Market Commentary Monday, June 6, 2022

June 5, 2022

EXECUTIVE SUMMARY

Week in Review – Lots of Vol; Stocks End on a Down Note
Media – Many Opinions; But Nobody Knows Which Way Stocks Will Move in the Near Term
Hurricane Dimon? – Who the Hell Knows the Severity of the Coming Storm
Econ Stats – Solid Numbers; GDP Growth in Q2 and 2022 Still Likely
Reason for Optimism – Corporate Profit Growth, Valuations & Dividends
Recessions & Stocks – Slicing and Dicing Equity Return Numbers; Stick with Value
Sentiment – Be Greedy When Others are Fearful
Winners & Losers – Top 25 TPS Performers So Far in 2022
Stock News – Updates on MSFT, HPE, NTAP, DAL & ALK

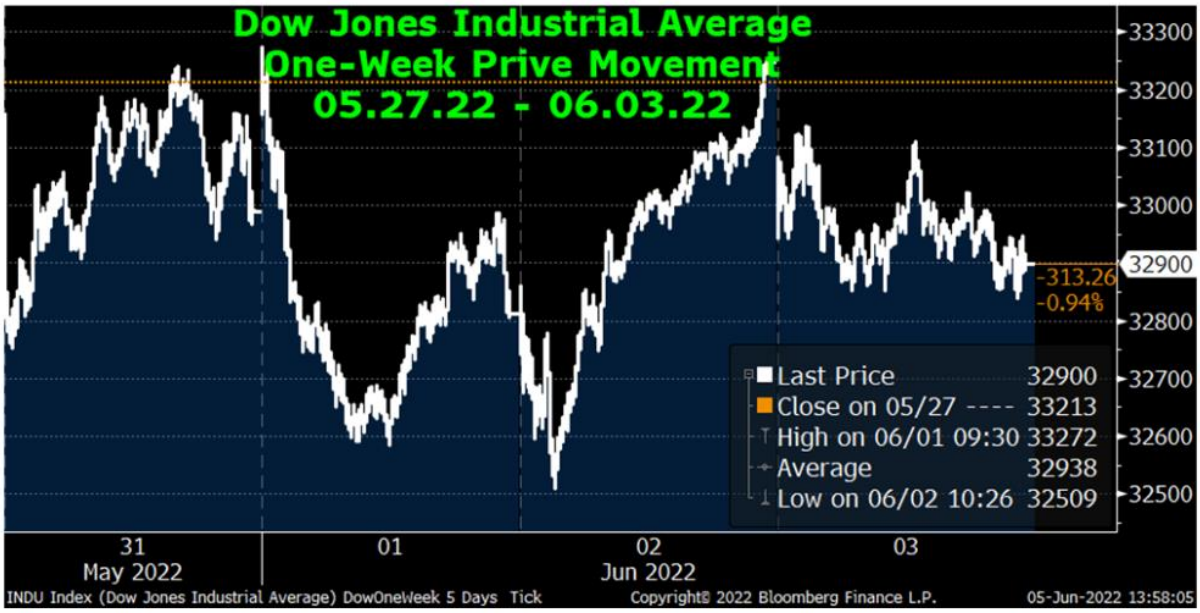
Market Review

The big swings in the equity markets last week,…

THE PRUDENT SPECULATOR

DOW JONES INDUSTRIAL AVERAGE ROLLER COASTER RIDE

After turning in one of its best weeks in history the five trading days prior, the Dow Jones Industrial Average continued to endure wide swings over the Memorial Day week. Thursday's big 435-point rebound was the only positive day of the four, with the popular index shedding more than 300 points for the full week and trading in a more than 750-point range.



…continued to provide the reminder that volatility is the price that must be paid for excellent long-term returns,…

THE PRUDENT SPECULATOR

VOLATILITY IS NORMAL BUT VALUE WINS THE 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%	113.4%	995	27	3.4	3/23/2020	1/3/2022
17.5%	68.2%	583	39	2.3	3/23/2020	1/3/2022
15.0%	66.8%	566	45	2.0	3/23/2020	1/3/2022
12.5%	45.0%	340	72	1.3	3/23/2020	1/3/2022
10.0%	35.2%	246	99	0.9	3/8/2022	3/29/2022
7.5%	23.7%	149	158	0.6	3/8/2022	3/29/2022
5.0%	14.7%	73	310	0.3	5/19/2022	6/2/2022

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%	-30.1%	215	39	2.4	1/3/2022	5/19/2022
-15.0%	-28.2%	188	45	2.1	1/3/2022	5/19/2022
-12.5%	-22.7%	138	72	1.3	1/3/2022	5/19/2022
-10.0%	-19.5%	101	99	0.9	3/29/2022	5/19/2022
-7.5%	-15.4%	65	158	0.6	3/29/2022	5/19/2022
-5.0%	-10.9%	37	309	0.3	3/29/2022	5/19/2022

From 02.20.28 through 06.02.22. S&P 500 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%	25.9%
Growth Stocks	9.8%	21.3%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.2%	29.3%
Long-Term Corporate Bonds	5.9%	7.7%
Long-Term Gov't Bonds	5.4%	8.6%
Intermediate Gov't Bonds	5.0%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

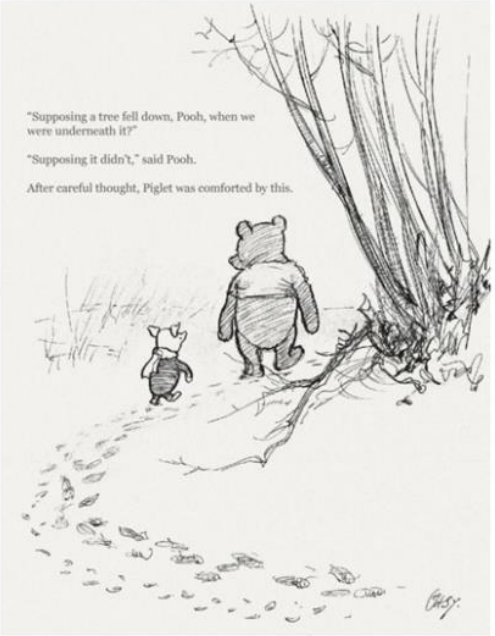
From 06.30.27 through 03.31.22. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the 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

…while we know that recency bias has some investors thinking that the current situation is unusually negative, even as decades of market history illustrate the merits of sticking with stocks during disconcerting periods.

THE PRUDENT SPECULATOR

THE SECRET TO SUCCESS IN STOCKS IS NOT TO GET SCARED OUT OF THEM

Ukraine has joined COVID-19, inflation, supply chain issues, rising interest rates and the Fed as bogeymen spooking investors, but history is filled with plenty of frightening events, yet equities have provided handsome rewards...for those who stick with them.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	47233%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	27290%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	24517%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	9542%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	8914%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	10440%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	7581%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5802%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4304%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	5346%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4358%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5770%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3805%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4083%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3339%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2438%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1579%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1727%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1199%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	991%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	898%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	827%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	799%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	713%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	368%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	328%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	234%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	206%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	325%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	348%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	276%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	243%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	507%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**5646%**

As of 6.3.22. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

As usual, the financial press is worthless in determining what may happen in the near-term,…

STOCKS WILL RISE OR THEY WILL FALL: PLENTY OF HELP FROM THE MEDIA

This market strategist with a spot-on record sees stocks surging 15% to 25% from their May low

Last Updated: June 1, 2022 at 1:21 p.m. ET
First Published: June 1, 2022 at 7:18 a.m. ET

By Mark Hulbert (Follow)

Expect the biggest gains in the Nasdaq and technology stocks, Hayes Martin says.

Why a top Wall Street quant sees S&P 500 taking back all its losses by year's end

Last Updated: June 2, 2022 at 6:33 a.m. ET
First Published: June 1, 2022 at 5:04 p.m. ET

By Joseph Adinolfi (Follow)

Opinion: Don't trust this rally in the S&P 500 –it's unlikely to be a new leg of a bull market

Published: June 2, 2022 at 10:02 a.m. ET

By Lawrence G. McMillan

Oversold rallies typically carry to a level slightly above the declining 20-day moving average, and that's where the stock market is now

BARRON'S

The Stock Market Has Fallen, but Earnings Expectations Haven't. Why That's a Problem.

Published: June 2, 2022 at 1:00 a.m. ET

By Evie Liu

…while we like that 2022 remains far less ugly for those following Value-oriented investment approaches than Growth or even Fixed Income.

THE PRUDENT SPECULATOR

MARKET OF STOCKS – INDEXES CAN HAVE WIDE DISPERSION IN RETURNS

With tremendous volatility witnessed of late as traders react and overreact to developments around the War in Ukraine, comments from the Federal Reserve, economic statistics and corporate profit announcements, we like that the Value indexes have held up far better than Growth. The divergence in returns is not unlike what was seen following the Bursting of the Tech Bubble.

