

# Market Commentary Monday, April 1, 2024

March 31, 2024

## **EXECUTIVE SUMMARY**

Newsletter Trades – One Transaction for 4 Portfolios

Week in Review – Value Has 4 Days in the Sun

Econ News – Mixed Numbers

Inflation – In Line PCE

Corporate Profits – Favorable EPS Estimates for '24 and '25

Sentiment – Optimism Surges

Stock News – Q1 Winners & Losers

## **Market Review**

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

TPS Portfolio

03.26.24 Sell 23 **Eaton Corp PLC** (ETN – \$312.68) at \$314.8335

Buckingham Portfolio

03.26.24 Sell 9 ETN at \$314.8335

We will use that price to sell portions of the Eaton position in our two hypothetical accounts:

Millennium Portfolio

03.26.24 Sell 52 ETN at \$314.8335

PruFolio

03.26.24 Sell 94 ETN at \$314.8335

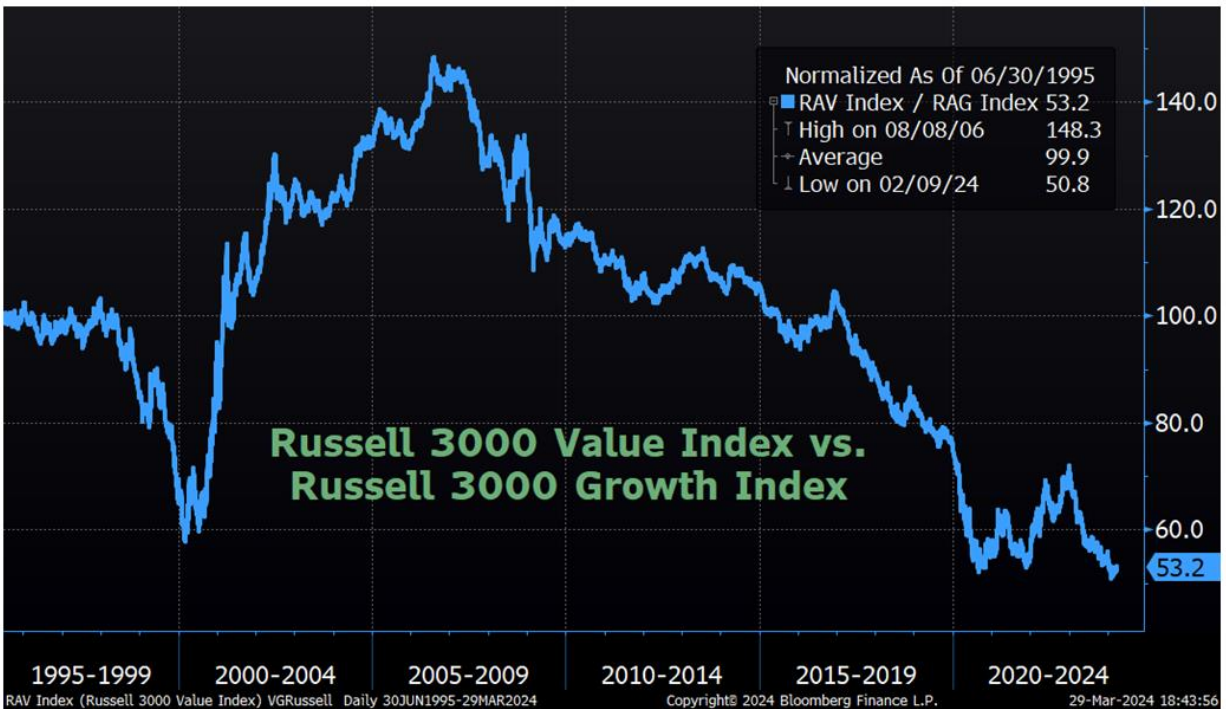
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With the median stock in the Russell 3000 index gaining 2.2% and the Russell 3000 Value index (R3KV) outperforming the Russell 3000 Growth index

(R3KG) by a wide margin, it was our kind of trading week, even as it was only four days, given the Good Friday holiday.

Of course, we are not surprised that Value would have a little time in the sun, given that the R3KV is as attractively priced relative to the R3KG as at any time since the bursting of the Tech Bubble 24 years ago,...

