Market Commentary Monday, August 15, 2022

August 14, 2022

EXECUTIVE SUMMARY

Market Week – Rebound Continues
Inflation – Lower-than-Expected CPI & PPI; Long-Term Expectations Pull Back
Recession – Odds Rise and Fall
Econ – Consumer Sentiment Improves
Media – Plenty of Opinions on Equity Market Direction
Zigging and Zagging – Main Street More Optimistic AFTER the Rally
Valuations – Inexpensive Metrics & Higher Dividend Yields for Our Portfolios
Stock News – Updates on TSN, DINO, HMC, DIS, ENS, SIEGY, CAH, WHR, SNY, PFE & Chips

Market Review

The rebound off the mid-June lows,…

THE PRUDENT SPECULATOR

PERSPECTIVE: 10% UPS AND DOWNS SINCE TPS INCEPTION

S&P 500 Moves (on a Closing Basis) of 10% Without a Comparable Move in the Other Direction

9/12/1978	11/14/1978	-13.55%	BEAR	3/6/1978	9/12/1978	23.12%	BULL
10/5/1979	11/7/1979	-10.25%	BEAR	11/14/1978	10/5/1979	20.30%	BULL
2/13/1980	3/27/1980	-17.07%	BEAR	11/7/1979	2/13/1980	18.59%	BULL
11/28/1980	9/25/1981	-19.75%	BEAR	3/27/1980	11/28/1980	43.07%	BULL
11/30/1981	3/8/1982	-15.05%	BEAR	9/25/1981	11/30/1981	12.04%	BULL
5/7/1982	8/12/1982	-14.27%	BEAR	3/8/1982	5/7/1982	11.30%	BULL
10/10/1983	7/24/1984	-14.38%	BEAR	8/12/1982	10/10/1983	68.57%	BULL
8/25/1987	10/19/1987	-33.24%	BEAR	7/24/1984	8/25/1987	127.82%	BULL
10/21/1987	10/26/1987	-11.89%	BEAR	10/19/1987	10/21/1987	14.92%	BULL
11/2/1987	12/4/1987	-12.45%	BEAR	10/26/1987	11/2/1987	12.33%	BULL
10/9/1989	1/30/1990	-10.23%	BEAR	12/4/1987	10/9/1989	60.68%	BULL
7/16/1990	10/11/1990	-19.92%	BEAR	1/30/1990	7/16/1990	14.23%	BULL
10/7/1997	10/27/1997	-10.80%	BEAR	10/11/1990	10/7/1997	232.74%	BULL
7/17/1998	8/31/1998	-19.34%	BEAR	10/27/1997	7/17/1998	35.32%	BULL
9/23/1998	10/8/1998	-10.00%	BEAR	8/31/1998	9/23/1998	11.37%	BULL
7/16/1999	10/15/1999	-12.08%	BEAR	10/8/1998	7/16/1999	47.88%	BULL
3/24/2000	4/14/2000	-11.19%	BEAR	10/15/1999	3/24/2000	22.45%	BULL
9/1/2000	4/4/2001	-27.45%	BEAR	4/14/2000	9/1/2000	12.10%	BULL
5/21/2001	9/21/2001	-26.43%	BEAR	4/4/2001	5/21/2001	19.00%	BULL
1/4/2002	7/23/2002	-31.97%	BEAR	9/21/2001	1/4/2002	21.40%	BULL
8/22/2002	10/9/2002	-19.31%	BEAR	7/23/2002	8/22/2002	20.68%	BULL
11/27/2002	3/11/2003	-14.71%	BEAR	10/9/2002	11/27/2002	20.87%	BULL
10/9/2007	3/10/2008	-18.64%	BEAR	3/11/2003	10/9/2007	95.47%	BULL
5/19/2008	10/10/2008	-36.97%	BEAR	3/10/2008	5/19/2008	12.04%	BULL
10/13/2008	10/27/2008	-15.39%	BEAR	10/10/2008	10/13/2008	11.58%	BULL
11/4/2008	11/20/2008	-25.19%	BEAR	10/27/2008	11/4/2008	18.47%	BULL
1/6/2009	3/9/2009	-27.62%	BEAR	11/20/2008	1/6/2009	24.22%	BULL
4/23/2010	7/2/2010	-15.99%	BEAR	3/9/2009	4/23/2010	79.93%	BULL
4/29/2011	10/3/2011	-19.39%	BEAR	7/2/2010	4/29/2011	33.35%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR	10/3/2011	5/21/2015	93.85%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR	8/25/2015	11/3/2015	12.97%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR	2/11/2016	1/26/2018	57.07%	BULL
9/20/2018	12/24/2018	-19.78%	BEAR	2/8/2018	9/20/2018	13.55%	BULL
2/19/2020	3/23/2020	-33.92%	BEAR	12/24/2018	2/19/2020	44.02%	BULL
1/3/2022	3/8/2022	-13.05%	BEAR	3/23/2020	1/3/2022	114.38%	BULL
3/29/2022	6/16/2022	-20.83%	BEAR	3/8/2022	3/29/2022	11.05%	BULL
				6/16/2022	8/12/2022	16.73%	BULL
Average Drop		-18.28%		**Average Gain**		40.80%	

SOURCE: Kovitz using data from Bloomberg

Trading has been volatile this year, to say the least, with stocks having endured their worst performance since the five-week 2020 Bear Market brought on by the COVID-19 Pandemic. While the S&P 500 quickly rallied out of correction territory in March, it closed on 6.16.22 below the Bear Market level with a 20.83% decline from the 03.29.22 interim high, before soaring 16.73% over the next two months. Of course, ups and downs are not unusual for equities, and we are now enjoying the 37th 10% or greater rally since the launch of *The Prudent Speculator* 45+ years ago. Happily, while there have been 36 setbacks of 10% or greater along the way, the average loss during those periods in the red has been dwarfed by the average gain in the green.

…gained steam last week,…

THE PRUDENT SPECULATOR

TERRIFIC REBOUND: S&P 500 CONTINUES TO RALLY

Not so rare are nice one-week rallies of more than 3% for the S&P 500, as the popular market gauge climbed 3.256% in price for the second week of August, the 313th best weekly showing since 1928.

Up > 3.25%

	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		6	4	3	0	7	4	4	8	4	8	48
Years Ending in 1		10	2	1	0	1	2	4	4	7	2	33
Years Ending in 2		18	3	0	2	1	7	0	5	2	5	43
Years Ending in 3		18	1	1	1	3	2	0	5	1		32
Years Ending in 4		8	1	2	0	5	2	0	0	2		20
Years Ending in 5		8	0	3	0	5	2	0	0	2		20
Years Ending in 6		6	2	2	2	1	3	3	0	1		20
Years Ending in 7		5	1	0	0	1	4	6	1	0		18
Years Ending in 8	5	16	1	0	2	1	4	7	6	3		45
Years Ending in 9	8	6	0	0	0	0	1	8	10	1		34
Totals	13	101	15	12	7	25	31	32	39	23	15	313

From 1.31.28 through 8.12.22. Weeks of index price increases of greater than or equal to 3.25%. SOURCE: Kovitz using data from Bloomberg

Down < 3.25%

	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		14	6	2	0	4	3	4	5	6	5	49
Years Ending in 1		21	5	1	0	1	3	0	6	6	1	44
Years Ending in 2		19	2	0	5	0	4	0	5	1	4	40
Years Ending in 3		11	2	0	1	8	1	0	3	0		26
Years Ending in 4		10	2	0	0	14	1	1	1	1		30
Years Ending in 5		3	0	2	0	3	0	0	1	4		13
Years Ending in 6		4	6	1	4	0	3	0	0	1		19
Years Ending in 7		12	2	2	1	0	4	1	4	0		26
Years Ending in 8	3	11	4	0	0	3	2	5	11	8		47
Years Ending in 9	12	6	1	0	3	1	2	3	8	0		36
Totals	15	111	30	8	14	34	23	14	44	27	10	330

From 1.31.28 through 8.12.22. Weeks of index price decreases of greater than or equal to 3.25%. SOURCE: Kovitz using data from Bloomberg

…with Value indexes leading the charge and the year-to-date return on the S&P 500 now not too dissimilar from the return on the supposedly safer U.S. Aggregate Bond index.

THE PRUDENT SPECULATOR

MARKET OF STOCKS – INDEXES CAN HAVE WIDE DISPERSION IN RETURNS

You know it has been a tough year when the Nasdaq Composite index rallies 3.1% for the week but is still down more than 16% on the year as traders continue to be concerned about the war in Ukraine, inflation, comments from the Federal Reserve, economic statistics and weaker-than-expected guidance on corporate profits. While there are no awards for the losses on Value this year, inexpensive stocks have held up best.

