Market Commentary Monday, February 26, 2024

February 26, 2024

EXECUTIVE SUMMARY

TPS Income Stock Webinar – Tuesday, February 27, 11:00 AM Pacific

Trades – 5 Sales Across 4 Accounts

Interest Rates – FOMC Minutes Suggest Cuts Coming Later Rather than Sooner

Economy – No Recession Now the Prediction

Earnings – Solid Profit Growth Likely in 2024

A.I. – 9 Intelligent Ways to Play

Valuations – Average Stock Down in '24; Value Stocks Attractively Priced

Sentiment – AAII Still Optimistic

Stock News – Updates on COF, MDT, WMT, CE, DINO, MOS, NTR, AXAHY, MRNA, EOG, WKC & ALIZY

Market Review

We are looking forward to our webinar on Tuesday, February 27 at 11:00 AM PT, where your Editor will be discussing dividends and offering seven income-generating stocks. Jason Clark, CFA will be moderating and we'll be joined by John Roessler, CPA, CFP from our Chicago office to answer five questions we are frequently asked about Financial and Retirement Planning.

For those who have yet to sign up, here is the link to register:

https://kovitz.zoom.us/webinar/register/5917088991459/WN_E9ZzzxrQS-GBjoqAU9V4gg

*****

As discussed on our *Sell Alert*, we made the following trades in our two real-money newsletter portfolios last week.

TPS Portfolio
02.20.24 – Sell 34 **Lam Research** (LRCX – $928.50) at $899.57

Buckingham Portfolio
02.20.24 – Sell 5 **Lam Research** (LRCX – $928.50) at $899.57

We also had trades in our two hypothetical portfolios:

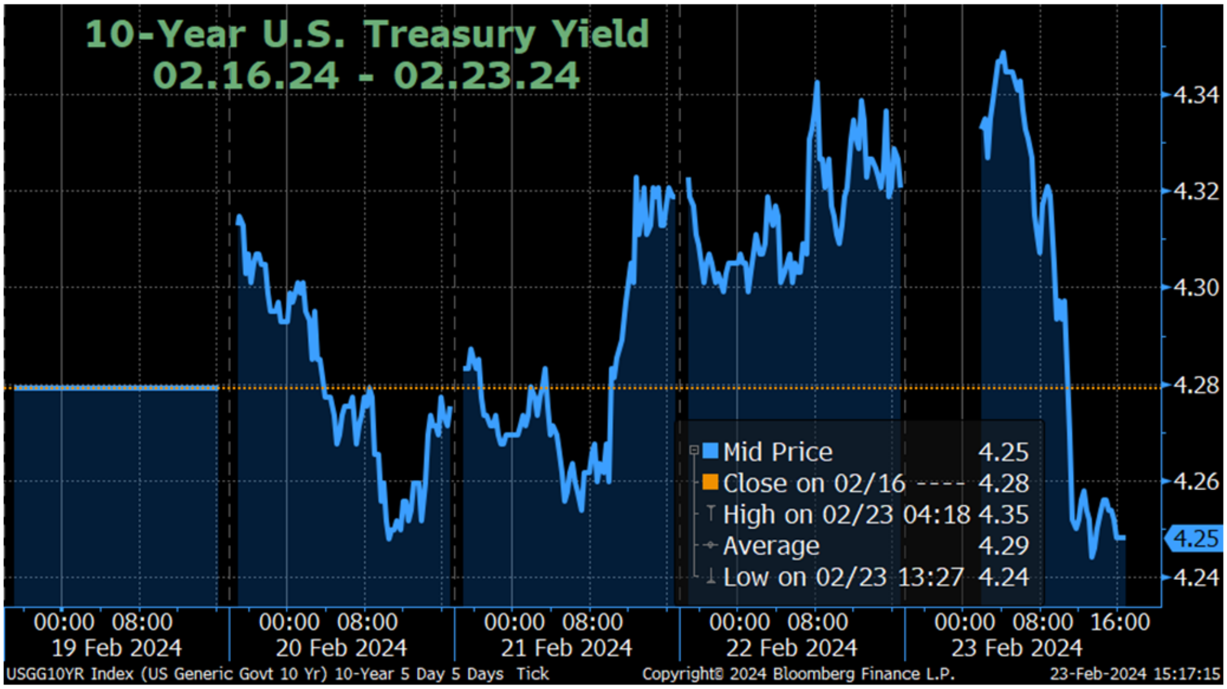
Millennium Portfolio
02.20.24 – Sell 4 **Lam Research** (LRCX – $928.50) at $899.57
02.20.24 – Sell 98 **Dick's Sporting Goods** (DKS – $172.67) at $167.66

PruFolio
02.20.24 – Sell 17 **Lam Research** (LRCX – $928.50) at $899.57

*****

With only a few economic numbers out during the holiday-shortened trading week, plenty of attention was paid to the release on Wednesday of the Minutes of the January FOMC Meeting. The Minutes included, "Most participants noted the risks of moving too quickly to ease the stance of policy," even as, "They viewed that there had been significant progress recently on inflation returning to the committee's longer-run goal."

The knee-jerk response in the markets that day sent stock prices skidding and bond yields jumping,...



...reflecting renewed concerns that Jerome H. Powell & Co. might not be inclined to reduce interest rates as quickly as thought, even as history suggests no correlation between near-term stock-price moves and changes in the Fed Funds rate,...

Concurrent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.14%	414	13.4%	10.6%	10.8%	10.7%
More than 4.14%	412	14.6%	9.6%	12.1%	8.9%
3-Month Drop	383	17.5%	12.0%	14.0%	10.5%
3-Month Rise	439	11.1%	8.3%	9.2%	9.0%
6-Month Drop	366	16.2%	12.5%	14.0%	10.7%
6-Month Rise	450	12.3%	7.9%	9.3%	8.7%
12-Month Drop	371	14.4%	11.7%	12.8%	9.6%
12-Month Rise	433	13.5%	8.3%	10.0%	9.1%

From 07.31.54 through 06.30.23. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.14%	415	12.6%	10.5%	10.8%	10.3%
More than 4.14%	413	15.2%	9.1%	11.8%	8.4%
3-Month Drop	383	13.8%	10.3%	11.1%	10.2%
3-Month Rise	430	13.7%	9.2%	11.2%	8.4%
6-Month Drop	366	15.4%	11.8%	12.2%	12.0%
6-Month Rise	444	12.3%	8.0%	10.2%	6.9%
12-Month Drop	371	16.9%	11.8%	12.3%	11.9%
12-Month Rise	433	10.9%	7.8%	9.9%	6.8%

From 07.31.54 through 06.30.23. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many think the Federal Reserve hiking the Fed Funds is a big headwind for equities. Anything can happen, of course, and stocks prefer falling rates over rising, but seven decades of annualized data show that equities have performed admirably, ON AVERAGE, both concurrent with and subsequent to increases (as well as decreases) in the Fed Funds rate over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

...or the yield on the 10-Year U.S. Treasury.

Concurrent Stock Performance & Change in 10-Year Treasury Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 3.89%	575	10.9%	10.2%	9.9%	9.5%
More than 3.89%	576	15.2%	9.0%	11.4%	8.4%
3-Month Drop	572	13.6%	11.8%	13.7%	11.2%
3-Month Rise	575	12.4%	7.3%	7.5%	6.6%
6-Month Drop	559	13.5%	10.9%	12.8%	10.7%
6-Month Rise	582	12.6%	8.0%	8.4%	7.0%
12-Month Drop	561	11.5%	9.8%	11.2%	7.7%
12-Month Rise	568	14.6%	8.9%	9.8%	9.7%

From 06.30.27 through 06.30.23. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Professor Robert J. Shiller and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in 10-Year Treasury Rate

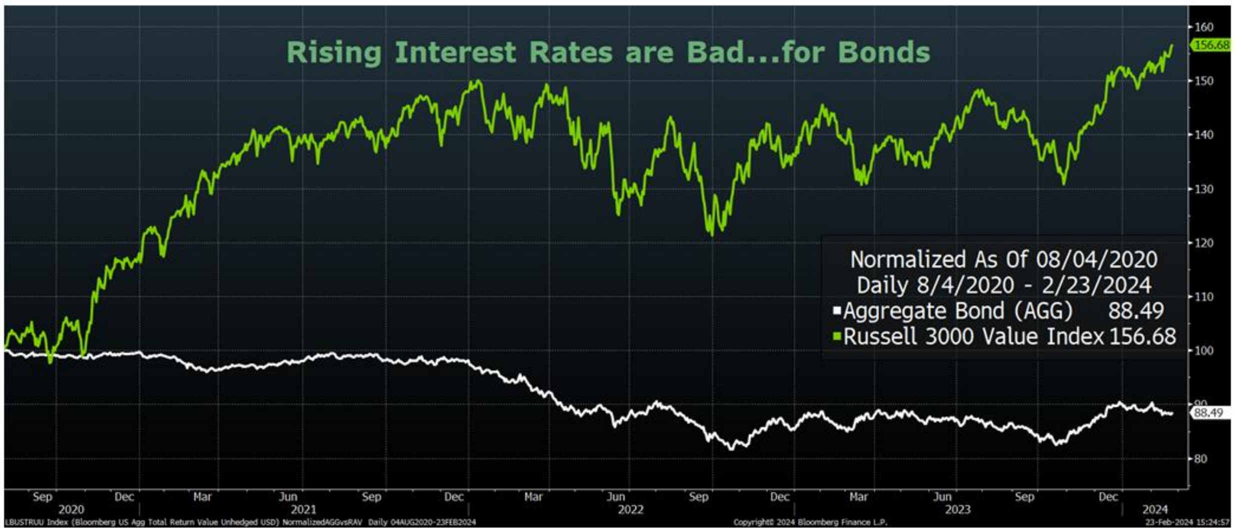
	Count	Value	Growth	Payers	Non-Payers
Less than 3.89%	577	11.6%	10.3%	10.3%	9.4%
More than 3.89%	576	14.5%	8.4%	10.6%	8.0%
3-Month Drop	569	16.8%	13.6%	13.7%	13.4%
3-Month Rise	569	9.4%	5.1%	7.3%	4.1%
6-Month Drop	559	15.1%	12.5%	12.5%	11.4%
6-Month Rise	576	11.0%	6.1%	8.3%	5.9%
12-Month Drop	561	12.8%	10.9%	10.8%	9.9%
12-Month Rise	568	13.0%	7.3%	9.7%	7.0%

