Market Commentary Monday, November 4, 2024

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EXECUTIVE SUMMARY

Newsletter Portfolio Trades – Trimmed TPR

Election Webinar – Replay Available: **https://www.youtube.com/watch?v=-YYZf7h_rAg**

Election Perspective – Historic Equity Returns

Calendar – Seasonally Favorable Period Has Begun

Inflation – PCE Continues to Head in Right Direction

Econ Outlook – Mixed Stats, but Solid GDP Growth the Forecast

Interest Rates – Yields have Jumped; Stocks Haven't Minded Historically, on Average

Valuations – Value Stocks Reasonably Priced

Profits – Favorable EPS Outlook

Stock News – Updates on PHG, WM, AMT, PYPL, GLW, GOOG, ZBH, SW, GEN, MSFT, META, FDP, DINO, IP & AAPL

Market Review

As discussed on our October 28 *Sales Alert*, we sold 70 shares of **Tapestry** (TPR – $46.97) for $48.77 in Buckingham Portfolio on Wednesday, October 30.

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We would like to thank all who tuned in live to our *Election Webinar*. For those not able to see the event this past Wednesday, a replay is available here:
https://www.youtube.com/watch?v=-YYZf7h_rAg

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No doubt, there is plenty on the minds of traders and investors alike these days, especially with Election Day 2024 imminent, so we offer the reminder that stocks have performed fine, on average, no matter who occupies the White House,...

THE PRUDENT SPECULATOR

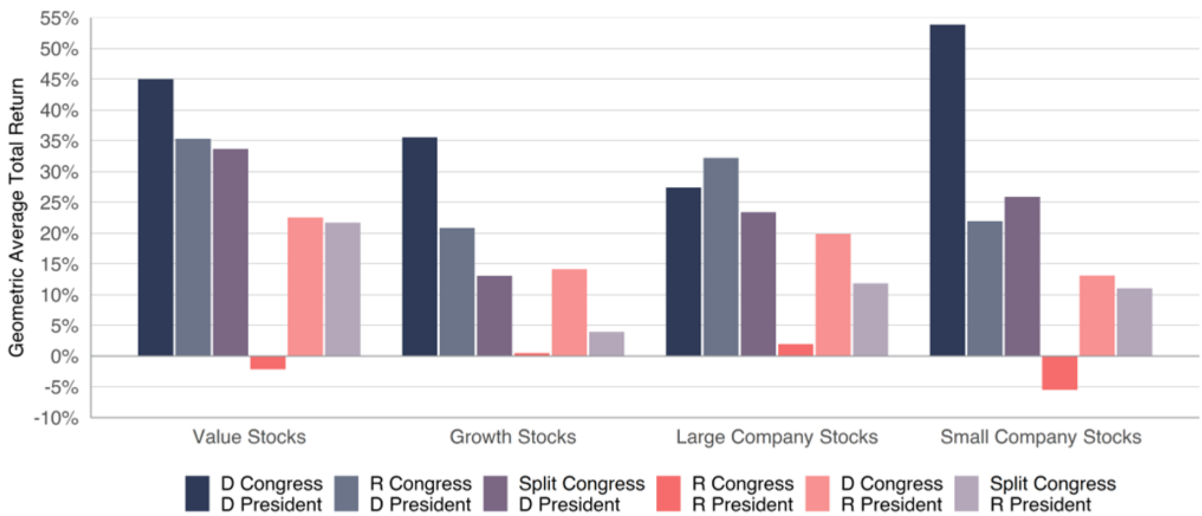
Returns by President

PRESIDENTIAL FOUR-YEAR PERFORMANCE								
Term End	President	Value Stocks (%)	Growth Stocks (%)	Large Company Stocks (%)	Small Company Stocks (%)	30-Day Treasury Bills (%)	Int.-Term Gov't Bonds (%)	Long-Term Gov't Bonds (%)
1932	Herbert Hoover	-79.1	-75.1	-64.2	-85.7	9.5	20.2	19.8
1936	Franklin D. Roosevelt	444.7	335.3	200.1	597.0	0.8	22.4	24.1
1940	Franklin D. Roosevelt	-42.5	-16.8	-23.5	-46.9	0.3	16.1	18.9
1944	Franklin D. Roosevelt	218.4	66.4	60.4	280.8	1.0	7.2	9.3
1948	Harry Truman	59.9	25.2	39.9	51.6	2.0	6.1	11.4
1952	Harry Truman	137.8	107.4	129.7	84.5	5.6	5.1	3.5
1956	Dwight D. Eisenhower	112.9	91.5	111.8	88.6	6.9	4.9	3.5
1960	Dwight D. Eisenhower	52.8	56.1	43.9	58.6	10.7	18.5	12.2
1964	Kennedy / Johnson	94.1	36.1	65.7	77.6	12.0	13.7	13.1
1968	Lyndon B. Johnson	146.0	111.5	39.3	229.0	19.4	11.7	-5.4
1972	Richard M. Nixon	10.6	6.8	29.4	-24.7	23.1	32.6	27.3
1976	Gerald R. Ford	58.7	-13.3	6.6	33.0	28.4	34.6	31.6
1980	James E. Carter	96.5	122.9	55.1	210.6	38.3	13.5	-6.9
1984	Ronald Reagan	139.4	19.8	50.3	90.0	51.5	73.0	66.2
1988	Ronald Reagan	92.3	56.8	92.5	48.5	28.3	51.3	74.0
1992	George H. Bush	73.6	81.4	79.0	54.2	27.7	53.9	61.7
1996	William J. Clinton	104.5	58.7	88.5	97.3	18.8	25.8	42.3
2000	William J. Clinton	100.8	59.6	88.7	42.4	22.3	32.1	44.9
2004	George W. Bush	53.6	5.7	-2.1	102.6	7.9	27.3	34.5
2008	George W. Bush	-20.0	-22.7	-19.3	-26.4	14.8	30.1	50.9
2012	Barack Obama	63.8	86.1	72.4	92.3	0.3	16.5	23.5
2016	Barack Obama	82.4	66.6	70.8	80.8	0.3	4.7	10.6
2020	Donald Trump	19.8	138.1	81.4	18.9	5.3	17.6	38.2
2024	Joseph Biden	75.1	22.0	59.1	51.6	10.4	-5.0	-31.4
	Average	**87.3**	**59.4**	**56.5**	**91.9**	**14.4**	**22.2**	**24.1**

Four-year returns beginning on December 31 four years prior to the Term End date. The 2024 term uses data updated through 08.31.2024. Not annualized. SOURCE: Kovitz using data from Morningstar, Professors Eugene F. Fama and Kenneth R. French and Bloomberg Finance L.P.

...while conventional wisdom that one political party is better than the other for equities has NOT been supported, on average, by nine-decades of returns data. True, the number of data points is small, so one should be careful about drawing concrete conclusions, but it is fascinating that stocks have preferred Democrats in Washington to Republicans,...

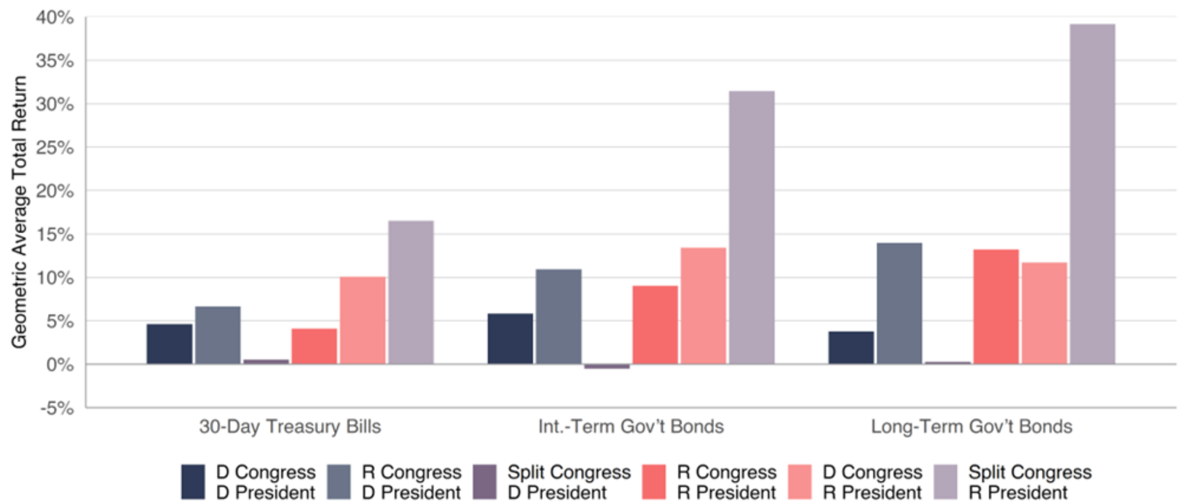
Equity Returns by Congress & Oval Office Control



From 12.31.1928 through 12.31.2022. SOURCE: Kovitz using data from Morningstar, Professors Eugene F. Fama and Kenneth R. French and Bloomberg Finance L.P.

...with the reverse true for government bonds.

Treasury Returns by Congress & Oval Office Control

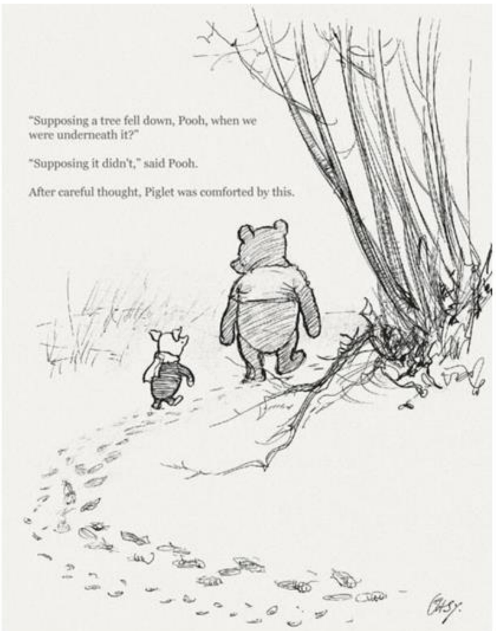


From 12.31.1928 through 12.31.2022. SOURCE: Kovitz using data from Morningstar.

Obviously, there are numerous factors beyond the resident of 1600 Pennsylvania Avene that have impacted stock prices through the years. Looking at the Presidential terms that ended with red ink for equities, in 1932, the U.S. was in the midst of the Great Depression. Roosevelt's second term included World War II, while George W.'s first term included the terrorist attacks on September 11 and the second term included the Great Financial Crisis.

Of course, stocks managed to overcome those turbulent periods and numerous other disconcerting headlines, providing terrific long-term rewards for those that remember that time in the market trumps market timing,...

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%	65900%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	38092%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	34225%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	13345%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	12469%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	14597%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	10610%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	8130%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	6041%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	7494%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	6116%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	8085%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	5345%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	5733%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4695%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	3438%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	2241%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2448%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1712%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1422%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1291%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1192%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	1153%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	1034%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	553%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	497%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	366%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	327%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	493%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	525%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	425%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	378%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	747%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**7913%**

As of 11.01.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

...as downside volatility has always given way to upside rallies of even greater magnitude, so much so that returns have ranged from 9.1% (non-dividend payers) to 13.1% (Value) per annum since 1927.

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.