Total Returns Matrix

MARKET OF STOCKS

2000	2001	Last Week	YTD	Last 12 Months	Since 10.31.20	Last 2 Years	Since 3.23.20	Last 3 Years	Last 5 Years	Name	Symbol
-4.85	-5.44	2.99	-5.98	-3.02	31.87	25.46	90.37	38.75	72.21	Dow Jones Industrial Average	DJITR Index
1.01	-10.21	3.64	-6.45	-3.95	32.62	27.74	90.78	35.26	52.60	New York Stock Exchange Composite	NYA Index
-39.18	-20.81	3.10	-16.20	-11.27	21.20	20.28	93.71	70.28	118.78	Nasdaq Composite Index	CCMP Index
-22.43	-9.23	4.76	-15.38	-17.23	11.93	11.09	81.14	29.63	55.21	Russell 2000 Growth	RU20GRTR Index
22.83	**14.02**	**5.20**	**-3.69**	**-0.46**	**59.07**	**52.01**	**132.16**	**47.61**	**52.98**	**Russell 2000 Value**	**RU20VATR Index**
-3.02	2.49	4.97	-9.48	-9.03	33.73	30.31	106.87	40.10	56.46	Russell 2000	RU20INTR Index
-11.75	-20.15	3.43	-18.00	-17.68	9.88	12.22	82.23	35.94	82.56	Russell Midcap Growth Index Total Return	RUMCGRTR Index
19.18	**2.33**	**4.62**	**-5.04**	**-0.49**	**45.41**	**42.27**	**122.26**	**42.62**	**55.56**	**Russell Midcap Value Index Total Return**	**RUMCVATR Index**
8.25	-5.62	4.19	-9.60	-6.73	32.04	31.17	109.26	43.11	70.58	Russell Midcap Index Total Return	RUMCINTR Index
-22.42	-19.63	3.00	-15.82	-9.35	22.97	22.20	97.32	64.92	118.40	Russell 3000 Growth	RU30GRTR Index
8.04	**-4.33**	**4.01**	**-3.66**	**0.11**	**43.06**	**37.42**	**99.96**	**39.82**	**56.51**	**Russell 3000 Value**	**RU30VATR Index**
-7.46	-11.46	3.49	-10.02	-4.74	32.53	29.55	99.94	53.86	87.72	Russell 3000	RU30INTR Index
9.64	-0.39	3.93	-5.84	-0.64	45.47	41.29	119.96	54.34	81.61	S&P 500 Equal Weighted	SPXEWTR Index
-9.10	-11.89	3.31	-9.34	-2.61	34.44	30.51	98.58	55.99	91.67	S&P 500	SPXT Index
-22.08	-12.73	3.13	-14.73	-6.13	28.54	26.37	101.15	65.94	117.51	S&P 500 Growth	SPTRSGX Index
6.08	**-11.71**	**3.49**	**-3.35**	**0.87**	**41.03**	**34.29**	**91.77**	**41.72**	**61.89**	**S&P 500 Value**	**SPTRSVX Index**
3.18	1.57	0.42	-12.49	-14.39	-13.95	-13.85	-6.22	-9.20	-3.30	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index
11.63	8.44	0.24	-8.89	-9.23	-9.29	-10.04	-4.55	-3.16	5.27	Bloomberg Barclays U.S. Aggregate Bond	LBUSTRUU Index

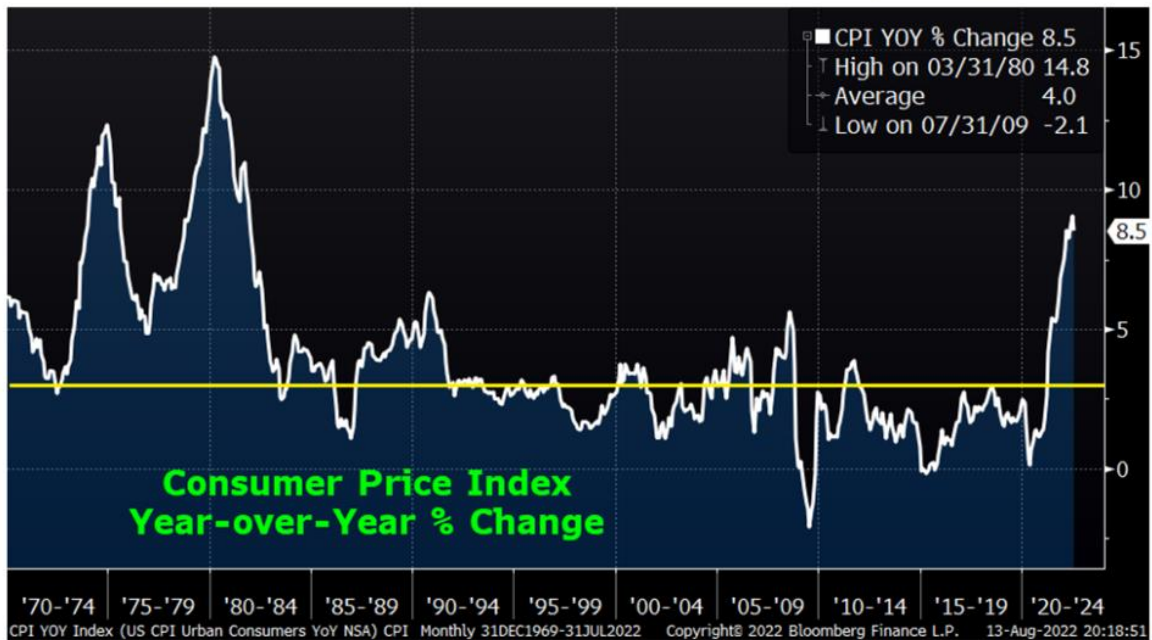
As of 08.12.22. Source Kovitz using data from Bloomberg

The catalyst for the latest advance was a better-than-expected inflation print, even as it is difficult to call an 8.5% jump in the Consumer Price Index and a 5.9% increase in the so-called Core Rate good news.

THE PRUDENT SPECULATOR

INFLATION AT THE CONSUMER LEVEL PULLS BACK FROM 41-YEAR HIGH

Inflation in the U.S. soared in July, with the Consumer Price Index jumping by 8.5% on a year-over-year basis, though the core rate, which excludes food and energy, rose by "only" 5.9%. Of course, the headline CPI figure was seen as good news in that it was down from June's 9.1% figure.



Still, the headline number was down from 9.1% the month prior, while the Producer Price index for July also was not as bad as feared and expectations for the future rate of inflation have come down considerably over the past two months.

THE PRUDENT SPECULATOR

THREE YEARS AHEAD INFLATION EXPECTATIONS RETREAT

Likely bringing a modest smile to Jerome H. Powell, inflation expectations in July fell according to a monthly survey by the New York Fed. The median expectation of inflation over the next three years dropped to 3.2% in July from 3.6% in the prior survey and a 3.9% increase in May.

Of course, equities historically have been a terrific hedge, on average, against inflation,…

EQUITY RETURNS AND 9%+ INFLATION – VALUE STOCKS THE PLACE TO BE

THE WALL STREET JOURNAL.

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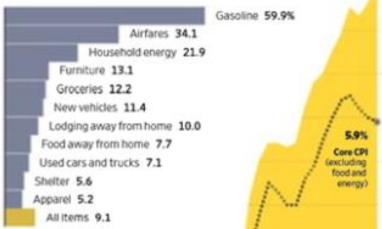
Inflation Hurtles to Highest Since '81



June 9.1%

5.9% Core CPI (excluding food and energy)

Consumer-price index change from previous year

A 9.1% price rise adds pressure on the Fed as more investors expect a bigger rate boost in July

By Gabriel T. Rubin

U.S. consumer inflation accelerated to 9.1% last month, a pace not seen in more than four decades, adding pressure on the Federal Reserve to act more aggressively to slow rapid price increases throughout the economy.

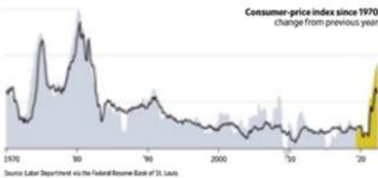
The consumer-price index's advance for the 12 months ended in June was the fastest pace since November 1981, the Labor Department said on Wednesday. A big jump in gasoline prices—up 11.2% from the previous month and nearly 60% from a year earlier—drove much of the increase, while shelter and food prices were also major contributors.

The June inflation reading exceeded May's 8.6% rate, prompting investors and analysts to debate whether the Fed would consider a 1-percentage-point rate increase, rather than a 0.75-point rise, later this month. Slowing demand is key to the Fed's goal of restoring price stability in an economy that is still struggling with supply issues, but raising interest rates also elevates the risk of a recession.

Core prices, which exclude volatile food and energy components, showed little sign they were moderating. While they increased by 5.9% in June

Please turn to page A6

- Greg Ip: Beware wishful thinking on the economy... A2
- Inflation clouds prospects for Biden's economic plan... A4
- Report ups pressure on Fed's rate discussions... A7



Price Data Set Off More Bond Volatility

By Sam Goldfarb And Matt Grossman

Fresh evidence of escalating inflation rattled bond markets anew Wednesday, sparking large swings in Treasury yields as traders shifted their bets on how the Federal Reserve and the economy might respond.

Treasury yields, which rise when bond prices fall, jumped immediately after the government released new consumer-price index data, which showed broad-based inflation reaching another four-decade high.

Yields on longer-term Treasurys, however, quickly gave up those gains and major stock indexes fell, reflecting a growing belief among investors that the Fed will do whatever it takes to slow inflation, including pushing the economy into a recession.

As highlighted by Wednesday's report, sky-high inflation remains a major concern for investors. At the same time, other measures of inflation haven't been as elevated as CPI data.

Investors have also focused on mounting signs of slowing economic growth over the past month, causing many to bet that a larger interest-rate increase from the Fed now would just lead more quickly to a recession and future rate cuts. That in turn has boosted

Please turn to page A7

- U.S. stocks end lower in Wednesday's session... B1

Inflation Rate >= 9.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.3%	2.7%	10.7%	6.4%	27.2%	16.3%
Geometric Average	3.7%	2.0%	9.0%	4.9%	24.1%	13.9%
Median	3.8%	2.1%	6.8%	4.6%	18.0%	12.3%
Max	50.9%	32.9%	82.7%	60.8%	134.0%	64.2%
Min	-19.2%	-27.6%	-26.4%	-35.9%	-20.9%	-22.2%
Count	95	95	95	95	95	95

Source: Kovitz using data from Ibbotson Associates 06.30.27 - 4.30.22.

