Market Commentary Monday, April 22, 2024

April 21, 2024

EXECUTIVE SUMMARY

Week in Review – Stocks Retreat Again but Value Crushes Growth

Valuations – Value Reasonably Priced

Sentiment – Bullishness Falls; Bearishness Rises

Headlines – Favorable Economic News; Growth Outlook Improves

Fed Speak – Seemingly Longer Before Rate Cuts

Earnings – Solid Growth Estimated in ’24 & ’25

History – Stocks Haven’t Minded Rising Inflation or Interest Rates, on Average

Stock News – Updates on JBL, MDC, GS, JNJ, BK, PNC, BAC, MS, OMC, CFG, ABT, OZK, ELV, CMA, SNA, MAN & FITB

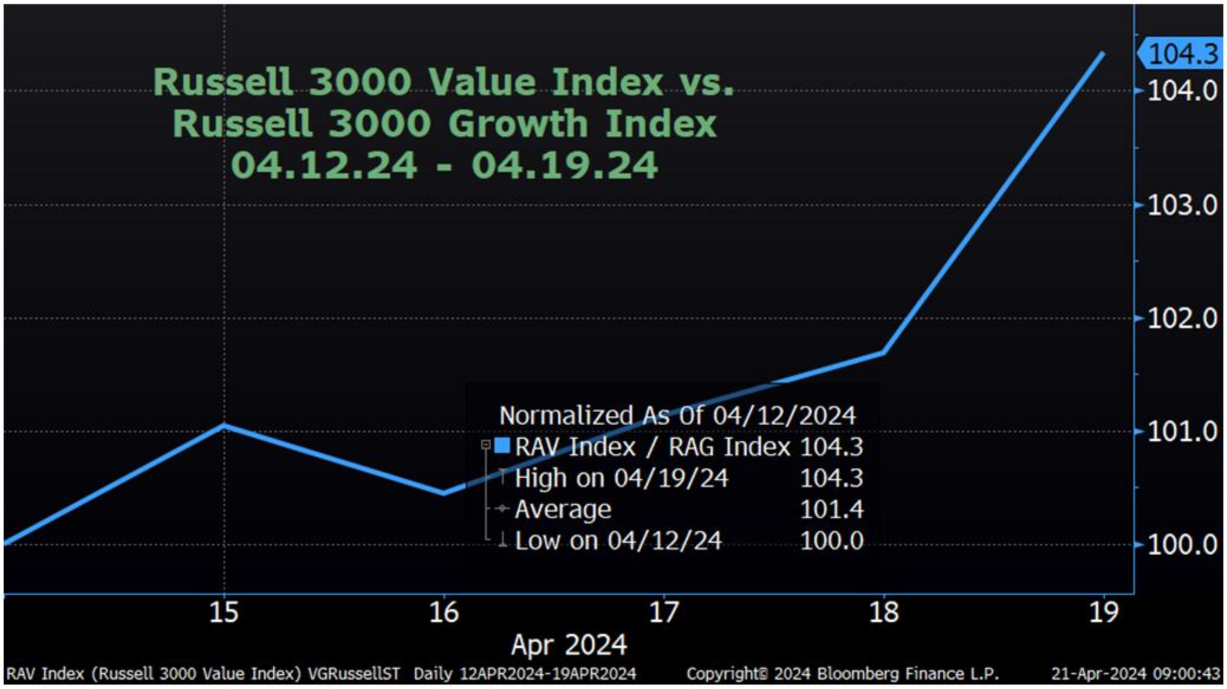
Market Review

It is difficult to find a lot of cheer in the equity markets over the last five days, given that the average stock in the Russell 3000 index posted a negative total return of 2.4%, pushing the average-stock-return calculation to negative 4.3% for the year.

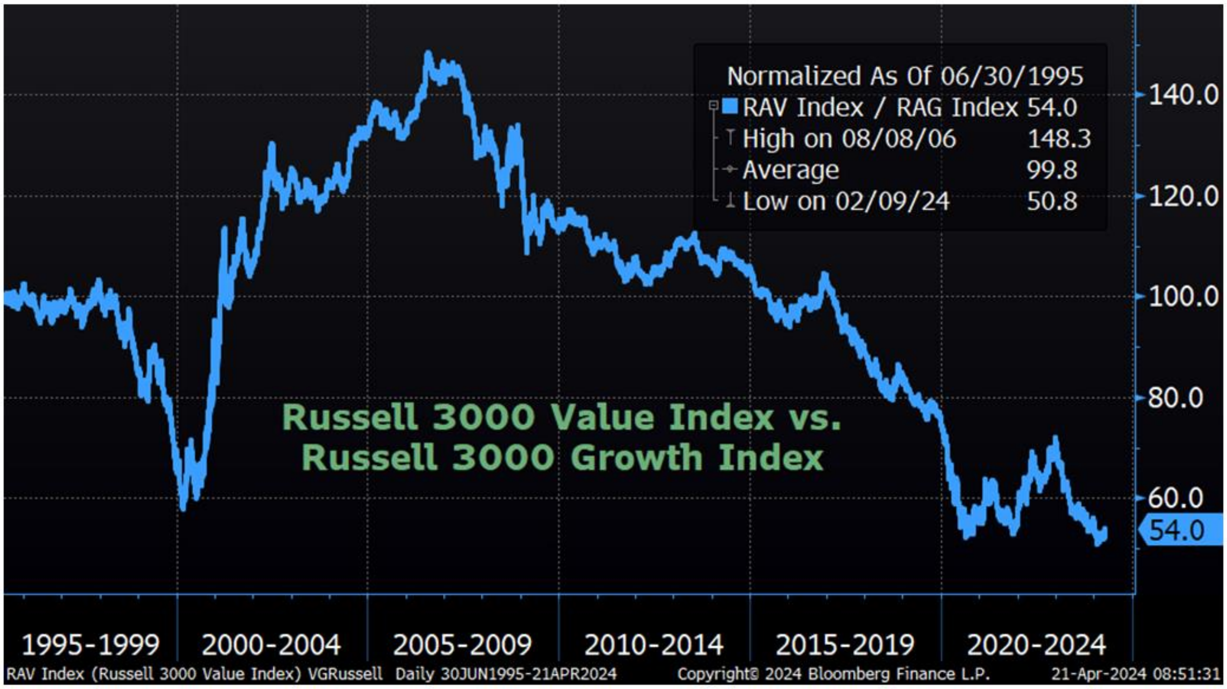
Market of Stocks 2024 - Russell 3000								
R3K Members	% of Market Cap	Average YTD Total Return	Median Price to Earnings	Median NTM P/E	Median Price to Sales	Median Price to Book Value	Average Dividend Yield	Number of Holdings
All 2943	100.0	**-4.3**	18.7	15.6	1.8	2.1	1.63	2943
Largest 10	28.0	**16.7**	26.9	23.0	6.5	8.5	0.50	10
Top 11-20	8.5	**1.3**	27.7	22.3	4.7	7.7	1.88	10
Top 21-30	5.4	**7.2**	24.8	22.8	4.0	7.9	1.92	10
Top 31-40	4.2	**3.8**	28.4	22.2	4.0	4.8	1.56	10
Top 41-50	3.4	**11.0**	22.4	18.2	3.8	6.6	2.19	10
Largest 50	49.6	**8.0**	25.9	21.8	4.8	7.4	1.61	50
Next 950	46.3	**2.6**	21.2	17.9	2.5	3.2	1.69	950
Bottom 1952	4.1	**-8.0**	15.6	13.6	1.5	1.6	1.61	1943
Market of Stocks - Russell 3000 Value								
All Value	100.0	**-3.8**	16.6	14.1	1.6	1.6	1.95	2259
Largest 10 Value	16.7	**12.2**	15.2	13.2	1.9	2.1	2.44	10
Market of Stocks - Russell 3000 Growth								
All Growth	100.0	**-4.1**	22.9	19.5	2.4	3.7	86.00	1504
Largest 10 Growth	50.6	**15.5**	33.6	24.7	11.1	10.7	0.50	10

From 12.31.23 - 4.19.24. Source: Kovitz using data from Bloomberg.

However, we were very happy with how the week ended for Value, especially given where the stock futures were residing on Thursday evening following reports of an Israeli “attack” or “retaliatory strike” (depending on the media outlet) on Iran. True, Value stocks were still in the red for the week, but Friday saw a massive performance advantage for the Russell 3000 Value index over the Russell 3000 Growth index, with the former topping the latter by more than 400 basis points for the full week.



Of course, there is a long way to go (which should excite buyers and owners of inexpensively priced stocks),...



...and there will be plenty of ups and downs before Value reasserts its historical propensity for outperformance,...

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%	74.3%	825	8	2.9	9/30/2022	3/28/2024
17.5%	53.8%	534	13	2.0	9/30/2022	3/28/2024
15.0%	48.4%	454	15	1.7	9/30/2022	3/28/2024
12.5%	46.3%	429	16	1.6	9/30/2022	3/28/2024
10.0%	29.5%	234	30	0.9	10/27/2023	3/28/2024
7.5%	21.3%	145	51	0.5	10/27/2023	3/28/2024
5.0%	13.6%	72	104	0.3	10/27/2023	3/28/2024

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.9	1/12/2022	9/30/2022
-17.5%	-26.1%	195	13	2.0	1/12/2022	9/30/2022
-15.0%	-24.2%	170	16	1.6	8/16/2022	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%	-10.0%	30	104	0.3	3/28/2024	4/17/2024

From 10.19.95 through 04.17.24. 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	13.8%	18.0%
Growth Stocks	11.0%	18.9%
Dividend Paying Stocks	12.4%	14.7%
Non-Dividend Paying Stocks	12.1%	22.4%
Long-Term Corporate Bonds	7.6%	10.3%
Long-Term Gov't Bonds	7.1%	11.3%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

From 03.31.1977 through 02.29.2024. Growth stocks = 50% Fama-French small growth and 50% Fama-French large grov 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

...but there is historical precedent for more days like Friday in which Value stocks gain ground, Growth stocks plunge and the major capitalization-weighted market averages are in the red.