S&P 500

Advancing Markets

20.0%	111.6%	986	28	3.3	10/12/2022	10/18/2024
17.5%	68.1%	586	40	2.3	10/12/2022	10/18/2024
15.0%	65.7%	559	47	2.0	10/12/2022	10/18/2024
12.5%	44.9%	342	74	1.3	10/12/2022	10/18/2024
10.0%	35.0%	246	102	0.9	10/27/2023	10/18/2024
7.5%	23.6%	149	163	0.6	8/5/2024	10/18/2024
5.0%	14.7%	72	319	0.3	8/5/2024	10/18/2024

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.1%	286	27	3.4	1/3/2022	10/12/2022
-17.5%	-30.3%	219	39	2.4	1/3/2022	10/12/2022
-15.0%	-28.0%	185	46	2.0	8/16/2022	10/12/2022
-12.5%	-22.7%	137	73	1.3	8/16/2022	10/12/2022
-10.0%	-19.5%	101	101	0.9	7/31/2023	10/27/2023
-7.5%	-15.4%	65	162	0.6	7/16/2024	8/5/2024
-5.0%	-10.9%	36	318	0.3	7/16/2024	8/5/2024

From 02.20.28 through 10.18.24. S&P 500 Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.1%	25.9%
Growth Stocks	9.7%	21.3%
Dividend Paying Stocks	10.8%	18.0%
Non-Dividend Paying Stocks	9.1%	29.1%
Large-Company Stocks	10.3%	18.7%
Small-Company Stocks	11.8%	28.1%
Long-Term Gov't Bonds	5.0%	8.9%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

From 06.30.1927 through 08.31.2024. Growth stocks = 50% Fama-French small growth and 50% Fama-French large gr 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 dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. Non-dividend payers = stocks that do not pay a dividend. Small company stocks, via Ibbotson Associates, are the bottom twenty percent of the New York Stock Exchange. Large company stocks, via Ibbotson Associates, are represented by the S&P 500 index. 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

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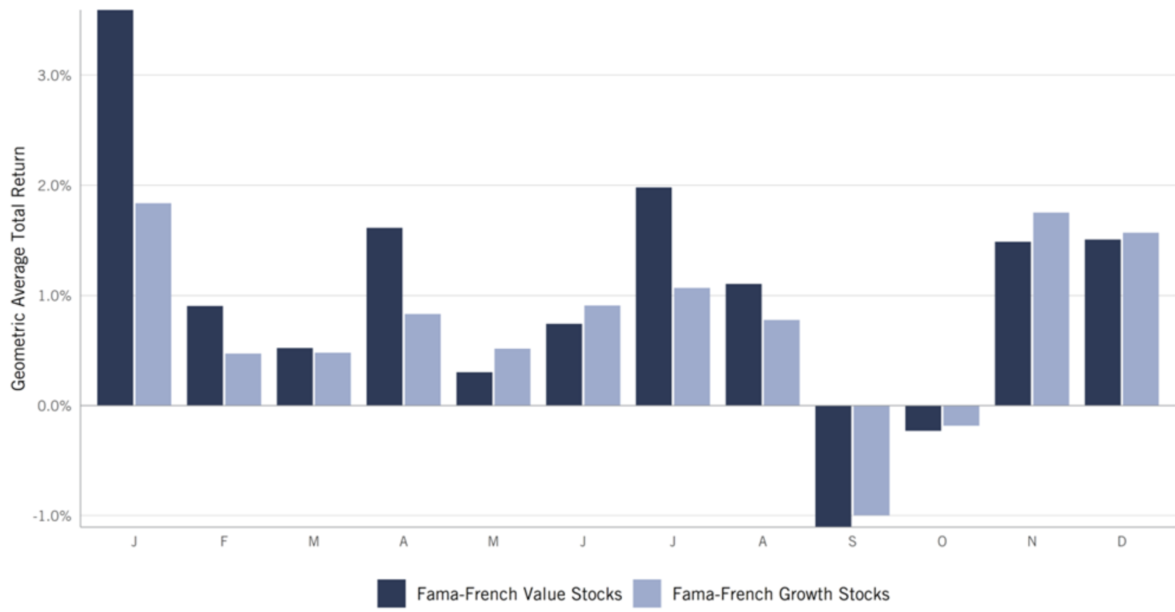
While stocks closed out the historically weak month of October on a sour note,...

THE PRUDENT SPECULATOR

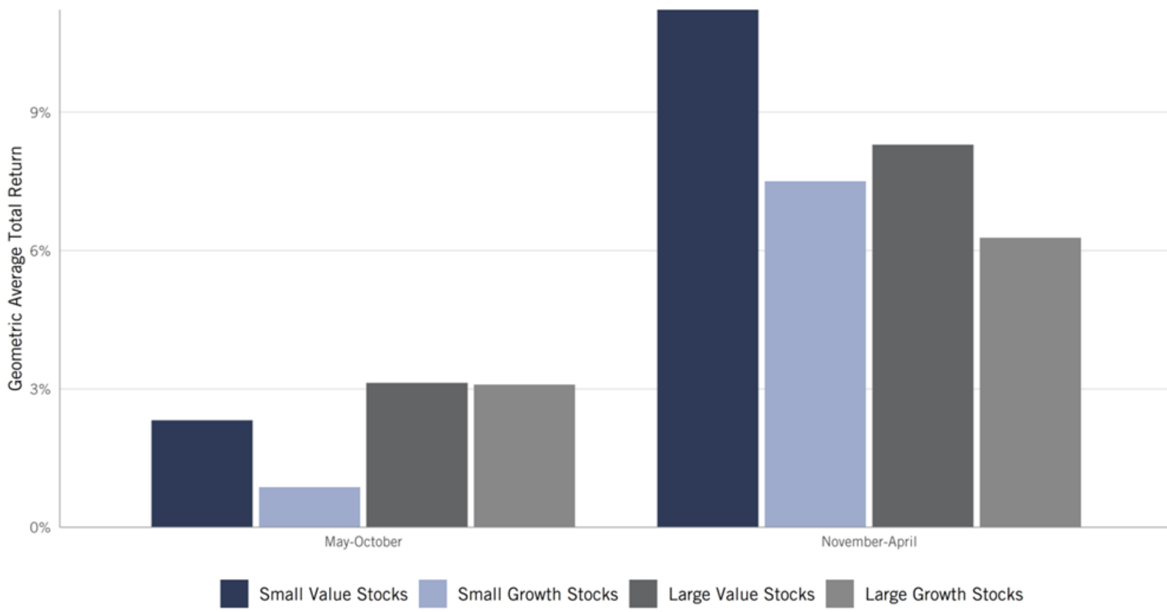
AVERAGE MONTHLY TOTAL RETURNS
VALUE / GROWTH



From 12.31.1927 through 12.31.2023. Geometric average. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stoc = 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. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

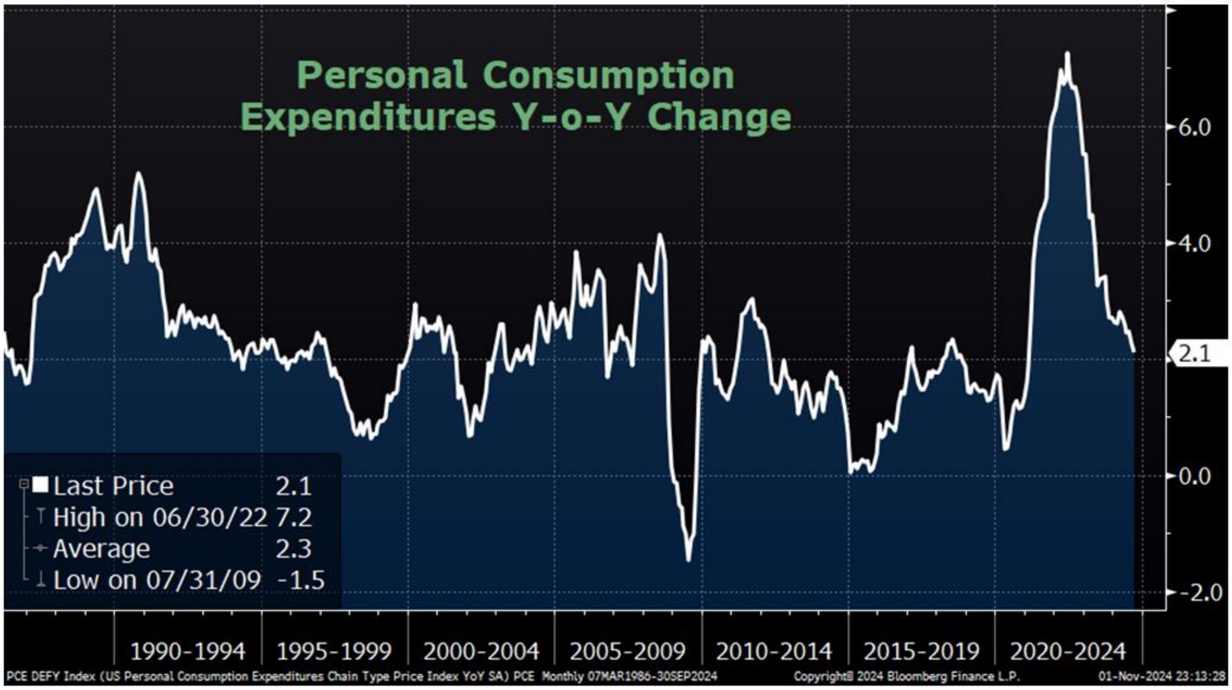
…we would argue that nothing we saw last week on the economic front dissuades us from feeling enthusiastic about the prospects for equities as we head into the seasonally favorable November through April time span.

SEASONALITY
VALUE / GROWTH / SMALL / LARGE

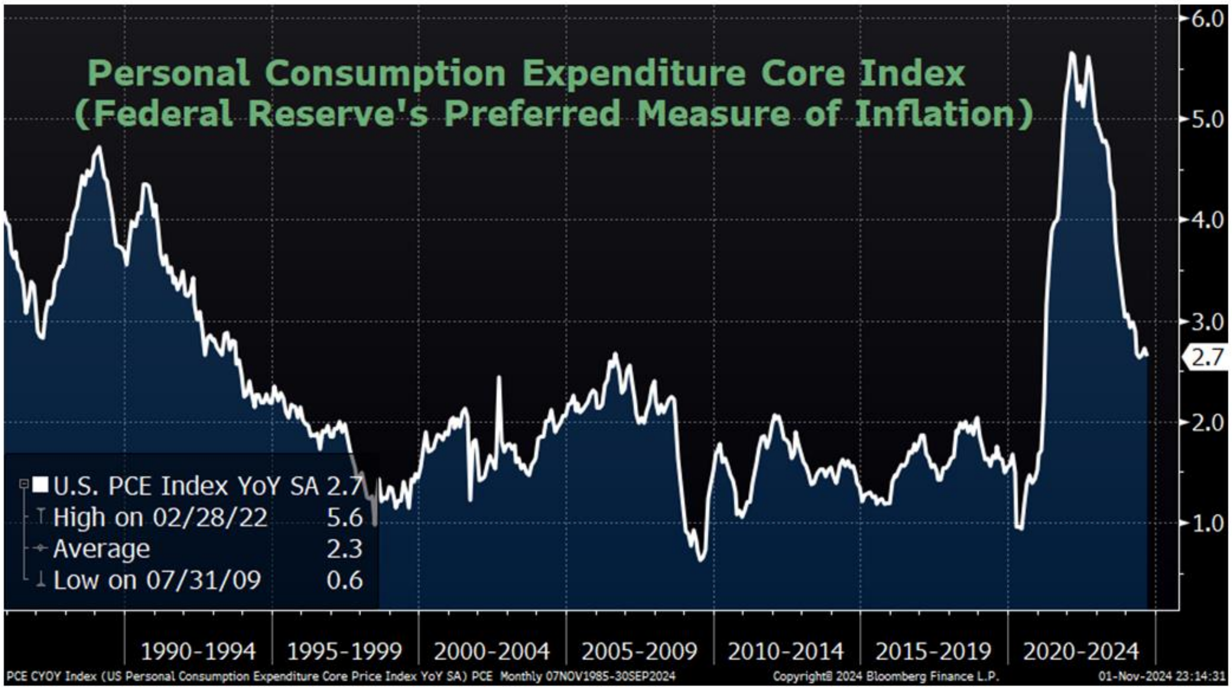


From 04.30.1928 through 04.30.2024. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Geometric average. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Indeed, prices at the consumer level edged down a tick in September as the personal consumption expenditure (PCE) index declined to an increase of 2.1% on a year-over-year basis versus 2.2% in August.



The Federal Reserve's preferred gauge, the Core PCE, which excludes volatile food and energy prices, held steady at a 2.7% increase last month,...