Inflation Rate <9.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.2%	3.1%	8.1%	6.1%	16.4%	12.3%
Geometric Average	3.1%	2.4%	6.2%	4.7%	12.3%	9.3%
Median	4.0%	3.4%	7.9%	6.2%	16.6%	12.9%
Max	200.5%	136.1%	244.7%	140.3%	357.8%	221.9%
Min	-43.1%	-40.4%	-56.1%	-47.0%	-71.3%	-64.8%
Count	1042	1042	1039	1039	1033	1033

Source: Kovitz using data from Ibbotson Associates 06.30.27 - 4.30.22.

Inflation Rate >= 9.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.9%	3.4%	8.7%	7.2%	22.9%	18.0%
Geometric Average	3.3%	2.5%	7.6%	5.3%	21.8%	15.5%
Median	4.7%	3.1%	7.0%	6.4%	20.7%	21.5%
Max	39.6%	32.9%	63.0%	60.8%	60.2%	63.4%
Min	-16.5%	-27.6%	-26.4%	-35.9%	-8.8%	-22.2%
Count	55	55	55	55	55	55

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 04.30.22.

Inflation Rate < 9.0% and Ensuing Value/Growth Returns Since 1957

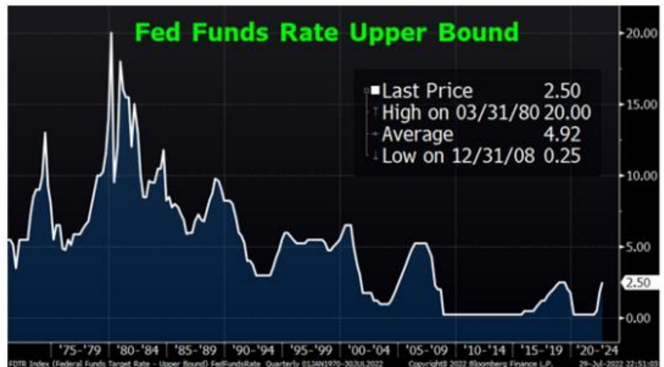
Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.8%	2.8%	7.7%	5.8%	15.8%	11.8%
Geometric Average	3.3%	2.4%	6.7%	4.8%	13.7%	9.9%
Median	4.1%	3.3%	8.1%	6.0%	17.3%	13.0%
Max	37.8%	32.5%	68.5%	49.8%	105.8%	93.6%
Min	-39.5%	-34.9%	-54.2%	-41.7%	-52.2%	-48.0%
Count	724	724	721	721	715	715

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 04.30.22.

…so the bigger worry for short-term-oriented investors would seemingly be the Federal Reserve and the speed and magnitude of future interest rate hikes. Interestingly, there was only a very modest change on that front last week, at least according to the Fed Funds futures, which are still looking for upwards of 5 more quarter-point rate increases over the balance of 2022.

FED FIGHTING INFLATION – INTEREST RATES STILL HISTORICALLY VERY LOW

Although the estimate for GDP growth this year was pared to 1.7% in June, down from 2.8% in March, the Federal Reserve lifted its target for the Fed Funds rate by 75 basis points at both the June and July FOMC meetings. Jerome H. Powell & Co. project that the Fed Funds rate will likely end the year at 3.5%, though this still would be below the historical average. The Fed Funds futures are currently a bit more hawkish in terms of the number of hikes expected over the balance of the year, even as they expect that rates will be cut starting in May 2023.



Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/21/2022	+2.488	+248.8%	+0.622	2.953	0.250
11/02/2022	+3.968	+148.0%	+0.992	3.323	0.250
12/14/2022	+4.765	+79.7%	+1.191	3.523	0.250
02/01/2023	+5.142	+37.7%	+1.286	3.617	0.250
03/22/2023	+5.315	+17.3%	+1.329	3.660	0.250
05/03/2023	+5.271	-4.4%	+1.318	3.649	0.250
06/14/2023	+5.002	-26.9%	+1.250	3.582	0.250
07/26/2023	+4.725	-27.7%	+1.181	3.512	0.250
09/20/2023	+4.295	-43.0%	+1.074	3.405	0.250
11/01/2023	+3.913	-38.2%	+0.978	3.309	0.250

The corollary to the Fed is the health of the U.S. economy, with the chance of "recession" actually moving higher last week, if the Bloomberg Probability Forecast is to believed,…

THE PRUDENT SPECULATOR

STILL PLENTY OF DOOM & GLOOM TALK, ODDS OF RECESSION NOW 50%

The respective 1.6% and 0.9% contractions in Q1 and Q2 2022 real (inflation-adjusted) GDP means economists could say that the U.S. economy is in recession, but the odds of an official declaration stand today at 50%, meaning the consensus forecast is split down the middle.

…with the yield curve inverting (supposedly a harbinger of recession) even further.

THE PRUDENT SPECULATOR

YIELD CURVE INVERSION…HAS BEEN GOOD, ON AVERAGE, FOR STOCKS

With the 2.83% yield on the 10-Year U.S. Treasury now 42 basis below the yield on the 2-Year, we wonder if the financial press will remember that not all inversions lead to a recession and if they will note that such an event historically has been very good, on average, for stock returns.

S&P 500 Total Return Post 10-Year/2-Year Yield-Curve Inversion

Inversion Date	1 Year S&P 500 TR	3 Year S&P 500 TR	5 Year S&P 500 TR	10 Year S&P 500 TR	To Present S&P 500 TR
8/18/1978	9.2%	45.5%	103.4%	295.0%	13239%
9/12/1980	1.8%	53.9%	86.8%	290.6%	9837%
1/14/1982	34.4%	71.2%	184.6%	440.2%	9990%
12/13/1988	32.1%	54.1%	97.7%	452.3%	3053%
3/8/1990	14.2%	47.1%	65.3%	411.5%	2354%
6/9/1998	19.6%	17.5%	-6.4%	43.3%	500%
2/2/2000	-3.1%	-36.7%	-8.6%	-6.2%	366%
1/31/2006	14.5%	-31.3%	11.7%	87.4%	367%
8/23/2019	21.6%				58%
S&P Total Return	**16.0%**	**27.7%**	**66.8%**	**251.8%**	**4418%**

As of 8.12.22. Source: Kovitz using data from Bloomberg and the St. Louis Federal Reserve

We put the word "recession" in quotations above, as some would argue that the economy technically was in contraction (on an inflation-adjusted basis) over the first half of 2022,…

We understand that the focus on GDP is always on the real (inflation-adjusted) tally, if one reads the fine print of the report from Uncle Sam, they will see that in current (nominal) dollar terms, the economy grew markedly in Q2, as did personal income, as did disposable personal income, as did personal saving.

The New York Times — NEW YORK, FRIDAY, JULY 29, 2022

ECONOMY SHRINKS AGAIN, AMPLIFYING FEAR OF RECESSION

G.D.P. Falls for Second Straight Quarter as the Fed Tries to Tame Inflation

Tough Choices In a U.S. Deal To Free Griner

Pope Makes His Frailty a Lesson in Compassion

Now 85, He Preaches Care and Dignity for Aging Population

Current-dollar GDP increased 7.8% at an annual rate, or $465.1 billion, in the second quarter to a level of $24.85 trillion. In the first quarter, GDP increased 6.6%, or $383.9 billion.

The **price index for gross domestic purchases** increased 8.2% in the second quarter, compared with an increase of 8.0% in the first quarter. **The PCE price index** increased 7.1%, the same rate as the first quarter. Excluding food and energy prices, the PCE price index increased 4.4%, compared with an increase of 5.2%.

Personal Income

Current-dollar personal income increased $353.8 billion in the second quarter, compared with an increase of $247.2 billion in the first quarter. The increase primarily reflected increases in compensation (led by private wages and salaries), proprietors' income (both nonfarm and farm), personal income receipts on assets, and rental income.

Disposable personal income increased $291.4 billion, or 6.6%, in the second quarter, in contrast to a decrease of $58.8 billion, or 1.3%, in the first quarter. **Real disposable personal income** decreased 0.5%, compared with a decrease of 7.8%. **Personal saving** was $968.4 billion in the second quarter, compared with $1.02 trillion in the first quarter. The **personal saving rate**—personal saving as a percentage of disposable personal income—was 5.2% in the second quarter, compared with 5.6% in the first quarter.