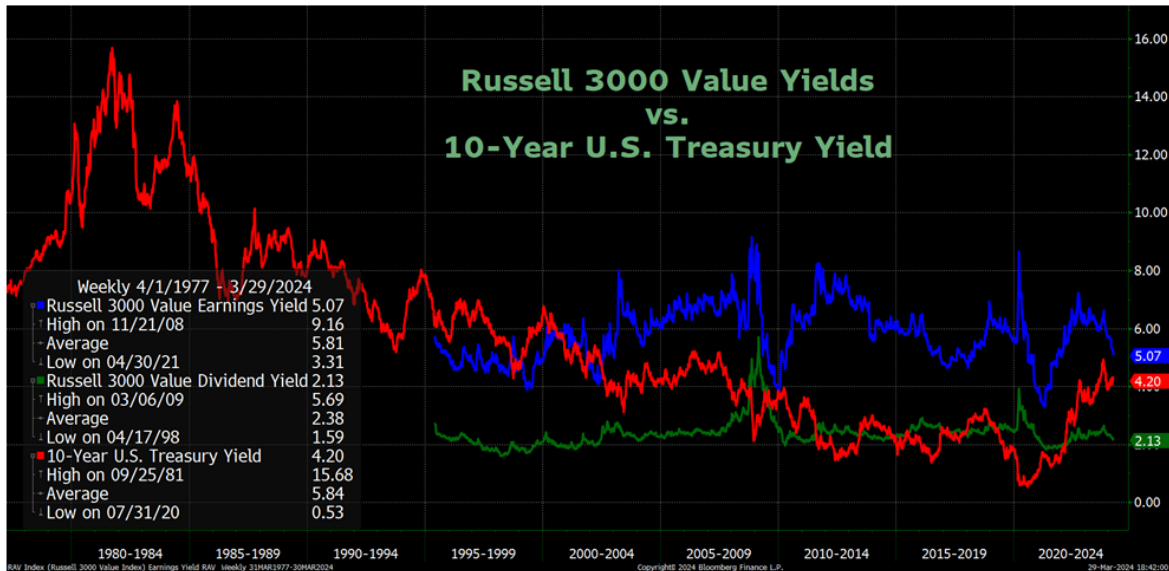
## THE PRUDENT SPECULATOR



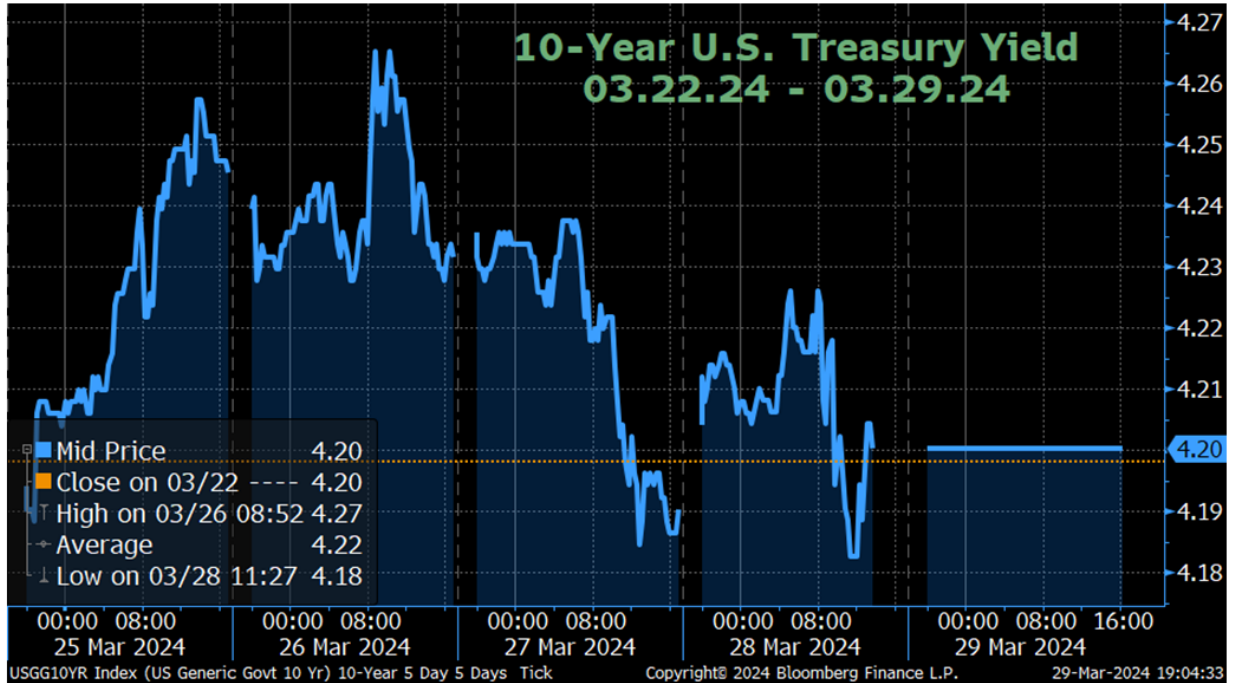
...and inexpensively priced stocks are still reasonably priced on an earnings yield and dividend yield basis relative to the 10-Year U.S. Treasury yield.



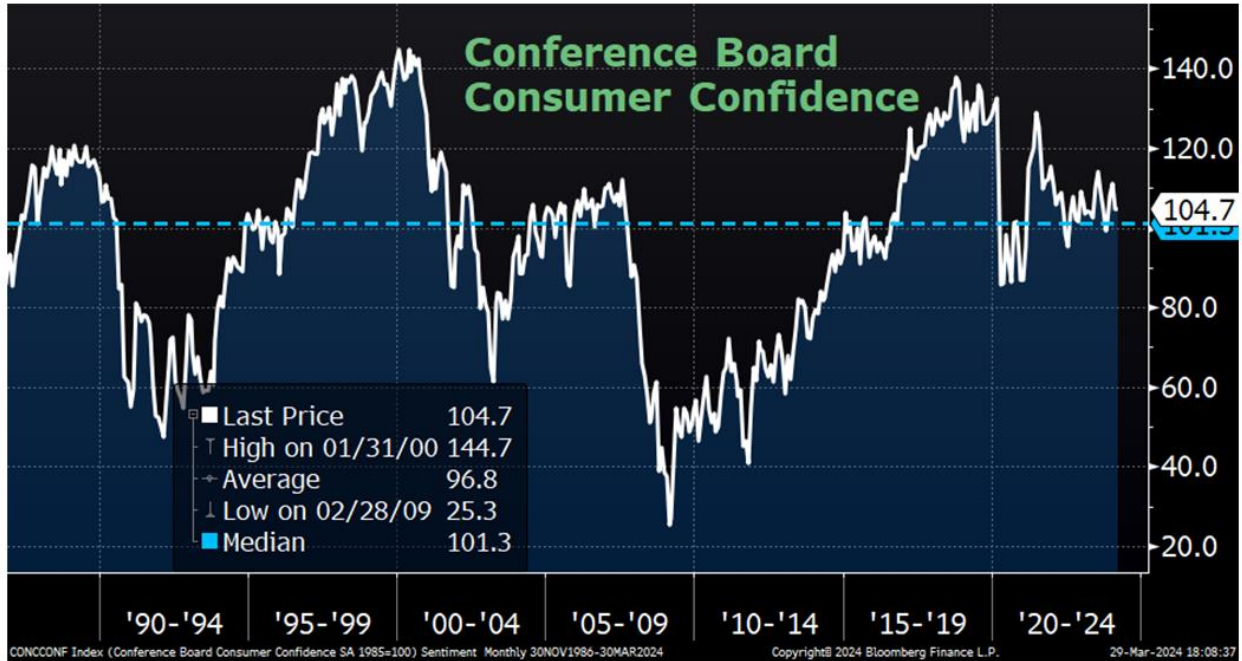
While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (3.97%) is still reasonable relative to the current (and well below average) 4.20% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast an Earnings Yield (5.07%) AND dividend yield (2.13%) near the historical norms for those measures dating back to 1995.



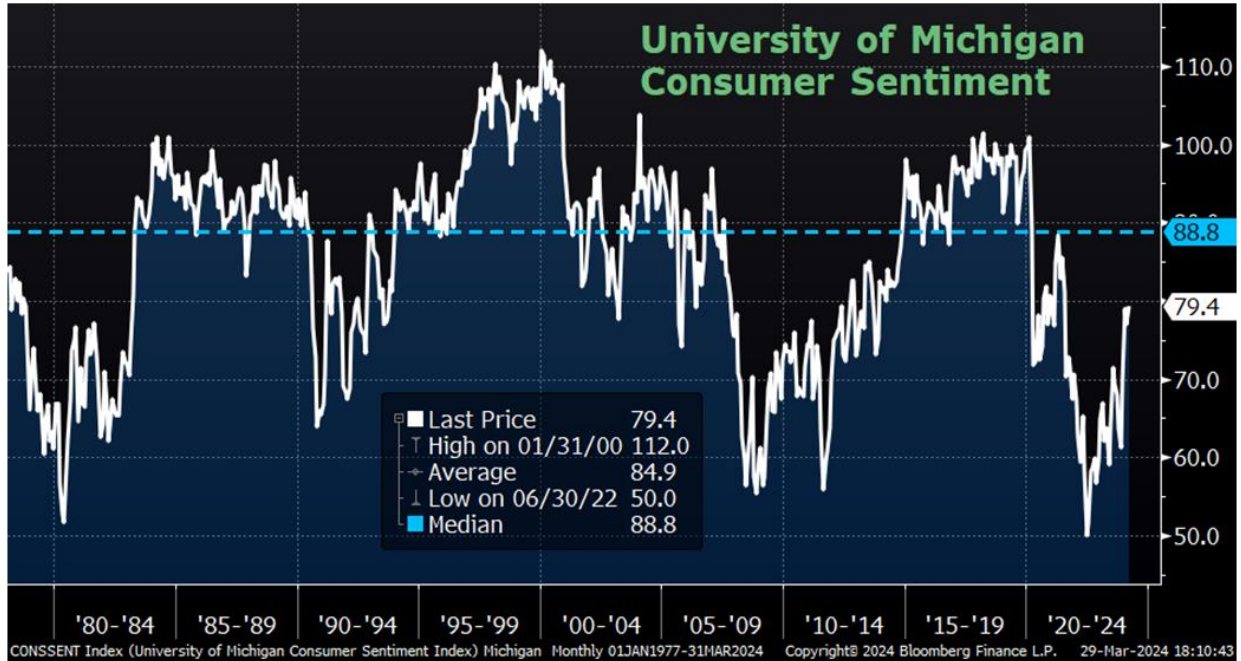
Interestingly, that benchmark government bond yield was unchanged over the last four trading days,...