…but inflation continues to trend in the right direction and has moved closer to the year-end projections offered in September 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, September 2024

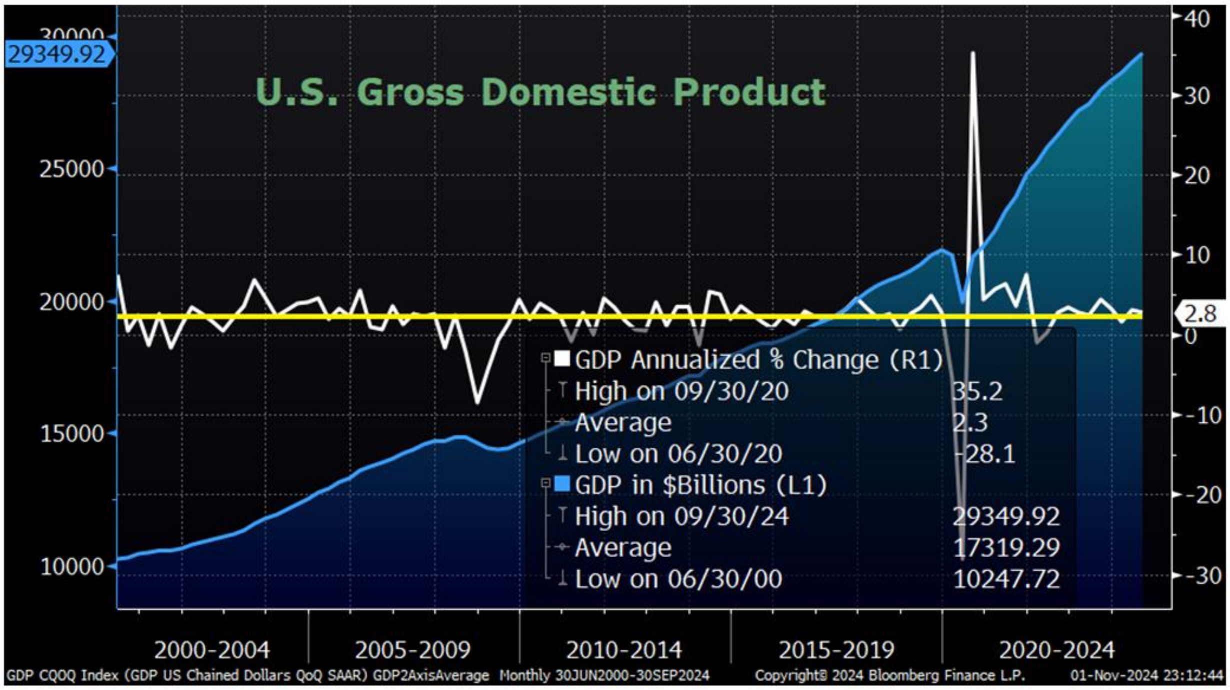
Percent

Variable	Median[1]					Central Tendency[2]					Range[3]				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8	1.9–2.1	1.8–2.2	1.9–2.3	1.8–2.1	1.7–2.0	1.8–2.6	1.3–2.5	1.7–2.5	1.7–2.5	1.7–2.5
June projection	2.1	2.0	2.0		1.8	1.9–2.3	1.8–2.2	1.8–2.1		1.7–2.0	1.4–2.7	1.5–2.5	1.7–2.5		1.6–2.5
Unemployment rate	4.4	4.4	4.3	4.2	4.2	4.3–4.4	4.2–4.5	4.0–4.4	4.0–4.4	3.9–4.3	4.2–4.5	4.2–4.7	3.9–4.5	3.8–4.5	3.5–4.5
June projection	4.0	4.2	4.1		4.2	4.0–4.1	3.9–4.2	3.9–4.3		3.9–4.3	3.8–4.4	3.8–4.3	3.8–4.3		3.5–4.5
PCE inflation	2.3	2.1	2.0	2.0	2.0	2.2–2.4	2.1–2.2	2.0	2.0	2.0	2.1–2.7	2.1–2.4	2.0–2.2	2.0–2.1	2.0
June projection	2.6	2.3	2.0		2.0	2.5–2.9	2.2–2.4	2.0–2.1		2.0	2.5–3.0	2.2–2.5	2.0–2.3		2.0
Core PCE inflation[4]	2.6	2.2	2.0	2.0		2.6–2.7	2.1–2.3	2.0	2.0		2.4–2.9	2.1–2.5	2.0–2.2	2.0–2.2	
June projection	2.8	2.3	2.0			2.8–3.0	2.3–2.4	2.0–2.1			2.7–3.2	2.2–2.6	2.0–2.3		
Memo: Projected appropriate policy path															
Federal funds rate	4.4	3.4	2.9	2.9	2.9	4.4–4.6	3.1–3.6	2.6–3.6	2.6–3.6	2.5–3.5	4.1–4.9	2.9–4.1	2.4–3.9	2.4–3.9	2.4–3.8
June projection	5.1	4.1	3.1		2.8	4.9–5.4	3.9–4.4	2.9–3.6		2.5–3.5	4.9–5.4	2.9–5.4	2.4–4.9		2.4–3.8

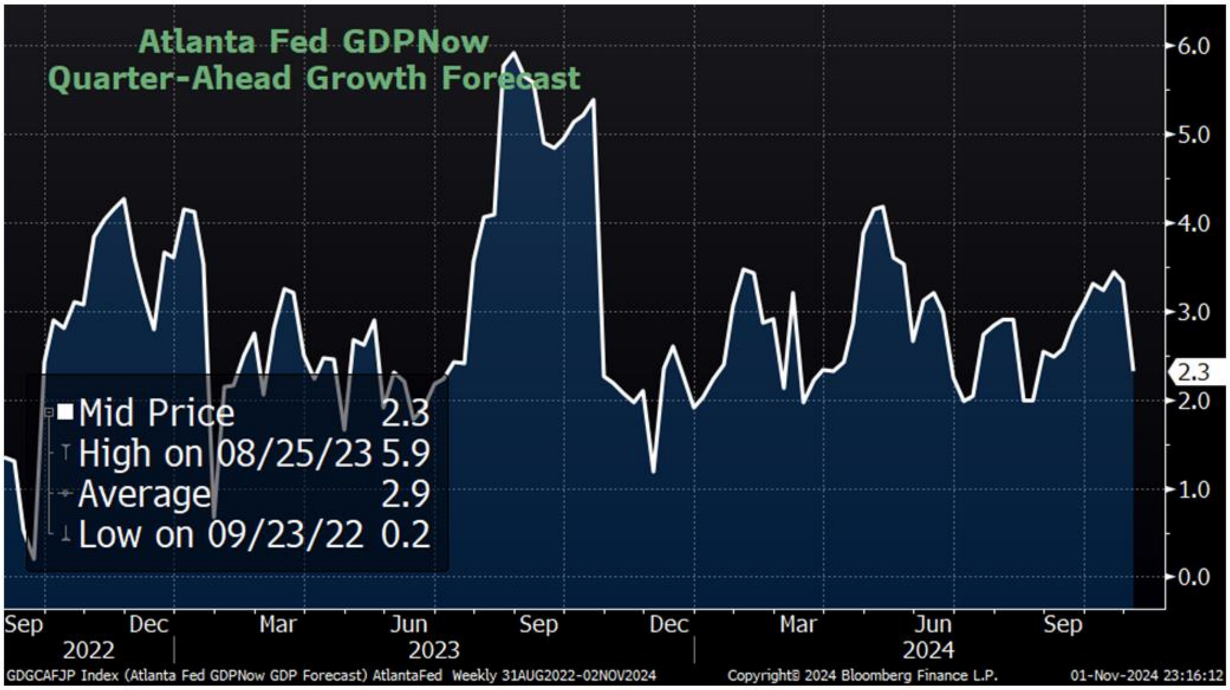
NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, 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 June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 11–12, 2024.

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.

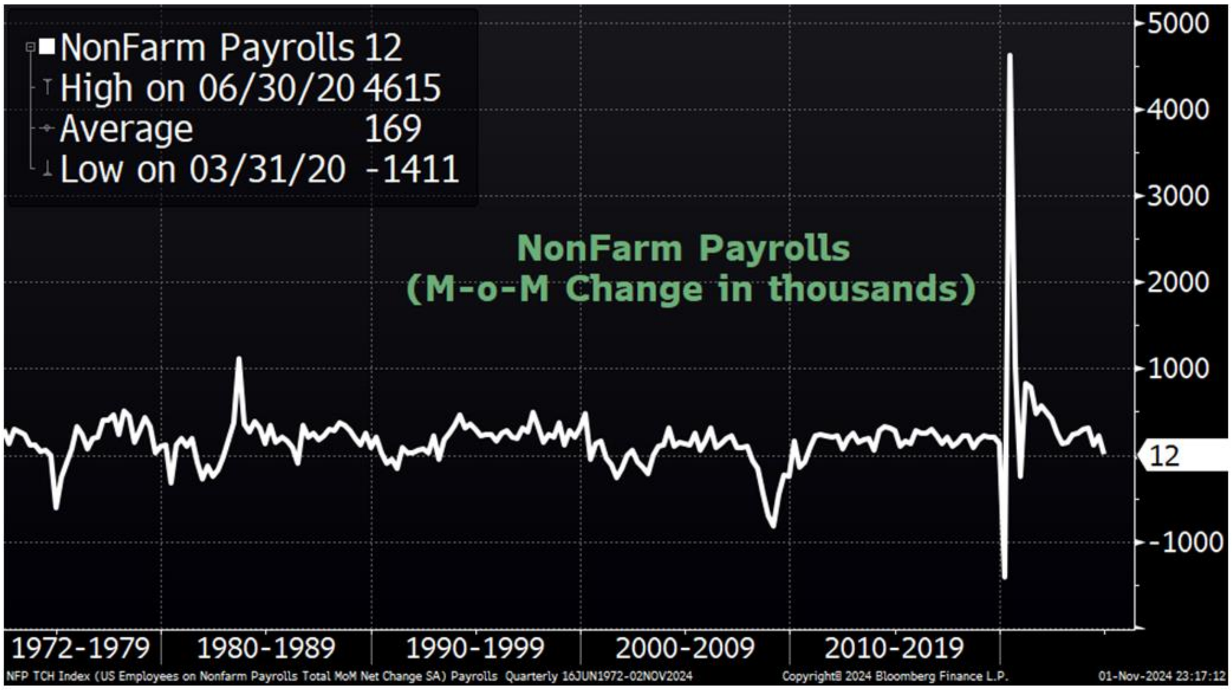
Those forecasts also called for real (inflation-adjusted) U.S. GDP growth of 2.0% this year, a figure that might prove conservative after the first estimate of Q3 GDP growth came in at 2.8% last week,...



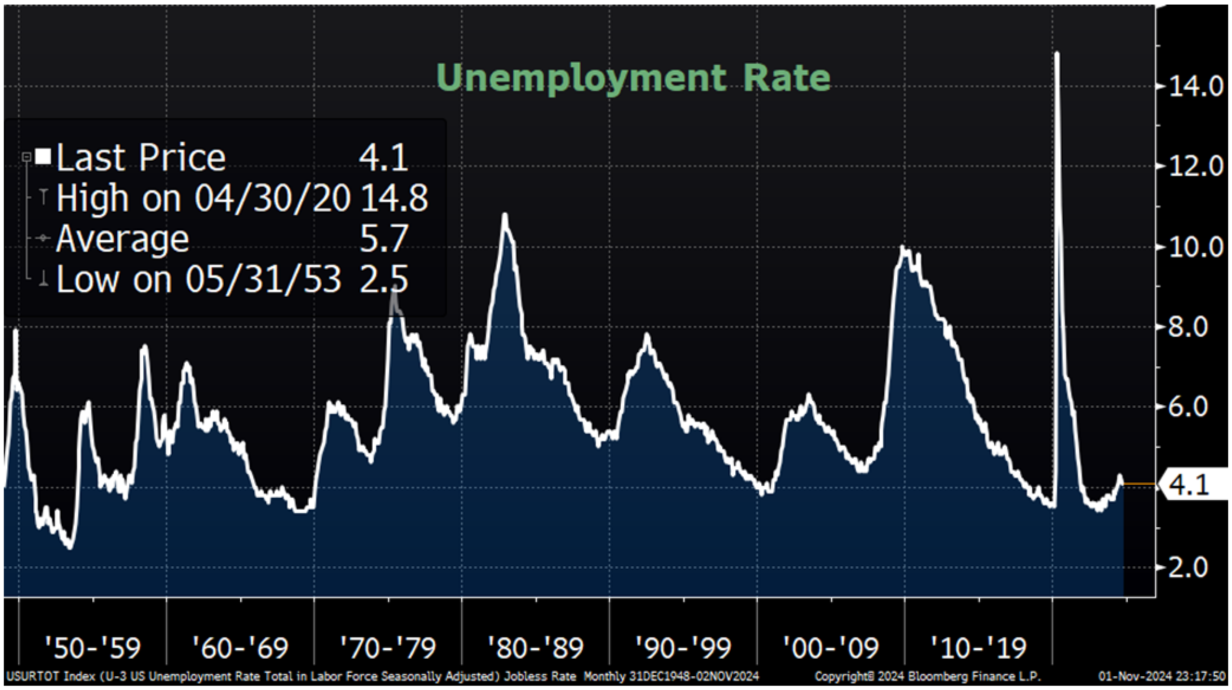
...while the initial guess for Q4 GDP growth from the Atlanta Fed stood at 2.3%,...



