternation for those who own Value stocks and Dividend Payers, if more than five decades of market history can serve as a guide.

THE PRUDENT SPECULATOR

FED TIGHTENING – VALUE & DIVIDEND PAYERS THE PLACE TO BE

Rates Change and Equities Rise

Beginning Rate	Rate Environment	Start Date	End Date	Large Stocks	Small Stocks	Value Stocks	Growth Stocks	Div. Payers	Non-Payers
9.0%	FALLING	01.31.1970	02.29.1972	15.5%	8.0%	18.5%	13.5%	2.3%	15.5%
3.3%	RISING	03.31.1972	07.31.1974	-9.3%	-19.5%	-8.9%	-23.4%	-30.8%	-9.8%
12.9%	FALLING	08.31.1974	01.31.1977	20.2%	40.9%	38.6%	24.7%	31.2%	25.2%
4.6%	RISING	02.28.1977	06.30.1981	12.1%	35.8%	21.0%	21.6%	36.7%	14.7%
19.1%	FALLING	07.31.1981	02.28.1983	14.5%	21.4%	28.6%	13.5%	7.9%	15.5%
8.5%	RISING	03.31.1983	08.31.1984	11.2%	9.1%	18.1%	0.4%	-6.1%	10.1%
11.6%	FALLING	09.30.1984	10.31.1986	25.1%	14.1%	26.4%	18.5%	11.0%	26.1%
5.9%	RISING	11.30.1986	03.31.1989	11.2%	7.3%	12.4%	6.3%	5.6%	10.8%
9.9%	FALLING	04.30.1989	12.31.1992	13.5%	9.2%	12.3%	13.9%	12.0%	13.8%
2.9%	RISING	01.31.1993	04.30.1995	10.4%	12.7%	10.6%	5.2%	10.6%	9.6%
6.1%	FALLING	05.31.1995	01.31.1999	29.4%	14.1%	24.0%	21.3%	28.6%	27.2%
4.6%	RISING	02.28.1999	07.31.2000	12.1%	30.1%	15.2%	26.7%	36.5%	4.4%
6.5%	FALLING	08.31.2000	12.31.2003	-7.5%	10.8%	10.6%	-9.0%	-17.9%	2.9%
1.0%	RISING	01.31.2004	03.31.2007	9.5%	11.1%	15.2%	7.7%	8.6%	10.5%
5.3%	FALLING	04.30.2007	02.28.2014	5.7%	7.3%	4.1%	8.2%	9.9%	5.6%
0.1%	RISING	03.31.2014	04.30.2019	11.6%	5.7%	7.1%	11.9%	13.5%	10.6%
2.4%	FALLING	05.31.2019	09.30.2021	23.3%	19.8%	20.4%	31.5%	33.1%	20.9%
			AVERAGE	**12.3%**	**14.0%**	**16.1%**	**11.3%**	**11.3%**	**12.6%**
			FALLING	**15.5%**	**16.2%**	**20.4%**	**15.1%**	**13.1%**	**17.0%**
			RISING	**8.6%**	**11.5%**	**11.3%**	**7.0%**	**9.3%**	**7.6%**

*****

We remain braced for more turbulence as Omicron developments unfold, but the recent pullback has added to the long-term appeal 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	15.3	13.8	1.2	2.5	2.2
ValuePlus	15.7	13.4	1.5	2.4	2.0
Dividend Income	13.8	12.9	1.0	2.2	2.7
Focused Dividend Income	14.8	13.6	1.2	2.4	2.5
Focused ValuePlus	15.0	14.3	1.5	2.7	2.1
Small-Mid Dividend Value	12.0	11.1	0.7	1.6	2.4
Russell 3000	28.1	22.9	2.8	4.4	1.3
Russell 3000 Growth	41.4	33.7	5.0	12.9	0.7
Russell 3000 Value	20.6	16.8	1.9	2.5	2.0
Russell 1000	26.1	22.5	3.0	4.6	1.3
Russell 1000 Growth	38.6	32.7	5.5	14.1	0.7
Russell 1000 Value	19.1	16.6	2.0	2.6	2.0
S&P 500 Index	25.2	22.0	3.1	4.7	1.3
S&P 500 Growth Index	34.6	30.0	5.8	11.2	0.7
S&P 500 Value Index	18.8	16.5	1.9	2.7	2.1
S&P 500 Pure Value Index	11.9	10.5	0.8	1.4	2.4

As of 11.27.21. 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.