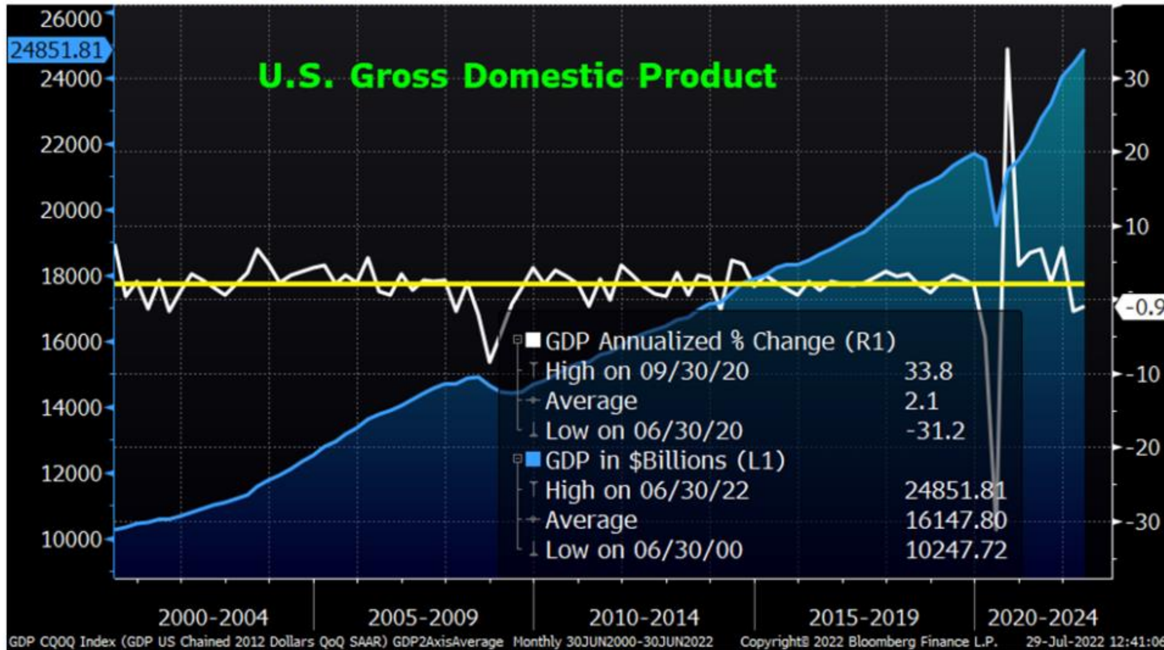
Gross Domestic Product, Second Quarter 2022 (Advance Estimate)

…though nominal GDP growth was sensational,…

THE PRUDENT SPECULATOR

HUGE 9.3% JUMP IN NOMINAL GDP, BUT REAL GDP CONTRACTS BY 0.9%

Second quarter 2022 real (inflation-adjusted) domestic economic growth came in much weaker than expected at a 0.9% contraction on an annualized basis, even as the current-dollar nominal GDP figure of $24.9 trillion soared by 9.3% on an annualized basis to an all-time high.



…which was reflected in very good corporate profits (also reported in nominal dollars) over the last two quarters, the gigantic paper loss just reported for Berkshire Hathaway notwithstanding.

THE PRUDENT SPECULATOR

DECENT EPS IN Q2 '22 AND '22/'23 ESTIMATES REMAIN SOLID

Q2 earnings reporting season was pretty good (Berkshire Hathaway's massive $66.9 billion unrealized investment loss skewed the overall S&P EPS number sharply lower), even as outlooks generally were muted and stock prices sometimes reacted negatively. 75.1% of the 455 S&P 500 companies to have announced beat EPS expectations and 63.4% 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	$62.82	$240.58
9/30/2023	$61.13	$235.74
6/30/2023	$59.51	$230.74
3/31/2023	$57.12	$218.26
12/31/2022	$57.98	$210.50
9/30/2022	$56.13	$209.25
6/30/2022	$47.03	$205.14
ACTUAL		
3/31/2022	$49.36	$210.16
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 8.11.22

To be sure, the risk of an official recession remains elevated,…

THE PRUDENT SPECULATOR

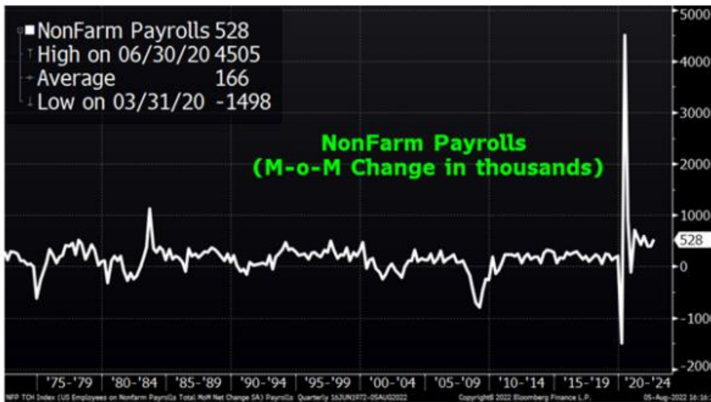
LEI DROPS BY 0.8% IN JUNE…BUT REAL GDP FORECASTS STILL POSITIVE

"The Conference Board Leading Economic Index® (LEI) for the U.S. decreased by 0.8% in June 2022 to 117.1 (2016=100), after declining by 0.6% in May. The LEI was down by 1.8% over the first half of 2022, a reversal from its 3.3% growth over the second half of 2021…Amid high inflation and rapidly tightening monetary policy, The Conference Board expects economic growth will continue to cool throughout 2022. A U.S. recession around the end of this year and early next is now likely. Accordingly, we've downgraded our forecast of 2022 annual Real GDP growth to 1.7% year-over-year (from 2.3%), while 2023 growth was downgraded to 0.5% YOY (from 1.8%)."

…despite the stellar recent jobs report,…

THE PRUDENT SPECULATOR

VERY HEALTHY JOBS PICTURE



Economists were looking for a gain of 258,000 payrolls, so the increase of 528,000 in July was well above expectations, and the May and June tallies were revised up by a combined 28,000 jobs. July marked the 15th straight month of job gains above 350,000. With strong demand for labor, wages continued to rise, a bit faster than in the month prior, as employers struggled to fill positions and the impact of the coronavirus pandemic continued to recede.

…and the improvement in consumer sentiment, the latest report on which was out on Friday.

THE PRUDENT SPECULATOR

CONSUMER SENTIMENT REBOUNDS TWO MONTHS AFTER RECORD LOW

University of Michigan Consumer Sentiment Cyclical Lows & Subsequent Equity Returns

Cyclical Low	U of M Sent.	1 Year SPX TR	1 Year Value TR	3 Year SPX TR	3 Year Value TR	5 Year SPX TR	5 Year Value TR	10 Year SPX TR	10 Year Value TR
May-80	51.7	25.2%	34.5%	70.8%	128.6%	118.2%	227.7%	395.6%	537.8%
Mar-82	62.0	44.3%	54.5%	86.5%	129.5%	224.0%	276.0%	431.0%	503.6%
Nov-87	83.1	23.3%	32.0%	55.7%	31.1%	121.8%	124.2%	455.1%	545.8%
Oct-90	63.9	33.4%	41.2%	68.6%	129.6%	121.4%	191.0%	490.0%	619.1%
Sep-01	81.8	-20.5%	-13.6%	12.6%	40.7%	40.0%	98.9%	32.0%	48.6%
Mar-03	77.6	35.1%	67.5%	61.0%	129.0%	71.0%	116.0%	126.8%	176.2%
Nov-08	55.3	25.4%	22.3%	48.6%	34.0%	124.8%	135.2%	280.7%	246.4%
Aug-11	55.8	18.0%	14.8%	75.4%	89.6%	98.3%	95.0%	353.7%	264.7%
Jun-22	50.0								
		23.0%	31.6%	59.9%	89.0%	114.9%	158.0%	320.6%	367.8%

TR = Total Return. SPX = S&P 500. 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 Univ. of Michigan

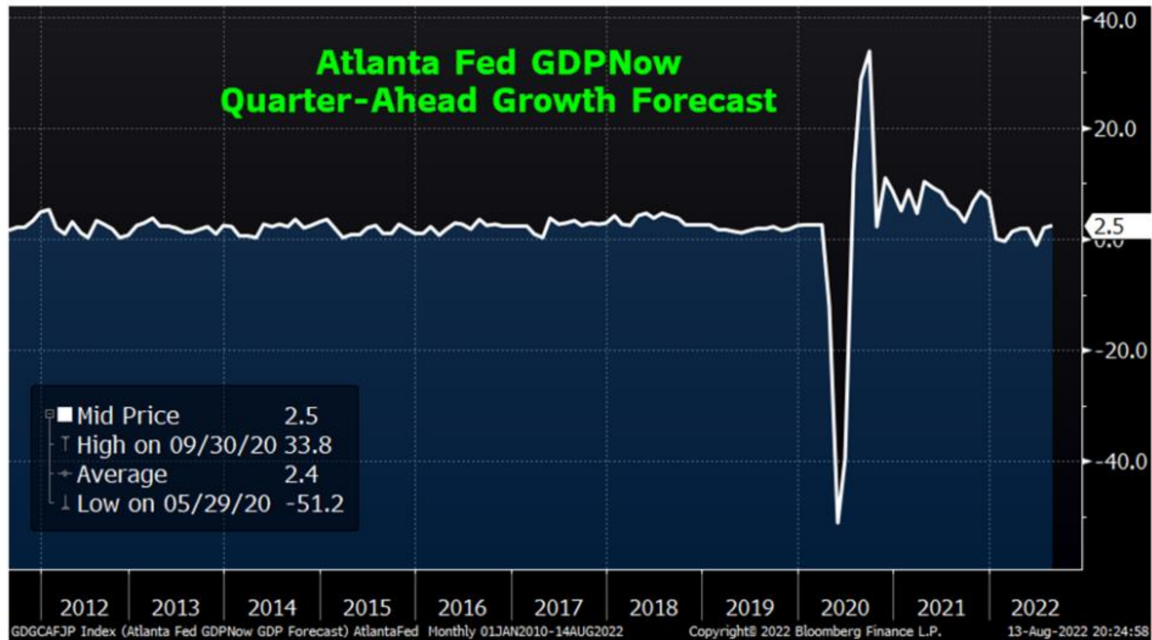
The latest read on the Univ. of Michigan's Consumer Sentiment gauge was better than expected, bouncing back further from the most pessimistic level in history two month's prior. Incredibly, folks were then more downcast than when inflation was in the double-digits in the early '80's …and after the Crash of '87…and after the Gulf War Meltdown of '90…and after 9/11…and at the end of the Tech Wreck…and during the Great Financial Crisis…and after the downgrade of the U.S. credit rating. Believe it or not, the prior 8 cyclical lows, on average, proved to be great times for long-term-oriented investors to be adding to their (Value) equity exposure.