Total Returns Matrix

2000	2001		Last Week	YTD	Last 12 Months	Since 10.31.20	Since 3.23.20	Last 2 Years	Last 3 Years	Last 5 Years	Name	Symbol
-4.85	-5.44	MARKET OF STOCKS	-0.83	-8.62	-3.01	28.17	85.03	30.24	41.33	73.20	Dow Jones Industrial Average	DJITR Index
1.01	-10.21		-0.85	-6.97	-2.75	31.87	89.71	34.51	37.82	53.11	New York Stock Exchange Composite	NYA Index
-39.18	-20.81		-0.95	-22.94	-11.12	11.45	78.12	25.95	68.21	99.96	Nasdaq Composite Index	CCMP Index
-22.43	-9.23		-0.31	-23.90	-24.01	0.66	62.89	9.24	21.31	37.09	Russell 2000 Growth	RU20GRTR Index
22.83	14.02		-0.14	-7.41	-8.51	52.92	123.19	58.72	41.43	43.90	Russell 2000 Value	RU20VATR Index
-3.02	2.49		-0.22	-15.70	-16.44	24.55	92.66	32.62	32.98	42.84	Russell 2000	RU20INTR Index
-11.75	-20.15		-0.85	-24.81	-16.78	0.75	67.09	9.38	32.96	64.52	Russell Midcap Growth Index Total Return	RUMCGRTR Index
19.18	2.33		-1.30	-6.21	-0.88	43.62	119.53	47.79	44.07	52.29	Russell Midcap Value Index Total Return	RUMCVATR Index
8.25	-5.62		-1.16	-12.87	-6.60	27.27	101.69	34.10	43.53	62.37	Russell Midcap Index Total Return	RUMCINTR Index
-22.42	-19.63		-0.86	-22.25	-6.84	13.58	82.25	26.83	63.93	101.81	Russell 3000 Growth	RU30GRTR Index
8.04	-4.33		-1.28	-5.17	-0.54	40.82	96.82	40.69	41.32	54.38	Russell 3000 Value	RU30VATR Index
-7.46	-11.46		-1.08	-14.19	-3.74	26.38	90.67	34.26	54.31	79.24	Russell 3000	RU30INTR Index
9.64	-0.39		-1.42	-8.48	-0.67	41.39	113.80	44.72	55.19	75.79	S&P 500 Equal Weighted	SPXEWTR Index
-9.10	-11.89		-1.15	-13.23	-0.60	28.67	90.06	35.62	57.44	84.28	S&P 500	SPXT Index
-22.08	-12.73		-0.97	-21.54	-3.25	18.27	85.08	30.60	61.91	100.42	S&P 500 Growth	SPTRSGX Index
6.08	-11.71		-1.32	-3.95	1.36	40.16	90.59	38.03	47.56	62.23	S&P 500 Value	SPTRSVX Index
3.18	1.57		-1.24	-11.62	-13.33	-13.10	-5.29	-9.94	-5.23	-0.39	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index
11.63	8.44		-0.88	-9.28	-8.36	-9.67	-4.95	-8.73	-0.69	5.40	Bloomberg Barclays U.S. Aggregate Bond	LBUSTRUU Index

As of 06.03.22. Source Kovitz using data from Bloomberg

To be sure, uncertainty is high today, especially about the trajectory of the economy, with Jamie Dimon illustrating why John Kenneth Galbraith said, "The only function of economic forecasting is to make astrology look respectable."

Indeed, equity market investors seemingly have been hanging on the economic ruminations of the **JPMorgan Chase** (JPM – $130.16) CEO as stocks enjoyed a terrific 6%+ rebound over the last full week of May, due in part to relatively upbeat comments from Mr. Dimon: "We have a strong U.S. economy, fueled by monetary and fiscal stimulation that you've never seen before…And the consumer is in very good shape even today, which means if we go in a recession, it may be different than prior recessions."

Given his position at the helm of the nation's largest bank, Mr. Dimon's observations are probably as valuable as any forecaster, but he was quick to add in those May remarks, "Strong economy, big storm clouds. I'm calling them storm clouds because they're storm clouds. They may dissipate. If it was a hurricane, I would tell you that, or tsunami, like we had in '07 or '08."

However, in comments on June 1, he altered his tune somewhat, "I'm going to change the storm clouds out there because I look I'm an optimist. I said there are storm clouds. They are big storm clouds there. It's a hurricane. Right now, it's kind of sunny. Things are doing fine. Everyone

thinks the Fed can handle this. That hurricane is right out there down the road coming our way. We just don't know if it's a minor one or super storm Sandy or Andrew or something like that and you better brace yourself."

Of course, he rightly concluded, "Who the hell knows?" And, other banking executives offered less negativity in their statements,…

THE PRUDENT SPECULATOR

"WHO THE HELL KNOWS" – JAMIE DIMON'S 06.01.22 ECONOMIC CONCLUSION

The New York Times

'It's a hurricane': Bank chiefs warn of a weakening economy.

Executives who lead the country's biggest banks say the economic outlook is worsening. During an investor conference hosted by Bernstein Research on Tuesday, the chief executives of JPMorgan Chase, Wells Fargo and Morgan Stanley sounded pessimistic about the impact of factors like inflation and rising interest rates on growth. Here are some of their comments.

• Jamie Dimon, the chief executive of JPMorgan Chase, warned of a coming storm caused by a combination of "unprecedented" factors: fiscal stimulus during the pandemic, Federal Reserve policy and the war in Ukraine. "It's a hurricane," said Mr. Dimon, who leads the nation's largest lender. "Right now, it's kind of sunny, things are doing fine. Everyone thinks the Fed can handle this. That hurricane is right out there, down the road, coming our way. We just don't know if it's a minor one or superstorm Sandy." The bank is bracing for turbulence and bad times, he said.

• Wells Fargo's C.E.O., Charles W. Scharf, said that while the economy remained robust, "the question is, how long will that continue?" As the Fed raises interest rates to slow inflation, he said, "we do expect the consumer, and ultimately businesses, to weaken."

• On Wall Street, Morgan Stanley said economic uncertainty would probably weigh on its investment-banking business as demand for mergers, acquisitions and share offerings slowed. "This paradigm shift, at some point, will bring in a new cycle because it's been so long since we've had to consider what a world is like with real interest rates, real cost of capital, that will distinguish winning companies from losing companies," said Ted Pick, Morgan Stanley's co-president. Still, its trading arm could benefit from volatile markets as clients rejig their portfolios, he said.

BofA Says US Consumer Is Still Healthy Despite Recession Fears

By Jenny Surane

(Bloomberg) -- Bank of America Corp. said signs of deterioration in the financial health of US consumers haven't yet appeared even as even as customers battle historic levels of inflation and rapidly rising rents.

On average, the lender's mass-market customers have about $15,000 in their checking and savings accounts, Holly O'Neill, president of the firm's retail-banking unit, said Wednesday. That's up a whopping 44% from pre-pandemic levels and 8% from a year ago, she said.

O'Neill's comments came after a warning from JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon, who said earlier Wednesday that investors should prepare for an economic "hurricane" as the economy struggles against an unprecedented combination of challenges, including tightening monetary policy and Russia's invasion of Ukraine. JPMorgan economists last month lowered their growth outlook for the second half of 2022 to a 2.4% rate from 3%.

"We are not seeing any signs of cracks," O'Neill said at an investor conference hosted by Deutsche Bank AG. "We obviously watch this every single day."

Bank of America's mass-market customers now carry an average of $7,000 in unsecured debt, O'Neill said, which is about 13% lower than pre-pandemic levels. For those customers that had less than $500 in their bank accounts before the pandemic, their account balances are now about 9 times bigger on average, according to O'Neill.

BAC US Equity
Graphic Dashboard»

Lloyd Blankfein
@lloydblankfein

Dial back a bit the negativity on the economic outlook. If I'm managing a big company of course I'm prepping for the worst. But the economy is starting from a strong place, with more jobs than takers, and is adjusting to higher rates. Riskier times, but may yet land softly.

Sent via Twitter for iPhone. View original tweet.

… while Mr. Dimon has green-lighted a substantial increase in expense spending this year for JPM, offering a snarky response to an analyst who questioned that wisdom at the company's *Investor Day*, "We just spent the whole day trying to answer that question. So I'm literally not going to answer it. I mean we showed you the opportunity. We think we have huge opportunities and we try to grasp them, which we think you want us to do."

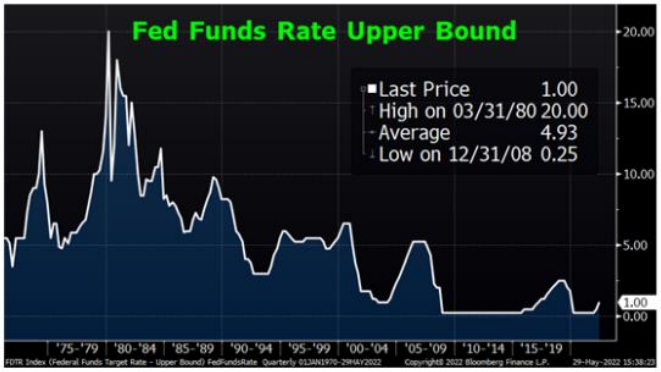
*****

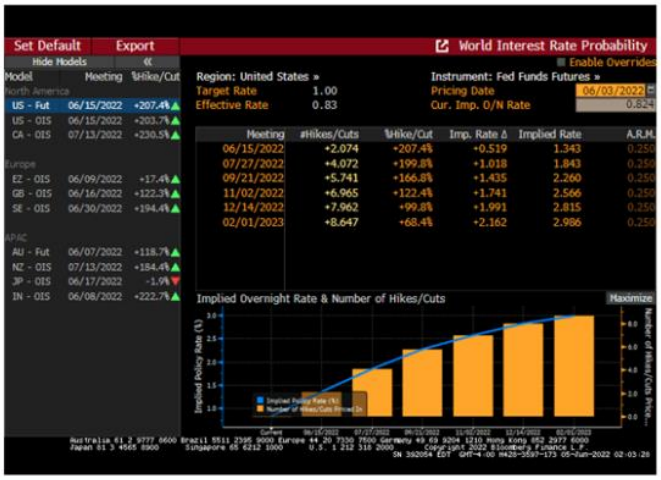
There is plenty of worry about the economy, but we find it interesting that the Fed Funds futures markets are today back to pricing in 8 more rate hikes this year, up from closer to 7 the week prior,…

THE PRUDENT SPECULATOR

FED LIFTOFF HAS BEGUN – INTEREST RATES STILL HISTORICALLY VERY LOW

For the first time since 2000, the Federal Reserve hiked its target for the Fed Funds rate by 50 basis points (0.5%) and suggested that similar-sized increases are "on the table" for upcoming FOMC Meetings in June and July. The move was well telegraphed, but given stubbornly high inflation readings, the Fed Funds futures are suggesting that there will be another 200 or so basis points (2.00%) of increases by year end, though the resulting rate (3.00%) would still be well below the historical upper bound average of 4.93%.