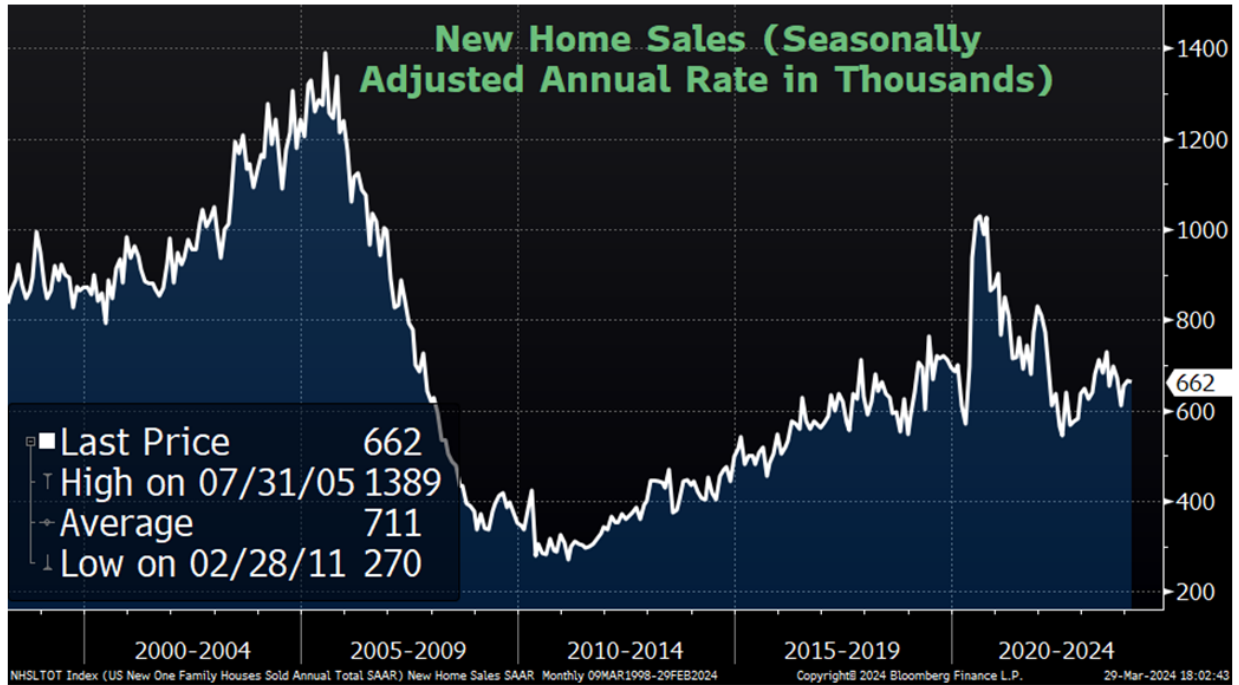
...as economic data was mixed, with the Conference Board's measure of Consumer Confidence edging down to 104.7 in March from a revised 104.8 in February, but below projections of 107.0,...



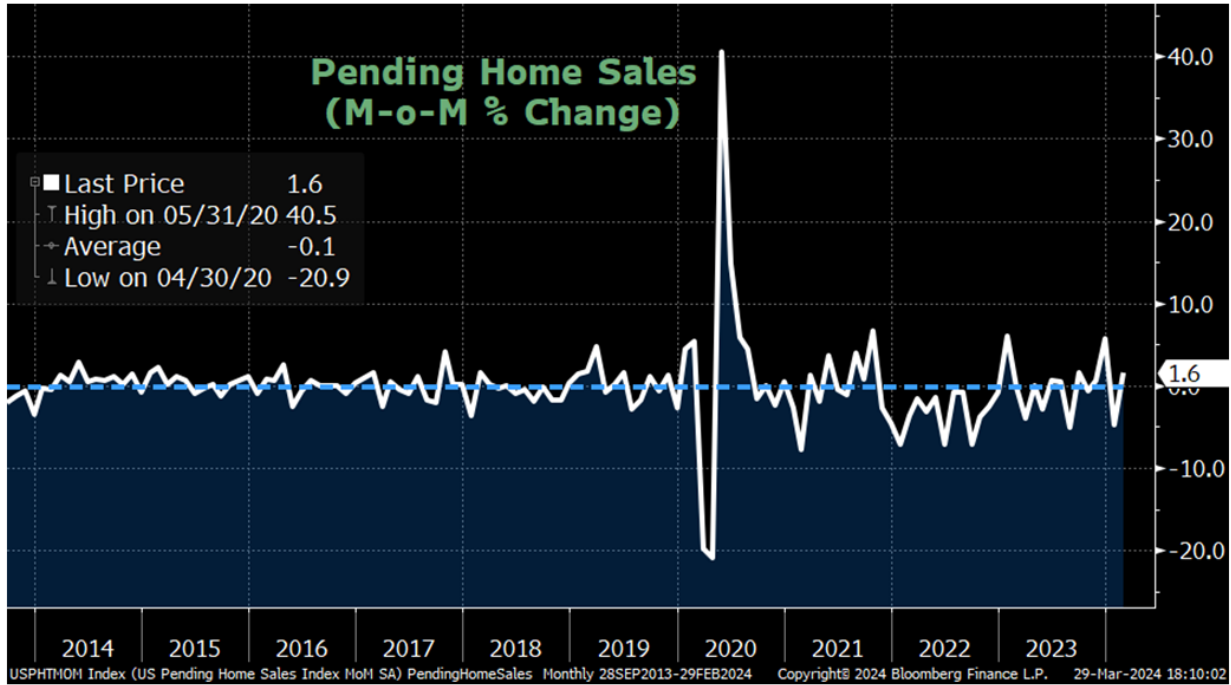
...yet the Univ. of Michigan's Consumer Sentiment gauge for March came in better than expected at 79.4, up from 76.5 the month prior.



New home sales for February at a 662,000 seasonally adjusted annual rate modestly trailed forecasts,...

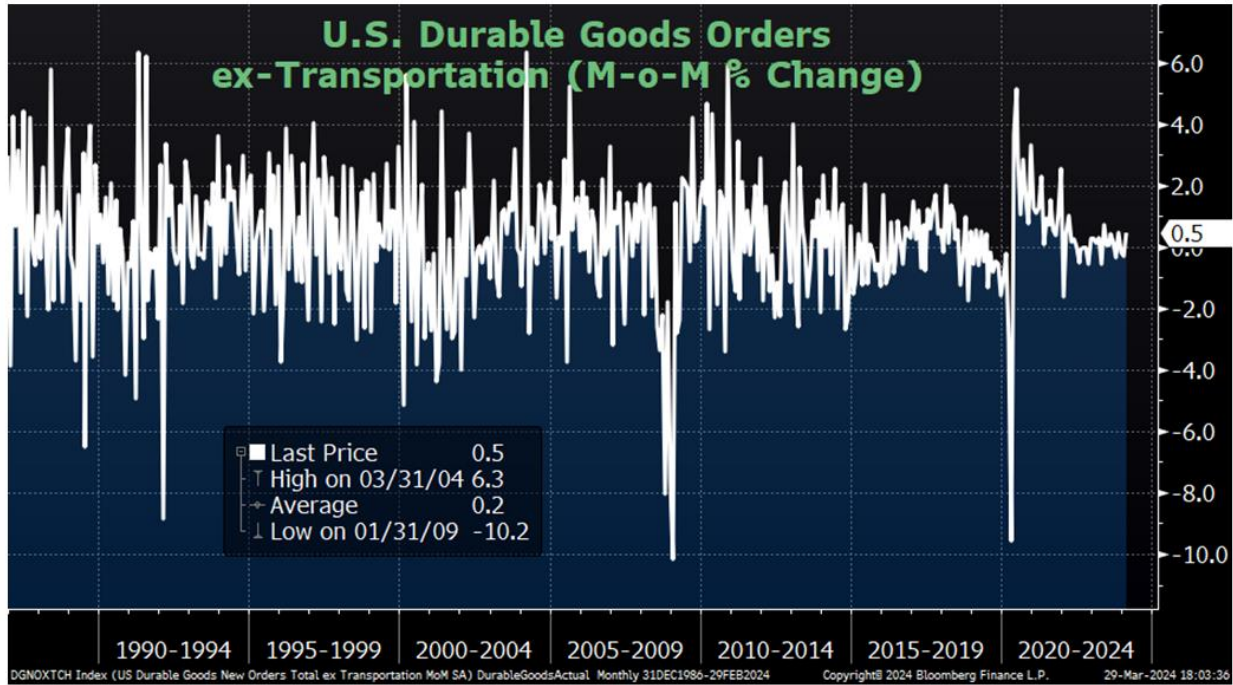


...but pending home sales rose 1.6% in February, slightly ahead of estimates.