Interestingly, the outlook for Q3 GDP growth also moved higher last week,…

THE PRUDENT SPECULATOR

POST-JOBS-REPORT Q3 U.S. GDP GROWTH PROJECTION JUMPED TO 2.5%

Q1 and Q2 2022 saw respective 1.6% and 0.9% contractions in real (inflation-adjusted) GDP growth, as the Omicron variant, supply-chain difficulties, the war in Ukraine and inflation impacted the economy, but the Atlanta Fed's projection for Q3 2022 real GDP growth on an annualized basis as of August 10 stood at 2.5%.



…though we confess to not losing much sleep over the short-term economic gyrations.

THE PRUDENT SPECULATOR

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

After all, it isn't as if anyone can predict how the equity markets will react in the near term,…

THE PRUDENT SPECULATOR

STOCKS WILL GO UP OR THEY WILL GO DOWN: "EXPERT" ADVICE

MarketWatch | Latest | Watchlist | Markets | Investi

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Why the S&P 500's 'bounce within a bear market' could fizzle before it hits 4,200

- A surging stock market is on the verge of signaling a 'huge' move — but there's a catch
- The stock market risks 'swooning again', so BlackRock prefers credit over equities
- Here are 10 reasons why JPMorgan says the global stock market rally will continue
- Opinion: The stakes couldn't be higher for investors as hotter inflation would place the Federal Reserve in uncharted territory

The S&P 500 "bounce within a bear market" could fizzle or the surging stock market may be on the verge of signaling a "huge" move or the stock market might risk "swooning again" or the global stock market rally will continue. At least MarketWatch had all the bases covered early last week, though cooler (not hotter) inflation sent equities soaring in the days that followed. Better, in our view, to simply stay invested through thick and thin, rather than try to outguess the short-term market gyrations. After all, those who have remembered that the secret to success in stocks is not to get scared out of them have been rewarded with handsome long-term returns of 9% to 13% PER ANNUM.

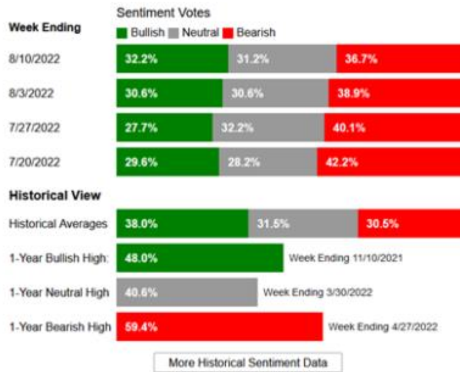
…while far too many folks end up zigging when they should have zagged,…

THE PRUDENT SPECULATOR

CONTRARIAN BUY SIGNAL: AAII SENTIMENT STILL PESSIMISTIC

The gauge is widely viewed with a contrarian eye, so the number of AAII Sentiment Survey Bulls coming in at 32.2% is still a significant equity market buy signal, even as the tally was 14.0 points higher than seven week's prior, when the weekly gauge reflected the 25th fewest total of optimists in its 35-year history. Interestingly, AAII itself understands that its measure is presently showing that it remains time to be greedy when others are fearful, with a -4.5 Bull-Bear Spread.

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.

AAII Bulls & Russell 3000 Forward TR

Date	Bulls	1W RET	1M RET	3M RET	6M RET
11/15/1990	12.0	-0.4%	3.6%	18.4%	20.1%
10/6/1988	13.0	0.7%	1.1%	3.2%	9.9%
3/9/1989	13.0	1.7%	1.3%	12.2%	19.9%
9/20/1990	13.0	-3.7%	-0.5%	6.9%	21.5%
10/18/1990	13.0	1.5%	4.5%	10.1%	32.1%
9/3/1992	14.0	0.5%	-1.5%	5.2%	10.7%
2/1/1990	15.0	1.7%	1.9%	1.9%	8.8%
10/4/1990	15.0	-5.5%	-0.5%	4.3%	26.2%
4/14/2022	15.8	-0.2%	-8.8%	-14.0%	
7/21/1988	16.0	-0.3%	-1.9%	6.1%	8.2%
9/13/1990	16.0	-2.3%	-6.4%	4.1%	20.5%
11/22/1990	16.0	0.4%	5.5%	18.1%	23.0%
12/20/1990	16.0	-0.3%	0.6%	13.7%	17.2%
4/28/2022	16.4	-3.3%	-3.0%	-4.8%	
4/14/2005	16.5	0.0%	-0.4%	7.2%	4.2%
9/8/1988	17.0	0.9%	4.3%	3.8%	12.0%
11/24/1988	17.0	1.5%	3.5%	8.4%	21.1%
12/8/1988	17.0	-0.7%	2.1%	7.9%	21.0%
5/26/2016	17.8	1.0%	-2.2%	4.8%	8.2%
1/14/2016	17.9	-2.8%	-3.3%	9.3%	14.4%
9/1/1988	18.0	2.6%	5.2%	5.1%	12.4%
3/30/1989	18.0	1.1%	5.9%	9.7%	20.7%
8/16/1990	18.0	-8.0%	-4.6%	-4.4%	13.3%
7/1/1993	18.0	-0.1%	0.0%	4.3%	5.8%
6/22/2022	18.2	-0.4%	4.6%		
25 Period Average		-0.6%	0.4%	5.9%	16.0%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Individual Investors and Bloomberg

AAII Bull-Bear Spread & Russell 3000 Forward TR

Date	Spread	1W RET	1M RET	3M RET	6M RET
10/18/1990	-54.0	1.5%	4.5%	10.1%	32.1%
3/5/2009	-51.4	10.3%	24.5%	40.3%	52.7%
10/4/1990	-44.0	-5.5%	-0.5%	4.3%	26.2%
9/20/1990	-43.0	-3.7%	-0.5%	6.9%	21.5%
11/15/1990	-43.0	-0.4%	3.6%	18.4%	20.1%
4/28/2022	-43.0	-3.3%	-3.0%	-4.8%	
6/22/2022	-41.1	-0.4%	4.6%		
7 Period Average		-0.2%	4.7%	12.6%	30.5%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Individual Investors and Bloomberg

…so much so that they suffer far worse long-term performance, on average, than if they simply stayed put with their equity (and fixed income) allocations.

THE PRUDENT SPECULATOR

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

Per data analytics firm DALBAR, equity fund investors had awful relative returns in 2021, gaining only 18.4% on average, compared to a 28.7% return for the S&P 500, for a whopping 1030 basis point (10.3%) difference in performance. The longer-term historical numbers are even worse for bonds as Fixed Income fund investors had an annual return 500 basis points lower than the U.S. Aggregate Bond index over the past three decades.

Individual Investor Returns vs. Broad Benchmarks

	Stocks			Bonds			Inflation
Time Period	Average Equity Investor Return	S&P 500 Return	Difference	Average Bond Investor Return	U.S. Aggregate Bond Index Return	Difference	U.S. Consumer Price Index
1 Year	18.4%	28.7%	-10.3%	-1.6%	-1.5%	-0.1%	7.0%
3 Years	21.6%	26.1%	-4.5%	1.7%	4.8%	-3.1%	3.5%
5 Years	14.8%	18.5%	-3.7%	0.8%	3.6%	-2.8%	2.9%
10 Years	13.4%	16.6%	-3.2%	0.4%	2.9%	-2.5%	2.2%
20 Years	8.1%	9.5%	-1.4%	0.4%	4.3%	-3.9%	2.3%
30 Years	7.1%	10.7%	-3.6%	0.3%	5.3%	-5.0%	3.4%

From 12.31.1984 through 12.31.2021. Annualized returns. SOURCE: Kovitz using data from DALBAR and Bloomberg Finance L.P.

Yes, the health of the economy matters greatly to the prospects for equities, but we expect to hold our broadly diversified portfolios of what we believe to be undervalued stocks through more than one business cycle. We realize that the next cycle could be worse than expected, so we mitigate our risk with inexpensive valuation metrics and generous dividend yields,…

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	12.5	11.5	0.9	2.3	2.6
ValuePlus	13.0	11.8	1.2	2.4	2.2
Dividend Income	11.9	11.6	0.8	2.2	3.1
Focused Dividend Income	13.7	13.1	1.1	2.5	2.6
Focused ValuePlus	13.0	13.2	1.3	2.7	2.4
Small-Mid Dividend Value	10.6	10.2	0.5	1.7	2.8
Russell 3000	22.4	19.3	2.3	4.0	1.5
Russell 3000 Growth	32.8	26.6	3.6	10.5	0.9
Russell 3000 Value	16.8	15.0	1.7	2.4	2.1
Russell 1000	21.6	19.1	2.5	4.2	1.5
Russell 1000 Growth	30.8	26.4	3.9	10.9	0.9
Russell 1000 Value	16.4	14.8	1.8	2.5	2.1
S&P 500 Index	20.9	18.9	2.6	4.3	1.5
S&P 500 Growth Index	25.9	23.6	4.7	8.1	0.8
S&P 500 Value Index	17.5	15.7	1.8	2.9	2.2
S&P 500 Pure Value Index	10.8	10.0	0.7	1.5	2.5

As of 08.13.22. 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.

…while we continue to believe that the ponds in which we fish are stocked with reasonably priced companies.