…especially from an earnings and dividend yield perspective, given the retreat in interest rates.

THE PRUDENT SPECULATOR

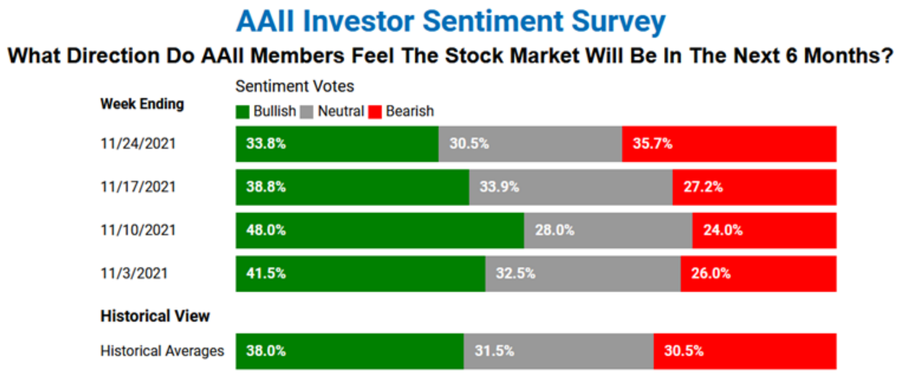
INTEREST RATES STILL VERY SUPPORTIVE OF STOCKS

The so-called Fed Model suggests that the yield on 10-Year Treasuries should be similar to the S&P 500 Earnings Yield, which is the inverse of the P/E ratio. If the 10-Year is greater than the S&P Earnings Yield, a market is overvalued and if the reverse is true, as it is today, a market is undervalued. Though many dismiss the Fed Model, investing is always a choice of this or that, and we like today's rich (and rising) earnings yield (3.97% vs. 1.47% 10-Year) and S&P 500 dividend yield of 1.31%.

And we also like, from a contrarian viewpoint, that the investor mood on Main Street became considerably less optimistic last week.

THE PRUDENT SPECULATOR

AAII BULLISHNESS CONTRACTS & BEARISHNESS JUMPS



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	912	0.27%	0.23%	1.28%	1.15%	3.67%	3.29%	7.15%	6.40%
ABOVE	8.1	62.9	877	0.17%	0.15%	0.51%	0.42%	1.96%	1.71%	4.61%	4.14%
	Ten Groupings of 1789 Data Points										
1	-54.0	-15.0	182	0.55%	0.49%	2.15%	1.91%	5.86%	5.31%	10.63%	9.40%
2	-14.9	-7.3	176	0.35%	0.33%	1.04%	0.91%	3.80%	3.45%	7.10%	6.33%
3	-7.3	-1.3	179	0.33%	0.29%	1.48%	1.38%	3.30%	2.90%	7.11%	6.47%
4	-1.2	3.0	180	0.07%	0.04%	1.10%	1.01%	3.01%	2.65%	6.45%	5.92%
5	3.0	8.0	195	0.06%	0.03%	0.68%	0.59%	2.47%	2.22%	4.64%	4.13%
6	8.1	12.1	161	0.10%	0.08%	0.38%	0.26%	1.63%	1.39%	4.65%	4.16%
7	12.1	16.5	179	0.20%	0.18%	0.70%	0.61%	2.48%	2.23%	5.13%	4.69%
8	16.5	22.0	186	0.17%	0.15%	0.72%	0.65%	2.12%	1.85%	6.09%	5.67%
9	22.0	29.1	172	0.09%	0.08%	0.40%	0.32%	2.04%	1.77%	4.37%	3.79%
10	29.2	62.9	179	0.27%	0.25%	0.31%	0.24%	1.51%	1.28%	2.78%	2.34%

From 07.31.87 through 11.25.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed with a contrarian eye, so the tally of Bulls in the latest AAII Sentiment Survey falling 5.0 points from the week prior and the number of Bears rising 8.5 points is a major positive. The minus 1.9-point Bull-Bear spread is in the 3rd decile, where future returns have been good.

