



1-18-21

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 1-15-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	30,814.26	-0.9%	+0.7%
S&P 500	3,768.25	-1.5%	+0.3%
NASDAQ	12,998.50	-1.5%	+0.9%

Last week, new weekly unemployment claims spiked to 965,000, more than expected, to reach a five-month high due to the surge in coronavirus cases and stay-in-place orders. Continuing claims increased to 5.271 million reaching a one-month high. Based on the latest report, more than 18 million Americans were still claiming unemployment benefits of some form, including about 11.6 million individuals on pandemic-era federal unemployment programs.

December retail sales declined 0.7% and November retail sales were revised down to -1.4% from -1.1%. Consumer spending decelerated at the end of the fourth quarter, partly because of expiring benefits, weakening confidence in the short-term outlook and restrictions on certain activities due to worsening coronavirus trends.

Total CPI increased 0.4% in December driven largely by an 8.4% increase in the gasoline index, which accounted for more than 60% of the overall increase. Year-over-year total CPI is up just 1.4%, well below the Fed's inflation target of 2%. The Producer Price Index for final demand was up 0.3% in December with the year-over-year reading at just 0.8%, which also signals that inflation remains in check.

Industrial production increased 1.6% in December. The capacity utilization rate jumped to 74.5%, reflecting continued strength in manufacturing output.

The preliminary January reading for the University of Michigan Index of Consumer Sentiment came in at 79.2 versus the final reading of 80.7 for December. While there was a small drop in consumer sentiment, it was surprisingly slight given the contentious issues related to rising coronavirus cases/deaths, the storming of the U.S. Capitol and the impeachment of President Trump.

President-elect Joe Biden proposed a \$1.9 trillion economic stimulus plan including additional \$1400 direct checks to most Americans, \$400/week in supplemental unemployment benefits, \$350 billion in state and local funding, minimum wage increase to \$15/hour and additional money for schools, testing and vaccine distribution.

During the past week, the stock market pulled back from record levels with the Dow declining 0.9% and the S&P 500 and NASDAQ each dropping 1.5%.

HI-Quality Company News



Regeneron Pharmaceuticals-REGN announced that the U.S. Department of Health and Human Services (HHS) and the Department of Defense (DOD) will purchase an additional supply of the casirivimab and imdevimab antibody

cocktail for use in non-hospitalized COVID-19 patients to meet the federal government's Operation Warp Speed goals. The government has said it will provide these doses at no cost to patients, though healthcare facilities may charge fees related to administration. Under the new agreement, the government will purchase all finished doses of the casirivimab and imdevimab antibody cocktail delivered by June 30, 2021, up to 1.25 million doses at a value of up to \$2.625 billion. Under a previous agreement, Regeneron is already supplying doses to treat approximately 300,000 people, bringing the total potential purchase to over 1.5 million doses. "Patients in our antibody cocktail outpatient clinical trial experienced significant reductions in virus levels and required fewer medical visits for COVID-19, suggesting the therapy can help reduce the current burden on hospitals and healthcare systems," said George D. Yancopoulos, M.D., Ph.D., President and Chief Scientific Officer of Regeneron. "Additionally, as expected, the virus continues to mutate, with the possibility of developing resistance to any one antibody. The Regeneron cocktail of two antibodies, each targeting a different site on the virus, reduces the possibility of the virus becoming resistant."



Johnson & Johnson-JNJ CEO Alex Gorsky said that the company is in the "final stages" of analyzing the data from its 45,000-patient Phase 3 trial of the single-dose version of its vaccine. If positive, the results could accelerate the global Covid-19 vaccination effort, boosting the number of available doses to one billion this year and introducing a vaccine option that will be much easier for public health officials to handle.



Walgreens-WBA is well-positioned to assist in accelerating the distribution of the COVID-19 vaccine by utilizing its pharmacies across the country. With a nationwide footprint, extensive vaccine experience, trusted community presence and pharmacy expertise, Walgreens will help our nation emerge from this pandemic.