Despite enduring significant volatility along the way, not to mention suffering through a miserable 2002, 2008 and 2011, Value strategies performed admirably, with the S&P 500 Pure Value index the easy winner, following the bursting of the Tech Bubble in March 2000.

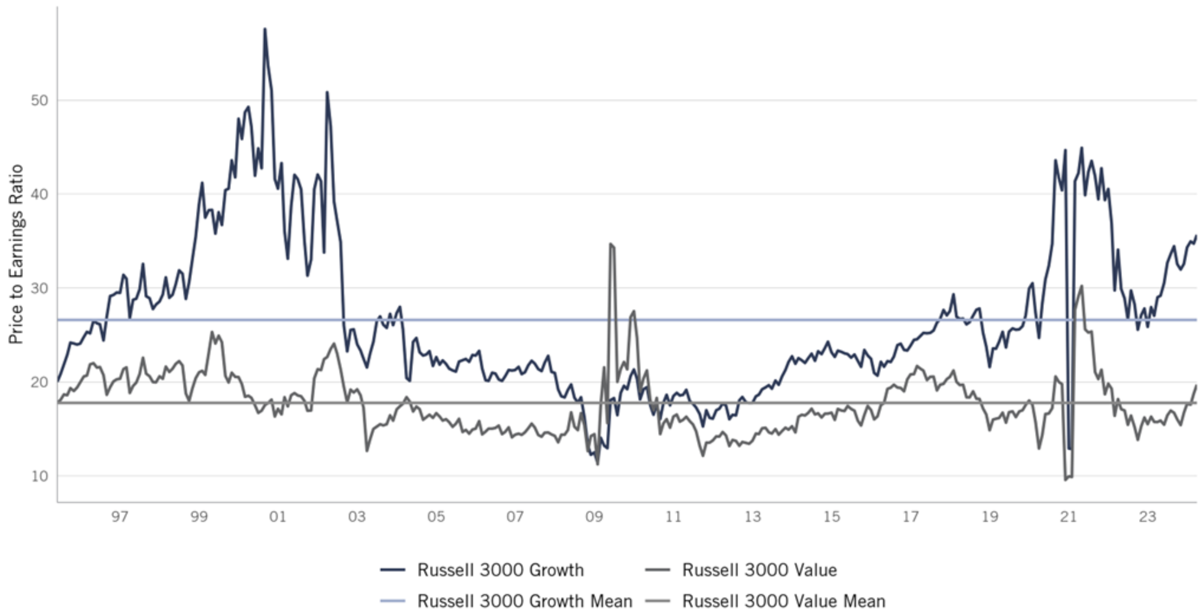
Total Returns Matrix Post March 31, 2000

Name	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Symbol
Dow Jones Industrial Average TR	-8.21	-22.70	6.14	30.81	25.09	132.79	224.39	DJITR Index
Russell 3000 Total Return Growth Index	-42.52	-58.70	-43.96	-31.70	-33.57	37.77	119.25	RU30GRTR Index
Russell 3000 Total Return Value Index	**1.48**	**-17.20**	**33.14**	**76.71**	**41.17**	**167.78**	**190.12**	**RU30VATR Index**
Russell 3000 Total Return Index	-22.26	-40.39	-11.79	12.17	-0.73	97.19	161.01	RU30INTR Index
S&P 500 Growth Total Return Index	-38.19	-50.50	-34.68	-23.23	-25.53	54.87	143.54	SPTRSGX Index
S&P 500 Value Total Return Index	**-1.07**	**-30.12**	**10.04**	**46.09**	**15.97**	**114.98**	**154.67**	**SPTRSVX Index**
S&P 500 Total Return Index	-21.68	-40.93	-14.84	6.40	-6.35	84.03	154.83	SPXT Index
S&P 500 Pure Growth Total Return Index	-31.60	-54.66	-26.15	-10.93	-8.12	119.03	177.90	SPTRXPG Index
S&P 500 Pure Value Total Return Index	**23.92**	**3.59**	**103.40**	**183.68**	**140.69**	**438.00**	**352.33**	**SPTRXPV Index**

Source Kovitz using data from Bloomberg. Forward returns starting 03.31.00

To be sure, today is nothing like the Tech Bubble in terms of ridiculous valuations for many stocks, and we own more than a few reasonably priced companies that reside in the Russell 3000 Growth index, but we note that Value stocks are much closer than Growth to their historical means on a P/E basis,...

Valuation Comparison: Price to Earnings



From 05.31.1995 through 03.29.2024. SOURCE: Kovitz using data from Bloomberg Finance L.P.

...and we sleep very well at night with the inexpensive price metrics and generous dividend yields on our broadly diversified portfolios of what we believe are 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	16.6	13.9	0.9	2.3	2.7
ValuePlus	16.4	14.3	1.1	2.3	2.4
Dividend Income	16.8	13.9	0.8	2.2	3.0
Focused Dividend Income	17.1	13.4	1.1	2.3	3.1
Focused ValuePlus	17.7	14.4	1.3	2.7	2.5
Small-Mid Dividend Value	11.6	10.9	0.5	1.4	3.1
Russell 3000	24.5	20.3	2.4	4.1	1.4
Russell 3000 Growth	33.4	27.2	4.2	10.8	0.7
Russell 3000 Value	18.7	15.7	1.6	2.4	2.2
Russell 1000	24.1	20.6	2.5	4.3	1.4
Russell 1000 Growth	32.6	26.8	4.4	11.7	0.7
Russell 1000 Value	18.5	16.1	1.7	2.5	2.2
S&P 500 Index	23.8	20.6	2.7	4.5	1.4
S&P 500 Growth Index	32.5	27.0	5.6	10.4	0.7
S&P 500 Value Index	18.2	16.2	1.6	2.7	2.3
S&P 500 Pure Value Index	11.0	9.9	0.5	1.2	2.7

As of 04.20.2024. 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.

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Aside from the modestly lower prices for many of our stocks today versus a week ago and a significant drop in Bullishness and rise in Bearishness from the American Association of Individual Investors (AAII),…

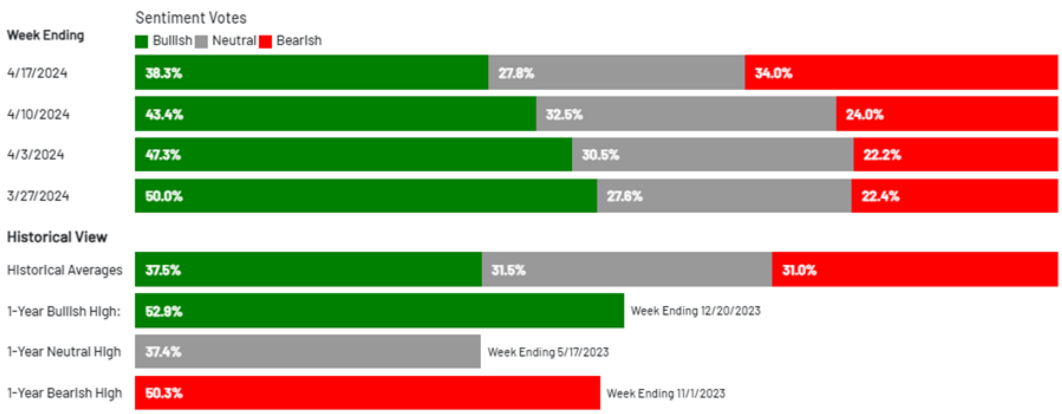
The AAII Investor Sentiment Survey

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?



...which generally is a contrarian positive,...

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 = 7.24										
BELOW	-54.0	7.2	957	0.24%	0.20%	1.16%	1.02%	3.46%	3.07%	6.72%	5.97%
ABOVE	7.3	62.9	957	0.19%	0.17%	0.60%	0.51%	2.02%	1.77%	4.61%	4.14%
	Ten Groupings of 1914 Data Points										
1	-54.0	-16.9	192	0.41%	0.35%	2.19%	1.96%	4.85%	4.33%	9.01%	7.86%
2	-16.9	-8.9	191	0.25%	0.21%	1.01%	0.87%	3.72%	3.35%	6.35%	5.57%
3	-8.7	-2.6	191	0.34%	0.31%	0.98%	0.87%	3.50%	3.10%	7.74%	7.02%
4	-2.5	2.7	192	0.15%	0.11%	1.06%	0.96%	2.57%	2.19%	5.52%	4.98%
5	2.8	7.2	191	0.03%	0.01%	0.56%	0.46%	2.66%	2.40%	4.98%	4.44%
6	7.3	11.9	191	0.10%	0.08%	0.48%	0.37%	1.86%	1.62%	4.82%	4.39%
7	12.0	16.1	192	0.28%	0.26%	0.80%	0.71%	2.59%	2.35%	5.33%	4.84%
8	16.1	22.0	191	0.16%	0.14%	0.92%	0.85%	2.31%	2.06%	5.73%	5.32%
9	22.0	29.0	193	0.15%	0.14%	0.47%	0.39%	1.77%	1.48%	4.61%	4.06%
10	29.0	62.9	190	0.24%	0.22%	0.32%	0.25%	1.59%	1.36%	2.57%	2.13%

From 07.31.87 through 4.18.24. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

...we might argue that we should be even more optimistic about the long-term prospects for equities. The Middle East seems to have escaped a major escalation cycle for the moment at least,...

Certainly, it is tough to watch the news these days, given the bloodshed on both sides of the Gaza/Israel border and the escalation of hostilities between Israel and Iran. Unfortunately, war in this part of the world has occurred before and will likely happen again. That is not meant to diminish the current or past humanitarian crises, but we continue to think that long-term-oriented investors should stick with stocks even with turmoil in the Middle East.