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 offer updates on six of our stocks that reported quarterly results last week or had news out worthy of mention.

JM Smucker (SJM – $130.95) posted fiscal Q2 EPS of $2.43 on just over $2 billion of sales. The bottom-line print was 18% better than the consensus analyst estimate of $2.05, and slightly higher than the same quarter a year ago. Strong performance for Uncrustables contributed to 6% comparable sales growth in the U.S. foods segment, which was offset by elevated costs in the food maker's largest segment (Pet Foods).

To ensure against a lack of raw materials given supply constraints, management has invested in a carrying a bit more inventory than usual. These actions are expected to reduce operating cash flow by roughly $80 million, resulting in a $700 million free cash flow estimate. The action didn't stop management from raising its latest sales and EPS guidance for the full fiscal year by

$160 million and $0.10 from each respective midpoint, given its view that a favorable sales mix combined with price increases and cost savings initiatives will benefit results in future quarters.

CFO Tucker Marshal described Smucker's experience getting through the latest supply-related challenges, "We are experiencing low double-digit year-over-year cost of products, goods sold inflation. That's going to equate over $550 million against our total cost basket at comps. And as — the key elements of that, that we've been pretty consistent since the beginning of our fiscal year, commodity and ingredient inflation, packaging and transportation inflation as well, and you are also now seeing some labor-related inflation as well. Part of that, too, is also just the discontinuity and the disruption of the overall supply chains that are factoring into that. But as we see the balance of our fiscal year, we think it still continues to increase, but it's sort of increasing at a decreasing rate, and we're able to sort of get our arms around the balance of this fiscal year based on what we see to date. We continue to successfully execute and manage through this overall environment."

Competition remains stiff for space in the inner grocery store aisles as well as relevance given consumer preference trends toward fresh and healthy foods, but Smucker still offers modest growth potential with EPS projected to rise from $8.59 in fiscal '22 to $9.01 in fiscal '23 and $9.48 on fiscal '24, to go along with a robust dividend yield of 3.0%. Of course, every stock is fighting for its spot in our portfolios and should SJM hold up significantly better than other stocks if the COVID-19 variant equity market volatility worsens, we could see the shares used as a source of funds for new ideas. For the time being, however, we like that the valuation is on the lower end relative to its peers and that our exposure to the name contributes stability to our portfolios. Our Target Price for SJM now stands at $152.