THE PRUDENT SPECULATOR

RELATIVE VALUATION FOR VALUE MUCH MORE ATTRACTIVE THAN GROWTH

Investors measure whether stocks are cheap or expensive using a variety of valuation metrics. A common way is to compare a company's stock price with its expected earnings so investors can see what they are paying for a share of profits. One such measure shows value stocks still look unusually cheap.

At the end of May, the Russell 1000 Value index traded at 14.3 times its projected earnings over the next 12 months, according to BofA Global Research. The Russell 1000 Growth index, meanwhile, traded at 22.5 times forward earnings.

That put the value benchmark's price-to-earnings ratio at 63% of the growth index's ratio, below the average since the end of 1978 of 71%, the bank's analysis shows. At the end of November, the value index was trading at only 53% of the valuation of the growth index.

- Wall Street Journal, June 27, 2022

Value Investors Bet Run-Up Is Just Beginning

By Karen Langley

Value stocks finally have room to run after years of lagging behind, say Cliff Asness and Rob Arnott, two prominent investors of the shares.

Although few corners of the stock market emerged unscathed in 2022's dizzying selloff, value shares—traditionally considered those that trade at a low multiple of their book value, or net worth—have held up better than most. By one measure, they are on track to beat shares of fast-growing companies by the widest margin since 2001.

Among the stocks at the top of the leaderboard are traditionally slower-growing businesses like Exxon Mobil Corp., Merck & Co. and Molson Coors Beverage Co. All notched double-digit gains in 2022, while the S&P 500 dropped 18%. The big technology stocks that propelled the market's gains for much of the past decade, meanwhile, have fallen as the Federal Reserve raises interest rates in a bid to tame high inflation.

Mr. Asness, managing and founding principal at AQR Capital Management, and Mr. Arnott, founder and chairman of Research Affiliates, say value stocks are unusually cheap in comparison with growth shares, despite their recent run.

"People like me, both for legal and for honesty reasons, should never use the word guarantee, and I won't," Mr. Asness said. "But I've never been more excited about value."

In the days ahead, investors will look to housing, manufacturing and consumer-confidence data to try to gauge the market's trajectory.

Mr. Asness said the relative cheapness of value stocks gives him confidence that they have a bright future over the next three to five years. AQR modestly tilted many of its strategies toward value stocks in late 2020, he said. The firm managed $117 billion as of the end of March.

Its dedicated value strategy, the Equity Market Neutral Global Value strategy, had a total return of 52.5% this year through May, according to AQR. The S&P 500 lost 12.8% on a total return basis, which includes dividends, over the same period.

Mr. Arnott said value stocks might be in the early stages of a prolonged period of outper-

Please turn to page B9

The proverbial crystal ball remains as cloudy as ever, and we wouldn't be surprised to see a near-term pullback, given the magnitude of the recent advance, but we continue to believe that time in the market trumps market timing.

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%	65.7%	555	46	2.0	6/16/2022	8/12/2022
12.5%	44.7%	336	73	1.3	6/16/2022	8/12/2022
10.0%	35.0%	245	100	0.9	6/16/2022	8/12/2022
7.5%	23.7%	149	159	0.6	6/16/2022	8/12/2022
5.0%	14.7%	72	311	0.3	6/16/2022	8/12/2022

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.0%	281	27	3.4	1/3/2022	6/16/2022
-17.5%	-30.2%	216	39	2.4	1/3/2022	6/16/2022
-15.0%	-28.3%	188	45	2.1	1/3/2022	6/16/2022
-12.5%	-22.8%	138	72	1.3	1/3/2022	6/16/2022
-10.0%	-19.6%	102	99	0.9	3/29/2022	6/16/2022
-7.5%	-15.5%	65	158	0.6	3/29/2022	6/16/2022
-5.0%	-10.9%	36	310	0.3	6/2/2022	6/16/2022

From 02.20.28 through 08.12.22. 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	13.2%	25.9%
Growth Stocks	9.6%	21.4%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.0%	29.3%
Long-Term Gov't Bonds	5.3%	8.6%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.2%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 04.30.22. 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

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 more than a few of our stocks that posted quarterly results or had news out worthy of mention last week.

Tyson Foods (TSN – $81.97) posted EPS of $1.94 in fiscal Q3 versus the $1.99 expected by the Street. Sales for the protein producer grew another 3% from a record fiscal Q2 and 8% year-over-year to $13.5 billion, but lower volumes of premium cuts of beef and higher cost of goods weighed on margins. Higher advertising and promotional spending also added an additional $20 million of costs, partially offset by savings from selling directly to customers instead of brokers. Overall operating margin was 7.7%, down from the double-digit territory in the last three quarters, but still in line with historical experience.

CEO Donnie King said process improvements and automation are helping cut costs across the organization. He added, "Our productivity program continues to deliver at the upper range of our initial projections, and we'll realize more than $1 billion in recurring productivity savings by the end of fiscal year 2024. We're continuing to accelerate digitalization across Tyson through supply chain planning and executional processes to better serve our customer. Automation remains a top priority for our business, and I'm very pleased with the aggressive rollout of automation technologies."

Sliding about 6% following the financial release to move into the red on the year, we think that the pullback in the shares provides another buying opportunity for those without a position. The stock trades for around 10 times EPS expected over each of the next several years, even as Tyson continues to generate a double-digit return on invested capital.

While margin compression means times aren't quite as good as they have been, the company is expected to generate significant free-cash-flow in each of the next several years, which will allow the generous capital return program to continue. The company has returned approximately $1.2 billion in dividends and stock repurchases to shareholders year-to-date, and we expect the rewards to continue as the focus on streamlining operations ought to pay off long after supply conditions ease. Longer term, we continue to think protein consumption will increase around the globe, especially in emerging economies as residents see quality-of-life improvements. Our Target Price for TSN, which yields 2.2%, has been trimmed to $117.

HF Sinclair (DINO – $51.63) earned a whopping $5.59 per share in Q2 (vs. $4.58 est.), more than the full-year total of any previous year. The result was driven by higher traditional refining margins in both the West and Mid-Continent regions, which resulted in higher refining segment earnings in the quarter. Consolidated refinery gross margin was $36.36 per produced barrel, a 211% increase compared to $11.71 for the second quarter of 2021, and crude oil charge averaged 627,310 barrels per day (BPD) for the second quarter of 2022 compared to 416,350 BPD for the second quarter of 2021.

Both of DINO's renewable diesel facilities are now online with production at the Artesia, New Mexico facility beginning in the quarter. Total liquidity stood at approximately $3.3 billion at quarter end, comprised of a stand-alone cash balance of $1.7 billion, along with an undrawn $1.65 billion unsecured credit facility.

CEO Michael Jennings commented, "Our second quarter results reflect the combined benefits of an improved global economy and demand picture refined product and lubricant supplies that are constrained by the actions taken in response to both the COVID-19 pandemic and sanctions due to the Ukraine conflict and our successful and countercyclical acquisitions of the Puget Sound Refinery and the Sinclair assets."

He added, "Heading into the second half of the year, we're constructive on the outlook for transportation fuels, supported by low product inventories and healthy global demand. Looking forward, we will continue executing our strategic initiatives. We remain focused on the integration of our recently acquired assets from Sinclair, while maintaining safe and reliable operations. We see great value with the DINO brand as we look to grow the marketing segment

within our existing geographies. With all of our previously announced renewables program projects complete, we will continue to ramp up production of these assets as we expect to reach full production levels by the end of the third quarter and quarter of 2022. As 1 of the largest producers of renewable diesel, we are excited about the opportunity of providing low carbon fuels to our customers while realizing the incremental earnings uplift from our investments."

We were excited going into the current year as HF Sinclair left a transitional year before, and 2022 continues to be a good one for the company. With no major turnarounds expected at fuel refineries scheduled for the remainder of 2022, management expects to run between 630,000 and 650,000 barrels per day of crude oil in the back half of the year.

Shares have run up over 70% in the past 12 months given favorable business conditions, but they continue to trade for a single-digit multiple of an EPS figure that is expected to fall to around $5 by 2025. Despite the anticipated EPS drop, we note that DINO's earnings power is higher than in previous years and ought to be a bit less lumpy once the new renewable operation has reached profitability. We continue to like the firm's long-term goal of returning 50% of net income back to shareholders. The dividend is a solid 3.1% as our Target Price is $70.

Honda Motor (HMC – $27.04) reported earnings per share of $0.67 in fiscal Q1, down from $0.89 a year ago. HMC said the Q1 results were negatively impacted by a semiconductor supply shortage, a government-imposed lockdown at the company's Shanghai plant and soaring raw materials costs. Despite the challenges, Motorcycle unit sales rose and Automobile sales were in line with management's expectations.

Looking ahead, management said the outlook is "uncertain" due to the same factors that impacted Q1 results. However, currency movements are expected to be favorable, which resulted in an upward revision to the sales and operating forecasts. For fiscal 2023, HMC expects revenue around $124 billion, GAAP EPS near $3.09 and operating income of $6.15 billion. The 4.2 million unit vehicle sales outlook remains unchanged.

Honda's results were decent, and the stock rebounded 8% last week, but we are continuing to keep a close eye on the shares as the profitable financial services business (which constitutes about 20% of revenue but generates 38% of operating income) could see pinched profits as a result of higher interest rates. Yes, HMC's reach is global and it does have a profitable Motorcycle segment, but the headwinds in the automotive space remain challenging. We think Honda trails other makers in the expensive EV race, especially as its price-points are on the lower end, which we think makes it more susceptible to input impacts. HMC is a small position in our portfolios and every stock is fighting for its position. HMC did launch a share buyback program and boasts a balance sheet full of cash, along with a generous net dividend yield (3.3%) and inexpensive P/E multiple around 8. Our Target Price is now $35.