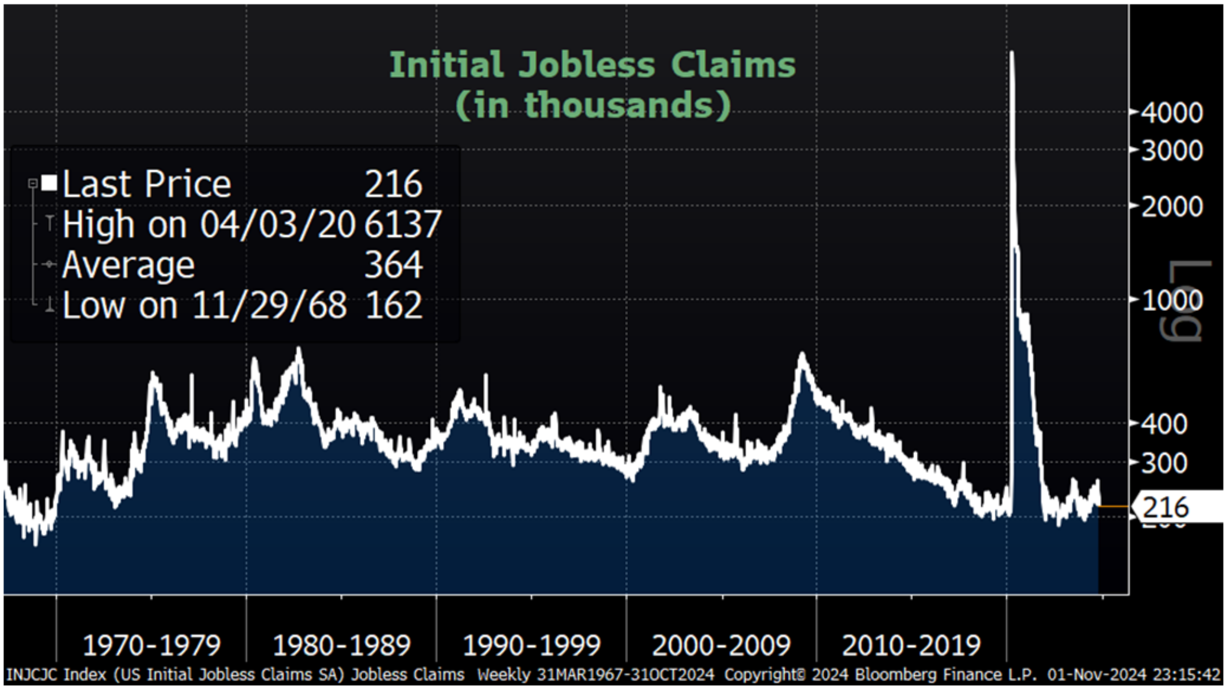
...even after nonfarm payrolls rose by only 12,000 in October, well below expectations of growth of 100,000 and the revised tally of 223,000 in September.



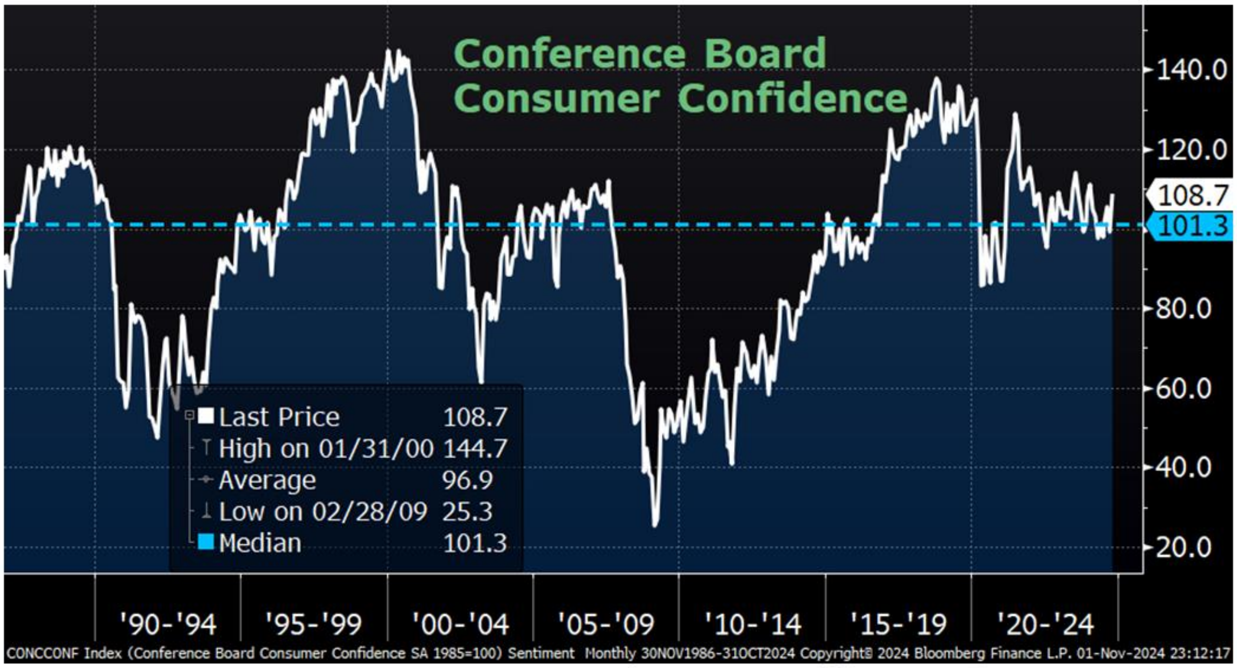
To be sure, Hurricane's Helene and Milton has a significant impact on the jobs numbers, and the unemployment rate for October was unchanged at 4.1%,...



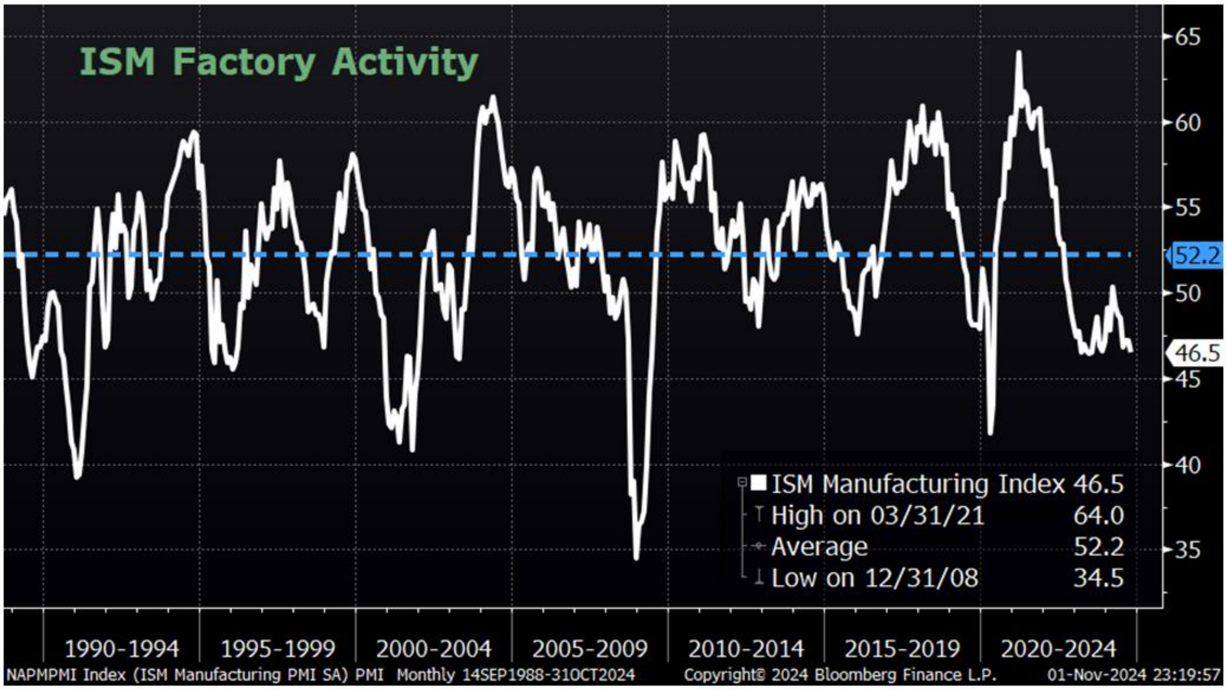
...while a more up-to-date reading on the labor market, weekly claims for first-time jobless benefits, saw a drop to a very low 216,000, compared to a revised 228,000 the week prior.



We also learned that consumer confidence, per the Conference Board, jumped to 108.7 last month, well above forecasts of 99.5 and the revised figure of 99.2 for September.



On the negative side of the economic equation, the Institute for Supply Management's (ISM) gauge of manufacturing activity dipped to 46.5 in October, below the consensus estimate of 47.6 and last month's reading of 47.2.



For context, we note that ISM states, "The past relationship between the Manufacturing PMI® and the overall economy indicates that the October reading (46.5 percent) corresponds to a change of plus-1.1 percent in real gross domestic product (GDP) on an annualized basis," while low numbers on this metric, on average, historically have proved to be strong equity market buy signals.

There were more question marks about the strength of the factory sector when the October 2024 ISM Manufacturing Index (PMI) came in at a weaker-than-expected reading of 46.5. Of course, the 52 previous quarterly tallies at or below that mark dating back 75+ years were major near-term buy signals for stocks, on average. Indeed, the subsequent 6- and 12-month gains for the S&P 500 index stand at 10% and 17%, respectfully, with those price return figures not including dividends!

