

December 21, 2023

Markets at a Glance (Index Prices as of 12/15/2023)

	Current Price	One Month Change	Year to Date Change
S&P 500	\$4,719.1900	8.42	22.91
Dow Jones Industrial	\$37,305.1600	8.93	12.54
MSCI World Index	\$3,040.7000	8.69	20.22
Bloomberg US Aggregate Index	\$364.1626	6.39	11.39
Bloomberg US Convert Bal TR	\$2,148.6400	4.47	4.87
S&P Global Clean Energy	\$961.5400	12.56	-24.44

Source: FactSet and Bloomberg

Markets at a Glance (as of 12/15/2023)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	102.6210	-1.70	-0.87
Crude Oil WTI	\$71.6900	-6.48	-10.68
Crude Oil Brent	\$76.8100	-5.38	-10.59
Natural Gas	\$2.4640	-22.76	-44.94
Gold	\$2,018.3000	2.75	10.52
CBOE Silver	\$23.8700	1.41	-0.71
Copper	\$387.2500	4.14	1.63
Platinum	\$947.9000	5.09	-11.72
Palladium	\$1,198.1000	15.17	-33.36
Corn	\$482.5000	2.50	-28.89
Wheat	\$629.5000	12.31	-20.52

Source: Bloomberg 12/15/2023

S&P 500



Currency: U.S. Dollar | Performance data as of: 18 Dec '23

Source: FactSet

Dow Jones Industrial



Currency: U.S. Dollar | Performance data as of: 18 Dec '23

Source: FactSet

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Russell 1000 Value



Previous Close	995.38
52 Week High	999.85
52 Week Low	874.15
Change (%)	-
1 Day	0.14
1 Week	2.59
1 Month	6.02
3 Months	3.88
6 Months	4.38
YTD	7.67
1 Year	8.68
3 Year	20.81
5 Year	45.13
10 Year	76.94

Currency: U.S. Dollar | Performance data as of: 18 Dec '23

Source: FactSet

Russell 1000 Growth



Previous Close	2,011.08
52 Week High	2,011.08
52 Week Low	1,397.62
Change (%)	-
1 Day	0.68
1 Week	2.80
1 Month	5.06
3 Months	9.33
6 Months	10.98
YTD	40.93
1 Year	38.56
3 Year	26.39
5 Year	127.78
10 Year	260.63

Currency: U.S. Dollar | Performance data as of: 18 Dec '23

Source: FactSet

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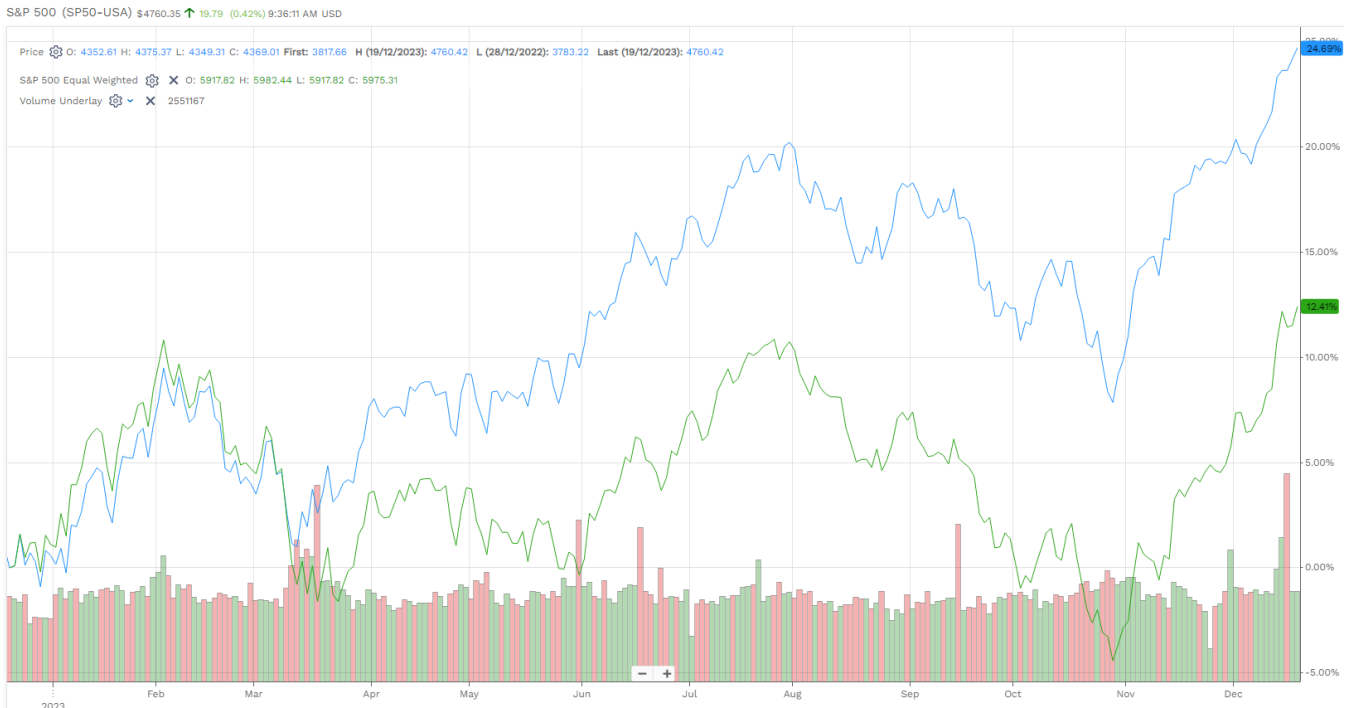
NASDAQ 100 Index



Currency: U.S. Dollar | Performance data as of: 18 Dec '23

Source: FactSet

S&P 500 Index vs. S&P 500 Equal-Weighted Index (1 year)



Source: FactSet

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EXCITING NEWS!