Shares of **Disney** (DIS – $121.57) regained 14% last week after management reported stellar fiscal Q3 results. The entertainment and theme park titan earned an adjusted $1.09 per share in the quarter, compared with the analyst consensus estimate of $0.96 and had revenue of $21.5 billion, compared with the $21.0 billion consensus.

CEO Bob Chapek launched an eagerly anticipated version of Disney+ supported by ads, "It is clear that our unmatched portfolio continues to be highly sought after by advertisers. Combined with our deep expertise in ad tech, we are in a position of strength with record upfront advertiser commitment leading into the launch of our ad-supported Disney+ tier. Since the launch of Disney+, advertisers have been asking for the opportunity to connect with audiences alongside the most premium brands in content and streaming. As we shared earlier today, the Disney+ ad tier goes live on December 8, and we are taking a thoughtful approach by launching with a lower ad load and frequency to ensure a great experience for viewers. This approach, coupled with strong advertiser demand, translated into Disney+ earning industry-leading CPM rates."

Mr. Chapek continued, "We continue to see strong revenue and profit growth at our domestic parks and experience businesses. Even as our cruise ships and international visitation have yet to fully recover. Domestic demand at our theme parks continues to be strong, and we are seeing continued progress in those businesses still recovering from the pandemic. At the same time, the business model transformation we have achieved over the past few years have driven substantial increases in per capita spending and give us the flexibility to adapt should economic conditions change…we expanded the Disney Cruise Line fleet with a Disney Wish which sailed its maiden voyage on July 14. This is the first of 3 new ships and is infused with Disney storytelling, one-of-a-kind entertainment and a modern interior aesthetic. It is powered by liquefied natural gas, one of the cleanest burning fuels available…Disneyland Paris opened Avengers Campus on July 20, completing the first phase of our ambitious expansion plan. The new immersive area features 2 new attractions, 5 action stunts, encounters with Marvel superheroes and themed restaurants."

DIS results have been all over the map since the onset of the pandemic, and we thought a lot of the price jump was related to enthusiasm from the $7.99/month ad-supported option for Disney+, which will have 15- and 30-second spots. Still, DIS shares are down 22% this year, which we think is a great opportunity to add a high-quality company with a long-term track record of strong shareholder returns. Disney's dividend payment remains suspended, but the balance sheet is improving, and we would not be surprised to see if return in the next year or so. We continue to appreciate the longevity of Disney's content compared to peers in the film space and continue to note its ability to promote the brand through experiences. While earnings will likely be depressed as management continues to invest in its direct-to-consumer offerings, revenue is growing a fast pace. Our Target Price has been bumped up to $171.

Power systems provider **EnerSys** (ENS – $70.88) posted adjusted EPS of $1.15 in fiscal Q1, which ended July 3. Revenue grew 10.3% year-over-year to 899 million. Inflation and supply constraints continue to affect operating margins, particularly in the Energy Systems segment even as strong demand pushed order backlog to $1.5 billion. The company said it expects to earn between $1.05 and $1.15 per share in fiscal Q2, reflecting the seasonally slower quarter, and after absorbing around $0.08 per share from FX and $0.04 per share of realized costs that were incurred in Q1 due to a significant supply chain disruption.

CEO David Shaffer said, "We achieved multiple milestones on our operating efficiency initiatives which enabled our Ooltewah facility closure which we expect to yield $8 million of annual cost savings beginning in the second half of fiscal 2023. We also announced the opening of our new expanded Richmond distribution center which will increase efficiencies, lower lead

times and better serve our customers. We continue to innovate and deliver enhanced technology in our product portfolio that will set us apart from our competitors, both in the near- and long-term. Demand for our NexSys® maintenance-free solutions resulted in a record percentage of revenue mix for our Motive Power business. Our TouchSafe line powering product development is progressing and our California Public Utilities Commission (CPUC) backup power mandate solutions are expanding with large carriers. Our Fast Charge & Storage initiative saw additional momentum in the quarter, both on software development and customer specification design. In addition, while our products and services are critical to the low carbon transition, as important is reducing our own carbon footprint, and so we recently announced our commitment to achieving Scope 1 and Scope 2 carbon neutrality by 2050."

He added, "Looking ahead, the diversity of our end markets, ability to recoup inflation through price, record backlog, and broadened product portfolio collectively position us for long-term revenue and earnings growth. Global megatrends such as 5G, rural broadband expansion through the Rural Digital Opportunity Fund (RDOF), data center growth, material handling electrification and automation, grid stabilization and electric vehicle charging continue to have long tailwinds which we believe will fuel our future growth. We expect current macro headwinds to continue and are monitoring the near-term economic environment closely. We remain laser focused on what we can control, with our priorities set on pricing, navigating supply disruptions, and improving manufacturing cost performance. Despite the unprecedented geopolitical events and inflationary pressures we have been facing, I remain more confident than ever we will emerge well positioned to deliver exceptional value for our customers and our shareholders."

We think EnerSys sits at a cross section of megatrends, such as 5G, the electrification of mobility and grid modernization, which offer a terrific runway for growth, and we like that the company continues to pursue new applications and technology. Even as supply chain bottlenecks and cost headwinds are very real, we are still of mind that the latest obstacles are temporary. We like that management is aggressively working to raise prices and note that gross margin recovery back to around the typical level of 25% ought to significantly improve the bottom line. Now more than 25% off the July bottom, shares remain more than 20% lower over the past year to trade for 14 times forward earnings estimates, while the E part of the P/E ratio is expected to more than double by 2025. The dividend yield is modest at 1.0%, but we continue to think that significant capital gains potential exists, given that our Target Price is now $125.

German industrial conglomerate **Siemens AG** (SIEGY – $57.81) reported a loss of 0.93 euros per share, compared to an expected loss of 0.32 per share. The loss was attributed to "investments accounted for using the equity method" including negative impacts from divestment of Russian assets and an impairment on a Siemens Energy stake. Revenue in the quarter was 17.87 billion euros, compared to the analyst consensus estimate of 17.38 billion euros.

CEO Roland Busch commented, "Overall, revenue growth was at 4% led by double-digit growth in Digital Industries and Smart Infrastructure by half years normalized on lower sales of coronavirus antigen tests. As expected the lockdowns in China in April and May limited output impacted overall productivity. However, the team did a tremendous job to rapidly catch up during June, we see this to continue in the fourth quarter… As focused technology company we

achieved a step change compared to the past, be it in the last quarter will be delivered excellent EUR2.3 billion free cash flow, and even more important for the full fiscal year 2022 where we expect to achieve again more than 11% free cash flow in the percentage of sales, around the level of fiscal 2020."

On the topic of the outlook, CFO Dr. Ralf Thomas said, "For the Siemens Group, we continue to expect growth of 6% to 8% in comparable revenue and a book to bill ratio above one. Digital Industries continues to expect achieve comparable revenue growth of 9% to 12%. Profit margin of 19% to 21% is unchanged, including an expected reduction of up to 2 percentage points from fast ramp-up of the strategic transition to software as a service. Smart Infrastructure continues to impact comparable revenue growth in the range of 6% to 9% and the profit margin of 12% to 13%. Mobility continues to expect revenue on the prior-year level due to the mentioned headwinds the profit margin is anticipated to be in the range of 7.5% to 8.5%."

Siemens has encountered several unfavorable trends recently, but the company has performed well operationally nonetheless, even as traders have thought otherwise in sending the U.S. traded shares down by a third this year. Still, we continue to like the diversified revenue stream (26% Americas, 24% Asia/Australia and 50% EMEA), and believe the war in Ukraine kicked off a wave of spending that should benefit SIEGY in many ways. The near-term costs of winding down operations in Russia are not ideal, nor is the spat over Nord Stream 1 equipment that lodged Siemens in the middle of a diplomatic crisis, but the overarching theme is that energy independence is important and infrastructure projects are necessary on every continent to see that vision through. We like that SIEGY is quickly (for a conglomerate) adapting to changing customer needs and continues to put technological innovation on the top of its priority list. On the earnings front in dollar terms, analysts expect SIEGY's EPS for its U.S.-traded shares to grow from $3.51 in fiscal 2022 to $5.05 by 2024, putting the forward P/E around 11. Given the potential ahead, we think that SIEGY remains attractively priced. With a net dividend yield of 2.9%, our Target Price now stands at $90.

Shares of **Cardinal Health** (CAH – $69.32) rallied more than 10% in the two days following the release of its fiscal Q4 financial results, pushing the stock price over 34% higher year-to-date and rewarding long-suffering shareholders for their patience.

The distributor of pharmaceuticals and health supplies said that it earned $1.05 per share in the quarter, but the rally seemingly had more to do with the simultaneous announcement that current CEO Mike Kauffman would be stepping down from his post after 30 years with the company. Despite the positive share price of late, the CEO decision comes as CAH had significantly lagged its main competitors (McKesson & Amerisource Bergen) over the past 5 years and continued poor performance in its traditionally higher-margin Medical segment.

Current CFO Jason Hollar will take the helm at the company, which has had a rough go over the past couple of years as management had to revise its earnings forecast downward on multiple occasions just in the current fiscal year. Mr. Hollar comes from Tenneco, a maker of automobile parts, joining the team early in the pandemic in May 2020.