…which would arguably suggest an improvement in the economic outlook. This would seem to make sense, given the better-than-expected number of payrolls created last month,…

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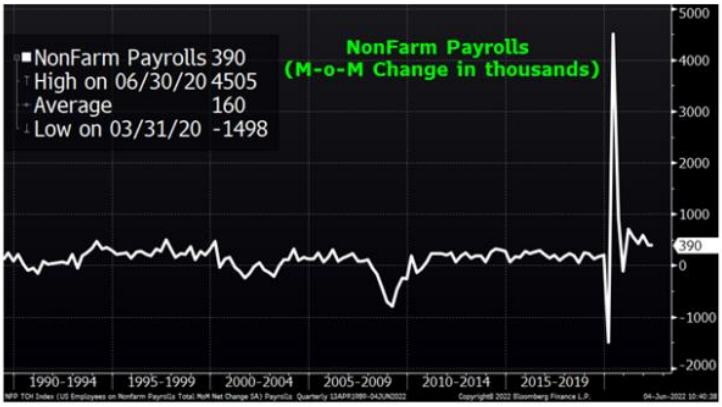
VERY HEALTHY JOBS PICTURE

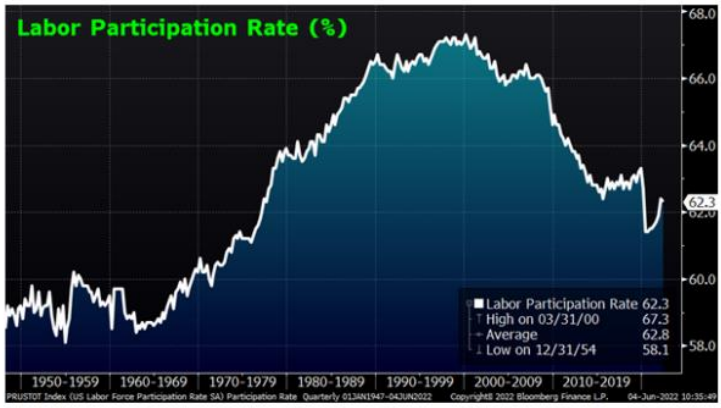


Economists were looking for a gain of 328,000 payrolls, so the increase of 390,000 in May was above expectations, but the March and April tallies were revised lower by a combined 22,000 jobs, though this was the 13th straight month of job gains above 375,000. With strong demand for labor, wages continued to rise, though not as fast as expected, as employers struggled to fill positions and the impact of the coronavirus pandemic continued to recede.

…the very low unemployment rate,…

THE PRUDENT SPECULATOR

PANDEMIC LOW JOBLESS RATE & NEAR PANDEMIC HIGH PARTICIPATION RATE



Despite more jobs created than expected, the unemployment rate for May held steady at 3.6%, the same as April, but down from 3.8% in February, even as 330,000 more folks were in the labor force, raising the denominator in the jobless percentage calculation. The so-called participation rate inched up 0.1 points in May to 62.3%, near the highest level since the beginning of the pandemic, but well below levels witnessed over the past four decades.

…and the significant number of job openings that are having trouble being filled.

THE PRUDENT SPECULATOR

NEAR RECORD JOB OPENINGS AND VERY LOW UNEMPLOYMENT FILINGS

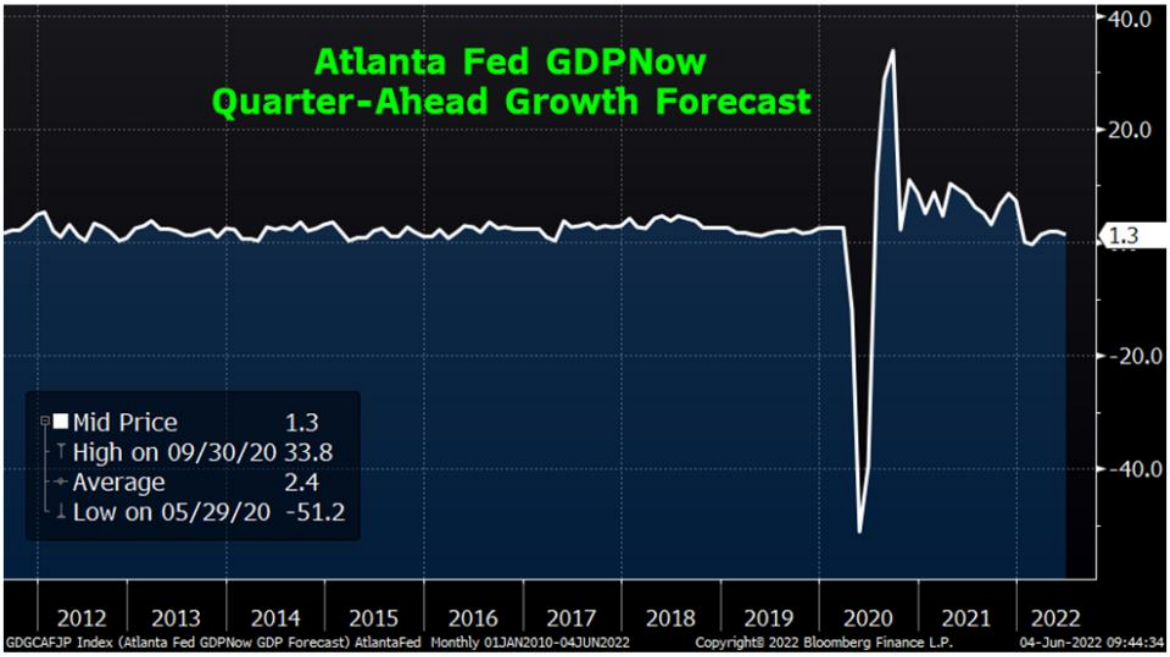
The May employment report saw a robust and better-than-expected 390,000 new payrolls created, but businesses continue to have difficulty finding qualified employees as the number of job openings in April came in near an all-time high at 11.4 million. Looking at more current data, first-time filings for jobless benefits fell by 11,000 to 200,000 in the week ending May 28, in line with expectations and near a pandemic low.

True, the latest estimate for real (inflation-adjusted) Q2 U.S. GDP Growth from the Atlanta Fed dropped to 1.3%,…

THE PRUDENT SPECULATOR

Q2 U.S. GDP GROWTH PROJECTION DIPPED LAST WEEK

While Q1 2022 saw a 1.5% contraction in real (inflation-adjusted) GDP growth, as the Omicron variant, supply-chain difficulties, the war in Ukraine and inflation impacted the economy, the Atlanta Fed's current projection for Q2 2022 real GDP growth on an annualized basis stands at 1.3%.



…but there were other relatively positive data points released last week,…

THE PRUDENT SPECULATOR

MUCH STRONGER-THAN-EXPECTED ECONOMIC FIGURES

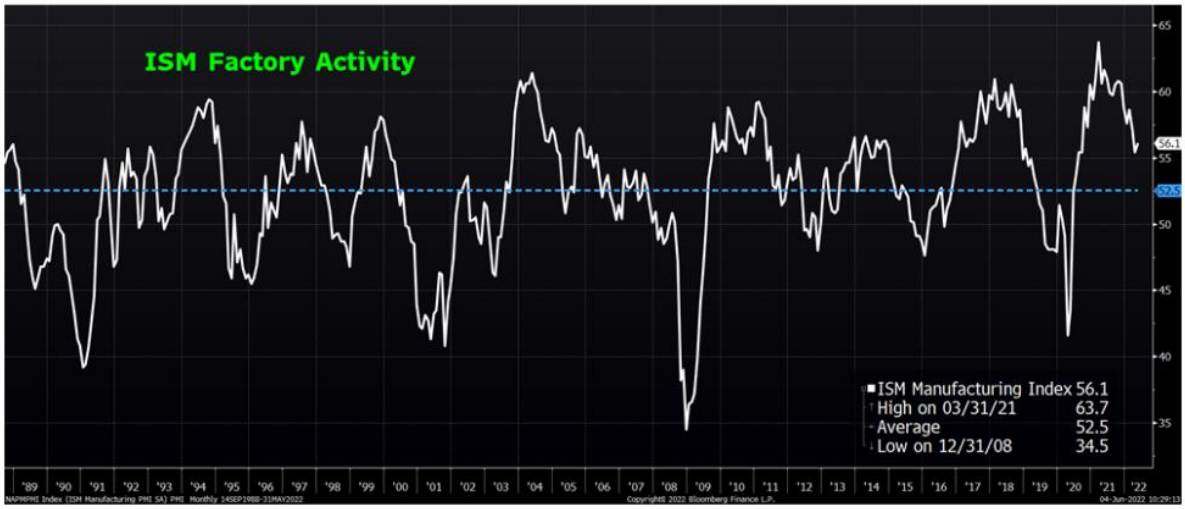
Consumer confidence, per data from the Conference Board, fell modestly in May to 106.4, the lowest tally in three months, but a number that was surprisingly healthy as economists had been looking for a drop to 103.9 and the historical average has been 99.8. The Chicago Business Barometer, also known as the regional manufacturing PMI, jumped to a much-better-than-expected reading of 60.3 in May, up from 56.4 in April to a level well above average.

