2017 Headlines

***Headlines for the Week of 17—23 Dec 2017***

***Saudi forces destroy incoming missile launched by Iranian-backed Houthi...***

*Stories with an asterisk\* at the end will be discussed in more detail in the next issue of*[***The Penn Wealth Report***](https://www.pennwealthreport.com)  
  
***Fiscal Policy*  
  
08. With passage of comprehensive tax reform bill, US companies immediately begin to open their wallets**  
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Within hours of the tax reform bill passing both houses of congress, AT&T (T $33-**$39**-$43) announced that it would give over 200,000 of its employees $1,000 bonuses. The telecom giant also announced a $1 billion increase in capital expenditures in the US as a result of the reform. Later that day, NBC parent company Comcast (CMCSA $34-**$41**-$42) also announced it would give $1,000 bonus checks to non-executive employees. On the financial side, both Wells Fargo (WFC) and Fifth Third bank (FITB) announced that they would raise their minimum wage to $15 per hour, citing the bill's passage.  
  
***Currency Trading*  
  
07. Bitcoin plunges 25% as cryptocurrencies get hammered around the world**  
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Following a massive selloff of the digital currency in Asia, the Bitcoin Investment Trust (GBTC $102-**$1,772**-$3,523) was down nearly 26% in pre-market trading on Friday. GBTC is one of the most liquid methods to track bitcoins. As more cryptocurrencies enter the scene, and various government agencies around the world consider ways to regulate digital currencies, these types of drops are inevitable. Additionally, as more exchanges begin offering bitcoin futures contracts, the ability to short the currency will further add to its price volatility.  
  
***Aerospace & Defense*  
  
06. We immediately took profits on Embraer after reports surfaced that Boeing may be planning to buy the company**  
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This past April we picked up Brazilian aircraft maker Embraer (ERJ $18-**$24**-$26) in the [*Intrepid Trading Platform*](https://www.pennwealthreport.com/the-penn-portfolios.html). We argued that not only was the company well run, it was also selling near a 52-week low and could potentially take advantage of the fact that it operates out of an emerging market. On Thursday the 21st of December, a rumor hit the wires that Boeing (BA) was in talks to buy the company, causing it to spike 25% within minutes. We took that opportunity, before trading was halted, to sell near the peak of the spike and take our profits off the table.  
  
***Aerospace & Defense*  
  
05. Air Force taps Lockheed Martin to develop next generation of autonomous cruise missiles**  
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Aerospace giant Lockheed Martin (LMT $247-**$318**-$324) has been awarded a $110 million contract from the Air Force Research Laboratory (AFRL) to develop a prototype subsonic cruise missile known as “Gray Wolf.” The autonomous missiles would be part of a next-generation network designed to decimate an enemy’s integrated air defense system.To be considered successful (and become eligible for actual Air Force orders for the weapon), the long-range cruise missile must be able to “survive” its way through a sophisticated environment of radar, communications sites, and surface-to-air missiles before impacting its pre-designated target. The Gray Wolf’s preferred launch system will probably be Air Force bombers, such as the B-1 Lancer and B-2 Spirit. Other Air Force strike systems are being developed by Kratos Defense & Security Systems (KTOS $7-**$11**-$14), and privately held Dynetics and General Atomics.  
  
***Global Strategy: Middle East*  
  
04. Saudi Arabia intercepts rebel missile using US Patriot system**  
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Saudi air defenses reported that they have successfully intercepted and destroyed a rebel missile in the capital city of Riyadh. The Houthi movement, an Islamic group trying to overthrow Yemen's government and attack the Saudi-led coalition wherever possible, claimed they had fired the projectile—probably a Volcano 2-H medium-range ballistic missile. Iran, despite their claims, has been arming the Houthi movement in an attempt to cause chaos in the region. The missile was destroyed by a US Patriot surface-to-air battery just seconds before it would have slammed into a royal palace.  
  
***Judicial Watch*  
  
03. Disgraced judge to step down from disgraceful court of appeals**  
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Ah, the 9th Circuit Court of Appeals...affectionately known as the 9th Circus Court of Appeals because of its 80% decision reversal rate. Yes, 80% of the cases from the 9th reviewed by the US Supreme Court between 2010 and the present have been reversed. In what shouldn't come as a surprise from this cabal, it has just been announced that 9th US Circuit judge Alex Kozinski will soon retire. The reason? At least 15 women have come forward and claimed the judge sexually assaulted them or made inappropriate sexual advances toward them. With five vacancies on the 9th (including Kozinski) and two more judges announcing their retirement, President Trump will have the opportunity to fill a full seven seats on the San Francisco-based US Federal court. There has been an active push to split this highly-partisan court into two because of its sheer size and its apparent ineffectiveness.  
  
***Food Products*  
  
02. Skinny Pop parent Amplify rockets over 70% at open on Hershey acquisition**  
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You may have never heard of Amplify Snack Brands (BETR $5-**$12**-$12), but you are probably familiar with their most popular product: Skinny Pop Popcorn. On Friday, Amplify was a $550 million small cap in the food products space. After news came out about Hershey's (HSY $101-**$115**-$116) planned acquisition of the company, BETR spiked more than 70% and became a $915 million firm. The deal has Hershey paying $12 per share of BETR and taking over the company's debt load. When the dust settles, HSY will be out about $1.6 billion, which they will fund with cash and new debt of its own. We consider HSY fairly (or slightly over) valued at its current price.  
  
***Road & Rail*  
  
01. CSX Corp's controversial and uber-arrogant new CEO is dead**  
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Back in March we reported on CSX Corporation's (CSX $36-**$53**-$58) coup which yanked Canadian Pacific's (CP) arrogant CEO, Hunter Harrison, away from that company and installed him as the new head of CSX—provided, of course, that shareholders approve his $300 million, 4-year pay package. Harrison said he would quit on the spot if his demands weren't met. (He sounds like the rail equivalent of the NFL's Roger Goodell.) Well, there's good news and bad news with respect to Harrison. Yes, he did get the controversial pay package; unfortunately, he won't be able to spend it. The 73-year-old died suddenly this past weekend due to complications from an undisclosed illness. Now, all hell is breaking loose over the decision to push for this ridiculous pay package, as the rail knew of Harrison's poor health. CSX was off about 8% (equates to roughly $4 billion of lost value) in pre-market trading. ​

***Headlines for the Week of 10—16 Dec 2017***

***The rising US rig count is undermining OPEC's attempt to push crude higher...***

*Stories with an asterisk\* at the end will be discussed in more detail in the next issue of*[***The Penn Wealth Report***](https://www.pennwealthreport.com)  
  
***Fraud, Waste, & Abuse*  
  
13. What will the end-of-the-world cabal say when Americans can still access the Net?**  
  
Is it comical, or just sad? The frenetic hyperbole and outright lying about the consequences of ditching the two-year-old net neutrality regulation is stunning.  One major newspaper’s headline read: “*The End of the Internet as we Know it.*” The final FCC vote had to be delayed because someone called in a bomb threat. The level of mania should be unsettling to common-sense Americans. Calling net neutrality net neutrality was typical Washington double-speak. Name a reg the polar opposite of its intended purpose and hope enough suckers out there can push your lies. But it’s dead now. In a 3-2 vote, along party lines, the misnamed net neutrality was killed by the FCC. Despite that fact, we will still wake up tomorrow and have almost-instant access to all of the sites proclaiming the end of the Internet has arrived.  
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***Happiness Index*  
  
12. US retail sales surge nearly three times better than expected in November**  
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The Great Return of the Consumer, circa 2017. The first bit of evidence is in: US consumers are feeling better about the economy, and they are showing their confidence with their wallets. The US Commerce Department just released retail sales figures for the month of November, and it was nearly three times better than expected: a rise of 0.8% instead of the 0.3% jump expected. Furthermore, October's retail sales figure was revised up from +0.2% to +0.5%. These figures, coupled with other recent economic data points, show a positive and sustained trajectory for US economic growth.   
  
***Energy Commodities*  
  
11. The IEA confirms it: US shale producers are OPEC's biggest enemy**  
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The Paris-based (i.e. not a US shill) International Energy Agency has confirmed what we, as Americans, had hoped was true: the US energy renaissance, specifically shale production, will continue to be a nightmare for OPEC. Ever since the Yom Kippur War in 1973, it has been the goal of (nearly) every US administration to make America an energy-independent nation. Today, we can truly say that goal has been achieved. In its latest monthly report, the IEA stated that the re-ramping up of US shale production will make OPEC "not quite so happy" in 2018. The agency sees an increase of 1.6 million barrels per day in 2018 by non-OPEC nations, completely undermining the organization's plan to raise oil prices by cutting their members' production levels. This follows their failed attempt to push US shale producers to the brink of extinction by *increasing* production in 2016. Sweet revenge. For a taste of what hell OPEC put the US consumer through in the early 1970s, members can click the link to read the story of [The First Great American Oil Crisis](http://pennwealth.uberflip.com/i/451934/5).  
  
***Wall Street*  
  
10. Markets applaud Fed outlook, tax reform prospects**  
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The Dow Jones Industrial Average notched yet another record high close (the 40th or so since the election) following substantial progress with the house and senate tax reform bills in committee. It now appears that a vote on the revised bill in both houses is imminent. The markets also applauded the Fed's rosy outlook following Wednesday's quarter-point rate hike. The Dow finished up 80 points at 24,585, just 415 points from Dow 25,000. Truly remarkable.  
  
***Aerospace & Defense***  
  
**09. Delta gets the last laugh on Boeing as it buys 100 Airbus jets**  
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US aerospace giant Boeing (BA $153-**$292**-$296) had expected to land an order from Delta Airlines (DAL $44-**$54**-$56) for 100 of its 737 MAX aircraft. Instead, Delta shunned Boeing and announced the purchase of 100 Airbus A321neo jets from European rival Airbus (EADSY 16-**$26**-$26). Don't worry, 737 MAX, it wasn't your fault. Delta has been fuming ever since Boeing issued a complaint with the Trump Administration that Canada's Bombardier (BDRAF $2-**$2**-$3) sold Delta its narrow-body C-Series jets below market price (a typical practice) and then received "unfair" government subsidies from Canada. This may well be true, but the protracted trade dispute kept Boeing from making this $12.7 billion sale (though that price will probably be discounted from Airbus).   
  
***Commercial Banks***  
  
**08. With the good comes the bad—Citi raises prime lending rate to 4.5%**  
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That sure didn't take long. Virtually within minutes of the Fed raising its benchmark rate, Citibank (C $55-**$75**-$78) announced it would raise its prime lending rate to 4.5%, effective immediately. The prime rate is what banks charge their strongest, most creditworthy customers. Several other major banks are expected to follow suit in short order. While retirees and others living off of the interest on their investments sorely need more rate hikes, the days of ultra-low rate mortgage and student loan rates are about to go by the wayside.   
  
***Monetary Policy*  
  
07. Fed raises interest rates another 25 basis points to benchmark of 1.5%**  
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The Federal Reserve raised interest rates for the third time this year, to a benchmark of 1.5%, at their December meeting. The central bank also signaled more hikes in 2018 as growth is expected to ramp up. GDP projections for the coming year were raised from 2.1% to 2.5%, and the unemployment forecast was lowered to 3.9%. As for the number of rate hikes in 2018, we can probably expect three, which would raise the benchmark Fed Funds rate to the 2.25% range. The Dow, which was up 100 points at the time of the announcement, shot up to plus-116 points immediately following the highly-anticipated announcement.   
  
***Electronic Equipment & Components*  
  
07. Apple awards Finisar $390 million from its Advanced Manufacturing Fund**  
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In spring of this year, Apple's (AAPL $115-**$173**-$176) Tim Cook announced the creation of a $1 billion fund to invest in and support advanced manufacturing in the United States. [*Penn Global Leaders Club*](https://www.pennwealthreport.com/the-penn-portfolios.html) member Corning (GLW $24-**$33**-$33) became the first recipient, receiving $200 million from the fund for its work on state-of-the-art glass processing. Apple has just made its second award from the fund, this time to optical components maker Finisar (FNSR $17-**$25**-$36) for its work on vertical-cavity surface-emitting laser, or VCSEL, technology. VCSELs are semiconductor-based lasers which emit tens of thousands of highly-efficient laser beams used in facial recognition software, smartphone cameras, and a number of other developing technologies. FNSR shares were trading up 30% on news of the Apple investment. For an infographic on the history of VCSEL technology, [click here](http://www.myvcsel.com/VCSEL-Infographic.pdf).  
​  
***Global Strategy: Russia*  
  
06. US slams Germany over allowance of new Russian natural gas pipeline**  
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Several facts are certain with respect to Russia and Europe. Vladimir Putin’s Achilles heel is the ability to sell Russian energy at the highest possible price—his military buildup plans live or die on energy revenue. Russia wants to either control Ukraine or destroy its economy. Putin will use energy as leverage to break European support for anti-Russian forces in the Baltic region. It is under this backdrop that a storm is brewing over a new natural gas pipeline known as Nord Stream 2. In the next issue of [*The Penn Wealth Report*](https://www.pennwealthreport.com), we take a look at what the 760-mile-long pipeline would mean for Europe's dependence on Russian energy and the nascent US effort to export LNG to the continent.\*   
  
***Road & Rail***  
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**05. In largest score to date, PepsiCo pre-orders 100 Tesla electric semis**  
  
Trucker JB Hunt (JBHT) was the first one out of the gate, ordering an undisclosed number of Tesla's (TSLA $193-**$341**-$390) new electric semis. Now, soft drink giant PepsiCo (PEP $101-**$117**-$119) has just placed the largest known pre-order of the vehicles to date: 100. According to Reuters, Tesla now has orders on hand for at least 285 of the $150,000 behemoths, with food giant Sysco Corp (SYY) and retailer Wal-Mart (WMT) also placing orders.    
  
***Real Estate Investment Trusts***  
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**04. Class A mall operator Westfield agrees to be acquired by European rival**  
  
Westfield Corp. (WFGPY $12-**$13**-$14), which owns and operates high-end, Class A malls across America, has agreed to be acquired by European mall giant Unibail-Rodamco (UNBLF $221-**$265**-$265) in a $15 billion deal. This merger comes on the heels of Brookfield Asset Management's (BAM) purchase of the shares it didn't already own of another Class A operator, General Growth Properties (GGP). This is an interesting development, as the Class A malls have performed quite well during the Age of Amazon, while their Class B and C brethren continue to face real threats to their very existence. Look for continued consolidation in this space. Penn owns four REITs within the [Penn Strategic Income Portfolio](https://www.pennwealthreport.com/the-penn-portfolios.html).   
  
***Media & Entertainment  
​***  
**03. As Comcast drops bid, Disney will end up with Fox assets, minus Fox News**  
  
Perhaps Rupert Murdoch’s Twenty-First Century Fox (FOX $24-**$33**-$34) needed to merge with a bigger player sooner or later to remain relevant in an rapidly-changing industry, but Comcast (CMCSA) certainly wasn’t the answer. The NBC parent announced that it would no longer pursue the acquisition of Fox, leaving a deal with $157 billion Walt Disney (DIS $96-**$107**-$116) all but certain. From Disney’s standpoint, the deal is genius, as it will make the company Hollywood’s heaviest hitter, cherry-picking such assets as 20th Century Fox studios, the Fox broadcast network, hundreds of television channels around the world, and a large percentage of Britain’s Sky Plc TV. As for Fox News, which the boys disdain, it will be packaged with other assets not purchased by Disney and, perhaps, eventually go private.\*  
  
***Currency Trading/FOREX***  
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**02. Bitcoin futures begin trading on the Chicago Board Options Exchange**  
  
It has been a crazy ride this year for the world’s first major digital currency known as bitcoin. The NYSE Bitcoin Index is up in the ballpark of 1,500% this year, and the currency began futures trading on the CBOE on Monday the 11th of December. After crashing the CBOE’s system Sunday night, bitcoin futures opened up around 15% on their first morning of trading. CBOE’s rival exchange, the CME Group, plans to launch its own bitcoin futures operation next week.\*  
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***Energy Commodities***  
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**01. Growing US rig count is undermining OPEC's production cuts**  
  
The US oil rig count has more than doubled since the middle of last year, and that is putting a clamp on OPEC's efforts to keep the price of crude artificially high. In the summer of 2016, the US rig count fell to just over 300; as of the end of last week, that number rose to 751 and will continue to grow. With the rig count, US oil production continues to hit new all-time highs—the current rate of US production is 9.72 million barrels per day. West Texas Intermediate (WTI) crude futures fell to 57.10 on the rig count update.

***Headlines for the Week of 03—09 Dec 2017***

***The United States Air Force's new generation tanker made its debut flight this week...***

*Courtesy Photo, United States Air Force, af.mil*

***Electric Utilities*  
  
11. How a California wildfire made a $25 billion regulated utility company plummet**  
  
There's a great lesson in this story for conservative, income-oriented investors. Edison International (EIX $68-**$69**-$83) is a rather large (currently $22 billion market cap), regulated utility which generates and distributes power for Southern and Central California. It has a steady dividend of over 3%, and a quick glance at the company's stock chart shows nice, steady growth—at least until the 5th of December. Shares of EIX have now plunged over 15% in a matter of a few days due to factors completely out of the company's control. The wildfires causing devastation in Southern California are squarely in Edison's territory, and California law states that utilities can be held liable for property damage if any evidence can trace the cause of the damage back to the company. Odds are extremely slim that this was the case with the wildfires currently raging in California, but it was enough to spook investors and lower EIX's market cap by $3.5 billion.   
  
***Textiles, Apparel, & Luxury Goods*  
  
10. Vera Bradley rockets nearly one-third higher in one trading session**  
  
This is one of the many reasons we love the stock market. With all of the turmoil in the specialty retail space, who would have had the guts to put some money to work in small-cap (just $400 million market cap) handbag designer Vera Bradley (VRA $7-**$11**-$15) going into the holiday season? After all, the company has razor-thin margins and the shares have fallen 52% in one year. Nonetheless, VRA soared over 30% on Wednesday after reporting *mixed* results.  Revenue was actually down 10% from the same quarter last year, and below analyst expectations. Same store sales fell 6.9% from last year. Investors apparently liked the fact that the company was able to squeeze out some increased earnings, despite the revenue drop, and drove the shares higher. Then again, when your shares are trading in the $8.50 range, it doesn't take much to move the needle. Would we buy it today? Considering the P/E ratio just went from 30 to 40, no way. With that valuation, we'd rather own Ulta Beauty (ULTA).   
  
***Aerospace & Defense*  
  
09. Boeing's KC-46 tanker makes first flight, will be delivered to USAF next year**  
  
The United States Air Force's newest generation tanker just made its first flight, and will join the fleet around the middle of 2018. The Boeing (BA $151-**$279**-$282) KC-46 Pegasus, which was developed using the 767 airframe, made its maiden voyage on Monday, 05 December—a critical step in the program's success. More is on the line for Boeing than for the Air Force, as the branch's financial obligations are capped at $4.9 billion in the fixed-price terms of the contract. There are a few challenges with the tanker (boom tends to scrape jet being refueled, for example), but Boeing expects to have them ironed out early in the new year.   
  
***Chemicals*  
  
08. Tronox loses nearly a quarter of its value after FTC issues complaint**  
  
Chemicals-maker Tronox (TROX $10-**$19**-$28) was off nearly 25% following a complaint issued by the Federal Trade Commission. In the complaint, the FTC argues that the Stamford-based pigment company's (think of the whites used in paint and industrial coatings) proposed takeover of Saudi Arabia-based Cristal for $1.67 billion would harm the global competitive environment for the industry. The acquisition would allow the combined entity to leapfrog over The Chemours Company (CC $21-**$47**-$58) as the world's leading producer of the critical white pigment, Ti02. For its part, CC was also down—about 6%—on a Goldman downgrade.  
  
***Metals & Mining*  
  
07. US Steel jumps 7% after US Department of Commerce ruling**  
  
The US Department of Commerce issued a preliminary ruling Wednesday that finds Chinese steel which is finished in Vietnam and then exported to the United States is, indeed, still considered to be Chinese steel. This means that these assets would be covered by US antidumping rules. There were two immediate affects from the ruling. First, US importers of cold-rolled and galvanized steel from Vietnam must make cash deposits which are equal to the duties on the books. Secondly, the decision caused shares of United States Steel (X $19-**$32**-$42) to spike over 7%.  
  
***Media & Entertainment*  
  
06. UK's Cineworld to buy Regal Entertainment, making all stocks in industry pop**  
  
AMC Entertainment Holdings (AMC $11-**$15**-$36) was jumping 5% after hours thanks to a story that had nothing to do with the Leawood, Kansas-based movie house. Earlier in the day it was reported that the UK's Cineworld Group had agreed to buy Regal Entertainment (RGC $14-**$23**-$24) for $23 per share, or $3.6 billion. Regal popped 9.5% on that news. AMC, for its part, reported that it had been approached by a number of possible suitors since the Cineworld/Regal deal was announced. This is an industry begging for mergers, as digital technology has disrupted the way movies are viewed by—primarily—younger generations.  
  
***Precious & Base Metals*  
  
05. Copper getting hammered**  
  
It was a textbook case of investors getting ahead of themselves by clinging to a tenuous narrative. For whatever reason (we have our theories), the press has been pushing an argument that Chinese economic growth knows no bounds. Since Chinese cities are built using dollar-denominated copper, it made perfect sense that investors would be bullish on the industrial metal. Copper prices, as gauged by the iPath® Bloomberg Copper ETN (JJN $10-**$13**-$16), rose 29% between the 1st of January and the 16th of October this year. Now, as China's economic trajectory is being brought into question, the metal is plummeting—falling nearly 5% on Tuesday the 5th. Copper's gains for the year have now been halved, as the metal sits at $2.95/lb on the world market. China consumes roughly 50% of the world's copper supply.  
  
***Global Strategy: Russia*  
  
04. Russia suspended from 2018 Winter Olympics**  
  
In an enormous blow to a country which prides itself on its athletes' performance on the world stage, the International Olympic Committee has suspended the Russian Olympic Committee for the country's support of  performance-enhancing drug usage. While Russian athletes will not be banned from attending the upcoming Winter Olympics in South Korea, the athletes will not be competing for Russia per se, and the Russian national anthem will not be played for medalists. Furthermore, they must compete in uniforms bearing the Olympic flag, with no Russian markings. Revenge is a dish best served cold—this is for your boycott of the 1980 Olympics in LA. Hardy har har.  
  
***Textiles, Apparel, & Luxury Goods*  
  
03. Signet Jewelers falls on news of potential investigation by CFPB**  
  
Signet Jewelers (SIG $46-**$50**-$99) was off nearly 4% pre-market as the company reported to the SEC that it may be under investigation by the Consumer Financial Protection Bureau. The CFPB is considering regulatory action against the company due to its in-store credit practices, including offering credit to customers with low FICO scores, and (reportedly) pressuring customers to buy jewelry they cannot afford. A number of complaints claim that the company opened credit accounts for people without their knowledge or permission. This summer we made a double-digit, short-term gain in SIG (in the [*Intrepid Trading Platform*](https://www.pennwealthreport.com/the-penn-portfolios.html)) after it gapped down to $55. Although the price is below that today, we are going to hold off and see what the investigation brings to fruition. Signet, with a market cap of $3 billion, owns such brands as Jared, Kay, and Zales, among others.   
  
***Media Malpractice*  
  
02. ABC suspends Brian Ross on Flynn/Trump headline**  
  
As we reported in [*The Penn Wealth Report*](https://hub.pennwealth.com/h/c/22473-penn-wealth-publishing), Vol 5, Issue 03, we knew right away that the ABC headline (which every other network was reporting on) claiming that "Flynn strikes deal to testify against Trump" was a false narrative. Actually, we were being kind—it was fake news. That false headline caused the Dow to tank in excess of 300 points within a matter of minutes, taking millions of dollars in value with it. Investors got suspicious shortly thereafter, and the Dow recovered all but 40-odd points of the loss. Finally, ABC was forced to take action against Brian Ross, the "journalist" responsible for the headline. He has been suspended by the network. Progress on the truth front? Possibly. Less than a generation ago there existed a media vacuum which could have easily provided cover for Ross on such a false headline. As for Ross' punishment, he gets to spend the holiday season with his family; whoa, ABC, tough love.  
  
***Market Pulse  
​*  
01. Another catalyst for the US stock market: foreign investors**  
  
The Wall Street Journal reported that foreign investment is flooding into the US stock market at the highest clip in years. Furthermore, considering total foreign ownership of US stocks amounts to just 14%, there is plenty of room to grow. Interestingly, this massive inflow of cash is happening at a time when the global economy is improving. The US market tends to be a defensive holding for foreign investors when other areas of the globe are facing economic troubles. Perhaps others are taking notice of America's two straight quarters of 3%+ economic growth.

***Headlines for the Week of 26 Nov—02 Dec 2017***

***Coolest health care product of the year...***

**13. CVS is nearing deal to buy Aetna for $65 billion**  
  
Feeling the heat from arch-rival Walgreens Boots Alliance (WBA), CVS Health (CVS $66-**$77**-$85) is closing in on a deal to buy healthcare plan provider Aetna Inc. (AET $116-**$180**-$192) for around $200 per share, valuing the company at about $65 billion.  The three major drugstore chains, Walgreens, CVS, and Rite-Aid, could have easily allowed a changing landscape to push them into oblivion. Instead, they have skillfully maneuvered themselves (well, the top two companies anyway) as healthcare juggernauts. Consider this latest move: After CVS merged with Caremark in 2007 it became a huge pharmacy benefits manager (PBM); now, with the Aetna acquisition, it will have a captive customer base of millions who are insured by Aetna. While we still prefer Walgreens as an investment, management at both companies should be applauded for their leadership.   
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**12. Second read on Q3 GDP shows US economy growing even faster than expected**  
  
When the first read on the American economy for the third-quarter was released, it surprised to the upside. Economists had been predicting 2.7% growth; instead, it came in at a 3% clip. Now comes the first revision of the number, and it is even better: the US economy grew at a 3.3% rate for Q3. It has been awhile since the US has experienced two straight quarters of 3%-plus growth (Q2's GDP was 3.1%). Business confidence helped feed this number, with companies increasing their investment in equipment by 10.4%.   
  
**11. Another day, yet another story of how Wells Fargo screwed its clients**  
  
Two days ago it was reported that Wells Fargo (WFC $49-**$56**-$60) bankers, in an attempt to secure greater bonuses and  avoid management's wrath, had been illegally ignoring fee arrangements with clients, overcharging them for currency trades. This forced the firing of four FOREX bankers at the firm and the launching of a federal probe. Today, news has surfaced that a federal probe into the bank's auto insurance and mortgage business may be launched, and the firm has been labelled a "repeat offender" by regulators. Earlier this year, Wells admitted that it had forced over 600,000 customers who financed their auto purchase with the bank to buy coverage they didn't need. The bank also admitted that about 20,000 customer vehicles were repossessed from those refusing to pay.  How is all of this corruption affecting the stock's price? WFC is flat for the year while the Financial Select Sector SPDR is up 16%.   
  
**10. Despite pot-belly's missile launch, Dow rocks up 255 points on tax reform hope**  
  
The major indexes were rocking along most of the morning on Tuesday, with a slight respite when NOKO's pot-belly launched a missile into the Sea of Japan. (Seriously, do we not have the ability to shoot those down shortly after launch?) Nonetheless, after tax reform successfully left the budget committee, the indexes resumed their climb, with the Dow finishing up 255 points, the S&P up 25, and the Nasdaq up 34.  
  
**09. Tax bill passes Senate Budget Committee, heads for full senate**  
  
Despite cat-calls and cries from the rent-a-mob stationed outside the chambers (with a few ne'er do wells filtering inside), the Senate Budget Committee approved the GOP-only (don't expect one dem to vote for it) tax relief bill. The vote was 12-11, right along party lines, but at least no GOP members of the committee balked—though Corker and Johnson fluffed their feathers a bit. Odds are better than not that a bill will actually pass. Then again, that's what we thought about Obamacare repeal until the great grandstander from Arizona performed his petulant little thumbs-down stunt.  
  