From 06.30.27 through 06.30.23. Subsequent 12-month return. SOURCE: Kovitz using data from Professor Robert J. Shiller and Professors Eugene F. Fama and Kenneth R. French

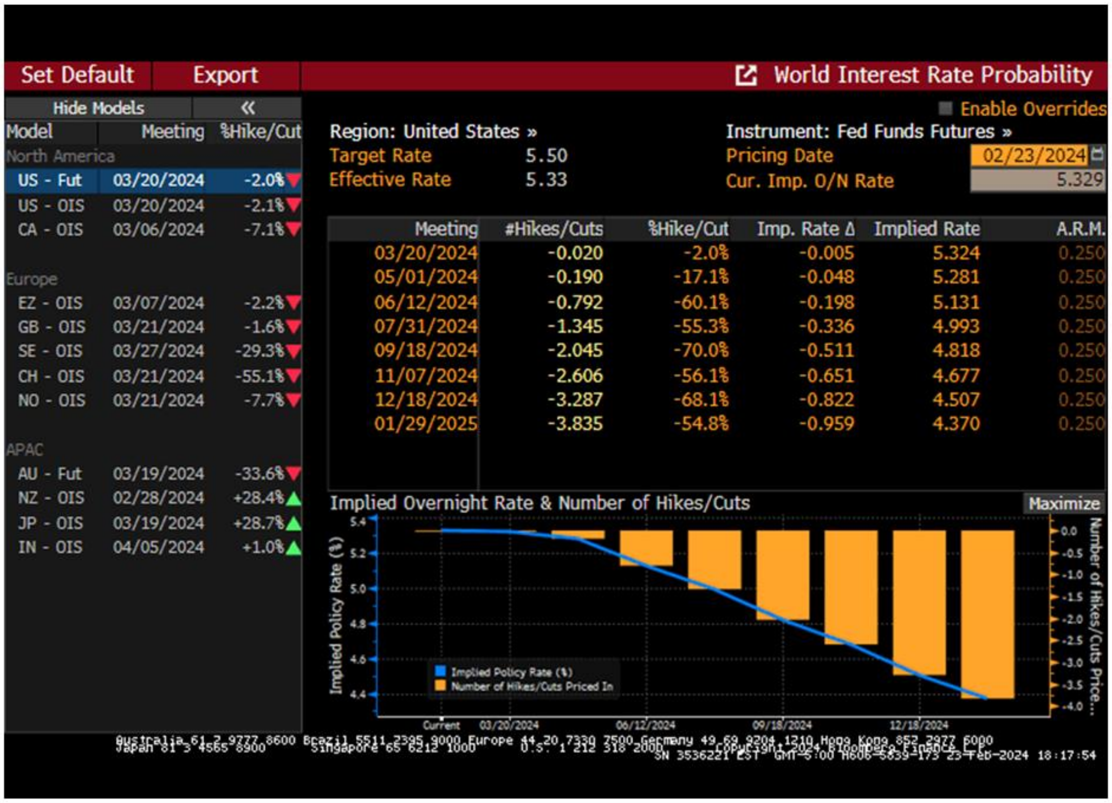
It is logical to think that higher yields on “safe” investments like the 10-Year U.S. Treasury make equities less appealing, but more than nine decades of returns figures show that stocks in general have performed admirably, ON AVERAGE, both concurrent with and subsequent to increases (as well as decreases) in the 10-year yield over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

Indeed, about the only thing that can be said with certainty in regard to equities and fixed income is that rising bond yields (and falling bond prices) are not good for bond investors.

The yield on the 10-Year U.S. Treasury bottomed at 0.51% on 08.04.20. Today, the benchmark government bond yield stands at 4.25%, yet the Russell 3000 Value index has enjoyed a 56.68% total return in the 3.5 years since. Contrary to popular belief, higher bond yields, on average, have not been a headwind for stocks. On the other hand, the Aggregate Bond Index lost 11.51% during the same time span, which makes sense as bond prices fall when yields rise.



When all was said and done for the trading week, the year-end target for the benchmark central-bank lending rate in the Fed Funds futures market ended at 4.51%, up from 4.43% the week prior and 4.20% the week before that,...



...with the betting odds now more in line with the 4.6% projection made two months ago by Federal Reserve Board members and Federal Reserve Bank presidents.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2023

Percent

Variable	Median[1]					Central Tendency[2]					Range[3]				
	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run
Change in real GDP	2.6	1.4	1.8	1.9	1.8	2.5–2.7	1.2–1.7	1.5–2.0	1.8–2.0	1.7–2.0	2.5–2.7	0.8–2.5	1.4–2.5	1.6–2.5	1.6–2.5
September projection	2.1	1.5	1.8	1.8	1.8	1.9–2.2	1.2–1.8	1.6–2.0	1.7–2.0	1.7–2.0	1.8–2.6	0.4–2.5	1.4–2.5	1.6–2.5	1.6–2.5
Unemployment rate	3.8	4.1	4.1	4.1	4.1	3.8	4.0–4.2	4.0–4.2	3.9–4.3	3.8–4.3	3.7–4.0	3.9–4.5	3.8–4.7	3.8–4.7	3.5–4.3
September projection	3.8	4.1	4.1	4.0	4.0	3.7–3.9	3.9–4.4	3.9–4.3	3.8–4.3	3.8–4.3	3.7–4.0	3.7–4.5	3.7–4.7	3.7–4.5	3.5–4.3
PCE inflation	2.8	2.4	2.1	2.0	2.0	2.7–2.9	2.2–2.5	2.0–2.2	2.0	2.0	2.7–3.2	2.1–2.7	2.0–2.5	2.0–2.3	2.0
September projection	3.3	2.5	2.2	2.0	2.0	3.2–3.4	2.3–2.7	2.0–2.3	2.0–2.2	2.0	3.1–3.8	2.1–3.5	2.0–2.9	2.0–2.7	2.0
Core PCE inflation[4]	3.2	2.4	2.2	2.0		3.2–3.3	2.4–2.7	2.0–2.2	2.0–2.1		3.2–3.7	2.3–3.0	2.0–2.6	2.0–2.3	
September projection	3.7	2.6	2.3	2.0		3.6–3.9	2.5–2.8	2.0–2.4	2.0–2.3		3.5–4.2	2.3–3.6	2.0–3.0	2.0–2.9	
Memo: Projected appropriate policy path															
Federal funds rate	5.4	4.6	3.6	2.9	2.5	5.4	4.4–4.9	3.1–3.9	2.5–3.1	2.5–3.0	5.4	3.9–5.4	2.4–5.4	2.4–4.9	2.4–3.8
September projection	5.6	5.1	3.9	2.9	2.5	5.4–5.6	4.6–5.4	3.4–4.9	2.5–4.1	2.5–3.3	5.4–5.6	4.4–6.1	2.6–5.6	2.4–4.9	2.4–3.8

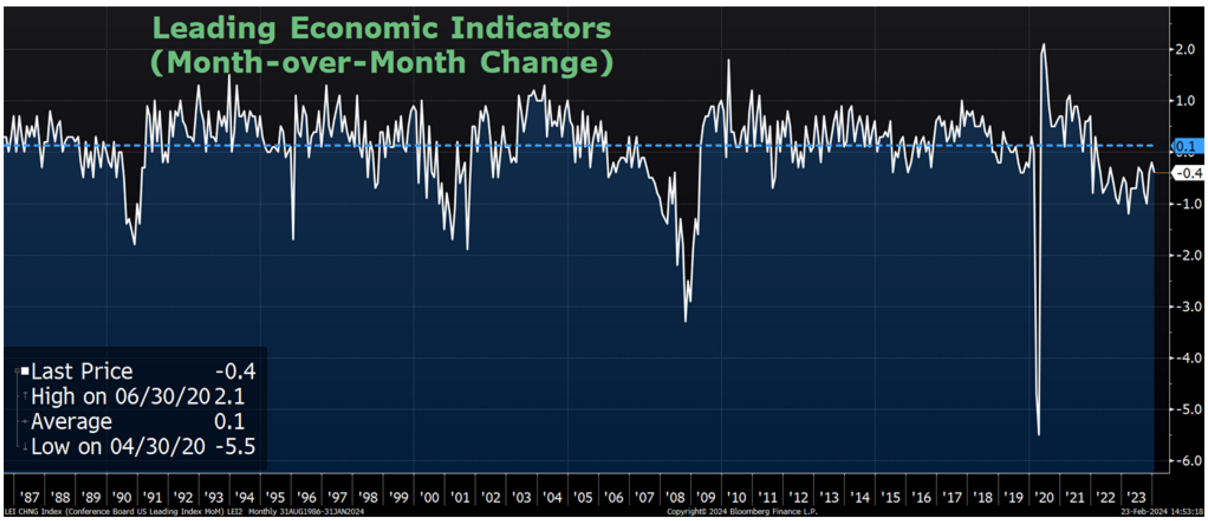
NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 19–20, 2023. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the September 19–20, 2023, meeting, and one participant did not submit such projections in conjunction with the December 12–13, 2023, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