Arab-Israeli Conflicts	Date	S&P 500 Value	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
War of Independence	11/29/1947	14.98	11%	-1%	29%	71%	33059%
Suez Crisis	10/29/1956	46.40	-1%	-12%	24%	47%	10605%
Six-Day War	6/5/1967	88.43	8%	13%	-14%	23%	5517%
Yom Kippur War	10/6/1973	109.85	-15%	-43%	-6%	-6%	4422%
Lebanon War	6/5/1982	110.09	26%	49%	73%	167%	4412%
First Intifada	12/8/1997	982.37	14%	20%	39%	-7%	406%
Second Intifada	9/28/2000	1,458.29	-21%	-29%	-32%	-17%	241%
Second Lebanon War	7/12/2006	1,258.60	14%	23%	-30%	4%	295%
2008 Gaza War	12/27/2008	872.80	5%	29%	45%	111%	469%
Israel Gaza Strip Operation	11/14/2012	1,355.49	22%	32%	49%	90%	266%
2014 Gaza War	7/8/2014	1,963.71	5%	4%	23%	52%	153%
11-Day War	5/6/2021	4,201.62	12%	-2%			18%
Israel-Hamas War	10/7/2023	4,308.50	21%				15%
Price Changes Only - Does Not Include Dividends		**Averages:**	**8%**	**7%**	**18%**	**49%**	**4606%**

As of 4.19.24. Source: Kovitz using Bloomberg, New York Times, Wikipedia and https://www.britannica.com/event/Arab-Israeli-wars

...and the economic headlines globally and domestically last week were favorable,...

A2 | Monday, April 15, 2024 THE WALL STREET JOURNAL.

U.S. NEWS

THE OUTLOOK | By Sam Goldfarb and Anthony DeBarros

Economic Forecasters See Good Times Ahead

WORLD | U.K.

U.K. Inflation Eased in March as BOE Readies for Rate Cuts

Consumer prices were 3.2% higher in March than the same month a year earlier, cooling from the 3.4% annual rate of inflation recorded in February

By Ed Frankl Follow

April 17, 2024 2:46 am ET

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Tuesday, April 16, 2024 | A7

China GDP Growth Tops Expectations

By Jason Douglas

...with the International Monetary Fund (IMF) boosting its outlook for U.S. GDP Growth since its January World Economic Outlook by six-tenths of a percent this year and two-tenths of a percent for 2025.

WORLD ECONOMIC OUTLOOK—STEADY BUT SLOW: RESILIENCE AMID DIVERGENCE

Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

		Projections		Difference from January 2024 WEO *Update*[1]		Difference from October 2023 WEO[1]	
	2023	2024	2025	2024	2025	2024	2025
World Output	**3.2**	**3.2**	**3.2**	**0.1**	**0.0**	**0.3**	**0.0**
Advanced Economies	**1.6**	**1.7**	**1.8**	**0.2**	**0.0**	**0.3**	**0.0**
United States	2.5	2.7	1.9	0.6	0.2	1.2	0.1
Euro Area	0.4	0.8	1.5	–0.1	–0.2	–0.4	–0.3
Germany	–0.3	0.2	1.3	–0.3	–0.3	–0.7	–0.7
France	0.9	0.7	1.4	–0.3	–0.3	–0.6	–0.4
Italy	0.9	0.7	0.7	0.0	–0.4	0.0	–0.3
Spain	2.5	1.9	2.1	0.4	0.0	0.2	0.0
Japan	1.9	0.9	1.0	0.0	0.2	–0.1	0.4
United Kingdom	0.1	0.5	1.5	–0.1	–0.1	–0.1	–0.5
Canada	1.1	1.2	2.3	–0.2	0.0	–0.4	–0.1
Other Advanced Economies[2]	1.8	2.0	2.4	–0.1	–0.1	–0.2	0.1
Emerging Market and Developing Economies	**4.3**	**4.2**	**4.2**	**0.1**	**0.0**	**0.2**	**0.1**
Emerging and Developing Asia	5.6	5.2	4.9	0.0	0.1	0.4	0.0
China	5.2	4.6	4.1	0.0	0.0	0.4	0.0
India[3]	7.8	6.8	6.5	0.3	0.0	0.5	0.2
Emerging and Developing Europe	3.2	3.1	2.8	0.3	0.3	0.9	0.3
Russia	3.6	3.2	1.8	0.6	0.7	2.1	0.8
Latin America and the Caribbean	2.3	2.0	2.5	0.1	0.0	–0.3	0.1
Brazil	2.9	2.2	2.1	0.5	0.2	0.7	0.2
Mexico	3.2	2.4	1.4	–0.3	–0.1	0.3	–0.1
Middle East and Central Asia	2.0	2.8	4.2	–0.1	0.0	–0.6	0.3
Saudi Arabia	–0.8	2.6	6.0	–0.1	0.5	–1.4	1.8
Sub-Saharan Africa	3.4	3.8	4.0	0.0	–0.1	–0.2	–0.1
Nigeria	2.9	3.3	3.0	0.3	–0.1	0.2	–0.1
South Africa	0.6	0.9	1.2	–0.1	–0.1	–0.9	–0.4
Memorandum							
World Growth Based on Market Exchange Rates	2.7	2.7	2.7	0.1	0.0	0.3	0.0
European Union	0.6	1.1	1.8	–0.1	–0.1	–0.4	–0.3
ASEAN-5[4]	4.1	4.5	4.6	–0.2	0.2	0.0	0.1
Middle East and North Africa	1.9	2.7	4.2	–0.2	0.0	–0.7	0.3
Emerging Market and Middle-Income Economies[5]	4.4	4.1	4.1	0.0	0.0	0.2	0.1
Low-Income Developing Countries[5]	4.0	4.7	5.2	–0.2	–0.1	–0.3	–0.1
World Trade Volume (goods and services)	**0.3**	**3.0**	**3.3**	**–0.3**	**–0.3**	**–0.5**	**–0.4**
Imports							
Advanced Economies	–1.0	2.0	2.8	–0.7	–0.4	–1.0	–0.4
Emerging Market and Developing Economies	2.0	4.9	4.1	0.0	–0.3	0.5	–0.6
Exports							
Advanced Economies	0.9	2.5	2.9	–0.1	–0.3	–0.6	–0.4
Emerging Market and Developing Economies	–0.1	3.7	3.9	–0.4	–0.4	–0.5	–0.3
Commodity Prices (US dollars)							
Oil[6]	–16.4	–2.5	–6.3	–0.2	–1.5	–1.8	–1.4
Nonfuel (average based on world commodity import weights)	–5.7	0.1	–0.4	1.0	0.0	2.8	–0.3
World Consumer Prices[7]	**6.8**	**5.9**	**4.5**	**0.1**	**0.1**	**0.1**	**–0.1**
Advanced Economies[8]	4.6	2.6	2.0	0.0	0.0	–0.4	–0.2
Emerging Market and Developing Economies[7]	8.3	8.3	6.2	0.2	0.2	0.5	0.0

Source: IMF staff estimates.

Global Economy Remains Resilient despite Uneven Growth; Challenges Lie Ahead

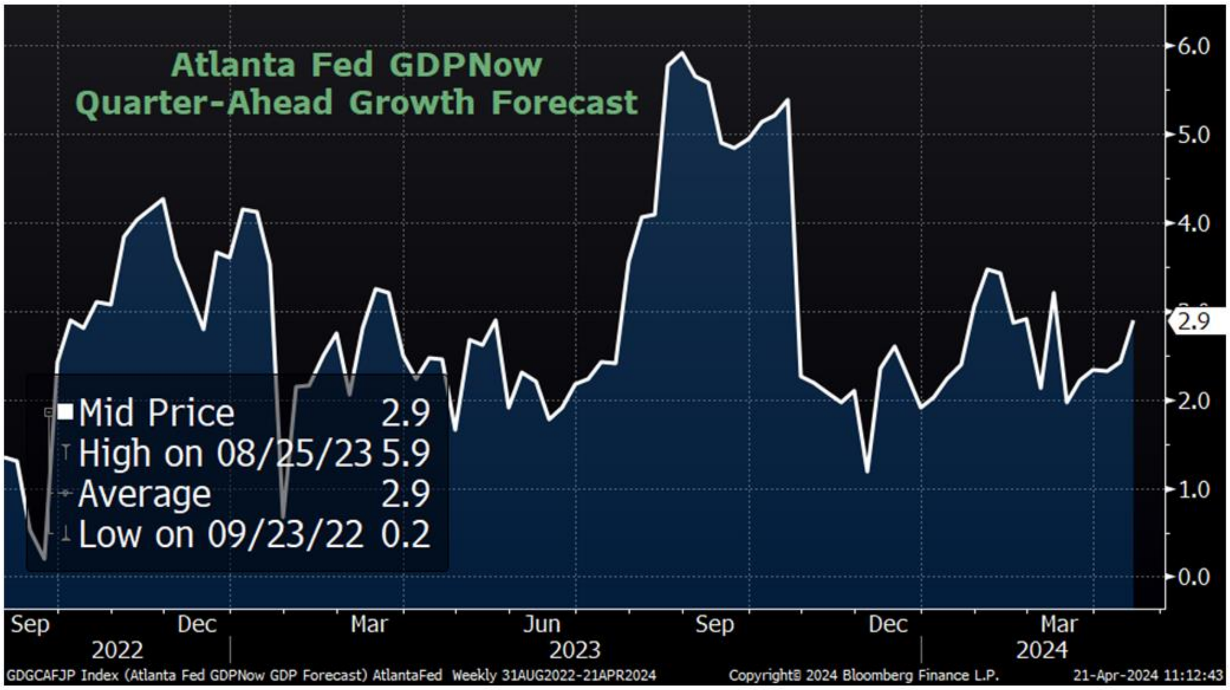
The global economy remains remarkably resilient, with growth holding steady as inflation returns to target. The journey has been eventful, starting with supply-chain disruptions in the aftermath of the pandemic, a Russian-initiated war on Ukraine that triggered a global energy and food crisis, and a considerable surge in inflation, followed by a globally synchronized monetary policy tightening.