Institute for Supply Management Manufacturing Index

PMI	Date	S&P 500 Value	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present	PMI	Date	S&P 500 Value	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
43.3	3/31/1948	15.08	4%	0%	42%	68%	37889%	44.8	12/31/1979	107.94	6%	26%	30%	55%	5207%
42.1	9/30/1948	15.49	-2%	1%	50%	51%	36884%	43.6	3/31/1980	102.09	25%	33%	50%	77%	5512%
35.0	12/31/1948	15.20	-6%	10%	56%	63%	37589%	30.3	6/30/1980	114.24	18%	15%	47%	68%	4915%
34.5	3/31/1949	15.06	3%	15%	62%	79%	37940%	42.5	9/30/1981	116.18	-3%	4%	43%	99%	4831%
31.6	6/30/1949	14.16	19%	25%	76%	106%	40358%	37.8	12/31/1981	122.55	-11%	15%	36%	98%	4575%
45.5	6/29/1951	20.96	13%	18%	40%	124%	27232%	36.8	3/31/1982	111.96	9%	37%	61%	161%	5017%
46.5	12/31/1951	23.77	6%	12%	51%	96%	24001%	38.3	6/30/1982	109.61	28%	53%	75%	177%	5127%
40.0	3/31/1952	24.37	0%	4%	50%	81%	23408%	38.8	9/30/1982	120.42	27%	38%	51%	167%	4657%
43.3	6/30/1952	24.96	7%	-3%	64%	90%	22852%	42.8	12/31/1982	140.64	20%	17%	50%	76%	3973%
40.2	9/30/1953	23.35	14%	38%	94%	114%	24434%	46.0	9/29/1989	349.15	-2%	-12%	19%	32%	1541%
35.6	12/31/1953	24.81	18%	45%	88%	123%	22991%	44.5	9/28/1990	306.05	23%	26%	51%	91%	1772%
44.7	3/31/1954	26.94	20%	36%	64%	106%	21165%	40.8	12/31/1990	330.22	14%	26%	41%	87%	1635%
45.9	6/28/1957	47.37	-16%	-5%	20%	15%	11994%	40.7	3/29/1991	375.22	3%	8%	21%	72%	1427%
45.8	9/30/1957	42.42	-1%	18%	26%	33%	13405%	45.9	6/30/1995	544.75	13%	23%	108%	167%	952%
36.8	12/31/1957	39.99	13%	38%	45%	58%	14226%	46.2	12/29/1995	615.93	9%	23%	102%	114%	830%
39.8	3/31/1958	42.10	19%	32%	55%	58%	13508%	43.9	12/29/2000	1,320.28	-7%	-12%	-16%	-5%	334%
44.4	6/30/1960	56.92	2%	14%	22%	48%	9965%	43.1	3/30/2001	1,160.33	-10%	-1%	-3%	12%	394%
45.4	9/30/1960	53.52	22%	25%	34%	68%	10604%	43.2	6/29/2001	1,224.42	-5%	-19%	-7%	4%	368%
44.3	12/30/1960	58.11	11%	23%	28%	59%	9759%	46.2	9/28/2001	1,040.94	10%	-21%	7%	29%	450%
45.3	3/31/1967	90.20	7%	0%	-1%	19%	6251%	45.3	12/31/2001	1,148.08	-16%	-23%	6%	24%	399%
44.1	9/30/1970	84.21	19%	17%	29%	0%	6703%	46.3	3/31/2003	848.18	20%	33%	53%	56%	575%
45.4	12/31/1970	92.15	8%	11%	6%	-2%	6117%	34.5	12/31/2008	903.25	2%	23%	39%	105%	534%
46.2	9/30/1974	63.54	32%	32%	52%	72%	8916%	37.2	3/31/2009	797.87	29%	47%	77%	135%	618%
30.9	12/31/1974	68.56	38%	32%	39%	57%	8256%	46.3	6/30/2009	919.32	23%	12%	48%	113%	523%
31.6	3/31/1975	83.36	-1%	23%	7%	22%	6772%	46.5	3/31/2023	4,109.31	4%	28%			
45.1	6/30/1975	95.19	-6%	10%	0%	20%	5918%	46.4	6/30/2023	4,450.38	7%	23%			
		As of 11.01.24. Price Changes Only - Does Not Include Dividends								Averages:	10%	17%	44%	75%	11022%

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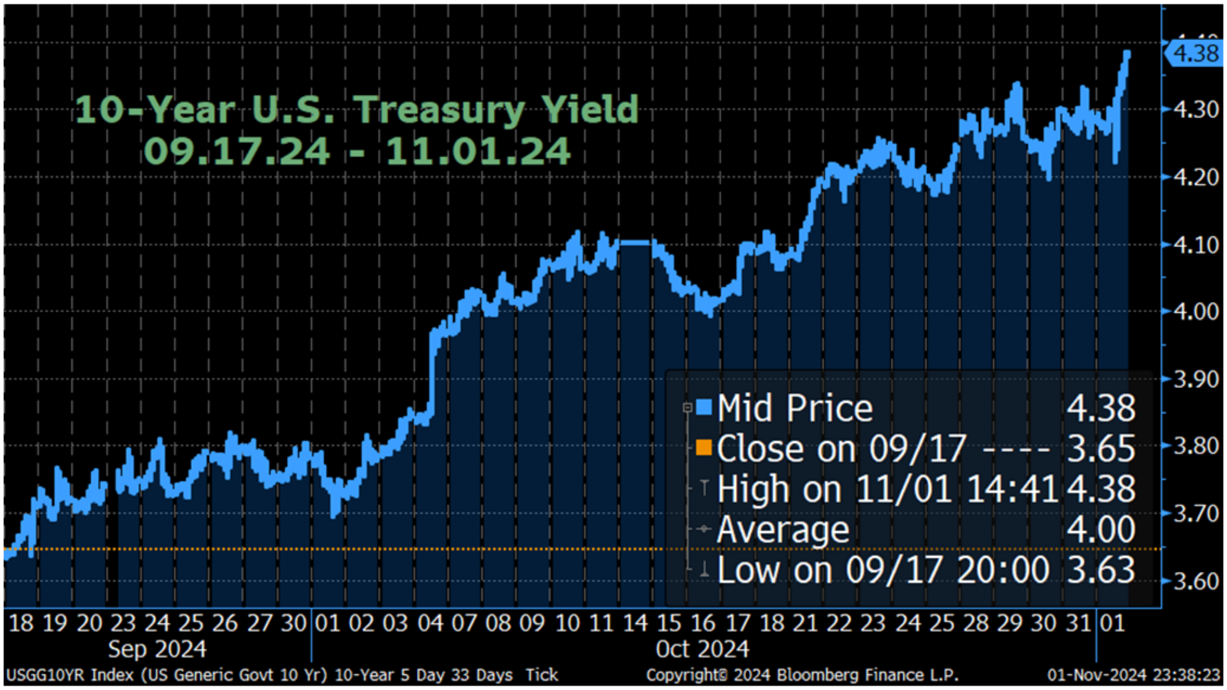
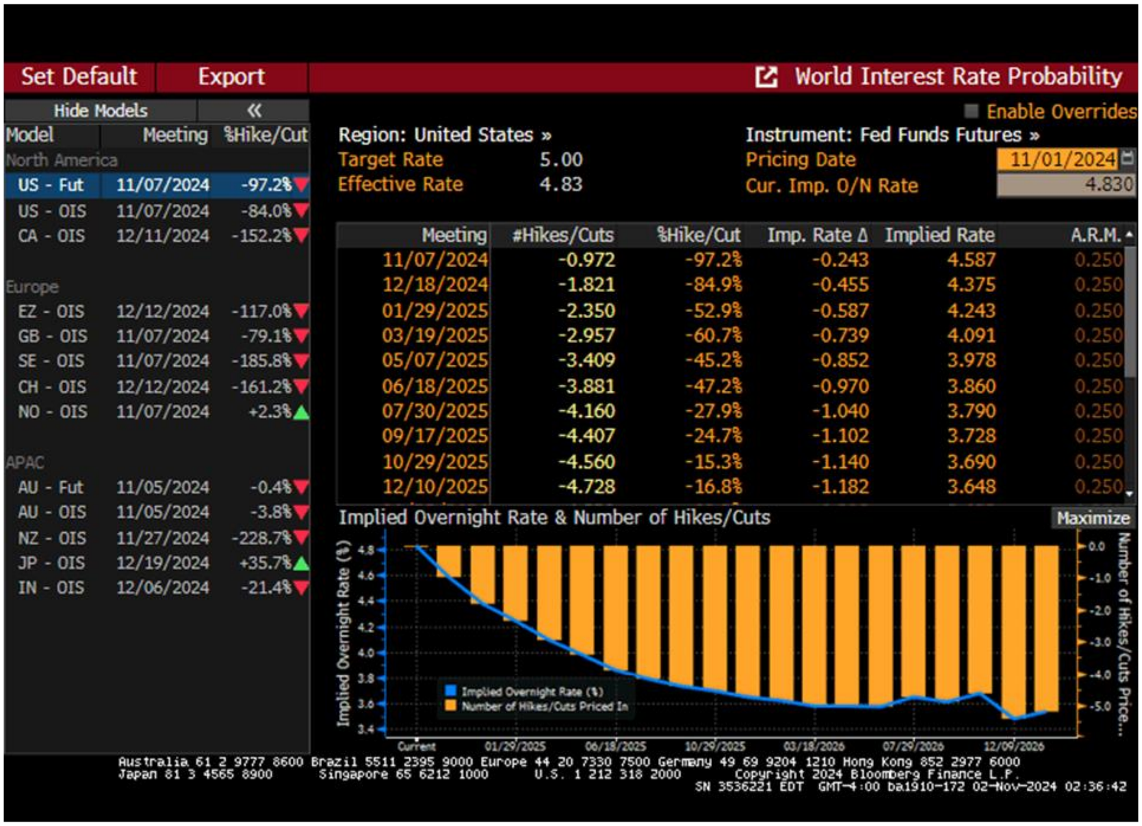
We respect that long-term interest rates jumped anew last week, continuing the significant increase since the Federal Reserve in mid-September cut is target for the Fed Funds rate to 5.0% from 5.5%,...



...as the betting on additional Fed rate cuts saw the year-end 2025 figure rise to 3.65% at the end of last week, up from 3.52% at the end of the week prior,...

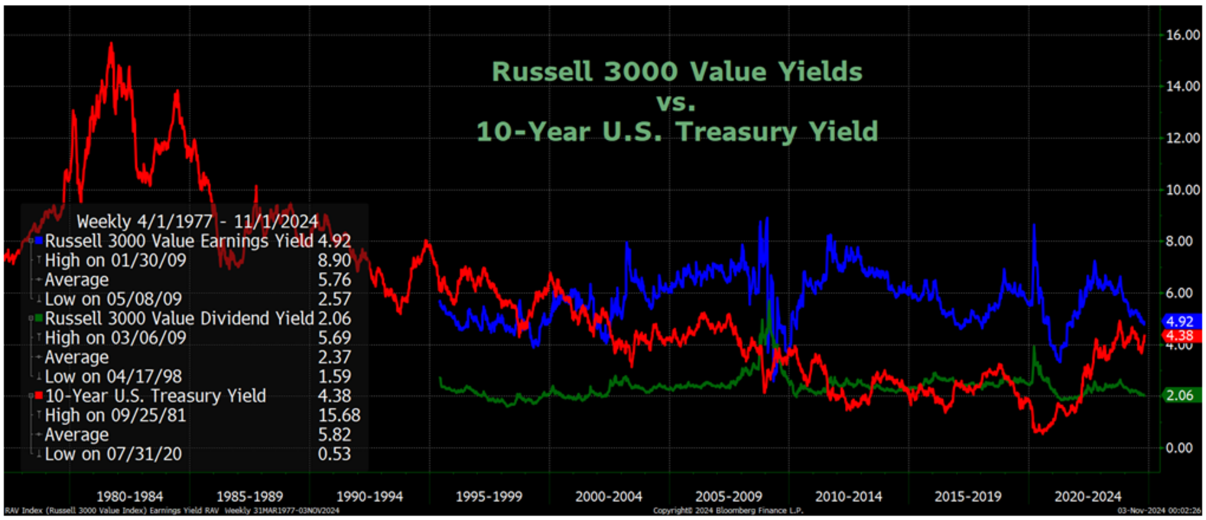


Model	Meeting	%Hike/Cut
North America		
US - Fut	11/07/2024	-97.2%
US - OIS	11/07/2024	-84.0%
CA - OIS	12/11/2024	-152.2%
Europe		
EZ - OIS	12/12/2024	-117.0%
GB - OIS	11/07/2024	-79.1%
SE - OIS	11/07/2024	-185.8%
CH - OIS	12/12/2024	-161.2%
NO - OIS	11/07/2024	+2.3%
APAC		
AU - Fut	11/05/2024	-0.4%
AU - OIS	11/05/2024	-3.8%
NZ - OIS	11/27/2024	-228.7%
JP - OIS	12/19/2024	+35.7%
IN - OIS	12/06/2024	-21.4%

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
11/07/2024	-0.972	-97.2%	-0.243	4.587	0.250
12/18/2024	-1.821	-84.9%	-0.455	4.375	0.250
01/29/2025	-2.350	-52.9%	-0.587	4.243	0.250
03/19/2025	-2.957	-60.7%	-0.739	4.091	0.250
05/07/2025	-3.409	-45.2%	-0.852	3.978	0.250
06/18/2025	-3.881	-47.2%	-0.970	3.860	0.250
07/30/2025	-4.160	-27.9%	-1.040	3.790	0.250
09/17/2025	-4.407	-24.7%	-1.102	3.728	0.250
10/29/2025	-4.560	-15.3%	-1.140	3.690	0.250
12/10/2025	-4.728	-16.8%	-1.182	3.648	0.250

…but valuations for inexpensively priced companies like those that we have long championed remain attractive,…

While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (3.83%) is still reasonable relative to the current (and well below average) 4.38% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast a much higher Earnings Yield (4.92%) AND a generous dividend yield (2.06%), both of which are near the historical norms for those measures dating back to 1995.