Laffer Tengler investments has launched an ETF in partnership with Tuttle Capital Management called, **The Laffer Tengler Equity Income ETF (SYMBOL: TGLR)**.

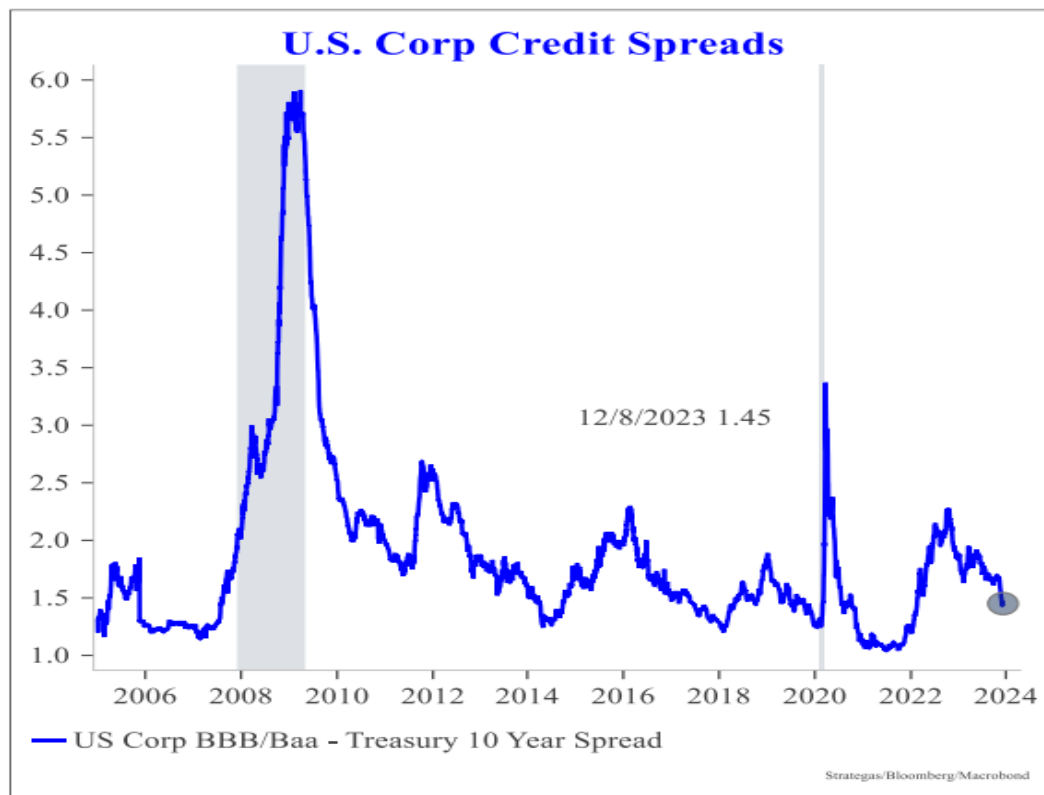
TGLR follows our flagship Equity Income Strategy managed by Nancy Tengler.

Please click [here](#) or visit tgretf.com to learn more about **TGLR** or call us at **800.838.3468**.

EQUITIES

from Nancy Tengler, CEO & Chief Investment Officer

Credit spreads have tightened. A bullish indicator.



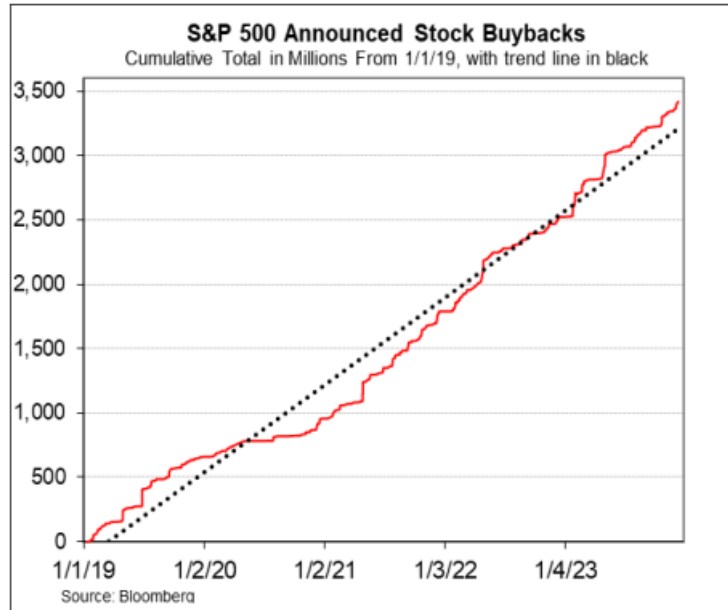
Source: Strategas Research Partners, December 10, 2023

Stock buybacks will once again put a floor under stock prices. Our friend, Brian Reynolds, points out that the credit market “keeps providing fuel for buybacks and M&A designed to boost share prices.” He is right.

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Source: Reynolds Strategy, December 14, 2023

From a speech I gave on December 6th.