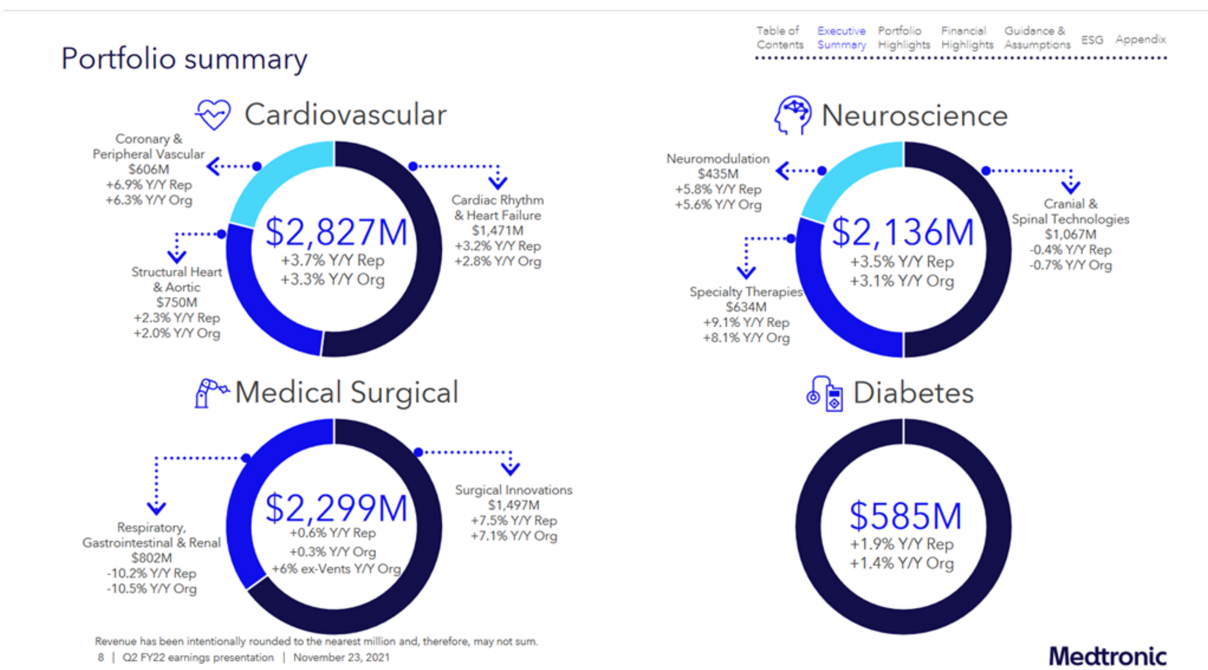
Medical device maker **Medtronic PLC** (MDT – $111.05) reported EPS of $1.32 for fiscal Q2, another massive increase (29.4%) over the prior-year quarter, on revenue of nearly $8 billion. Cardiac sales increased 3% on an organic basis as lower diagnostics revenue affected by COVID resurgence offset the mid-teens growth of Leadless Pacemakers on the continued global adoption of the Micra™ transcatheter pacing system. Surgical revenue rose by 7% on an organic basis as growth in the Innovations subsegment was offset by a 10% decline in Respiratory, Gastrointestinal & Renal sales. Management lowered its guidance for EPS growth to 3% to 4% in fiscal 2022 as it cautioned that staffing challenges within the healthcare industry were likely to weigh on results for several more quarters. Shares closed the week 5% lower on the news, extending the stock's slide from the $135 peak in October.

Beyond the latest challenges, management is enthusiastic about the prospects for its robotic surgical device Hugo. MDT CEO Geoff Martha stated, "The first surgeons to use Hugo in the clinical setting have told us they believe Hugo addresses the cost and utilization barriers that have held back the growth of robotic surgery. Look, demand is high, and we're building a long list of hospitals that want to join our partners and possibility program and be among the first in the world to use Hugo and participate in our global registry, which will collect clinical data to support regulatory submissions around the world. Our robotic program is making progress toward a broader launch, and we remain well positioned in this critical field relative to every other potential new entrant. As we prepare for this broader launch, we're working hard to ensure an outstanding customer experience. We're also focused on optimizing our supply chain, manufacturing and logistics to prepare for scaling this business."

He added, "We're making steady progress on these activities, but not at the pace that we'd originally planned. And as a result, sales this fiscal year are likely to come in below our $50 million to $100 million target. Now that said, we still expect double-digit millions in sales this fiscal year, and we continue to expect a strong ramp in FY '23. We're off schedule, but we're not off track. And while we're disappointed in the revenue push-out for this important program, we're confident that we have line of sight to the solutions we need to be successful and to optimize the customer experience. Demand remains high. Surgeons continue to do cases. Our order pipeline continues to build, and we're looking forward to starting our U.S. IDE soon. success of this program, and we believe that we're poised to meaningfully expand the soft tissue robotic market and drive growth for years to come."

THE PRUDENT SPECULATOR

MDT – DIVERSE PRODUCT LINE



Despite the latest rough patch, we still think very highly of MDT's terrific products for acute procedures and pipeline for a variety of chronic diseases. Near-term performance will likely continue to follow whichever path COVID-19 takes, but we doubt the virus will do much to diminish Medtronic's competitive position in the med-tech space. With domestic demographic trends in its favor, and after a nearly 18% slide since October, we find shares of high-quality

MDT attractive with a P/E ratio below 20. The dividend yield is 2.3% and our Target Price has been trimmed to $144.