...and we continue to like the metrics on our broadly diversified portfolios of what we believe are undervalued stocks even more,...

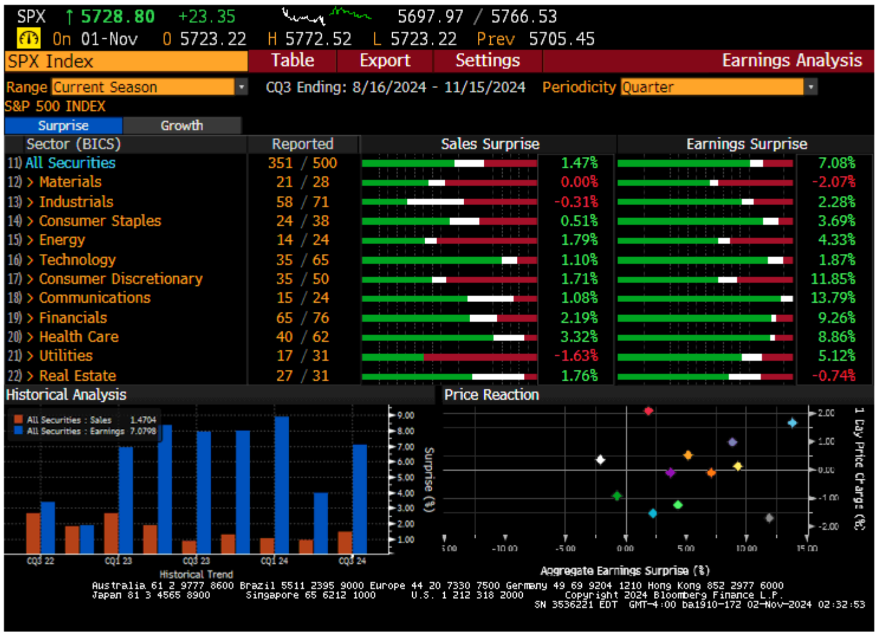
CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	17.7	14.4	1.0	2.4	2.5
ValuePlus	18.7	14.8	1.2	2.4	2.2
Dividend Income	18.3	14.9	0.9	2.3	2.7
Focused Dividend Income	18.3	14.0	1.1	2.5	2.9
Focused ValuePlus	17.5	14.7	1.2	2.7	2.4
Small-Mid Dividend Value	13.4	12.5	0.4	1.6	2.8
Russell 3000	26.9	24.6	2.7	4.6	1.3
Russell 3000 Growth	35.8	33.0	4.8	12.1	0.6
Russell 3000 Value	20.3	19.2	1.7	2.5	2.1
Russell 1000	26.4	24.1	2.8	4.8	1.3
Russell 1000 Growth	35.0	32.3	5.1	13.1	0.6
Russell 1000 Value	20.0	18.9	1.8	2.7	2.0
S&P 500 Index	26.2	24.2	3.0	5.1	1.3
S&P 500 Growth Index	34.4	30.9	6.2	11.5	0.6
S&P 500 Value Index	19.9	18.7	1.8	2.9	2.2
S&P 500 Pure Value Index	11.1	11.4	0.5	1.3	2.6

As of 11.02.2024. 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.

…especially as we think corporate profits in Q4 and in 2025 are likely to continue to show solid growth.

Q3 report cards generally have been favorable with 75.5% of companies in the S&P 500 topping bottom-line expectations though only 52.4% have exceeded top-line estimates. Year-over-year EPS growth remained solid and the outlook for the balance of this year and 2025 is healthy.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2025	$72.59	$273.29
9/30/2025	$70.25	$262.98
6/30/2025	$67.24	$252.19
3/31/2025	$63.21	$243.31
12/31/2024	$62.28	$234.73
9/30/2024	$59.46	$226.35
ACTUAL		
6/30/2024	$58.36	$219.14
3/31/2024	$54.62	$215.62
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 10.31.24

Stock Updates

Keeping in mind that all stocks are rated as a "Buy" until such time as they are a "Sell," a listing of all current recommendations is available for download via the following link: **https://theprudentspeculator.com/dashboard/**. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Jason Clark, Chris Quigley and Zack Tart look at earnings reports and other market-moving news of note out last week for more than a few of our recommendations…

Koninklijke Philips (PHG – $26.49) reported adjusted EPS of $0.35 in Q3, falling well short of analyst expectations of $0.46. Revenue for the medical device maker was flat year-over-year, with demand from China continuing to decline sharply, offsetting growth in other international markets. Philips' Diagnosis & Treatment segment saw a 1% sales dip, offset by strong North

American performance. Connected Care sales were flat, while Personal Health sales fell 5% due to China's decline. Adjusted EBITDA margin rose to 11.8%, driven by 188 million euros in productivity savings, innovation and royalty income, with 22 million euros of free cash flow.

CEO Roy Jakobs noted the persistent challenges in China, saying, "We delivered strong improvement in profitability in the quarter with flat comparable sales and slightly lower orders as demand from hospitals and consumers in China further deteriorated. We continue to make strong progress on enhancing execution and improving what's in our control while external uncertainty intensifies."

With management expecting the situation in China to continue, Philips has revised its full-year 2024 sales growth outlook to a range of 0.5% to 1.5%. Adjusted EBITDA margin is expected to reach 11.5%, with free cash flow around 900 million euros. Philips also anticipates receiving 540 million euros from insurers to cover Respironics recall-related claims, with the majority expected in Q4.

Mr. Jakobs added, "We remain focused on executing our three-year plan to create value within an ongoing challenging macro environment. I am confident that our portfolio, innovations, and increased operational agility position us well to continue to capture growth and margin opportunities globally and to respond when demand returns in China."

With the benefit of hindsight, the 16% slide on Monday had us wishing we might have taken some chips off the table, but the stock is still up 40% over the last 12 months. Still, we continue to view Philips as a quality stock that after a tremendous case of self-sabotage seems to have inflected in a better direction under the leadership of Mr. Jakobs, notwithstanding the latest set of obstacles in China. The cash dividend remains on pause (the company has shifted to a stock dividend the past two years), but the Street is projecting solid earnings growth from the current trough levels that would drive the P/E down to 13 by 2027 without a reversion in the multiple higher. Still, our Target Price for PHG has been reduced to $34.

Shares of environmental and waste services firm **Waste Management** (WM – $213.99) rose 3.5% last week following a Q3 earnings release that was better than the consensus analyst estimate on both the top and bottom lines. WM reported adjusted EPS of $1.96 (vs. $1.88 est.) on revenue of $5.61 billion (vs. $5.51 billion est.) for the quarter.

CEO James Fish commented, "The company's third quarter results again demonstrated the dedication of our people, the consistency of our business model, and the strength of our operations. Our investments in technology, our fleet, and our asset network, combined with our disciplined pricing programs, are expanding the spread between price growth and our cost to serve. This led to adjusted operating EBITDA growth of 11% and record margin of 30.5% for the quarter."

Mr. Fish continued, "Our strong results have been led by our Collection and Disposal business where our focused efforts on frontline retention, optimization of our cost structure, and providing differentiated service to our customers have fueled earnings growth. Additionally, we continue to make headway on our sustainability growth investments and planning for the successful integration of the Stericycle business. We have a lot of momentum for a strong finish to the year, which will position us to deliver another year of outsized growth in 2025."

He concluded, "We came into this year expecting strong execution across several fronts, and through the first nine months we have delivered results that exceeded our own high expectations. As we look ahead to 2025, we anticipate continued growth in our solid waste business, increased contributions from our sustainability growth investments, and the successful integration of the Stericycle business to come together to create a significant step change in revenue, earnings, and free cash flow."

We acknowledge that WM isn't the cheapest stock in our broadly diversified portfolios but continue to think the durability of waste hauling and disposal make it a tremendous business, with Waste Management a leading operator. Additionally, WM continues to make significant steps in transforming itself, now completing 24 of its 39 planned automation and new market projects, which could set up a strong 2025. While shares trade for 27 times analysts' NTM EPS projection, the P/E drops to 23.7 times 2026 projections and 21.3 times 2027. The dividend is a modest 1.4% and our Target Price has been elevated to $241.

American Tower (AMT – $211.26) reported funds from operations (FFO) per share of $1.83 in Q3, missing analyst expectations of $2.45 by 25%. The communications infrastructure REIT reported that property revenue decreased 1% year-over-year, impacted by FX headwinds and non-recurring prior-year benefits. Organic tenant billings grew 5%, while adjusted EBITDA margin contracted due to foreign currency and reserve impacts.

The sale of AMT's India business marks a strategic shift to focus on developed markets, streamlining operations and reducing exposure to higher-risk regions. Proceeds from the sale were used to reduce debt, leading to an S&P credit rating upgrade. Management also suggested the exit allows AMT to concentrate on high-growth areas, particularly as conversations with carriers regarding 5G densification progress in the U.S. and Europe.

CEO Steven Vondran commented, "Demand remains strong across our global portfolio of real-estate assets, especially with mid-band 5G deployments in the U.S., Europe, and parts of our emerging markets. Our data center segment continues to benefit from accelerating hybrid IT deployments and early AI-driven demand. These factors, along with our strategic initiatives to enhance portfolio quality and focus on developed markets, position us for long-term growth."

He added, "As the densification phase of the 5G investment cycle unfolds, we're focused on delivering high-quality earnings growth by refining our portfolio, managing costs, and driving profitability. We remain committed to our strategic priorities, supporting financial flexibility, and enhancing shareholder returns."

American Tower's prioritization of investment domestically versus abroad marks a notable shift in our view, where the densification of 5G investment by carriers is set to accelerate and as data center demand is fueled by A.I. spending cloud adoption. Even as the stock has gone sideways throughout our ownership, we continue to look favorably upon wireless communication and broadcast tower economics, supported by the proliferation of mobile data usage. The multiple of FFO projected for this year and next is 20 and the dividend yield is 3.1%. Our Target Price is now $252.

PayPal (PYPL – $77.25) reported a good third quarter, but the company's growth outlook was disappointing, resulting in a more than 5% share price retreat for the week. In Q3, the payment services provider earned $1.20 per share (vs. $1.08 est.) and had revenue of $7.85 billion (vs. $7.89 billion est.). Total payment volume was $422.6 billion, up 9% year-over-year and $1 billion ahead of the analyst consensus. PYPL had 6.63 billion transactions and has 432 million customer accounts. Looking ahead, PayPal expects EPS growth in the high teens range (previous forecast was low- to mid-teens), while transaction margin dollars are expected to grow in the mid-single-digit range.

CEO Alex Chriss stated, “PayPal had a highly productive third quarter. We made good progress on our continued transformation while delivering strong operating and financial results. We brought multiple innovations to market, coupled with a significant new marketing campaign, and are seeing encouraging early adoption, and we continue to forge important partnerships with leaders in global commerce. We’re early in our transformation journey and we have a lot of work ahead to get to where we want to be. However, I’m proud of what we’ve been able to achieve in the last year and it gives me conviction that we’re taking the necessary steps to unlock the full potential of PayPal and Venmo over time. We’ve assembled a world-class leadership team, reignited innovation for our customers, and are now moving with clear purpose and increased velocity. We’re leaning into our competitive advantage, a two-sided network of hundreds of millions of consumers and tens of millions of merchants around the world to evolve from a set of disparate payment products and point solutions into a powerful commerce platform. As we shift from a payments company to a commerce platform, more of the world’s leading commerce players have partnered with us to add value for our mutual customers.”

Mr. Chriss closed, “We’re having very constructive conversations with our merchants, focused on ways we can enable strategic growth opportunities that drive long-term upside for both of us. What is different today is that we now have a suite of value-added services, including payouts, risk as a service, orchestration, guest checkout, and personalization capabilities that help attract new customers and convert them more effectively, in addition to world-class payment processing. We’re excited about our progress here as it is key to long-term value creation.”

CFO Jamie Miller offered the outlook, “As we move into next year, our focus will be on striking the right balance between investment and productivity, seeking to largely fund long-term investments through savings generated from better deployment of tech and automation. We continue to expect 2024 free cash flow of approximately $6 billion and continue to plan for $6 billion of share buyback this year. In closing, I'd like to thank the PayPal team for their ongoing dedication as we drive meaningful change to strengthen our foundation for profitable growth. We are continuing to execute and we're making good progress."