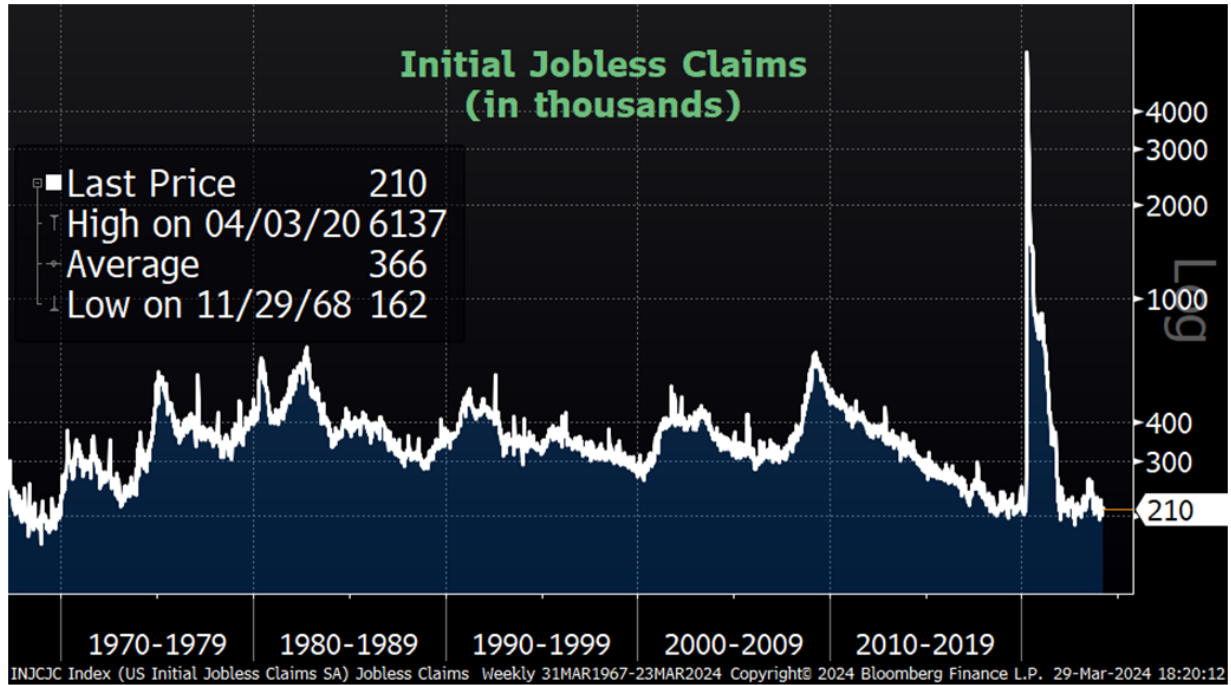


U.S durable goods orders excluding transportation came in about as expected with a 0.5% increase for February,...

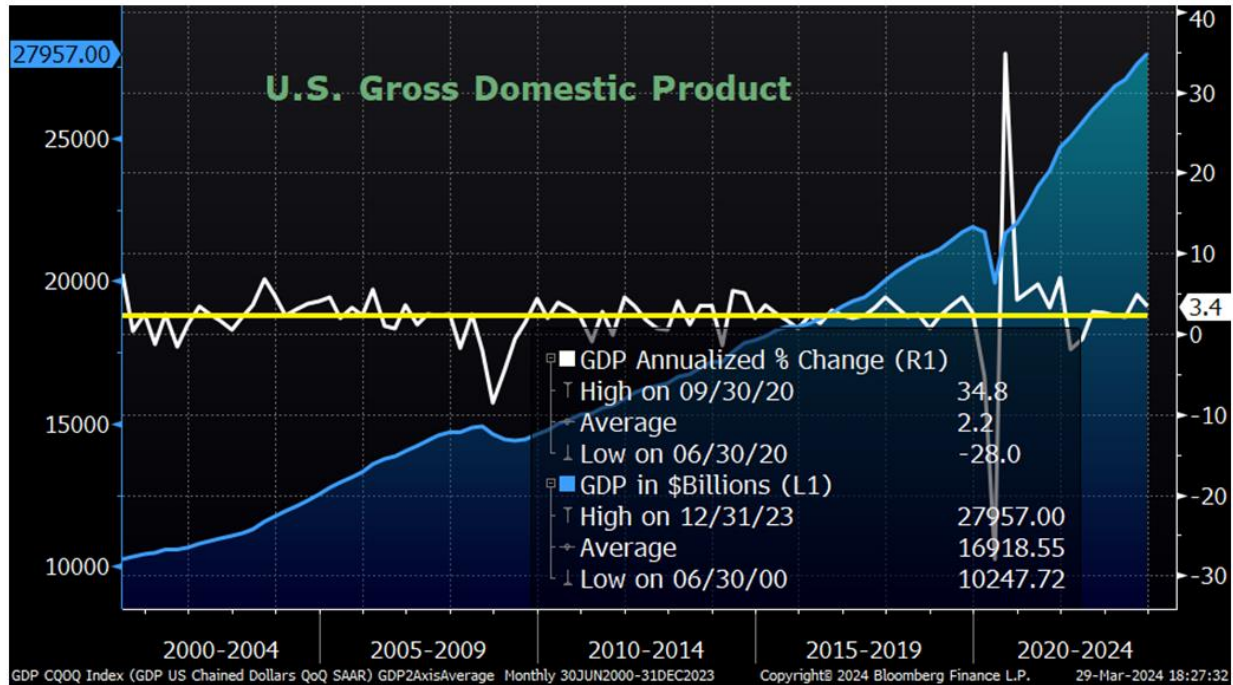




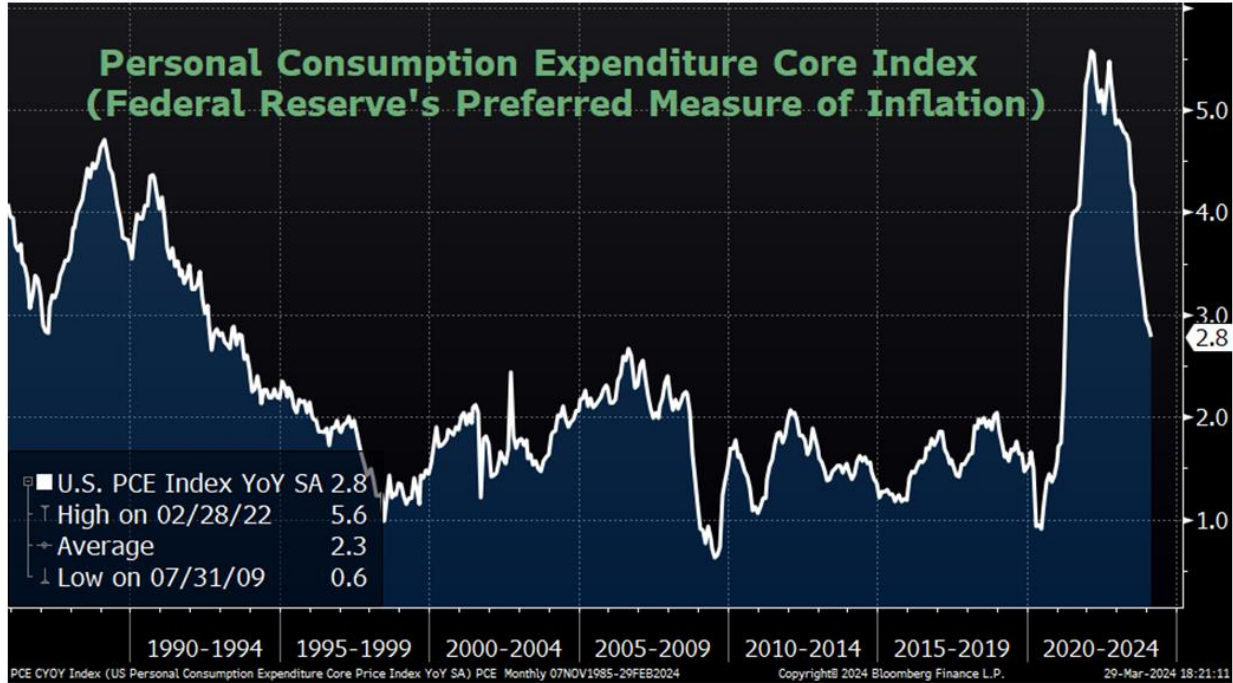
...as did first-time filings for unemployment benefits in the latest week at 210,000.