**08. Kardia Mobile: the coolest medical product of the year (that may just save your life)**  
  
Technology is bringing about incredible change to the world around us, and nowhere are those technological advances more prevalent—or critical—than in the health care arena. In that vein, privately-held AliveCor just released a landmark device in the realm of personalized cardiovascular care. Kardia Mobile is being marketed as "your personal EKG," with the ability to make a medical-grade EKG reading in just 30 seconds, displaying the results and giving you a health update right on the screen of your smartphone. Think of the freedom and peace-of-mind this little device will be able to provide to citizens around the globe. The cost for the device? $99. And there are no ongoing service fees required. Truly remarkable. Check out the product at <https://www.alivecor.com>.  
  
**07. Roku spikes after its price target raised to $50**  
  
After a stellar rise over the past week, streaming device-maker Roku (ROKU $16-**$47**-$49) spiked another 18% after Needham & Co. raised the target price on the company to $50—nearly 80% above their prior price target. Essentially, Needham is now saying that Roku is a “poor man’s” Netflix. The company, which has yet to turn a profit, is now up 155% since the 8th of November, *this year*.  
  
**06. Square tumbles double-digits after analyst issues “sell” rating**  
  
Application software company Square (SQ $12-**$44**-$50) dropped 12% following a downgrade from analyst house BTIG. The analyst believes the stock’s crazy rally has been greatly overdone in the midst of the bitcoin craze. Square recently began a trial letting some of its users buy and sell the digital currency on its app. Square has no P/E, as it has never turned a profit. In addition to the “sell” rating, BTIG updated its SQ price target to $30.   
  
**05. Meredith, backed by Koch brothers, to buy Time, Inc.**  
  
Meredith Inc., backed by the billionaire Koch brothers, has reached an agreement to buy Time (TIME $10-**$17**-$20) for $18.50 per share, valuing the struggling publisher at $2.8 billion—well above where it has been trading. For over two generations, Time Magazine was an American staple. Then, due to mismanagement and an inability to change with the times, the magazine’s subscriber rate began its slow decline into the abyss. Meredith, which owns Better Homes & Gardens and Family Circle, believes it can turn around Time’s struggling assets, which include the namesake magazine as well as Fortune, People, and Sport’s Illustrated. Time Warner (TWX) spun-off its Time unit in 2014, and its shares have been in relative freefall ever since.  
  
**04. Lookout conspiracy theorists, the first "digital pills" have just been approved by the FDA**  
  
Anyone following the news on a regular basis is aware of the massive opioid drug problem in the United States. With that as a backdrop, this story will probably send shivers up the spine of anyone living "off-the-grid" to avoid the long tentacles of government. The US Food and Drug Administration just approved the first "digital pill," which will notify health care professionals when a medication has been digested. The first iteration of this new technology is called Abilify MyCite, which attaches a tiny, digestible sensor—about the size of a grain of sand—onto the drug. At this stage, the sensor simply communicates with an external device like an app on a phone or a wearable patch, but how long until it (the sensor) can send a signal to someone further away? Cool or scary? We say both.   
  
**03. Today's trade in the *Penn Dynamic Growth Strategy* reduces risk but maintains growth potential**  
  
As we continue to make moves designed to protect our gains before the next market pullback, we have added a holding from one of the most undervalued segments of the market. This investment holds about 40% less risk than the overall market, but has (in our opinion) strong growth potential going forward. Members and clients can see what ETF we added to the *Penn Dynamic Growth Strategy* today, as well as a brief rationale, by logging into the [Trading Desk](https://www.pennwealthreport.com/trading-desk-private.html).   
  
**02. Buffalo Wild Wings latest company to go private in Arby's deal**  
  
Buffalo Wild Wings (BWLD $95-**$156**-$175) will become the latest restaurant to exit the publicly-traded world as it agrees to be purchased by Arby's in a deal valued at $2.44 billion. Arby's is owned by private equity firm Roark Capital Group, Inc.  Activist investor Marcato Capital Management forced out BWLD's lackluster CEO, Sally Smith, earlier this year as the company's share price was hitting a new 52-week low. We've been in a Buffalo Wild Wings enough times to say...yawn. Take it private and let the mediocre chain become Roark's problem.   
  
**01. Mexico's monthly trade deficit doubles as oil imports rise**  
  
Granted, the United States could only dream of having such small deficits, but the $2 billion trade imbalance recorded by Mexico for the month of October is more than double its October, 2016 figure. While exports rose 13.2% from the prior mont (to $37 billion), imports grew 16.3% (to $39 billion) over that same time frame. Increased oil imports and the jump in oil prices were a major factor. Through the first ten months of the year, Mexico's aggregate trade deficit was $11.12 billion. The US trade deficit for January through October was roughly $400 billion. Canada, the US, and Mexico are currently engaged in heated NAFTA re-negotiations.

***Headlines for the Week of 19—25 Nov 2017***

**10. We are getting close to dusting off our short oil ETF**  
  
By all rights, oil should be hovering around $45-$50 per barrel right now. Instead, thanks in part to the recent Keystone Pipeline disruption, crude settled out the day at a two-year high of $58 per barrel. That belies logic. The US is producing a record $9.62 million barrels per day, and world demand is nowhere near a peak. Despite the upcoming OPEC meeting on 30 Nov, at which time the cartel is expected to extend its production restrictions, look for oil to peak around $60 before heading back down. We use the United States Short Oil Fund, symbol DNO, to play an expected drop in prices, and we are close to adding it back into the *Penn Intrepid Trading Platform*.   
  
**09. Details emerge on Lockheed Martin's replacement for the SR-71 spy plane**  
  
One of our all-time favorite aerospace firms, Lockheed Martin (LMT $246-**$317**-$322) is working on an advanced spy plane to replace the SR-71 Blackbird, which was retired in 1998. The SR-72 will be able to go about twice as fast as its predecessor, reaching speeds of Mach 6 (about 4,500 mph). Here's the fascinating part: as it will be able to reach any point on earth (well, above the earth) within an hour, the Air Force wants it to have the capability to strike targets as well. Placing a weapons system on a machine designed for that kind of speed will be an incredible challenge. If anyone can do it, LMT's Skunk Works is the team. Oh, and here's one more interesting tidbit: we will not be putting a pilot at risk, as it will be unmanned.   
  
**08. Warner Brothers may lose $100 million on *Justice League***  
  
Why does AT&T (T $33-**$35**-$43) want to own floundering Time Warner (TWX $86-**$90**-$104) again? It couldn't be due to the vibrancy of their assets, that's for sure. Take TWX unit Warner Brothers. Based on negative reviews and a pretty lousy opening weekend for its latest "Justice League" installment, the company is well positioned to lose $100 million or so on the flop—which reportedly cost north of $500 million to create and market. Here's an idea: try coming up with some new material. And that goes for Time Warner's CNN unit as well.   
  
**07. Uber hid cyberattack affecting the personal information of up to 57 million users**  
  
What else could possibly go wrong with Uber? After a stellar start and a highly-anticipated IPO being discussed, the wheels began to come off of the ride-hailing service when sexual harassment lawsuits began to surface. After that, it has been one crisis after another for the firm, which replaced CEO Travis Kalanick earlier this year. Now comes reports of a security breach that exposed the data of 57 million users and drivers for more than a year. What's worse, the company apparently knew about the hack and kept it secret. Even worse than that, executives at the firm gave the hackers $100,000 to "delete the data" and keep the incident private. It also appears that Kalanick knew about the breach. If the new CEO can actually pull off a successful IPO within the next few years, he is a miracle worker.       
  
**06. In bad news for US consumers, government calls for 50% tariff on washing machines**  
  
Oh, how we tried to buy American when it came to washers and dryers. It wasn't even a matter of cost, we just wanted to support US manufacturing. Unfortunately, poor quality machines and comically-bad customer service forced us to begin buying products from the likes of Samsung and LG. (One example: the motor on a GE washing machine going kaput after twelve months—one week after warranty expired—with the company telling us "sorry, nothing we can do.") Now, the cost of buying a higher-quality device might just get a lot more expensive. Bending to the will of Whirlpool lobbyists, the US International Trade Commission just issued guidance that calls for a 50% tariff on imported washing machines if the import threshold hits a certain figure. Ironically, Samsung and LG are building plants in the US to produce the machines domestically, with US labor. These machines would still face the tariff, despite being built in the US. The Trump Administration has two months to make a final decision on the matter. Our guess—our hope—is that this will simply  be used as a trade negotiating tool to garner concessions from our Asian trading partners.     
  
**05. The Department of Justice will sue to stop the AT&T/Time Warner merger**  
  
In a widely-expected development, the US Department of Justice announced that it will sue to block the $85 billion AT&T/Time Warner merger on grounds that the joint company would wield too much power in the industry. In the lawsuit, the government makes the claim that the new, enormously-big enterprise would be able to squeeze out competitors and then raise prices to consumers. If the deal does go down in flames (which we rate at about 50-50 right now), AT&T (T $33-**$34**-$43) will be fine; Time Warner (TWX $86-**$90**-$104), however, will be in trouble—as is evidenced by its stock price since the DoJ first raised concerns. T is a member of the *Penn Strategic Income Portfolio*. For the record, Time Warner has the biggest rot-gut collection of stations on the air.    
  
**04. It's official: FCC will eliminate Obama-era net neutrality regulations**  
  
The new head of the FCC, Ajit Pai, made it abundantly clear over the course of the past year that he thought net neutrality rules put in place by the previous administration were onerous and another case of government run amuck. On Tuesday, he did something about it. The FCC announced it would repeal all net neutrality rules in place, handing a huge win to the telecommunications industry. Pai also ended FCC oversight of the internet service providers, handing the job back to the Federal Trade Commission where it belonged. While the FCC must formally vote on the proposal in early December, the regulations are as good as gone. At least AT&T should be happy about that win.   
  
**03. As talks break down, Merkel's role in Germany is greatly diminished**  
  
What a grand disappointment Angela Merkel has been as chancellor of Germany. Despite governing against the will of the German people on so many issues, she pulled out a slim win in national elections two months ago, despite having already held the post for twelve years. Now, that reign is in serious jeopardy, as coalition talks have broken down between her Christian Democrat party and the country's other disparate parties—primarily the Social Democrats and the Free Democrats. Barring another election (which may be called), she is reduced to running a caretaker government, void of any bold initiatives for the European Union. That sounds good to us.  
  
**03. Lowe's handily beats, but stock stuck due to more impressive Home Depot**  
  
On the back of rebuilding efforts following two major hurricanes, home improvement store Lowe's (LOW $68-**$80**-$86) handily beat estimates for the quarter, increasing sales 5.7% from last year and raking in $872 million in net profit. So why is Wall Street yawning? Because of Home Depot's (HD) blowout numbers last week. Talk about insulated management. All it would take is a due-diligence trip to their competitor to see why *Penn Global Leaders Club* member Home Depot is cleaning their clock. From self-checkout kiosks to friendlier customer service, Lowe's will continue to be the also-ran. Despite the earnings beat, LOW was down about 2% pre-market.  
  
**02. Danish energy company issues 2.25% bond with WHAT maturity date?**  
  
Those wacky Europeans. Danish energy company Orsted needed to raise some cash, so they decided to issue a hybrid bond to investors. Wishing to take advantage of the low interest rates on the continent, they set a fixed coupon rate of 2.25% on the debt instrument. That's better than zero-point-something money market rates, so why not pick some up? Well, there's one catch. The bond has a maturity date of 24 November 3017. Yes, you read that right—it is a 1,000-year bond. The company reserves the right, however, to yank the bond and pay investors back at par anytime after 2024. Who in their right mind would take this sucker bond? Well, the company raised over 500 million euros overnight when the bond was issued. We said *right* mind. The icing on the cake: the company will use the proceeds to help it go "green" with respect to its energy business. That's fitting.   
  
**01. Tesla unveils its radical new electric semi truck, and a new roadster as well**  
  
With the unveiling of his much-hyped all-electric semi, Elon Musk is about to shake up the Class 8 truck world. And the Tesla (TSLA $180-**$325**-$390) vehicle certainly lived up to the hype. The cab of the vehicle is clean and sleek, placing the driver in a seat square in the middle, with a computer monitor on both sides. The cab is roomy enough for the driver to stand up and stretch, and why not—the vehicle will be semi-autonomous to fully-autonomous. The truck's 500-mile range on one charge also exceeded expectations. In an Apple-esque move, Musk had a "just one more thing" moment, introducing a $200,000 roadster that can reach speeds of 250 mph. As for the semi, orders are already rolling in—JB Hunt (JBHT) has announced it has reserved an undisclosed number of the vehicles.

**10. Barnes & Noble trading halted after private equity firm makes offer**  
  
How many times have we seen this movie over the course of the past two years: a stock which nobody wants to touch, with shares trading at rock bottom prices, only to spike on rumors that a private equity firm may move to take them private. That's exactly what has transpired yet again, this time with bookseller Barnes & Noble (BKS $6-**$7**-$13). Shares were halted briefly Thursday midday after it was reported that Sandell Asset Management proposed a deal to buy the firm for close to $650 million, or $9 per share. After BKS issued a rebuttal, the shares settled up just 6%. They had initially spiked close to 20% after trading re-opened.   
  
**09. The market is demanding tax reform**  
  
More evidence that Wall Street cares dearly about comprehensive tax reform getting done before the bloviators leave for their Christmas or Hanukkah vacations (or whatever Keith Ellison celebrates at year-end). The Dow rocketed up 215 points on news that the US House of Representatives passed their version of tax reform. The Dow was up triple-digits at Thursday's open, clearly on expectations for a positive vote. The hot-air-heads in the US Senate could cause some several-hundred-point session drops over the next few weeks if it appears that the votes are not there for tax reform. In fact, we expect some rough days in the markets over the next few weeks due to the grandstanding alone.   
  
**08. Penn member Wal-Mart surges on earnings**  
  
With Amazon's ascendency, Wal-Mart (WMT $65-**$96**-$96) could have easily joined the likes of Target in the retail dumpster. Instead, through skillful leadership at the top, the company made defeating Amazon at their own game a major strategic goal. And it is paying off. The retailer, which we own in the Penn Global Leaders Club, spiked more than 7%—to an all-time high—on Thursday's open after its earnings report shows just how strongly its internet push is paying off. Try this on for size: while US comparable store sales were up by 2.7% for WMT in Q3, digital sales rocketed up 50% for the quarter. The company's latest digital push? Lord & Taylor will have its own "flagship store" on a dedicated landing page at Wal-Mart's website, buttressing the company's new push into upscale fashion.   
  
**07. Leonardo da Vinci painting sells for all-time art record of $450 million**  
  
How fitting that the most expensive piece of art ever created was painted by the master, Leonard da Vinci. And how wonderfully fitting that the painting, "Savior of the World," is of Jesus Christ. Christie's auction house didn't immediately identify the purchaser, but they did confirm the $450,312,500 winning bid. There are fewer than 20 paintings by da Vinci known to exist.  
  
**06. Buffalo Wild Wings spikes 24% after takeover bid hits the wires**  
  
We've never considered Buffalo Wild Wings (BWLD $95-**$145**-$175) to be a good investment, nor have we ever received good service at the joint. Finally, after 20 years at the company, CEO Sally Smith is being forced out, which is a good thing. But investors drove the share price of the restaurant up 24% on Tuesday due to other news: the company confirmed it had received a $2.3 billion takeover bid from private equity firm Roark Capital Group. Once again, a lousy investment spikes double-digits on news it would be taken private. The challenge is finding these dogs and investing right before they are taken private; and that is a herculean task.   
  
**05. Inept commissioner Roger Goodell makes new demands on NFL**  
  
The fact that the owners are even *considering* renewing commissioner Roger Goodell's contract shows how dysfunctional the National Football League really is. Not only shouldn't his contract be renewed, he should have been shown the door years ago. His bungling of virtually ever "social" issue that has raised its ugly head in the league over the past five years shows just what an incompetent boob Goodell has been. Now, the comedy has become even more laughable, as Goodell makes his own demands on the league before he agrees to a contract extension. What are his demands, according to leaked reports? He wants $49.5 million per year, lifetime health care for he and his family, and lifetime access to a corporate jet. So far, we've only seen one owner calling bull on this clown—Cowboys owner Jerry Jones. If this buffoon gets a contract extension, it is more of a reflection on the owners than on Puffy Goodell.   
  
**04. Hasbro may be getting ready to make an offer for Mattel**  
  
Toymaker Mattel (MAT $13-**$18**-$32) spiked over 20% on Monday following reports that Hasbro ($77-**$97**-$116) was interested in taking over the floundering company. Recall that Hasbro took the lucrative Disney line away from Mattel last year, and the companies have been going in different directions—earnings-wise—ever since. In the digital world in which we live, the deal makes a lot of sense. To be sure, $6 billion Mattel is at greater risk than Hasbro right now, but both companies probably need each other to remain viable entities. Hasbro, which has a market cap of $12 billion, jumped about 5% on the takeover rumors.   
  
**03. GE slashes dividend by 50%**  
  
Beleaguered industrials giant General Electric (GE $20-**$20**-$32) had one thing going for it from an investment standpoint—its nearly 5% dividend yield. Well, investors can say goodbye to that perk, as the former "largest company in the world" slashes its dividend from $0.24 to $0.12 per share. Shares of GE are down 35% year-to-date. How much money did clown-faced Jeffrey Immelt rake in for running this company into the ground? Sad.   
  
**02. Brookfield Asset Management bids to buy remainder of General Growth Properties**  
  
Brookfield Asset Management (BAM $32-**$42**-$43) is a $40 billion alternative asset management company with investments in real estate, infrastructure, renewable energy (think wind farms), and private equity. General Growth Properties (GGP $19-**$22**-$27) is well known to Penn clients, as we have held the $20 billion retail REIT in at least two Penn strategies at various times. It appears that our GGP trading days may be over, as the Toronto-based BAM has offered $23 per share to buy the remaining stake of the Class A mall operator. Earlier this year, BAM exercised all of its outstanding warrants in GGP, raising its ownership to 34%.   
  
**01. Whirlpool wins first round in trade battle against Samsung and LG, but may lose war**  
  
In the last issue of *The Penn Wealth Report*we reported on Whirlpool's (WHR $160-**$162**-$203) feud with Sears, which ended in the latter's decision to stop carrying the various Whirlpool brands, with the exception of Kenmore. That feud stemmed from Whirlpool's desire to limit Sears' ability to sell rival brands like LG and Samsung. Now, the US appliance manufacturer is trying to get the federal government to impose a 50% tariff on Samsung and LG products to protect their US market share. They won the first round of the battle, with the US International Trade Commission approving the petition under the rarely-used Section 201 of the Trade Act of 1974. With Samsung and LG opening more plants in the US, however, odds are this will provide only a temporary reprieve—assuming the Trump Administration even goes along with the tariff scheme.  Here's an idea, Whirlpool: make a brand of appliance that works well, has an enticing design, and is fairly priced. Do that and you will not have to worry about the likes of Samsung. We speak from experience. We have owned more than one Maytag or Whirlpool appliance that turned out to be a piece of garbage. We actively look to buy American, and don't mind spending a bit more to do so. But don't play us for patsies, Whirlpool, or pretend to drape yourself in the flag to protect an inferior product.

***Headlines for the Week of 05 Nov—11 Nov 2017***

**15. Market drop shows just how much tax reform is baked into market levels**  
  
Think the stock market really doesn't care whether or not we get comprehensive tax reform completed this year? Think again. When news trickled out that the US Senate was considering delaying the corporate tax rate reduction in their version of tax reform, the Dow proceeded to plunge 200 points mid-day. And forget what you hear about members of congress from left-leaning states holding up the bill due to the state and local tax deduction elimination; if this bill fails it will happen thanks to the pompous blowhard members of the senate.   
  
**14. Gun producers continue their dive that began after 2016 election**  
  
Unwittingly, Barack Obama was the best thing to come along for gun manufacturers since the self-contained cartridge. And let there be no doubt, all handgun sales would have been banned if the former president had his way. Now that a pro-Second Amendment president is in the White House, however, investors are fearful that the gun-buying spree has come to an end. Gun-maker Vista Outdoor (VSTO $12-**$13**-$18) plummeted an incredible 29% on Thursday after missing expectations and issuing a dour forecast. Smith & Wesson parent American Outdoor Brands Corp. (AOBC $13-$13-$25) has fallen 53% since the election, and Sturm Ruger & Co. (RGR $45-$49-$69) isn't far behind. So, are these deep value plays worth looking at? You bet. Our favorite of the big three? We would go with Smith & Wesson maker American  Outdoor Brands Corp., with their steady increase in annual operating revenue and their ultra-low 8 p/e. Did we take any action? Penn members/clients can see the [Trading Desk](https://www.pennwealthreport.com/trading-desk-private.html).  
  
**13. US crude production, oil exports, hit record highs as oil nears $60 per barrel**  
  
Did OPEC really think they could crush US shale producers with their production cut? As oil nears $60 per barrel, US shale producers kicked back into gear, helping the country produce a record high 9.62 million barrels per day for the week ended 03 November. Furthermore, the government's decision to actually allow oil exports to take place is having a positive impact on the American economy—US exports of crude also hit a new high of 2 million barrels per day.   
  
**12. Roku provides further evidence that the market is not efficient**  
  
You've probably heard the baloney about EMH—the efficient market hypothesis. This is the theory that states it is impossible to beat the market because all relevant information is always incorporated into a share's price. What a joke. The truth is nearer the opposite of that: irrational investment decisions lead to golden opportunities for astute investors. Take streaming device company Roku (ROKU $16-**$23**-$30). The company, which just went public in September, faces fierce competition from the likes of Apple (Apple TV), Alphabet (Google Chromecast), and Amazon (Amazon Fire Stick/TV). Furthermore, as more televisions entering living rooms are "Smart TVs" there is no reason a manufacturer couldn't cut Roku out altogether. Nonetheless, immediately following the company's first earnings release showing it brought in $125 million, the stock skyrocketed 25% in after-hours trading. Never mind the fact that the company had net loss of $46.2 million for the quarter. Silliness.  
  
**11. Take-Two Interactive: magnet for millennial money**  
  
Having a tough time throwing love the way of the millennial generation? Maybe this will help: they support the US economy by spending what money they have. And where does their cash go? Video games. Specifically, Take-Two Interactive (TTWO $46-**$117**-$111). The video game maker punched through its 52-week high on Wednesday like Pac-Man eating through Pac-Dots. Why did the company jump double-digits? It beat on both top-line revenue (up 5.6% to $443.6 million) and bottom line net sales (which the company calls net bookings; up 20.4% to $577 million). The company's Grand Theft Auto V (yes, there's a nice trade to learn) is now the best-selling video game of all time, with 85 million units sold. I'm sure I sound like an old curmudgeon, and to be fair, there are plenty of millennials out there making straight-A grades who will become very productive members of our society. Odds are, however, this group is not spending four hours per day in a virtual realm filled with fantasy characters.  
  
**10. Google starts driverless, yes driverless, ride-hailing service in Phoenix**  
  
Still think driverless vehicles are a generation away? Think again. Waymo, Alphabet’s (GOOG $728-**$1,028**-$1,048) self-driving car unit, just announced that it is launching a ride-hailing service in Phoenix using Chrysler Pacifica vehicles with nobody—yes, nobody—in the front seat, not even a safety driver. Why Phoenix? Waymo set up its de facto headquarters in the outskirts of the city not only because of the climate (after all, who wants to test a self-driving car on an icy road?), but also because the state embraced the technology in 2015 via an executive order. Since then, autonomous Waymo vehicles have become nearly ubiquitous among the vehicles on the road. At first, there will be a Waymo employee riding alongside guests in the back seat, and the rides will be free. If testing goes as expected, the company will begin charging passengers just like Uber or Lyft does, expanding service to other cities. What’s the biggest challenge on the road ahead? That’s an easy one: it’s the behavior of human drivers in the surrounding vehicles.   
  
**09. Two recent IPOs take major dives on Tuesday**  
  
Maybe it's a case of schadenfreude because we are never able to get in on any IPO deals—those shares are reserved for the good-ole boys with major accounts at Goldman Sachs—but we always have to chuckle when a hot IPO ends up fizzling out. Take Snapchat parent Snap (SNAP $11-**$13**-29) and meal delivery company Blue Apron (APRN $3-**$3**-$11). The former dropped 16% after its earnings report showed a quarterly loss that more than tripled. The latter fell 21% (to a new all-time low) after management warned of unexpected costs related to shifting fulfillment centers. Snap has Facebook copying everything it does almost immediately, and Apron simply has too much competition and cannot seem to differentiate itself. If you didn't get in on the IPO (hee hee), steer clear.   
  
**08. Hedge fund punk Ackman gets embarrassed in ADP board seat vote**  
  
Last month shareholders at Proctor & Gamble (PG $81-**$86**-$95) told activist bully Nelson Peltz to take a hike. At least *that* vote was close. On Tuesday, shareholders at paycheck solutions provider ADP (ADP $88-**$111**-$122) showed activist Bill Ackman the door, and this vote was *not* close. Despite ADP's respectable performance, Ackman demanded shareholders vote out CEO Carlos Rodriguez and a number of other board members, placing him and a few buddies on the board instead. When the dust settled, Ackman had received less than 20% support from shares outstanding. Talk about an activist on a losing streak. What's your next target Ackman, Apple?  
  
**07. Starbuck's latest attempt to differentiate itself involves a high-end Italian bakery**  
  
Going into 1997, coffee house Starbucks (SBUX $53-**$57**-$65) had around 1,000 locations worldwide. A decade later, the company was opening its 15,000th shop and had new locations in Denmark, the Netherlands, Romania, and Russia. Critics who had scoffed at the ability of a simple coffee store to maintain a stellar growth trajectory were suddenly looking for ways to get in on the action. Now, as Starbucks faces a slew of new competition, it is getting into the high-end bakery business with its multi-million-dollar investment in Italy's Princi Bakery. Read about the venture in this Sunday's *Penn Wealth Report*.  
  
**06. Amazon is cutting prices to gain market share, even if it means paying the difference themselves**  
  
Internet retail behemoth Amazon (AMZN $710-**$1,123**-$1,125) never had a problem slashing prices on goods it sells directly to consumers. Until now, however, that process never bled over into the goods they sell for third-party vendors. Recently, however, the $541 billion company began cutting prices on those goods as well, making up the difference out-of-pocket. The tactical goal is to compete more effectively with big retailers like Wal-Mart and Dollar General this holiday season. This is a rather heavy-handed technique, and one which could alienate vendors. This is because Amazon does not tell a seller when they are going to do this for one of their products. In other words, it may not just be about receiving a set amount of money for a specific product, it may well be that a vendor does not want their products arbitrarily placed on sale. Or, even worse, it may violate price agreements which that vendor has in place with other sellers of their goods. How is it affecting Amazon's bottom line? Consider this: the company's gross revenues were up 34% in the past quarter, but profits went from just $252 million (in Q3 of 2016) to $256 million (Q3 of 2017).   
  
**05. Rivals Intel, AMD team up to take on Nvidia**  
  
The enemy of my enemy is my friend. Rivals Intel (INTC $33-**$47**-$47) and AMD (AMD $6-**$12**-$16) appear ready to join forces—at least in a limited way—to battle joint enemy Nvidia (NVDA $67-**$210**-$210), which has been gaining market share at a rapid clip. The two chipmakers are poised to announce a new laptop chip that will combine an Intel processor with an AMD graphics unit designed for thin devices with lightning speed—the kind of speed you need to run advanced video games. NVDA has eaten into Intel's AI unit and AMD's graphics chips. The two have good reason to find Nvidia the larger threat than one another.   
  
**04. Walt Disney was in talks to buy 21st Century Fox**  
  
Twenty First Century Fox (FOX $24-**$26**-$32) shares spiked nearly 8% on news that the media company had been engaged in talks with Walt Disney (DIS $92-**$101**-$116) regarding a takeover by the latter. Fox currently (post spike) has a market cap of $48 billion, while Disney is worth about $155 billion. The talks are apparently off, but we suspect CEO James Murdoch would love to rid himself of the company his father, Rupert, helped build. As a member of the British Labuor Party, his disdain for the company he now runs is palpable.   
  