Yet, despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not suffer sudden stops. Moreover, the inflation surge—despite its severity and the associated cost-of living crisis—did not trigger uncontrolled wage-price spirals (see October 2022 World Economic Outlook). Instead, almost as quickly as global inflation went up, it has been coming down.

On a year-over-year basis, global growth bottomed out at the end of 2022, at 2.3 percent, shortly after median headline inflation peaked at 9.4 percent. According to our latest projections, growth for 2024 and 2025 will hold steady around 3.2 percent, with median headline inflation declining from 2.8 percent at the end of 2024 to 2.4 percent at the end of 2025. Most indicators point to a soft landing.

Yes, the IMF was quick to add, “The forecast for global growth five years from now—at 3.1 percent—is at its lowest in decades,” but the group also stated, “Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.”

And here at home, the latest estimate for Q1 real (inflation-adjusted) U.S. GDP growth from the Atlanta Fed rose to 2.9% last week, up from 2.4% the week prior,...



...while the odds of recession in the next 12 months declined to 30% as compared to 35% a week ago, per calculations from data provider *Bloomberg*.

We realize that some traders view good economic news as bad news, given that it might mean that Federal Reserve Chair Jerome H. Powell and his colleagues will be less likely to cut interest rates in the near term, with *The Associated Press* reporting last week,

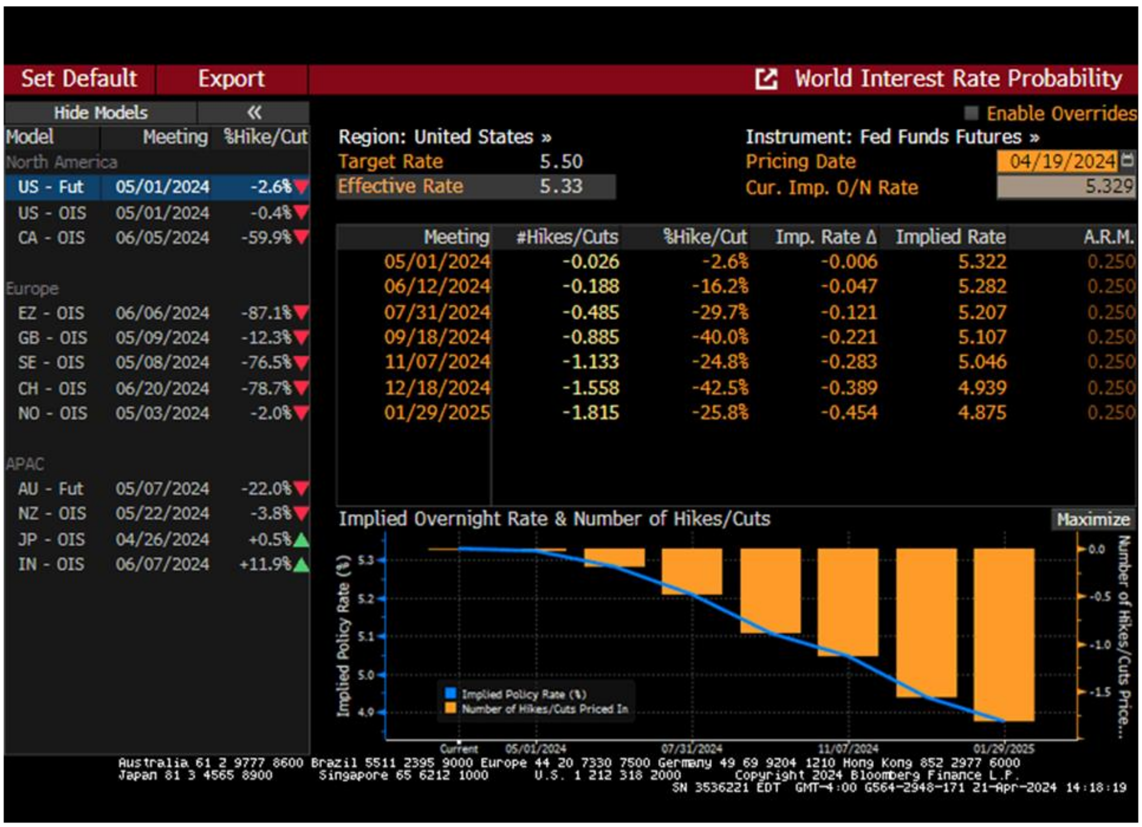
Mr. Powell said at an event on Tuesday that the central bank has been waiting to cut its main interest rate, which is at the highest level since 2001, because it first needs more confidence that inflation is heading sustainably down to its 2 percent target.

The recent data have clearly not given us great confidence and instead indicate that it's likely to take longer than expected to achieve that confidence," he said, referring to a string of reports this year that showed inflation remaining hotter than forecast.

He suggested that if higher inflation does persist, the Fed will hold rates steady "for as long as needed." But he also acknowledged that the Fed could cut rates if the job market unexpectedly weakens.

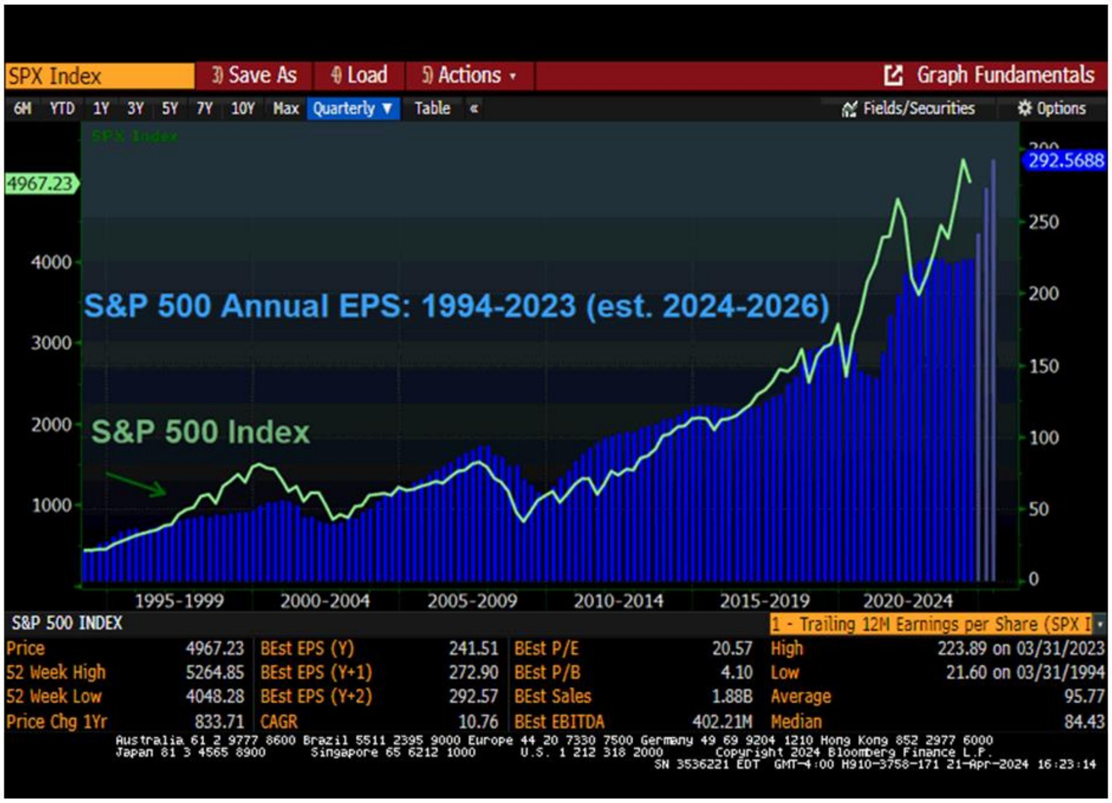
True, Mr. Powell concluded, "Right now, given the strength of the labor market and progress on inflation so far, it's appropriate to allow restrictive policy further time to work and let the data and evolving outlook guide us," which compelled bettors in the futures market to raise their wagers last week for the year-end Fed Funds rate to 4.94%, up from 4.86% seven days earlier,…

THE PRUDENT SPECULATOR

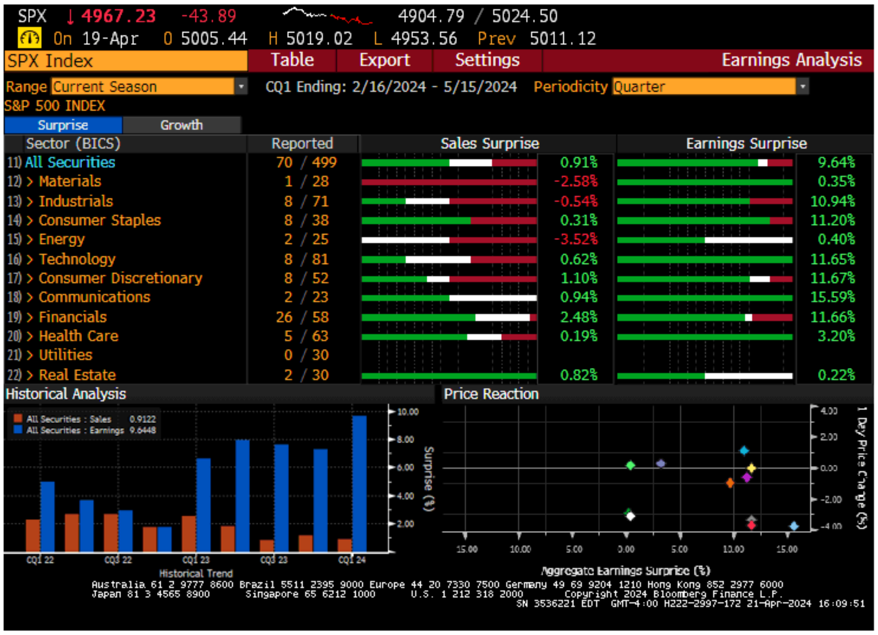


…and pushed the yield on the benchmark U.S. government bond up to 4.62% from 4.52%,…

...but we prefer a solid economic backdrop rather than one in need of Fed support. After all, stock prices historically have followed earnings,...