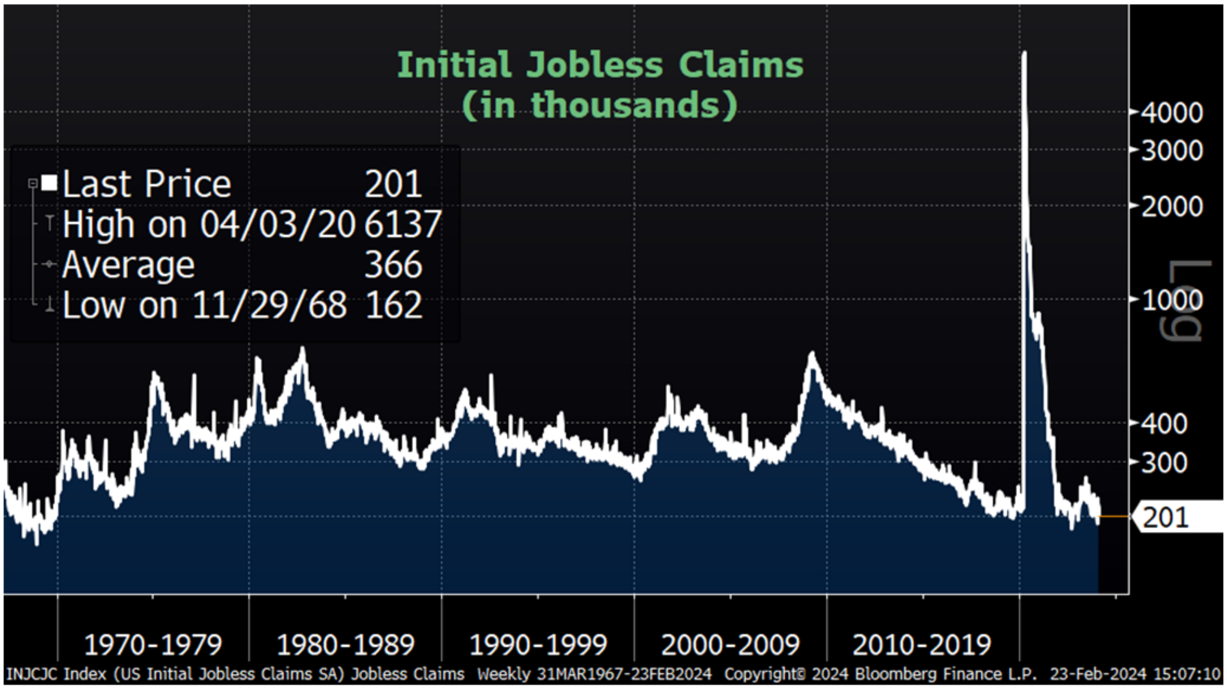
Interestingly, traders seem also to be coming around to the Fed's forecast for modest GDP growth in 2024, as the odds of recession in the next 12 months tabulated by *Bloomberg* dropped to 40% last week,...

...and the keeper of the Leading Economic Index changed its tune from a recession call this year last month to no recession this month.

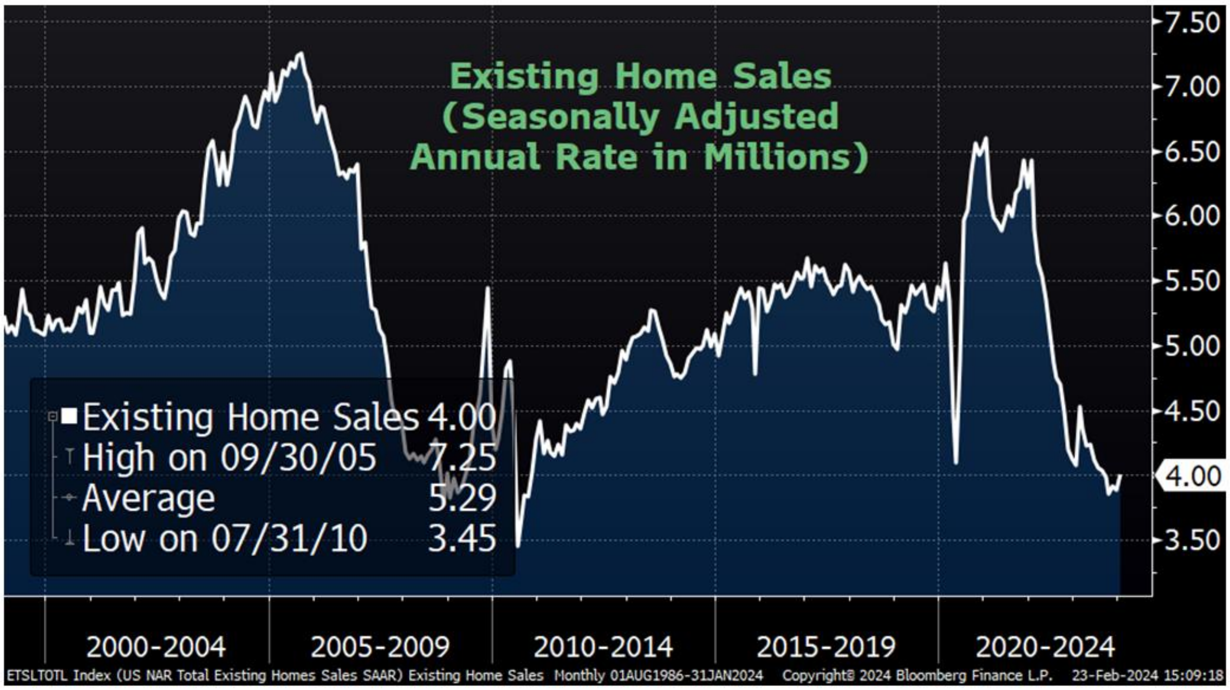
"The U.S. LEI fell further in January, as weekly hours worked in manufacturing continued to decline and the yield spread remained negative," said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "While the declining LEI continues to signal headwinds to economic activity, for the first time in the past two years, six out of its ten components were positive contributors over the past six-month period (ending in January 2024). **As a result, the leading index currently does not signal recession ahead.** While no longer forecasting a recession in 2024, we do expect real GDP growth to slow to near zero percent over Q2 and Q3."



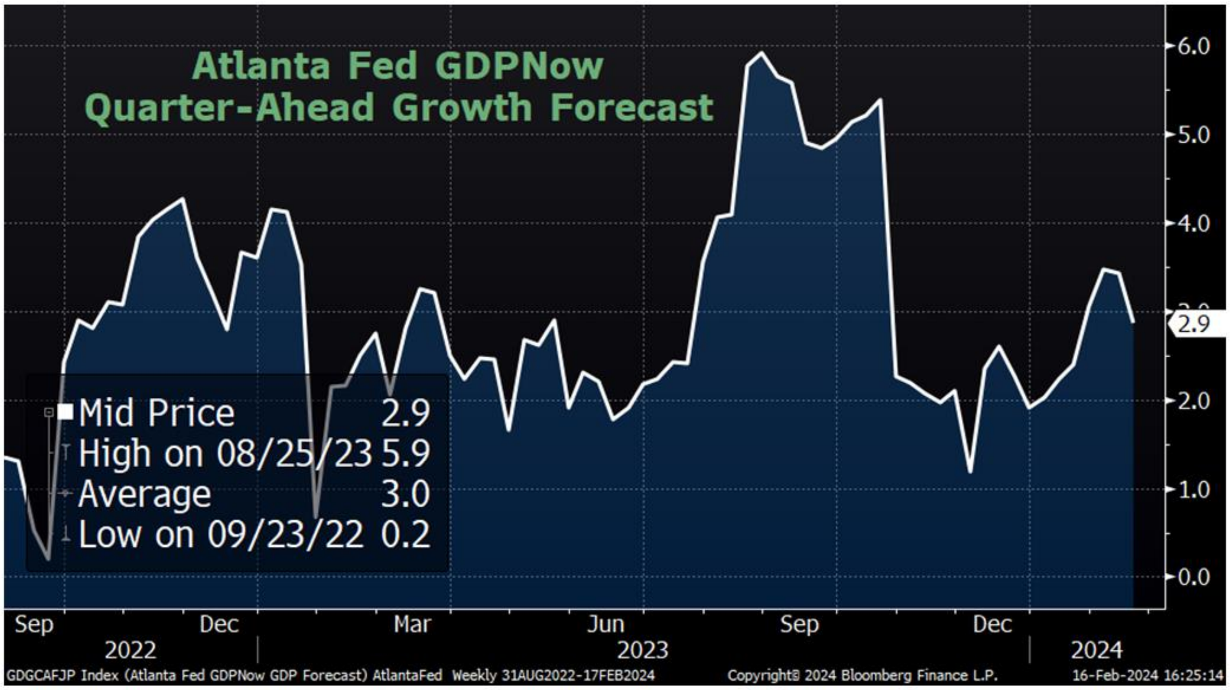
Obviously, there is a long way to go and anything can happen over the next 10 months, but the economy continues to hold up remarkably well, with first-time filings for unemployment benefits in the latest week continuing to reside near multi-generational lows,...