**03. Michael Kors is proof that success has more to do with corporate leadership than industry tribulations**  
  
Not every corner of retail is in dire straits. High-end apparel-maker Michael Kors (KORS $32-**$54**-$55) was getting close to a new 52-week high in early Monday trading—up more than 13%—as the company beat on revenue expectations for the quarter and raised full-year guidance. The Jimmy Choo acquisition has been a boon to the company, and a good part of the reason they are raising their 2017 revenue outlook from $4.28 billion to $4.6 billion. In that vein, KORS has committed itself to focusing more on their digital sales channel.   
  
**02. Papa John's rethinking NFL strategy after declining viewership due to anthem protests**  
  
The NFL and their friends in the press may not want to admit the truth, but Papa John's (PZZA $59-**$60**-$90) isn't afraid to. The pizza maker ramped up attacks against the league this past week, saying it is reevaluating its massive sponsorship contract due to the national anthem protests and the ensuing drop in viewership. In the words of COO Steve Ritchie, "if the viewership decline continues, we will need to shift into other things that work more effectively for us." NFL ratings are down 15% since the anthem protests began. Last week Fox (FOX $24-**$25**-$32) CEO and trust fund baby James Murdoch claimed that the decline in NFL ratings had nothing to do with the anthem protests.  
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**01. Broadcom to make unsolicited bid to buy Qualcomm for $100+ billion**  
  
Diversified technology solutions company Broadcom (AVGO $160-**$274**-$278) had a busy news week. First, CEO Hock Tan was with the president in the Oval Office announcing that his $111-billion company was moving its headquarters from Singapore to the United States, then the company announced it was going after Qualcomm (QCOM $49-**$62**-$70) in a $100+ billion takeover deal. Read more about the deal in this coming Sunday's *Penn Wealth Report*.

***Headlines for the Week of 29 Oct—04 Nov 2017***

***Ford hit a home run (GM did not) in October on the back of this vehicle...***

**22. Markets unfazed by a quite lousy October jobs report**  
  
Expectations were for 310,000 new jobs created in the month of October. Talk about a miss—the actual figure came in at a paltry 261,000. Oddly, the Dow Jones Industrial Average, which had been sitting up about 20 points in the pre-market, actually gained about ten points following the early morning announcement. Why is that? Perhaps investors believe that the odds of a December rate hike just went down. Actually, despite the bad October figure, both August and September's jobs reports were revised higher. August went from 169,000 to 208,000, and September went from a loss of 33,000 jobs (hurricane-related) to plus 18,000. Despite the markets shrugging off October's number, we really do need to see some 300k+ numbers in the coming months if we want to maintain a 3% or better economic growth rate.  
  
**21. Global growth, OPEC cuts push oil prices to their highest level since summer of '15**  
  
It seems like just yesterday we were filling our tanks up with $2 per gallon gas, with promises of prices at the pump going even lower. Now, with global growth ramping up quicker than anyone expected, and OPEC's production cuts actually holding, US crude futures are suddenly at a two-year high of more than $54 per gallon. The national average for a gallon of gasoline has spiked from $1.83 in February of 2016 to $2.60 today. OPEC members are rubbing their greedy little hands together, believing they are once again in the driver's seat, but their hopes will be dashed by something they refuse to recognize. American shale drillers are not dead, they are simply waiting for prices to go a bit higher before tapping the enormous number of wells they have sitting idle. If oil gets closer to $60 per barrel, those wells come online and OPEC gets a nasty surprise.    
  
**20. Symantec gets a drubbing after earnings reality hits**  
  
About 45 days ago, after the big Equifax data breach hit the wires, we sold LifeLock parent Symantec (SYMC $23-**$29**-34) out of the *Penn* *Global Leaders Club*, taking advantage of the big run-up and cashing out with a 62% gain. Our timing was impeccable. SYMC fell nearly 9% on Thursday following a miss on profits for the quarter and a lowering of expectations for the full year. Revenues for the quarter ($1.276 billion) were actually up 26% from the same period last year, but human behavior got in the way following the breach, with investors rushing into the stock. In other words, the company was simply over-priced and is now falling back down to earth.  
  
​**19. President Trump nominates Jerome "Jay" Powell as next Chairman of the Federal Reserve**  
  
President Donald Trump has nominated Jay Powell, currently a member of the Federal Reserve Board of Governors (appointed by Barrack Obama in 2012 as part of a "one Republican and one Democrat" deal), to be the next Fed chief, replacing Janet Yellen. The markets cheered the news. There are many things we love about Powell as the next chairman of the Fed; here are two: he has real world business experience, and he is *not* an economist. Fantastic choice.  
  
**18. A lesson in good-old-boy croneyism, using one example from the tax plan unveiled today**  
  
Want to know why we can't get anything done to simplify the tax code? Here you go: Under the new tax proposal, the mortgage interest deduction cap goes from $1 million to $500,000 per year. In other words, you can ONLY deduct the first HALF MILLION of your annual mortgage interest on your taxes. The CEO of NAHB (National Association of Home Builders) just made the claim, on CNBC, that "THIS WILL CAUSE A HOUSING RECESSION!" What baloney. Total hyperbole. And you, my Rubenesque friend, are the reason (well, one) nothing can get done in DC. By the way, one of CEO Jerry Howard's listed qualifications is: "25 years of lobbying experience in Washington DC." DING DING DING.  
  
**17. Blast from the Past: WorldCom to buy Sprint for $129 billion**  
  
**(05 Oct 1999/18 years ago)** It would have been the most expensive corporate takeover to date. WorldCom (then WCOM), led by con-man and soon to be jailbird Bernie Ebbers, was set to acquire wireless provider Sprint (then FON and tracking stock PCS) for $129 billion. The Department of Justice thought the arrangement smelled like a monopoly, however, and put the kibosh on the deal. Sprint CEO Bill Esrey, the prototypical cocky CEO jerk, screamed like a stuck pig. It wasn't long before the world realized that Ebbers was acquiring companies just fast enough to drain them of cash, staying one step ahead of the law with the aid of accounting firm Arthur Andersen (which also happened to serve in a "consulting" role with the firm). Had Ebbers and Esrey gotten their way, Sprint would have died along with WorldCom. In 2005, Bernie Ebbers was given a 25-year sentence for conspiracy, securities fraud, and filing false documents. As for Esrey, maybe he is out on the Busch family yacht with his fellow disgraced blowhards. How much do you want to bet that he takes no responsibility for what almost happened, eighteen years ago this past month.   
  
**16. Ford knocks it out of the park while Toyota misses badly**  
   
Ford Motor Company (F $10-**$12**-$13) left General Motors (GM $30-**$43**-$47) in the dust last month, with the former selling 6.1% more vehicles than they did in October of 2016. GM actually saw their vehicle sales decline 2% for the same period. The superstar for Ford was the F-Series truck, which notched a 15.9% gain in sales over last year. Nissan and Toyota also recorded sales gains for the month, up 8.4% and 1.1%, respectively. Ford is a member of the *Penn Global Leaders Club*.  
  
**15. Rockwell rebuffs Emerson bid, but investors still drove its stock price up 7.5%**  
   
St. Louis-based Emerson Electric (EMR $49-**$64**-$68) really wants to merge with Milwaukee's Rockwell Automation (ROK $117-**$201**-$222). The feeling is not mutual. Rockwell has, once again, rebuffed an offer by Emerson to acquire the industrial automation firm for about $215 per share, citing Emerson's shaky merger history. As manufacturing becomes less mechanical and more digital, it could be argued that Emerson really does need to acquire a firm like Rockwell to remain relevant in the new industrial environment. Rockwell, on the other hand, really doesn't need Emerson. Over the past year, ROK shares have soared 68% while EMR shares have risen 27%. We agree with Rockwell's management.    
  
**14. Home ownership rate hits highest level in three years**  
   
Despite a lack of supply, rising prices, and higher mortgage rates, the rate of home ownership in the US hit its highest level in three years. A full 63.9% of American families now own their own home, a rising trend that began in the third-quarter of 2016. The  rate hit its statistical peak in the third-quarter of 2004, when 69% of US households were also homeowners. Further evidence of the shift back into homes: the national apartment vacancy rate jumped from 4.1% in Q3 of 2016 to 4.5% in the same quarter this year.  
  
**13. Qualcomm drops on speculation Apple might drop them**  
   
Apple and Qualcomm (QCOM $49-**$51**-$70) have a long relationship, with the semiconductor firm supplying chips for every iPhone to date. Rumors are getting stronger that Apple may be ready to sever ties and move en masse to Penn member Intel's (INTC $33-$46-$46) products. QCOM ticked off Apple by withholding some software from the iPhone maker that is critical to testing the chips. Intel is up 27% since we added it to the Penn Global Leaders Club this past March.  
  
**12. Sony jumps 9% on surprise profit thanks to semiconductor unit (and the yen)**  
   
Japan is beginning to look better and better as a country-specific investment, despite the threat posed by its neighboring country, North Korea. One of Japan's largest and most recognizable names, Sony (SNE $28-**$42**-$42), punched through its 52-week high Tuesday morning as earnings easily beat expectations. In addition to getting a boost from currency exchange rates, the company's semiconductor division boosted revenue by 18%, and the gaming unit also had a stellar quarter. Look for Japanese companies to continue getting nice tailwinds from the yen, especially since so much of the country's aggregate corporate revenue comes from outside the country. For the record, our go-to Japan investment is EWJ, the iShares MSCI Japan ETF.   
  
**11. Under Armour getting pounded after slashing guidance**  
   
Athletic gear maker Under Armour (UA $14-**$11**-$30) saw its shares plummet 20% after a lousy Q3 earnings report and a downward revision to full-year guidance. Revenues for the quarter came in at $1.4 billion (versus $1.5B expected) and net profit dropped to $54 million (down from $128 million in Q3 of 2016). The company is reportedly looking at exiting its tennis and outdoor segments such as fishing, focusing more on its core businesses of basketball and golf. That doesn't sound like a recipe for growth. The stock is down 50% from its one-year high, but does that mean it's a value play? The stock's P/E ratio is 49. Still sounds expensive to us.    
  
**10. The catalyst for today's market drop is as thin as rice paper**  
   
Granted, with so many investors on edge about the recent run-up in US equities, it doesn't take much to spook the markets. But the catalyst for today's little pullback (85 points on the Dow, 8 on the S&P 500) was pretty flimsy. Reports came out that the tax deal being hammered out in the US Congress may include some phase-in period for the 20% corporate tax rate. When that rumor (which will probably never come to fruition) came out, the markets began their drop. The real story continues to be corporate earnings, which have been rock solid thus far.  
  
**09. Dunkin' Donuts pops nearly 8% on takeover rumors**  
   
Dunkin' Brands (DNKN $47-**$59**-$60) jumped 7.8% on Monday following rumors that it may be a takeover target for JAB Holding, the private equity firm which recently bought Krispy Kreme Doughnuts, Keurig, and Panera Bread. The unconfirmed rumors are rather vague, and it would cost around $9 billion to acquire the firm (with a current market cap of around $5 billion), but JAB doesn't seem to mind taking on huge debt loads. We hope the deal doesn't happen, as DNKN is a well-run firm and a great mid-cap trading stock.  
  
**08. Tractor Supply Company pops after earnings beat, improved guidance**  
   
Penn member Tractor Supply Company (TSCO $50-**$60**-$78) jumped nearly 4% on Monday after the company reported better-than-expected earnings and a raised outlook for FY17. Sales increased to $1.72 billion for the quarter (up from $1.54 billion same-quarter last year), and earnings per share came in at $0.72—a nickel better than expected. The company also raised its guidance for the fiscal year, expecting sales in the range of $7.17 billion to $7.22 billion. The farm supply retailer had sales of $6.78 billion in 2016, and is up 15.3% since we added it to the *Penn Global Leaders Club* two months ago.    
  
**07. T-Mobile and Sprint get pounded in markets as merger talks called off**  
   
This deal smelled from the beginning, especially with the sleazy (in our opinion) T-Mobile US (TMUS $49-**$60**-$69) CEO John Legere involved. Now, quite suddenly, the merger deal between TMUS and Sprint (S $6-**$6**-$10) is dead. The stocks are taking a pounding as a result, but the breakdown in talks may just have saved Sprint from ruin. The deal reminded us of another planned Sprint merger that got destroyed—WorldCom's planned takeover of the Overland Park, Kansas-based carrier. We recall how then-CEO Bill Esrey screamed like a stuck pig when the government called the deal off. A deal which, of course, would have led to the complete demise of Sprint when WorldCom ultimately went belly up. What ended the most recent talks? SoftBank's Masayoshi Son realized just how little control he would have over the new entity. Wise man.   
  
**06. Constellation Brands getting into the weed business?**  
   
Our favorite booze maker, Constellation Brands (STZ $144-**$213**-$215), is taking a 10% stake in Canadian cannabis-dealer Canopy Growth, a $2 billion company trading on the Toronto exchange under the symbol WEED. Both companies said they will use the partnership as a testbed to study the seemingly-inevitable trend of marijuana as a (legal) recreational drug in the US.  Constellation, Brown-Forman (Jack Daniels), and Boston Beer Co. (Sam Adams) all made note in their annual reports of the potential threat of pot eating into their North American market share. Constellation owns most major Mexican beer companies (Corona, Modelo, Pacifico), SVEDKA Vodka, and a number of other spirits.  
  
**05. Goldman downgrades GM to a "sell" rating**  
   
General Motors (GM $30-**$43**-$47) has been a high-flyer this year, with the stock up about 24% YTD. It shed roughly 4% of that gain pre-market Monday after Goldman Sachs slapped a "sell" rating on the US automaker.  The analyst noted the Ford F-Series pickup taking more market share from GM in 2018, cyclical pressures, and logistical challenges with product changeover in North America. Goldman put a $22 price target on the firm, which is currently trading for about $43 per share. Ouch.   
  
**04. Under the Radar: JP Morgan Global Bond Opportunities Fund**  
   
As we perform our quarterly review for clients, we are noting a key trend: investors are drifting from recommended portfolio allocations due to the run-up in the equity markets. As we bring the portfolios back in line, we look for investments with a low correlation to the US markets. On that note, the JP Morgan Global Bond Opportunities ETF (JPGB $50-$52-$53) filtered out as a strong fixed income candidate. The ETF is an offshoot of the company's long-running open-ended fund, but with intra-day tradability and a lower expense ratio. To get a flavor for the investment, just look at the top five holdings: 8.75% Republic of Indonesia bond, 3.5% New Zealand government bond, 2,875% Portuguese bond, 10.5% South African bond, and 10.6% Republic of Turkey bond. The company's masterful global and fixed income teams continually search for the best opportunities around the world for this fund. While the ETF is too new to have an accurate yield, the A-share sister fund has a TTM yield of 4.54% as of 27 Oct 2017.  
  
**03. Novartis to buy Advanced Accelerator Applications to boost its oncology portfolio**  
   
Swiss-based pharma powerhouse Novartis (NVS $67-**$81**-$87) wants to build up its pipeline of oncology drugs as generics continue to chip away at its blockbuster blood cancer drug Gleevac, which lost its patent protection last year. It is ponying up nearly $4 billion toward that effort with its bid to buy French biotech Advanced Accelerator Applications (AAAP $24-**$81**-$81). AAA's sweet spot lies in the promising area of radio-pharmaceuticals—therapies which carry radioactive substances directly to targeted tumor cells. Novartis had to make a move, as its Gleevac drug generated almost $5 billion per year in revenue before its patent protection expired. That amounts to roughly 10% of annual income.      
  
**02. Europe's largest bank reports an enormous surge in profit**  
   
London-based HSBC (HSBC $37-**$49**-$51), Europe's largest bank, swung to a third-quarter profit on the back of aggressive cost-cutting measures and an increased push into Asia (HSBC actually stands for "Hongkong and Shanghai Banking Corporation"). On revenues of $13 billion, the $200 billion banking giant posted a net profit of $3.24 billion versus a loss of $204 million in the same quarter of 2016. Don't be too quick to shore up your financial sector or international holdings with this company, however; HSBC still has a P/E ratio of over 100. Our favorite global bank remains the Royal Bank of Canada (RY $61-**$79-**$81), which we own in the *Penn Global Leaders Club*.   
  
**01. Lennar will become largest homebuilder in US with CalAtlantic pickup**  
   
Last month we reported on Lennar's (LEN $40-**$58**-$59) aggressive strategies to entice potential new homebuyers to select one of their homes, to include paying down a buyer's student loan debt. ​Now, the company has made a move that will make them the largest homebuilder in the country—they will acquire rival CalAtlantic Group (CAA $30-**$40**-$41) for $9.3 billion. CalAtlantic builds single-family attached and detached homes in the North, Southwest, Southeast, and West regions of the country. When the deal is done, Lennar will have a market cap of around $18 billion and control around 1,300 communities in 49 markets. D.R. Horton, with its $17 billion market cap, is currently the largest homebuilder in the US.

***Headlines for the Week of 22—28 Oct 2017***

***It wasn't a happy quarter for Mr. Potato Head's company...***

**17. Despite hurricanes, US economy was still able to expand at 3% clip in Q3**  
   
Beating all expectations for a muted quarter, the US economy just put together back-to-back quarters of 3%+ growth. With the slowdown in consumer spending and construction due to the hurricanes which hit Florida and Texas, economists were hoping for a 2.7% GDP growth rate for the quarter; none were expecting the 3% figure. A 2.3% increase in exports and a decrease in imports helped the economy achieve the impressive figure. We never believed the days of 3% economic growth in America were over. We heard the same garbage in the late 1970s, and didn't believe it then, either.   
  
**16. Aggressive CVS appears ready to buy health insurer Aetna for around $200 per share**  
   
Talk about taking command of your environment through vertical integration. CVS Health (CVS $69-**$73**-$88), which is still digesting its purchase of benefits manager Caremark, now appears ready to go after $59 billion health insurer Aetna (AET $105-**$179**-$185), and may be willing to pay up to $200 per share to get the firm. After the news, Aetna's share price immediately spiked over 11%, to near $179 per share. It is going to take some creative finance to fund the deal—CVS has a market cap of just $75 billion. Gutsy leadership.  
  
**15. US House passes senate's 2018 budget resolution in nail-biter, clearing way for comprehensive tax reform**  
   
The GOP-controlled US House of Representatives narrowly passed the US Senate's 2018 budget resolution, clearing the way for comprehensive tax reform passing before the end of the year. Not one Democrat voted for the resolution, and a handful of Republicans voted against it, but the detractors came up short. This was a critical vote, as it means that, ultimately, the US Senate can pass tax reform with a simple majority of senators voting in the affirmative. Of course, with the party's razor-thin margin in the upper chamber, that will mean only a few recalcitrant Republicans can vote to torpedo the reform and still allow it to pass.   
  
**14. Under the Radar: Cemtrex**  
   
Cemtrex ($3-**$3**-$8) is a diversified industrial company which provides a complete line of air filtration...developing  
  
**13. Southwest Airlines beats expectations, sees solid travel demand**  
   
While natural disasters yanked $100 million in potential revenue from Southwest Airlines' (LUV $38-**$58**-$64) pockets over the course of the quarter, the *Penn Intrepid* member said its Q3 revenues still rose. Furthermore, the company sees strong travel demand for the fourth quarter, meaning fewer forced discounts for the carrier. Despite the 5,000 hurricane-related cancelled flights, Southwest still raked in $5.3 billion in Q3—a 2.6% jump. As for bottom-line profits, the company kept $503 million of that figure, sharply up from 2016's $388 million profit during the same period. Our position is about 25% of the way to our target price since we purchased the company almost precisely three months ago. (Members see the [Trading Desk](http://www.pennwealthreport.com/trading-desk.html).)  
  
**12. Ford up on big earnings beat**  
   
Strong North American sales and aggressive cost cutting efforts helped automaker and Penn member company Ford (F $10-**$12**-$13) surge past analysts' earnings expectations for Q3. On the top line: Ford brought in revenues of $36.5 billion for the quarter, against expectations for $32.8 billion. Bottom line: the company had adjusted earnings-per-share of $0.43 versus the $0.32 expected. Is there still room to get in, even after today's run-up? You bet. Ford has a P/E ratio of 13, compared to GM's P/E of 24. The stock is undervalued. The 5% dividend is the icing on the cake.   
  
**11. Twitter shares soar as losses narrow**  
   
Beaten-up social media firm Twitter (TWTR $14-**$19**-$21) jumped double-digits on Thursday's open after reporting a narrower loss ($21.1 million) than expected. That may seem like a lot, but compared to last year's same-quarter loss of $103 million, it is chump change. It also represents the company's smallest quarterly loss as a publicly-traded entity. The company had revenues of $590 million, narrowly beating expectations. Twitter added four million monthly users over the course of the quarter, bringing their total user base up to 330 million. We would like to see Disney buy the firm and put an executive in place who actually knows how to monetize a company.     
  
**10. Markets notch another new record as Dow climbs 168 points**  
   
On the back of strong reports from Dow components Caterpillar and 3M, markets surged on Tuesday, notching another record high. By the end of the week, half of all S&P 500 companies will have reported, and results, for the most part, have been impressive. Shares of 3M (MMM $164-**$235**-$239) spiked 6% after reporting higher-than-expected revenues and net profits. American aerospace giant Boeing (BA $137-**$266**-$267), a Penn holding, will report Wednesday morning, and we anticipate a strong read for the quarter.    
  
**09. Look for jobs boost from Texas and Florida following effects of hurricane**  
   
In the wake of two major hurricanes, Florida and Texas lost approximately 135,000 jobs as many businesses came to a standstill. Those numbers were reflected in previous jobs reports, but economists had expected a harder hit to the figures. Now, as the areas hardest hit by the hurricanes rebuild, look for a boost in new jobs between now and the end of the year. That should lead to some surprisingly rosy "jobs Fridays" between now and the holiday season, helping drive the markets up even further. Then, if the Christmas shopping season turns out to be a good one (which it should), we may just slide into 2018 looking very healthy. That should give the Fed the cover it needs to raise rates a few more times over the next six months, no matter who is named the new Fed Chair.  
  
**08. What happened to the queso bounce? Chipotle drops on another lousy quarter**  
   
For many value investors, Chipotle Mexican Grill (CMG $295-**$324**-$499) has looked mighty tempting with a stock price in the low-$300s (if you can say that about a company trading with a 68 p/e). Those who didn't bite, we salute you. The stock is trading down around $299.80 after hours—dropping another $25 per share—following yet another blah quarter. The nationwinde rollout of hot, gooey queso during the quarter didn't provide the boost expected, apparently. Against expectations for $1.65 in earnings-per-share, the company recorded EPS of $1.46—a 12% miss.   
  
**07. 238 cities and regions vie to be the home of Amazon's second headquarters, HQ2**  
   
For all the talk we hear of city and state officials scoffing at the idea of wooing Amazon's (AMZN $710-**$966**-$1,084) HQ2 with tax breaks and the like, 238 cities took the contest serious enough to submit bids for the $5 billion project. Besides the usual suspects like New York, Boston, and Chicago, several Mexican and Canadian cities also made their case via electronic bids. Our favorite? Stonecrest, Georgia (near Atlanta) is offering to de-annex 345 acres to create a new city called Amazon should they win the contest. Now that's creative.   
  
**06. Sears will stop selling appliances made by Whirlpool, with exception of their Kenmore line**  
   
It’s a relationship dating back over a century. The Upton Machine Company, which later became known as Whirlpool (WHR $146-**$183**-$203), sold its first washers to Sears (SHLD $5-**$7**-$14) back in 1916, with the latter taking a stake in the company five years later. Whirlpool even makes products under the Kenmore name—a direct Sears brand. Nonetheless, this 101-year bond was virtually severed this week when Sears announced it would no longer carry Whirlpool products. Read the story in this Sunday's [*Penn Wealth Report*](http://www.pennwealthreport.com).  
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**05. Hasbro gets pounded thanks to Toys-R-Us declaring bankruptcy**  
   
The numbers looked fine: toymaker Hasbro (HAS $77-**$90**-$116) saw its third-quarter revenue grow by 6.5% over the same period last year, and adjusted earnings-per-share grew by 1%. The problem came in the guidance. While the street is looking for an 11.5% revenue spike from Hasbro over the coming holiday season, the company is projecting a 4% to 7% increase, due in large part to the Toys-R-Us bankruptcy filing. That guidance sent the stock tumbling nearly double-digits yesterday, closing at $89.75 per share. It could be worse: rival Mattel's (MAT $14-**$15**-$33) shares have fallen 44% since the first trading day of the year.   
  
**04. Under the Radar: Global X Robotics & Artificial Intel ETF**  
   
There have been incredible strides in robotics and AI technology lately, and we are, quite literally, in the nascent stages of this exciting realm. The Global X Robotics & Artificial Intelligence ETF, affectionately tickered BOTZ ($15-**$24**-$24) seeks to benefit from adoption and utilization of this technology. The fund invests in companies involved with robotics, automation, non-industrial robots, and autonomous vehicles. There are currently 28 long positions in the investment; most of which investors may not be familiar with, but some familiar holdings are: NVIDIA, Intuitive Surgical, iRobot, and Trimble, Inc. The fund just began trading in fall of 2016.   
  
**03. Arconic falls over 8% as the metals company misses EPS estimates, announces new CEO**  
   
We have lost a lot of interest in the former conglomerate Alcoa (AA $20-**$48**-$49) since the company split into two and the second part of the equation, Arconic (ARNC $17-**$25**-$31), fired one of our favorite CEOs, Klaus Kleinfeld. Here's a simple way to look at what each company does: consider Alcoa upstream, and Arconic downstream. Alcoa focuses on the mining and smelting of aluminum, while Arconic creates the value-added aluminum products. The latter, Arconic, just reported a miss in earnings, and the stock immediately fell over 8% on Monday. While revenues were a bit higher than last year, earnings came in at $0.22 per share—versus expectations for $0.27 per share. The company also announced it has hired former GE executive Chip Blankenship as its new CEO. Each company, AA and ARNC, is now worth about $10 billion, and we wouldn't touch either with a roll of 110-foot long sheet aluminum.   
  
**02. Seagate Technology jumps 13% in early trading on earnings beat**  
   
Data storage maker Seagate Technology PLC (STX $31-**$39**-$51) popped double-digits in early Monday trading after the Cupertino-based (but Dublin-incorporated) tech firm easily beat earnings estimates for its fiscal 1st quarter. STX increased its net income by 8% (to $181 million) over the same period in 2016, despite revenues edging down ever-so-slightly, to $2.6 billion on the quarter. Seagate shares, which were down 16.2% YTD on 8 September, have rebounded to a positive 3.2% for the year—still well shy of the market's performance overall, but on the right track. The company's P/E is 13.5, compared to an industry average of 38.9.   
  
**01. Abe's risky early-vote strategy paid off for him in Japanese elections**  
   
Prime Minister Shinzo Abe of Japan didn't need to call for national elections for at least the next year. Furthermore, his public-approval ratings took a hit earlier this year when he was accused of providing support to his friends in the Japanese business community. Nonetheless, in a relatively bold move, he called for early elections because he saw weakness and disarray in the ranks of his major opposition party, and his strong stance against North Korea has garnered him a recent spike in sentiment. Abe's bet paid off as coalition bloc maintained a super-majority in the lower house. This will give him impetus to push for a revision to the country's pacifist constitution. One of the major revisions would be an allowance for a military buildup to fight the nation's major threats—mainly North Korea.

***Headlines for the Week of 15—21 Oct 2017***

***It was thirty years ago today, and it absolutely seemed unreal...***

**34. What BREXIT worries? UK posts smallest September budget deficit in a decade**  
   
For all of the mainstream reporting of the cataclysmic event that is BREXIT, the British economy doesn't seem to be feeling any ill effects. The country just posted its smallest trade deficit for a September—$7.8 billion—in more than a decade. Solid growth in income and increased revenues from sales taxes ("all that consumin' goin' on," as the old curmudgeon Senator Ernest Hollings would have said) accounted for the reduced gap.  
  