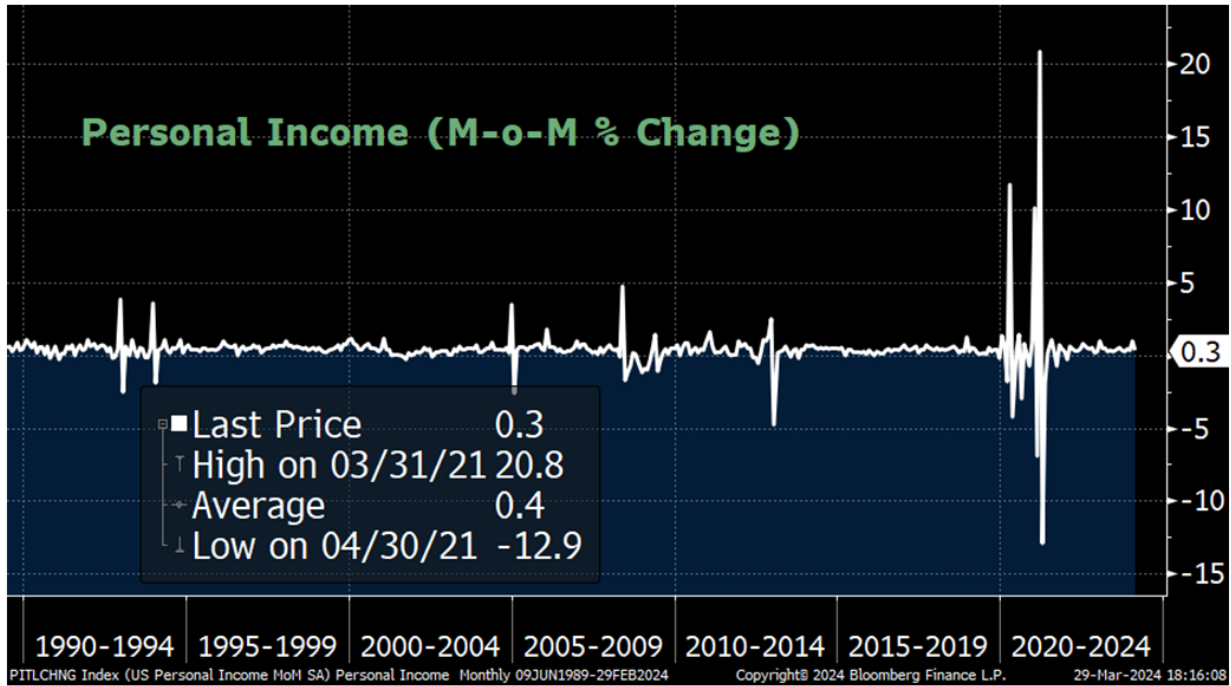
We also learned that Q4 real (inflation-adjusted) GDP growth was revised upward to 3.4%,...



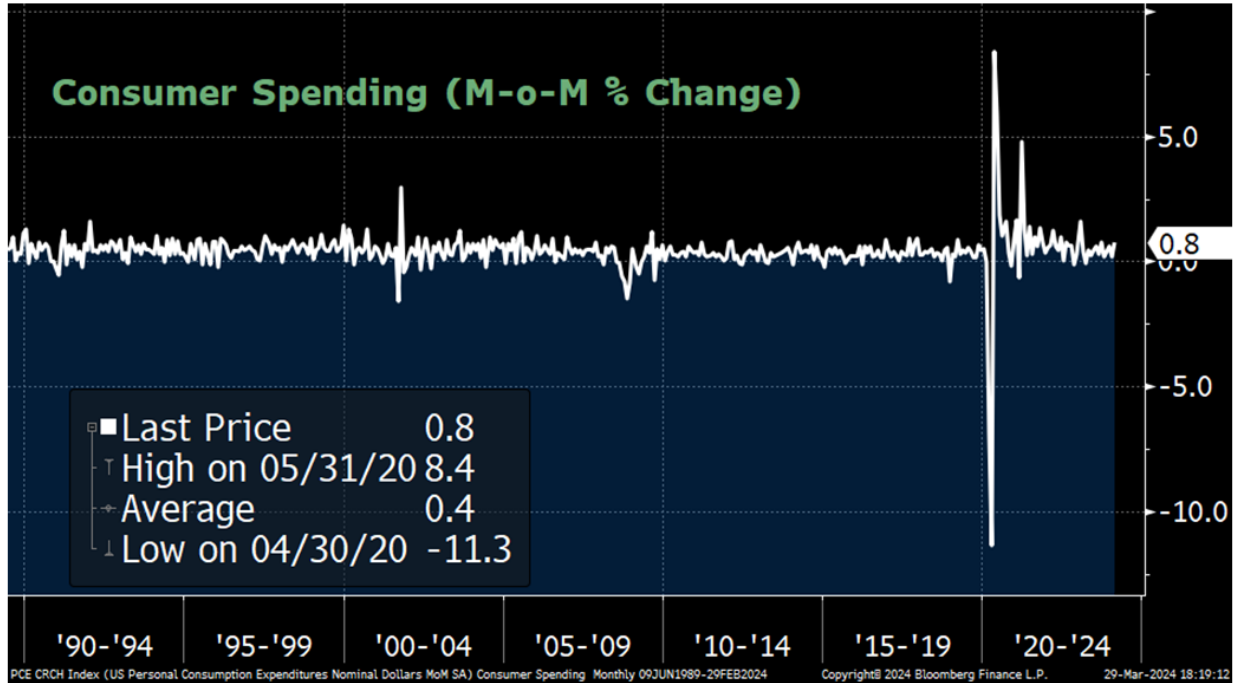
...but the big economic news for the week was released on Friday, when the Federal Reserve's preferred inflation measure, the Core Personal Consumption Expenditure, for February showed a 2.8% year-over-year increase, in line with projections,...