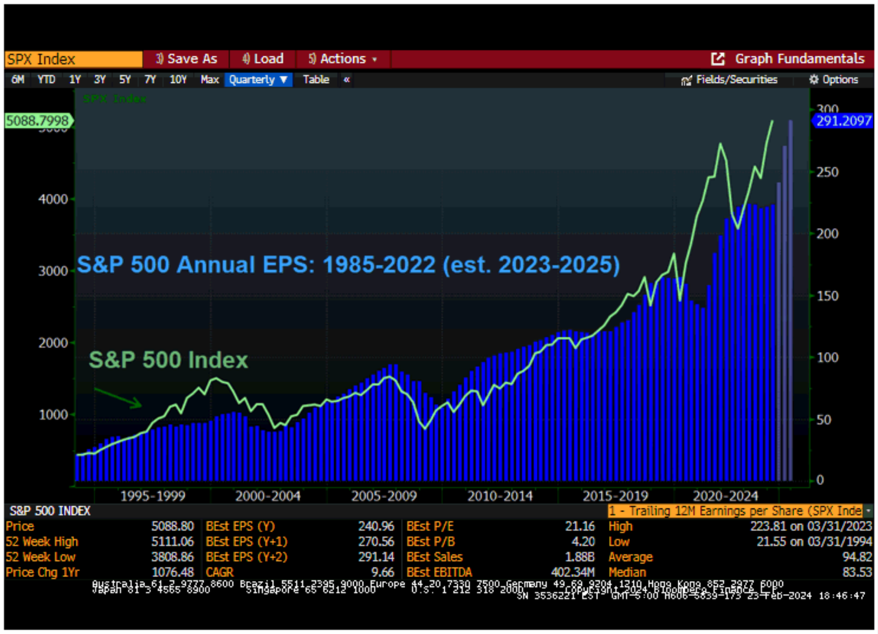
...existing home sales coming in better than expected,...



…and the Atlanta Fed's prediction for real (inflation-adjusted) Q1 U.S. GDP growth standing at 2.9%.



Not surprisingly, the outlook for corporate profits remains healthy, with higher earnings a major driver of higher stock prices throughout history.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2024	$64.23	$240.18
9/30/2024	$62.72	$227.47
6/30/2024	$58.65	$217.00
3/31/2024	$54.58	$213.19
12/31/2023	$51.52	$211.15
ACTUAL		
9/30/2023	$52.25	$210.00
6/30/2023	$54.84	$208.10
3/31/2023	$52.54	$200.13
12/31/2022	$50.37	$196.95
9/30/2022	$50.35	$203.31
6/30/2022	$46.87	$204.98
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

Source: Standard & Poor's. As of 2.22.24

And speaking of earnings, we respect that last week's equity market turnaround that propelled the major market averages to new all-time highs was due in large part to a sensational report card turned in and forward guidance offered by Nvidia. While the A.I. darling remains much too richly priced for our taste at 61 times trailing earnings and 32 times sales, we are not unhappy to see some of our stocks riding Nvidia's coattails.

As we wrote back in December in our *2024 Stock Market Outlook* Special Report:

*In many ways, we've found ourselves at the right place at the right time with some A.I. picks, thanks in large part to another theme for the last decade or so, cloud computing. We have long liked companies like **Microsoft (MSFT)**, **Apple (AAPL)**, **Alphabet (GOOG)** and **Meta Platforms (META)**, who are scaling up their A.I. offerings with plans to generate additional revenue. We believe smaller-company names like power management* *concern **Eaton (ETN)** and data center REIT **Digital Realty (DLR)** also stand to benefit from widespread A.I. adoption.*

*Chipmaking giant **Intel (INTC)** has been somewhat left behind in the A.I. discussion, but shares soared more than 70% from January through November, after quarterly check-ins showed that CEO Pat Gelsinger & Co may have finally reversed fortunes for the former market leader. Happily and in addition to turnaround work, Intel's roadmap includes new chips specifically designed for A.I. and Nvidia has publicly stated that Intel is in the running to produce future generations of Nvidia graphics chips (GPU), which would diversify the company's manufacturing exposure and improve GPU supplies. And speaking of manufacturing, we also like semiconductor capital equipment makers **Lam Research (LRCX)** and **Kulicke & Soffa (KLIC)**.*

*****

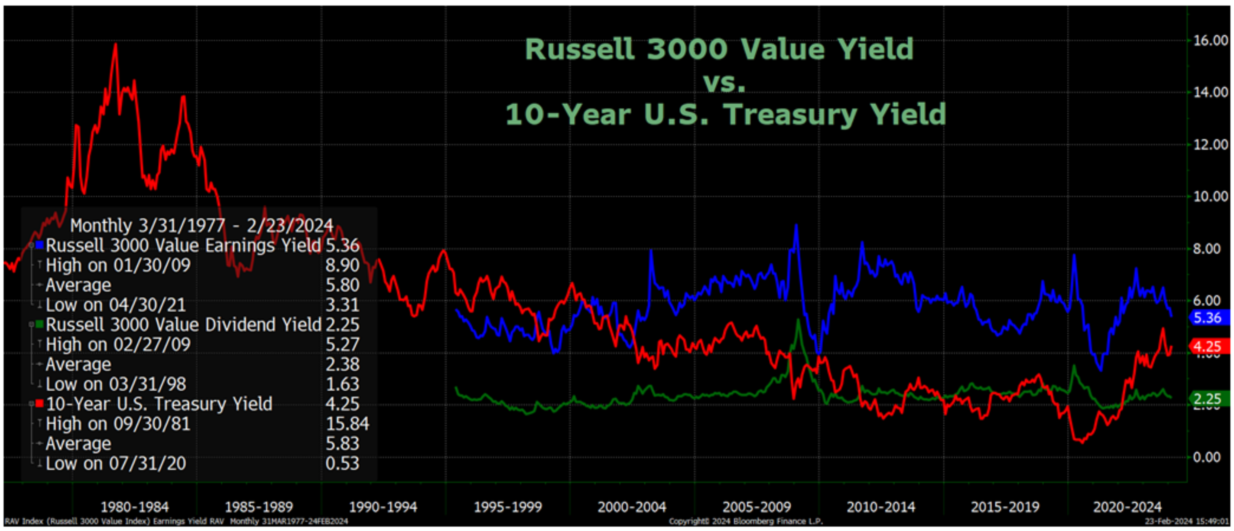
Of course, the rising A.I. tide has not lifted all boats. In fact, the median member of all three Russell indexes actually is in the red on a total-return basis so far in 2024,...

While the large-stock-dominated, capitalization-weighted market averages generally are off to a nice start in 2024, the median return for members of the Russell 3000 index, the Russell 3000 Value index and even the Russell 3000 Growth index are all in the red year-to-date, as the smaller constituents have been big laggards.

Market of Stocks 2024 - Russell 3000								
R3K Members	% of Market Cap	Median YTD Total Return	Median Price to Earnings	Median NTM P/E	Median Price to Sales	Median Price to Book Value	Average Dividend Yield	Number of Holdings
All 2958	100.0	**-2.0**	18.9	16.1	1.9	2.1	1.60	2958
Largest 10	28.0	**12.2**	32.8	29.5	6.8	9.4	0.24	10
Top 11-20	8.6	**9.0**	24.9	23.9	3.5	6.8	1.84	10
Top 21-30	5.5	**11.6**	38.8	20.1	5.8	9.1	1.81	10
Top 31-40	4.2	**4.4**	31.2	24.6	4.4	5.4	1.55	10
Top 41-50	3.5	**9.7**	22.7	20.5	3.0	4.8	2.07	10
Largest 50	49.8	**9.0**	28.2	23.8	5.1	7.5	1.50	50
Next 950	45.7	**2.7**	22.3	18.5	2.6	3.4	1.62	950
Bottom 1958	4.5	**-5.1**	16.0	14.1	1.6	1.7	1.55	1958
Market of Stocks - Russell 3000 Value								
All Value	100.0	**-2.5**	16.7	14.4	1.7	1.7	2.19	2278
Largest 10 Value	16.1	**6.8**	16.9	13.9	2.3	3.1	2.71	10
Market of Stocks - Russell 3000 Growth								
All Growth	100.0	**-0.1**	23.6	20.3	2.6	4.0	0.75	1518
Largest 10 Growth	49.5	**12.2**	37.7	29.4	8.3	11.3	0.15	10
From 12.31.23 - 2.23.24. Source: Kovitz using data from Bloomberg.								

…which certainly doesn't hurt the valuation argument for inexpensively priced stocks in general…

While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (4.13%) is still reasonable relative to the current (and well below average) 4.25% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast an Earnings Yield (5.36%) AND dividend yield (2.25%) near the historical norms for those measures dating back to 1995.



...and many members of our broadly diversified portfolios of what we believe to be undervalued stocks in particular,...