**33. Celgene falls double digits after the biotech firm halts clinical trial on promising drug**  
   
One of the most anticipated new drugs in Celgene's (CELG $97-**$122**-$147) pipeline was mongersen (also known as GED-0301), an investigational therapy being developed for the treatment of Crohn's disease (CD). Celgene saw so much promise in the therapy that it paid $710 million to buy the firm which originally developed it. On Thursday, the phase 3 study of mongersen was abruptly halted after independent monitors declared a finding of clinical futility for the compound. In a statement, Celgene said it would not begin a second phase 3 study, effectively killing the would-be blockbuster. We still like the company's pipeline, but its stock took a 10% hit on the news.  
  
**32. General Electric gets pounded at the open on yet another lousy earnings report**  
   
General Electric (GE $23-**$22**-$32) should bring back former CEO Jeffrey Immelt just to ceremoniously fire his goofy mug again. Except, they really didn't fire him the first time; he simply stepped down before his 20-year tenure was over. And why is GE's management run like a communist party apparatchik anyway? The last quarterly earnings report for the Immelt era was released Friday morning, and it is a doozy. The company earned $0.29 per share against expectations for $0.49 per share. GE's power business (think energy) saw a profit decline of 51% from last year, and its direct oil and gas business swung from a $353 million gain a year ago to a $36 million loss this past quarter.  Get this: the 20-year return for GE's stock price is *negative* 8%, and the 10-year return for the stock is *negative* 46%. What was GE's return between 1981 and 2001, when Jack Welch ran the business? 4,000%. GE was down roughly 8% in pre-market trading after the earnings release.  
  
**31. Comprehensive tax reform passed a key hurdle in the US Senate**  
   
With the GOP holding a paper thin margin in the upper house, and with several recalcitrant members of the majority party (and at least one certifiable nut who should be recalled), it really is amazing that this pompous bunch of blowhards can accomplish anything. Nonetheless, the US Senate helped comprehensive tax reform clear a key hurdle Thursday night. On a razor's edge, 51-49, senators approved a 2018 budget blueprint—a required action before tax cut talks could continue. Tax reform must happen this year to assure Americans are able to reap the benefits in the coming tax-filing season.  
  
**30. Black Monday...thirty years later**  
   
I remember exactly what I was doing when I first heard the news—walking out of the chow hall at Davis-Monthan AFB in Tucson. The Dow Jones Industrial Average had just closed for trading, after shedding 22.6% of its value. Want to get an idea what that would look like today? The Dow, at today's value, would have to plunge 5,235 points in a single session. It seems unfathomable; but, then again, it did back in 1987 as well. When the markets opened today, it appeared as if there would be some giveback in sympathy to that infamous trading day, as the Dow shed 104 points out of the gate. But, six and a half hours and several earnings reports later, the index had clawed back every one of those points, and five more for good measure. No, this is not 1987. Earnings reports this quarter will continue to be rosy, and the economy is strong. That being said, any number of geopolitical or even domestic issues could cause a panic. Investors must understand their risk tolerance and be appropriately allocated (which, we are sad to say, is generally not the case for the average investor).   
  
**29. Just when it seemed things couldn't get worse for Blue Apron...**  
   
We've said it before and we'll say it again: Blue Apron (APRN $5-$5-$11) had no business going public. After just four months of trading on the exchange, the company has already lost half of its value and is now trading near its low of $5 per share. Just when it seemed things could not get any worse, employees of the meal kit delivery company received a letter explaining why the company was about to cut 6% of its workforce. APRN already had a hiring freeze in place, and laid off 14 members of its recruiting team two months ago.   
  
**28. Spain will suspend Catalonia's autonomy due to vote for independence**  
   
Up until now, Catalonia has enjoyed quite a bit of autonomy, despite the fact that it is part of Spain. Now, after a vote for independence from its home country, and a failure of regional leaders to drop their bid, Spain has invoked Article 155, essentially taking away the region's autonomy. This is nothing short of a constitutional crisis for the country, and the Spanish markets reacted by selling off 1%. There will be no positive outcome: Spain will never let Catalonia secede, meaning the animosity in the region for Madrid will only fester.  
  
**27. China abruptly halts Apple Watch connectivity in the country**  
   
The most impressive aspect of the new Apple (AAPL $104-**$156**-$165) Watch, Series 3, is its ability to make phone calls and connect to the internet without the need to be tethered to another device, like a nearby iPhone. Unfortunately, Chinese purchasers of the new watch have seen an abrupt end to the device's connectivity. While the government is mum on the issue, it appears to be a matter of control—or lack thereof—for the communist country. For the iPhone, Chinese consumers had to purchase a separate SIM card from a specific network, registering it under their legal name. For the watch, however, the eSIM cards needed for connectivity are embedded into the phone by Apple, making the ability to track the device's owner much more difficult. As it has shown time and time again, China loves the idea of capitalism when it comes to raking in the dough, but the all-powerful government hates the concept of the personal freedoms that come along with the deal. Apple was down about 2.6% in mid-day Thursday trading.  
  
**26. Initial Jobless claims and continuing claims fall to a 44-year low**  
   
Initial jobless claims fell to 222,000 for the week of 8-14 Oct, representing the lowest level since March of 1973. Continuing claims, representing those already receiving unemployment benefits, dropped to 1.89 million for the week—also a 44-year low. Couple these numbers with the 4.2% unemployment rate, and we can paint a picture of a very healthy economy. The biggest challenge for American businesses right now? Finding skilled workers to fill the record number of new job openings.  
  
**25. New phishing scam targets homebuyers' escrow funds at closing**  
   
There's an insidious new scam out there, and it could cost a new homebuyer tens of thousands of dollars. The scammers first get into a real estate agent's email account via a phishing email. If the agent opens a link in the email, downloads a file, or even replies, the scammer is given access to a goldmine of client data. Then, as a particular buyer is set to wire closing costs to the appropriate account, the hackers send an authentic-looking email telling the buyer of a change in the bank account information. Since the email appears to have come directly from their real estate agent, they often comply with the request, and the funds are transferred into the criminal's account. Law enforcement officials are warning homebuyers to always call their agent's office to assure they actually sent the change request.  
  
**24. Under the Radar: Lakeland Industries**  
   
Lakeland Industries (LAKE $10-**$15**-$17) manufactures and sells high-performance safety workwear, chemical protective clothing, flame and heat resistant clothing, and other accessories to workers around the world who function in a potentially hazardous environment. At just $125 million in size, the company pulls in nearly that much in annual revenues, and sports a gross profit margin of 36.35%—very healthy for the industry. With quarterly free cash flow of $1.7 million and a P/E of 19 (less that of the S&P 500), the company looks poised to make some nice gains going forward.  
  
**23. Housing starts off 4.7% in the month of September, but there's more to the story**  
   
The number may not be as bad as it sounds. Despite a 4.7% drop in housing starts from August to September, the figure is still in the green by 6.1% from September of 2016. Furthermore, starts on single-family homes were up 9.1% from January through September as compared to the same nine months last year. As is typical, the mainstream media throws out an inflammatory headline and then makes readers dig (which most don't) for the truth.  
  
**22. IBM beats on top and bottom line in Q3 as the tech company's seismic strategic shift continues**  
   
Despite marking its 22nd straight quarter of year-over-year revenue declines, computer giant IBM (IBM $140-**$147**-$183) did outperform analysts' expectations in the third quarter, beating estimates for both top-line revenues and bottom-line profits. The company had sales of $19.15 billion for the period and earnings of $3.30 per share, versus estimates for $18.6 billion and $3.28, respectively. The stock was up about 6% in pre-market trading on the report. IBM is in the midst of a major strategic transformation, shedding its "old technology" lines and embracing artificial intelligence, cloud computing, and business analytics. The company said that revenue from these new technologies grew 11% over the trailing twelve months and now represents roughly 45% of IBM's total revenue.  
  
**21. Eli Lilly partners with German firm to develop at least five different cancer vaccines**  
   
US pharma giant Eli Lilly (LLY $64-**$86**-$89) will team up with Germany's CureVac, a messenger RNA (mRNA) tech company, to develop and market up to five different cancer vaccines. Essentially, mRNA helps therapies get to specific targets in the body, stimulating a desired response to, in this case, keep cancers at bay. Lilly will be responsible for identifying the cancers to target, clinical development, and marketing, while CureVac will handle the mRNA design and manufacturing the vaccines.   
  
**20. Southwest Airlines to enter Hawaiian airspace**  
   
Great news for Average Joe travelers: everyone's favorite discount airline is about to begin service to Hawaii. Southwest Airlines (LUV $40-**$59**-$64) announced that it would begin service to the island destination as soon as next year, following FAA approval for the company's extended-range operations (ETOPS) and a number of other regulatory hoops it must jump through. That announcement was bad news for Hawaiian Airlines (HA $36-**$40**-$61), which is already down 30% year-to-date. When Southwest enters a market, prices among the carriers flying that route inevitably drop. As for Hawaiian Holdings, it has a P/E of 9.5; half that of LUV. At sub-$40 per share, it may actually be a good value play. Between the two, however, we still have to go with Southwest.   
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**19. Saudi Aramco may be wavering on US listing, discusses private placement with Chinese investors**  
   
Our adversaries, economic or otherwise, hated the idea of Saudi Arabia bringing their massive oil conglomerate Saudi Aramco public via an American exchange (with a dual listing on the Saudi exchange). Notably, Vladimir Putin recently welcomed Saudi's King Salman to Russia for "high level" talks, which certainly did not revolve around how to benefit the US. Now, all of a sudden, Saudi Aramco is in talks with Chinese investors to sell a private-placement stake of, perhaps, 5% to the group. A Saudi Aramco spokesman said "a range of options...continue to be held under active review." Another reason to push forward with all aspects of US energy production.  
  
**18. Apple considered buying medical clinic as another inroad into the health care business**  
   
Anyone who has listened regularly to Apple (AAPL $104-**$160**-$165) CEO Tim Cook knows just how seriously he takes the company's push into health care technology. But buying a medical clinic? That is apparently precisely what the company was considering as it negotiated the purchase of Crossover Health, a startup which works with employers to build and run on-site clinics. Music to Apple's ears, Crossover has touted the use of technology for everything from scheduling appointments to assisting in preventative "wellness solutions." While neither side is commenting, and it appears those talks are dead, Apple has also reportedly approached One Medical, a nationwide primary care group. Two things are certain: massive numbers of Baby Boomers will keep health care front and center, and Apple will play a leadership role in bringing innovative technology to the sector.  
  
**17. Greek prime minister, in meeting with President Trump, hails "high point" for Greek/US relations**  
   
After an extremely cordial meeting with President Trump at the White House, Greek Prime Minister Alexis Tsipris told reporters that Greek/US relations have reached a "high point," praising the president for his support. His words are well-founded. The US has taken a tougher stance with Turkey, Greece's ancient adversary, over that country's lackluster support in fighting terrorism. Greece is also a key NATO ally, and the two presidents discussed different methods to shore up both military and economic cooperation between the two countries. Mr. Trump also trumpeted increased US corporate investment in Greece, and the potential increase of US exports of LNG to the country. Although it was not the purpose of the meeting, the cordial relationship between the two leaders is a poke-in-the-eye to Putin, who would love to exert more control in the region.   
  
**16. Harley is up on earnings, but the trend for the company is still down**  
   
It wasn't all that long ago that an order for a Harley (HOG $45-**$47**-$63) might take a year or more to fulfill. What a crazy trip the past decade has been for the American cycle maker, with its shares hitting a high of $75 and a low of $7.99 within the span of about two years. The company opened up Tuesday by about 3% following a surprise Q3 profit beat, but the $68.2 million it earned this past Q3 still represented a 40% drop from the same quarter a year ago. The most recent quarter marks the sixth-straight period of declining sales. At least the company's 8.1% drop in sales on the year is not as bad as the overall industry's, which is down 9.2% from January 1st.  
  
**15. UnitedHealth surges on profit beat, raised guidance**  
   
The largest US health insurer, UnitedHealth (UNH $136-**$205**-$204) rose 6% in mid-day trading—through its 52-week high—on upbeat guidance and an easy bottom-line beat. The $186 billion insurance behemoth saw its profits jump by 26.3% year-over-year, and its top-line revenue grow by 8.7%. The shining star for the company has been its Optum business, which manages drug benefits and offers data analytics services to other firms. Another reason the company did so well? It withdrew from individual insurance markets (the Obamacare exchanges) last year. In addition to the earnings beat, UNH raised its full-year guidance from between $9.75 and $9.90 per share to an even $10 per share.   
  
**14. Under the Radar: Amneal Pharmaceuticals**  
   
Publicly-traded Impax Laboratories (IPXL $8-**$17**-$26) and privately-held Amneal Pharmaceuticals have agreed to an all-stock merger, creating the 5th largest US generics drugmaker. Under the terms of the deal, Amneal’s private investors will own about 75% of the new company, with IPXL shareholders holding the rest. IPXL dropped about 15% on the news. Read the rest of the story in this Sunday's *Penn Wealth Report*, Vol. 05, Issue 03.  
  
**13. Dow hits 23,000 for first time, just 53 trading days after notching Dow 22,000**  
   
The Dow Jones Industrial Average hit a new milestone in early Tuesday trading: rising above 23,000 for the first time ever. A slew of strong corporate earnings releases has been the primary driver for the surge. There may be more to come: at the end of September, data firm FactSet reported analyst expectations for a 4.2% across-the-board rise in earnings at S&P 500 companies.  
  
**12. Penn member Johnson & Johnson beats in Q3, raises outlook**  
   
*Penn Global Leaders Club* member Johnson & Johnson (JNJ $109-**$136**-$138) reported a 10.3% spike in earnings this past quarter over Q3 of 2016, and raised its full-year guidance by several hundred million dollars. The biggest component of the company's growth? Pharmaceuticals, which rose 15.4% over the quarter; followed by the medical devices unit, which increased its revenue by 7.1%. Sales of JNJ's Darzalex, a drug used for the treatment of multiple myeloma, rose 94% over the past year.   
  
**11. Canada's Bombardier aligns with Airbus on its C-Series jet rather than China**  
   
Yesterday we reported that Canadian rail and aircraft maker Bombardier (BDRAF $1-**$2**-$2) was looking at China as a possible acquirer of its beleaguered aerospace division. On Tuesday morning it was reported that the $70 billion European conglomerate Airbus (EADSY $14-**$23**-$24) would actually take majority ownership of the company's C-Series jet program. To avoid the 300% tariff on the jets threatened by the US Department of Commerce, Airbus has agreed to assemble any of the jets ordered by American carriers at the company's Alabama manufacturing plant—a capability Bombardier did not have. The 110- to 130-seat series cost $6 billion to develop and has not obtained a new order in 18 months.  
  
**10. Markets continue their winning ways, hit three new records**  
   
The Dow Jones Industrial Average, the S&P 500, and the Nasdaq all notched new record highs on Monday, led primarily by financials and energy stocks. The Dow rose 85 points, the S&P just over 4, and the Nasdaq moved 18 higher. The financials were taking back some ground lost last week on mixed earnings reports, while the energy stocks were up on the mounting trouble in the Kurdish region of Iraq.  
  
**09. Netflix adds 5.3 million subscribers during quarter**  
   
We now know why Netflix (NFLX $98-**$203**-$203) was so comfortable raising their rates yet again, even for faithful, longtime subscribers: the company blew past expectations for new subscribers in Q3, adding 5.3 million new paying members versus estimates for 4.5 million. Top-line revenues were about in-line, at just shy of $3 billion for the quarter. The company's record number of new subscribers is probably also why they just announced they increased their "new content" budget to between $7 billion and $8 billion over the next twelve months.  
  
**​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​​08. Driver shortage hurting trucking companies' bottom line**  
   
Demand for big-rig delivery of goods jumped over 8% from August of 2016 to this past August. That should be great news for trucking giants like JB Hunt (JBHT $76-$101-$112) and Werner (WERN $21-$34-$37), but a shortage of qualified drivers is keeping a lid on profits. JB Hunt, in fact, just noted that earnings actually fell 8% in the third quarter. Fewer young workers are choosing to enter the field, while older drivers are retiring, causing the shortage. Electronic logs, which keep the drivers from going over their allowed driving hours, are also hurting the bottom line. Hey, Elon Musk, where is that fully-autonomous big-rig you promised us?   
  
**07. After setbacks, Canada's Bombardier may sell aerospace unit to China**  
   
After several setbacks, including the most recent trade dispute with the US, Canadian rail and aircraft maker Bombardier (BDRAF $1-**$2**-$2) is said to be exploring options to sell its aerospace division. The $4 billion manufacturing firm hasn't seen a profit since 2013, despite annual revenues in the $17 billion range. After Boeing (BA) complained of illegal government subsidies to Bombardier, the US Department of Commerce proposed trade duties of 300% on the company's C-Series jets. Who would be the buyer of the aerospace division? China appears to be the leading contender. The communist country would love to get its hands on the firm's technology, though the acquisition would likely face stiff opposition from Canadian regulators. The Quebec provincial government owns a 49% stake in the aerospace unit—a condition which would never be allowed to exist in the US (thankfully).   
  
**06. Mattel getting knocked out of Nasdaq-100 by Align**  
   
The makers of Invisalign, a series of virtually-invisible teeth aligners, is about to knock toymaker Mattel (MAT $14-**$16**-$33) off of the cap-weighted Nasdaq-100 stock index. Effective 23 October, Align Technologies (ALGN $83-**$194**-$196) will become the newest member of the index, giving the already-soaring, $16 billion medical device maker another boost. Invisalign treatments are similar in cost to traditional braces, and are covered by most dental insurance plans.  
  
**05. US steel companies spike on Kobe troubles, reduced Chinese exports**  
   
Several factors led to a rally in US steel stocks last week, with United States Steel (X $17-**$27**-$42) surging 9%, followed by AK Steel's (AKS $4-**$6**-$11) 7% jump. One factor was the greatly-reduced tonnage exported by China in recent months, as trade barriers placed on the commodity by the US, EU, and India take hold. Chinese steel exports have fallen by one-third over the past year. Another factor hit last week when Japanese steel giant Kobe Steel admitted to fudging its numbers. The company falsified data about the strength and durability of its steel and copper products used in the aerospace and transportation industries. Finally, the stocks got a bump on news that Commercial Metals (CMC $15-**$21**-$25) may be interested in buying the rebar unit of Brazil's Gerdau, an iron and steel conglomerate.  
  
**04. Under the Radar: The Simply Good Foods Company**  
   
The Simply Good Foods Company (SMPL $11-**$12**-$13) is a newly-formed entity created by the merger of Conyers Park Acquisition Corp. and Atkins Nutritionals, Inc. With a market cap of around $850 million, the company had sales of $96.5 million in fiscal Q3, down from $104.6 million in the same quarter of 2016, and a net profit of $4.3 million, versus $776,000 a year ago. While the well-known Atkins nutritional food lineup is currently the company's main source of revenue, SMPL hopes to greatly expand their platform into the broader snacks and healthy foods categories via acquisitions. On 27 August, the company replaced CFO Shaun Mara with vice president of finance Todd Cunfer. The new CFO has 20 years of experience in financial planning and data analysis with the Hershey Company (HSY).  
  
**03. Buyout deal getting messier for Ruby Tuesday as law firm opens investigation**  
   
Ruby Tuesday (RT $2-**$2**-$4) could be the poster child for the current state of casual dining. A decade ago, the company seemed to be flying high. With a solid customer base and stock price of $30 per share, the Tennessee-based restaurant chain was one of the top names in the industry. Fast-forward a decade, and the company is negotiating a deal to be taken private by NRD Capital, with the investment firm agreeing to pay $2.40 per share. That deal is being contested, however, by shareholder rights law firm Johnson Fistel, LLP, which is arguing that management did not perform due diligence in attempting to find a better deal. They are not helping shareholders: the $2.40 per share represents a 20% upside to where the stock was trading going into the weekend. Take the money and run—the law firm is just out for a piece of the pie.   
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​02. Oil prices spike as Iraqi troops move into oil-rich Kurdish region**  
   
Just as it seemed as if oil prices were stabilizing around $50 per barrel, Iraq ordered its army into the oil-rich Kirkuk region controlled by the Kurds. While Kurdish forces didn't put up a fight, the action made crude spike around 2%, to $52.26 per barrel on Monday morning. With the ISIS threat  subsiding, Iraq is turning its focus on regaining land it lost to Kurdish forces in the northern part of the country. Kurdish fighters took control of the region around Kirkuk after they successfully pushed ISIS out of the region.  
  
**01. Candidate who ran on immigration reform slated to become Austria's next leader**  
   
Concerns over unfettered immigration continue to shape Europe's political landscape. Austria's 31-year-old foreign minister, Sebastian Kurz, declared victory for his center-right Austrian People's Party following the weekend's national elections in the Central European country. This is only the second time since WWII that the party has defeated the left-wing Social Democrats. Austrians have become increasingly frustrated with the escalating level of violence in areas of the country with a large middle-eastern immigrant population. As part of the European Union, Austria has been forced to deal with the immigrant "quota" foisted on them by EU officials in Brussels. The biggest loser in the election (besides the EU)? Austria's green party, whose support dropped from 12.4% to 3.9%—missing the 4% cutoff to play a role in the country's parliament.

***Headlines for the Week of 08—14 Oct 2017***

***Boom, boom, boom, another soda tax bites the dust...***

**​20. Paris to ban all non-electric vehicles by 2030**  
   
Oh, those rascally French. Maybe they don't realize it, but 2030 is only 12-odd years away. Nonetheless, authorities in the erudite city of Paris have announced a complete ban on combustion engine vehicles by that date. That means, if they follow through, only electric vehicles will be allowed to traverse the narrow city streets of the 2,000-year-old city. Will they subsidize new EVs for the lower middle-class residents who live in the outskirts of the city? With the soda tax dead in America, maybe Michael Bloomberg can fund some public announcement videos to be broadcast over French public television.   
  
**19. CarGurus jumps 72% on first day of trading**  
   
Online automotive marketplace CarGurus (CARG $16-**$28**) bucked the trend of recent IPOs, spiking 72% on its first trading day as a Nasdaq-listed company. Even more impressive, that was from a starting point above the anticipated range of $13 to $15 per share. The company sold 9.4 million shares at $16 per share through its underwriters, which included Goldman Sachs and RBC Capital Markets. CarGurus brings together auto sellers and buyers. Each night the company analyzes 6 million listings using a proprietary valuation model to determine each car's Instant Market Value, or IMV. It then lists the asking price on their site/app, telling how far above or below the ask is from the IMV. Users can search by location, price point, and any number of other metrics.  
  
**18. A unique and historical dynamic is keeping inflation below the Fed's target**  
   
The Federal Reserve often cites its target 2% inflation rate as a major metric for deciding when to raise interest rates. While a December rate hike is all but assured, the Fed is having trouble explaining why inflation is so muted. After all, with a 4.2% national unemployment rate and rising wages, the key catalysts for inflation seem to be in place. What they may be missing, however, is the disruptive impact technology is having on keeping prices low. The grocers, for example, would love to raise rates, but Amazon won't let them. Clothing retailers certainly need the cash, but they are doing everything they can to attract shoppers. OPEC would love to see oil back at $100 per barrel, but US shale producers and a big alternative energy push is keeping the price around $50. All this is great news for consumers; not so much the Fed's numbers crunchers.  
  
**17. Taking our one-month, double-digit profit on semiconductor firm Diodes**  
   
Last month we added application-specific semiconductor maker Diodes (DIOD $20-**$32**-$32) to the Penn *Intrepid Trading Platform* as a pure momentum play. The stock was already on a tear, so we jumped on to ride the comet higher. Sure enough, the company hit our target price, so we took the 11% short-term gain. Closed position at $31.88. Will it go higher? Maybe. But never let greed stand in the way of taking a profit when your target is achieved.   
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**16. Closer to what we have been waiting for: Disney brings 5 studios together for movie library project**  
   
Remember the good ol' days of creating your very own video library? All you had to do was plop a blank VCR tape in the machine and record your favorite movie. If you were the fancy type, you could drive to the local mall and buy a copy of your favorite flick at Hollywood Video. With DVDs, you could still buy your favorite movies, but recording got a lot more complicated. Today, most Americans don't have movie libraries because it entails buying online and trusting the service you are using to maintain them. Disney (DIS $90-$97-$116) is trying to streamline the process with its new Movies Anywhere program. Furthermore, they have already made arrangements with five of the six major Hollywood studios to join them. With a selection of over 7,300 movies to choose from, a user simply buys the flick and stores it in a digital move locker. They can then watch it at any time in the future via a number of different venues, from TV to smartphone to PC. Our favorite part? No fees! You pay only for the movies you buy. Check it out at <https://moviesanywhere.com/welcome>.   
  
**15. Fashion retailer J.Jill loses half of its market value at the open**  
   
Women's fashion retailer J.Jill (JILL $10-**$5**-$14) plummeted 50% at the open following a cut in the company's Q3 outlook due to weak sales. The company also warned of a 3% to 5% drop in same-store sales in the next quarter as it struggles to gain traction in either the retail or direct channels. On revenues of $639 million last year, the company had profits of just $24 million. There are undervalued stocks, and then there is the walking dead. We wouldn't touch the company.   
  
**14. Under the Radar: Eagle Materials**  
   
Eagle Materials (EXP $74-**$109**-$111) is a $5.3 billion mid-cap supplier of building products for use in residential, industrial, and infrastructure projects. The company operates in five different segments, from cement and aggregates to oil and gas proppants (materials designed to keep an induced hydraulic fracture open). With sales of $1.2 billion last year, the company recorded net profits of $200 million. It is noteworthy that the company has also been profitable every year for the past decade. There are around one million homes in need of repairs from the recent hurricanes; Eagle Materials will provide a good portion of the supplies needed.  
  
**13. Another win for the little guy: Chicago's soda tax is dead**  
   
After progressive cities got a taste of the money they were reaping from the tax on cigarettes (and it has always been more about the tax revenue than the health concerns), soda pop came into focus as the next major target. Now, the efforts of these local governments are backfiring big-time. Take Philly. After an onerous tax was placed on soda, sales inside the city limits plummeted 55%, while sales just outside the city limits grew 38%. Ditto New York. Now, in a major reversal, the Cook County (Chicago) Finance Committee voted 15-1 to repeal their soda tax just two months after it went into place. The reason? Committee members who changed their minds on the tax cited an incredibly boisterous outcry from constituents.  And all of this despite the $10 million Chicago ad campaign for the tax, funded by our national nanny, Michael Bloomberg.  
  
**12. Kroger surges as company reaffirms its forecast**  
   
Grocery store giant Kroger (KR $20-**$22**-$36), stock #25 in the *Penn Global Leaders Club*, reaffirmed guidance for the coming year and announced a strategic review of its convenience store business, with an eye on possibly selling the 780-strong chain. At the annual investor meeting the company also laid out its "Restock Kroger" plan, which will consist of a $9 billion investment over the next three years to upgrade technology and infrastructure in an effort to grow market share. Investors liked the news, sending KR shares up about 7% at Wednesday's open.   
  
**11. Apple teams up with Steven Spielberg for production of TV programs**  
   
This past August we discussed Apple's (AAPL $104-**$156**-$165) intent to spend $1 billion over the next year in a strategic push to develop its own "original content" for a video library. It looks like they will begin spending some of that money on one of Hollywood's biggest names: Steven Spielberg. The Cupertino-based company will work with the director to resurrect his 30-year-old sci-fi series *Amazing Stories*. This will be their first step in building a Netflix-like library of content for subscribers to access. Seems like a good place to start—we enjoyed the series, which aired between 1985 and 1987. Apple is expected to spend about $50 million on ten episodes. The company's $1 billion commitment may seem like a lot, but it is around $5 billion less than Netflix's planned outlay for the coming year. I guess that is why our monthly Netflix bill just went up again.

