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Kennedy, James William <KENNEDJW5567@uwec.edu>

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To: Kennedy, James William <KENNEDJW5567@uwec.edu>



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Investment Strategies

Market Update:



- After a hectic week in the markets, [President Donald Trump is pushing for a cut in the payroll tax to 0%](#). Trump has also mentioned the possibility of making the cut permanent, a proposal that has drawn mixed feedback from both sides of the aisle in Congress. **Financial assistance to airline, cruise, and shale industries, an infrastructure investment plan, and an increase in paid sick leave for employees** have been other proposals made by members of the government. Members of both parties have expressed feelings that some sort of stimulus is needed to combat potential negative economic effects resulting from the events of the past two days, and are hoping to make a plan of action by the end of the week.



- **U.S. markets surged back up during Tuesday trading, closing more than 1,100 points (4.6%) higher than Monday.** Tech stocks in particular showed strong gains, with **Facebook, Amazon, Alphabet, Netflix, and Apple all rising more than 4.9%**. The financials sector also rose more than 6%. Much of this rally can likely be attributed to talks among lawmakers of a stimulus package or tax cut (*discussed above*). It remains to be seen whether this rally will last, and investors should be prepared for further uncertainty and volatility in the markets. *The above chart shows the price movement of the S&P 500 throughout the day on Tuesday.*



- **The U.S. Treasury released their updated U.S. government surplus/deficit numbers for the month of February on Tuesday.** The reported actual deficit of **-\$235.3 Billion** was a negative surprise by **-\$7.8 Billion** relative to consensus estimates of a **-\$227.5 Billion** deficit. The U.S. budget deficit is up 14.8% from the same period a year ago, a result of increased government spending (up 9.2% compared to the first five months of the 2019 budget year) and lower growth in government revenues (up only 6.9% from the same five months as reported for spending).



- [The World Health Organization \(WHO\) has declared Covid-19 a pandemic, as the situation surrounding the virus has worsened in Italy and Japan.](#) Despite concerns in these nations, however, China's situation has stabilized, increasing the likelihood that businesses in China's Hubei province, which was the epicenter of the outbreak, will gradually be able to go back online. Of the 80,778 people who contracted the virus inside of China, 61,475 are reported to have recovered, giving hope that other nations will be able to enact similar policies to aid in a quick recovery.

Portfolio Gainers & Losers:

**An important note. Two of the top three losers in our portfolio this week are financial stocks, which makes sense given the market developments over the last few days.



- After the announcement of two new football-related video games that are planned to be developed in conjunction with the NFL, [TakeTwo Interactive Software, Inc. \(TTWO\)](#) surged up over the past few days, contributing to its top performance (+6.98%) in our portfolio over the past month. Although the stock had been struggling after announcing that its top game creator was leaving the company, the poor performance of the market combined with the recent announcement discussed above to help TakeTwo outperform as of late.

DOLLAR GENERAL®

- [Dollar General Corporation \(DG\)](#) (+6.85%) has had strong performance over the last month as coronavirus concerns mount and market uncertainty continues. Dollar General's value-based model may appeal to consumers who are nervous about potential fallout from Covid-19, causing investors to buy stock in the expanding retail organization. Given the stock's performance in the volatile market of the last week, Dollar General could present a strong opportunity for a defensive investment moving forward.



- [Walmart, Inc. \(WMT\)](#) has had a strong last month, leaving it up +3.94%. With a 52-week beta of .64, indicating that it, on average, moves less than the market, it's no surprise that Walmart has exhibited this strong performance through hectic times. Additionally, Walmart's consistent, value-based business model has given it a consistency that makes it appealing as a defensive investment, for similar reasons to Dollar General.



- [Wintrust Financial Corporation \(WFC\)](#) is down -33.48% over the past month. However, similar to what we discussed in class last week, does it really deserve the stock price slide its had based on its fundamentals? With a P/E ratio of 11.76 as of December 2019, before its steep price slide even occurred, Wintrust may have already been slightly undervalued based on an industry average P/E ratio of 14.26 according to Investopedia. Additionally, Wintrust's consistent growth in net income over the past few years, as well as the growth expected to be seen in the wealth management industry, indicates that their business may be stronger than the stock price indicates.



- [Westrock Company \(WRK\)](#) is down **-28.47%** after mixed earnings results for Q4 2019, as well as the turmoil surrounding the markets over the past week. However, with strong capital allocation strategies, as well as performance improvements from their recent acquisition of KapStone Paper, WestRock should still be poised for strong long-term performance.



- [Axos Financial, Inc. \(AX\)](#) is down **-27.72%** after the market correction of the past few days, as well as interest rate cuts that have materialized or may materialize in the coming week, which are expected to take a bite out of bank profits industry-wide. However, Axos in particular generates a vast majority of their income from interest, leaving them susceptible to interest rate changes. Time will tell whether Axos' business fundamentals will be enough to lead them through a potential bear market.

Thanks for reading!

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