...and we are investing in businesses that we expect to grow their bottom lines over time,...

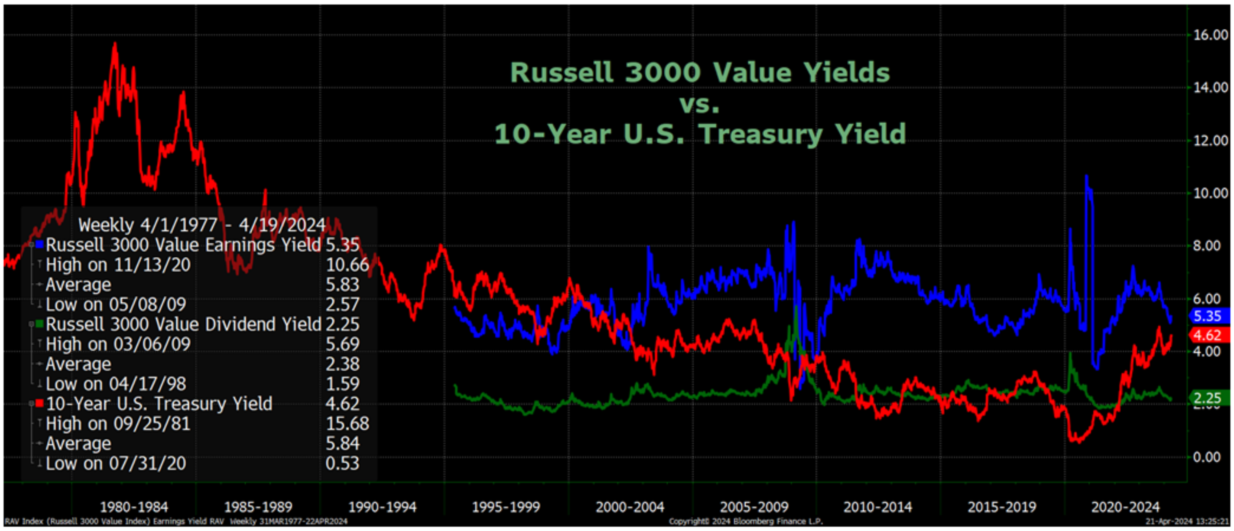


S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2025	$72.58	$273.65
9/30/2025	$71.07	$265.86
6/30/2025	$67.05	$257.79
3/31/2025	$62.95	$249.60
12/31/2024	$64.79	$239.83
9/30/2024	$63.00	$228.94
6/30/2024	$58.86	$218.19
3/31/2024	$53.18	$214.17
ACTUAL		
12/31/2023	$53.90	$213.53
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 4.17.24

...so even if the reasonable P/E ratio (or in the chart below, the Earnings to Price ratio) today for the kind of stocks we have long advocated does not rise (decline), the growth in profits over time mathematically would have to lead to higher stock prices.

While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (4.21%) is still reasonable relative to the current (and well below average) 4.62% 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 (5.35%) AND dividend yield (2.25%) near the historical norms for those measures dating back to 1995.



Further, we offer the reminder that stocks have, on average, performed fine whether the Fed Funds rate is rising or falling, or whether it is high or low, with Value Stocks winning all the returns races,...

Concurrent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.19%	417	13.5%	10.6%	10.8%	10.8%
More than 4.19%	417	14.7%	9.7%	12.3%	9.2%
3-Month Drop	384	17.9%	12.3%	14.3%	10.9%
3-Month Rise	446	11.0%	8.2%	9.2%	9.1%
6-Month Drop	366	16.2%	12.5%	14.0%	10.7%
6-Month Rise	458	12.1%	8.0%	9.4%	8.9%
12-Month Drop	371	14.4%	11.7%	12.8%	9.6%
12-Month Rise	441	13.3%	8.4%	10.1%	9.4%

From 07.31.1954 through 02.29.2024. 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 4.19%	418	12.4%	10.5%	10.8%	10.3%
More than 4.19%	418	15.2%	9.3%	11.8%	8.6%
3-Month Drop	383	13.8%	10.3%	11.1%	10.2%
3-Month Rise	438	13.5%	9.3%	11.2%	8.7%
6-Month Drop	366	15.4%	11.8%	12.2%	12.0%
6-Month Rise	452	12.1%	8.1%	10.3%	7.2%
12-Month Drop	371	16.9%	11.8%	12.3%	11.9%
12-Month Rise	441	10.8%	7.9%	10.0%	7.1%

From 07.31.1954 through 02.29.2024. 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.

...with the same also true whether the yield on the 10-Year U.S. Treasury is moving up or down, or whether that yield is above or below the historical median.

Concurrent Stock Performance & Change in 10-Year Treasury Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 3.91%	580	10.7%	9.9%	9.6%	9.2%
More than 3.91%	579	15.5%	9.4%	11.8%	9.0%
3-Month Drop	574	13.9%	12.0%	13.9%	11.5%
3-Month Rise	581	12.3%	7.2%	7.5%	6.7%
6-Month Drop	561	13.5%	10.9%	12.8%	10.7%
6-Month Rise	588	12.6%	8.1%	8.5%	7.3%
12-Month Drop	561	11.5%	9.8%	11.2%	7.7%
12-Month Rise	576	14.4%	9.0%	9.8%	9.9%

From 06.30.1927 through 02.29.2024. 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

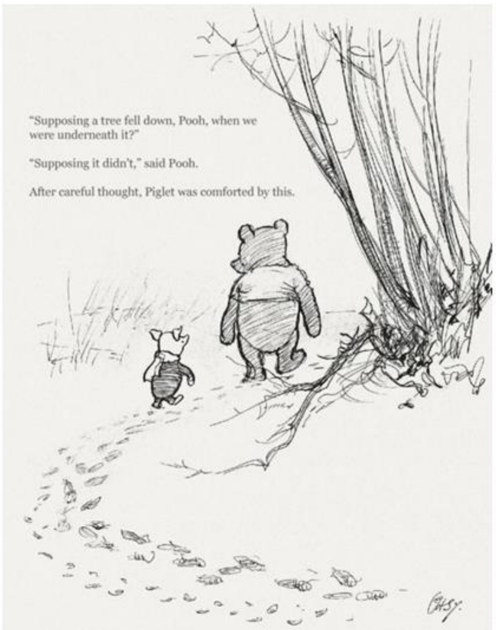
	Count	Value	Growth	Payers	Non-Payers
Less than 3.91%	581	11.7%	10.4%	10.5%	9.7%
More than 3.91%	580	14.3%	8.3%	10.5%	7.9%
3-Month Drop	572	16.7%	13.7%	13.7%	13.5%
3-Month Rise	574	9.4%	5.1%	7.3%	4.3%
6-Month Drop	559	15.1%	12.5%	12.5%	11.4%
6-Month Rise	584	10.9%	6.2%	8.4%	6.1%
12-Month Drop	561	12.8%	10.9%	10.8%	9.9%
12-Month Rise	576	12.8%	7.4%	9.8%	7.2%

From 06.30.1927 through 02.29.2024. 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.

Nothing above is meant to suggest that the recent downturn will quickly reverse and we are always braced for additional downside volatility, but we continue to believe that the secret to success in stocks is not to get scared out of them as equities have overcome every previous disconcerting event and bout with adversity.

There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	57126%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	33015%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	29662%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	11557%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	10798%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	12643%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	9186%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	7036%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	5225%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	6484%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	5290%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	6997%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	4621%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4957%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4058%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2968%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1930%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2109%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1471%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1219%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1106%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1020%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	987%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	883%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	466%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	418%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	304%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	270%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	414%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	442%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	355%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	315%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	634%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**6847%**

As of 4.19.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

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 more than a few of our recommendations.

Jabil (JBL – $118.75) alarmed traders on Friday when the manufacturing services concern said in a regulatory filing, "On April 15, 2024, Mr. Kenneth S. Wilson, Chief Executive Officer and Director of Jabil Inc. (the "Company"), was placed on a paid leave pending completion of an investigation related to corporate policies. The conduct that prompted this review does not relate to, and does not impact, the Company's financial statements or financial reporting. Effective as of April 19, 2024, the Company's Board of Directors appointed Mr. Michael Dastoor, Chief Financial Officer, to serve as the Company's interim Chief Executive Officer."

Mr. Wilson joined as CEO in May 2023 as an internal candidate that previously ran JBL's Green Point business, so this news is disconcerting, even as it was light on detail of what the transgression(s) might be. Shares fell more than 8% on the news in an otherwise dismal day for most anything tech-related, and we have pared our Target Price slightly to $158, but we continue to think the forward P/E of 13 makes the shares well worth holding onto, especially as we captured some of our sizable profits on our JBL positions last summer.

Shares of **MDC Holdings** (MDC) are no longer trading now that the acquisition by Sekisui House is complete. Shareholders can expect to receive $63.00 per share in their accounts in the next few days. We thought another bid or two might come out of the woodwork, but we can't complain too much about the price tag, given that the stock was trading in the high-$30 range just six months ago. We will be sad to see high-yielding MDC go after our nearly two-decade-long ownership that began when it was first recommended in April 2005, but it is nice to have more dry powder to put to work in our portfolios.

Goldman Sachs (GS – $404.00) EPS in Q1 beat analyst projections by a whopping 31% ($11.58 vs. $8.81 est.) on $14.2 billion of net revenue, translating to a return on equity (ROE) of 14.8% and a return on tangible equity (ROTE) of 15.9%.