PayPal's transition is moving along, and shares have gained 26% this year, including the 8% pullback between October 28 and today. Mr. Chriss is still early in his tenure and the cards have yet to be counted, but we like the overall direction so far and believe that he has breathed new life into PYPL (and the share price). As is the case with any major change, we expect bumps in the road in the future but note that analysts have started to inch up their 2025 and 2026 estimates. With one quarter remaining, PYPL is expected to see $4.55 of EPS, a figure growing near $4.85 for 2025 and $5.50 for 2026. Revenue is also expected to grow between 6% and 7% each of the next three years, which a sign that Mr. Chriss is doing more than just tinkering in the accounting department. Our Target Price for PYPL now resides at $108.

Corning (GLW – $48.36) shares gained more than 4% last week after the communications equipment maker reported sales and earnings for fiscal Q3 that exceeded analyst estimates, while adjusted EPS of $0.54 beat the $0.52 consensus forecast. GLW had $3.73 billion of revenue, up 8% year-over-year, compared to the analyst estimates of $3.71 billion. Display Technologies segment revenue grew 4% y-o-y to $1.17 billion and Specialty Materials contracted 3% y-o-y to $548 million. Optical Communications was a bright spot, growing revenue 36% y-o-y to $1.25 billion. Next quarter, the company expects core sales of approximately $3.75 billion, below the $3.76 billion analysts were expecting, with core EPS between $0.53 to $0.57 (vs. est. $0.56).

CEO Wendell Weeks explained, "Our momentum continues as we close out the year. In the fourth quarter, we expect year-over-year sales growth to accelerate and EPS to continue growing faster than sales, and Ed will elaborate more on that in a moment. Overall, our results and outlook show we're making strong progress on our Springboard plan to add more than $3 billion in annualized sales with powerful incremental profit and cash flow and to achieve an operating margin of 20% by the end of 2026."

Mr. Weeks shared details of the company's "Springboard Plan," which endeavors to achieve an additional $8 billion of run rate revenue by 2028, with $5 billion of the gain coming by 2026. The company arrived at the target by analyzing data like industry trends, volume and pricing dynamics and market share opportunities. Corning's partnerships with companies including Lumen Technologies, **Verizon** (VZ – $41.36) and AT&T offer a direct path to achieving these goals, bolstered in part by government programs like Build America, Buy America and the Broadband Equity Access and Development.

Corning has been on a tear lately, climbing above $50 briefly on October 29, the highest point level since the Tech Boom in 2000/2001. While GLW revenue gains have been driven in large part by the Display segment due to rapid advances in technology, we expect future growth to come from Optical Communications (data transmission) and Specialty Materials (glass, ceramics and crystals for a wide range of uses). The valuation remains surprisingly reasonable given the stock price appreciation, while the dividend yield is a solid 2.3%. Our Target Price has been boosted to $55.

Internet media and services behemoth **Alphabet** (GOOG – $172.65) reported Q3 EPS that beat expectations ($2.12 vs. $1.84 est.) as consolidated revenue increased double-digits to $88.3 billion, driven primarily by growth in subscriptions, Cloud and advertising. Operating income came in at $28.5 billion, ahead of the $26.7 billion estimate.

CEO Sundar Pichai said, "We are uniquely positioned to lead in the era of AI because of our differentiated full-stack approach to AI innovation and we are now seeing this operate at scale. There are three components. First, a robust AI infrastructure that includes data centers, chips, and a global fiber network. Second, world-class research teams, who are advancing our work with deep technical AI research, and who are also building the models that power our efforts. And third, a broad global reach through products and platforms that touch billions of people and customers around the world, creating a virtuous cycle."

CFO Anat Ashkenazi added, "As I look at the business, I see opportunities for further growth propelled by AI and the underlying momentum across the business. You heard about some of these on the call today. I also believe we are well positioned to deliver meaningful innovation, which will translate to revenue given our strength in the core pillars that are required to succeed in AI at scale. Realizing those opportunities and great innovation in AI requires global reach, which we have through our product set platforms as well as continued meaningful capital investment. And while we have a strong balance sheet to be able to support these investments, we will be looking for efficiencies so that we can fund innovation priority areas."

Overall, we were pleased with the quarter. The company managed to turn in revenue growth in every major segment, despite some of the regulation-related challenges that have been coming Alphabet's way. Efforts to grow via investments in Cloud, hardware and A.I. continue pay off, even as competition for search and web traffic heats up. We still think there is tons of growth likely in the years ahead, yet the shares trade for a very reasonable 20 times the NTM EPS projection, while the company boasts over $90 billion of cash and liquid investments on its balance sheet. Our Target Price for GOOG has been increased to $207, and we think there's more room to build on GOOG's 23% return this year.

Zimmer Biomet (ZBH – $107.27) reported adjusted EPS of $1.74 in Q3, in line with the estimate of $1.74, while revenue of $1.824 billion slightly exceeded the forecast of $1.795 billion. Sales for the medical device maker grew at a mid-single-digit rate for the 11th consecutive quarter, driven by strong performance in Knees, Hips, and S.E.T. (Sports Medicine, Extremities and Trauma). The company's reconstructive platform, comprising Knees and Hips, grew mid-single-digits globally, while S.E.T. achieved upper-single-digit growth.

CEO Ivan Tornos noted, "Despite ERP-related challenges, we made great strides and expect normalized shipping levels by year-end. This quarter's results reflect solid execution and consistency across key categories. Our innovations in Hips and Knees, alongside our comprehensive robotics solutions, position us strongly for future growth."

Mr. Tornos added, "With a robust pipeline of over 50 product launches and favorable market dynamics, we remain focused on our three strategic priorities: people and culture, operational excellence, and innovation and diversification, which are foundational to our long-term growth strategy."

It was nice to see a near-5% bounce in the bruised stock price last week and we continue to like Zimmer's global revenue stream and its focus on cultivating close relationships with orthopedic surgeons who most often make the brand choice for their procedures. Further, Zimmer has accumulated an impressive intellectual property portfolio (owning or controlling some 4,500 issued patents and applications around the world). We also think that global age demographic trends in the U.S. and other regions in the world support long-term potential for the stock. ZBH now trades for 13 times expected NTM adjusted EPS. Our Target Price has been spurred higher to $166.

In its first reported quarter under its new banner following the completion of the merger between Smurfit Kappa and WestRock, **Smurfit Westrock PLC** (SW – $51.46) posted revenue of $7.67 billion and adjusted EPS of $0.17. Adjusted EBITDA came in at $1.265 billion, representing a margin of 16.5%, showcasing early stability and operational integration progress. The market liked what it heard from the company, sending SW shares higher by more than 12% on the week.

CEO Anthony Smurfit remarked, "We are building a strong foundation for Smurfit Westrock, uniting two companies with a shared vision to become the global leader in sustainable packaging. In just over 100 days, we've aligned leadership, begun operational improvements, and have identified substantial cost reduction and efficiency opportunities. This foundation will enable us to deliver value-driven, innovative solutions across a broader geographic footprint and diverse customer base."

He added, "With our unique value-over-volume approach, significant synergies, and a disciplined capital allocation strategy, we are well-positioned to drive sustainable growth and shareholder value in the years ahead."

In an effort to optimize its cost base, SW has closed 10 corrugated packaging facilities, 13 consumer packaging facilities and two mills, while divesting four mills since the merger's closing. We think the company will continue to find ways to improve profitability over time as we have previously noted that consolidations historically have been a positive in terms of rationalizing production and reducing pricing competition. We continue to wrap our arms around the consolidation, but the P/E multiple falls to near 12 a couple years out. For now, our Target Price is $65.

Gen Digital (GEN – $28.27) earned $0.54 per share in fiscal Q2, up 16% year-over-year on 3% top-line growth to $974 million. Cyber safety bookings grew 5% in constant currency, the highest since the company's Avast acquisition. The direct-paying customer count grew 400,000 to 39.7 million. Management believes the advent of A.I. will exacerbate the circulation and risk from spam and malicious content, making GEN's products ever more valuable to consumers. GEN noted that the US National Public Data breach exposed 270 million Social Security numbers, leaving one third of Americans at risk for a data breach. The monthly direct average revenue per user (ARPU) was $7.26, reflecting a $0.03 sequential increase and $0.01 compared with the same period a year ago.

CFO Natalie Derse said, "For Q3, we expect non-GAAP revenue in the range of $980 million to $990 million, translating to approximately 4% growth in cyber safety and Q3 non-GAAP EPS to be in the range of $0.54 to $0.56. For fiscal year 2025, we are strengthening our prior guidance range and now expect full-year revenue in the range of $3.905 billion to $3.93 billion, translating to 3% to 4% growth in cyber safety, expressed in constant currency, supported by expected cyber safety bookings growth of 4% to 5%. We have raised the lower end of our EPS guidance and now expect non-GAAP EPS to be in the range of $2.18 to $2.23 per share, representing an annual increase of 12% to 15% in constant-currency and in-line with the EPS growth objectives we shared last November. In summary, our Q2 results keep us on-target for our 2025 plan and we remain well-positioned to achieve our long-term goals. Our key performance indicators continue to trend in the right direction."

The balance sheet showed an ending cash balance of $737 million, supported by $2.2 billion of total liquidity including a $1.5 billion revolver. In Q3, GEN paid $77 million to shareholders via dividends, a figure that should remain roughly the same in Q4. Since 2023, Gen Digital has paid down $2.0 billion of debt and repurchased an additional $1.6 billion of shares (the market capitalization is $17.4 billion presently). Analysts expect GEN to earn $2.20 per share in fiscal 2025 (up from $1.96 in 2024) with growth between 9% and 12% over the next three years and reaching $2.70 or so. After a rough start to the year, Gen has gained 45% since the low point and we think there's plenty of opportunity for operational success and multiple expansion. GEN shares yield 1.8% and our Target Price has been lifted to $35.

Microsoft (MSFT – $410.37) shares fell 4% last week, even as fiscal Q1 2025 results beat analyst expectations. The software titan earned $3.30 per share (vs. $3.11 est.) and had revenue of $65.6 billion (vs. $64.5 billion est.). Productivity and Business Processes segment revenue was $28.3 billion, Intelligent Cloud segment revenue was $24.1 billion and More Personal Computing segment revenue was $13.2 billion.

CEO Satya Nadella said, "We are off to a solid start to our fiscal year driven by continued strength of Microsoft Cloud which surpassed $38.9 billion in revenue, up 22%. AI-driven transformation is changing work, work artifacts, and workflow across every role, function, and business process, helping customers drive new growth and operating leverage. All up, our AI business is on track to surpass an annual revenue run rate of $10 billion next quarter, which will make it the fastest business in our history to reach this milestone."

CFO Amy Hood offered an update on the company's outlook, "Customer demand for our differentiated solutions should drive another quarter of strong growth. In commercial bookings, we expect strong growth on a growing expiry base, driven by increased long-term commitments to our platform and strong execution across core annuity sales motions. As a reminder, larger long-term Azure contracts, which are more unpredictable in their timing, can drive increased quarterly volatility in our bookings growth rate."

Ms. Hood concluded, "We remain focused on strategically investing in the long-term opportunities that we believe drive shareholder value. Monetization from these investments continues to grow, and we're excited that only 2.5 years in, our AI business is on track to surpass $10 billion of annual revenue run rate in Q2. This will be the fastest business in our history to reach this milestone. We are committed to growing this leadership position across our entire Microsoft Cloud, while maintaining our disciplined focus on cost management and prioritization across every team."

Although the investments have been expensive, Microsoft is rapidly expanding its A.I.-based offerings and is continuing to see strong demand across all types of businesses. Analysts were disappointed that Cloud growth didn't keep pace with Google's, but supplies of chips and necessary infrastructure remain constrained and the integration of MSFT software across corporate technology stacks continues to deepen. Microsoft shares are still up 10% this year and analysts project EPS growth between 11% and 18% in each of the next three years, though the valuation is far from cheap. The forward P/E hovers above 31x, while it'll drop to a more reasonable (for Value factor investors) 23x by 2027 if Microsoft manages to grow earnings from $9.81 in fiscal 2023 to $18 in fiscal 2027. Overall, we think the balance sheet is robust, the management team is capable, Cloud growth is sustainable, and earnings projections might be on the conservative end, so we are willing to ride the MSFT train a while longer. Our Target Price has been increased to $502.