CURRENT PORTFOLIO AND INDEX VALUATIONS

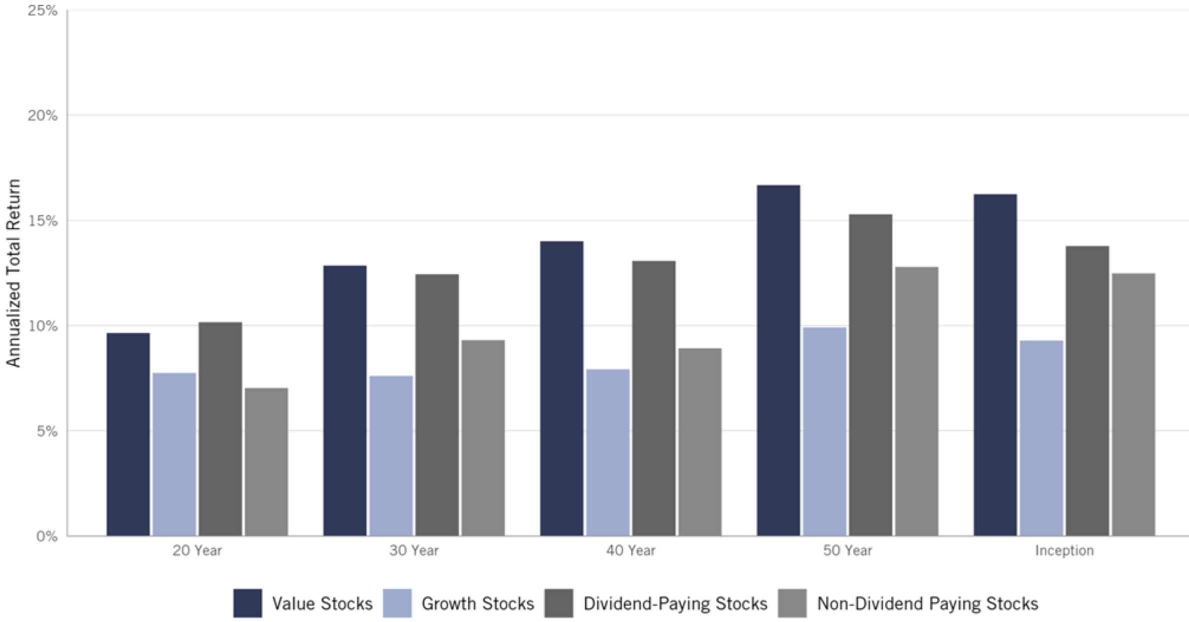
Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	16.9	14.5	0.9	2.5	2.6
ValuePlus	16.3	14.2	1.1	2.5	2.4
Dividend Income	15.0	14.0	0.8	2.3	3.1
Focused Dividend Income	16.8	13.7	1.1	2.4	3.0
Focused ValuePlus	17.1	14.1	1.3	2.7	2.6
Small-Mid Dividend Value	11.6	11.2	0.5	1.5	3.1
Russell 3000	24.4	21.3	2.5	4.2	1.4
Russell 3000 Growth	37.3	34.0	4.5	12.2	0.7
Russell 3000 Value	18.6	16.3	1.6	2.4	2.2
Russell 1000	24.7	21.1	2.6	4.4	1.4
Russell 1000 Growth	36.3	34.2	4.8	13.3	0.7
Russell 1000 Value	18.5	16.1	1.7	2.5	2.2
S&P 500 Index	24.4	21.1	2.7	4.6	1.4
S&P 500 Growth Index	28.4	33.2	4.2	8.4	0.7
S&P 500 Value Index	18.4	16.3	1.7	2.7	2.3
S&P 500 Pure Value Index	11.9	10.6	0.5	1.3	2.9

As of 02.23.24. 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 like what history has to say for Value vs. Growth on an equal-weighted (non-capitalization-weighted) basis.

THE PRUDENT SPECULATOR

Portfolio created by Professors Eugene F. Fama and Kenneth R. French show that Value Stocks and Dividend Payers have enjoyed the best long-term returns.



As of 12.31.23. Value stocks are the highest 30% of Book Equity to Market Equity (BE/ME). Growth stocks are the lowest 30% of Book Equity to Market Equity (BE/ME). Common inception for the portfolios is 12.31.27. Equal weight portfolios. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

True, we must always be braced for downside volatility,...

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.

Russell 3000 Value Index

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	73.5%	821	8	2.8	9/30/2022	2/23/2024
17.5%	53.3%	531	13	2.0	9/30/2022	2/23/2024
15.0%	48.0%	451	15	1.7	9/30/2022	2/23/2024
12.5%	45.9%	427	16	1.6	9/30/2022	2/23/2024
10.0%	29.3%	233	30	0.9	10/27/2023	2/23/2024
7.5%	21.2%	144	51	0.5	10/27/2023	2/23/2024
5.0%	13.5%	71	104	0.3	10/27/2023	2/23/2024

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.8	1/12/2022	9/30/2022
-17.5%	-26.1%	195	13	2.0	1/12/2022	9/30/2022
-15.0%	-24.8%	178	15	1.7	1/12/2022	9/30/2022
-12.5%	-24.0%	163	16	1.6	8/16/2022	9/30/2022
-10.0%	-18.1%	82	30	0.9	7/26/2023	10/27/2023
-7.5%	-14.2%	55	51	0.5	7/26/2023	10/27/2023
-5.0%	-10.1%	30	103	0.3	7/26/2023	10/27/2023

From 10.19.95 through 02.23.24. 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.

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.6%	18.0%
Growth Stocks	10.8%	18.9%
Dividend Paying Stocks	12.2%	14.7%
Non-Dividend Paying Stocks	11.8%	22.4%
Long-Term Corporate Bonds	7.5%	10.2%
Long-Term Gov't Bonds	7.0%	11.3%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

From 03.31.77 through 11.30.23. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

...and Main Street is still optimistic about the prospects for stocks over the next six months,...

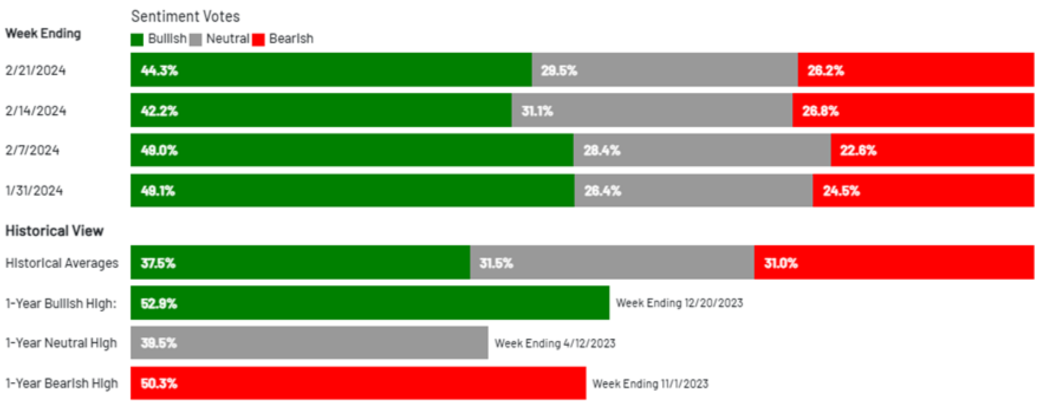
The AAII Investor Sentiment Survey

The AAII Sentiment Survey offers insight into the opinions of individual investors by asking them their thoughts on where the market is heading in the next six months and has been doing so since 1987. This market sentiment data is compiled and depicted below for individual use.

Investor sentiment is measured with a weekly survey conducted from Thursday at 12:01 a.m. until Wednesday at 11:59 p.m. Tracking sentiment gives investors a forward-looking perspective of the market instead of relying on historical data, which tends to result in hindsight bias.

AAII Members can login to vote in the AAII Investor Sentiment Survey today!

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



...but just about every way historical precedents may be sliced and diced supports sticking with equities through thick and thin.

AAII Bull-Bear Spread Deciles & Subsequent Equity Returns

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 = 7.16										
BELOW	-54.0	7.1	953	0.24%	0.20%	1.18%	1.04%	3.48%	3.09%	6.62%	5.87%
ABOVE	7.2	62.9	953	0.19%	0.17%	0.57%	0.48%	1.94%	1.70%	4.61%	4.13%
	Ten Groupings of 1906 Data Points										
1	-54.0	-17.0	191	0.41%	0.35%	2.19%	1.95%	4.82%	4.30%	8.99%	7.83%
2	-16.9	-9.0	190	0.25%	0.22%	1.03%	0.89%	3.80%	3.43%	6.18%	5.41%
3	-8.9	-2.6	191	0.34%	0.31%	1.01%	0.90%	3.54%	3.15%	7.65%	6.96%
4	-2.6	2.6	190	0.16%	0.12%	0.99%	0.89%	2.48%	2.09%	5.26%	4.71%
5	2.6	7.1	191	0.04%	0.01%	0.66%	0.57%	2.73%	2.47%	4.99%	4.47%
6	7.2	11.9	190	0.16%	0.14%	0.65%	0.56%	1.96%	1.73%	4.75%	4.29%
7	11.9	16.1	191	0.22%	0.19%	0.54%	0.41%	2.42%	2.17%	5.18%	4.69%
8	16.1	21.7	190	0.14%	0.12%	0.89%	0.83%	2.15%	1.91%	5.77%	5.36%
9	21.8	29.0	193	0.18%	0.16%	0.45%	0.37%	1.75%	1.46%	4.74%	4.19%
10	29.0	62.9	189	0.24%	0.22%	0.31%	0.24%	1.44%	1.22%	2.58%	2.15%

From 07.31.87 through 2.22.24. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and 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 Sell Alerts.

Jason Clark, Chris Quigley and Zack Tart take a look at earnings reports and other market-moving news of note out last week for several of our recommendations.

Capital One (COF – 135.52) announced last week that it had entered into a definitive agreement to acquire Discover in an all-stock transaction valued at $35.3 billion, a premium of 26.6% based on Discover's closing price the week prior. The deal would create a company with $250 billion of credit card loans, more than current #1, JPMorgan Chase with $211 billion.

CEO Richard Fairbank argues that not only will the company benefit from leverage in “some of the things that have even a higher fixed cost component like tech scale, data scale and brand scale,” but the deal “provides lift for the whole company” despite Discover’s historical focus on middle-market customers.

A significant portion of this “lift” comes from the marriage of Discover’s payment network with a leading credit card issuer in Capital One. Mr. Fairbank added, “Despite great efforts over 40 years, the Discover Network is still the smallest of the four networks, by far, and less than half the size of the third largest network, American Express...Discover has come a remarkably long way with its credit card network. They have nearly universal acceptance in the United States. Our research confirms that customers are very satisfied with acceptance. But the perception of acceptance among non-customers lags the reality.“

The CEO said COF’s strategy would be to “move some of our credit card volume over to the network to enhance its scale, and we will lean hard into further building the brand and the perceived acceptance of the credit card network here in the United States. We will also work to build greater international acceptance. Over time, we will move a growing portion of our credit card business to the Discover Network. In total, across debit and credit, we expect to add over 25 million Capital One cardholders and over $175 billion in Capital One purchase volume by 2027. This will be a step change in the scale of the network, and we will grow it from there. This injection of volume and investment in the network will help Discover be competitive with the leading networks. Scaling the network increases its value to merchants, small businesses and consumers, starting a virtuous cycle of growing acceptance in the United States and abroad. This expands the network’s reach and resonance with consumers, driving more spending and increasing value for merchants and cardholders alike.”