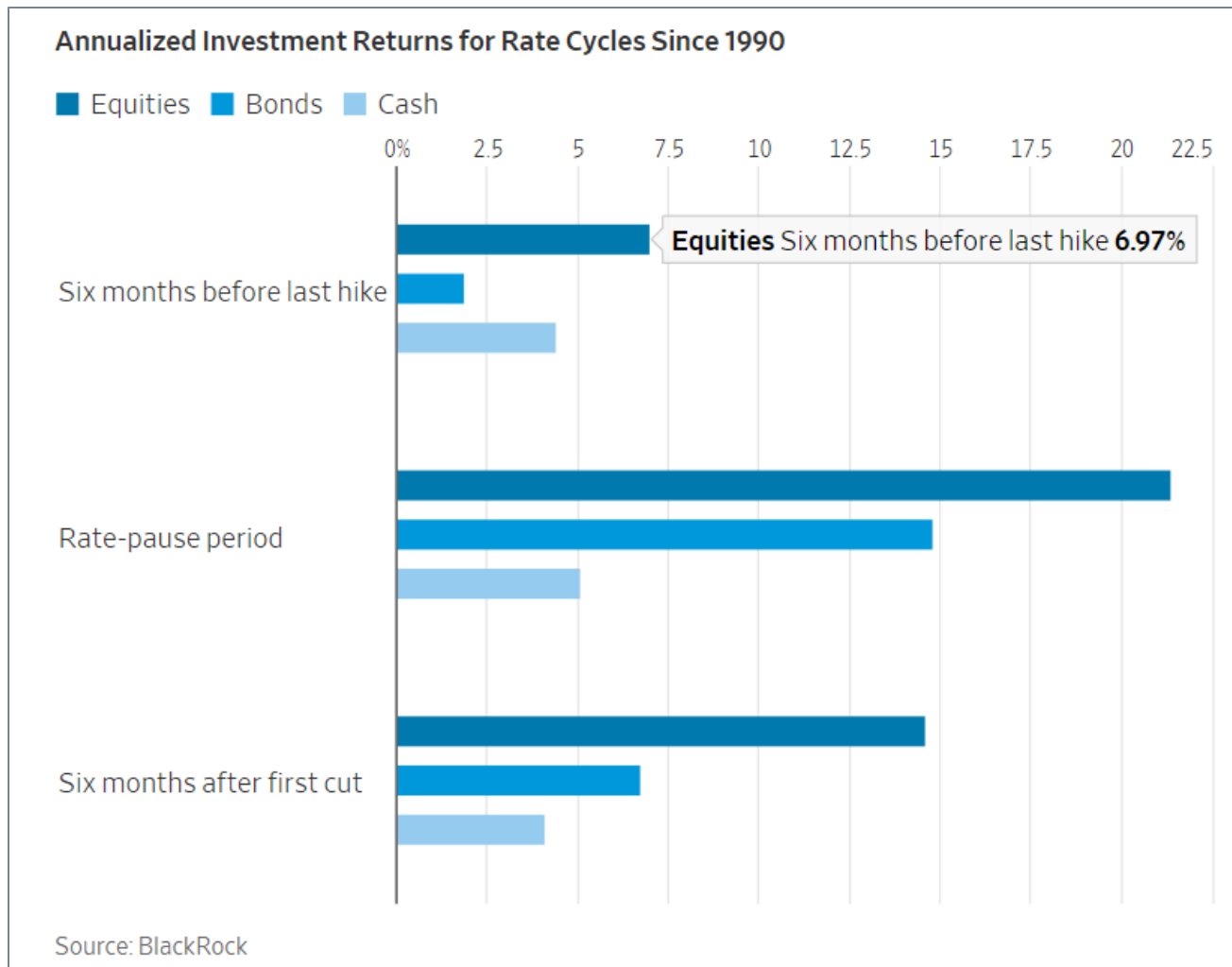
Share Buybacks Will Put a Floor Under Many of the Large-Cap Tech Names; Buy Dips

- According to Bloomberg five of the Mag 7 are forecast to buy back \$190B of stock in 2024.
- AAPL alone will top \$100B a year by fiscal 2027. Only 37% of announced \$90B buyback has been executed to date.
- MSFT, META, GOOGL and NVDA have flagged more repurchases.



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Stocks tend to produce positive returns as rate hiking regimes come to an end. From the December 14th *The Wall Street Journal*:



EARNINGS

from Jamie Meyers, CFA®, Securities Analyst

Holiday Spending: Not Tapped Out Yet

As earnings seasons closes and we come to year-end waiting for the Gadot recession, there is one theme that captures commentary we heard on retail earnings calls – caution. And while some retailers may appear conservative with their outlooks, the resounding lack of confidence raises questions about the overall health of the consumer. So, what did retailers say?

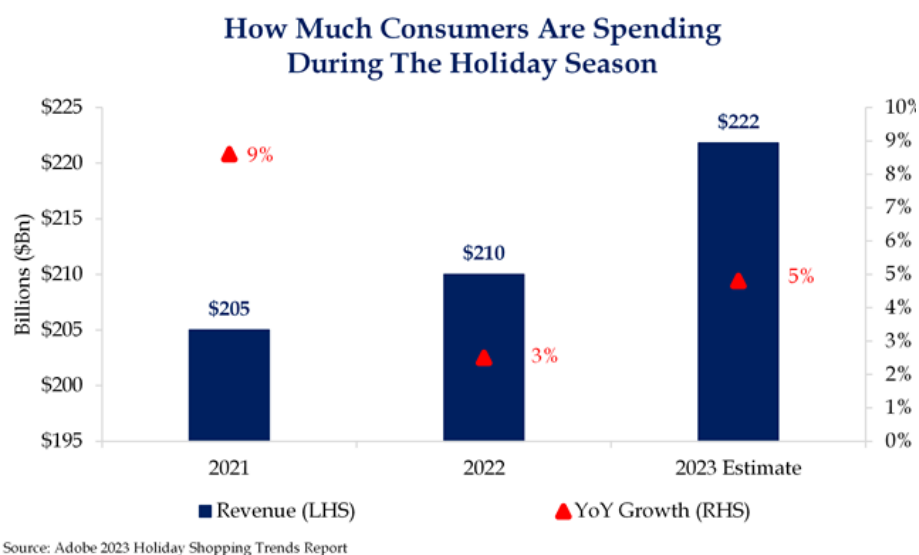
Target (TGT) CEO Brian Cornell told analysts, “Consumers are still spending, but pressures like higher interest rates, the resumption of student loan repayments, increased credit card debt, and reduced savings rates have left them with less discretionary income, forcing them to make trade-offs.” The CEO continued, “As we look at recent trends across the retail industry, dollar sales are being driven by higher prices with consumers buying fewer units per trip. In fact, overall unit demand across the industry has been down 2% to 4% in recent quarters, and the industry has experienced seven consecutive quarters of declines in discretionary dollars and units.”