Shares of **Micron Tech** (MU – $83.42) have jumped 8% since a week-ago-Friday's comments by CEO Sanjay Mehrotra on *Bloomberg TV*. In the interview, Mr. Mehrotra said he believes shortages in the semiconductor industry will persist through 2023 and that Micron has a "very diversified manufacturing footprint" that runs in an efficient manner. He also said that globally diversified supply chains are a necessity, while demand for semiconductor components such as memory and storage has grown "tremendously high." Although he conceded that missing non-Micron components can impact demand for MU's products, Mr. Mehrotra argued that the overall situation is improving.

We thought an interesting point Mr. Mehrotra made was that shipments are actually higher than the pre-pandemic level, but the demand for components drastically outpaces what semiconductor manufacturers are able to produce. And certainly, companies are racing to grow their capabilities and cash in. Shares of MU are up 11% this year and we think plenty of upside remains. After all, the company's valuation metrics remain reasonable, evidenced by a single-digit forward P/E ratio, and the company sees enough stability to offer a modest dividend. Our Target Price for MU has been bumped up to $117.

We've trimmed lithium producer **Albemarle** (ALB – $266.85) several times over our holding period, despite it being a short one, and we have not felt inclined to make additional trims recently. Shares have continued to rise, as investors have been incredibly enthusiastic about the prospects of EVs and the future of global automobiles. After all, Rivian Automotive had its first R1T pickup truck roll off the assembly line on September 14 and yet the stock has a market capitalization in excess of $100 billion, compared with the $86 billion value of **Volkswagen AG** (VWAGY – $29.22), $87 billion value of **General Motors** (GM – $60.17) or $79 billion value of Ford. Plus, Volkswagen, GM and Ford are all very profitable, while Rivian…isn't.

The market is a forward-looking machine and we think that sky-high Rivian and Tesla valuations are reflective of the broader theme that electric vehicles are the future. And investors, flush with cash, are happy to throw their money in that direction. While there remains some debate about the validity of the zero-emissions claim for EVs (because emissions don't just come from a tailpipe), there are other benefits that we think EVs bring to the table that might persuade customers such as lower maintenance, little or no time wasted at a gas station, driver assistance tools and increased storage capabilities. We are happy to own VWAGY and GM, with the understanding that their legacy combustion cars are financing the future, while ALB is supplying all of the lithium it can mine, knowing full-well that EV manufacturers do not have an alternative for the metal at present. As such, we have been letting our ALB position ride the momentum wave (and we have been rewarded for it), but at some point it'll go so far into Growth territory that we will have to exit the ride. For now, our Target Price stands at $295.

High-end department store **Nordstrom** (JWN – $22.41) earned $0.39 per share in fiscal Q3 2022 (vs. $0.55 est.). JWN had sales of $3.53 billion, versus an estimate of $3.46 billion. While we hardly think the punishment fit the crime, shares lost nearly a third of their value because of the

EPS miss, and analysts expressed their concerns that the company might not be moving out of the pandemic environment as quickly as expected.

CFO Anne Bramann said, “Nordstrom banner sales returned to 2019 levels driven by improving store trends, sequential store traffic improvement and increasing spend per customer. Nordstrom Rack sales declined 8% as inventory procurement and flow challenges negatively impacted performance. And as [CEO] Erik Nordstrom mentioned, the team is taking specific actions to improve Rack’s performance and capture market share in the off-price sector. On the digital front, we continue to serve our customers’ desire for online shopping experiences, with strong digital growth even as Nordstrom store traffic and sales continue to recover. For the third quarter, digital sales increased 20% over 2019 and 16% after adjusting for the timing of the Anniversary Sale, reaching $1.4 billion. Gross profit as a percentage of net sales increased 80 basis points compared with the same period in fiscal 2019 primarily due to leverage in buying and occupancy costs and higher merchandise margins. Ending inventory increased 13% compared with the same period in fiscal 2019. In-transit product represented the majority of our inventory increase in the quarter as we pulled receipts forward to address continuing supply chain backlogs and support the anticipated earlier holiday demand.”