Global Banking and Markets generated revenue of $9.7 billion, achieving an impressive 18% ROE on a fully allocated basis. Advisory revenue increased to $1 billion due to higher completed transactions, maintaining the company's leading position in both announced and completed M&A. Equity and debt underwriting revenue experienced significant year-over-year growth, reflecting increased industry volumes. FICC net revenue reached $4.3 billion, supported by a strong global franchise serving clients amid a dynamic operating environment, particularly in mortgages, credit and currencies. Equities net revenue stood at $3.3 billion, with intermediation revenue rising 14% year-over-year, driven by better performance in derivatives. In Asset and Wealth Management, revenue surged 18% year-over-year to $3.8 billion, with record management and other fees reaching $2.5 billion. Private banking and lending revenue substantially increased, while equity and debt investments revenue totaled $567 million.

Firmwide net interest income was $1.6 billion, up sequentially, notwithstanding a $318 million provision for credit losses, reflecting net charge-offs in the credit card portfolio.

CEO David Solomon commented, “As laid out in January, we have three strategic objectives: to harness One Goldman Sachs to serve our clients with excellence; to run world-class differentiated and durable businesses; and to invest to operate at-scale. Across the firm, we are effectively serving clients in what remains a complex operating environment. Looking back on the last year or so, one of the most common questions clients and investors have asked is around the timing of a broader reopening of the Capital Markets. I’ve said before that the historically depressed levels of activity wouldn’t last forever. CEOs need to make strategic decisions for their firms, companies of all sizes need to raise capital, and financial sponsors need to transact to generate returns for their investors. Where we stand today, it’s clear that we’re in the early stages of a reopening of the Capital Markets, with the first few months of 2024 seen a reinvigoration in new issue market access.”

We continue to believe that Goldman is one of the best financial franchises in the world, and one of the strongest risk managers. There is no denying that Mr. Solomon & Co. have made some missteps, but we know that not all endeavors will work or prove as profitable as projected. However, the refocus on investment banking, trading and investment-management businesses would seem to be the right choice in the current environment, and, like management, we continue to see better days ahead for mighty Goldman.

Goldman remains tremendously profitable and shares are attractively valued, trading for about 11 times NTM adjusted EPS estimates. The dividend yield is 2.7% and our Target Price for GS has been boosted to $450.

Johnson & Johnson (JNJ – $147.91) reported its Q1 results, initially sending shares down sharply before the stock rebounded to close the week slightly higher. The health care titan turned in adjusted EPS of $2.71 per share, 2% ahead of the consensus analyst estimate. Additionally, revenue for the three-month period came in at $21.4 billion, matching the average forecast. Total sales increased close to 7.6% worldwide, excluding COVID-19 sales.

VP of Investor Relations Jessica Moore said, “We continue to invest strategically in Research and Development at competitive levels, investing $3.5 billion or 16.6% of sales this quarter. We invested $2.9 billion or 21.4% of sales in Innovative Medicine with the increase in investment being driven by continued pipeline progression... Interest income was $209 million in the first quarter of 2024 as compared to $14 million of expense in the first quarter of 2023. The increase in income was driven by a lower average debt balance and higher interest rates earned on cash balances. Other income and expense was income of $322 million in the first quarter of 2024 compared to an expense of $6.9 billion in the first quarter of 2023. This change was primarily due to the $6.9 billion charge related to the Talc settlement proposal recorded in the first quarter of 2023.”

CFO Joe Wolk added, “We remain committed to returning capital directly to shareholders through our dividend. We appreciate the value our investors place on the dividend, and we were pleased to announce this morning that our Board of Directors has authorized a 4.2% increase, marking our 62nd consecutive year of dividend increases. As we stated previously, we are disciplined in our approach to inorganic growth and prioritize acquisitions that strategically fit and present meaningful long-term growth opportunities. This is evidenced by the pending transaction in which we are adding a profitable commercialized portfolio of Shockwave Technologies in high-growth markets as well as a robust pipeline.”

Management said it sees full-year 2024 revenue (excluding the Shockwave acquisition) growing 5.5% to 6.0%, coming in between $88.7 billion and $89.1 billion. Additionally, the company forecasts adjusted EPS for 2024 in the range of $10.60 and $10.75. Mr. Wolk noted, “Looking ahead, we have many important catalysts in the pipeline that will drive meaningful near and long-term growth across both Innovative Medicine and MedTech. We look forward to advancing our pipelines in both segments that deliver innovative treatments, solving some of the most complex health challenges.”

Management explained that JNJ is moving towards what it calls a “responsible, final and comprehensive” resolution to the talc-related litigation, which may result in elevated near-term expenses, but should help the company move forward in the near future and answer some of the unknowns that presently hang over the share price. JNJ maintains its 5% to 7% growth target through 2030 and we think that the pipeline is gaining momentum.

Additionally, we note that the forward earnings multiple of 14 is still well below that of the overall market and the high-quality company offers a generous dividend yield of 3.4%. Our Target Price for low-beta JNJ is now $209.

Global custodian and asset servicer **Bank of New York** (BK – $54.85) grew its adjusted earnings per share by 14% year-over-year to $1.29, beating the consensus Street estimate of $1.19. Revenue grew 3% year-over-year to $4.5 billion, primarily driven by an 8% increase in investment services fees, offset by a 14% decline for foreign exchange revenue due to reduced market volatility and lower net interest income, which declined 8% versus a year ago, primarily due to changes in the composition of deposits. Firm-wide assets under custody and administration rose 5% year-over-year to $48.8 trillion, while assets under management increased by 6% to $2 trillion, both driven by higher market values.

BK's CET1 ratio at the end of the quarter stood at 10.8%, reflecting a temporary increase in risk-weighted assets due to discrete overdrafts in the Custody and Securities Clearing businesses and strong demand for the agency securities lending program. Despite these adjustments, the company returned $1.3 billion of capital to shareholders over the quarter, representing a total payout ratio of 138%.

CEO Robin Vince commented, "BNY Mellon is off to an encouraging start for the year, with a solid financial performance, and all our businesses building on their momentum from last year. In the first quarter, we delivered double-digit EPS growth as well as pre-tax margin and ROTCE expansion on the back of positive operating leverage. Total revenue of $4.5 billion was up 3% year-over-year, as 8% growth in investment services fees led by strength in Asset Servicing, Issuer Services and Clearance and Collateral Management more than offset revenue headwinds from muted volatility in foreign exchange markets and lower net interest income. We are starting to see our growth initiatives deliver results. Running our company better, inclusive of our focus on platforms, is enabling us to improve profitability and invest in our future. Our performance this quarter provides a glimpse of BNY Mellon's potential to deliver more for our clients. While we are pleased to see early signs of progress, we remain focused on the significant work ahead of us."

We think Bank of New York performs an essential service critical to the function of financial market participants across the globe but is subject to multiple macroeconomic factors and the whims of markets often beyond its control. This role somewhat necessitates that the bank maintains a conservative posture relative to other of our financial holdings, although we do appreciate efforts to move into new product areas and enhance its technological offering.

We find BK's multiple of expected earnings of about 10 inexpensive, particularly as returns on tangible equity are near 20%. We also appreciate that management continues to return capital to shareholders and has made efforts to keep costs from rising. The dividend yield is 3.0% and our Target Price is $71.

PNC Financial (PNC – $152.30) posted EPS of $3.36 in Q1, excluding an FDIC special assessment, better than the $3.01 consensus target and 6% higher sequentially vs. Q4. The result was mostly a product of expense improvement as net interest income & margin, fee revenue (particularly within capital markets) and loans trended lower.

CEO Bill Demchak said, "PNC delivered solid first quarter results generating net income of $1.3 billion which included an additional $130 million pre-tax FDIC special assessment. During the quarter, we grew customers, reduced expenses, increased spot deposits, maintained stable credit quality and continued to build upon our strong liquidity and capital positions. The strength of our balance sheet, diverse business mix, and the quality of our people, position us well for continued growth across our franchise as the year progresses."

Non-performing loans increased 9% sequentially, almost entirely driven by commercial real estate, 75% of which was related to the CRE office portfolio. Still, we like that PNC's allowance for loan losses excluding investment securities resides at 1.7% of total loans.

Looking ahead, PNC said it anticipates economic expansion in the second half of the year, resulting in real GDP growth of approximately 2% in 2024, and unemployment to increase modestly to 4% by year-end. Management expects the Fed to cut rates 2 times in 2024, with a 25-basis-point decrease in July and another in November.

We continue to expect PNC to benefit from its leading technology, its robust deposit franchise, healthy capital levels and prudent expense management.

Shares rallied nicely from Halloween into year-end 2023 but are little changed year-to-date. The current dividend yield is still a robust 4.1% and our Target Price for high-quality PNC now resides at $201.

Bank of America (BAC – $36.97) earnings per share of $0.83 in Q1 came in higher than projected by analysts and vs. Q4, buoyed by strong fee generation across wealth management, investment banking and equities trading.

Total assets increased, particularly in global markets to accommodate heightened client activity. Noteworthy shifts in the balance sheet include significant growth in deposits, a decline in cash levels, and an increase in debt securities, primarily hedged U.S. treasuries. Liquidity remains robust, with ample global liquidity sources exceeding pre-pandemic levels. Regulatory capital remains strong, surpassing requirements, indicating stability and capacity for balance sheet growth. Despite modest loan growth, deposits outpaced loans for the third consecutive quarter.

Consumer Banking experienced solid organic growth, particularly in investments and credit card activities, while Wealth Management drove record revenue and net income, thanks to organic client activity and market favorability in the quarter. Global Banking earnings declined, attributed to lower net interest income and higher provision expenses, partially offset by improved Investment Banking fees.

CEO Brian Moynihan explained, “We reported a strong quarter as our businesses performed well, adding clients and deepening relationships. We reached 36.9 million consumer checking accounts, with 21 consecutive quarters of net checking account growth, Our Wealth Management team generated record revenue, with record client balances, and investment banking rebounded. Bank of America’s sales and trading businesses continued their strong 2023 momentum this quarter, reporting the best first quarter in over a decade. Continued strong earnings and strong expense management both position our company to continue to drive our market leading positions across our businesses.”