***Nvidia hits Level 5 with secretive Pegasus computer system...***

**10. Good guys win one: Activist Peltz loses his battle against Procter & Gamble**  
   
Billionaire activist agitator Nelson Peltz's Trian Partners just lost its massive battle against $235 billion household products titan Procter & Gamble (PG $81-**$91**-$95). The bully Peltz, who "doesn't know how to spell the word lose," demanded a seat on the board and major corporate changes. Shareholders didn't agree, with the majority of shareholders voting with the company. Within seconds, the financial press reported that PG shares were "plummeting" on the results. They were down 2% right after the vote, and steadily climbed back. Why would the media so willingly hack away at their own credibility, which is already at an all-time low? As for Procter, management really went after Peltz and Trian, which was incredibly refreshing in this day of timid and malleable corporate governance.  
  
**09. Penn member Wal-Mart pops over 4% after affirming guidance, announcing buyback**  
   
Wal-Mart (WMT $65-**$84**-$84), stock #38 in the *Penn Global Leaders Club*, punched through a new 52-week high on Tuesday after affirming its strong forward-looking guidance and announcing a $20 billion share buyback program. The company reiterated expectations for at least a 3% jump in sales for FY19 and a 40% spike in e-commerce sales. This is what we really love: WMT plans to open at least 1,000 online grocery points in existing US stores over the next year as it goes full-bore against the Amazon/Whole Foods alliance.  
  
**08. Locked in fierce competition, BAE announces jobs cuts**  
   
The company formerly known as British Aerospace, BAE Systems PLC (BAESY $26-**$33**-$35), announced that it would eliminate around 2,000 jobs, slow production of its Typhoon combat aircraft, and streamline corporate operations. All of this on the back of reduced global orders for the company's systems. Military aircraft programs account for about one-half of BAE's revenue stream, which was $24 billion last year (down from $32 billion in 2010). Look for more jobs cuts across the industry as the robotic workforce continues its inevitable march.  
  
**07. Honeywell reviews business model, does precisely the opposite of what activist wanted**  
   
I hate financial engineering—the supposed creation of value by rearranging the corporate deck chairs. Which is why I also hate most activist investors; bloodsuckers who didn't have a thing to do with a company's growth and success, but are there to suck millions of dollars out of a company by forcing management  to create false value by rearranging operations. Take *Penn Global Leaders Club* member Honeywell (HON $105-**$144**-$144). Apparently the company's steadily-stellar stock performance wasn't good enough for Third Point's Dan Loeb. He demanded the company spinoff its most valuable asset—its aerospace business. After a strategic review, management did just the opposite. It will focus more on the aerospace and defense business and spinoff the company's home (think HVAC controls) and automotive units instead. The units will become independent, publicly-traded companies by the end of next year. Smart move. Now take a hike, Loeb.  
  
**06. Nvidia claims to have created a computer system which allows for completely autonomous driving**  
   
Level 5. It's the holy grail of autonomous driving. At this level, a vehicle can completely control all aspects of the driving experience, with no need for human input. Chipmaker Nvidia (NVDA $64-**$185**-$191) has just unveiled a new computer system which it claims will give vehicles this full autonomy. Coming in a package about "the size of a license plate," the company said the new system, codenamed Pegasus, will be available in 2018, and will represent a tenfold increase over currently-available technology. The company also announced it would partner with an auto supplier to produce a line of fully autonomous delivery vehicles for DHL.  
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**05. Wal-Mart promises 30-second returns in-store**  
   
Retail superpower Wal-Mart (WMT $65-$81-$82) is leveraging their 5,000-store physical footprint in the US to make returning items purchased online super-easy, and incredibly fast. How fast? Try 30-seconds. The company will rollout Mobile Express Returns next month, specifically for items ordered at and shipped by Walmart.com. When a shopper receives an item they wish to return, they will first use their Wal-Mart app to signify a desire for a refund. Then, they will drive to their nearest Wal-Mart location, step into a special Mobile Express Lane, scan a QR code from their app, and the refund will be credited back to their account. The goal is for the in-store process to take less than 30-seconds once at the express kiosk.  
  
**04. Under the Radar: TherapeuticsMD**  
   
TherapeuticsMD (TXMD $4-**$5**-$8) is a $1 billion small-cap pharmaceutical company specializing in the development, sales, and marketing of prescription and over-the-counter medical products for women. Specifically, the Boca Raton-based firm is developing three advanced hormone replacement products designed to both alleviate the symptoms and reduce the health risks associated with menopause-related hormone deficiencies. The company made news this week as it rang the bell at the Nasdaq following its decision to leave the New York Stock Exchange for the more appropriate (for their industry) exchange.   
   
**03. Harvey Weinstein fired from the company he co-founded**   
   
As one of the most high-profile and demanding producers in Hollywood, Harvey Weinstein struck fear in the hearts of actors—both male and female. It turns out he took full advantage of that fear, getting away with decades of sexual harassment with little repercussion. When charges did surface, he would simply pay off the accuser, demanding silence. Now, this miscreant’s deviant behavior is coming home to roost. Weinstein Company’s board of directors, incensed that they did not know of the financial settlements, has fired their co-chairman.  Last week, Weinstein announced he was going to bring a lawsuit against the New York Times for their “false” exposé on him. Four board members had already resigned following the NYT story.    
   
**02. Google’s self-driving car unit launches awareness campaign**   
   
Waymo, the autonomous-driving vehicle unit of Alphabet (GOOG $728-**$982**-$988), has teamed up with leading automobile safety groups to help make Americans aware of and comfortable with the concept of self-driving cars. Waymo and the groups, which include the National Safety Council and Mothers Against Drunk Driving, will launch their nascent effort in Arizona, buying digital ads and outdoor advertising. Autonomous vehicles are coming our way a lot faster than most people realize, and the major catalyst has been the rapid increase in unsafe acts committed by dangerous drivers on the road. Unfortunately, the most egregious violators will probably be the last to embrace the technology.    
   
**01. SpaceX launches ten Iridium satellites, sticks landing once again**   
   
After successfully placing ten satellites for Iridium Communications into orbit on Monday, the first stage of SpaceX’s Falcon 9 rocket made a perfect landing aboard the company’s drone ship, named “Just Read the Instructions.” This is the third of eight Iridium launches for SpaceX, which will ultimately place 66 primary and nine backup satellites in orbit. The constellation of satellites is designed to bring broadband Internet service to the world, including the most remote regions.

***Headlines for the Week of 01—07 Oct 2017***

***Catalans vote to break from Spain...***

**08. September's employment number hammered by hurricanes**  
  
Economists were uncertain as to exactly what extent the terrible hurricanes that hit Texas and Florida would affect the September jobs report, but they knew it wouldn't be pretty. And it wasn't. Against predicted jobs gains of just 75,000 for the month, the real number came in at a loss of 33,000 jobs. Leisure and hospitality got hit the hardest, losing a combined 111,000 jobs for the month. The unemployment rate did fall from 4.4% to 4.2%, which is the lowest level since December of 2000. The market took it all in stride, as investors had been expecting a skewed report due to the weather.   
  
**07. US trade deficit drops to lowest level in 11 months**  
  
The US trade deficit—what we import minus what we export—fell to $42.4 billion in August, which is the most narrow it has been since September of 2016. For the month, imports dropped by 0.1% while we exported 0.4% more goods. Primary export drivers were drugs and semiconductors. It's a tricky balance between prosperity and trade. The more prosperous Americans are, the more they buy, which equates to more imports. The trick is to ramp up production of goods here in the US that citizens from around the world want to own. Imagine the trade deficit were it not for Apple (AAPL), for example, or Boeing (BA).   
  
**06. SeaWorld up, then down, on talks of deal with Legoland owner**  
  
It's been stormy waters for SeaWorld Entertainment (SEAS $11-**$14**-$20) pretty much ever since the company went public back in 2013—which they had no business doing, by the way. It appeared as if the troubled company was going to get a boost at Thursday's open following reports that Legoland's owner, the UK's Merlin Entertainments (MERL), wanted to buy part of the firm. It didn't take long for investors to realize that a total sale was the only viable option for this company, and shares quickly sank. SeaWorld needs to be taken private before they are forced into bankruptcy.   
  
**05. Spirits maker Constellation up 6% on earnings beat**  
  
Constellation Brands (STZ $144-$201-$205), owner of such names as Corona, Modelo, Svedka Vodka, and Casa Noble Tequila, handily beat expectations in fiscal Q2, and is being rewarded with a 6% spike in share price at Thursday's open. The New York-based STZ saw an overall spike in sales of 8%, with the beer segment jumping 12.8%, to $1.38 billion. Wine and spirits sales fell 11.7%, however, to $706 million. The company had total revenues of $2.07 billion for the quarter, which puts in on a trajectory of roughly $8 billion in sales for the year.   
  
**04. UPS, FedEx fall as Amazon reportedly testing enhanced delivery system**  
  
Shares of both UPS (UPS) and FedEx (FDX) were down at Thursday's open on reports that Amazon (AMZN), an enormous source of revenue for the firms, is experimenting with its own two-day delivery system. The project, called "Seller Flex," has been undergoing testing in India for the past few years, and certain West Coast states since the beginning of this year. A more full-scale rollout could come in 2018. Both shipping giants were off just over 2% on the news. This system would certainly have an impact, but we believe this impact will be dampened by the slew of other American companies now competing with Amazon in the e-commerce space.   
  
**03. GM plans to launch 20, yes twenty, new electric vehicles over the next six years**  
  
Sure, they were responsible for the first mass-produced electric vehicle back in the late '90s, the GM EV1, but we wonder how committed to EVs General Motors (GM $30-**$42**-$42) would be right now were it not for a little startup called Tesla (TSLA $178-**$343**-$390). Nonetheless, Tesla has released the genie from the bottle, and the movement will only burgeon from here. GM just announced plans to roll out 20 different all-electric vehicles over the next six years, with two being introduced within the next eighteen months. GM's all-electric Chevy Bolt went on sale earlier this year, with a starting price of around $36.5k before the $7,500 federal tax credit. It is kind of cool to see "ER," for estimated range, on an advertisement rather than "MPG." Our wallet could use the break.  
  
**02. US manufacturing activity hits highest level in over a decade**  
  
Any read above 50 in the ISM's national factory activity survey means manufacturing in the country is expanding; any read below 50 shows contraction. US factory activity for the month of September surged to 60.8—its highest level since May of 2004. A higher-than-expected number of new orders across a multitude of industries led to the stellar result.   
  
**01. Voters in Catalonia overwhelmingly choose to break from Spain; government calls vote unconstitutional**  
  
In a referendum which the Spanish government said it would not recognize, voters in the Catalonia region overwhelmingly chose to secede from the country. There is a catch, however. Along with ruling the vote unconstitutional, the government urged opponents of the movement to stay home—which they did. Nonetheless, 2 million of the region's 7.5 million citizens (40% of the voting population) did show up to vote, with 90% choosing independence. Violent clashes with police left over 800 injured. The Catalan president said he would set a secession plan in motion, which will probably be met with the Spanish government's revocation of the region's autonomy. This is about to get ugly.

***Headlines for the Week of 24—30 Sep 2017***

***SpaceX is designing a new BFR line of versatile rockets (and yes, it's acronym is what you think it is)...***

**31. Elon Musk outlines a revamped SpaceX rocket lineup**   
  
Elon Musk is re-engineering and streamlining his SpaceX rocket lineup. Instead of designing and building a number of different rockets, Musk plans to design one versatile series which could be tasked for everything from delivering satellites to orbit, a city-to-city ferry trip, or a manned mission to Mars. His BFR (you can figure out the acronym) will be ten times more powerful than the company's flagship Falcon 9 rocket and more capable than the Falcon Heavy slated to lift off for the first time later this year. Musk also set out an astoundingly-aggressive timetable for the first trip of his BFR to Mars: 2024.   
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**30. Roku outlines its terms for taking the company public**  
  
**(UPDATE**: ROKU finished its first trading day up 68%, to close at $23.50. Now we really wouldn't touch it.)  
Over-the-top content provider Roku has set its IPO price at $14 per share, giving the company an implied value of $1.3 billion. Roku generated just under $200 million of revenue in the first six months of 2017, a 23% jump over the same period last year. While the company is still bleeding money, it has narrowed those losses from $33.2 million to $24.2 million over those periods. The company’s video streaming devices allow its 15 million users to access YouTube, Amazon, Netflix, and a number of other online channels. Roku will trade on the Nasdaq under the symbol ROKU. Would we touch the stock? No way. There are too many competitors, with billions more to spend, in this space. Apple TV comes to mind. Not to mention the television makers like Samsung which are building competing software systems directly into their machines. Finally, the CEO of Roku, Anthony Wood, doesn't seem to have a solid grasp on his competition, nor has he provided the strategic vision needed to increase the company's market share.  
  
**29. Final read on Q2 GDP**   
  
Remember all of the naysayers squawking that the days of 3% GDP in America were long gone? They will be the ones who now claim, “we told you it was possible, but don’t expect it to continue.” How depressing to go through life with such a negative outlook, and such a flawed character. That brings us to the government’s final read on the second-quarter’s GDP. It came in at 3.1%, which is better than expectations and well above the 2.6% in the first read. Furthermore, it comes in nearly triple the first quarter’s 1.2% growth rate. While the hurricanes may provide a blip in Q3’s number, it looks like growth in America has returned. Especially after we get comprehensive tax reform passed into law.  
  
**28. President Trump waives Jones Act to speed aid to Puerto Rico**  
  
The 1920 Jones Act requires goods which are shipped between two US ports to be carried aboard US vessels with an American crew. On Wednesday of this week, President Trump ordered the Act waived at the request of Puerto Rican Governor Ricardo Rossello. This will allow much needed supplies, such as water, diesel fuel, and hospital equipment, to get into the country following the direct hit of a Category 4 hurricane. Roughly 80% of power transmission lines and 95% of cell towers were damaged or destroyed from the hurricane, with many of the country’s 3.4 million (American) residents facing shortages of basic supplies.  
  
**27. Blackberry up 17% midday on news it actually turned a profit**  
  
Before getting too excited about this story, let’s remember that cellphone maker Blackberry (BBRY $7-**$11**-$12) raked in $20 billion of revenue in 2010…and just over $1 billion last year. Furthermore, the company has recorded a net loss every year since 2012. That being said, Blackberry shares were up 17% at Thursday midday following a better-than-expected fiscal Q2 earnings report. The company earned a cool nickel, $0.05, for each share of outstanding stock. That was quite a bit better than the expected $0.00 analysts were looking for. The company also reported it had sealed a licensing deal with China’s Yangzhou New Telecom Science and Technology, a developer and maker of smartphones. An impressive jump in share price. Then again, it only took $1.50 to make the double-digit gain. Instead of buying BBRY, go to the boats and have a watered-down drink while you lose your money.  
  
**26. Kellogg taps new CEO—can he turn around the floundering albatross?**  
  
It’s not that we are completely down on the packaged food industry. After all, we picked up General Mills (GIS) a few weeks ago in the Penn Global Leaders Club. We are down, however, on poorly-run companies more concerned about appearing politically-correct than running an efficient enterprise. Kellogg (K $62-**$63**-$78) falls in the latter category. With the company’s shares on a downward trajectory for the past year, now at a 52-week low, we are not the only ones who feel this way. Under pressure, the company finally fired their CEO, John Bryant. Not wasting any time, they announced that former Nature’s Bounty CEO, Steven Cahillane, will take the helm this coming Monday. With shares sitting at a multi-year low, should you buy? After all, the company is so cheap that its $0.54 dividend now equates to a 3.43% yield. We wouldn’t make a move before we see if Cahillane is a real leader, a plain-vanilla manager like JCP’s Marvin Ellison, or a complete fraud like Apple’s former CEO, John Sculley.   
  
**25. FDA approves Abbott device for prick-less blood sugar monitoring**  
  
The medical device company that holds the number one position in the Penn Global Leaders Club, Abbott Labs (ABT $37-**$54**-$53), punched through a new high today, up 3%, on news that the FDA has approved the company’s “FreeStyle Libre Flash Glucose Monitoring System” (good luck with that acronym). This system continually monitors blood sugar levels without the need to draw blood via a skin prick. That is absolutely revolutionary for millions of diabetes sufferers in the US alone. It is able to perform this feat via a sensor stuck on the body, with the information being transmitted with the wave of a mobile reader. (Can anyone say Apple Watch?) The big loser with this decision was ABT competitor Dexcom (DXCM $43-**$45**-$90), which was down about 35% on the news.  
  
**24. Under the Radar: Integra Lifesciences**  
  
Integra Lifesciences (IART $38-**$50**-$56) is a medical device maker specializing in regenerative medicine, specifically burn and deep tissue wounds, and dural repair products. (Dura mater is the outermost of three layers surrounding the brain and spinal cord.) The company operates in two primary divisions: the Specialty Surgical Solutions unit, and the Orthopedics and Tissue Technologies segment (think burn victim care). Yesterday the FTC approved Integra’s purchase of Johnson & Johnson’s (JNJ) Neuro Division for $1.05 billion in cash. With a market cap of under $4 billion, IART had 2016 revenues of $1 billion and a net income of $75 million. A very well-run company in a niche medical market with a critical need. Certainly worth keeping an eye on.   
  
**23. Sorry Kathy Griffin, KB Home beats and the CEO keeps his job**  
  
Residential construction company KB Home’s (KBH $14-**$22**-$24) CEO found himself in a little hot water a few weeks back after he left an expletives-laden message on hack comedian Kathy Griffin’s answering machine (the two are Bel-Air neighbors). Of course, the recording was in the hands of the Huffington Post probably the second he hung up. Well, sorry Kathy, not only didn’t the CEO, Jeffrey Metzger, get fired by the board for his rant (which was probably deserved), the company just reported a nice earnings beat. The company delivered 2,765 new homes versus the 2,736 expected, and revenue rose from $913 million in Q3 of 2016 to $1.14 billion this past quarter. Here’s our question: how can an unfunny, hack comedian afford a house in Bel-Air?  
  
**22. Whatever happened to tort reform? Jury awards widow $4 billion**  
  
Max Hopper was a Dallas resident with a net worth of around $19 million. After he died, with no trust and no will in place (which is disgraceful), JPMorgan (JPM $65-**$95**-$96) was responsible for his assets, which included 6,700 putters and 900 bottles of wine. Jo Hopper, the widow, said it took up to five years for the bank to divide some of the assets, which included artwork, home furnishings, jewelry, and the putters and wine (the assets were to be divvied up among family members). Claiming she was distraught over what the bank put her through, she sued. A jury awarded the family $8 billion in punitive damages. The family’s attorney admitted there was duplication in some of the damage findings, so that amount could be knocked down to “$4 billion or $5 billion.” Sad and warped. Fortunately, the US Supreme Court has ruled that this type of case cannot extract amounts from companies “disproportionate to actual damages,” so the odds of the family getting anywhere near this amount are zero. Nonetheless, how warped has our civil justice system become, when twelve American citizens come up with such a silly verdict and punitive amount?  Were they allowed to roll into the courtroom at 10 am each morning in there pajamas and fuzzy slippers as well?  
  
**21. FAA restricts drone flights over ten landmarks**  
  
As cool and exciting as drone technology is, the thought of protecting the public from nefarious users as the technology advances is chilling. The Federal Aviation Administration took another small step in trying to police the nascent industry this week, as it restricted drone flights over ten US landmarks. The Statue of Liberty, Mount Rushmore, and the Gateway Arch in St. Louis are among the ten.

**[Wednesday, 27 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170927" \t "_blank)**

***Amazon's new Echo Buttons, one of many new toys introduced today...***

**20. US economy jumps to second-most competitive in the world**  
  
Climbing to a position it has not held in eight years, the United States suddenly has the second-most competitive economy in the world, following Switzerland. The Global Competitiveness Report ranks 137 economies based on such factors as efficiency and innovation, higher education, automation, and the regulatory environment. Taxation remains the largest barrier to the US reclaiming the number one spot; hopefully that will soon be rectified.  
  
**19. Shares of chipmaker Micron Technology jump 6% after earnings beat**  
  
Micron Technology (MU $16-**$37**-$37) shares were up around 8% at the open on Wednesday after the chipmaker beat fiscal Q4 estimates. The company reported quarterly net income of $2.37 billion, versus a loss of $170 million last year, and a quite remarkable revenue spike to $6.14 billion, from $3.22 billion in the same quarter of 2016. After the earnings beat, Wells Fargo raised its price target on the firm’s shares from $40 to $45. Boise-based Micron makes a number of semiconductor devices, including DRAM (dynamic random-access memory), flash memory, and solid-state drives.  
  
**18. Macy’s attempts to jump-start sales with revamped Star Rewards**  
  
We’ve all heard of the 80/20 rule: 80% of a company’s sales come from the top 20% of its customers. When it comes to Macy’s (M $19-**$22**-$45), try this one on for size: 50% of the company’s $25 billion in annual sales comes from the top 10% of its customers, as defined by someone spending at least $1,200 per year at the multiline retailer’s stores. Macy’s new CEO, Jeffrey Gennette, fully appreciates his most loyal customers, and is revamping the firm’s Star Rewards program to thank them. Under the new program, “platinum” members (those spending over $1,200 per year) will receive a 5% store credit back on any and all products they buy, as well as free shipping. Tier two Star Rewards members ($500-$1,200 pear year) will receive free shipping. All members of the program can use their 25%-off coupons without blackout dates. The company said it will roll out further enhancements in 2018. Shares were up on the new program details. We continue to see Macy's, which is a member of the [Intrepid Trading Platform](http://r20.rs6.net/tn.jsp?f=0016CLxvZGSk7tF6W1i-Y_DMkJ_xA_jmiMXeUb08La0sRacnSAUeDwgYaVybOlUCpS5xqc-eDaYcgkKPVee1xp41KDsxyU8R_ASXccB8GPe8Lllk5sugRMIfoRvgOVZC6XMp94waVoYHJvvkKlehyzDewQ5R5FtitJ_t8pZHEwiOK6OhjNNDOyFQrtZl4DrjrHt&c=bzL6UbWuGAXXXvTas99IdR7Qsh83HEcoa9kbokZhSjUjxVw1VXDrSQ==&ch=-rBbA93CctHrNwl0tk_UFkoOVRz8rYiEHmkL3DvjogtTbcO8opRJxg==), as highly undervalued.  
  
**17. Our early bet on small-caps beginning to pay off**  
  
Don’t look now, but all of a sudden small-cap stocks are quietly making a big move. We bet heavily on these sub-$2 billion market cap companies early in the year, but legislative failures in Washington kept them muted. In fact, these little gems have been hammered while their larger brethren have rallied. A one-month snapshot of RUT, the Russell 2000 (small cap) Index shows a 7% rally, and we see that trajectory continuing. A big catalyst? A bet that we actually get tax reform i.e. reduction and simplification in the coming months. Tax reform would be the single biggest elixir to growth for small, domestically-oriented companies. In addition to owning a number of small-cap companies, we hold a small-cap ETF in the [Penn Dynamic Growth Strategy](http://r20.rs6.net/tn.jsp?f=0016CLxvZGSk7tF6W1i-Y_DMkJ_xA_jmiMXeUb08La0sRacnSAUeDwgYaVybOlUCpS5xqc-eDaYcgkKPVee1xp41KDsxyU8R_ASXccB8GPe8Lllk5sugRMIfoRvgOVZC6XMp94waVoYHJvvkKlehyzDewQ5R5FtitJ_t8pZHEwiOK6OhjNNDOyFQrtZl4DrjrHt&c=bzL6UbWuGAXXXvTas99IdR7Qsh83HEcoa9kbokZhSjUjxVw1VXDrSQ==&ch=-rBbA93CctHrNwl0tk_UFkoOVRz8rYiEHmkL3DvjogtTbcO8opRJxg==).  
  
**16. DirecTV offering refunds to upset NFL fans**  
  
If it looked like a revolt was going on in the NFL, considering the number of players who refused to stand for the national anthem, that was nothing compared to the far-less-reported-on story of the Great Fan Revolt of 2017. The mainstream media has no desire to focus on this aspect of the story, but millions of die-hard football fans across America are abandoning the NFL. Some are burning season tickets, others are burning their team-inspired gear on Facebook, and scores of others are trying to get out of their NFL Ticket television contract. One provider, DirecTV, is actually offering angered fans a refund. Customers are typically locked in for the season after signing up for the service, and many expressed pleasant surprise that AT&T’s (T $35-**$39**-$43) DirecTV unit would listen to their complaints. And the NFL’s hole gets bigger (thanks to the hole leading the league).   
  
**15. White House, GOP unveil long-anticipated tax reform plan**  
  
The White House and GOP leaders unveiled their tax reform plan—the first since 1986—and the details are sweeping. The corporate tax rate will drop from 35% to 20%, stoking the country’s economic engine. The pass-through business rate will drop to 25%, down from business owners’ current individual tax rate. The seven current personal tax rates will be slashed to three, and the child tax credit will be substantially increased. Zero Democrats will sign on to the plan, but the Senate will invoke the 51-vote rule to push the seismic bill through. And John McCain’s vote won’t even be needed. Expect the bill to pass this year—despite the 40-some workdays remaining—portending good things for the economy and the US markets. Why don't we all have Congress' work schedule? We would put up with some loud-mouthed rent-a-mob picketers at town hall meetings for the kind of perks our elected representatives have.  
  
**14. Under the Radar: PDL BioPharma**  
  
Founded in 1996, the former Protein Design Labs, Inc. changed its name to PDL BioPharma (PDLI $2-**$3**-$4) in 2006. Headquartered in Incline Village, Nevada, this $522 million small-cap has a laser-like strategic focus: “provide a significant return to shareholders by acquiring and managing a portfolio of companies, products, royalty agreements, and debt facilities in the biotech, pharmaceutical, and medical device industries. Think “biotech intellectual property.” The company zeroes in on the quality of a potential target’s income generating assets, and that company’s dominant position in focused, niche markets. Quite remarkably for a company of this size and in this industry, PDLI has turned a profit every year since 2008. Management gave us a warm, fuzzy feeling yesterday when they announced the company would be buying back around $25 million of its own shares in the open market. PDLI has a P/E ratio of 7.5. Again, pretty remarkable for a company of this size in this industry.  
  
**13. Sonic's stock plummeting after hours as data breach announced**  
  
Iconic fast-food drive-in chain Sonic (SONC $21-**$25**-$30) has confirmed a hack which could have affected millions of its customers’ credit card data. The company’s stock is plummeting after-hours following a report that a breach in its third-party payment system has led to upwards of five million credit and debit card numbers being offered for sale on a notorious black-market site. The batch of stolen data first began showing up on the site on 15 Sep. Sonic is working with law enforcement and forensic experts to piece together exactly what happened. Perhaps, just perhaps, stiffer penalties for hackers are needed to staunch this epidemic—no matter what corner of the earth the hacks are emanating from.  
  
**12. Amazon introduces a host of new products to support Echo and Alexa**  
  
If we’ve said it once, we’ve said it a thousand times: we cannot stand Amazon’s (AMZN $710-**$951**-$1,083) Jeff Bezos, but he is intent on ruling the world, and he continues to notch wins. His $457 billion company just announced a lineup of new products designed to make Echo/Alexa as essential in the modern American home as the stove and a high-definition TV. A new Echo, selling for just $99, comes complete with a metal and sports cloth body, and Dolby Audio on the inside. Amazon Echo “buttons,” selling for $19.99, will work with and/or control the Echo—think of games like Trivial Pursuit, played in the comfort of your own home. The $35 Echo Connect will allow you to place phone calls to landlines using your Echo unit. The list goes on…. Bezos’ ego is battling on two fronts: versus Musk in the space race, and versus Tim Cook in the battle for your home. We don’t think he will win either. (Though, we must admit, the new gadgets are pretty cool.)       
  
**11. Financial and technology sectors drive stocks higher**  
  
Financial and technology names helped push the major indexes higher on Wednesday, with the S&P finishing up 10, the Dow up 56, and the Nasdaq up 73. Perhaps most importantly, the Russell 2000 small-cap index finished up nearly 2%, hitting a new record high. Semiconductor firm Micron Technology (MU) held its early gains, finishing up 8.5% on the day.