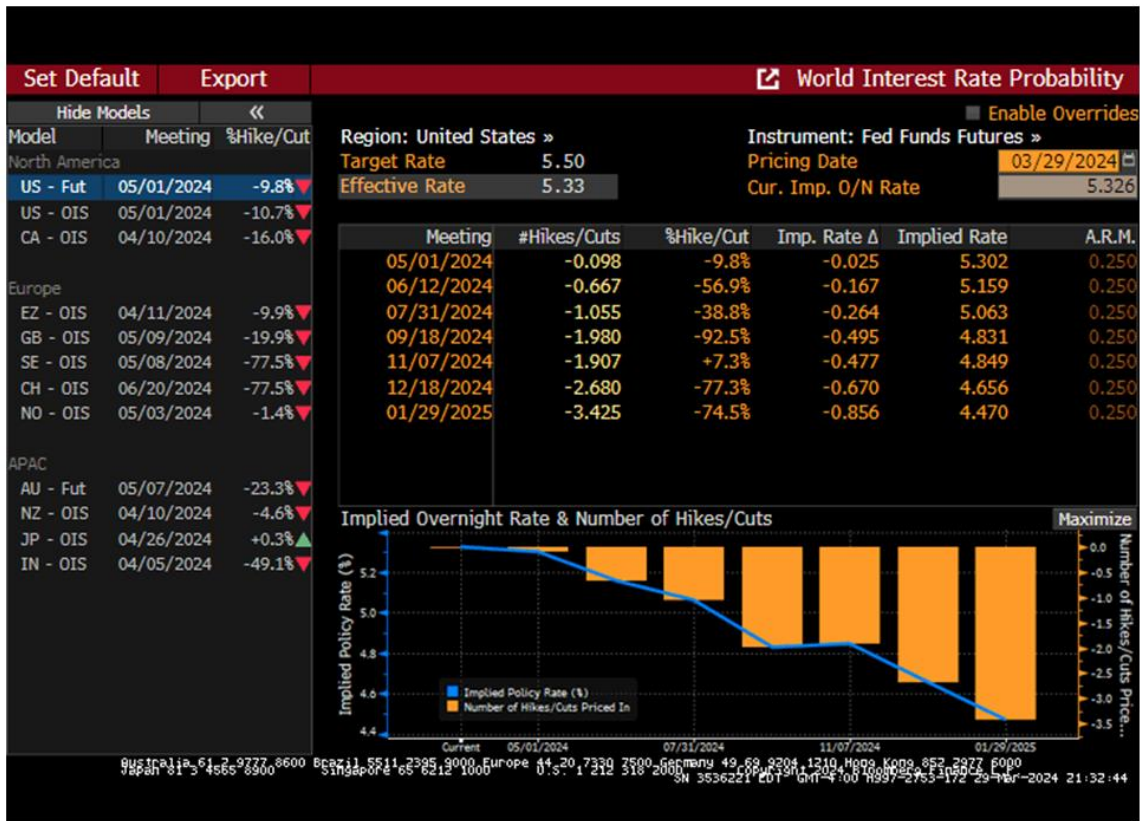
...even as personal income for the same month came in a bit lighter than forecast at a 0.3% monthly increase,...



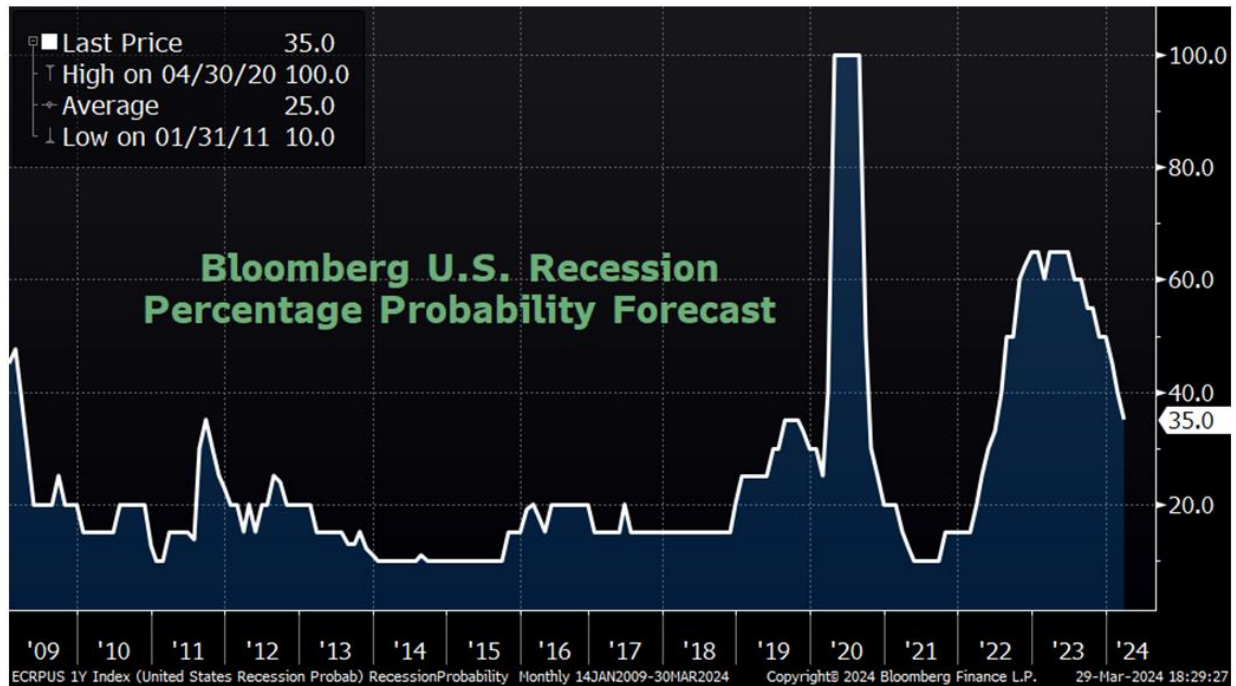
...and consumer spending was ahead of expectations with a 0.8% monthly gain.



We will have to see how the financial markets react to the Good Friday numbers, and we note that the betting in the futures market for the year-end Fed Funds rate saw an increase to 4.66% last week from 4.48% the week prior,...

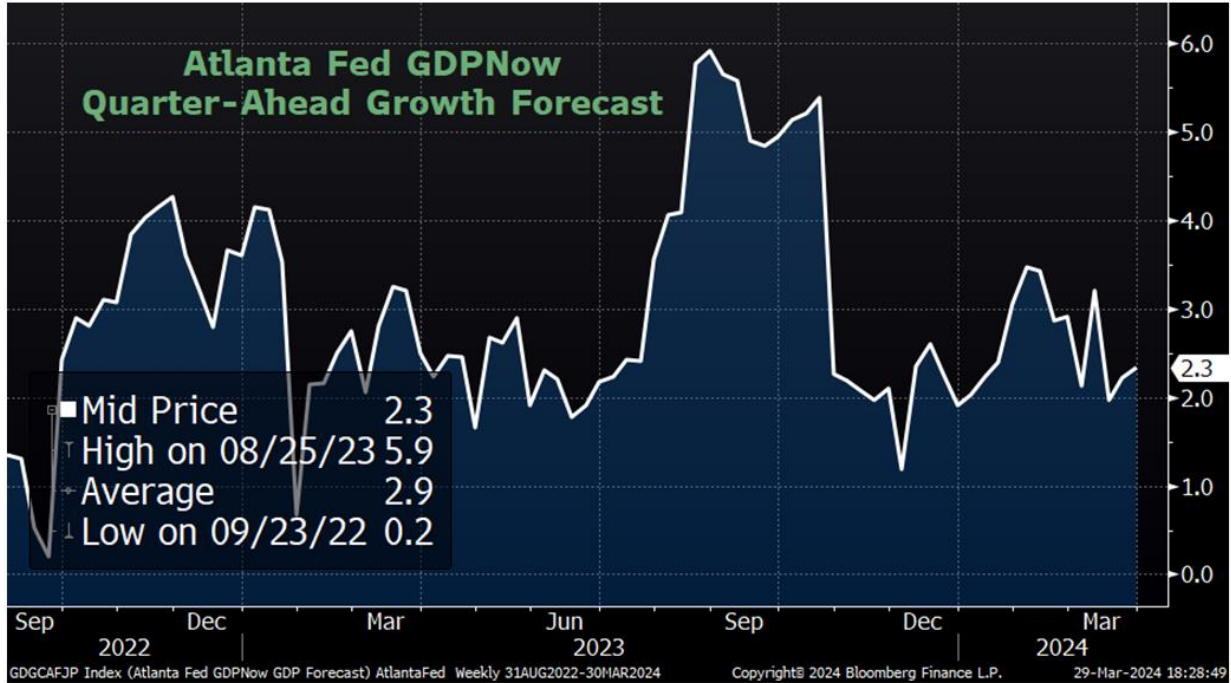


...but it was interesting that the odds of recession in the next 12 months, as tabulated by *Bloomberg*, fall to 35% last week,...