BAC continues to be a core financial holding for us as we see it as one of the best positioned large banks given its consumer deposits, cost management, credit quality and reputation for returning capital to shareholders. We also continue to like the multiple levers available to generate fee revenue that complement Bank of America's prominent consumer franchise, including its Thundering Herd of Merrill Lynch financial advisors. Shares are still attractively valued, despite the 30% run-up since the end of October, changing hands at 11.4 times NTM adjusted EPS expectations. The dividend yield sits at 2.6% and our Target Price is presently $46.

Shares of advisory-centric **Morgan Stanley** (MS – $90.66) slipped over 6% on April 12 after *The Wall Street Journal* reported that the firm's Wealth Management division was subject to a probe by multiple regulators, including the U.S. Securities and Exchange Commission, the Office of the Comptroller of the Currency (OCC) and other Treasury Department offices. The investigation evidently is to determine whether the bank has sufficiently investigated the identities of prospective clients, the sources of their wealth, and how it monitors their financial activity.

However, the stock gained most of the dip back following the release of Q1 financial results that revealed a topping of the Street's consensus EPS target by over 20%.

CEO Ted Pick said, "In the first quarter of 2024 Morgan Stanley generated net revenues of $15 billion and earnings of $2.02 per share for a 20% return on tangible equity. As a result of strong net new asset growth, the Firm has reached $7 trillion of client assets across Wealth and Investment Management. Institutional Securities also saw strength across the markets and underwriting businesses. The Morgan Stanley Integrated Firm model is delivering durable results."

Regarding the Wealth Management unit and the probe in particular, Mr. Pick added, "First, this quarter's Wealth Management results speak for themselves with record revenues and strong metrics across the board, including strong margins and very strong net new assets. We are really pleased with this terrific performance and we are going to keep on going. Second, this is not a new matter. We've been focused on our client onboarding and monitoring processes for a good while. We have ongoing communications with our regulators as all the large banks do. As James said in January, we want to ensure we continue to be world class in every aspect of this growing business. And third, to be clear, this is about processes. We have been spending time, effort and money for multiple years and it is ongoing. We've been on it and the costs associated with this are largely in the expense run rate."

We anticipate a sustained recovery in capital market activity from here and think the relatively recent acquisitions of Eaton Vance and E*Trade further diversify the company, boost its scale, improve its tech, and offer a deeper product and service base to clients and self-directed investors. Any fines that might come of regulatory scrutiny should not be material to the bank's long-term earnings generation. Therefore, we find the current multiple of earnings projected for the next few years to be inexpensive (11 times the 2026 est.), especially when considering the dividend yield of 3.8%. Our Target Price for MS is now $111.

Advertising, marketing and corporate communications services firm **Omnicom Group** (OMC – $92.62) earned $1.67 per share in Q1 (vs. $1.55 est.) and had revenue of $3.63 billion (vs. $3.61 billion est.; +5.4% year-over-year). Shares gained 2% last week on the beat, garnering an upgrade and short-term target price hike from $91 to $106 at Wells Fargo Securities, which noted that the company is "on a trend of stable-to-improving" organic growth. OMC has gained 7% this year.

CEO John Wren commented, "Our cash flow and balance sheet remained very strong and support our primary uses of cash flow, dividends, acquisitions and share repurchases. The Flywheel acquisition is off to a great start. Flywheel's Commerce Cloud is fully integrated into Omni. Omni audience and behavioral data, combined with Flywheel's digital marketplace point-of-purchase transaction data provide us with the most comprehensive dataset in the industry. Across several significant Omnicom clients, Flywheel teams are now fully engaged to deliver the enhanced value of our combined capabilities and insights to them."

Mr. Wren concluded, "Although risks and uncertainty continue to exist in the global economic and geopolitical environment, we remain optimistic about our position in the industry, our strategies and our financial performance. I remain confident that our management teams are well prepared to drive operational excellence, even as they monitor and adapt to the changes in the macro environment."

CFO Phil Angelastro said, "During the quarter, advertising and media growth was very strong at 7%, driven by excellent performance at our global media businesses. Precision marketing, which now includes Flywheel, grew 4.3%. We expect this to continue to be one of our fastest-growing disciplines in the future."

OMC spent $178 million on share repurchases in Q1 and added a net $600 million of debt to fund its Flywheel purchase. The €600 million ($643 million) of debt specifically for the purchase carries a 3.7% coupon and matures in 2032. Overall, OMC's balance sheet has plenty of flexibility, with $6.3 billion of debt and $3.2 billion of cash on hand. Analysts expect earnings per share in excess of $9.00 in 2026, compared with adjusted EPS of $6.91 in 2023, while they expect revenue to grow in the low-single-digit range. Omnicom has relationships with big clients, including Philips, Mercedes, Nike and Diageo, and we think that there will be growing opportunities for the company to offer its expertise in a world dominated by a handful of large advertising platforms and their algorithms. OMC continues to score well against its peer group in our proprietary valuation framework. The stock, which now trades for less than 12 times forward EPS expectations, sports a 3.0% dividend yield. Our Target Price has been bumped up to $114.

Citizens Financial (CFG $33.99) said that it earned $0.79 per share in Q1, trumping the consensus target of $0.75, even as the result declined sequentially and year-over-year. Lower loan balances compressed net interest income vs. Q4, partially offset by lower expenses (from a smaller FDIC assessment) and higher fee income.

CEO Bruce Van Saun commented, "We are pleased to start the year with a solid first quarter, featuring a bounce back in capital markets fees, stable NIM, further improvement in our [loan-to-deposit ratio, tight expense management and a strong capital and credit reserve position. We are executing well on our key strategic initiatives, including the Private Bank, NYC Metro, TOP 9 and servicing Private Capital. We remain comfortable with our full year guidance and are excited by our medium-term prospects."

In its full-year outlook for 2024, management estimated a decline in net interest income and average loans, stable deposit growth and a trough for NIM around mid-year. The outlook also included expectations for positive operating leverage in the second half of the year, a resumption of share repurchases in the first quarter and a strong CET1 ratio target of about 10.5% by the end of the year. The bank expressed confidence in achieving a 16% to 18% Return on Tangible Common Equity over the medium-term, driven by net interest income tailwinds, positive operating leverage and meaningful fee growth, including contributions from the Private Bank and non-core portfolio runoff.

Despite solid participation in the rally since Halloween, shares are well off their high from 2022, but we think the bank's capital ratios are healthy even as charge-offs from commercial lending are likely to move higher into early-2025, though we note CFG has no rent-regulated exposure. The forward P/E ratio is near 10 and the dividend yield is a generous 4.9%. Our Target Price for CFG has been raised to $48.

Health care giant **Abbott Labs** (ABT – $107.28) earned $0.98 per share in Q1 (vs. $0.95 est.) on $9.96 billion of sales. Looking deeper, Nutrition sales rose 8%, driven by double-digit growth for pediatric nutrition from market share gains and broad growth in the international portfolio across all age brackets. Diagnostic sales were $2.21 billion, a decline of 18% year-over-year, while Medical Device sales jumped 14% y/y to $4.45 billion and Diabetes Care gained 19% y/y to $1.57 billion.

CEO Robert Ford commented, "We reported first-quarter adjusted earnings per share of $0.98, which was above analysts consensus estimates. We also raised the midpoint of our guidance ranges for both earnings per share and sales growth. We now forecast full-year adjusted earnings per share of $4.55 to $4.70 and organic sales growth excluded COVID testing-related sales of 8.5% to 10%. Organic sales growth, excluding COVID testing-related sales, was 10.8% in the quarter, which represents the fifth consecutive quarter of double-digit growth. The strong start to the year was driven by broad-based growth across the portfolio, including growth of 14% in Medical Devices and Established Pharmaceuticals. In addition to exceeding expectations of both top and bottom lines this quarter, we accomplished a number of objectives across the pipeline, including obtaining several new product approvals and achieving important clinical trial-related milestones."

He added, "In summary, we're off to a very good start to the year, exceeding expectations on both top and bottom lines. And as a result, we raised the midpoint of our sales and EPS guidance ranges. We continue to make good progress on our gross margin expansion initiatives and we're seeing strong returns from the investments we're making across our growth platforms. Our pipeline has continued to be highly productive, delivering several recently new product approvals, and we're very well-positioned to continue to deliver strong results for the remainder of the year."

Management expects adjusted earnings per share to come in between $4.55 to $4.70 for 2024, which is a $0.05 improvement on the low side from

January's guidance. For Q2, ABT expects EPS between $1.08 and $1.12. We continue to think very highly of Abbott and believe its diversified revenue stream and growth potential from medical devices (particularly from its growing Diabetes Care and Medical Device businesses) in the years ahead offers resiliency to our portfolios. This is supported by Abbott's R&D pipeline which appears primed for new product launches that position the company well going forward. ABT's dividend yield is 2.1%, but the company has increased its payout for more than 50 consecutive years (the last hike was in January). Our Target Price has inched up to $140.

Bank OZK (OZK – $44.94) posted EPS of $1.51 in Q1, beating the Street projection of $1.46. Net interest income grew modestly to a new record, a result of increased revenue from growth in average earning assets, more than offsetting the impact of a decrease in net interest margin.

CEO George Gleason stated, "Our record net income and record diluted earnings per share in the quarter just ended are an excellent start to 2024. We feel that we are well positioned for the year, and we look forward to capitalizing on new opportunities."

On the topic of how large management might let the bank's growing Real Estate Specialties Group (RESG) segment get relative to the rest of the bank, Mr. Gleason added, "Our principle that is in our strategic plan and has been communicated many times is we're going to let RESG get as big as it can be while maintaining its discipline and adhering to its stringent credit quality and servicing quality on that portfolio. We agree that our company is more and more valuable as a more diversified business model, even if the other lines of business are not quite as good as RESG in regard to risk-adjusted returns. We think that diversification is very important. That's why we talk in this document and have talked for quite a while about a growth, growth and diversification strategy. The first growth being let RESG grow as much as it will naturally grow. The second growth being grow other lines of business more broadly and more quickly over time. That may not happen this year, but I think we'll see that really in significant impact next year and in 2026. And, I've privately stated that I would like to see RESG grow to 50% of our business. And I say grow to 50% at 65% or more or less now, but I want it to continue to grow but get down to 50% of our business, even as it gets bigger."