Walmart (WMT) CFO John David Rainey also struck a cautious tone: “Halloween was good overall, but in the last couple of weeks of October, there were certainly some trends in the business that made us pause and kind of rethink the health of the consumer.”

Dick’s Sporting Goods (DKS) CEO Lauren Hobart was “excited” for the holiday season but sidelined that optimism by repeatedly noting the company will focus on things “within its control.” During the earnings call, the CEO told analysts, “We are very excited about what we have within our control for Q4. Our products are in stock. We’ve got tremendous gifts... We’re balancing all of that with caution about the macroeconomic environment and the consumer, because we know that consumers are going through a lot right now. So, I think, we’ve been reasonably cautious in our guidance.”

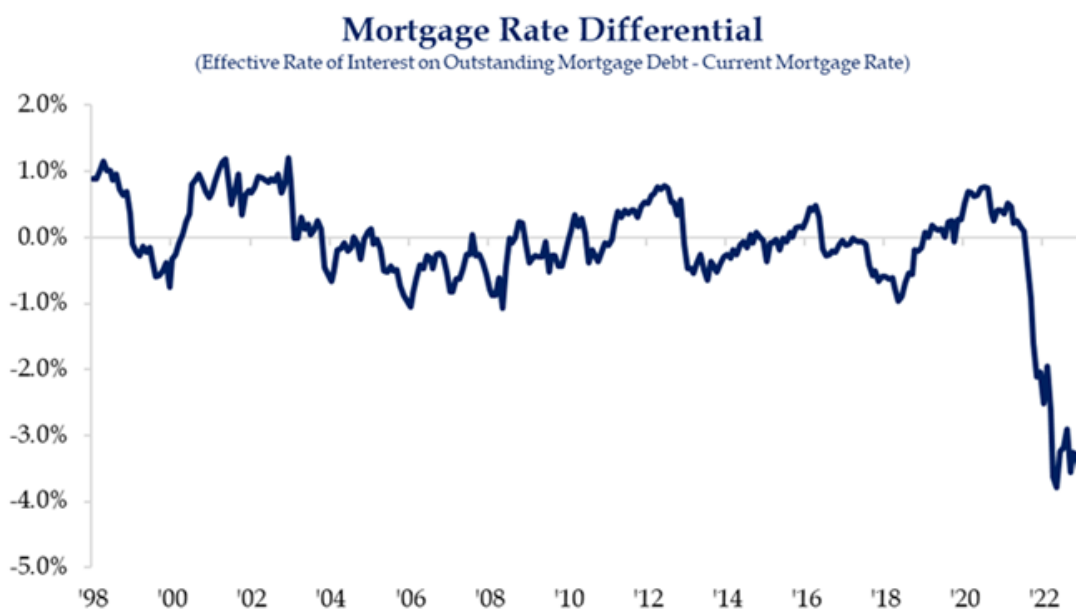
On that note, what does the macro picture look like? And what’s slated for this holiday season and beyond? Our good friends at Strategas took a look, and observed the following:

First, according to data from Adobe, holiday spending this year is projected to grow about 5% (vs. last year’s 3% growth). This stands in stark contrast to what we heard on earnings calls. It would appear that consumers continue to spend irrespective of the higher interest rate environment.



Second, in aggregate, there was \$96.9 billion in holiday spending from November 1st through November 26th (Thanksgiving weekend). Of that \$96.9 billion, 92% was via legacy payments with the remaining 8% taking place via buy-now, pay-later contracts (BNPL) through companies like **Affirm (AFRM)**, **PayPal (PYPL)**, and **Block (SQ)**. BNPL is a newer tool in consumers’ arsenals and can be an appealing alternative to using credit cards (which have much higher fees). In essence, the tool provides another avenue for consumption (at lower interest rates).

Third, consumers were smart, and termed out their biggest loans – mortgages. While the current prevailing rate on 30-year fixed mortgages (over 7.5%) has certainly impaired existing home sales, it’s important to note that the majority of outstanding mortgage debt in the United States has a fixed rate nearly -3.5% below current rates (in fact, over 70% of mortgages enjoy a rate of 4% or lower)¹. And since mortgage debt comprises roughly 70% of all household debt, consumers are far less sensitive to rate hikes. Like many larger corporations (and unlike the Federal government), consumers took advantage of the low interest rate environment we previously enjoyed.



Source: Strategas Research Partners

Fourth, consumers still have room in revolving credit, which in absolute terms continues to grow, especially with compounding of balances at higher rates. But when looking at revolving credit as a percentage of disposable income, the picture is less gloomy – at 6.3% today (vs. an average of 6.6% from 2012 to 2019), there is still room for it to expand further.