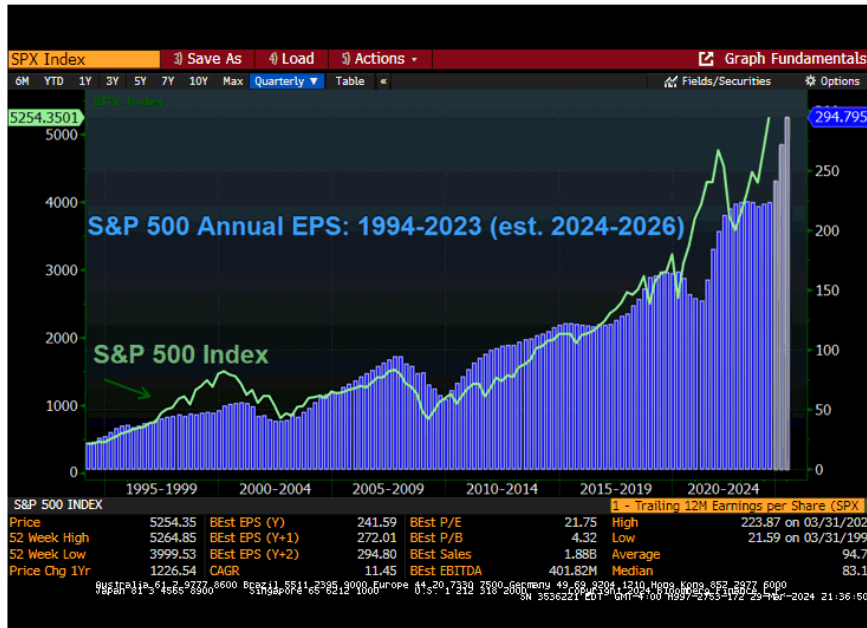


...and the most recent projection for Q1 real GDP Growth from the Atlanta Fed inched up to 2.3%,...





...which continues to bode well for the outlook for corporate profits.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
<b>ESTIMATES</b>		
12/31/2025	\$72.52	\$273.79
9/30/2025	\$71.10	\$265.82
6/30/2025	\$67.11	\$257.55
3/31/2025	\$63.06	\$249.11
12/31/2024	\$64.55	\$240.30
9/30/2024	\$62.83	\$229.65
6/30/2024	\$58.67	\$219.07
3/31/2024	\$54.25	\$215.24
12/31/2023	\$53.90	\$213.53
<b>ACTUAL</b>		
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

Source: Standard & Poor's. As of 3.28.24

So, even as we realize that Bullishness on Main Street increased and Bearishness decreased last week on the often-contrarian AAI Sentiment Survey,...



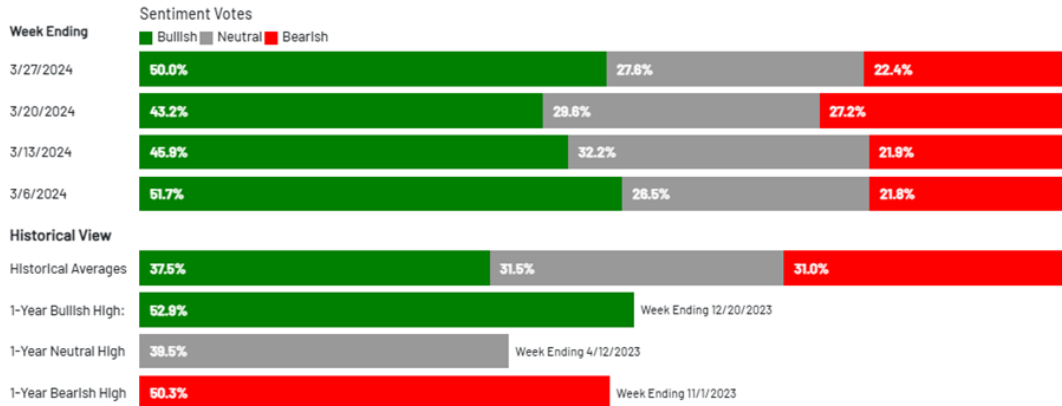
### The AAI Investor Sentiment Survey

The AAI 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 AAI Investor Sentiment Survey today!

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



...we see no reason to alter our enthusiasm for the long-term prospects of our broadly diversified portfolios of what we believe to be undervalued stocks,...



## CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	18.0	15.2	1.0	2.5	2.5
ValuePlus	17.2	15.1	1.2	2.4	2.2
Dividend Income	17.4	14.8	0.9	2.2	2.9
Focused Dividend Income	18.0	14.4	1.2	2.4	2.9
Focused ValuePlus	18.6	15.3	1.4	2.8	2.4
Small-Mid Dividend Value	13.2	12.0	0.5	1.6	2.9
Russell 3000	26.0	22.0	2.6	4.4	1.4
Russell 3000 Growth	35.7	29.0	4.5	11.6	0.7
Russell 3000 Value	19.7	17.1	1.7	2.5	2.1
Russell 1000	25.6	21.8	2.7	4.6	1.3
Russell 1000 Growth	34.7	28.6	4.7	12.5	0.7
Russell 1000 Value	19.5	16.9	1.8	2.6	2.1
S&P 500 Index	25.2	21.7	2.8	4.8	1.4
S&P 500 Growth Index	33.9	28.2	5.8	10.8	0.6
S&P 500 Value Index	19.2	17.1	1.7	2.9	2.2
S&P 500 Pure Value Index	11.8	10.5	0.5	1.3	2.6

As of 03.30.2024. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

...as we remain convinced that time in the market trumps market timing.



## AAll Bull-Bear Spread Deciles & Subsequent Equity Returns

AAll Bull-Bear Spread											
Decile	Low	High	Count	R3K	R3K	R3K	R3K	R3K	R3K	R3K	R3K
	Reading of the Range	Reading of the Range		Next 1-Week Arithmetic Average TR	Next 1-Week Geometric Average TR	Next 1-Month Arithmetic Average TR	Next 1-Month Geometric Average TR	Next 3-Month Arithmetic Average TR	Next 3-Month Geometric Average TR	Next 6-Month Arithmetic Average TR	Next 6-Month Geometric Average TR
Below & Above Median Bull Bear Spread = 7.23											
BELOW	-54.0	7.2	956	0.24%	0.20%	1.16%	1.02%	3.46%	3.07%	6.69%	5.93%
ABOVE	7.3	62.9	955	0.19%	0.17%	0.59%	0.51%	2.01%	1.76%	4.62%	4.15%
Ten Groupings of 1911 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	-8.9	191	0.25%	0.22%	1.03%	0.89%	3.81%	3.44%	6.34%	5.56%
3	-8.9	-2.6	191	0.34%	0.30%	0.97%	0.86%	3.44%	3.04%	7.71%	6.99%
4	-2.6	2.7	191	0.17%	0.13%	1.06%	0.96%	2.57%	2.19%	5.43%	4.89%
5	2.7	7.2	191	0.01%	-0.01%	0.62%	0.52%	2.72%	2.46%	5.04%	4.50%
6	7.2	11.9	191	0.11%	0.09%	0.47%	0.36%	1.89%	1.65%	4.83%	4.39%
7	11.9	16.1	191	0.27%	0.26%	0.79%	0.69%	2.49%	2.25%	5.24%	4.74%
8	16.1	21.9	191	0.16%	0.14%	0.89%	0.83%	2.29%	2.04%	5.77%	5.36%
9	22.0	29.0	193	0.18%	0.16%	0.46%	0.38%	1.74%	1.45%	4.65%	4.10%
10	29.0	62.9	190	0.24%	0.22%	0.31%	0.24%	1.59%	1.36%	2.57%	2.13%

From 07.31.87 through 3.28.24. 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*.