In other news, Walgreens is expanding its financial services offering in partnership with Synchrony and **Mastercard-MA**, as part of its ongoing commitment to offer differentiated healthcare services and benefits to customers. In the coming months, Walgreens will launch credit cards, issued by Synchrony, as well as a prepaid debit card, both of which will be powered by the Mastercard network.



T. Rowe Price-TROW reported preliminary month-end assets under management of \$1.47 trillion as of December 31, 2020, representing a 21.8% increase over the prior year.



Intel-INTC announced that its board of directors has appointed 40-year technology industry leader Pat Gelsinger as its new chief executive officer, effective February 15, 2021. Gelsinger will also join the Intel board of directors upon assuming the role. He will succeed Bob Swan, who will remain CEO until February 15. Intel expects its fourth-quarter 2020 revenue and EPS to exceed its prior guidance provided on October 22, 2020. In addition, the company has made strong progress on its 7nm process technology and plans on providing an update when it reports its full fourth-quarter and full-year 2020 results as previously scheduled on January 21, 2021.

In other news, Intel introduced four new PC processor families targeting business, education, gaming and mobile applications. It debuted more than 50 new processors as part of its 11th Gen Intel Core series. Intel also announced that it has started production of its third-generation Xeon Scalable processors. The 10-nanometer processors, code-named Ice Lake, feature innovations that boost performance, security and operational efficiency within data centers.



Gentex-GNTX announced the acquisition of a new nanofiber sensing technology capable of detecting a wide variety of chemicals, from explosives to volatile organic compounds. "Our new Vaporsens technology can be used in a wide

variety of markets and industries, with potential applications for automotive, aerospace, agriculture, chemical manufacturing, military & first responders, worker safety, food & beverage processing, and medical – anywhere chemical sensing is needed,” said Neil Boehm, Gentex’s chief technology officer

Howard Marks in his latest memo, “*Something of Value*,” outlined the essential underlying principles of value investing as these:

- the understanding of securities as stakes in actual businesses,
- the focus on true worth as opposed to price,
- the use of fundamentals to calculate intrinsic value,
- the recognition that attractive investments come when there is a wide divergence between the price at which something is offered in the market and the actual fundamental worth you’ve determined [*margin of safety*], and
- the emotional discipline to act when such an opportunity is presented and not otherwise.

Marks wrote, “*Importantly, value investors recognize that the securities they buy are not just pieces of paper, but rather ownership stakes in (or, in the case of credit, claims on) actual businesses. These financial instruments have a fundamental worth, and it can be quite different from the price quoted in the market, which is based on the manic-depressive ups and downs of a character Benjamin Graham called “Mr. Market.” On any given day, Mr. Market can be exuberant or despondent, and he quotes prices for securities based on how he feels. The value investor understands that – rather than informing us as to what a given asset’s value is – Mr. Market is there to serve us by offering up securities at prices, which can be meaningfully disconnected from the actual value of a stake or claim in the underlying business. In doing so, he sometimes gives us the opportunity to snatch up shares or bonds at a meaningful discount from their intrinsic value. This activity requires independent thought and a temperament that resists the emotional pull of the market cycle, making for decisions based solely on value.*”

Benjamin Graham’s best advice has been to only buy an investment when there is a “margin of safety.” With the stock market at record highs and full of frothy initial public offerings (IPOs) and blank-check companies known as Special Purpose Acquisition Companies (SPACs), we are finding fewer and fewer investments that can claim a margin of safety especially in the midst of a global pandemic. At the same time, a surprisingly exuberant Mr. Market offers us the ability to sell shares at meaningful premiums to their intrinsic value. We will remain patient and disciplined in reinvesting the profits and only buy when there is an adequate margin of safety.

Sincerely,

Ingrid R. Hendershot

Ingrid R. Hendershot, CFA
President