We like the arrangement for the benefits laid out by Mr. Fairbank, but consummation is far from certain at present given pushback from politicians from both sides of the aisle. Either way, COF is a cheap stock in our view trading with a forward P/E under 10 and holding sufficient capital and credit reserves to withstand most circumstances. Our Target Price is now $179.

Medtronic (MDT – $85.67) shares moved up a tad last week after the medical device maker posted EPS of $1.30 in fiscal Q3 (vs. $1.26 est.). Revenue growth of 4.6% for the quarter put the top-line at $8.09 billion, which was almost 2% better than expectations. The quarter was fueled by strength in structural heart and aortic, cranial and spinal technologies, and diabetes, with 10% growth in the latter leading the way. Geographically, International growth offset somewhat lackluster U.S. efforts. MDT also reported improved operating expense metrics.

CEO Geoffrey Martha explained, “We’re building momentum, with another quarter of solid execution on our commitments. We continue to deliver durable revenue growth, with particular strength in multiple businesses, as well as in international markets as we expand access to our innovative healthcare technologies around the globe. Our recent major product approvals – including transformative products in the diabetes, cardiac rhythm management, neuromodulation, hypertension, and pulsed field ablation spaces – increase our confidence in driving reliable growth over the coming quarters and years.”

CFO Karen Parkhill added, “In addition to delivering durable sales growth, we also drove improvements to our margins, as our cost efficiency programs helped to offset the impact of inflation, tax, and currency, contributing to our EPS and cash flow performance in the quarter. Based on our year-to-date performance, including another solid financial performance this quarter, we are raising our full-year guidance on both the top and bottom lines. We remain focused on restoring our earnings power and creating value for our shareholders.”

Management once again bumped its FY24 organic revenue growth guidance from 4.75% to a range of 4.75% to 5.0% and EPS guidance from the prior range of $5.13 to $5.19 to a new range of $5.19 to $5.21.

Shares are up nicely off their October lows but are still only 2% higher over the past 12 months. While there have been some improvements, MDT still has been battling the headwinds of hospital staffing shortages, multiple false-starts for the anticipated resurgence in elective procedures and regulatory scrutiny of certain cardiology and diabetes products. Things appear to be on the mend, with a host of major product approvals. Medtronic historically has held roughly 50% market share in its core heart device business and is a leader in spinal products, insulin pumps and neuromodulators for chronic pain. The dividend yield currently sits at 3.2% and our Target Price is now $124.

Another strong quarter from discount retail titan **Walmart** (WMT – $175.56) sent shares up an additional 3% last week. For its fiscal Q4, WMT reported adjusted EPS of $1.80, easily outpacing the consensus analyst estimate of $1.64. Revenue came in at $173.4 billion, which was better than the average forecast of $170.6 billion.

U.S. same store sales comps ex-fuel grew 4%, ahead of the Street's 3% projection, and reflected strength in grocery and health & wellness. E-commerce sales were up 17% led by pickup (especially grocery) and delivery. Considering its big box Sam's Club, same store comps ex-fuel grew 3.1%, ahead of consensus projections, noting also that club membership income was 10% higher than Q4 of last year, and the absolute member number hit new highs. Global advertising via its online channels grew 33% year-over-year, with Walmart Connect in the U.S. surging 22%.

CEO Doug McMillon explained, "Our team delivered a great quarter, finishing off a strong year. We crossed $100 billion in eCommerce sales and drove share gains as our customer experience metrics improved, even during our highest volume days leading up to the holidays. We're proud of the team and excited about building on our momentum as we work to bring prices down for our customers and members."

Interestingly, last quarter the market was spooked by a few phrases the CFO used about the consumer and that WMT only boosted its outlook slightly. The latest release reminds us about acting first and thinking later, especially as a lack of patience would have been costly as the shares have jumped 16% since the early-December lows.

Mr. McMillon & Co. expect full-year 2025 to achieve between $6.70 and $7.12 per share of adjusted earnings, excluding inventory accounting adjustments. However, that is before the pending 3-for-1 stock split that was announced earlier this month. While splits add no intrinsic value (they are perceived to be shareholder friendly and show management confidence), it will leave the full-year EPS forecast at $2.23 to $2.37. The stock price will drop by approximately two-thirds next week but folks will end up with three times more shares.

Management repurchased 18.2 million shares in fiscal 2024 and has $16.5 billion remaining of the $20 billion authorization approved in November 2022. We continue to think Walmart's scale and convenience present a value proposition for consumers matched by only a couple of enterprises and appreciate the retailer's ability to supplement its growth engine through new channels both domestically and abroad. Our pre-split Target Price has been boosted to $191.

Specialty chemicals concern **Celanese** (CE – $149.38) turned in its financial report card for Q4 that revealed $2.24 of earnings per share, up from $1.44 a year ago, but below expectations of $2.32. The Acetyl chain segment battled unscheduled maintenance and supplier disruptions that hit production at its most cost-advantaged facilities. Year-end customer destocking (particularly within automotive) impacted the higher-margin Engineered Materials segment

CEO Lori Ryerkerk said, "In a challenging backdrop across the entirety of 2023, our team decisively executed on hundreds of actions to reduce our costs, secure alternative volumes, align our production and inventory levels with demand, and maximize our cash generation. With a focus on what we can control, we delivered record cash generation, exceeded our full year net debt reduction objective, and enhanced the competitiveness of our businesses going into 2024."

She added, "We expect to complete several major value creation projects in the first quarter which, along with future projects, will support a significant ramp in our earnings performance across the year. We expect to deliver a significant year over year increase in our earnings per share supported by M&M synergy capture, the Clear Lake acetic acid and methanol expansions, lower interest expense due to deleveraging, and recognition of lower costs flowing through our inventory."

Celanese has typically enjoyed a cost advantage in many of its markets with exposure to secular growth areas like electric vehicles and 5G and we think the company is positioned to win from customer sustainability efforts. Shares closed the latest week down about 2% and are off about 4% year-to-date following a 34% rally from last Halloween to the end of 2023. Despite downward revisions to the Street's forecasts, EPS is predicted to turn higher in the next few years after a challenging 2023. CE trades for 10 times the consensus EPS figures for 2025 and 2026 and the dividend yield is 1.9%. Our Target Price is now $178.

Petroleum refiner and marketer **HF Sinclair** (DINO – $57.83) reported the lowest quarterly profit in Q4 of the past eight quarters, but the figure still came in 18% ahead of consensus ($0.87 per share vs. $0.74 est.). The decline was primarily driven by lower refinery gross margins in both the West and Mid-Con regions as crude oil charge averaged 614,000 barrels per day compared to 628,000 barrels per day for the fourth quarter of 2022. Improved operations for the renewable segment were offset by weakening Renewable Identification Numbers (RINs) and Low Carbon Fuel Standard credit prices.

As of December 31, 2023, HF Sinclair's total liquidity stood at approximately $3.7 billion, which includes a cash balance of $1.4 billion, $1.65 billion undrawn from its unsecured credit facility and $744 million availability on the HEP credit facility. Debt was reduced by $520 million in 2023 given the repayment of 2.625% senior notes at maturity in October and by paying down a portion of the outstanding HEP revolver. As of December 31, the company had $2.8 billion of debt outstanding with a net debt to capital ratio of 11%.

CEO Tim Go commented, "When I stepped into the CEO role last year, I laid out three priorities. One, to drive operational excellence, including improved reliability, two, to optimize and integrate our portfolio of new businesses and three, to generate strong cash flows to advance our cash return strategy. I'm very pleased to report the significant progress our team has executed against these goals during the year. First, in 2023, we delivered record best process safety performance across our refining portfolio and successfully completed heavy maintenance turnarounds at all of our refineries during the year on schedule and on budget as we took another step towards improving reliability across our portfolio. Second, we closed the transaction to buy in our HEP business in the fourth quarter and furthered our efforts to integrate and optimize our asset base. In addition, we delivered growth in our Marketing segment volumes and site count and delivered strong Lubricants and Specialties segment earnings despite the weakening of base oil cracks in 2023. Third, during the year, we also returned over $1.3 billion in cash to shareholders through share repurchases and dividends, delivering on our cash return commitment to shareholders. With good momentum across our businesses, we believe we are well positioned to continue creating compelling value for our shareholders in 2024."

For full year 2024, management expects to spend $235 million in Refining, $5 million in Renewables, $40 million in Lubricants and Specialties, $10 million in Marketing, $30 million in Midstream, $65 million in Corporate and $415 million for turnarounds and catalysts. Another $75 million is projected for growth capital investments across business segments. For Q1 2024, crude charge is expected to run between 585,000 to 615,000 barrels per day, with a planned turnaround scheduled at Puget Sound refinery during the period.

We like that DINO also now has a marketing business with more than 1,300 independent wholesale Sinclair-branded gas-station and convenience-store sites in 30 states and that the company has expanded its refining, renewables and lubricants operations. Profits in the refining space can be volatile from quarter to quarter, but we expect full cycle cash flow to support growth and capital returns to shareholders. Since the closing of the Sinclair acquisition on March 14, 2022, HF Sinclair has returned approximately $3 billion in cash to shareholders, representing 27% of the market cap as of December 31, 2023. There is $591 million remaining on the current share repurchase authorization and the board increased the quarterly dividend by 11%, putting the yield at 3.5%. Our Target Price for DINO is $74.

