Intrinsic Investors

The Month in Review

May Takeaways

- *Memorial Day marks the unofficial start of summer.* It is also a day when we pause and remember those who paid the ultimate price so that we can enjoy our everyday lives. While all gave some, some gave all. We pay tribute to them on this special day.

- *That said, we should also remember that May is normally the beginning of the least profitable six-month period of the year.* While there was no appreciable sell-off last month, the market was, at best, unchanged. Considering the strength we have seen year-to-date, that might not be a bad thing. Sometimes, the markets get ahead of themselves and I think that is what happened here.

- *As pandemic worries begin to fade and the country continues to re-open, we still face uncertainties (what else is new).* Are inflation fears "transitory" or a trend? Having just come back from a road trip, I can report the spike in gas prices does not appear to be transitory as gas prices have risen over 30% in the past few months. However, one data point does not a trend make.

- *Perusing the headlines, there is a healthy discussion going on about whether continued stimulus payments are helping or hindering the recovery.* While I get the argument about some people making more by staying home, the data continues to show that despite this potential drag on the economic recovery, more Americans are re-joining the workforce as businesses continue to re-open amid signs the pandemic is continuing to fade. Good riddance!

- *I expect earnings to continue to improve, which should alleviate some of my valuation concerns.* Analysts' earnings estimates for the next twelve months project a whopping 36% increase in earnings year-over-year. While they tend to temper those projections going into the end of the year, the current estimate would put us in record territory on the earnings front.

- *Finally, we continue to look forward to the re-constitution of the iShares driving iCore at the end of June.* As of this writing, our core strategy continues its historic outperformance of the broad market by more than 3% in our current trade. Since we started running money this way in 2002, the typical outperformance has been in the 3-4% range annually; and so we are comfortably "in the pipeline." If things change, we will see a signal change in July or August. Stay tuned!