…and the forward-looking readings on the health of the manufacturing sector,…

THE PRUDENT SPECULATOR

ISM MANUFACTURING REBOUNDS: 2.6% ANNUALIZED GDP GROWTH

The latest data point on the health of the manufacturing sector came in above expectations at 56.1 in May, up from a reading of 55.4 in April, and still residing at a level well above average for the 30-plus-year history of the gauge. The Institute for Supply Management stated, "The past relationship between the Manufacturing PMI and the overall economy... corresponds to a 2.6% increase in real gross domestic product (GDP) on an annualized basis."



…and the services sector were both projecting real GDP growth above 2% in 2022.

THE PRUDENT SPECULATOR

ISM NON-MANUFACTURING FALLS: 2.1% ANNUALIZED GDP GROWTH

Soaring inflation and supply chain issues not helping matters, the latest read on the health of the service sector dipped to 55.9 in May. The figure was below expectations, but is above average, suggesting a still-healthy non-manufacturing economy. The Institute for Supply Management stated, "The past relationship between the Services PMI and the overall economy...corresponds to a 2.1% increase in real gross domestic product (GDP) on an annualized basis."

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A decent economic backdrop is likely to keep corporate profits moving higher,…

THE PRUDENT SPECULATOR

VERY GOOD EPS IN Q1 '22 AND '22/'23 ESTIMATES REMAIN STRONG

Q1 earnings reporting season generally has been terrific in terms of the results, even as many stocks sold off sharply on the news. 76.0% of the 496 S&P 500 companies to have announced have beat EPS expectations and an impressive 66.1% have exceeded revenue forecasts.

S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2023	$65.38	$248.13
9/30/2023	$63.61	$243.23
6/30/2023	$60.65	$238.66
3/31/2023	$58.49	$232.99
12/31/2022	$60.48	$223.88
9/30/2022	$59.04	$220.13
6/30/2022	$54.98	$213.11
3/31/2022	$49.38	$210.18
ACTUAL		
12/31/2021	$56.73	$208.21
9/30/2021	$52.02	$189.66
6/30/2021	$52.05	$175.54
3/31/2021	$47.41	$150.28
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

Source: Standard & Poor's. As of 6.2.22

…adding to the appeal of stocks from a valuation standpoint,…

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INTEREST RATES STILL 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 (4.87% vs. 2.93% 10-Year) and S&P 500 dividend yield of 1.55%.

…and a dividend stance.

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DIVIDENDS HAVE GROWN OVER TIME

Dividends are never guaranteed, but Corporate America has a history of raising payouts. Believe it or not, per share dividends for the S&P 500 inched up in 2020, despite the pandemic and associated economic turmoil, while *TPS* picks Alexandria Real Estate, Lowe's Cos, Medtronic and Deere all hiked their payouts in the past two weeks.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2022 (as of 5.31.22)	189	5	5	0
2021	353	19	4	1
2020	287	11	27	42
2019	355	6	7	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
2009	151	6	68	10
2008	236	5	40	22

Source: Standard & Poor's.

S&P 500 DIVIDENDS PER SHARE	
2023 (Est.)	$69.58
2022 (Est.)	$64.73
2021	$60.54
2020	$58.95
2019	$58.69
2018	$53.86
2017	$50.47
2016	$46.73
2015	$43.49
2014	$39.44
2013	$34.99
2012	$31.25
2011	$26.43
2010	$22.73
2009	$22.41

Source: Bloomberg. As of 06.03.22

Of course, though the odds of recession (30% per Bloomberg) are relatively low, we concede that anything is possible, which is why we think it valuable to study what has happened to stocks, on average, before and after the previous 15 economic contractions. Happily, the evidence provides more ammunition to support our constant assertion that time in the market trumps market timing, especially for those who favor Value stocks,…

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EQUITY RETURNS AND RECESSIONS (PRE AND POST) – FAMA FRENCH VALUE

As the saying goes, the stock market (and economists) has predicted nine of the last five recessions, but the 15 prior instances of actual negative economic growth illustrate that long-term-oriented investors (on average) should stay invested (in Value, preferably) no matter what.

U.S. Recession Commencement (per NBER) & Equity Returns
S&P 500 and Fama/French Value Performance

Year Prior S&P 500 TR	Year Prior FF Value TR	Recession Start Date	1 Year S&P 500 TR	1 Year FF Value TR	3 Year S&P 500 TR	3 Year FF Value TR	5 Year S&P 500 TR	5 Year FF Value TR	10 Year S&P 500 TR	10 Year FF Value TR	To Present S&P 500 TR	To Present FF Value TR
51.9%	30.6%	August 1929	-32.6%	-32.0%	-73.5%	-65.1%	-71.1%	-61.7%	-58.0%	-48.4%	303020%	7691191%
18.2%	42.0%	May 1937	-39.3%	-55.8%	-33.2%	-55.0%	-32.5%	-44.7%	53.7%	140.3%	563117%	7280957%
26.3%	56.8%	February 1945	26.0%	42.0%	12.0%	28.6%	64.3%	75.6%	379.2%	469.5%	405852%	3545492%
4.0%	4.8%	November 1948	19.2%	12.2%	101.8%	109.3%	145.2%	130.8%	542.0%	586.7%	329652%	2567450%
3.1%	4.7%	July 1953	31.9%	25.4%	128.9%	118.2%	136.5%	138.6%	308.5%	385.1%	136206%	1075797%
-1.2%	-0.3%	August 1957	10.0%	16.6%	40.2%	55.8%	55.1%	79.0%	188.9%	421.8%	62545%	508225%
-2.4%	-6.3%	April 1960	24.2%	29.5%	41.7%	51.9%	92.4%	130.9%	107.7%	270.1%	47101%	343527%
-8.4%	-20.9%	December 1969	3.9%	8.7%	41.4%	39.8%	-11.3%	-7.6%	77.0%	264.4%	20274%	86989%
-15.2%	-19.4%	November 1973	-23.8%	-14.8%	20.8%	77.2%	23.7%	142.2%	182.3%	716.8%	17128%	76043%
20.6%	30.5%	January 1980	19.5%	12.5%	49.5%	81.1%	102.4%	183.6%	342.4%	480.0%	10738%	21990%
13.0%	23.2%	July 1981	-13.3%	-0.7%	34.0%	78.2%	127.9%	199.8%	343.5%	405.4%	8653%	17224%
6.5%	-7.2%	July 1990	12.7%	10.0%	38.2%	75.2%	83.2%	125.3%	407.4%	436.7%	2124%	3670%
-21.7%	22.3%	March 2001	0.2%	13.1%	1.9%	34.3%	21.4%	83.7%	38.3%	85.6%	436%	492%
5.6%	-8.0%	December 2007	-37.0%	-36.5%	-8.3%	-7.8%	8.6%	4.2%	125.8%	116.4%	277%	214%
8.2%	-9.6%	February 2020	31.3%	39.0%							45%	65%
7.2%	**9.5%**	**Averages**	**2.2%**	**4.6%**	**28.2%**	**44.4%**	**53.3%**	**84.3%**	**217.0%**	**337.9%**	**127144%**	**1547955%**

Through 4.29.22.TR = Total Return. FF Value = Value Weighted Book to Market Portfolios - Blend of Small Value and Big Value.Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

…and higher dividend payers.

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EQUITY RETURNS AND RECESSIONS (PRE AND POST) – FAMA FRENCH DIVS

As the saying goes, the stock market (and economists) has predicted nine of the last five recessions, but the 15 prior instances of actual negative economic growth illustrate that long-term-oriented investors (on average) should stay with higher Dividend Payers no matter what.

U.S. Recession Commencement (per NBER) & Equity Returns
S&P 500 and Fama/French Highest 30% Dividend Yield Performance