CEO Erik Nordstrom said, “We’ve taken a comprehensive look at opportunities to improve our business, engaging external consultants with function-specific expertise across 3 key areas: improving Nordstrom Rack performance, increasing profitability and optimizing our supply chain and inventory flow. We are not satisfied at all with our Rack business as clearly our recovery is lagging what we think it should be…First, Nordstrom Rack has been challenged by low inventory levels in premium brands in key categories such as women’s apparel and shoes. Customers are drawn to Nordstrom Rack to purchase premium brands at a terrific price…Second, our mix has skewed too far to lower prices at the Rack with AURs declining 4% versus 2019… Third, we are acting to strengthen Rack’s brand awareness and drive traffic.”

Supply chain challenges and rising labor costs have been a common theme this earnings season, and one we expect to persist in the near-term. However, Nordstrom’s miss was taken more negatively than others because the company has a history of lower gross margins and choppy execution. In our view, the company’s significant investments in its online shop and renewed emphasis on a customer-centric retail experience helped JWN survive the early part of the pandemic better than any other high-end retailer. However, that lead seems to have evaporated quickly as consumers have returned to stores other than Nordstrom. While we have little concern about the company’s flagship department store business, the missteps with the discount-oriented Rack sound more whiny than confident to us and once again management seems to have misjudged their customer base (which happened when management nixed some of the customer-service-oriented perks of the frequent shopper program). The admission that the company is bringing in external consultants doesn’t help us feel better about things.

Of course, the ultimate questions are what are the shares worth and can JWN survive the missteps? We think they are worth $38 over our customary three-to-five-year time horizon, and we believe JWN can adjust course to help drive sales, earnings and unlock value for shareholders. With the benefit of hindsight, we are glad we twice trimmed a then-overweight

JWN stake around $37 and $40 in January of this year. As a result, the position has now fallen well below a normal weighting.

On one hand, there are reasons to like JWN: the customer experience is exceptional, the loyalty program has improved, the supply chain issues should be temporary, margins should improve and the Nordstrom family could take the company private if shares were cheap enough. On the other hand, management is family-heavy and seems to have misjudged their customer base again, while leaning on industry-wide challenges as the culprit even though there is a history of missteps. Shares are still up handsomely since we first recommended them in July 2020 at $13.69 and we like the business overall, but there are other intriguing names percolating on our watch lists, so we haven't yet decided whether we should bring up the now-small position.

Despite the selloff in the global equity markets on Friday, shares of **Deere & Co.** (DE – $359.30) ended the week in the green on the back of a solid fiscal Q4 earnings release on Wednesday. For the three-month period ended October, the agricultural equipment titan reported adjusted earnings per share of $4.12, more than 6% greater than the average forecast of $3.88. Revenue for the quarter of $10.28 billion fell about 2% short of the consensus analyst forecast. Despite continued headwinds from input costs and freight, management expects fiscal 2022 price/cost to remain positive. Product inventories remain at record low levels and demand is expected to exceed production for a second year in a row, pushing off inventory building to fiscal 2023 and beyond.

Fiscal Q4 was also impacted by a union worker strike. Now that this has been resolved, DE will feel the increased wages agreed to, but the ability to improve production to deal with strong demand should offset that headwind in the near term.

CEO John May commented, "Deere's strong fourth-quarter and full-year performance was delivered by our dedicated employees, dealers, and suppliers throughout the world, who have helped safely maintain our operations and serve customers. Our results reflect strong end-market demand and our ability to continue serving customers while managing supply-chain issues and conducting contract negotiations with our largest union. Last week's ratification of a 6-year agreement with the UAW brings our highly skilled employees back to work building the finest products in our industries. The agreement shows our ongoing commitment to delivering best-in-class wages and benefits."

With possibly the strongest brand in agriculture, Deere continues to operate at a very high level. We think the firm will continue to benefit from a sustainable equipment replacement cycle and precision ag as technology advancements support and drive pricing. Additionally, the company should see gains in the aftermarket as retrofitting expands. Shares have run markedly higher over the past year, but we continue to appreciate the diversification of its construction products, while a strong appetite for U.S. infrastructure spending should provide a boost in the coming years. Our Target Price on DE shares has been hiked to $485.

complete and should not be relied upon as such. This information is subject to change without notice at any time, based on market and other conditions. Past performance is not indicative of future results, which may vary.