¹ <https://www.financialsamurai.com/mortgages-by-interest-rate/>

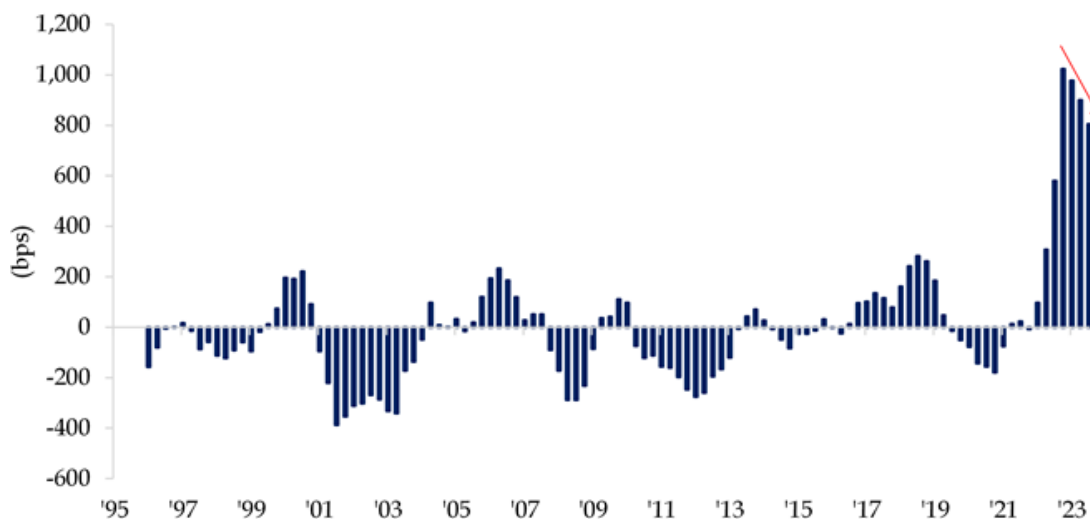
Consumer Revolving Credit As A Percent Of Disposable Income



Source: Strategas Research Partners

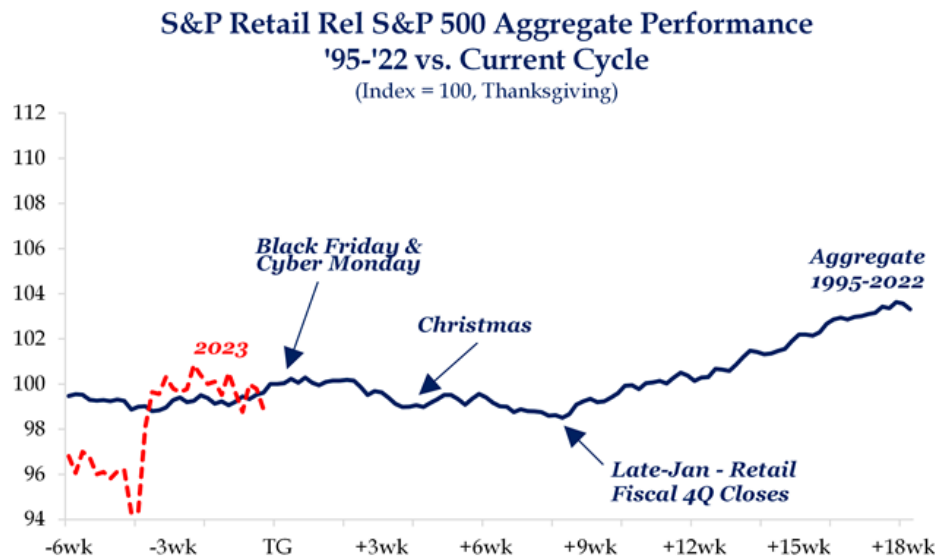
Fifth and finally, the rate of change for consumer finance rates has peaked, which could provide a tailwind, especially for housing, if rates continue to roll over as we head into the spring listing season.

Combined YoY Change For Credit Card, 30 Year Fixed Rate Mortgage & 48 Month Auto Loan Rate in bps



Source: Strategas Research Partners

What does this mean for retail stock performance? Historically, retail shares would sell off from Thanksgiving through the New Year as reports of disappointing results dominate the news; and shares subsequently rally against the Q4 reporting period backdrop (which would be January – March 2024).



Source: Strategas Research Partners

We see this playing out to a degree, but we remind the reader that this is the most complicated investing environment of our lifetimes. It's worth repeating, so we will leave you with our corollary: the 1990s, where we had (1) geopolitical shock followed by war, (2) a banking crisis, (3) inflation above 3%, (4) interest rates between 5% and 8%, and (5) technological advances leading to a productivity boom. How nostalgic.

EARNINGS

from John McGinn, Securities Analyst

Financials Exposure Review

At the Goldman Sachs Financial Services Conference on December 5th, 2023, JPMorgan presented a detailed overview of its financial strategy and outlook. The bank maintains a cautious stance in its macroeconomic approach, with a strong position in deposits and capital ratios, yet plans a more cautious approach in issuing loans. A significant area of growth for JPMorgan is credit card loans, expected to see double-digit YOY growth into the next year. In contrast, while consumer loans are projected to grow at a mid-single-digit YOY rate, mortgage loans might remain static or even decline. JPMorgan is investing a substantial \$8 billion in its consumer division, focusing on expanding its branch network, enhancing marketing, boosting customer acquisition, and making significant investments in technology

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and data. However, the credit card and consumer sectors face challenges due to increased Risk-Weighted Assets (RWA) inflation, necessitating larger capital buffers. This could potentially slow card growth and affect lower-income consumers. Despite these challenges, JPMorgan remains confident in its ability to adapt to the macroeconomic environment. Regulatory changes are perceived as a potential threat to product quality, but JPMorgan is prepared to manage these challenges.