Barring the occasional spike in net charge-offs, Bank OZK has weathered past business cycles reasonably well and continues to build its allowance for future loan losses which now sits at 1.3% of total loans. We appreciate the niche expertise the bank has gained in commercial real estate and think the stock's discount to peers is too wide given the P/E of just 7 times NTM EPS projections. The steadily rising dividend now puts the yield at 3.5% and our Target Price has been hiked to $63.

Shares of **Elevance Health** (ELV – $531.42) gained nearly 7% last week after reporting a first-quarter profit that beat estimates and boosting its adjusted earnings forecast for the full year. The health insurer earned $10.64 per share vs. the $10.53 projected as its medical loss ratio came in 57 basis points below expectations. Operating revenue gained a modest 1% versus a year ago to $42.3 billion, driven by higher premium yields to reflect medical cost trend, and growth in Carelon, including a full quarter of revenue from BioPlus, which closed in February of 2023, partially offset by attrition in Medicaid membership.

CEO Gail Boudreaux said, "First quarter results reflect disciplined execution of our strategic initiatives during a dynamic time for our industry. We are making significant progress expanding Carelon's capabilities, scaling our flywheel for enterprise growth, and delivering results for all stakeholders. Given the solid start to the year, we have increased our outlook for full year earnings. Earlier this week, we also announced the next step in our journey to expand access to high-quality, patient-centered, value-based care in our local markets. This strategic partnership with Clayton, Dubilier & Rice has the potential to accelerate innovation in care delivery, enhance healthcare experiences, and improve health outcomes, all while advancing our value-based care and physician enablement strategy."

Management forecasts EPS of more than $37.20 in the current year, up from the previous guidance of $37.10.

Elevance boasts deep penetration of local markets throughout the 14 states in which it is an exclusive licensee of the Blue Cross Blue Shield brand and has also launched a pharmacy benefit management platform. The P/E for ELV is 13.9 times the NTM EPS forecast, but with 12% growth predicted in each of the next three years. With the dividend providing a modest 1.2% yield, our Target Price has been lifted to $673.

Comerica (CMA – $51.56) missed Street estimates, earning $0.98 in Q1 (vs. $1.12 est.) excluding costs from an accounting rule adjustment and an FDIC assessment. Interestingly, non-interest-bearing balances remained about 40% for the quarter, although overall deposit costs have risen to 328 basis points.

CEO Curtis C. Farmer commented, “Strategic rationalization efforts from 2023 and favorable pipeline trends position us for growth. Deposits outperformed normal seasonal patterns as we added new customers and expanded existing relationships while maintaining pricing discipline. Our liquidity strategy remained a highlight as we normalized our cash position, significantly reduced wholesale funding and successfully executed a record $1.0 billion debt issuance. We experienced ongoing, expected credit normalization, while net charge-offs of 10 basis points continued to be historically low. We are committed to running an efficient organization as we navigate expense pressures and execute on the action plans announced last quarter. Conservative capital management and lower loan balances further enhanced our capital position and drove our estimated CET1 ratio to 11.47, well above our 10% target.”

Management’s expectation for an 11% decline year-over-year in net interest income remains unchanged, despite movement in the rate curve, citing strong deposit performance and moderating deposit betas that largely offset the reduction in the number of rate cuts.

Whether due to a high exposure to variable-rate loans or its large percentage of uninsured deposits, we have long viewed Comerica as a stock with above-average risk and reward. Management has seemingly weathered the deposit storm from 2023 and we are pleased to see credit relatively benign as charge-offs actually declined sequentially; loan loss reserves rose 4 bps to 1.36% of total loans. We continue to believe the company has the capital and experience to navigate any near-term regional-bank uncertainty. Shares trade for less than 10 times NTM EPS and have a big 5.5% dividend yield. Our Target Price now stands at $68.

Shares of **Snap-On** (SNA – $268.80) took a beating last week, falling 7% after the automotive tool and equipment producer reported that its Tool Group realized a second straight sales shortfall in Q1. In the quarter, SNA reported revenue of $1.18 billion, versus the consensus estimate of $1.20 billion. Adjusted EPS of $4.91 outpaced the average analyst forecast of $4.64. While the quarter was still a solid one at the bottom line, it is worth noting that the

Tool Group saw sales decline to $500.1 million, a Y-o-Y drop of 6.9% and $30 million behind the analyst consensus estimate.

CEO Nick Pinchuk explained, “Like most quarters, we had turbulence from geography-to-geography and from operation-to-operation. North America was mixed, but with significant gains in critical industries. Internationally, our consolidated results were also mixed, but yielding overall positives as our operations in Europe and Asia overcame the effects of recessions in Europe, and the delayed recovery in China.”

He continued, “The first quarter for the Tools Group was below our standard. However, we do remain confident, and we do see a pivot to focus on quick payback items, registering a positive momentum and a movement. Sales in the quarter were $500.1 million, including and reflected in an organic decrease — including an organic decrease or reflecting an organic decrease of 7%. The group’s operating income margin was 23.5%, down 100 basis points. Notably, gross margin in the quarter rose 90 basis points, reaching 48.2%. You see, shorter payback items aren’t shorter on profitability. During the quarter, we worked to redirect our plans, guide our franchisees to innovative solutions that drive productivity, and we kept engaging our customer connection, observing the tasks executed in the bay, and using the insights to design and deploy innovative and focused products, offerings that are dedicated to making work easier.”

Snap-on shares have fallen 7% this year, even as there have been bright spots including OEM car repair and a larger emphasis on quick-payback products. With one of the best-known brands in the auto-repair space, we appreciate Snap-on’s willingness and ability to use its conservative fiscal posture to venture into markets adjacent to auto repair. Shares trade for just 14 times NTM projected adjusted EPS, while the dividend yield is 2.8%. Our Target Price for SNA has been revised to $318.

Shares of global staffing firm **ManpowerGroup** (MAN – $74.84) gained 5% last week after the company reported an outlook that excited analysts. MAN earned $0.81 per share in the latest quarter, compared to the $0.92 consensus estimate, and had revenue of $4.40 billion (vs. $4.42 billion est.). Manpower said its executing the company’s Diversification, Digitization and Innovation strategy, but foreign currency headwinds and geopolitical challenges have put a dent in earnings and revenue results.

CEO Jonas Prising explained, “On Digitization, we continue to make good progress in our technology roadmap and are proud to lead the industry through the deployment of PowerSuite, our global cloud-based platforms for front and back-office. in the first quarter, we reached a significant milestone with the opening of our global business services center in Porto, Portugal, a regional finance center to serve all of Europe, an essential component of our global strategy to standardize, centralize, and transform finance service delivery. This follows our successful mature finance shared service center in Mexico City serving Latin America.”

Mr. Prising continued, “For 75 years, Manpower Group has been committed to doing business the right way for our people, our clients, and the communities in which we operate. We know these high standards are valued by all who work with us. As AI advances, we’re guided by our people-first approach. We have established a multifunctional ethical AI committee that helps us stay in front of AI-related risks while enabling us to innovate and pilot new approaches that create value for our people and our clients.”

We still believe the company’s services will prove valuable whichever course the global economy takes. A persistently tight labor market requires flexible staffing solutions and MAN is benefitting from “upskilling” in many markets. Manpower remains highly profitable (18% gross profit margin) and the company has weathered many crises over its 75-and-counting year history, while its solid financial footing has allowed it to continue to make acquisitions, pay dividends and buy back stock along the way. The stock now trades at an attractive forward P/E ratio of 14 and offers strong free cash flow generation in addition to a dividend yield of 4.0%. Our Target Price for MAN is now $118.

Fifth-Third Bancorp (FITB – $36.25) earned $0.81 per share in Q1 excluding an FDIC special assessment, up 14% vs. the consensus estimate, but lower sequentially and year-over-year.

CEO Tim Spence said, “Fifth Third’s financial results once again reflected balance sheet strength, well-managed deposit costs, disciplined credit risk management, and diversified revenue streams. Expenses remain well-controlled and were down slightly year-over-year when excluding certain items. Our balance sheet positioning and deposit performance provide flexibility in managing through a range of uncertain economic and regulatory environments. Our credit metrics remain below historical levels, with net charge-offs for the quarter in line with our expectations. We continue to prudently invest in our strategic priorities as highlighted by strong growth in our treasury management fees and wealth and asset management revenue. We also extended our track record of strong organic growth, adding net new households in consumer and new quality relationships in commercial. While the economic and regulatory environments remain uncertain, we remain well positioned to respond to a range of potential outcomes. We will continue to follow our guiding principles of stability, profitability, and growth – in that order."

CFO Bryan Preston said he expects FITB's demand deposit mix to dip below 25% mid-year, but that the migration to higher rate deposits had largely played out. He added, "Given the stabilization in deposit costs and the benefit we are seeing from the repricing of our fixed-rate loan book, we continue to expect the full-year NII to decrease 2% to 4%. And as Tim mentioned, we expect the NII and NIM trough is behind us. This outlook is consistent with the forward curve as of early April, which projected three total cuts. However, our balance sheet is neutrally positioned so that even with zero cuts in 2024, we expect stability in our NII outlook."

We continue to appreciate the conservative approach taken by management, which has endeavored to de-risk the loan book since the Great Financial Crisis. This posture did not change in Q1 as the bank boosted liquidity through deposit growth and kept expenses in check. We also like FITB's diversity of the bank's fee-generating businesses that include card/payment, investment banking/management, and mortgage. The P/E ratio of about 11 is still attractive while FITB generates a high double-digit return on tangible equity and the dividend offers a solid 3.8% yield. Our Target Price has been increased to $43.