**[Tuesday, 26 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170926" \t "_blank)**

***Heineken is launching a new line of "wild yeast" beers...***

**10. Merkel may have won 4th term, but governing just got a lot tougher**  
  
There’s something to be said for term limits. Actually, that is a gross understatement. It is more accurate to say that, for freedom to flourish, a nation-state must have term limits throughout the ranks of its elected officials. Angela Merkel became chancellor of Germany back in 2005. After 12 years in power, she just won her fourth term as leader. For 12 years she has moved further and further left, incensing her original base (mainly from the former East Germany, most of whom understand intimately what freedom means) and cutting deals with political opponents. Now, after allowing a mass wave of unskilled and unemployed Middle-Eastern immigrants into the country, voters sent her a strong message. Yes, she was reelected, but she must now try and form a working government by working with disparate parties, such as the far-left Greens. Her greatest challenge, however, is the fact that the right-wing Alternative for Germany (AfD) party picked up a robust 94 seats—their first seats ever—in parliament. This should be interesting to watch from afar. We will take a deeper look into the outcome of the German elections in this Sunday's Penn Wealth Report.  
  
**09. Home-builder gets creative with offers to pay down student debt**  
Single- and multi-family home builder Lennar (LEN $40-**$51**-$56) has come up with a really creative way to get Americans to buy the company's new homes: offer to pay down a big chunk of their student debt load. Lennar’s Eagle Home Mortgage subsidiary will pay up to 3%, or $13,000, of a purchaser’s outstanding student loans to entice them to buy. This amount will not be added in to the value of the home or increase the asking price. Government sponsored enterprise (GSE) Fannie Mae will back the loans, but the program will be closely monitored. Critics argue that it was this type of gimmick that artificially inflated the prices of homes before the great bust of 2008/2009.  
  
**08. US to restrict Russian military flights over American territories**  
  
In the waning days of the Cold War, when the Soviet Union’s collapse was imminent, a number of treaties to promote peace between the two former enemies came about. One was the Treaty on Open Skies, which allowed military observation flights over each other’s territories to verify military assets and troop strength in certain zones. In response to Russia’s violation of the spirit of that treaty, the US has announced that it will restrict flights over certain areas—such as Alaska and Hawaii—to force Russia back into compliance. US officials specifically cite Russia’s restrictions of American flights over Kaliningrad, a Baltic Sea city where it is believed that country is building up a cache of advanced weaponry.  
  
**07. Equifax CEO (finally) fired**  
  
We now know what it takes to dynamite a CEO from his or her position: be at the helm when you company allows a hack on the personal data of 143 million Americans. It was reported Tuesday morning that Equifax (EFX $90-**$103**-$147) CEO Richard Smith has decided to “spend more time with his family.” The board will begin a search—probably internal—for a new leader. Smith’s 2016 salary was $1.45 million plus a $3 million bonus.  
  
**06. Adidas falls after NCAA bribery scandal surfaces**  
The FBI arrested 10 people, including four NCAA basketball coaches and an Adidas (ADDYY $71-**$111**-$119) manager, following a bribery/recruiting scandal. The associate coaches arrested, who were all accused of taking bribes to exert influence over student athletes, hail from USC, the University of Arizona, Oklahoma State, and Auburn. The Adidas executive, James Gatto, has been accused of funneling $100k to a high school basketball player who agreed to play for a school with an Adidas apparel contract. Adidas was off about 3% on the news.  
  
**05. A new wild yeast has been discovered, and Heineken bought the rights**  
Amsterdam, Netherlands-based Heineken NV (HEINY $36-**$49**-$53) is taking full advantage of a new strain of yeast discovered in the mountains of Patagonia, Argentina. It has licensed the rights to use the yeast in it beers, and is creating an entirely new line of brews, called wild lagers, to put the species in the mugs of beer drinkers everywhere. Yeast used in brewing has, up until now, fallen under three distinct categories: ale, lager, and sour. This scientific discovery could lead to a brand-new category which uses only wild yeasts. It took Heineken’s chief brewmaster two years to create his first wild-yeast beer, which is named H41 after the latitude of where the yeast was discovered. This first beer in the series should hit American shores next year.  
  
**04. Under the Radar: Exact Sciences Corp.**  
  
You have probably never heard of the company, but you have almost certainly seen the commercials for Exact Science’s (EXAS $13-**$46**-$47) chief product: Colonguard. The diagnostics and research firm just raised their expected 2017 revenue guidance from $230 million to $240 million. With a market cap of just $5.5 billion and an enormous potential customer base searching for better screening solutions, this company should continue to run.   
  
**03. Saudi Arabia lifts ban on female drivers**  
  
Back in May we reported on Saudi King Salman’s decision to install his son, Mohammed bin Salman, as Crown Prince and heir to the throne (replacing the king's nephew in that role). We commented that this was a great move for the country’s nascent modernization efforts. Some of the early fruit of that move has been borne, as Saudi Arabia just announced it will lift the ban on female drivers. I was stationed in that country when the first major protest for the movement occurred, shortly after Iraq’s invasion of Kuwait. I remember the “morals police” patrolling the streets in their black robes, sticks in hand to whack any Saudi not “behaving.” The country still has a long way to go, but this is a major move in the right direction.    
  
**02. Darden Restaurants falls over 5% despite decent earnings report**  
  
Talk about a skittish bunch. It’s as if consumer discretionary (specifically restaurant and clothing retail) investors are just looking for any reason to sell their holdings. Take Darden Restaurants, Inc. (DRI $60-**$78**-$83). The company put together a pretty decent Q3 earnings report, increasing both revenues and net income, yet the stock plunged nearly 7% on Tuesday. The chain, which owns Olive Garden, LongHorn Steakhouse, Bahama Breeze, and others, increased revenues this past quarter from $1.7 billion (in 2016) to $1.94 billion, and net profit rose from $110 million to $119 million—despite Hurricane Harvey. So why the drop? Investors were expecting a bigger earnings kick from the chain’s most recent pickup, Cheddar’s Scratch Kitchen. Really? We’ve never met anyone who seemed excited to go to Cheddar’s. On the other hand, what a dunderheaded move it was for former CEO Clarence Otis to dump Red Lobster. Despite the fact that Otis was fired, we wouldn’t touch the company until it hit the $40s.     
      
**01. Tesla will reportedly dump Nvidia for Intel**  
  
Last week we reported that electric carmaker Tesla (TSLA $179-**$345**-$390) was about over chipmaker Nvidia (NVDA $64-**$172**-$191), but that it has yet to give any business to Penn Global Leaders Club member Intel (INTC $33-**$37**-$38). It appears that is about to change. Industry analysts are reporting that Tesla will select Intel chips for the the vehicles' “infotainment” system, dumping Nvidia’s chips. We believe it was the right move, but someone or something at Nvidia must have really ticked them off. Despite INTC near its 52-week high, we believe it has a lot of room to grow (which is why we own in in the PGLC). As for Nvidia, its challenges continue to mount.

**[Thursday, 21 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170921" \t "_blank)**

***Don't worry, the beer will be delivered with that Buffalo Wingman Burger...***

**10. Would you like a martini with that? TGI Fridays to offer booze delivery**  
  
One positive aspect of the challenging environment for fast-casual restaurant chains? It is forcing them to get creative. Privately-held TGI Fridays announced that it will begin including alcoholic drinks in delivery orders—first in a test area and then, if successful, nationwide. Beginning in November, diners in Texas will be able to use the restaurant’s mobile app to order beer, wine, and specialty drinks along with their food order. The company has partnered with a third-party delivery service to pick up the booze at a select liquor store, and then deliver the drinks with your food order. Have your own hard liquor at home? App users can also order an “Everything But the Booze” box, which contains a mixer, garnishes, two glasses, and a shaker for about $5.   
  
**09. China gets a credit rating downgrade due to soaring debt levels**  
  
We always got a chuckle out of dunderheaded business journalists extrapolating out China’s 7% growth rate versus America’s 2%, and then telling us when China’s economic might would surpass that of America’s. What they fail to understand is that an emerging market economy worth its salt will almost always outperform an enormous, developed one. Furthermore, as the developing economy gets bigger, its GDP slows. We thought of those journalists when we read the Standard & Poor’s report outlining why the company downgraded China’s credit rating to A+ from AA-, thus aligning with Moody’s and Fitch Ratings, which had already issued downgrades. S&P cited China’s soaring debt levels as the primary driver for the downgrade.   
  
**08. Anadarko jumps 7% at open on share buyback plans**  
  
Energy exploration and production (E&P) company Anadarko Petroleum (APC $40-**$48**-$73) announced a massive share buyback program Wednesday after close, making the company’s shares pop 7% at Thursday’s open. APC will spend $2.5 billion to buy its own shares, which equates to roughly 10% of outstanding shares at their current price. That is a big sign of confidence from a company which has seen its stock get battered down 35% year-to-date before Thursday’s spike. The company will pull the money to buy the shares from its $6 billion cash stockpile. Anadarko’s management team is on record as stating the company should produce substantial cash flow in 2018 if oil prices remain around an average price of $50 per barrel—which is a pretty good bet.   
  
**07. Trade Alert: Adding consumer defensive name to Global Leaders Club**  
  
While we are not predicting a correction (meaning a 10% to 20% drop in the markets), it is a simple fact that they happen quite regularly—even in the midst of a bull market. The last one occurred in February of 2016 when the indexes fell roughly 14%. We are constantly looking at what is potentially on the horizon, and taking actions based on what we see. With that in mind, we added a consumer defensive name (which everyone would recognize) to the Penn Global Leaders Club on Wednesday. When a correction hits, solid consumer defensives typically withstand the brunt of the storm. Plus, the price was just too good to pass up. Clients and Members can see the name by going to the [Private Trading Desk](http://r20.rs6.net/tn.jsp?f=001y5VHjV0ZUmJ78WxFueHZgC5_g7BcLn52cdi2j8GmtmvuP-BmK0wVZWPozv4RxfG1OcVco79LDtTcn6SdaKPjP-YL_A9aoE1tvhfVZCC_wmNlV5BbIuWSweVkn5yzz9X6parweyRpz6gj-pIbz5BxP2Z7Z--icHqG2YWxWh9LaFzvOPhG_n2M1LQqJBo9Q18D&c=Yto3tqWjjUuCekbKY77mKaodxSC29w-_I2d-ZP6o_Hjh_66tA1eUtQ==&ch=2VN9DOTTR79_Te_hfI9AyiCnDtiGVJLdezn-SR5lZQjGB99Gu7Qw6A==).  
  
**06. Food giant General Mills strikes back against political correctness**  
  
Organic. Natural. Non-GMO. The list goes on ad nauseam. I mean c’mon, we all want to live a healthy lifestyle, but one more stinking commercial by the politically-motivated organization “The Truth” about cigarette smoking and I am going to consider taking it up! Americans have had enough of being told, continually, how to live their lives. Well, our beloved new CEO of General Mills (GIS), Jeffrey Harmening, is pushing back against this political correctness. (We first wrote of Harmening back in August; see [Food Products](http://r20.rs6.net/tn.jsp?f=001y5VHjV0ZUmJ78WxFueHZgC5_g7BcLn52cdi2j8GmtmvuP-BmK0wVZWPozv4RxfG1BVGChuMuJu4gsPxabXUZbZPPmLCba69xyzzUiI6wmpZsVFNKSJ-DSEibhBLsgNfcvl9IdbZ7QvngPMaV1ve1wWdtb-MC52R7BTy-32RRHl6BODXsxJr6iA==&c=Yto3tqWjjUuCekbKY77mKaodxSC29w-_I2d-ZP6o_Hjh_66tA1eUtQ==&ch=2VN9DOTTR79_Te_hfI9AyiCnDtiGVJLdezn-SR5lZQjGB99Gu7Qw6A==).) The company’s previous CEO ordered the removal of the artificial ingredients which gave General Mills' product Trix Cereal its vibrant colors, replacing these ingredients with the squeezings from beets and radishes, as well as the spice turmeric. The result? Bland colors. After a general revolt by Trix lovers, the new CEO has ordered a return to the original ingredients. And the dirty little secret? Eating the original Trix won’t hurt you any more than downing the new-age radish-infested stuff. It was all done for show.   
  
**05. Albertsons will buy Blue Apron competitor Plated for around $300M**  
  
Here’s something that should send shivers up the spine of executives at meal delivery firm Blue Apron (APRN $5-**$5**-$11), which has already seen its market cap cut in half: Imagine how easy it would be for national grocery chains to replicate this business model. After all, they have all of the products in-house, at thousands of locations across the country; plus the built-in customer base! It looks like Albertsons has figured that out, though they are not starting from zero. Instead, the private equity-owned grocer (Cerberus Capital Management owns them) picked up Blue Apron competitor Plated for around $300 million ($200 million plus residuals). There is only one way this ends good for Blue Apron, and that is if another national grocer buys them out. Considering their value has already dropped from $3 billion pre-IPO to $992 million at current prices, that is looking quite possible. Then again, why wouldn’t a smart outfit like Kroger (KR) simply build their own meal delivery company from scratch and market to their tens of millions of faithful shoppers?  
  
**04. Under the Radar: Splunk Inc.**  
  
Splunk (SPLK $51-**$69**-$69) is a software-as-a-service (SaaS) company very close to breaking out of its mid-cap shell to join the rarified air (at least for application software companies) of a large-cap growth stock. While we could be very detailed with what the company does, let’s break it down into its simplest form. Imagine you are a systems administrator for a firm. Pick the industry. Your system hardware begins acting odd, but the voluminous machine data alerting you of the problem reads like a Greek novel. And, despite your experience in the industry, the data is virtually impossible to decipher. That is where your subscription (we love the annuitized revenue subscriptions provide) to Splunk comes into play. All of the data in question is fed into their enterprise software designed specifically for your industry, and easy-to-understand (for a computer geek) answers come out. Real time processing reduces the “bottlenecking” of data between your company systems and your Splunk software. That really is a big deal. While the company is not yet turning a profit, its revenues have been increasing rapidly, nearly doubling every year for the past seven years (to just shy of $1 billion in 2016). Finally, the versatility of the company’s software makes it extremely customizable for a specific industry, which means more customer “stickiness.” Despite its size, the company poses a real threat to larger competitors.   
  
**03. Google not giving up on its Pixel smartphone, buying part of HTC**  
  
You think they would have learned something from the Motorola debacle. When Internet giant Google (GOOGL $744-**$948**-$1,009) bought that company for their phone technology, they ended up destroying the firm. This time they are going to buy the part of HTC responsible for the Pixel smartphone for $1.1 billion, in an attempt to bring the hardware side of things in-house. In other words, they want to be like Apple (AAPL). Let’s see…Google purchased Motorola Mobility in 2012 for $12.5 billion. Two years later they sold the company to Chinese firm Lenovo for under $3 billion, taking a $9 billion bath. Does that mean they will sell HTC in two years for $250 million? By the way, does anyone actually own a Pixel?   
  
**02. The company warning others not to get hacked was hacked**  
  
For the past several years, the Securities and Exchange Commission (SEC) has taken a firm stance with financial institutions with respect to security breaches. If there is any inkling of a hack, the companies were to notify shareholders immediately of the incident. All well and good, but there is just one slight problem: The SEC itself was a victim of a cyber-attack, and remained unaware of the hack for months after it happened. The perps apparently got away with highly sensitive corporate data which they most likely took advantage of via market trades. The SEC is now trying to identify the specific data compromised in the attack.  
  
**01. Good economic news coming to retailers this Christmas season?**  
  
Auditing and advisory firm Deloitte has made its annual holiday spending projections, and if the numbers come to fruition it should be a merry Christmas for retailers. The company is predicting a 4% to 4.5% jump in spending this shopping season, and a whopping 18% to 21% jump in online sales. As for total sales, Deloitte expects the figure to cross over the $1 trillion mark between the months of November and January. After a rough year for most retailers, the industry could use some good news.

**[Wednesday, 20 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170920" \t "_blank)**

***The Fed announces timetable for unwinding its massive $4.5 trillion balance sheet...***

**10. T-Mobile and Sprint are in active merger talks**  
  
We were looking forward to the day when we didn’t have to see the long-haired freak CEO of T-Mobile, John Legere, any longer. Sadly, we may be seeing a lot more of the loudmouth if the rumors are true about T-Mobile (TMUS $44-**$65**-$69) and Sprint (S $6-**$8**-$10) joining together. There would be a lot of moving parts to a merger between these two telecom companies, as neither are stand-alone entities. T-Mobile is actually majority-owned by Germany’s Deutsche Telekom, and Japan’s Softbank has owned 80% of Sprint since 2013. Under the alleged plan, John Legere would lead the combined entity, but Softbank’s Masayoshi Son has indicated he would have a lot of say in how the company is run. We don’t see a dynamic, vibrant company emerging from this mess.   
  
**09. General Mills drops as the processed food maker misses numbers**  
  
Food maker General Mills (GIS $53-**$55**-$66) is suffering from the same malaise affecting other companies in its peer group: the consumer move away from processed foods and towards a simpler, healthier diet. The company was off about 5% in pre-market trading after reporting another ho-hum quarter. Revenues fell 3.5% in the quarter—to $3.77 billion—from the same quarter last year, and earnings were off 9% from last year. Projections for FY2018 weren’t too rosy, either. The company is expecting organic net sales to fall another 1% to 2%. Here’s our take: all is not as bleak as it sounds. The company’s shares are down about 15% over the past year, but GIS has been acquiring “healthier” names like Cascadian Farms, Nature Valley, and Yoplait yogurt. Sure, they still own our personal favorite, Hamburger Helper, but a few of us old-school fossils are still buying their legacy products. With a 3.5% dividend yield and shares near their one-year low, investors wouldn’t be taking on too much risk by adding the company to their portfolio.  
  
**08. Portuguese bonds pop after S&P upgrades the country's economy**  
  
Remember the acronym PIGS, coined by the Wall Street wizards of smart? It stood for the economic dogs of southern Europe: Portugal, Italy, Greece, and Spain. Well, it may be time to drop the “P,” as Portugal just received a lofty upgrade from Standard & Poor’s (though IGS doesn’t sound near as marketable—maybe they can add Finland and make it “FIGS”). The ratings agency upgraded Portugal back to “investment grade,” citing its improving economy and the steps taken by government officials to shore up the country’s fiscal house. S&P’s ratings jump for the country, from BB+ to BBB-, the lowest investment grade mark, widens the stable of possible investors for the country’s debt, as many major fixed income investors must follow strict quality guidelines. Following the upgrade, Portuguese government bonds spiked, with yields hitting ten-year lows. Greece remains the one “pig” yet to be upgraded by at least one of the three major ratings companies.     
  
**07. Fed leaves rates alone, announces balance sheet reduction plan**  
  
The Fed left rates unchanged today at their current 1-1.25% target, but did—as expected—announce that it would begin unwinding its massive balance sheet beginning in October. Instead of automatically reinvesting maturing notes, $10 billion per month will be allowed to run off the books. That figure will be increased at a rate of $10 billion per quarter until the monthly total hits $50 billion, beginning in October, 2018. At that pace, the Fed will be reducing the $4.5 trillion balance sheet by $600 billion per year. Certainly, the federal government’s balance sheet (which is one component of our $20 trillion national debt) will not be allowed to run off to zero, but if we could get it back to $1 trillion or less, that could make a real dent in the ever-growing national debt. Of course, the Fed reserves the right to run that bill back up at the slightest inkling of recessionary trouble.  
  
**06. Tesla working with AMD to develop its own AI chip for vehicles**  
  
Chipmaker AMD (AMD $6-**$14**-$16) rallied nearly 5% on Wednesday after it was uncovered that the company was working on an artificial intelligence chip with electric carmaker Tesla ($178-**$374**-$390). Tesla has shown a strong desire to vertically integrate, e.g. its electric battery gigafactory in Nevada, relying less on third-party suppliers, so performing direct work on a chip for its autonomous vehicles makes sense. This could spell trouble for chip rival Nvidia (NVDA $63-**$186**-$187), however, as it has been a major supplier of graphics processors for Tesla. Notably, the carmaker is not working at all with semiconductor giant Intel, which has been supplying Google with chips for its own autonomous vehicle. Tesla currently has about 50 engineers and workers assigned to the AMD project.  
  
**05. Apple's iOS 11 update has enhanced auto-play blocking**  
  
Is there anything more annoying than pulling up a website only to have a stupid auto-play video start screeching at you? Whether it’s an ad or a news report, why wouldn’t the companies pulling this stunt be smart enough to figure out that their viewers hate it with a passion? We will literally avoid going to chronic offenders’ sites just to be free of this practice. Well, the companies might be tone deaf, but Apple is doing something about it. In its most recent operating system upgrade for the Safari browser, the company has added an auto-play blocking feature, which keeps these abusive videos paused unless you choose to watch them. Another reason to keep switching out my PCs for Macs.  
  
**04. Under the Radar: TeraForm Global, Inc.**  
  
TeraForm Global (GLBL $3-**$5**-$5) is a diversified, renewable energy company. Headquartered in Bethesda, Maryland, the company owns and operates solar, wind, and hydro-electric power generation assets around the world. The company has steadily grown its revenues over the past five years, doubling its operating revenue last year (to $214 million). The company is in the small-cap growth style box, with an $840 million market cap. TeraForm’s systems have a portfolio capacity of 919 megawatts (MW), with the vast majority being produced in Brazil, India, and China.    
  
**03. Equifax bungles it yet again—sends victims to phishing site**  
  
Just when you think things can’t get worse for the bumbling management team at Equifax, they pull yet another boner. The company was forced to admit that it mistakenly sent out tweets from its official Equifax account that directed victims of the recent hack to a phishing site. Fortunately for those who clicked on the link, the site they were taken to just mocked Equifax for being incredibly inept. Perhaps that is why most Americans were leery of going to the site the company set up to check whether or not their information had been compromised. As we reported earlier, LifeLock has been adding a record number of new members since the breach.     
       
**02. Apple runs into connectivity problem with its new watch**  
  
These problems are bound to happen when new technology is introduced, which is why we are not normally early adopters. Apple (AAPL $104-**$156**-$165) has acknowledged that a connectivity problem exists within its new Apple Watch Series 3. This feature is, hands-down, the primary benefit to the new watch, as it allows users to make calls and connect to the internet without a nearby iPhone. The dropped-call problem occurs when the watch automatically joins “unauthenticated” Wi-Fi networks. The company is looking into possible fixes for the next software release.            
  
**01. The Fed's "unwinding" decision largely ignored by the markets**  
  
It wasn’t that long ago when the mere mention of the Fed hiking interest rates made the major indexes drop like a rock. When the central bank first floated the idea a few years ago, the Dow fell several hundred points in one session. Perhaps investors have simply developed an immunity to such talk, as the markets barely flinched today after Yellen and company announced the unwinding of its massive balance sheet. In fact, the Dow finished up nearly 42 points and the S&P finished slightly in the green. Only the Nasdaq took a slight hit. Another day, two more record closes.

**[Tuesday, 19 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170919" \t "_blank)**

***Post to buy Bob Evans Farms for $1.5 billion...***

**10. Northrop Grumman to buy Penn member Orbital ATK for $7.8 billion**  
  
We have held mid-cap rocket-maker Orbital ATK (OA $72-**$132**-$112) in various Penn strategies for years; before, in fact, Orbital and ATK merged to form their current company. Now, in a new twist, aerospace giant (at least compared to OA) Northrop Grumman (NOC $208-**$266**-$275) has announced that it will buy Orbital for $7.8 billion. OA popped 20% in the pre-market after the announcement..[read the full story](http://r20.rs6.net/tn.jsp?f=001X930YLQ8zgf-yUpHRE51vI4hvmraSZ7GcVv0j6_YXqxCbO80DQ_PoyLtU9CyEoRwU9P8L90yNDdK3kvhEJad31X9xjKKGU3846Nzocj48prVhkMsTEBemLYzx-qCOFYOb44Eqhk2AHgXIgPDJfQQomhV6oi6C4pDroyLxtuIj_AiE6H64Epm-A==&c=5Mw9mWowng5i54CkbjW7eO6RFV7PGdgToi9k9veO5rpK4D8SmZiLLw==&ch=rw1RQIsNnZ7Yg33fOeIiMCiNiBtRADFFKbPUZHx3K37Cp05jp15WYA==)         
  
**09. Toys R Us heading for bankruptcy thanks to mismanagement**  
  
(**UPDATE**: the company has now filed for bankruptcy) It is so easy to write off the bankruptcy of a company like Toys R Us (which is probably coming in the next few weeks), or Radio Shack, or Borders, or so many others simply because of the industry they operate within. After all, critics would argue, there was once a thriving buggy whip business until technology made it obsolete. In the case of Toys R Us, however, that is a lazy and insincere answer..[read the full story](http://r20.rs6.net/tn.jsp?f=001X930YLQ8zgf-yUpHRE51vI4hvmraSZ7GcVv0j6_YXqxCbO80DQ_PoyLtU9CyEoRw6hqavRAumLVvyE2ouWAiPycvRi1osK77pfh3Btj9A2HbgesQjIq2XqjXt2E-IegoGje3Q9jyk1vVk_q3OiEFLEjNbzPalZY-f4MxjDWcPpDnCyY3vhVrLJGP1ocf0X6e&c=5Mw9mWowng5i54CkbjW7eO6RFV7PGdgToi9k9veO5rpK4D8SmZiLLw==&ch=rw1RQIsNnZ7Yg33fOeIiMCiNiBtRADFFKbPUZHx3K37Cp05jp15WYA==)  
**08. Senate joins House in supporting big boost in military spending**  
  
Hawks have something to cheer about: the US Senate overwhelmingly voted to increase military spending to $700 billion, well above the current limits set by the 2011 sequester law. By doing so, they join the US House of Representatives, which passed a similar measure in July. The House and the Senate must now work out a deal in reconciliation, though the divides are not very wide. The House, for example, wants a new branch of the US Air Force known as the US Space Corps, and more money for Overseas Contingency Operations (OCO); both of which the Senate, at least slightly, disagrees with. The Senate’s National Defense Authorization Act also includes $8.5 billion of critically needed funds for the Missile Defense Agency in its bid to strengthen the space missile defense shield, both domestically and regionally around the world.       
  
**07. Even if we don't see Fed rate hike, this will move the bond markets**  
  
While the odds for another December rate hike are back up around 50% (though we don’t think it will happen), something just as impactful on the bond market is about to take place. During or shortly after this week’s Fed meeting, the central bank will probably announce that it will slowly start unwinding a good portion of its record-high $4.5 trillion balance sheet. In other words, instead of rolling over maturing Treasury bonds and mortgage-backed securities into new issues, they will simply let them fall off the books. This will, in essence, have the same tightening effect that more rate hikes would produce. The generic concern has always been that these actions will foster a recession, but we don’t see that happening. Forget the mainstream media mantra that we are in the second-longest bull run in history and, thus, due a correction. The truth is that the recovery has been so anemic due to onerous government regulations (which are now being ripped away), the real recovery is just beginning to take place. Plenty of room to run—even with the Fed letting go of a few trillion dollars of debt.   
  
**06. Emmy ratings continue decline as viewership hits all-time low**  
  
Viewership for last year’s Emmy Awards was dreadful: just 11.3 million people watched the show, which garnered a pitiful 2.8 rating among adults aged 18 to 49. For anyone who thought, “well, there’s always next year,” more bad news just came in. This year’s Emmy viewership was actually worse than last year’s. We can’t figure it out. After all, producers brought in Stephen Colbert to perform even more Trump bashing, which is always a ratings hit, right? More evidence that Hollywood is living in a vacuum, completely out of touch with average, ordinary Americans. We want quality shows and movies which allow us a brief respite from the trials and tribulations of the day, not pablum from a bunch of arrogant multimillionaire actors who think they always know best. Hollywood’s problem can be summed up by this tweet from B-list actor (and we are being generous with that moniker) Taran Killam: “RURAL = STUPID.” To nobodies like Killam, whom we had never heard of before this tweet, the dearth of viewers “smart enough” to watch the Emmys simply proves his point. Life in a bubble plays out just fine, at least until you run into the sharp edge of reality.     
  