In terms of Net Interest Income (NII), JPMorgan's guidance is optimistic, aligning with or slightly surpassing expectations. The bank expects flat market and trading revenues for the fourth quarter, but a slight increase in banking revenue. Notably, loan loss reserves, especially in the credit card sector, are anticipated to be higher than sell-side estimates. Separate from the conference presentation, there is a financial concept related to quantitative tightening often described as "taking the stairs up, and the elevator down." This phrase captures the Federal Reserve's strategy of gradually increasing short-term rates to control inflation and swiftly decreasing them when satisfied with the levels of inflation and unemployment. These rate adjustments significantly impact the yield curve, typically causing it to steepen, indicative of economic growth and deferred inflation expectations. This steepness is typical in a healthy economy and is beneficial for banks' net interest margins, as they generally borrow at short-term rates and lend at long-term rates. Larger, diversified banks like JPMorgan, with their varied portfolios including trading and investment banking, are less dependent on net interest margins and more resilient to yield curve fluctuations. In contrast, regional banks, which are highly reliant on the yield curve and net interest margins, may become attractive investment opportunities if short-term rates decrease rapidly or "take the elevator down." Additionally, the valuations of regional banks have significantly declined following the Silicon Valley Bank and First Republic crises earlier in the year. As we look towards 2024, the potential for wider net interest margins and relatively low valuations could act as strong bull catalysts for regional bank stocks, leading our team to reassess our positioning within the financial sector.

CONVERTIBLES

from Stan Rogers, Portfolio Manager

Notable earnings/news reports:

The news flow in the convertible space was quiet over the past two weeks. With the Fed meeting on December 13th having a dovish tone, the Treasury market rallied considerably, and added fuel to the already in-progress equity market's move upward. Remember, convertibles valuations (and price behavior) are driven by interest rates (which effect bond values) and equity prices (which drive the equity option value). A rising rate environment coupled with declining equity prices would be considered the least attractive period for convertibles. We have obviously suffered through that period since the Fed began their hiking process early in 2022. So, alternatively, a declining rate environment combined with

rising equity prices would be the most stimulating scenario for convertible securities since both inputs would drive convertible valuations higher. That has certainly been the case over the last few trading days, we'll see what 2024 brings.

Transactions for this period:

We added approximately 1.25% to our existing position in Jazz Pharmaceutical (JAZZ) 1.5% convertible bond. At purchase, the bond has a 6.2% yield-to-maturity, and it matures on August 15th of 2024. The company has almost \$1.6 billion in cash, which is more than enough to cover the \$575 principal amount of this issue.

NANCY TENGLER'S RECENT MEDIA APPEARANCES

[Tengler: Lots Of Reasons To Buy Tech](#) (December 8)
[Tengler On Bloomberg Radio: Stocks Can Continue To Do Well From Earnings](#) (December 8)
[Tengler: Investors Should Own Reliable Growing Stocks In A Slowing Economy](#) (December 7)
[Tengler On Yahoo Finance: Broadcom Is Ahead Of The Game](#) (December 7)
[Tengler On Disney's Board Election](#) (December 5)
[Tengler Joins Forbes On Fox Business](#) (November 16)
[Tengler: You Need Tech In Your Portfolio](#) (November 14)
[Tengler: This Market Is Analogous To The 1990s](#) (November 11)
[Tengler: A Lot Of The Fed Chairman's Policies Have Been Wrong](#) (November 9)
[Tengler: We Rally Into The End Of The Year](#) November 8)
[Tengler: A Fed And Fiscal Policy At Odds](#) (November 1)
[HerMoney's How She Does It: Invest Like A Woman With Nancy Tengler](#) (October 30)
[Tengler On The Larry Kudlow Show: "I Think We're Definitely In For A Slow Down."](#) (October 28)
[Tengler: "The Next AI Winners May Be Old Economy Companies Embracing The Revolution"](#) (October 26)
[Tengler: Know The Companies That You Own](#) (October 25)
[Tengler Talks Microsoft And Alphabet Earnings](#) (October 25)
[Tengler On United, Morgan Stanley & P&G Stocks](#) (October 17)
[Tengler: We Need To Encourage, Educate And Embrace Women Investors](#) (October 12)
[Tengler for WSJ: Investors Hope Earnings Season Will Revive Stocks](#) (October 8)
[Investing Fundamentals From Nancy Tengler](#) (October 3)
[Tengler: There's Too Much Money Being Spent](#) (October 2)
[Tengler: Market Rally Will Take Place 'Definitely By Year End'](#) (September 29)
[Tengler Announces New Book For Women Investors](#) (September 26)

ARTHUR LAFFER, JR. RECENT MEDIA APPEARANCES

[Unpacking The Latest Fed, Stock Market Moves With Arthur Laffer Jr.](#) (July 5)
[Arthur Laffer Jr. For Barron's: Fed Minutes Come Tomorrow. Here's What To Watch](#) (May 23)
[Arthur Laffer Jr. Comments on Fox Business: ETF's To Play Around The Debt Default Risk](#) (May 18)
[Arthur Laffer Jr. Shares Expectations Ahead Of Fed Chair Speech](#) (Fox Business, August 22)
[President Arthur Laffer Jr. Joins "Mornings With Maria" To Discuss Energy Prices](#) (Fox Business, June 6)
[Arthur Laffer Jr. On Mornings With Maria: "I Don't See Recession Yet."](#) (Fox Business, March 18)
[A Read on Inflation](#) (Fox Business, February 7, 2022)