Year Prior S&P 500 TR	Year Prior FF Hi Div TR	Recession Start Date	1 Year S&P 500 TR	1 Year FF Hi Div TR	3 Year S&P 500 TR	3 Year FF Hi Div TR	5 Year S&P 500 TR	5 Year FF Hi Div TR	10 Year S&P 500 TR	10 Year FF Hi Div TR	To Present S&P 500 TR	To Present FF Hi Div TR
51.9%	22.0%	August 1929	-32.6%	-34.3%	-73.5%	-70.4%	-71.1%	-48.0%	-58.0%	-42.8%	303020%	1380166%
18.2%	1.5%	May 1937	-39.3%	-39.1%	-33.2%	-27.9%	-32.5%	-20.8%	53.7%	137.2%	563117%	1978681%
26.3%	43.7%	February 1945	26.0%	32.0%	12.0%	14.9%	64.3%	62.8%	379.2%	363.4%	405852%	954310%
4.0%	2.0%	November 1948	19.2%	17.8%	101.8%	97.7%	145.2%	120.2%	542.0%	498.2%	329652%	773794%
3.1%	2.3%	July 1953	31.9%	26.9%	128.9%	116.4%	136.5%	132.8%	308.5%	409.5%	136206%	346428%
-1.2%	-4.6%	August 1957	10.0%	16.3%	40.2%	55.4%	55.1%	95.3%	188.9%	282.2%	62545%	168614%
-2.4%	-2.5%	April 1960	24.2%	26.9%	41.7%	67.0%	92.4%	146.5%	107.7%	163.3%	47101%	115301%
-8.4%	-14.9%	December 1969	3.9%	19.2%	41.4%	46.9%	-11.3%	3.6%	77.0%	160.9%	20274%	42611%
-15.2%	-14.6%	November 1973	-23.8%	-16.4%	20.8%	60.2%	23.7%	82.5%	182.3%	330.4%	17128%	33758%
20.6%	11.5%	January 1980	19.5%	14.3%	49.5%	65.5%	102.4%	145.8%	342.4%	469.6%	10738%	15700%
13.0%	15.5%	July 1981	-13.3%	-3.4%	34.0%	55.0%	127.9%	158.7%	343.5%	417.5%	8653%	12408%
6.5%	0.6%	July 1990	12.7%	10.9%	38.2%	48.1%	83.2%	83.6%	407.4%	274.4%	2124%	2581%
-21.7%	36.0%	March 2001	0.2%	10.4%	1.9%	23.2%	21.4%	48.9%	38.3%	62.0%	436%	454%
5.6%	-1.3%	December 2007	-37.0%	-32.9%	-8.3%	-9.7%	8.6%	15.1%	125.8%	117.1%	277%	228%
8.2%	-3.2%	February 2020	31.3%	22.9%							45%	53%
7.2%	**6.3%**	**Averages**	**2.2%**	**4.8%**	**28.2%**	**38.7%**	**53.3%**	**73.4%**	**217.0%**	**260.2%**	**127144%**	**388339%**

Through 4.29.22.TR = Total Return. FF Hi Div = Value Weighted Highest 30% Dividend Yield.Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

Note that Value (and Growth) returns for the Fama/French figures cited in many of the charts that appear in these missives utilize portfolios constructed by the professors with the Book Value to Price metric, so we have also crunched recession-related numbers with the duo's Earnings to Price (the inverse of Price to Earnings) data,…

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EQUITY RETURNS AND RECESSIONS (PRE AND POST) – HIGH 30% E/P

U.S. Recession Commencement (per NBER) & Equity Returns

S&P 500 and Fama/French Value-Weighted Hi 30% Earnings/Price

Year Prior S&P 500 TR	Year Prior Hi E/P TR	Recession Start Date	1 Year S&P 500 TR	1 Year Hi E/P TR	3 Year S&P 500 TR	3 Year Hi E/P TR	5 Year S&P 500 TR	5 Year Hi E/P TR	10 Year S&P 500 TR	10 Year Hi E/P TR
3.1%	1.9%	July 1953	31.9%	41.6%	128.9%	208.3%	136.5%	248.5%	308.5%	827.4%
-1.2%	-1.8%	August 1957	10.0%	19.5%	40.2%	76.8%	55.1%	141.8%	188.9%	542.3%
-2.4%	2.1%	April 1960	24.2%	36.3%	41.7%	85.6%	92.4%	170.9%	107.7%	309.2%
-8.4%	-18.8%	December 1969	3.9%	13.7%	41.4%	43.1%	-11.3%	-14.5%	77.0%	207.1%
-15.2%	-15.7%	November 1973	-23.8%	-27.4%	20.8%	53.3%	23.7%	100.9%	182.3%	408.4%
20.6%	24.6%	January 1980	19.5%	12.7%	49.5%	52.3%	102.4%	138.5%	342.4%	389.4%
13.0%	17.8%	July 1981	-13.3%	-7.9%	34.0%	55.5%	127.9%	195.9%	343.5%	367.8%
6.5%	-5.4%	July 1990	12.7%	12.9%	38.2%	70.5%	83.2%	112.4%	407.4%	420.0%
-21.7%	29.3%	March 2001	0.2%	11.4%	1.9%	30.4%	21.4%	75.6%	38.3%	94.5%
5.6%	-2.7%	December 2007	-37.0%	-35.5%	-8.3%	-5.6%	8.6%	13.6%	125.8%	152.4%
8.2%	-1.3%	February 2020	31.3%	26.9%						
0.7%	**2.7%**	**Averages**	**5.4%**	**9.5%**	**38.8%**	**67.0%**	**64.0%**	**118.4%**	**212.2%**	**371.9%**

TR = Total Return. FF Hi E/P = Earnings/Price Value Weight Hi 30%. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

U.S. Recession Commencement (per NBER) & Equity Returns

S&P 500 and Fama/French Equal-Weighted Hi 30% Earnings/Price

Year Prior S&P 500 TR	Year Prior Hi E/P TR	Recession Start Date	1 Year S&P 500 TR	1 Year Hi E/P TR	3 Year S&P 500 TR	3 Year Hi E/P TR	5 Year S&P 500 TR	5 Year Hi E/P TR	10 Year S&P 500 TR	10 Year Hi E/P TR
3.1%	7.1%	July 1953	31.9%	35.1%	128.9%	152.2%	136.5%	192.8%	308.5%	610.8%
-1.2%	0.2%	August 1957	10.0%	20.8%	40.2%	89.6%	55.1%	134.9%	188.9%	640.5%
-2.4%	2.1%	April 1960	24.2%	37.4%	41.7%	62.8%	92.4%	140.0%	107.7%	413.0%
-8.4%	-22.2%	December 1969	3.9%	7.5%	41.4%	36.9%	-11.3%	-25.6%	77.0%	357.0%
-15.2%	-29.3%	November 1973	-23.8%	-18.0%	20.8%	91.2%	23.7%	234.7%	182.3%	1347.0%
20.6%	34.0%	January 1980	19.5%	22.0%	49.5%	109.1%	102.4%	250.8%	342.4%	581.8%
13.0%	36.4%	July 1981	-13.3%	-2.3%	34.0%	92.9%	127.9%	274.4%	343.5%	447.9%
6.5%	-11.3%	July 1990	12.7%	15.2%	38.2%	87.0%	83.2%	153.6%	407.4%	476.9%
-21.7%	14.6%	March 2001	0.2%	38.4%	1.9%	122.7%	21.4%	222.0%	38.3%	269.6%
5.6%	-12.7%	December 2007	-37.0%	-37.0%	-8.3%	17.4%	8.6%	28.8%	125.8%	184.5%
8.2%	-13.7%	February 2020	31.3%	58.0%						
0.7%	**0.5%**	**Averages**	**5.4%**	**16.1%**	**38.8%**	**86.2%**	**64.0%**	**160.6%**	**212.2%**	**532.9%**

TR = Total Return. FF Hi E/P = Earnings/Price Equal Weight Hi 30%. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

Professors Eugene F. Fama and Kenneth R. French have constructed portfolios based on various financial metrics. Extensive equity return data are available here:

https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html#Research.

In the charts to the left, we look at recessionary periods and returns for the highest 30% (i.e. the least expensive) of stocks on Earnings to Price to support the argument for sticking with Value even in periods of economic contraction.

…and Cash Flow to Price (the inverse of Price to Cash Flow) data.

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EQUITY RETURNS AND RECESSIONS (PRE AND POST) – HIGH 30% CF/P

U.S. Recession Commencement (per NBER) & Equity Returns

S&P 500 and Fama/French Value-Weighted Hi 30% CashFlow/Price

Year Prior S&P 500 TR	Year Prior Hi CF/P TR	Recession Start Date	1 Year S&P 500 TR	1 Year Hi CF/P TR	3 Year S&P 500 TR	3 Year Hi CF/P TR	5 Year S&P 500 TR	5 Year Hi CF/P TR	10 Year S&P 500 TR	10 Year Hi CF/P TR
3.1%	1.9%	July 1953	31.9%	38.4%	128.9%	190.8%	136.5%	215.8%	308.5%	555.9%
-1.2%	3.5%	August 1957	10.0%	11.3%	40.2%	44.1%	55.1%	75.1%	188.9%	369.0%
-2.4%	-5.2%	April 1960	24.2%	35.1%	41.7%	62.4%	92.4%	134.6%	107.7%	245.6%
-8.4%	-18.2%	December 1969	3.9%	13.9%	41.4%	42.0%	-11.3%	-5.4%	77.0%	224.7%
-15.2%	-13.4%	November 1973	-23.8%	-21.2%	20.8%	68.4%	23.7%	105.3%	182.3%	421.2%
20.6%	30.4%	January 1980	19.5%	16.3%	49.5%	49.3%	102.4%	127.3%	342.4%	414.3%
13.0%	16.1%	July 1981	-13.3%	-11.3%	34.0%	48.0%	127.9%	165.8%	343.5%	382.2%
6.5%	-0.7%	July 1990	12.7%	12.3%	38.2%	63.2%	83.2%	103.6%	407.4%	332.6%
-21.7%	15.8%	March 2001	0.2%	5.2%	1.9%	11.3%	21.4%	59.8%	38.3%	110.6%
5.6%	10.2%	December 2007	-37.0%	-34.3%	-8.3%	-3.1%	8.6%	16.0%	125.8%	134.1%
8.2%	-4.8%	February 2020	31.3%	23.7%						
0.7%	**3.2%**	**Averages**	**5.4%**	**8.1%**	**38.8%**	**57.6%**	**64.0%**	**99.8%**	**212.2%**	**319.0%**

TR = Total Return. FF Hi CF/P = CashFlow/Price Value Weight Hi 30%. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