**05. Post Holdings to buy Bob Evans Farms for $1.5 billion**  
  
Post Holdings (POST $69-**$86**-$89) has announced that it will buy Bob Evans Farms (BOBE $37-**$78**-$75) for $1.5 billion, or $77 for each outstanding share of BOBE. Bob Evans, which produces and distributes refrigerated side dishes, pork sausage products, and frozen food items, was already up close to 40% YTD (it moved another 6% up after announcement), while Post has been languishing, up just 7% over the same timeframe. This is a clear move by the iconic cereal-maker to pick up more products around the perimeter of the grocery store, where shoppers are increasingly spending more time—and more money. For what it's worth, BOBE divested itself of its restaurant business earlier in the year.      
  
**04. Under the Radar: Koppers Holdings**  
  
Koppers Holdings (KOP $30-**$42**-$46) is a Pittsburgh-based producer of carbon compounds, chemicals, and treated wood products for a number of different industries, to include: rail, utilities, residential construction, steel, and agriculture. Despite their small ($880 million) size, the company has a global manufacturing and distribution presence, with facilities in Asia, South America, Europe, Australia, and New Zealand. We like Koppers for a number of reasons. In addition to its small and nimble size, many of the company’s products are recession-resistant. With explosive growth potential, KOP has yet to take off this year, sitting up just 5% YTD. We are also overweighting the company's industry: specialty chemicals.          
  
**03. Bed Bath & Beyond gets hammered yet again**  
  
It looks so juicy, sitting there with its price-to-earnings ratio of six. It is so tempting, but we just can’t do it. Specialty retailer Bed Bath & Beyond (BBBY $27-**$27**-$49) hit yet another low today, falling a percentage point. But the worst is yet to come: it is sitting down at $23.85 in after-market trading, off another 13%, following the news of a disappointing second quarter. Comparable-store sales were off 2.6% from last year, and earnings-per-share came in at $0.67—versus the $0.95 expected. The company placed a lot of blame on the devastating hurricanes, but that is only a piece of the puzzle. This is not Sears. There is hope for the company. We would love to take a gamble on BBBY at $24 tomorrow, but we simply don’t have enough confidence in management to effectively undertake the “transformational initiatives” it now says it has in the works.            
  
**02. A tax overhaul is looking more and more likely this year**  
  
A lot of Dow and S&P points have been made on the come this year, as investors continue to bet that a big tax cut is heading our way. The Senate provided a bit of breathing room for the markets this afternoon, as GOP senators announced that they have reached a tentative deal. If early reports can be believed, the numbers are big: somewhere between $1.5 trillion and $2 trillion in tax cuts over the next decade. It seems that the senators have given up on getting any Democrat votes in the upper chamber, which would make the tax cuts permanent. With a majority of just 52, the ten-year plan is looking more and more likely (60 votes would not be required). We are running short of days remaining with Congress in session this year, but we see an 80% chance of a plan getting reconciled before recess and heading to the president for signature. Who knows, Senator Lindsey Graham’s Obamacare overhaul plan might even get a vote this year.       
       
**01. The markets hit yet another day of records**  
  
The Dow Jones Industrial Average gained 39 points on Tuesday, notching its eighth-straight day of gains. The S&P 500 added just 3 points, but that was enough for another record day as well. It was a quiet trading day as investors waited to see what comes out of the Fed’s two-day meeting, but most are expecting the announcement of a slow unwind in the balance sheet. Expectations for a December rate hike are also rising, but that didn’t slow the major indexes down. Nor did President Trump's threat to "totally destroy" North Korea.

**[Thursday, 14 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170914" \t "_blank)**

***McCormick launches 40 new breakfast and autumn food products...***

**10. Tesla to unveil “unreal” all-electric semi-truck next month**  
  
Late Wednesday night Elon Musk, ever the showman, tweeted “Tesla Semi truck unveil & test ride tentatively scheduled for Oct 26th in Hawthorne. Worth seeing this beast in person. It’s unreal.” The “beast” Musk is talking about is the new Tesla (TSLA $178-**$366**-$387) all-electric semi. We believe this will be an industry-shattering vehicle, ushering in a new era of “intelligent trucks.” Rumors have it priced around $100,000, with operational costs about 70% cheaper than current big rigs. The vehicles could hit the road as soon as 2020. Based on artists’ renderings, we can’t wait to see what it actually looks like.         
       
**09. McCormick announces 40 new breakfast and fall meal products**  
  
The packaged food industry has been under assault on a number of different fronts over the past few years, but McCormick & Co (MKC $89-**$98**-$107) remains one of our favorite plays in the space. This exceptionally-well-run, $13 billion food products company just announced it will be releasing 40 new products focused around the breakfast table and autumn home cooking. New seasoning mixes with simple recipes on the package include: Mexican egg casserole, apple cinnamon French toast, General Tso’s slow cooker chicken, white cheddar mac & cheese, and many more. Additionally, twenty-four classic McCormick herbs and spices will now be offered in larger sizes. These products will hit the shelves this fall.  
  
**08. Trump blocks China-backed deal to buy US semiconductor company**  
  
We have moved a long way on the spectrum from the days when President Clinton allowed Loral Aerospace (and its huge Clinton donor CEO) to sell missile guidance systems to the Chinese which gave that country, for the first time, the ability to hit US cities with ICBMs. This was done, by the way, by circumventing the US Congress. This week, President Trump sent a very different message to the Communist regime in China. The president personally rejected a deal by Chinese-government backed Canyon Bridge Capital Partners to buy US semiconductor maker Lattice Semiconductor Corp. (LSCC $6-**$6**-$8) for $1.3 billion, citing national security concerns. Lattice provides the US government with a number of different products. His decision affirmed the recommendation of the US Committee on Foreign Investment to halt the deal. Outstanding.  
  
**07. Forget game rooms, how about paying off my student debt?**  
  
My, how the American workplace has changed over the past two generations. What used to be a pension plan and a gold watch has become, at places like Google, a game room and free employee massages. Forget that new-age fluff, Fidelity is betting that employers will want something more tangible to offer prospective new workers: a chance to get their onerous student loans paid off. The massive investment house just unveiled the Student Debt Employer Contribution program, which will allow employers to make after-tax contributions to an employee’s student debt load. Fidelity will roll out the plan to their corporate customers later this year. Awesome idea. Now, considering the magnitude of the problem, why doesn’t the government let employers make pre-tax student loan payments?  
  
**06. China will issue $2 billion in debt...in US dollar denominated bonds**  
  
China is getting set to do something it hasn’t done since 2004: issue US dollar sovereign bonds. In a move which affirms that the US dollar is still the world’s currency (which we already knew), China is said to be making the move to strengthen its ties with global investors. The bonds will probably yield about 50 basis points more than Treasury securities issued by the US government, but China’s inability to rouse much interest in Chinese debt pushed the country to use the dollar-denominated notes—despite the extra interest they will pay.  
  
**05. Somebody may well go to the slammer for their Equifax trades**  
  
We hate to keep harping on the Equifax hack, but considering the fact that 143 million Americans probably had their personal data compromised, indulge us. If, and yes, it is a big if, any of the three top executives at the firm who sold their EFX stock within days of the company learning of the breach knew of it themselves, this would be a textbook case of insider trading. Reiterating what we said a few days ago, the idea that the chief financialofficer (one of the three in question) did not know about the uncovered hack seems really, really far-fetched to us. Plenty o’ people have gone to the slammer for insider trading. It’s not a good sign (for them) that the Federal Trade Commission has publicly announced it has opened an investigation. Not to mention the two billion lawyers (we only slightly exaggerate) in the United States who are lining up to find victims for the inevitable class action lawsuits.  
  
**04. Under the Radar: Japanese booze company**  
  
Alright, technically the company is called Kirin Holdings (KNBWY $16-**$22**-$24), but its main business unit used to be called Japan Brewery. Ever hear of Kirin Beer? Founded 110 years ago, this Tokyo-based holding company manufactures booze and pharmaceutical products. There’s a combination. There are actually four divisions to the company: Japanese alcoholic and non-alcoholic beverages, overseas alcoholic/non-alcoholic beverages, pharmaceuticals, and biochemicals. With a market cap of $20 billion, the firm boasts 40,000 employees worldwide and 2016 sales of nearly $27 billion. The company’s price-to-earnings ratio is in the single digits. Kirin has begun showing interest in independent craft brewers, most recently taking a 25% stake in Brooklyn Brewery.   
  
**03. Richard Branson's Virgin Orbit announces satellite deal**  
  
Elon isn’t the only one getting space business (sorry, Bezos, you still are not). Billionaire Richard Branson’s Virgin Orbit, a spinoff of Virgin Galactic, has signed an agreement with Cloud Constellation to launch a dozen communication satellites for the latter’s SpaceBelt system. The mission of SpaceBelt is to create a space-based data storage network. Our dream of living next to George and Jane Jetson come one step closer to fruition.   
  
**02. Oracle falls despite beat on sales and profit**  
  
Former Penn Global Leaders Club member Oracle (ORCL $38-**$53**-$53) was off as much as 5% in after-hours trading despite reporting stronger-than-expected earnings and a revenue beat. Revenues for the quarter came in at $9.2 billion versus $9.02 expected, and the company had earnings of 62 cents per share versus the 60 cents expected. The reason for the drop? CEO Safra Katz said the company expects to see 2-4 percent revenue growth in 2018, which was below estimates. Nonetheless, we still expect 40% growth in the company’s lucrative cloud business—Oracle’s major focus going forward. If it drops more we may re-purchase some shares.  
  
**01. Friday will probably be a down day; blame PBD**  
  
After the Dow notched its 38th record of 2017 on Thursday, the pot-bellied-dictator of NOKO was doing his best to foil Friday’s market. Once again, PBD launched a missile over Japanese territory before it landed in the Pacific. To say Japan needs to take this seriously is like saying Poland should be wary of that guy Hitler in Germany. This is absolutely unacceptable. The world must take immediate action against PBD before it is too late. It will be interesting to gauge the market’s reaction on Friday. Odds are we will open down due to the incident, but are we becoming immune to these aggressive acts? If so, the markets might rebound before close. We don’t see that happening. Expect a down day.

**[Wednesday, 13 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170913" \t "_blank)**

***No real stunners, but still some pretty cool new features...***

**10. UN Security Council unanimously hits NOKO with hard sanctions**  
  
True, we must always take any action emanating from the Star Wars bar scene (otherwise known as the United Nations) with a grain of salt. Nonetheless, that organization’s Security Council, which includes chronic veto-states China and Russia, just hit the North Korean regime with the harshest sanctions to date. After the US tempered its demands for a complete oil embargo, China and Russia got on board, which shows just how much the pariah-state has alienated even its few friends in the world. America’s tough-as-nails UN ambassador, Nikki Haley, said the adopted resolution “will cut deep.” Here’s the cold truth, however: nothing short of forcing the pot-bellied dictator out of power will curb his nuclear program. America must have an iron dome of defensive weapons surrounding the country until that occurs.   
      
**09. The United States passes a disgraceful milestone: $20 trillion of debt**  
  
We all knew it was coming, but that doesn’t make it any less disgusting. According to data just released, the total amount of US national debt surpassed the $20 trillion mark last Friday. Let’s put this in terms of a typical American’s credit card debt. The average balance-carrying household has $16,048 in revolving debt. When you are living paycheck to paycheck, like the federal government is, freeing yourself of that $16k anchor around your neck seems insurmountable. But that’s not the worst part. The interest is accruing on that debt as quickly as the minimum monthly payments are being made, so most Americans remain stuck in this state of hell. The US government, our elected officials, continue to spend about $1 trillion more than they take from taxpayers each year, but the interest on the debt compounds the problem. Disgraceful. And nobody seems to care. Liberals in congress are demanding free college education for our young people. Hell, why stop there? Just make everything free, from health care to college to automobiles to housing. If $20 trillion doesn’t seem to bother anyone, why not make it $100 trillion of debt?   
  
**08. One company is benefitting from the massive hack on Equifax**  
  
If so many Americans weren’t at risk thanks to the massive security breach at Equifax (EFX $111-**$111**-$147), it would be a nice case of schadenfreude. The company that holds so much sway over whether or not consumers can get approved for that new car, or a great mortgage rate on that new home, is now under the blinding-hot spotlight thanks to a security breach that compromised the personal data of nearly every adult American. One company is benefitting from the hack, however…[read more](http://r20.rs6.net/tn.jsp?f=001tDJoAZMGrO56e_poiSOKYe6hP4DAwLkIIuK_dh3GmaOmaSPFV7rxGgEuP9A-xTojSTGAxhb3AOGbtpqHxTywu-f5-WQVdpnQh3cl5YZ0tdR4FE8w4alMxD6wD7y4-cCkqiV6ZgRYz05vOeWu9O-8zY5skZeZQ_Lwk804ohraox0oh1HblmkVRQ==&c=caR3s_0bD4ih3lnpNAfKNwaFb0yfsj8iI2HnQJuhtsao7zC6i2feAg==&ch=zLQSivQ9VCBXITWav7QGyPAZV-g7UNqIM7JdaaE2Q5uPqOwuqSMTgg==)  
**07. US to send advanced UAV system to the Philippines**  
  
A militant group linked to the Islamic State has been wreaking havoc on the southern Filipino island of Mindanao. On 23 May, several hundred Muslim fighters invaded the island’s city of Marawi in an attempt to launch a caliphate. While 86% of Filipinos are Roman Catholic and another 6% claim other branches of Christianity, some small pockets in the southern part of the country are predominantly Muslim. This group planned to take the city first, and then move outward from there. Beleaguered government troops have been battling this band of terrorists for the past four months. Now, a little help is coming to the troops compliments of the United States...[read more](http://r20.rs6.net/tn.jsp?f=001tDJoAZMGrO56e_poiSOKYe6hP4DAwLkIIuK_dh3GmaOmaSPFV7rxGrW0kLLkQeh9z6tuGxqMpAkdp1jCZl9VO5VyGueW7QrCZ77pfJIF8CpC3WNOxV0r_Cz8wBwvjNu-IOi3KkluZfh0gh2VADjCCpqBLKjR5EsLSxOOpYsjubH_X1Q74TMR-A==&c=caR3s_0bD4ih3lnpNAfKNwaFb0yfsj8iI2HnQJuhtsao7zC6i2feAg==&ch=zLQSivQ9VCBXITWav7QGyPAZV-g7UNqIM7JdaaE2Q5uPqOwuqSMTgg==)  
**06. And this is why we bought the company: Nordstrom close to deal**  
  
Less than three months ago, on 22 June, we picked up shares of multiline retailer Nordstrom (JWN $40-**$45**-$63) in the Intrepid Trading Platform based on rumors we were hearing about the company going private. This morning, Nordstrom popped double digits as the rumors seem to be coming to fruition. The Nordstrom family is reportedly talking to California-based private equity firm Leonard Green & Partners about the deal, and to banks about getting the $8 billion or so needed to fund the transaction. The family, which owns about one-third of the company’s outstanding shares, is tired of seeing the share price get beaten up in the markets due to the dour industry outlook. Going private would allow them to formulate a long-term strategy without Wall Street analysts dissecting every decision. What did we do with our holdings? Clients and members can take a look at the [Trading Desk](http://r20.rs6.net/tn.jsp?f=001tDJoAZMGrO56e_poiSOKYe6hP4DAwLkIIuK_dh3GmaOmaSPFV7rxGsvjobP3T__wyRwiQSo5UzjAsdNGgDm2grLthrqMrdvjq4DgUQLfvP8HRCg_ir7OwNUFz4RBayxbIx0ZsUl_qU0hmqFeoVbmxzO_qMZo9qr51H_fqvucou8Zu19nWFuUlA==&c=caR3s_0bD4ih3lnpNAfKNwaFb0yfsj8iI2HnQJuhtsao7zC6i2feAg==&ch=zLQSivQ9VCBXITWav7QGyPAZV-g7UNqIM7JdaaE2Q5uPqOwuqSMTgg==).       
  
**05. The Apple event: no shockers, but still some pretty cool new features**  
  
We’ve simply been spoiled by past Apple events which have unveiled revolutionary new products, like the iPhone, the iPad, and the Apple Watch. Those particular events set the bar very high for the company’s perennial product roll-outs, so when we don’t see something unexpected, we are a bit let down. At least this fall we got the visual treat of the above-ground portion of the Steve Jobs Theater, which sits in the middle of Apple’s new 176-acre headquarters. The $5 billion HQ is really something to behold...[read the story](http://r20.rs6.net/tn.jsp?f=001tDJoAZMGrO56e_poiSOKYe6hP4DAwLkIIuK_dh3GmaOmaSPFV7rxGgEuP9A-xTojXMv0X21yT1OQsARGtIJ_mNNOlxKRs-x042Jz-H7xEK_Za47u_poMow_Lrgo9U7iB94GGFv1nswG3I-JqLD27_a47-5-j_paa7j2ewXGHjDdL6Q9gC1fBaspisCDoanCt&c=caR3s_0bD4ih3lnpNAfKNwaFb0yfsj8iI2HnQJuhtsao7zC6i2feAg==&ch=zLQSivQ9VCBXITWav7QGyPAZV-g7UNqIM7JdaaE2Q5uPqOwuqSMTgg==)  
**04. Under the Radar: Dana Incorporated**  
  
Dana (DAN $14-**$25**-$25) is a mid-cap (3.6 billion) manufacturing company primarily operating in the auto parts industry. Founded in 1904, the Ohio-based Dana makes drivetrain and driveshaft products, sealing parts and gaskets, thermal-management products, and fluid power solutions for a variety of different commercial and off-highway vehicles. The company rakes in about $6 billion in sales each year, and has turned a profit since 2009. The company’s specialized (but needed) products equates to a reliable auto manufacturing customer base. Dana also owns several brands of after-market suppliers which provide parts to both professional and DIY mechanics. What first garnered our attention? The company’s price-to-earnings ratio of FIVE.  
  
**03. 57% of Americans have less than $1,000 saved up**  
  
If we could impress one concept on people (and our younger selves), it would be that the first ten cents of every dollar you make belongs to you. More precisely, the future you. It should be safely put in your retirement “vault,” which is built up until it can provide a large enough stream of income to let you retire with the lifestyle you want. That concept came to mind when we read the results of a new survey from GOBankingRates. It found that 57% of Americans have less than $1,000 saved up—for retirement, for emergencies, for anything. The good news? That figure is down from 69% in last year’s survey. This is why Social Security must never go away. After all, the program is made up of money taken from workers for their retirement years. (Actually, the program is made up of nothing but air, as Congress raided the assets long ago, but that is another story.)  
  
**02. North Korean hackers break into bitcoin exchanges**  
  
Maybe the global sanctions against PBD in North Korea are being felt after all. Based on a new report from one of our favorite cybersecurity firms, FireEye (FEYE $10-**$17**-$17), the North Korean government has sanctioned its crack team of hackers to target worldwide bitcoin exchanges. The goal appears to be grander than just wreaking havoc; it looks like the hackers are after cold, hard (well, digital) cash—in large enough amounts to help fund the government’s military ambitions. It is interesting that NOKO’s best buddy in the world, China, recently announced a crackdown on the use of such cryptocurrencies. What did they know and when did they know it?  
  
**01. Nobody told the markets that September is supposed to be rotten**  
  
The Dow Jones Industrial Average climbed another 39 points today, notching yet another new record high—its second in two days and its 37th of 2017. Not wishing to be left out, the S&P 500 squeezed out a two-point gain to hit another record, along with the Nasdaq and its 6-point gain. Sell in May and go away? If we can pull a positive September out of our hat, all five months will have been in the green. What could spoil the party in the remaining quarter of the year? Tax reform (a lack thereof) and North Korea.

**[Monday, 11 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170911" \t "_blank)**

***We will never forget...***

**10. Equifax executives sold stock days after breach discovered**  
This one goes in the “how stupid do you think we are?” file. Credit-reporting firm Equifax (EFX $111-**$124**-$147) claims that three company executives, including the CFO, didn’t know about the recently-discovered massive data breach—potentially affecting 143 million Americans—when they sold a combined $1.8 million in company stock. OK, let’s piece this together. The company uncovers the breach on 29 July. During the first two days of August, the CFO sells stock. Other than the CEO, wouldn’t the CFO be the first to know about the massive security incident? Is their story possible? Maybe. Highly suspect? Absolutely.  
  
**09. Non-American company Budweiser to lay-off 90% of craft sales force**  
Budweiser (BUD $98-**$122**-$136). Not a big fan. I love the American Spirit emanating from the German immigrant who built the company. I hate the “manslaughtering” offspring and his father whose arrogance and sense of entitlement led to the company being sold to a foreign entity. I root for the American craft beer companies; the ones who refuse to be bought-out by the Belgium-based Bud. So, what is happening to the craft beer companies snatched up by the mega-brewer whose new slogan is “Budweiser: This is not a hobby” (in a slam at craft beer companies)? Bud just announced that they would be laying off 90% of the sales force for “The High End,” the company’s craft beer division. Is anyone surprised?     
  
**08. Despite good earnings report, Penn member Kroger falls**  
In the second quarter of 2016, grocery store chain and Penn Global Leaders Club member Kroger (KR $20-**$21**-$36) recorded $26.5 billion in sales. This past quarter, the grocer raised that figure to $27.6 billion—its fourth-straight revenue beat. The industry equivalent of same-store sales rose 0.7%, or roughly double what was expected. Digital sales rose an impressive 126% thanks to the company’s new ClickList online ordering system. And shares of the company are down 10%. I used to work with an old-school broker who would say to clients, “well, the price is down, time to scoop up some more!” I rarely subscribed to his philosophy, but it would apply with Kroger. Conservatively, we would place a fair value on the company at north of $30 per share. Now, if the market would just come around, we would be sitting pretty. Unfortunately, they are still blinded by the light of the Amazon/Whole Foods deal.    
  
**07. After lousy summer at the box-office, “It” shatters September record**  
To get an idea of just how bad the summer has been for the movie business, look no further than the share prices of AMC Entertainment (AMC), Cinemark Holdings (CNK), and Regal Entertainment (RGC). All three of the theatre chains are tickling their 52-week lows. AMC is off 55% from this time last year. One movie can’t bring an industry back, but the remake of Stephen King’s 1986 classic “It” sure provided a shot in the arm. The movie’s debut weekend shattered previous September records, raking in more than double the prior-highest opening for 2015’s “Hotel Transylvania 2.” The latter brought in $48.5 million the first weekend, while “It” notched $117.2 million in North American sales. Time Warner (TWX $74-**$100**-$103) spent just $35 in production costs for the horror movie.    
  
**06. Teva Pharmaceutical jumps 22% on selection of new CEO**  
  
The world’s largest generic drug maker, Teva Pharmaceutical (TEVA ($15-**$19**-$53), still has a long way to go to get back to its previous base of around $30 per share, but the stock popped 22% Monday morning after the company announced it had found its new CEO. Kare Schultz, the former COO of Novo Nordisk (NVO $31-**$49**-$49), will take the helm of Teva sometime in early 2018. He has his work cut out for him: the stock has fallen nearly 50% since the start of the year. We remain gun-shy, as we never did get that double-digit gain we were looking for when we bought the company in the Intrepid Trading Platform (stopping out at a loss). For the brave investor, however, the company sure seems to be a deep, deep value play at $18.78 per share.     
  
**05. Advertisers are fleeing from Snapchat like rats from a sinking ship**  
  
It has been an ugly journey for social media darling Snap (SNAP $11-**$15**-$29), parent of SnapChat, since its IPO at $29 per share. Now, the company is getting another dose of bad news: advertisers are fleeing. Analysts at Deutsche Bank are reporting that the social media platform is falling out of favor with the only group paying the bills. After speaking with a number of heavy-hitting digital advertisers, it is becoming clear that a number of different industries are losing patience with the company. After all, look at the typical demographic group of users and it doesn’t take long to figure out that there is a limited number of products to sell them—new cars, financial services, and laundry detergent are not exactly on the buying list for this group. Shares of the company dropped about 1% after Deutsche downgraded them to a “hold.”    
  
**04. Under the Radar: The Dover Corp.**  
  
Looking for an industrial conglomerate that isn’t a $205 billion boring, outdated, lumbering giant like GE ($24-**$24**-$32)? Take a look at Dover (DOV $66-**$88**-$88). This barely-large-cap, $13 billion industrial operates in four segments: engineered systems (35%), fluids (30%), refrigeration and food equipment (20%), and energy (15%). While based in the US, Dover generates nearly half of its $7 billion in annual revenue from international sources (which it turns a nice profit on year-in and year-out). The company is masterful at creating “sticky” customers, who would find it costly and otherwise difficult to flee to a competitor. For example, the company has developed a portfolio of specialty industrial equipment difficult to replicate (or, as in the case of GE, not worth the time to develop; they would rather cede market share in these areas). Dover has also been on an acquisition spree to build scale in its energy segment, which it was undertaking when oil was dirt cheap—while the assets were on sale. Adroit management, a strong product lineup, and a relatively small market cap are all reasons we will be keeping our eyes on this firm.  
  
**03. Blackstone looks to sell or IPO its Vivint purchase**  
  
Vivint, founded in 1999, is in one of the fastest growth industries in the US—the high-tech home security market. Penn Strategic Income Portfolio member The Blackstone Group (BX $23-**$32**-$35) bought the 7,000-employee company five years ago for more than $2 billion, and it now looks to make a profit of over three times that amount in a sale or (more than likely) an IPO. The investment house has undertaken what is known as a dual-track process, which essentially keeps its options open. Vivint sells smart locks, security cameras, burglary-detection products, and related services. Fellow private equity firm Apollo Group (APO $17-**$29**-$31) got in the home security act last year when it bought competitor ADT in a $7 billion deal. It is rumored that it will IPO that company for more than double the purchase price.   
  
**02. BP to IPO its US pipeline assets as master limited partnership**  
  
We are going to keep a watch out for this IPO; it could be a great cash cow. Penn Global Leaders Club member BP (BP $33-**$36**-$39) has announced that it will spin-off its pipeline assets in the US as a tax-friendly master limited partnership (MLP). The partnership, named BP Midstream Partners LP, looks to raise up to $100 million for the IPO. Ultimately, the new company will trade on the New York Stock Exchange under the ticker BPMP. The energy giant first came up with the idea five years ago but had to put the plans on hold during the downturn in energy prices.  
  
**01. S&P 500 hits record close, Dow jumps over 250 points**  
  
Hurricanes? North Korea? A do-nothing Congress? Markets shrugged it all off today as the S&P 500 posted its biggest one-day gain in nearly four months, and the Dow Jones Industrial Average reclaimed 22,000. The S&P climbed nearly 27 points, or 1.1%, and the Dow added nearly 260 points, or 1.2%. Perhaps even more impressive, the tech stocks in the Nasdaq climbed 72 points, or 1.13%. The market exuberance had a lot to do with the fact that Hurricane Irma didn’t turn out to be as devastating as predicted, along with the relatively quiet weekend on the Korean Peninsula. The former may be dissipating, but the latter will not fade away quietly into the night.

**[Thursday, 07 Sep 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170907" \t "_blank)**

***GoPro might actually turn a profit in Q3...***

**10. The cash-richest company in the world to issue more debt**  
  
Despite the fact that Apple (AAPL $103-**$162**-$165) has a cool $250 billion sitting in “the bank” at various locations around the world, the iPhone maker announced its plans to raise another $7 billion in the bond market. AAPL will issue 2-, 5-, 10-, and 30-year bonds to finance its shareholder dividends and stock buybacks. The company issued $7 billion in debt instruments this past May. Why on earth has Apple taken on more than $98 billion in debt when it has so much free cash? The primary reason is the onerous tax rates the company would pay under the current US tax laws if any of that cash hits US shores. While we don’t know the rates of these new issues yet, there is one question which remains unanswered: who would be dumb enough to buy a 30-year bond right now, no matter the creditworthiness of the issuer?  
  
**09. All of a sudden copper is hitting 3-year highs, but will it last?**  
  
With China committing to ending its purchase of copper from North Korea, the commodity has spiked to a three-year high of $3.17/lb on the futures market. The tracking index JJC, the iPath Bloomberg Copper ETN, has jumped 25% ytd. A growing number of analysts say this run-up is overdone, however, with some predicting prices will drop back to the $2/lb range. Unlike gold, copper is a play on economic activity (since it is widely used in construction), rather than a way to play worldwide instability.  
  