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COMPLETED ANALYSIS ITEM(S) FOR PORTFOLIO COMPANIES

Home Depot, Inc. (HD)
 Facebook, Inc. (FB)
 Walmart Inc. (WMT)
 Apple Computer, Inc. (AAPL)
 Microsoft Corp. (MSFT)
 Starbucks Corporation (SBUX)
 Broadcom Inc. (AVGO)
 FedEx (FDX)
 Intl. Flavors & Fragrances, Inc. (IFF)
 Palo Alto Networks, Inc. (PANW)
 Morgan Stanley (MS)
 Boeing (BA)
 Goldman Sachs (GS)
 Visa (V)
 AbbVie (ABBV)
 Tiffany & Co. (TIF)
 Walt Disney Company (DIS)
 International Paper Co. (IP)
 Salesforce.com (CRM)
 Micron (MU)
 Pfizer (PFE)
 AT&T (T)
 Boston Scientific Corp. (BSX)
 Western Digital Corp. (WDC)
 Fortive Corp. (FTV)
 Pinnacle West Capital (PNW)
 Danaher Corporation (DHR)
 Southwest Airlines Co. (LUV)
 QUALCOMM Inc. (QCOM)
 Dominion Energy (D)
 Booking.com (BKNG)
 Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI)
 Becton, Dickinson and Co. (BDX)
 American Tower Corp. (AMT)
 Illinois Tool Works (ITW)
 Square, Inc. Class A (SQ)
 Ecolab Inc. (ECL)
 Snap-on Incorporated (SNA)
 Prudential Financial, Inc. (PRU)
 ServiceNow, Inc. (NOW)
 Johnson & Johnson (JNJ)
 Cisco Systems, Inc. (CSCO)
 Amgen Inc. (AMGN)
 JPMorgan Chase & Co. (JPM)
 Texas Instruments Inc. (TXN)
 United Parcel Service, Inc. (UPS)
 McDonald's Corporation (MCD)
 PepsiCo, Inc. (PEP)
 Medtronic Plc (MDT)
 PNC Fin. Serv. Group, Inc. (PNC)
 BlackRock, Inc. (BLK)
 Chevron Corporation (CVX)
 Lam Research Corp. (LCRX)
 II-VI Incorporated (IIVI)
 3M Company (MMM)
 Roku, Inc. (ROKU)
 Coca-Cola Company (KO)
 Comcast Corporation (CMCSA)
 D.R. Horton, Inc. (DHI)
 Fastenal Company (FAST)
 Intel Corporation (INTC)
 Procter & Gamble Company (PG)
 T. Rowe Price Group (TROW)
 Raytheon Tech. Corp. (RTX)
 Chipotle Mexican Grill (CMG)
 Target Corporation (TGT)
 Alphabet Inc. Class A (GOOGL)
 American Express Co. (AXP)
 Honeywell Int'l Inc. (HON)
 Lowe's Companies, Inc. (LOW)
 Splunk Inc. (SPLK)
 Ulta Beauty Inc. (ULTA)
 Amazon.com Inc. (AMZN)
 Emerson Electric Co. (EMR)
 BCE Inc. (BCE)
 Tyson Foods (TSN)
 Magellan Mid. Partners (MMP)
 Lululemon Athletica Inc. (LULU)
 CVS Healthcare Corp. (CVS)
 Taiwan Semi. Manuf. Co. (TSM)
 Truist Financial Corp. (TFC)
 Lockheed Martin Corp. (LMT)
 BHP Group (ADR) (BHP)
 NVR, Inc. (NVR)
 Twitter, Inc. (TWTR)
 Freeport-McMoRan, Inc. (FCX)
 Trumble Inc. (TRMB)
 Littelfuse, Inc. (LFUS)
 Jacobs Engineering Group (J)
 Air Prod. and Chemicals (APD)
 Steel Dynamics Inc. (STLD)
 BorgWarner, Inc. (BWA)
 Lear Corporation (LEA)
 Exelon Corporation (EXC)
 L3Harris (LHX)
 Corning Inc. (GLW)
 Diamondback Energy (FANG)
 EOG Resources, Inc. (EOG)
 Splunk, Inc (SPLK) – convertible
 Unilever (UL)
 AES Corp. (AES) – convertible
 Americold Realty Trust (COLD)
 Xylem Inc. (XYL)
 Quest Diagnostics Inc. (DGX)
 Viacom CBS (convertible)
 Winnebago Industries Inc. (WGO)
 Twitter Inc. (TWTR) - convertible
 Enbridge (ENB)
 Vertex Pharmaceuticals (VRTX)
 Lumentum Holdings, Inc. (LITE)
 Stryker (SYK)
 Phillips 66 (PSX)
 Hormel Foods Corp. (HRL)
 Public Storage (PSA)
 DexCom Inc. (DXCM)
 UnitedHealth Group Inc. (UNH)
 LyondellBasell Industries NV (LYB)
 Kimberly-Clark Corporation (KMB)
 Caterpillar Inc. (CAT)
 Molson Coors Beverage Co. (TAP)
 Oracle Corporation (ORCL)
 Kimco Realty Corporation (KIM)
 Weyerhaeuser Company (WY)
 Zscaler, Inc. (ZS)
 Fortinet Inc. (FTNT)
 Palantir (PLTR)
 Bank of New York Mellon (BK)
 PulteGroup, Inc. (PHM)
 Amphenol Corporation Class A (APH)
 Discovery, Inc. Class C (DISCK)
 Fox Corporation (FOXA)
 Arista Networks Inc. (ANET)
 BJ's Wholesale Club (BJ)
 AutoNation, Inc. (AN)
 Dollar Tree, Inc. (DLTR)
 Charter Communications, Inc. (CHTR)
 TJX Companies, Inc. (TJX)
 Discover Financial Services (DFS)
 O'Reilly Automotive, Inc. (ORLY)
 Exelixis, Inc. (EXEL)
 Chubb Limited (CB)
 Gilead Sciences, Inc. (GILD)
 Hershey Company (HSY)
 Interpublic Group of Companies (IPG)
 Zebra Technologies Corp. (ZRBA)
 Lincoln National Corporation (LNC)
 FMC Corporation (FMC)
 National Instruments Corp (NATI)
 Newell Brands Inc. (NWL)
 JM Smucker Company (SJM)
 Darden Restaurants Inc. (DRI)
 Adobe Inc. (ADBE)
 Polaris, Inc. (PII)
 Compass Minerals International (CMP)
 Electronic Arts Inc. (EA)
 iRobot Corporation (IRBT)
 Constellation Brands, Inc. (STZ)
 Best Buy Co., Inc. (BBY)
 CME Group Inc. Class A (CME)
 Nasdaq, Inc. (NDAQ)
 Bunge Limited (BG)
 DTE Energy Company (DTE)