Despite reporting Q4 bottom-line results that fell short of investor expectations, shares of **Mosaic** (MOS – $31.48) rebound 4.5% last week. The crop nutrient concern posted adjusted EPS of $0.71, 18% below the consensus expectation of $0.86. Revenue of $3.15 billion outpaced the average investor forecast of $3.06 billion, however.

The quarter saw significantly lower potash prices despite stronger volumes of 2.6 million tons, only partially offset by sustained phosphate margins, even as phosphate sales dipped to 1.6 million tons, seemingly due to lingering production constraints. Mosaic said that it has decided to shut down its Colonsay potash plant due to oversupply in the potash market, focusing instead on its lower-cost mines (Belle Plaine and Esterhazy).

CEO Bruce Bodine offered, “Mosaic successfully navigated a highly dynamic market in 2023. We delivered strong free cash flow and returned significant capital to shareholders while reinvesting in the business. Looking into 2024, Mosaic expects to continue to benefit from a strong phosphates market, and is well positioned to deliver solid results as we optimize our low cost potash operations. In addition, we are focused on improving our phosphates production level, expanding our portfolio of value-added products, growing our leading presence in Brazil, and enhancing the overall efficiency of our operations.”

Management provided its 2024 market outlook that included the belief that global grain and oilseed markets are expected to remain tight. Crop production, threatened by geopolitical unrest, weather extremes and reduced fertilization, is struggling to keep up with strong demand driven by secular demographic changes and growing consumption from renewable fuels. As a result, global stocks-to-use ratios for grains and oilseeds are expected to remain under pressure for the foreseeable future. Today's healthy agriculture backdrop and favorable economics will continue to incentivize growers to maximize yields and apply fertilizers.

These demand factors are especially promising for the phosphate market as they are expected to be matched by tight global supply well into 2024. China's exports are expected to remain capped as domestic agriculture and industrial demand is prioritized. Firm phosphate prices and low raw-material prices suggest that stripping margins will stay elevated for the foreseeable future.

In North America, after a long fall application season and solid winter fill activities, demand strength continues into the spring planting season. Brazil shipments are expected to remain solid in 2024 as barter ratios are favorable and growers need to replenish soil nutrients. In India, demand is strong and growers are waiting for higher government subsidy rates.

Potash demand for North America is expected to remain robust in 2024, and demand in Southeast Asia and Brazil is expected to improve as the year progresses. Supply appears adequate to meet that demand in the near term.

Management also laid out its capital allocation plan, committing to a disciplined strategy that still focuses on shareholder returns. In 2023, Mosaic returned $1.1 billion to holders, including share repurchases totaling $756 million, and increased the dividend by 10% in December. The company also refinanced $900 million of debt obligations with a $500 million term loan, and a $400 million bond issuance which closed in December. Management forecast that total capital expenditures are expected to be approximately $1.2 billion for 2024, about $200 million below the 2023 level.

Shares have retreated meaningfully from the Russia-Ukraine conflict-induced record performance of the past handful of years. We acknowledge that earnings and the stock price tend to be very volatile for Mosaic (as evidenced by a negative 37% total return over the past 12 months), owing to cyclical crop patterns and depending on rational production from peers. Nevertheless, we expect the anticipation for booms and busts for crop nutrient prices to create opportunities to take advantage of overreactions for the stock in either direction. Mosaic trades at less than 10 times NTM adjusted EPS expectations and yields 2.7%, while our Target Price has been pared to $59.

Shares of **Nutrien** (NTR – $53.24) climbed more than 5% last week as the crop nutrient and services provider reported Q4 financial results. NTR said revenue came in at $5.66 billion, versus the consensus analyst estimate of $5.37 billion. Despite the top-line beat, NTR's adjusted EPS of $0.37 fell well short of the average forecast of $0.67.

CEO Ken Seitz commented on the quarter, "We saw a continuation of strong fertilizer market fundamentals in North America during the fourth quarter driven by improved affordability, an extended fall application season and low channel inventories. Utilizing the strengths of our integrated business, we achieved record fourth-quarter potash deliveries, increased crop nutrient sales volumes across our global Retail network and generated strong cash flow from operations."

He continued, "As we look ahead to 2024, we expect to deliver higher fertilizer sales volumes and Retail earnings, supported by increased crop input market stability and demand. We continue to prioritize strategic initiatives that enhance our capability to serve growers in our core markets, maintain the low-cost position and reliability of our assets, and position the company for growth."

Concerning the market outlook, management noted that global grain stocks-to-use ratios remain historically low going into the 2024 growing season as tightening supplies of wheat and rice have offset increased corn supplies in the U.S. and Brazil. NTR expects weather and geopolitical issues to continue to impact grain and oilseed production, exports and inventory levels.

NTR expects U.S. corn plantings to range from 91 million to 92 million acres in 2024 and soybean plantings to range from 87 million to 88 million acres. In Brazil, dry weather during the summer crop growing season and lower corn prices could result in lower corn area in 2024. Brazilian growers are expected to continue to expand soybean acreage, which NTR anticipates will support the need for strong fertilizer imports in the second and third quarters of 2024. In Australia, growers have benefited from multiple years of above-average yields and fundamentals remain supportive entering 2024. Timely precipitation led to higher-than-expected winter crop production, however if the El Niño weather pattern continues, it could pose a risk for the 2024 growing season.

NTR expects global potash demand to continue to recover towards trend levels in 2024 with full-year shipments projected between 68 million to 71 million tons. Management anticipates a relatively balanced global market with incremental supply from producers in Canada, Russia, Belarus and Laos. Concerning nitrogen, the company sees supply constraints to persist in 2024, including limited Russian ammonia exports, reduced European operating rates and Chinese urea export restrictions. North American natural gas prices remain highly competitive compared to Europe and Asia. U.S. nitrogen supply and demand balance is projected to be tight ahead of the spring application season, as nitrogen fertilizer net imports in the first half of the 2023/2024 fertilizer year were down an estimated 55% compared to the three year average. Global industrial nitrogen demand remains a risk in 2024 as industrial production, most notably in Europe and Asia, has yet to rebound to historical levels.

Phosphate fertilizer markets have remained relatively strong in the first quarter of 2024, particularly in North America where channel inventories were low entering the year. NTR expects Chinese phosphate exports to be similar to 2023 levels and tight stocks in India to support demand ahead of their key planting season.

NTR returned $2.1 billion to holders in 2023 through dividends and share repurchases. The Board just approved an increase in the quarterly dividend to $0.54 per share (from $0.53) and said that it continues to target a stable and growing dividend, noting a 35% increase since the beginning of 2018. The company also approved the purchase of up to 5% of Nutrien's outstanding common shares over a twelve-month period through a normal course issuer bid.

NTR trades at levels seen as far back as 2018, with the Street expecting more than double that year's profit in each of the next few years. Since then, 23% of outstanding shares have been bought back while the per share dividend has increased by 33%. We acknowledge that both fertilizer and crop prices can be extremely volatile in either direction but continue to like the reasonable P/E multiple and 4.1% dividend yield.

Challenging overall fertilizer prices have weighed heavily on NTR stock, which is off more than 28% over the past 12 months on a total return basis. Nevertheless, industry insiders have repeatedly reminded in recent quarters that the global grain stocks-to-use ratio resides at its lowest point in more than 25 years, which will likely take more time to normalize. Shifting orders to a digital channel could allow Nutrien to optimize its store base in the future while its cost-advantaged potash mines remain profitable at cyclical lows for the mineral. While profits in the next few years might ebb lower following two years of extremely favorable conditions, for those who are patient, it could provide a good opportunity to establish or add to positions. Our Target Price is now $85.

AXA SA (AXAHY – $34.88) shares gained 4.5% last week after full-year 2023 underlying profit of 7.6 billion euros beat the average analyst estimate. The French insurance giant also committed to returning about 6 billion euros of last year's earnings to investors via a new policy that targets a total payout ratio of 75%, comprising a 60% dividend payout and an additional 15% from annual share buybacks.

CEO Thomas Buberl commented, "We can see that AXA today is well positioned. Look, I think that the current environment that we have been seeing for the past three years or so will remain at a same level of volatility, uncertainties. We succeeded now for three years to perform well in a challenging and volatile environment. I'm confident that we will continue on this trajectory."

He continued, "So why do I feel confident? Well firstly, as I mentioned before, our business mix is diversified in terms of the business lines. But as far as our geographic footprint goes, in every geographic where we are, we have significant positions that are solid, whether in France or in Europe, but also in emerging markets, where we focused, by the way on fewer markets. But in the markets where we are, we are very strong. So, with regard to commercial lines, which represents about 50% of our volume, we today are the largest insurer in the world for commercial lines, for their physical goods, such as buildings and plants, but also for the human, for employees. And secondly, with our tighter geographical footprint, we are one of the leaders in EV, in commercial and retail business. We are very strong in Life & Health. This is where precisely our business, which is about asset management, goes well in line with our leadership in Europe. Because in the life insurance business, in the pension insurance life, it's very important to have a good pool, but also good manager for financial products for our clients."

We appreciate the transformations that the insurer has undergone in recent years along with the still-inexpensive valuation for the stock, which boasts a forward P/E ratio under 9. The net dividend yield is 4.4% and our Target Price is now $41.

Shares of **Moderna** (MRNA – $96.46) reclaimed some lost ground last week as the COVID-19 vaccine producer reported a surprising Q4 non-GAAP profit of $0.55 per share versus an expected loss, and revenue of $2.8 billion that exceeded projections. CFO Jamey Mock also called for 2024 to be "a low point," suggesting a "return to growth in 2025."