U.S. Recession Commencement (per NBER) & Equity Returns

S&P 500 and Fama/French Equal-Weighted Hi 30% CashFlow/Price

Year Prior S&P 500 TR	Year Prior Hi CF/P TR	Recession Start Date	1 Year S&P 500 TR	1 Year Hi CF/P TR	3 Year S&P 500 TR	3 Year Hi CF/P TR	5 Year S&P 500 TR	5 Year Hi CF/P TR	10 Year S&P 500 TR	10 Year Hi CF/P TR
3.1%	6.2%	July 1953	31.9%	33.7%	128.9%	155.1%	136.5%	196.3%	308.5%	548.0%
-1.2%	1.0%	August 1957	10.0%	20.6%	40.2%	74.8%	55.1%	108.6%	188.9%	613.8%
-2.4%	-3.1%	April 1960	24.2%	35.1%	41.7%	54.9%	92.4%	138.5%	107.7%	427.5%
-8.4%	-24.0%	December 1969	3.9%	5.7%	41.4%	37.7%	-11.3%	-22.0%	77.0%	405.3%
-15.2%	-28.3%	November 1973	-23.8%	-15.8%	20.8%	96.0%	23.7%	251.9%	182.3%	1463.5%
20.6%	39.1%	January 1980	19.5%	24.1%	49.5%	108.8%	102.4%	239.7%	342.4%	578.9%
13.0%	37.8%	July 1981	-13.3%	-3.8%	34.0%	87.8%	127.9%	238.3%	343.5%	450.7%
6.5%	-8.6%	July 1990	12.7%	14.9%	38.2%	85.7%	83.2%	150.2%	407.4%	448.8%
-21.7%	8.2%	March 2001	0.2%	39.0%	1.9%	116.4%	21.4%	227.2%	38.3%	351.9%
5.6%	-7.0%	December 2007	-37.0%	-40.0%	-8.3%	25.8%	8.6%	40.8%	125.8%	188.7%
8.2%	-16.0%	February 2020	31.3%	66.9%						
0.7%	**0.5%**	**Averages**	**5.4%**	**16.4%**	**38.8%**	**84.3%**	**64.0%**	**157.0%**	**212.2%**	**547.7%**

TR = Total Return. FF Hi CF/P = CashFlow/Price Equal Weight Hi 30%. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

Professors Eugene F. Fama and Kenneth R. French have constructed portfolios based on various financial metrics. Extensive equity return data are available here:

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In the charts to the left, we look at recessionary periods and returns for the highest 30% (i.e. the least expensive) of stocks on Cash Flow to Price to support the argument for sticking with Value even in periods of economic contraction.

Not surprisingly, those two metrics (whether Value- or Equal-Weighted) confirm what Book Value to Price has long asserted, Value has been the place to be historically speaking, which is why our portfolios focus on stocks with inexpensive valuation multiples.

THE PRUDENT SPECULATOR

MANAGED ACCOUNT STRATEGIES & BENCHMARKS

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	12.9	11.5	1.0	2.3	2.5
ValuePlus	13.8	11.7	1.3	2.4	2.1
Dividend Income	12.5	11.7	0.9	2.2	2.9
Focused Dividend Income	14.2	12.8	1.1	2.5	2.6
Focused ValuePlus	13.0	13.0	1.3	2.6	2.4
Small-Mid Dividend Value	10.7	9.8	0.6	1.6	2.7
Russell 3000	22.1	18.5	2.3	3.8	1.5
Russell 3000 Growth	30.4	25.1	3.7	9.7	0.9
Russell 3000 Value	17.6	14.9	1.7	2.5	2.1
Russell 1000	21.3	18.4	2.5	4.0	1.5
Russell 1000 Growth	28.8	24.6	4.1	10.6	0.9
Russell 1000 Value	17.1	14.9	1.8	2.5	2.1
S&P 500 Index	20.9	18.3	2.6	4.2	1.5
S&P 500 Growth Index	24.3	21.9	4.5	7.7	0.9
S&P 500 Value Index	18.5	15.9	1.8	2.9	2.1
S&P 500 Pure Value Index	11.8	10.4	0.7	1.5	2.4

As of 06.03.22. 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.

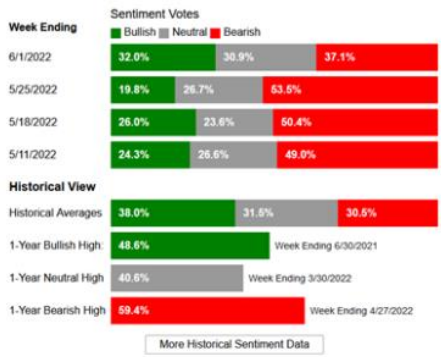
*****

As always, we are braced for downside volatility, but we do not mind that many folks are nervous about the prospects for stocks,…

THE PRUDENT SPECULATOR

AAII CONTRARIAN BUY SIGNAL: BULL-BEAR SPREAD = -5.1

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



CURRENT AAII SENTIMENT BULL-BEAR SPREAD:

The Sentiment Survey is a contrarian indicator. Above-average market returns have often followed unusually low levels of optimism, while below-average market returns have often followed unusually high levels of optimism. Click here to learn more.

BULL-BEAR SPREAD TRENDS:

Previous Week	1 Month Ago	3 Months Ago	6 Months Ago
-34	-25	-27	-4
Greedy	Greedy	Greedy	Neutral

AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
Below & Above Median Bull Bear Spread = 7.66											
BELOW	-54.0	7.6	908	0.25%	0.21%	1.17%	1.03%	3.51%	3.12%	6.86%	6.11%
ABOVE	7.7	62.9	908	0.17%	0.15%	0.54%	0.45%	1.98%	1.73%	4.72%	4.24%
Ten Groupings of 1816 Data Points											
1	-54.0	-15.9	182	0.48%	0.41%	1.94%	1.71%	5.41%	4.88%	9.93%	8.74%
2	-15.8	-8.0	183	0.34%	0.31%	1.00%	0.86%	3.50%	3.12%	6.72%	5.93%
3	-8.0	-1.9	180	0.29%	0.26%	1.41%	1.31%	3.39%	3.00%	7.41%	6.76%
4	-1.9	3.0	197	0.12%	0.09%	1.03%	0.94%	2.92%	2.56%	6.17%	5.65%
5	3.0	7.6	166	0.00%	-0.03%	0.40%	0.30%	2.25%	2.00%	3.89%	3.34%
6	7.7	12.0	190	0.13%	0.11%	0.58%	0.47%	1.90%	1.66%	5.36%	4.96%
7	12.0	16.2	173	0.19%	0.17%	0.54%	0.44%	2.31%	2.06%	4.93%	4.39%
8	16.3	22.0	194	0.18%	0.17%	0.82%	0.75%	2.19%	1.92%	6.01%	5.60%
9	22.0	29.0	169	0.09%	0.07%	0.37%	0.29%	1.97%	1.69%	4.37%	3.77%
10	29.1	62.9	182	0.27%	0.25%	0.34%	0.27%	1.55%	1.33%	2.78%	2.34%

From 07.31.87 through 06.02.22. 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 coming in at 32.0% and the number of Bears residing at 37.1% is still a positive. The minus 5.1% Bull-Bear spread is in a favorable (i.e. second-highest future returns) 3rd decile of the weekly figures going back to 1987.

…as we continue to think it wise to be greedy when others are fearful,…

BUSINESS & FINANCE

 ★★★★★ THE WALL STREET JOURNAL. Tuesday, May 17, 2022 | B1

S&P 4008.01 ▼ 0.39% S&P FIN ▼ 0.78% S&P IT ▼ 0.91% DJ TRANS ▼ 0.84% WSJ $ IDX ▼ 0.18% 2-YR. TREAS. yield 2.568% NIKKEI (Midday) 26601.03 ▲ 0.20% See more at WSJ.com/Markets

Buffett Buys Stocks as Markets Fall

By Akane Otani

The stock market's selloff has been bad news for most investors.

Not for Warren Buffett and his team.

Mr. Buffett's Berkshire Hathaway Inc. has used the slump as an opportunity to increase spending on stocks, deploying tens of billions of dollars the past couple of months after ending 2021 with a near-record cash pile.

The Omaha, Neb., company bought 901,768 shares of Occidental Petroleum Corp. last week, according to a regulatory filing. The move makes Occidental, in which Berkshire began buying shares in late February, one of its 10 biggest holdings.

In the past few months, Berkshire has also boosted its stake in Chevron Corp., placed a merger-arbitrage bet on Activision Blizzard Inc. bought shares of HP Inc., Citigroup Inc. and Ally Financial Inc., and continued adding to its position in Apple Inc., which remained its biggest stockholding.

Meanwhile, it exited from its position in Wells Fargo & Co., formerly one of its top stock holdings and a part of the Berkshire portfolio since 1989.

Investors got a look at what Berkshire has been buying and selling when it filed what is known as Form 13-F with the Securities and Exchange Commission on Monday. The SEC requires all institutional investors that manage more than $100 million to file the form within 45 days of the end of each quarter. Because institutions must disclose their equity holdings on the form, as well as the size and market value of each position, investors often use 13-Fs to gauge how large money managers are playing the stock market.

Mr. Buffett, an adherent of value investing, has long advised that investors "be greedy when others are fearful." That philosophy was likely difficult to practice for much of the past two years, during which investors' mood largely seemed anything but fearful. Now, that the market is slumping, Berkshire is in a prime position to add to its mammoth stock portfolio, investors say.

"Cash is dry powder, and he has a lot of it," said Rupal Bhansali, chief investment officer for global equities at Ariel Investments, of Mr. Buffett. Ms. Bhansali manages Ariel's global mutual

Please turn to page B2

Berkshire holdings Occidental and Chevron have both soared past the S&P 500 this year.