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Southern Company (SO)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
Anglo American Plc ADR (NGLOY)
Vale S.A. Sponsored ADR (VALE)
First Quantum Minerals Ltd. (FQVLF)
Southern Copper Corporation (SCCO)
Reliance Steel & Aluminum Co. (RS)
Cleveland-Cliffs Inc. (CLF)
Wheaton Precious Metals Corp. (WPM)
Pan American Silver Corp. (PAAS)
Turquoise Hill Resources Ltd. (TRQ)
Parsons Corp. (PSN) – convertible
Zillow Group, Inc. (Z)
VICI Properties (VICI)
MasTec, Inc. (MTZ)
Blackstone Mortgage Trust (BXMT)
convertibles
Teck Resources Limited Class B (TECK)
Quanta Services, Inc. (PWR)

Martin Marietta Materials, Inc. (MLM)
BioMarin Pharmaceutical (BMRN) –
convert.
KKR Real Estate Finance Trust Inc.
(KREF)
Devon Energy Corporation (DVN)
Camden Property Trust (CPT)
Aflac Incorporated (AFL)
Aptiv PLC (APTIV) – convertible
Life Storage (LSI)
Prologis, Inc. (PLD)
Tractor Supply Co. (TSCO)
Newmont Corp. (NEM)
Dollar General (DG)
Tyler Technologies (TYL)
Prospect Capital (PSEC)
Algonquin Power and Utilities (AQN)
Bentley Systems (BSY)
Jazz Pharmaceuticals (JAZZ)

Energy Transfer, LP (ET)
Blackstone, Inc. (BX)
Spotify Technology (SPOT)
MetLife, Inc. (MET)
Expedia Group, Inc (EXPE)
Tesla, Inc. (TSLA)
NRG Energy, Inc. (NRG)
MPLX LP (MPLX)
Merck & Co., Inc. (MRK)
Halozyme Therapeutics, Inc. (HALO)
NXP Semiconductors NV (NXPI)
First Solar, Inc (FSLR)
NICE Ltd. Sponsored ADR (NICE)
Microchip Technology Incorporated
(MCHP)
Enphase Energy, Inc. (ENPH)
Starwood Property Trust, Inc. (STWD)
Uber Technologies, Inc. (UBER)

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Discipline is key to sustainable long-term total returns:

- **At Laffer Tengler Investments we use two, time-tested stock valuation metrics (both pioneered by our team) that are consistent and robust indicators of value: Relative Dividend Yield (RDY) and Relative-Price-to-Sales Ratio (RPSR).**
- **Why not use earnings like almost everyone else? Because earnings are often an unreliable indicator of value. In May of 2016, I published the following:**

Earnings reported by corporations have always been subject to the vagaries of accounting gimmickry. You don't have to be a novice to scratch your head at the way managements (or governments for that matter!) account for various items.

A case in point: The Wall Street Journal (Thursday, February 25, 2016) reported that according to FactSet, pro forma earnings for S&P 500 companies rose 0.4% in 2015. Using generally accepted accounting principles or GAAP, earnings per share actually fell 12.7% in 2015 (this according to S&P Dow Jones Indices). The author's point is that according to GAAP earnings, investors are paying a great deal more for stocks than they think. The price-to-earnings ratio (P/E) on pro forma earnings (which is the most commonly accepted method) is 17x 2015 earnings. But when GAAP earnings are considered, the P/E jumps to more than 21x.

It is important to remember that the P/E ratio for any given stock is only as good as the price input (a fact) and the reported earnings input (apparently not a fact at all).

(Continued)

- RDY measures the yield of a particular stock compared to the yield on the S&P 500 and does so over long periods of time. Since a stock's relative yield and relative price are inverse, we can generally conclude that as a stock's yield is rising, its price is declining—similar to a bond. Consequently, a rising RDY provides an opportunity for investors to at least consider an underperforming, cheaply valued stock for purchase.



- Company managements and boards of directors pay the dividend out of free cash flow, not earnings. In maturing U.S. companies these seasoned professionals often operate within a “dividend paying culture” and set the dividend as a portion of long-term, sustainable real earnings power because management teams are loathed to cut dividends.
- The relative nature of the RDY metric is also important because it measures the relative attractiveness of a stock compared to its own history and compared to the S&P 500. (In 1992, I co-authored Relative Dividend Yield, Common Stock Investing for Income and Appreciation with Tony Spare)

(Continued)

Chart Source: FactSet

THE LAFFER TENGLER INVESTMENTS DISCIPLINE

- **RPSR:** In fallen-angel growth companies where the dividend is less of a factor in management's calculus, we look at sales—a fact. Rarely are sales manipulated and when they are someone usually goes to jail. The price-to-sales ratio measures how



much investors are paying for a unit of sales, the relative price-to-sales ratio reveals what investors have historically paid for a particular company's sales compared to what they are paying for the sales of all the companies in the S&P 500. In 2003, I authored *New Era Value Investing*, John Wiley & Sons where I outline the benefits of RPSR in stock selection.

- Discipline, in summary, is the only way to navigate volatile markets. We remain disciplined and over time that consistency has the potential to generate excess return.

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Chart Source: FactSet

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