With no quarterly earnings reports and minimal company-specific news during the holiday-shortened trading week, we offer a look at the first quarter’s TPS stock advancers and decliners. Happily, as has been the case historically, our winners have won more than our losers have lost, and we suspect readers can guess which side of the ledger we might focus on if seeking just a handful of our recommendations to purchase today.



Market of Stocks: 2024 Advancers & Decliners																	
TPS Winners									TPS Losers								
Industry	Symbol	Company	3.28.24 Price	Target Price	2024 TR	2023 TR	52-Week High	52-Week Low	Industry	Symbol	Company	3.28.24 Price	Target Price	2024 TR	2023 TR	52-Week High	52-Week Low
Retail	DKS	Dick's Sporting	\$224.86	\$235.05	53.8%	25.9%	\$224.94	\$100.98	Savings&Loans	NYCB	NY Community	\$3.22	\$5.44	-68.2%	26.7%	\$14.22	\$1.70
Semiconductors	MU	Micron Tech	\$117.89	\$125.75	38.3%	71.9%	\$122.46	\$56.01	Home Furnishings	LEG	Leggett & Platt	\$19.15	\$27.69	-25.0%	-13.5%	\$33.50	\$17.81
Internet	META	Meta Platforms	\$485.58	\$533.74	37.3%	194.1%	\$523.57	\$202.82	Healthcare-Products	PHG	Koninklijke Philips	\$20.00	\$24.91	-14.3%	62.6%	\$24.27	\$16.94
Media	DIS	Walt Disney	\$122.36	\$135.67	35.5%	4.3%	\$123.74	\$78.73	Transportation	DHLGY	Deutsche Post	\$43.08	\$67.18	-13.1%	37.9%	\$51.83	\$37.93
Electrical Equipment	AYI	Acuity Brands	\$268.73	\$285.19	31.3%	24.1%	\$270.95	\$149.30	Mining	NEM	Newmont	\$35.84	\$48.26	-12.8%	-8.8%	\$52.76	\$29.42
Electrical Equipment	ETN	Eaton Corp PLC	\$312.68	\$336.06	30.2%	56.2%	\$317.02	\$155.38	Agriculture	ADM	Archer-Daniels	\$62.81	\$85.23	-12.2%	-20.4%	\$87.30	\$50.72
Apparel	TPR	Tapestry	\$47.48	\$62.98	29.9%	0.2%	\$48.80	\$25.99	Semiconductors	INTC	Intel	\$44.17	\$55.03	-11.8%	94.6%	\$51.28	\$26.86
Auto Manufacturers	GM	General Motors	\$45.35	\$59.30	26.6%	7.9%	\$45.54	\$26.30	Chemicals	APD	Alr Products	\$242.27	\$317.23	-10.9%	-9.0%	\$307.71	\$212.24
Telecommunications	JNPR	Juniper Networks	\$37.06	\$41.12	26.5%	-5.0%	\$38.04	\$24.87	Computers	AAPL	Apple	\$171.48	\$196.21	-10.8%	49.0%	\$199.62	\$159.78
Food	KR	Kroger Co	\$57.13	\$68.12	25.8%	5.0%	\$57.36	\$42.10	Computers	LITE	Lumentum	\$47.35	\$75.03	-9.7%	0.5%	\$65.16	\$35.35
Retail	TGT	Target	\$177.21	\$207.12	25.3%	-1.4%	\$177.40	\$102.93	Biotechnology	GILD	Gilead Sciences	\$73.25	\$93.92	-8.6%	-2.0%	\$87.87	\$71.37
Machinery-Constr	CAT	Caterpillar	\$366.43	\$375.99	24.5%	26.0%	\$367.22	\$204.04	REITS	REG	Regency Centers	\$60.56	\$80.92	-8.6%	11.8%	\$68.47	\$54.72
Insurance	ALL	Allstate	\$173.01	\$180.21	24.3%	6.3%	\$173.47	\$100.57	Chemicals	MOS	Mosaic	\$32.46	\$58.85	-8.5%	-16.4%	\$48.92	\$29.25
Semiconductors	LRCX	Lam Research	\$971.57	\$1,022.66	24.3%	88.6%	\$1,007.39	\$480.45	Chemicals	ALB	Albemarle	\$131.74	\$251.90	-8.5%	-32.8%	\$247.44	\$106.69
Banks	C	Citigroup	\$63.24	\$74.94	24.1%	18.9%	\$63.37	\$38.17	Retail	FL	Foot Locker	\$28.50	\$34.74	-8.5%	-12.9%	\$42.79	\$14.84
Auto Manufacturers	CMI	Cummins	\$294.65	\$325.53	23.8%	1.7%	\$297.11	\$203.18	REITS	AMT	American Tower	\$197.59	\$253.01	-8.5%	5.4%	\$219.10	\$154.58
Pharmaceuticals	MRK	Merck & Co	\$131.95	\$143.79	21.8%	1.0%	\$133.10	\$99.14	Banks	OZK	Bank OZK	\$45.46	\$60.41	-8.0%	29.1%	\$52.36	\$30.72
Auto Manufacturers	HMC	Honda Motor	\$37.23	\$38.18	20.4%	39.8%	\$37.90	\$25.75	Semiconductors	KLIC	Kulicke & Soffa	\$50.31	\$62.20	-7.7%	25.5%	\$60.20	\$40.20
Packaging&Container	WRK	Westrock	\$49.45	\$53.27	19.9%	22.2%	\$49.67	\$26.85	REITS	KIM	Kimco Realty	\$19.61	\$28.26	-6.8%	6.0%	\$22.84	\$16.27
Computers	NTAP	NetApp	\$104.97	\$121.92	19.8%	51.1%	\$112.48	\$60.92	Electrical Equipment	ENS	EnerSys	\$94.46	\$136.22	-6.2%	37.9%	\$113.34	\$79.61
Software	ORCL	Oracle	\$125.61	\$144.22	19.6%	30.9%	\$132.77	\$89.71	Semiconductors	COHU	Cohu	\$33.33	\$43.68	-5.8%	10.4%	\$43.99	\$29.07
Environmental Cont	WM	Waste Mgmt	\$213.15	\$219.09	19.4%	16.2%	\$214.54	\$149.71	Auto Parts	GT	Goodyear Tire	\$13.73	\$15.91	-4.1%	41.1%	\$16.51	\$10.12
Semiconductors	AVGO	Broadcom	\$1,325.41	\$1,525.86	19.2%	104.2%	\$1,438.17	\$601.29	REITS	DOC	Healthpeak Prop	\$18.75	\$24.92	-3.6%	-16.4%	\$22.38	\$15.24
Trucking&Leasing	GBX	Greenbrier Cos	\$52.10	\$60.13	18.7%	36.4%	\$53.36	\$25.41	Chemicals	NTR	Nutrien Ltd	\$54.31	\$85.09	-2.6%	-20.2%	\$75.29	\$47.90

As of 03.28.24. Source: Kovitz using data from Bloomberg

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