Laying out his strategy going forward, Mr. Hollar said, “We plan to fully address the impact of inflation and global supply chain constraints through mitigation initiatives by the time we exit fiscal ’24 and are targeting to exit fiscal ’23 offsetting at least half of the gross impact on our business. Our second wave of price increases went into effect on July 1 on 4 more categories, and we plan on the next wave commencing on October 1. In addition, we’ve executed distribution fee increases for certain suppliers, and we are actively working with customers and GPOs to adjust language in our product and distribution contracts as they renew, allowing for greater price flexibility to respond to current and future macroeconomic dynamics. Two, optimize and grow the Cardinal Health brand portfolio. Our $4.6 billion Cardinal Health brand portfolio, which includes nearly $4 billion of non-PPE categories, offers leading brands and clinically differentiated products. We plan to grow Cardinal Health brand sales by a compounded annual growth rate of at least 3%, which will generate $75 million or more of incremental segment profit over the next 3 years.”

He added, “This growth will be achieved through 2 key areas of focus. First, R&D and new product innovation. We see opportunities in key categories such as nutritional delivery, where we will be launching the next-generation Kangaroo enteral feeding platform. Second is increased product availability as a result of investments within targeted categories such as surgical gloves and electrodes. For example, in our surgical glove portfolio, we are investing $125 million for construction of a new manufacturing facility dedicated to increase supply for a leading Protexis brand gloves. Third area of focus is to accelerate our growth businesses, primarily at-Home Solutions. These businesses have growth rates in excess of our core, along with a higher margin opportunity, and we’ve been making investments to drive at least $60 million of total segment profit by fiscal ’25.”

As a distributor, we acknowledge that Cardinal is at the brunt of the ever-present crunch to the global supply chain, which has eaten into already razor-thin margins. But the past year (or two) have demonstrated the value of a well-functioning distribution system for pharmaceutical and health supplies, and shares still trade for a low-teens P/E multiple (and a 2.9% dividend yield) even after the latest run. We continue to appreciate that just three companies (including Cardinal) move the bulk of pharmaceuticals about the country, yet acknowledge that it will take patience for the new Chief to achieve meaningful progress in catching peers. We’ve adjusted our Target Price upward to $84.

Whirlpool (WHR – $167.30) announced last week that it was buying the Insinkerator garbage disposal brand from Emerson Electric for $3 billion. WHR is paying cash for the deal, some of which it will finance with debt that management hinted would be paid off within a couple of years. Post debt paydown, the brand is expected to add at least $3.00 of additional EPS and we think the purchase fits nicely inside WHR’s portfolio of home appliance products.

Whirlpool CEO Marc Blitzer said of the brand, “InSinkErator has established trusted relationships with consumers and build an installed base approximately 5x larger than the rest of the industry, driving recurring and predictable sales growth of approximately 4% over the last 20 years. Approximately 75% of InSinkErator’s demand is replacement-driven with an average 8-year replacement cycle.”

Like pretty much any business involved with manufacturing, Whirlpool has had to contend with near-term supply constraints and raw material cost inflation in recent quarters. But as we wrote just two weeks ago, these are nothing new as the company has navigated similar bumps in the road before, while consistently generating solid free cash flow. We also see non-North American markets driving long-term growth as the rest of the world progresses technologically and emerging markets incorporate modern conveniences into daily living. The deal will temper share repurchases as management works to pay off the debt, but WHR shares still offer a robust dividend yield of 4.2%. With a forward P/E ratio of 7, we continue to view Whirlpool as a core holding in our broadly diversified portfolios. Our Target Price stands at $282.

Shares of **Sanofi** (SNY – $44.37) skidded 11% over the past week amid reports citing liability of the firm (and that of several peers) from a series of lawsuits regarding Zantac (the brand name of ranitidine). Thus far, one of the cases proceeding in California State Court is slated to begin February 2023. The FDA advised the public in September 2019 that NDMA (an organic compound found in certain foods and other products that has been labeled as carcinogenic under certain conditions and when prevalent above a certain threshold) was found in ranitidine.

Glaxo was the first to receive FDA approved for ranitidine in 1983, but upon patent expiration, **Pfizer** (PFE – $50.11), whose shares also slid on the news, launched its own over-the-counter version of the drug. Pfizer's OTC Zantac has changed hands multiple times throughout the decades, finding a home with **Johnson & Johnson** (JNJ – $165.30) and Boehringer Ingelheim Pharmaceuticals, who sold the drug to Sanofi. Several other major pharmaceutical companies had also created and distributed their own forms of Zantac, including Sandoz and even CVS Health (CVS – $106.39) before removing the drug from shelves in 2019.

In a regulatory filing from late July, Johnson & Johnson said it has received indemnification notices from both Sanofi and Boehringer Ingelheim pursuant to the 2006 Asset Purchase Agreement among the Company, Pfizer, and Boehringer Ingelheim. JNJ has also served its own notice of indemnification to SNY citing the 2016 Asset Purchase Agreement related to the class actions and personal injury actions. Haleon, another party to the case, has also been served with potential claims of indemnification from both Glaxo and Pfizer.

Zantac represented less than 4% of overall revenue in each year following the purchase until Sanofi instituted its own recall in 2019. Following the release of Q2 earnings, management was asked about potential liability from a series of lawsuits regarding Zantac and related generics. Sanofi EVP of Consumer Healthcare Juie Van Ongevalle explained, "So first, I want to remind that Sanofi voluntarily withdrew the OTC Zantac from the market in '19 and Zantac OTC products containing ranitidine remain of the market. Both the FDA and Sanofi have conducted investigations into the levels of NDMA in ranitidine products. The FDA has stated that although NDMA may cause harm in large amounts, the NDMA levels that the FDA found in Zantac ranitidine from preliminary tests barely exceeds the amounts found in common foods. Therefore, we, at Sanofi, believe strongly in our defenses. Sanofi contends that the plaintiffs will be unable to prove that Zantac causes any type of cancer. Basically, the science does simply not support the plaintiffs' claims. So, we're confident."

A member of the firm's legal counsel Roy Papatheodorou also added, "There's no reliable evidence whatsoever that Zantac causes cancer. The amounts are stuff that's found in [ingredients of] common foods, and we feel very strongly about our defenses. And also, we acted responsibly — more than responsibly at all times."

Bearing in mind that we are neither pharmacologist nor attorney, we continue to find the cumulative market price decline as overdone for SNY and PFE even as litigation may weigh on shares in the near term, thinking that any future liabilities ought to be distributed across the host of defendants in the case. We like that Sanofi has increasingly directed its research toward areas like oncology and immunology, whose pipeline potential is robust enough to more than offset weakness from patent losses in the coming years. Shares of SNY and PFE trade for forward P/E ratios of just 10 and 9, respectively, and both offer dividend yields of 3.2%. Our Target Price for SNY is now $62 and for PFE is now $71.

Illustrating the difficulty of outguessing short-term market movements, last week started abysmally for companies in the semiconductor space, thanks to warnings from **Micron** (MU – $65.04) and old friend NVIDIA. Additionally, President Biden signed the CHIPS and Science Act of 2022, which purportedly "boost[s] American semiconductor research, development, and production." Believe it or not, after plunging more than 7% at one point on Tuesday, the Philadelphia Stock Exchange Semiconductor index ended slightly above breakeven for the full trading week.

In a regulatory filing, Micron said, "Due to macroeconomic factors and supply chain constraints, we have seen a broadening of customer inventory adjustments. As a result, our expectations for CY22 industry bit demand growth for DRAM and NAND have declined since our June 30, 2022 earnings call, and we expect a challenging market environment in FQ4 22 and FQ1 23. FQ4 revenue may come in at or below the low end of the revenue guidance range provided in our June 30 earnings call. In FQ1, bit shipments are now expected to decline sequentially, and we expect significant sequential declines in revenue and margins. We expect free cash flow to be negative in FQ1. To address the near-term environment, today we are announcing new FY23 wafer fab equipment (WFE) capex reductions adding to the WFE capex reductions discussed in our June 30 earnings call, and now expect FY23 total capex to be down meaningfully versus FY22."

The announcement was poorly received by short-term traders, but the development hardly shakes our long-term theses. If the operating environment actually was terrible, it's hard to believe Micron would spring for $40 billion of investment in U.S.-based memory manufacturing through 2030, even if some of the funds are expected to come from grants embedded in the CHIPS and Science Act of 2022. MU CEO Sanjay Mehrotra said, "This legislation will enable Micron to grow domestic production of memory from less than 2% to up to 10% of the global market in the next decade, making the U.S. home to the most advanced memory manufacturing and R&D in the world." Too, it helps that U.S.-based manufacturing of critical chips and memory units is important from a national security perspective.

NVIDIA, a designer of graphics processors and networking solutions, announced preliminary Q2 results including $6.7 billion of revenue (vs. prior guidance of $8.1 billion). Alas, Nvidia remains far too expensive for our taste.

The bad near-term news sent shares of chip-making equipment companies sharply lower on worries about reductions in industry capital expenditures, but **Lam Research** (LRCX – $518.59), **Cohu** (COHU – $30.34) and **Kulicke & Soffa** (KLIC – $50.10) each regained nearly all of what was lost early in the week by Friday.

While we made modest downward tweaks to our Target Prices, our long-term enthusiasm for most everything semiconductor remains intact. True, the industry in the past has been highly cyclical, but chips are in just about everything these days, with the current turbulence more inventory-related versus some sort of multi-year slowdown in demand.

Not surprisingly, current favorites in the chip sector would be those hardest hit this year, namely Micron, Lam & Cohu, while we note that **Qualcomm** (QCOM – $151.29) is also off some 17% YTD.

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