Share-price and index performance, year to date

Berkshire Hathaway's biggest holdings, ranked by market value*

*Data are as of first quarter 2022

Sources: FactSet (performance); the company (holdings)

Crypto's Plunge Punishes Alternative Portfolios

By Gregory Zuckerman

Cryptocurrency prices are moving in lockstep with stocks and bonds like never before, punishing those who bought bitcoin and other digital assets in part to diversify their investment holdings.

The three-month correlation between the cryptocurrencies bitcoin and ether and the major U.S. stock indexes hit its highest level on record last week, according to Dow Jones Market Data. That level, between 0.67 and 0.78, is more than triple the average correlation between crypto and the S&P 500 from 2019 to 2021. A correlation of 1 suggests the markets are moving in lockstep, while 0 says they aren't related. The one- and two-month correlations are at record levels.

The day of that record correlation, bitcoin dropped 10% and the Nasdaq Composite Index fell more than 4%, marking its steepest three-day point decline on record. Though bitcoin and other digital assets have long been viewed as among the riskiest investments in markets, analysts and portfolio managers say the depth of crypto declines this year and their tendency to echo other riskier assets such as stocks potentially could limit their adoption by

The stock market's selloff has been bad news for most investors.

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…with the stocks on the right side of the ledger below particularly interesting today.

THE PRUDENT SPECULATOR

MARKET OF STOCKS: BEST & WORST TPS RECOMMENDATIONS SO FAR IN '22

There has been significant dispersion in returns over the first five-plus months of the year, though Value stocks generally have thrashed Growth. Alas, our winners have not won more than our losers have lost.

Market of Stocks: 2022 Year-to-Date

TPS Winners

Sector	Symbol	Company	6.3.22 Price	Target Price	YTD 2022 TR	2021 TR	52-Week High	52-Week Low
Energy	XOM	Exxon Mobil	$99.09	$113.98	65.4%	57.6%	$99.78	$52.10
Energy	EOG	EOG Resources	$142.48	$152.97	64.0%	88.7%	$143.27	$60.86
Energy	DINO	HF Sinclair	$52.84	$64.80	62.6%	28.0%	$53.05	$27.17
Materials	MOS	Mosaic Co	$59.69	$86.95	52.6%	72.2%	$79.28	$28.26
Food, Bev & Tobacco	ADM	Archer-Daniels-Mid	$87.91	$102.02	31.3%	37.3%	$98.88	$56.91
Capital Goods	LMT	Lockheed Martin	$442.69	$503.39	26.2%	3.2%	$479.99	$324.23
Materials	NTR	Nutrien Ltd	$93.50	$126.03	24.9%	60.8%	$117.25	$57.08
Pharma, Biotech	BMY	Bristol-Myers Squibb	$75.17	$104.01	22.5%	2.9%	$78.62	$53.22
Energy	TTE	TotalEnergies SE	$58.77	$99.94	20.6%	26.0%	$60.04	$40.33
Pharma, Biotech	MRK	Merck & Co	$89.91	$113.80	18.4%	1.8%	$94.92	$70.89
Food & Staples Retail	KR	Kroger	$52.54	$61.98	17.1%	45.4%	$62.78	$36.77
Retailing	JWN	Nordstrom	$25.72	$45.49	15.3%	-27.5%	$38.48	$18.65
Insurance	ALL	Allstate	$131.97	$160.18	13.7%	9.9%	$144.46	$106.11
Utilities	PNW	Pinnacle West Capital	$77.49	$89.90	12.4%	-7.8%	$88.34	$62.78
Pharma, Biotech	AMGN	Amgen	$248.45	$297.79	12.3%	0.9%	$258.45	$198.64
Materials	WRK	Westrock	$49.27	$73.40	12.2%	3.8%	$59.11	$40.78
Capital Goods	GD	General Dynamics	$230.13	$275.71	11.6%	43.7%	$254.99	$182.66
Health Care Eq/Srvcs	CHNG	Change Healthcare	$23.79	$28.33	11.3%	14.6%	$24.12	$18.97
Materials	NEM	Newmont Corp	$67.82	$86.89	11.0%	7.4%	$86.37	$52.60
Pharma, Biotech	SNY	Sanofi	$53.53	$65.74	11.0%	7.0%	$57.79	$46.68
Capital Goods	CAT	Caterpillar	$222.90	$286.41	8.9%	16.0%	$244.33	$179.67
Software & Services	IBM	Int'l Bus Machines	$141.18	$163.83	8.2%	16.8%	$145.99	$114.56
Materials	ALB	Albemarle	$250.76	$334.02	7.5%	59.8%	$291.48	$157.82
Insurance	MET	MetLife	$66.19	$97.84	7.5%	37.3%	$73.18	$55.21

TPS Losers

Sector	Symbol	Company	6.3.22 Price	Target Price	YTD 2022 TR	2021 TR	52-Week High	52-Week Low
Retailing	BIG	Big Lots	$23.91	$53.67	-46.5%	7.3%	$73.23	$22.26
Pharma, Biotech	MRNA	Moderna	$137.15	$266.82	-46.0%	143.1%	$497.49	$119.01
Media & Entertain	FB	Meta Platforms	$190.78	$399.11	-43.3%	23.1%	$384.33	$169.00
Autos & Components	GT	Goodyear Tire	$13.22	$24.20	-38.0%	95.4%	$24.89	$10.89
Autos & Components	GM	General Motors	$37.61	$77.12	-35.9%	40.8%	$67.21	$34.31
Transportation	DPSGY	Deutsche Post AG	$40.50	$80.11	-33.7%	31.9%	$72.04	$38.03
Consumer Durables &	MDC	MDC Holdings	$37.64	$75.17	-30.9%	27.9%	$57.06	$33.94
Health Care Eq/Srvcs	PHG	Koninklijke Philips NV	$24.76	$45.28	-30.0%	-30.7%	$57.06	$23.07
Media & Entertain	DIS	Walt Disney	$108.67	$172.35	-29.8%	-14.5%	$187.58	$99.47
Retailing	TGT	Target	$161.04	$260.51	-29.8%	32.9%	$268.98	$145.51
Semiconductors	LRCX	Lam Research	$513.98	$752.84	-28.3%	53.7%	$731.85	$442.53
Technology Hardware	CSCO	Cisco Systems	$45.25	$69.73	-27.7%	45.8%	$64.29	$41.02
Consumer Services	RCL	Royal Caribbean	$56.33	$90.74	-26.7%	3.0%	$98.27	$48.90
Real Estate	ARE	Alexandria Real Estate	$163.37	$243.66	-26.3%	28.1%	$224.95	$156.94
Technology Hardware	STX	Seagate Tech	$82.71	$128.16	-26.2%	87.6%	$117.67	$76.28
Diversified Financials	BLK	BlackRock	$671.74	$957.88	-25.6%	29.4%	$973.16	$582.58
Semiconductors	MU	Micron Technology	$69.94	$128.14	-24.8%	24.2%	$98.45	$65.67
Retailing	LOW	Lowe's Cos	$195.45	$270.25	-23.8%	63.3%	$263.31	$179.22
Retailing	FL	Foot Locker	$32.57	$63.00	-23.8%	9.7%	$63.98	$26.36
Consumer Durables	WHR	Whirlpool	$176.04	$306.65	-23.5%	33.3%	$245.44	$164.52
Real Estate	DLR	Digital Realty Trust	$134.49	$177.22	-23.3%	30.7%	$178.22	$124.35
Diversified Financials	SYF	Synchrony Financial	$35.44	$58.28	-22.8%	36.4%	$52.49	$31.37
Semiconductors	QCOM	Qualcomm	$141.22	$230.75	-22.1%	22.3%	$193.58	$122.17
Technology Hardware	NTAP	NetApp	$71.11	$107.50	-21.8%	42.4%	$96.82	$64.58

As of 6.3.22. Source: Kovitz using data from Bloomberg

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 several of our stocks that had news out worthy of mention last week.

Computing giant **Microsoft** (MSFT – $270.02) lowered its EPS targets due to fluctuations in foreign currencies. FX impacts are now expected to have a $0.03 drag in fiscal Q4, which pushes the guidance range to $2.28-$2.35 from $2.24-$2.32. Shares initially tumbled on the news, but rebounded to end the week down by 1.2%. Currency headwinds have long impacted MSFT earnings, so we think the correct interpretation is a collective shrug. Eventually, the market figured that out too.

Microsoft remains one of our largest holdings, a position we are comfortable with at present. Shares have taken a deep breather this year, declining around 20% after a tremendous run during

the pandemic. While **Apple** (AAPL – $145.38) gets a lot of the media attention, MSFT shares have actually outperformed by a modest amount over the last 5- and 10-year periods. Of course, technology changes quickly and Microsoft must never rest on its laurels. For now, the company's position looks robust. Our MSFT Target Price is $379.

Shares of **Hewlett Packard Enterprise** (HPE – $15.08) tumbled more than 4% last week after the firm released fiscal Q2 financial results that trailed analyst estimates. The enterprise storage and networking concern earned an adjusted $0.19 per share in Q2 (versus $0.45 est.). Revenue for the company's largest segment, Compute, was $2.99 billion (+0.4% y/y), while Intelligent Edge posted 8% y/y growth to $867 million and HPC & AI grew 3.8% y/y to $710 million. The 34.2% gross margin was in line with the consensus estimate.