Moderna generated $6.1 billion of sales for all of 2024, excluding the recognition of $600 million of deferred revenue from an international vaccine alliance: Gavi. Vaccination rates in the U.S. were down year-over-year, while the firm was prevented from competing in the EU market in the second half of 2023 due to a competitor contract.

CEO Stephane Bancel said, "We took several important actions in 2023 that will set our commercial COVID business up for success. We restarted the manufacturing footprint which has been established to support capacity at the pandemic levels. We exited contract manufacturing relationships and reduced inventory levels. These initiatives will improve cash flow from our COVID business moving forward. We also flattened the commercial structure. All regions report directly to me now for more targeted sales execution, and also a better integration with global teams. We focused our R&D spending and our SG&A expenditures towards near-term growth and higher return on investment projects."

Mr. Bancel concluded, "2024 is an important year of execution across the company, one that will set the stage for the next several years. I am very excited by how our company is positioned. I believe 2024 will be a year where many observers of Moderna go from thinking of us as a COVID vaccine company to seeing Moderna as an mRNA platform company with several products approved and more approvals on the way for 2025 and beyond."

President Stephen Hoge ran through late-stage milestones for Moderna's pipeline in 2024, "We are targeting the first approval for our RSV vaccine beginning in the first half of 2024, with commercial launches shortly thereafter. With our flu vaccine, we're in discussions with regulators about potential submissions for approvals, and we expect to begin filing this year. Phase 3 data from our Next-Gen COVID vaccine is expected in the first half of 2024, which will inform the next steps. And we expect Phase 3 data for our flu and COVID combination vaccine this year. In latent vaccines, we are looking forward to potential efficacy data from our CMV Phase 3 study. In oncology, we expect continued progress enrolling our two Phase 3 studies in INT for adjuvant melanoma and non-small cell lung cancer, we also expect to expand into additional tumor types this year. And finally in rare diseases, we expect to move into registrational studies for both PA and MMA in 2024."

Now past the two-year mark since our initial MRNA purchase, the rebound last week only modestly lessened our pain. Of course, we entered the holding knowing that the distribution of future outcomes was much wider than we might normally entertain. Nevertheless, since the beginning, the balance sheet has offered a margin for error in our view even as the company's hoard of cash and investments is expected to contract to approximately $9 billion by the end of 2024.

Currently approved RSV vaccines from competitors are projected to generate north of $1 billion of sales next year. So, we think a more convenient pre-loaded jab from Moderna could be a compelling enough alternative to win major share in that area while oncological breakthroughs also appear on the horizon. Not for the faint of heart and without a dividend, we continually evaluate our appetite to hold our relatively small position in the stock. Our Target Price is $149.

Shares of **EOG Resources** (EOG – $111.86) fell about 1.5% last week, with all the decline and then some coming on Friday following the energy concern's Q4 financial results announcement. EOG reported revenue of $6.36 billion, versus the average forecast of $5.91 billion, while adjusted EPS of $3.07 fell short of the $3.10 consensus estimate. Additionally, EOG generated $1.5 billion of free cash flow and continued to sport a strong balance sheet with net cash.

Guidance in the quarter seemed to suggest stronger natural gas production than anticipated, which may have concerned some given the weakness in the price of that hydrocarbon. Daily production volumes exceeded expectations among all three hydrocarbons, but particularly in natural gas liquids. Management also guided to a minimum cash return of 70% of annual free cash flow (where the stated amount has been 60%). For 2024, EOG said it plans to spend $6.2 billion on capex, up just 3%, but potentially yielding 7% production growth on a barrel of oil equivalent basis (although just +3% for oil volumes).

CEO Ezra Yacob commented, “EOG continues to deliver on its value proposition as demonstrated by our strong execution in 2023. Oil and total volumes were on target, capital expenditures on budget, and we further lowered operating costs. The ability to manage investment and pace of activity at the appropriate level for each of our plays was critical to our success in 2023. We lowered the overall cost basis of the company by balancing activity between foundational assets and emerging plays. Progress across our portfolio, including continued improvement in Delaware Basin productivity, successful delineation results in the Utica play, and advancements across several exploration areas, provides opportunity for further improvement going forward.”

He continued, “EOG’s operating results drove our financial performance. EOG earned strong return on capital, while generating $5.1 billion of free cash flow. Cash return to shareholders of $4.4 billion was well above our prior minimum 60% commitment and continues to be anchored by our sustainable, growing regular dividend. The financial strength of the company, including our cash flow generation capacity and our industry-leading balance sheet, allowed us to increase our regular dividend 10% and go-forward cash return commitment to a minimum 70% of annual free cash flow.”

Mr. Yacob concluded, “EOG’s business has never been better, and our financial position has never been stronger. Our 2024 plan demonstrates our consistent focus on improving the cost structure of our company. The depth of resource across our multi-basin portfolio of premium assets provides long-term visibility for high returns and strong free cash flow generation. Our confidence in EOG’s ability to compete across sectors, create value for our shareholders, and be part of the long-term energy solution has never been higher.”

We continue to like that EOG boasts low cost of production with total capex and dividend breakeven in the mid-$40 per barrel range of WTI crude, as well as a strong balance sheet with net cash. These attractive attributes should enable management to act countercyclically despite the somewhat tight range oil prices have been in and the beating natural gas has taken, whether through bolt-on acquisitions, land investment or repurchase of undervalued shares.

The company historically has been exceptionally shareholder-friendly, with a focus on capital returns and prudent production targets. The fixed dividend stands at $0.91 per quarter and has the yield at 3.3%. Thus far in 2024, EOG has not issued any special dividends, although the fixed dividend is 21% higher than it was in Q4 2022, but we note that management is prepared to do so if the environment and operations warrant (shown by special per share dividends of $2.50 and $5.80 distributed in 2023 and 2022, respectively). EOG shares trade below 10 times NTM consensus adjusted EPS estimates and our Target Price is $159.

Energy logistics and consulting firm **World Kinect** (WKC – $25.97) earned $0.54 per share in Q4, well ahead of the consensus prediction, sending the shares up nearly 9% on Friday, even as the bottom-line figure was in line with the same quarter a year ago. Aviation segment gross profit was $131 million, an increase of 19% year-over-year, driven primarily by the achievement of higher returns amidst the elevated interest rate environment. Extreme weather conditions, as well as some margin pressure in broader commercial and industrial business in the latter part of the year reduced land segment gross profit by 6% to $448 million. Lower volumes and bunker prices, coupled with a decline from higher volatility levels in the fourth quarter 2022, were primarily behind a 21% reduction in marine segment gross profit to $44 million.

CEO Michael Kasbar said, “We all know the last 10 years have seen tremendous volatility in energy markets, commerce, geopolitics, and even natural disasters. Throughout 10-year period, our customer base, particularly airlines and shipping companies, experienced significant financial stress. I’m proud to say that our company went through this period with tremendous skill, financial stability and stewardship in the face of massive turbulence. Our team has navigated through these challenges and consistently mitigated risk while managing the impacts of market disruption on our customers and suppliers, demonstrating both our expertise and reliability as a counterparty. Today we have a materially different business profile with a higher quality of earnings and a more predictable and synergistic portfolio. So resiliency, focus, momentum and leverage are the words that resonate with me when I look back and look forward. And that's why I remain more enthusiastic and optimistic about our future than ever before."

He added, "We have incorporated our experience and learnings from these events into our operating model becoming an becoming an ever stronger financial and commercially responsible counterparty. With each test, we are better equipped to address the next market challenge, delivering greater value to the marketplace and investors. From our humble beginnings as a broker and simple reseller and secondary finance company to the global industrialized distribution business we are today, World Kinect is a story of transformation and our evolution and mission continues."

Shares have rallied 40% since Halloween but still trade for less than 12 times the Street's 2024 EPS projection, with the bottom line forecast to grow by two-thirds through 2026. World Kinect is not the most exciting (Energy) business in our portfolio and margins tend to be thin, but we think the company blocks and tackles extraordinarily well in an important role providing service to a segment of the economy that continues to chug along. The dividend yield is presently 2.2% and our Target Price has been bumped up to $35.

German financial titan **Allianz** (ALIZY – $26.71) turned in Q4 operating profit of 3.77 billion euros (est. 3.74 billion) but the shares fell more than 4% in price after the midpoint for the forecast for operating profit in 2024 of 13.8 billion euros to 15.8 billion euros fell short of the 15.4 billion euro Street projection.

CEO Oliver Bäte stated, "Allianz extended our track record of delivering a record operating profit and core net income, consolidating our leading position as one of the world's most resilient global insurers and active asset managers. Our results demonstrate the trust that our customers place in Allianz, and in the resilience and potential of our business model and our people. Our Property-Casualty business saw strong growth while we supported our customers affected by elevated levels of natural catastrophes. Our Life/Health segment delivered profitable growth as we developed attractive solutions to protect our customers from the effects of inflation on their savings, and in our Asset Management business we achieved robust net inflows in a volatile capital market environment."

He continued, "The discipline of our strategy, execution, and capital management bolsters our operating profit outlook for 2024, our new dividend policy, and our renewed share buyback program. In the coming year, we will continue to focus on unlocking the benefits of our scale to further increase our productivity, and on converting our excellent customer experience into profitable customer growth."

Similar to AXA, Allianz also bumped its regular dividend payout ratio to 60%, up from 50%. This new dividend policy applied to the dividend for fiscal year 2023. In addition, Allianz renewed its share buy-back program for up to 1 billion euros. ALIZY trades for less than 10 times NTM EPS estimates and we think there is some room for multiple expansion (should ROE improve) to go along with the current 3.3% net dividend yield. Our Target Price is $32.