Meta Platforms (META – $567.16) turned in another positive quarter, reflecting strength across its product and A.I. initiatives. META posted earnings of $6.03 per share for Q3, well above analyst expectations, with revenue reaching $40.6 billion, a 19% year-over-year increase. While expenses grew to $23.2 billion due to elevated infrastructure and A.I.-related costs, operating income improved to $17.4 billion, representing a 43% margin with robust profitability amidst high investment spending.

CEO Mark Zuckerberg highlighted, “This was a good quarter with strong product and business momentum, with parts of our long-term vision around AI and the future of computing coming into sharper focus. Meta AI has been rapidly adopted, and Llama is quickly becoming a standard across the industry. More than 3.2 billion people are using at least one of our apps daily, demonstrating the scale and potential of our platform as we continue to innovate.” He also pointed to the success of Meta’s Reality Labs, noting, “With Ray-Ban Meta glasses and our new Quest 3S, we’re pushing the boundaries of what’s possible in AR and VR, offering unique AI-integrated experiences that set the stage for the next generation of computing platforms.”

CFO Susan Li provided a cautious yet optimistic outlook, stating, “For Q4, we expect revenue to be in the range of $45 to $48 billion, with foreign currency impacts expected to be neutral. Full-year 2024 expenses are now projected at $96 to $98 billion, and we anticipate 2024 CapEx in the range of $38 to $40 billion, driven by increased AI and infrastructure investments. We foresee continued growth in CapEx in 2025 to support our ambitious roadmap.” Ms. Li added that Reality Labs expenses will continue rising, emphasizing Meta’s commitment to its long-term vision for AR and VR despite near-term profitability impacts.

We appreciate that Meta continues to strengthen its social media ecosystems as it continues to invest in A.I., with Daily Active People (DAP) across the social platform, which encompasses users on Facebook, Instagram, and Threads, reaching 3.29 billion in Q3, a 5% increase year-over-year. Even as its capital investments will depress the bottom line for a time, we think there are few companies better positioned than META to capture digital advertising spend. The NTM P/E of 23 is not unreasonable, especially given that the balance sheet boasts billions of dollars of net cash, and we have increased our Target Price to $644.

After a rough first half of 2024 for shares of **Fresh Del Monte** (FDP – $31.66), they have been on an upward trajectory (+46% since the end of Q2), including 10% this past week following a big bottom line Q3 beat. Revenue for the produce producer and marketer of $1.02 billion for the three-month period was 5% better than expectations, while adjusted EPS of $0.77 was more than 63% higher than the consensus analyst estimate.

The banana business saw year-over-year revenue drop to $345.3 million from $384.7 million, while gross profit dropped to $21.3 million, compared with $31.9 million in the prior-year period. The decrease in gross profit was driven by lower net sales, higher per unit production costs and the negative impact of fluctuations in exchange rates due to a stronger Costa Rican colon, partially offset by lower per unit ocean freight costs.

While bananas struggled, FDP benefited from continued positive momentum in its Fresh and Value-Added Products business. Revenue in this segment came in at $624 million compared with $574 million in Q3 last year. The increase in net sales was primarily a result of higher sales volume, as well as higher per unit selling prices in the avocado, pineapple, prepared food and fresh-cut fruit product lines due to strong market demand. Gross profit for the segment was $66.3 million, which was 75% higher than a year ago. The increase in gross profit was primarily driven by higher net sales and lower per unit production costs of pineapple and fresh-cut fruit, partially offset by the negative impact of fluctuations in exchange rates.

CEO Mohammad Abu-Ghazaleh stated, “We are pleased to report strong performance in the third quarter. Our strategic focus on high-margin, value-added products continues to deliver positive results, demonstrating the strength of our product innovations and our commitment to driving long-term profitability and value for our shareholders. As committed, we have announced our decision on Mann Packing following our strategic review—a defining step that we believe will boost profitability, reinforce resilience, and deliver sustained growth.”

In addition, FDP announced that its vegetable division, Mann Packing, was selling its Fresh Leaf Farms brand and operations to First Leaf Farms. For Mann, the sale represents a key step in the Fresh Del Monte strategic direction for its vegetable division. After conducting a comprehensive review and defining a clear path forward, the company is implementing a three-pronged strategy focused on increasing operational efficiency, elevating its product offerings and divesting non-core assets. Mann will continue prioritizing its core vegetable line along with signature innovations, such as Broccolini, Stringless Sugar Snap Peas and Better Leaf lettuce.

We continue to like that FDP leadership is focused on cost discipline, growing higher margin businesses and improving the balance sheet (which has included a 33% decrease in long-term debt over the last year, $401 million down to $269.6 million), all possible because of solid free-cash-flow generation. Despite the jump in price, FDP trades for 11.4 times the NTM adjusted EPS forecast and yields 3.2%. Our Target Price has been juiced to $41.

HF Sinclair (DINO – $38.70) reported its Q3 2024 financial results, and the stock sank 10% on the week, despite the oil refining and marketing concern showing resilient performance across diversified business segments in the face of weaker global refining margins. DINO achieved adjusted earnings per share of $0.51, surpassing the consensus estimate of $0.32. Revenue came in at $7.21 billion, exceeding the analyst consensus of $6.72 billion.

CEO Tim Go expressed satisfaction, saying, “We are pleased with our third quarter financial and operational performance in all of our businesses and especially by the strong and consistent earnings in our Marketing, Midstream, and Lubricants and Specialties segments,” and emphasizing the importance of DINO’s diversified portfolio amid challenging market conditions.

The company returned $222 million to shareholders through dividends and share repurchases during the quarter, declaring a regular quarterly dividend of $0.50 per share. DINO has returned over $3.9 billion to shareholders since the Sinclair acquisition in 2022, reducing its share count by 57 million, approximately 71% of the shares issued for both the Sinclair and HEP transactions. As of September 30, DINO had approximately $800 million remaining on its share repurchase authorization.

As of the end of Q3, total liquidity stood at $3.7 billion, comprising a cash balance of $1.23 billion, a $1.65 billion undrawn unsecured credit facility and $850 million availability on the HEP credit facility. Total debt was $2.7 billion, with a net debt-to-capital ratio of 12%. For the full year, HF Sinclair expects to spend approximately $800 million on sustaining capital, including turnarounds and catalysts, and an additional $75 million on growth capital. In Q4, the company expects to refine between 565,000 and 600,000 barrels per day, reflecting a planned turnaround at the El Dorado refinery.

Commenting on future prospects, Mr. Go noted, "Looking forward, we remain committed to improving our safe and reliable operations and believe our diversified business portfolio positions us to generate attractive through-cycle cash flows and continued strong returns to our shareholders." The company also indicated that it expects to benefit from the shutdown next year of a Phillips 66 two-plant refinery complex in California as DINO's Puget Sound refinery in Washington can make gasoline that meets the Golden State's specifications.

As evidenced by the 60% drop for refining margin in the quarter, profits in the refining space can be volatile from period to period. However, we continue to expect fossil fuels to remain a substantial part of global energy usage and remain patient for the tide to turn back toward the cyclical company's (and our) favor. Liking management's affinity for returning capital back to shareholders (the dividend yield is 5.2%), our Target Price for DINO is now $66.

Shares of **International Paper** (IP – $55.77) rose nearly 15% on Halloween after the release of the company's Q3 2024 financial results, which included much-better-than-expected earnings. IP reported adjusted EPS of $0.44, which smashed the consensus analyst estimate of $0.25, while revenue was in line with projections at $4.7 billion. IP continued to execute its 80/20 strategy to simplify operations, reduce costs and focus on high-impact customers. The company implemented several strategic initiatives, including the closure of five plants to optimize capacity and enhance productivity. Despite the closures, IP expects to retain 100% of its strategic customers, while positioning itself for future growth with potential investments in greenfield and brownfield facilities.

CEO Andrew Silvernail expressed optimism about the company's transformation progress, stating, "We're building a performance-driven culture at IP that enables us to create significant value for our employees, customers, and shareowners. Our strategy positions us to be the low-cost, sustainable packaging provider in North America and EMEA."

Operating expenses were impacted by reliability incidents and higher labor costs, contributing to a sequential decline in earnings. However, management anticipates improvement in Q4, with Industrial Packaging expected to benefit from price increases, improved reliability and lower maintenance costs. CFO Tim S. Nicholls noted, "We're seeing strong early results from our 80/20 strategy, particularly in our pilot plants, where productivity has improved by 20-30%. These initiatives are key to delivering long-term profitability."

Looking ahead, IP forecasts sequential earnings growth in its Industrial Packaging segment for Q4, driven by favorable price/mix, reduced maintenance expenses and lower input costs. However, earnings in the Global Cellulose Fibers segment are expected to decline due to accelerated depreciation from previously announced facility closures. Mr. Silvernail reaffirmed IP's commitment to cost control, adding, "We are laser-focused on reducing structural costs, and our actions today will drive transformational improvements, creating significant value for our shareholders."

Under new leadership, IP is focusing on operational efficiency and strategic growth, positioning the company to navigate current industry challenges. The new CEO has prioritized cost management and sustainability, which have strengthened IP's resilience amid supply chain issues and inflationary pressures. We think the strategy has legs but cannot ignore that shares trade for an elevated P/E multiple versus the long-term median, considering EPS both near-term and a few years out. While our present cash weighting is higher than we might prefer, IP could be a source of funds should a more exciting value proposition come across our desks. For the time being, our Target Price has been hiked to $60.

Apple (AAPL – $222.91) earned $1.64 per share in its latest quarter (vs. 1.60 est.), up 12% year-over-year, as the iPhone maker reported record comparable-quarter revenue of $94.9 billion, up 6% year-over-year, helped out by a sequential improvement in foreign exchange effects. This growth was broad-based across markets, with Products revenue climbing 4% to $70.0 billion, driven by iPhone and iPad sales cycles. Services revenue also hit an all-time record of $25.0 billion, up 12% year-over-year. Apple launched its Apple Intelligence, which is the company's late-to-the-party A.I. engine. The feature is available on many U.S.-based devices and will roll out to the rest of the world over the next year. Apple claims systemwide benefits will help users perform a wide array of tasks.

iPhone revenue was $46.2 billion, up 6% year-over-year. Mac revenue rose 2% to $7.7 billion, propelled by the new M4, M4 Pro and M4 Max chips. iPad revenue grew 8% to $7.0 billion, driven by the new iPad Mini, Apple Intelligence features and support for the Apple Pencil Pro. Wearables, Home and Accessories revenue was $9.0 billion, a 3% year-over-year decline.

CEO Tim Cook said, “At Apple, across everything we do, we manage for the long term, because we’re always thinking about what comes next, the next great challenge, the next innovative idea, the next big breakthrough. As we close out the year, we have the best lineup we’ve ever had going into the holiday season, including Apple Intelligence, which marks the start of a new chapter for our products. This is just the beginning of what we believe Generative AI can do, and I couldn’t be more excited for what’s to come.”

CFO Luca Maestri added, “I’d like to review our outlook, which includes the types of forward-looking information that Suhasini referred to at the beginning of the call. The color we’re providing today assumes that the macroeconomic outlook doesn’t worsen from what we are projecting today for the current quarter. We expect our December quarter total company revenue to grow low-to-mid-single-digits year-over-year. We expect Services revenue to grow double digits at a rate similar to what we reported in the fiscal year 2024. We expect gross margin to be between 46% and 47%. We expect OpEx to be between $15.3 billion and $15.5 billion. We expect OI&E to be around negative $250 million, excluding any potential impact from the mark-to-market of minority investments, and our tax rate to be around 16%. Finally, today our Board of Directors has declared a cash dividend of $0.25 per share of common stock payable on November 14, 2024 to shareholders of record as of November 11, 2024.”

Apple has fallen several percent from where we made our latest trim last month, but the position remains among our largest and the fundamentals are solid. The forward P/E ratio is 30, but analysts project EPS growth between 9% and 12% over the next three years, which pushes the 2027 P/E down near 25 (assuming Apple is able to match the consensus estimate). As we often note, every stock is fighting for its position in our portfolios and Apple is not exactly cheap anymore, but after our latest partial sale, we are content to hold the balance of our stake for our upwardly revised Target Price of $259.