

Sun City Summerlin Computer Club

Internet Investing SIG

**Tom Burt
June 20, 2019**

SIG Meeting Schedule

- The Internet Investing SIG meets every other “even” month on the third Thursday morning at **9:30 AM**.
- The next six meeting dates will be:
 - *August 15, 2019*
 - *October 17, 2019*
 - *December 19, 2019*
 - *February 20, 2020*
 - *April 16, 2020*
 - *June 18, 2020*

Fundamentals Review – April 17, 2019

- Dollar has strengthened a bit against foreign currencies.
 - Oil still priced in dollars – up to around **\$63.75** / barrel.
 - Stock indexes back to very topky levels from December lows
 - Dow 30: **26,450**, S&P 500: **2900**, Nasdaq: **7996**, Gold: **1276**, Bitcoin: **5239**
 - S&P PE ratio is **21.7** vs 15.7 long term historical average
 - Defense stocks (ITA) up. Healthcare (XLV) down, Big Tech (QQQ) up.
- Key interest Rates Down Slightly:
 - 10 year Treasury note - about **2.59%**; 30 year Treasury note - about **2.99%**.
 - 30 year fixed mortgage - **4.74%**; 15-year fixed mortgage - **4.02%**
- Federal Reserve raised Fed Funds (Dec 19) by .25% to 2.25-2.5%.
 - Fed says they have tabled plans to raise Fed Funds rate by .25% twice in 2019.
 - Fed selling off lots of treasury debt (Quantitative Tightening).
 - Foreign governments also unloading U.S. Debt.
- Gov't Claims March US Job Unemployment at a low **3.8%**.
 - But BLS just makes up (estimates) numbers, so can't really know.
- Official 2019 CPI Inflation Rate as of March was **1.9%** / year
 - LV Gasoline (**\$3.06** at Costco)
 - Medical care & insurance is NOT cheap
 - Restaurant meals up \$1 - \$3 per person

Fundamentals Review – June 20, 2019

- Dollar has strengthened a bit against foreign currencies.
 - Oil still priced in dollars – down to around **\$54.40** / barrel.
 - Stock indexes back to very topy levels from December lows
 - Dow 30: **26,504**, S&P 500: **2926**, Nasdaq: **7987**, Gold: **1358**, Bitcoin: **9107**
 - S&P PE ratio is **21.7** vs 15.7 long term historical average
 - Defense stocks (ITA) up. Healthcare (XLV) up, Big Tech (QQQ) up.
- Key interest Rates Down Significantly:
 - 10 year Treasury note - about **2.03%**; 30 year Treasury note - about **2.54%**.
 - 30 year fixed mortgage - **3.91%**; 15-year fixed mortgage - **3.16%**
- Federal Reserve raised Fed Funds (Dec 19) by .25% to 2.25-2.5%.
 - Fed now says they MAY CUT Fed Funds rate in July.
 - Fed has supposedly ended selling off lots of U.S. Treasury debt.
 - Foreign corporations & money managers again buying U.S. Debt.
- Gov't Claims May US Job Unemployment at a low **3.6%**.
 - BLS just makes up (estimates) numbers, so can't really know.
- Official 2019 CPI Inflation Rate as of May was **1.8%** / year
 - LV Gasoline (**\$2.85** at Costco)
 - Medical care & insurance is NOT cheap
 - Restaurant meals up \$1 - \$3 per person

To Sell or Not to Sell? (1)

- Recently, June 4, one of my large, long terms holdings: Johnson & Johnson (JNJ) took a 5.7% (\$8 / share) one-day swoon on bad news.
- While I monitor JNJ regularly as part of my portfolio, I don't normally react to the daily up and down jiggles.
- So I decided to take a serious look at whether it was time to "lighten up" on my holding of JNJ. This involved studying various fundamental measures plus a few technical indicators.
- In this session we'll review what I looked at in coming to a decision to *wait* for JNJ to rebound before I let go of about 30% of the total holding on June 11.
- Afterward, I'm happy to repeat this analysis for a few stocks the group is interested in.

To Sell or Not to Sell? *Fundamentals* (2)

- Earnings per share, Price to Earnings ratio (PE Ratio)
- Revenue (sales) per share, Price to Sales ratio
- Earnings and Revenue growth trends
- Dividend yield and dividend growth trends
- Cash Flows – Is the dividend safe?
- Income Statement and Balance Sheet
- Book value and Enterprise Value
- Company Debt Levels?
 - *How much debt is the company carrying and what's the cost of servicing that debt?*
- Regulatory, Legal and Tax Issues (news)
 - *Adverse class action awards (product liability)*
- Governance Issues (news)
 - *Stupid or corrupt management*
- Competitive & Marketing Issues
 - *E.g. Sears vs Amazon*
- Read and listen to, but be skeptical of, analyst opinions

To Sell or Not to Sell? *Technicals* (3)

- Stock price relative to moving averages and Bollinger Bands
 - *Help assess likelihood of a rebound or reversal*
 - *Look at different timeframes*
- Stock price relative to Resistance and Support levels
 - *These are likely points where trends will reverse*
- Stock's sentiment (stochastic) indicators
- Overall market trends (Dow, S&P, Nasdaq, Russell)
 - *Most stocks' long term movements follow the broad market trends*
- Has the stock price reached your original upper target?
 - *Always have a "sell at" target; you can reassess when you get near it. E.g. sell when I have a 25% gain.*
- Has the stock price hit your "get out" floor?
 - *Always have a "cut your losses" floor price. E.g. get out if I have a 10% loss on the position. Again, you can reassess if it's a special circumstance, but that should be rare.*
- Old Adage: "Let your profits run, but cut your losses".

Open Discussion