CEO Antonio Nerii commented, "HP generated significant orders growth, steady revenue and sustained profitability, even as tight supply conditions continued across global industries. We are seeing persistent demand from our customers, underscoring both their IT spending prioritization and their attraction to our compelling portfolio. Very strong customer demand in the second quarter drove orders growth higher, rising 20% year-over-year, which makes this the fourth quarter in a row that HP has logged year-over-year orders growth of 20% or better. Our HPE GreenLake edge-to-cloud platform contributed to as-a-service orders doubling year-over-year, the third straight quarter of triple-digit growth. We continue to see a great deal of customer interest in our platform, which is evident in our sales pipeline. Our orders backlog across the business is high quality, and we are now — we are seeing particular strength in our Intelligent Edge and Compute segments, with orders climbing 45% and 23%, respectively. HPC and AI orders grew more than 18%, bringing backlog there to an impressive record of approximately $3 billion. Total HPE revenue rose 1.5% year-over-year to $6.7 billion against a record break in backlog of orders in the midst of industry supply constraints. ARR climbed 25%."

Mr. Neri continued, "Few of us could have predicted that the challenges of the last several years would require enterprises to adopt so dramatically. I spent at least 50% of my time with customers around the world, and I can tell you that when they think about how they are going to reimagine their futures, they see HPE as an even more relevant and essential partner than ever before. As I reflect on Q2 and look ahead to the future, I am confident in our ability to deliver on our commitments. We have the right strategy to capitalize on market trends, with an expansive edge-to-cloud portfolio that's connected through our market-leading HPE GreenLake platform. We have significant momentum with our customers. And perhaps most importantly, we have been — we have a truly stellar team. I am proud of the 60,000 team members who make our results possible and who help us deliver on our purpose as a company. This team will continue to innovate and execute in ways that will further set us apart and continue to create value for our shareholders."

HPE reaffirmed its full-year revenue growth between 3% and 4% with free cash flow in the $1.8 billion to $2.0 billion range. The company suspended shipments and sales to Russia and Belarus, which represents less than 2% of fiscal 2021 revenue figure. CFO Tarek Robbiati added, "We are revising our fiscal year '22 non-GAAP outlook range back to our original outlook provided at SAM of $1.96 to $2.10. This reflects the impacts of a more unfavorable currency movements since last October, the exit of the business in Russia, the COVID-related disruptions in China to

this date, offset by the other income and expense benefit we've received in the first half. From a top line perspective, we are very pleased with the continued strength in orders and growing backlog that gives us confidence in future revenue growth in fiscal year '22 and beyond. We do want to remain prudent in the short term, given the ongoing supply challenges that we believe will likely last well into next year…overall, I'm pleased with how we are executing in a strong demand but challenging supply environment during the first half of fiscal year '22. With our high-quality backlog, we are very well positioned to capitalize on the ongoing Edge to Cloud opportunity and deliver against all of our financial commitments set at SAM 2021."

While still in the early innings of HPE's transformation, we appreciate the progress and the direction the firm is headed. Even though shares are down this year, HPE's return is about 15% ahead of the S&P 500 Information Technology sector index. Currency headwinds and accounting rules always play a part in the recognition of global revenue, so it's fully possible that the current FX headwinds turn into tailwinds with little advance notice. We think the valuation is very reasonable (7 times forward earnings, for example) and the 3.2% yield is ripe for a bump up. Our Target Price has been trimmed to $21.

NetApp (NTAP – $71.11) reported $1.42 of EPS for Q4, compared with the consensus estimate of $1.27. Revenue was $1.68 billion, matching the consensus estimate. Even though shares didn't move much on the news, and ended last week off 2.6%, the company's Hybrid Cloud revenue climbed to $1.56 billion, while Product revenue was $894 million and Support revenue was $590 million.

CEO George Kurian said, "We gained share in enterprise storage with strong growth in all-flash array and object storage products. We expanded our Public Cloud business with robust expansion of customers, ARR, innovation and routes to market. And most notably, we delivered record levels of gross margin dollars, operating income and earnings per share. While the demand environment remains strong, macroeconomic uncertainty, including supply constraints, rising interest rates, inflation and geopolitical conflict has increased since we last spoke with you at our Investor Day in March. Navigating this complex and dynamic environment is testing our teams, and we are sharply focused on managing what is in our control. Backlog is elevated due to supply constraints, despite our excellent supply chain management, helping us meet as much of the demand as possible. I want to thank our global team for their disciplined execution and agile response to changing conditions. That we achieved all-time highs for gross margin dollars, operating income and earnings per share in the face of these headwinds demonstrates our disciplined operating management. The turbulent environment also creates challenges for our customers, raising the urgency for data-driven, digital and cloud transformations."

Mr. Kurian continued, "We understand the root causes of these temporary headwinds, and in FY '23, our focus will be on returning these services to the growth trajectory we saw in the first 3 quarters of the year. We have made organizational changes to increase focus on renewal and expansion motions, and we'll continue to refine our go-to-market activities to better address the cloud operations market. Additionally, we have refreshed the sales organization and strengthened the leadership team. We believe strongly in the sizable opportunity created by our cloud operations portfolio, where we bring differentiated enterprise capabilities to cloud infrastructure management built on our long experience, supporting a broad range of applications… The long-

term thesis we presented at our Investor Day of delivering value through sustained growth remains intact. The strong fundamentals of our business, including our alignment to customer priorities, strong balance sheet and prudent operational management put NetApp in a position of strength."

CFO Mike Berry added, "In fiscal '23, we are guiding revenues to grow 6% to 8% year-over-year, which includes a 2-percentage point headwind from FX. In fiscal '23, we anticipate sustained demand for and continued share gain momentum in both our all flash and object storage solutions, which we expect to drive product revenue growth in the mid-single digits. We will also continue to grow and invest in our Public Cloud business… In fiscal '23, we expect gross margin to range between 66% and 67% as elevated component costs and logistical expenses from supply constraints continue to weigh on product margins. We expect first half product margins to be roughly consistent with Q4 levels. We believe these cost headwinds are temporary in nature, and we believe that Q4 '22 is the trough for product margins. As you all know, the timing of getting completely through these supply chain challenges remains fluid, but we do expect cost improvements, coupled with our recent price increases to be a modest tailwind to product margins as we head into the back half of fiscal '23… We expect Q1 net revenues to range between $1.475 billion and $1.625 billion, which at the midpoint, implies a 6% increase year-over-year and we expect earnings per share for Q1 to range between $1.05 and $1.15 per share."

NetApp expects to return 100% of 2023 free cash flow to investors via a share buyback program and dividends. The share count is expected to drop in the 2% to 3% range. The $0.50 quarterly dividend remains unchanged, resulting in a current yield around 2.8%. Overall, our opinion on NTAP has not changed since our last update. Currency movements are difficult to predict and expensive to insure. That just under half of NTAP's revenue comes from outside of the U.S. is a positive to us, rather than a hindrance. We appreciate the exposure to the secular growth of public cloud, and the company's history of returning cash to shareholders. The dividend has been increased at a rapid rate since initiation (in 2013), while the balance sheet shows the ability to hike the payout in the future. Our Target Price has been boosted to $108.

Delta Air Lines (DAL – $38.54) offered an investor update reflecting revenue and cost guidance that contributed to a 9% share price retreat last week. The air carrier expects total capacity between 82% and 83% for the June quarter, lower than the previous 84% estimate. Revenue is expected to be stronger than expected at 100% of the June calendar quarter in 2019, while fuel costs are expected to come in between $3.60 and $3.70 per gallon (vs. $3.20 to $3.35 previously). Despite some higher costs, the operating margin is expected in the 13% to 14% range (vs. 12% to 14% previously).

Consistent with our last update, we think the trajectory for Delta will continue to be uncertain in the next few quarters because of regional COVID outbreaks and differences in regional or national health policies. Though hardly surprising, the company's guidance suggests that costs are likely to weigh on DAL in the near term, offestting demand growth and pricing power. Delta does not hedge its fuel, but it does own a refinery and we were pleased (if a bit surprised) to learn the operations could reduce the cost of fuel by $0.20 per gallon. The forward P/E for the carrier is presently 8, which should drop below 6 for 2024 if the impact of the pandemic recedes

and folks spend their piles of accumulated cash traveling the world. Our Target Price for DAL now stands at $66.

Heading in the other direction last week, **Alaska Airlines** (ALK – $48.88) saw its shares climb 1%. Alaska said on Friday, "Since our last update, operational performance has improved, with system-wide completion rates at 96% in April and 98% in May. We remain committed to operational excellence as we prepare to step capacity back to 2019 levels and return to a single mainline fleet, with our A320 aircraft targeted for retirement no later than early 2023. Given our focus on operational reliability and accelerated fleet transition, we now expect full year 2022 capacity to be below the low end of our previous guide of flat to down 3% versus 2019."

Looking at Q2 specifically, the company stated, "We continue to experience sustained strong demand for air travel throughout our network. As a result, expected total revenue compared to 2019 has increased by 6.5 points at the midpoint, as load factors have increased, and passenger yields remain at double-digit percentages above 2019 levels. Stronger revenue is offsetting increases in oil prices. Our economic fuel cost per gallon includes expected hedge benefit of approximately $0.45 per gallon. There are no changes to our unit cost expectations. As a result of these updates, we continue to expect to deliver double digit pretax margin in the second quarter."

Certainly, it is good news that demand for air travel remains robust and we are pleased that Alaska's hedging is keeping cost inflation under control. Our Target Price for ALK now resides at $85 as the forward P/E ratio is 9.