**08. Cybersecurity firm Palo Alto Networks gets a triple-upgrade**  
  
Last Friday we reported that Penn Intrepid holding Palo Alto Networks (PANW $107-**$145**-$166) gapped up after signing up a record number of new clients. More good news for the firm came today as three different investment houses upgraded the stock to outperform/buy. Argus Research, Summit Research Partners, and Imperial Capital all issued glowing reports on the company and its product lineup. Argus Research raised their price target of the firm to $183 per share.  
  
**07. Jobless claims hit two-year high thanks to Hurricane Harvey**  
  
The number of Americans filing for unemployment benefits spiked to a two-year high due, almost solely, to the effects of Hurricane Harvey. Throughout the country, 298,000 Americans filed new claims for benefits; that represents a 62,000 increase from the prior week. If you take Texas out of the equation, however, the trend continues to show robust jobs growth in the US. Unfortunately, Florida may be the next state to skew the results.    
  
**06. Shares of Disney fall within our target buy range**  
  
We would like to send our sincere thanks to Walt Disney (DIS $90-**$97**-$116) CEO Bob Iger for single-handedly driving his company’s stock price down 5% on Thursday…into our target buy window. After Iger made comments about Disney’s earnings probably coming in lower than estimates, and profits “roughly in line” with 2016, shares dropped nearly 5%. What did we think of the drop? Clients & members can find out at the Trading Desk.  
  
**05. Credit-reporting company Equifax announces massive data breach**  
  
One of the three major credit-reporting agencies, Equifax (EFX $111-**$135**-$147), revealed that hackers had compromised its systems this summer, gaining the private information of up to 143 million Americans. The hack occurred between May and July, and the company admitted it had learned of the breach in late July. Social security numbers, birthdates, driver’s license info, credit card numbers, and addresses were all part of the data compromised. Ironically, Equifax offers credit monitoring and identity theft services to clients for a fee. Equifax was sliding 14% in after-hours trading.  
  
**04. Under the Radar: The AES Corp.**  
  
Headquartered out of Arlington, Virginia, The AES Corporation (AES $11-**$11**-$13) is a well-diversified energy distribution business. With nearly 20,000 employees across seventeen countries on four continents, AES has an energy portfolio of over 100 power plants. The company also has ownership interests in seven electric utilities in four countries. With revenues of $13.6 billion in 2016, the company should experience sustained growth thanks to its presence in developing countries in South America and Asia. AES provides a steady stream of cash to customers through its 4.32% dividend yield.  
  
**03. Drug manufacturer Eli Lilly to lay off 8% of its global workforce**  
  
Drug manufacturer Eli Lilly (LLY $64-**$82**-$87) announced after hours that it would be laying off about 8% of its workforce, or 3,500 positions, over the coming year due to a slew of patent expirations heading its way. The company also said it would start investing more in the research and development of new drugs. Those two announcements telegraph a dire predicament for a drug company: a dearth of new drugs in the pipeline. Earlier this year, LLY announced that it would buy migraine-drug maker CoLucid Pharmaceuticals for $960 million. With a $90 billion market cap, the company had better begin buying a few more promising biotechs to shore up its pipeline, or face the prospect of being swallowed by a larger competitor.   
  
**02. Amazon looking for a second city to call home**  
  
As the fifth-largest company in America, Amazon (AMZN $710-**$980**-$1,083) is about halfway to a $1 trillion market cap. The company has apparently made the decision that half-a-trillion is big enough to begin shopping for a second worldwide headquarters. While CEO Bezos didn’t say who was in contention, executives did offer up a probable checklist the company would use in making its decision. The city should have: over 1 million residents, an international airport, quality mass transit, quality higher education, a highly-educated workforce, and a solid business climate (c’mon, let’s cut through the bull—that last bullet means no “red states” need apply). Our wild-guess bet is on Chicago. We’re sure the thug mayor could find a bone or two to throw them under the table.  
  
**01. GoPro spikes 12% as company looks to turn a profit in Q3**   
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Wearable camera maker GoPro (GPRO $7-**$10**-$18) jumped 17% at the open after the company announced it expected to turn a profit in the third-quarter of the year, mainly on the back of its new Hero 6 and Fusion 360 action-cameras. After a number of missteps, GoPro has been beaten up over the past several years, falling from a high of $98.47 in 2014 to a low of $7.15 this past march. Shares settled the day up 12%.

**[Wednesday, 30 Aug 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170830" \t "_blank)**

***Wonder what life in America would've been like without these?..***

**10. Private sector jobs growth blows away expectations**  
  
Against expectations for 185,000 new jobs in August, private sector payrolls grew by a very robust 237,000, according to the latest report from ADP. July’s figure was also upgraded from the initial 178,000 new jobs to 201,000. The services sector (leisure, hospitality, etc.) added the highest number of new jobs, but the figures were strong across the board. Additionally, while businesses with over 500 employees led the hiring spree, medium- and small-sized companies joined in the party, hiring 74,000 and 48,000 new employees, respectively.   
  
**09. Second quarter American growth upgraded to a stunning 3%**  
  
Second-quarter GDP in the US was revised UP from 2.6% to 3%. That is huge, as so many economists said the days of 3% growth in the US were long gone. Sort of the same talk we heard back in the late 1970s before the renaissance of the 1980s. To be sure, one quarter does not make a trend, and we need to see 3% growth or better in the annual numbers. Nonetheless, the journey begins with one quarter’s numbers. Here’s to Q2’s economic activity carrying forward and proving all the naysayers wrong…once again.  
  
**08. This retailer is fighting Amazon’s grocery push by dumping AWS**  
  
Amazon Web Services (AWS) has been an enormous profit-generator for the $460 billion juggernaut, but when the company bought Whole Foods to compete head-to-head with brick and mortar retailers, Target (TGT $49-**$55**-$79) said enough is enough. It’s not that the multiline retailer can do anything about the purchase, but they can sure pull their dollars from AWS, which Target has been using to manage its cloud infrastructure. And that is exactly what they are doing throughout the rest of this year. Microsoft (MSFT $56-**$73**-$74) didn’t miss the opportunity. They immediately telegraphed to Target that the Microsoft Azure cloud solution is ready to fill the void.  
  
**07. Kevin Durant’s trashing of Under Armour hurts stock, we call BS**  
​  
Performance apparel maker Under Armour (UA $15-**$15**-$37) gapped down about 4% on Tuesday—to a new one-year low—following the disparaging comments of NBA star Kevin Durant. We call a big BS on his comments. During a popular podcast, Durant (who has a fat contract with Nike, by the way) was asked why the University of Maryland was unable to recruit top players any longer. Durant said that the school’s deal with Under Armour was a factor. Really? Are we really supposed to believe that talented young athletes aren’t coming to a university because of that school’s deal with Under Armour. What bull. For the record, we own Nike (NKE $49-**$53**-$61) in the Penn Global Leaders Club, but we have to call it like we see it.  
  
**06. Our stock-of-the-day for Monday rockets up 20% on Wednesday**  
  
Two days ago, we highlighted a small aerospace & defense company called AeroVironment, Inc. (AVAV $22-**$47**-$47). On Wednesday, after the company reported a 21% spike in revenues this past quarter over same-quarter 2016, the company rocketed up 20%, shattering its old record highs. The company makes unmanned aircraft for the government and provides EV (electric vehicle) equipment and services to the civilian world.  
  
**05. Hurricane Harvey could shave nearly 1% off of US GDP?**  
  
According to a report compiled by AccuWeather, Hurricane Harvey will almost assuredly become the most expensive natural disaster in US history. Estimating a final bill of nearly $160 billion, the report claims that would be more than the costs of Hurricane Katrina and Hurricane Sandy combined. AccuWeather also said that the negative impact of the storm (closed refineries and other businesses in the region, insurance payouts, etc.) could shave 8/10th of 1% off of this year’s GDP figure. That seems like an awfully large number; we will see how the rebuilding effort goes after the storm’s direct effects (mainly flooding) subside.  
  
**04. Stock of the Day: PBF Energy**  
  
PBF Energy (PBF $18-**$23**-$31) is a $2.5 billion-dollar petroleum refiner and supplier of transportation fuels, heating oil, lubricants, and other petrochemicals. The New Jersey-based oil and gas interest has a number of refineries around the United States—none of which have been affected (to any measurable amount) by Hurricane Harvey.  In 2016, the company had revenues of $16 billion, with $171 million flowing downstream as net income. PBF has a dividend yield of 5.26% based on current prices.  
  
**03. American Express will introduce installment plans, but with a catch**  
  
When I was a little kid, my parents had two pieces of plastic: a Master Charge (would become MasterCard) and a BankAmericard (would become Visa). They didn’t have an American Express (AXP $60-**$86**-$88) card, because those were reserved for the wealthy—the balances had to be paid off each month. How times have changed. While the original American Express charge card still can’t carry a balance forward, years ago the company began issuing credit (not charge) cards that could carry a balance and have interest accrue (they figured out how much they were missing out on by not charging 18.99% interest on purchases). Now, in a nod to the younger generation, the credit card division of the company is set to unveil “Pay It Plan It,” which will allow certain purchases of $100 or more to be paid on installment. These periods will run between three and 24 months, and card members can have up to ten installment purchases separated at any one time. Here’s the joke (on the consumer): the purchases accrue interest just like the rest of the card balance. We ponder what life in America would be like right now had the credit card never been introduced.  
  
**02. Gold retreats from 11-month high on stronger dollar, economic data**  
  
After three-straight sessions of gains, gold has retreated from its 11-month high—falling about $5 to $1,314 per ounce. There have been several reasons for the recent run-up: geopolitical worries centered around the Korean Peninsula, a weaker US dollar, and concern over fiscal policy (or lack thereof) emanating from congress. Today, with very strong GDP and employment reports and a strengthening dollar, gold headed for the hills. According to the gentleman on TV in the really bad-fitting suit, however, it is still a bargain. And we can trust him—he’s standing in front of a green-screen image of a vault.  
  
**01. Chinese users will have an easier way to pay for App Store purchases**  
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Apple (AAPL $103-**$163**-$164) will begin allowing Chinese customers to use Tencent’s (TCEHY) popular WeChat mobile payment system to pay for purchases in its App Store. While Tencent, which is the largest tech company in China, has rolled out a new system which could directly compete with the App Store, Apple made $2.2 billion off of Chinese customers in the second quarter of this year alone, so this becomes a great way to further enhance that revenue stream. WeChat has nearly one BILLION active monthly users.

**[Tuesday, 29 Aug 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours20170829" \t "_blank)**

***This fall's big Apple event may, just may, be held here...***

**10. Kim Jong-un continues to hammer nails in his own coffin**  
  
When will the world realize North Korea is being led by a deranged dictator who must be stripped of the power to acquire and use nuclear weapons? Proof of Kim Jong-un’s derangement can be seen in his country’s launch of a ballistic missile over sovereign Japanese land. Japanese Prime Minister Shinzo Abe, a strong and measured leader for that country, said, “North Korea’s reckless action is an unprecedented, serious, and grave threat to our nation.” Abe is not one for hollow words, like some of our past leaders and secretaries of state. Japan is slapping further sanctions on NOKO, which will make Jong-un even more insulated in his own little world. A world where advisors providing any semblance of bad news to the dictator are taken away and executed. The conditions on the Korean Peninsula are quickly becoming unsustainable, meaning something will, not may, eventually give. Investors need to be prepared for that inevitable event.  
  
**09. Domino’s teams up with Ford to study driverless pizza delivery**  
  
Domino’s Pizza (DPZ $145-**$179**-$222) and Ford Motor Co (F $10-**$11**-$13) have teamed up for a month-long trial of autonomously-delivered pizza to consumers. The purpose of these initial trials is to gauge customers’ reaction to having their orders robotically delivered (though there will be a Ford engineer in the vehicle). After ordering, you will be able to track precisely where your pizza’s vehicle is on the streets as it nears your location. Ford has set an aggressive timetable of 2021 to have its new self-driving vehicles on the road.  
  
**08. Dow losses halved after strong consumer confidence numbers**  
  
The Dow Jones Industrial Average was down triple digits on the NOKO ballistic missile launch over Japan when the consumer confidence numbers rolled in, cutting those losses in half. Against expectations for a 120.7 reading, confidence levels hit 122.9 for the month of August—one of the strongest readings in over a decade. The Consumer Confidence Index (CCI) is a survey of 5,000 American households to gauge how optimistic or pessimistic consumers are about the short-term condition of the economy. A reading of 100 is considered neutral. A strong reading, like the August number, portends more consumer spending on discretionary items, further stimulating the economy.  
  
**07. Administration lifts ban on police getting military surplus gear**  
  
Following the Ferguson, Missouri race riots, then-President Obama placed a ban on local police agencies receiving military surplus equipment. Obama said the police department’s actions in Ferguson warranted the nationwide ban. President Trump has rescinded that order, thus reinstating local law enforcement’s ability to access the equipment needed. Civil rights activists immediately condemned the move, saying it portrays a police force at war with residents. Nope. Not unless those residents are engaging in violent, criminal acts.  
  
**06. Disney closes its biggest Hollywood Studios attraction**  
  
The last time we were in Disney’s Hollywood Studios at Disney World, we felt like asking for our money back. The park—one of four theme parks in the Kingdom—was more of a laid-back affair, but always enjoyable. This year, so much of the park has been shut down due to the construction of Star Wars Land, which will open around 2019, that the only rides worth visiting were The Great Movie Ride and Toy Story Mania. Now, one of those two is gone forever. Disney shut the doors on The Great Movie Ride a few weeks ago to make room for Mickey & Minnie’s Runaway Railway. In several years, after Star Wars Land, the Railway ride, and a new Toy Story Land are up and running, the park will probably be cooler than ever. Until then, save your money and have a cold beer in Epcot’s Germany instead.  
  
**05. Best Buy powers through earnings but stock falls 12%**  
  
Best Buy (BBY $37-**$55**-$63) did about everything right, based on this past quarter’s earnings results and management’s projections, so—of course—the stock proceeded to plummet 12% on Tuesday. Same-store sales increased at a rate of 5.4%, or more than double what analysts were predicting, and e-commerce sales grew by an impressive 31% from last year, to $1.1 billion. Management plans to spend $700 million over the next fiscal year on the company’s e-commerce infrastructure, and we never bought the notion that the company was nothing but a showroom for Amazon (AMZN). We have owned BBY a number of times in the Intrepid, and will again if the price drops to the low $50s.  
  
**04. Stock of the Day: Movado Group**  
  
Shares of luxury watchmaker Movado (MOV $21-**$24**-$32) shot up nearly double-digits in after-hours trading following the company’s Q2 earnings report. Earnings-per-share rose from $0.27 in Q2 of 2016 to $0.43 per share this past quarter, while revenues hit $129 million versus expectations for $122 million. The company also raised its full-year guidance for sales to a range of $515 million to $530 million, pleasantly surprising analysts. In another positive move, the company authorized the buyback of $50 million worth of its own shares. The Swiss watchmaker has a market cap of $620 million, meaning it has plenty of room to grow. The company has a conservative (for the industry) price-to-earnings ratio of 23.  
  
**03. Apple to host its fall product launch on 12 September**  
  
At this fall’s annual Apple (AAPL $103-**$163**-$163) event, the company is expected to introduce a number of new goodies. It’s the 10th anniversary since we watched the first iPhone rollout (that is hard to believe), so analysts are predicting three new models to mark the event: two updated iPhone 7 models and one high-priced, 10th anniversary edition, complete with facial recognition and a full-faced display. Apple is also expected to unveil a new Apple Watch with a built-in LTE chip which will allow the watch to pull data directly from wireless services—negating the need to have your iPhone nearby. As for the location of the event, if the construction timetable allows, it may be held at the 1,000-seat Steve Jobs auditorium at the company’s new headquarters.  
  
**02. Airlines take hit for second straight session on Harvey closures**  
  
We’re getting close to a nice buy point as airline stocks were battered yet again due to airport closures in Texas from the effects of Hurricane Harvey. It’s not just the storm, however, that has been beating up on these stocks. The NYSE Arca Airline index (XAL) is down over 15% from its summer peak, putting it closer to a 20% correction. This industry has a history of spooking investors with rapid downturns, only to reward risk-takers with new highs shortly after troughing. Southwest (LUV) remains our favorite player in the field.  
  
**01. Dow notches an impressive, intra-day comeback**  
  
After news of PBD’s (pot-bellied dictator’s) launch of a ballistic missile over Japan hit the wires, futures dropped like a rock (see above). Showing remarkable resilience, however, the Dow executed a nearly 200-point swing and finished in the green by 57 points. The S&P 500 finished up a couple, and the Nasdaq was up 19. The turnaround in the Dow was the largest point swing to the positive in nine months.

**[Monday, 28 Aug 2017](http://www.penneconomics.com/pennafter-hours.html" \l "20170825" \t "_blank)**

***The new B-21 will get an even newer Long Range Standoff (LRSO) weapon system...***

**10. Lockheed Martin, Raytheon will battle it out for new weapons system**  
  
The US Air Force wants a replacement for its aging AGM-86B Air Launch Cruise Missile fleet (produced by Boeing in the mid-1980s), and it has chosen Lockheed Martin (LMT $229-**$304**-$308) and Raytheon (RTN $133-**$179**-$181) to battle it out for the contract. The new Long Range Standoff (LRSO) missile will be capable of penetrating and surviving advanced air defense systems from a significant range to strike and destroy strategic enemy targets. LMT and RTN have both received a $900 million contract to develop the system and demonstrate its capabilities. The ultimate contract will be worth $20 billion to $30 billion for the winner.  
  
**09. Uber selects Expedia CEO to run company**  
  
Shunning uber-clowns Jeffrey Immelt and Meg Whitman, troubled ride-hailing service Uber has chosen Expedia (EXPE $106-**$142**-$161) CEO Dara Khosrowshahi to be the company’s new boss. He will immediately face a number of challenges at the company, such as the sexual harassment suits, a lawsuit by early investor Benchmark Capital, a loss of key talent, and low morale among employees and drivers. Not to mention the challenge of making the company IPO-worthy once again. Expedia was off 5% on the news.  
  
**08. Gilead to buy Kite Pharmaceutical for $11.9 billion**  
  
Shares of Kite Pharnaceutical (KITE $40-**$179**-$143) surged 30% in early Monday trading after Gilead (GILD) agreed to pay $11.9 billion for the cancer treatment developer. Kite specializes in developing custom-made cancer treatments specifically geared to target a patient’s disease. Specifically, the company has been working in an emerging area of cancer treatment which trains a patient’s own immune cells to attack tumors. Gilead was also up (2%) on the news, which is somewhat rare—typically the acquirer takes a short-term hit after a deal is announced. Gilead is one of the 40 companies within the Penn Global Leaders Club.  
  
**07. Gas prices spike thanks to Harvey, but oil prices fall**  
  
With a full one-third of America’s refining capacity being affected by Hurricane Harvey, one would expect gasoline prices in the US to spike. Gas futures did, indeed, jump several percentage points today. Oil, however, is a different story. Crude was off nearly 3% midday Monday—to $46.50 per barrel—as demand by the refiners plummeted due to the shutdowns. As for gas prices at the pump, Americans can expect a five to fifteen cent spike in price per gallon as a direct result of the storm.  
  
**06. Fitbit debuts new smartwatch in latest salvo at Apple iWatch**  
  
Wearable device-maker Fitbit (FIT $5-**$6**-$17) popped over 4% in early Monday trading as the company debuted its new Fitbit Ionic smartwatch. The watch, which sells for $299.95, looks an awful lot like the Apple iWatch, especially when you delve into its primary apps. It includes sensors which can monitor oxygen levels, heart rate tracking, and activity and sleep tracking. Sound familiar? The company also introduced new Bluetooth wireless headphones and a Wi-Fi-connected smart scale. Will Ionic be the device that takes Fitbit out of the investment gutter? Could be. We'll see what the follow-up servicing looks like, and how well the company can monetize those services.  
  
**05. Legal Victory #1: The Subway Case**  
  
The good guys won two big victories over the past few days against the lowest form of human life: ambulance chasing trial lawyers and the debris they represent. The first was the Subway case. This involved a class-action settlement the restaurant chain paid (agreed to the extortion) to settle the claim that “Footlong” subs were not really a foot long. Despite the willingness of the chain to be bullied by the legal team at DeNittis, Osefchen, and Zimmerman Law Offices, the US 7th Circuit Court of Appeals refused to allow the payment to stand. The court wrote that the settlement was “utterly worthless,” and that the attorneys were not entitled to one red cent for extorting the chain. OUTSTANDING!  
  
**04. Stock of the Day: AeroVironment, Inc**  
  
AeroVironment (AVAV $22-**$39**-$40) is a $927 million small-cap in the aerospace and defense industry. The company supplies unmanned aircraft systems, tactical missile systems, and related services to government agencies. In addition to its numerous and ongoing government contracts, the company also electric vehicle (EV) charging products and services to business and individuals. If you’ve ever seen several of those electric charging spots outside of a Whole Foods, there is a good chance that they were produced by AVAV. The company sells about $300 million worth of products and services each year and has maintained a positive net cash flow year in and year out. Based on the external environment, the company operates in two industries with very promising futures.  
  
**03. Lega Victory #2: The Great Parmesan Cheese Caper**  
  
The second great victory for American justice took place last Thursday, when a US judge threw out a lawsuit by deadbeats who lobbed some 50 lawsuits at the likes of Kraft Heinz (KHC), Wal-Mart (WMT), and Target (TGT) regarding the labeling on Parmesan cheese. The low-life lawyers who represented these “distraught customers” claimed that the “100% grated Parmesan cheese” label was false, since other ingredients were listed in the ingredients. US District Judge Gary Feinerman said that the plaintiffs’ claims were doomed because…”reasonable consumers are well aware that pure dairy products spoil, grow blue, green, or black fuzz, or otherwise become inedible if left unrefrigerated for a period of time.” Hear, hear! What ever happened to tort reform? These lawyers and their clients should be forced to pay all legal fees and courts costs.  
  
**02. Trade deficit widens in July**  
  
The US trade deficit of goods increased in July to $65.1 billion on the back of a 1.3% decrease in exports. The biggest culprit? An 8% drop in the export of US-made vehicles. Imports fell just 0.3%, resulting in the big deficit. Most economists see the July deficit as a probable outlier, however, and expect a solid GDP number for the third quarter.  
  
**01. Burlington-Northern Santa Fe calls back thousands of workers**  
  
Warren Buffet’s toy train set known as BNSF Railway Co (formerly BNI if we recall, now part of BRK) has called back roughly 4,000 of the 5,000 workers it furloughed last year as its volumes of coal, grain, and intermodal containers continue to grow. Ironic, since Buffett is against the use of coal. Even after bringing these workers back the company has still shed some 6,000 workers over the past three years.

**[Thursday, 24 Aug 2017](http://www.penneconomics.com/pennafter-hours" \l "PennAfterHours" \t "_blank)**

***Any excuse to show the Grand Teton mountain range...***

**10. Our advice to Disney: buy Twitter, dump ESPN**  
There was a rumor last October that Disney was one of the companies in the running to purchase the non-revenue-generating entity known as Twitter (TWTR $14-**$17**-$25). Those rumors were quickly quelled, but they appear to be back. Some critics say Twitter wouldn’t be a good fit for the wholesome family vibe that Disney puts off. Really? Have those people seen some of the rot-gut ABC Family, now Freeform, puts on the air? And what about the lunks at ESPN? Are those idiots family friendly? Here’s what it boils down to. Twitter was a brilliant concept. It’s market cap has dropped from $40 billion to $12.5 billion, however, because management has not been able to monetize it the way Zuck monetized Facebook (FB). Disney has the cash; they should pick up the company and bring some Disney magic to it. And if they have to keep that dog, ESPN, at least it would fit nicely with Twitter's push into the sports broadcasting arena.  
  
**09. Michaels Companies gaps up 14% on 0.6% sales increase**  
Talk about a stock flying under the radar. We must admit to having forgotten that craft and framing company Michaels (MIK $17-**$22**-$26) was even a publicly-traded entity. Other investors didn’t forget, however, and the stock popped 14% early in Thursday’s trading session as the company reported good sales and profit numbers for Q2. On $1.07 billion in revenue, the company made a net profit of $35.6 million. Those numbers are about in line with Q2 of 2016, when the company was trading just a few dollars below its $26 high. Even after today’s jump, the company’s P/E ratio is just 10.  
  
**08. Tiffany briefly spikes on sales and earnings beat, then falls back**  
  
Luxury jeweler Tiffany & Company (TIF $66**-$90**-$97), home of the iconic blue box, saw its shares spike after an increase in both sales and profit for the quarter, but then fall back to about where they closed on Wednesday. Sales rose 3%—to $960 million—from last year, and net profit rose 9%—to $115 million. Perhaps the dose of reality for investors was the 2% drop in same-store sales (those opened for more than a year), which was offset by strong sales in Japan and lower input costs. We like the company, but wouldn't buy until/unless the shares are back in the $60s.  
  
**07. Seadrill, once an oil and gas juggernaut, will file for bankruptcy**  
  
In 2013, Seadrill (SDRL $0.15-**$0.19**-$5) was a vibrant, $22 billion supplier to the offshore drilling industry. Today, with a market cap of $94 million, the company is seeking bankruptcy protection, with shares trading down 99% from their highs. Most disconcerting is that the company is still such an active player, with 68 rigs and drillships being used by customers such as Exxon Mobil (XOM) and Total (TOT). The company has about $10 billion in debt it needs to restructure, and it will do so if the bankruptcy approves its Chapter 11 reorganization. It will continue to operate throughout the proceedings, but this case is a microcosm of how rapidly the external environment can change. Always be prepared for the unexpected by using proper asset allocation and sector weightings. Don’t get caught up in the media hype or the so-called “new paradigm” baloney.  
  
**06. Hurricane Harvey heading for Gulf Coast, picking up steam**  
  
Gas futures were jumping Thursday as Hurricane Harvey bears down on the Gulf Coast…and one-third of America’s refining operations. If it becomes a Category 3 hurricane, as meteorologists expect, it will be the first to come ashore in Texas since 2008. Texas has preemptively declared a state of emergency in 30 counties throughout the state due to the storm, which could bring 115 mph winds and 12 to 20 inches of rain in its wake. Even if the refining facilities are not hit, drilling operations in the region could be affected, challenging any short-term downtick in oil prices.  
  
**05. JM Smucker drops double-digits on earnings, nearing a buy point**  
  
The J.M. Smucker Company (SJM $107-**$107**-$144) was dropping through a two-year low share price on Thursday after missing numbers and slashing guidance for 2018. Sales for the consumer foods maker (Smucker’s, Folgers, Crisco, etc.) declined 4%, to $1.7 billion, and profits came in at $1.12 per share versus $1.61 in the same quarter of 2016. Shares of Smucker have fallen 16% YTD versus a 4.6% drop for the overall industry over that timeframe. The consumer staples sector ETF, symbol XLP, is actually positive 5.45% year-to-date. SJM is a fairly well-run company, and if it breaks into a double-digit share price, we will buy.  
  
**04. Stock of the Day: Vail Resorts**  
  
Interested in a company whose stock price looks like a straight trek from base camp to the peak of the mountain? Look no further than Vail Resorts (MTN $152-**$221**-$223). Since going public in 1997 at $22 per share, the stock has steadily climbed—with a brief respite in 2008—to $221 per share. In addition to owning the Vail resort, the company also owns/manages the ski areas of Beaver Creek, Keystone, and Breckenridge, as well as three in Lake Tahoe, one in Utah, and one in Vermont. An avid skier can take advantage of all these resorts with one seasonal Epic Pass. The exceptionally-well-run company made $150 million last year on $1.6 billion in sales. We expect their run to continue.  
  
**03. Amazon, Whole Foods deal closes Monday, bring on the bargains!**  
  
The seismic Amazon (AMZN) acquisition of Whole Foods (WFDS) deal closes this coming Monday and, with assured FTC approval, Amazon isn’t wasting any time making its ownership felt. The company plans to make Whole Foods “affordable for everyone,” and will begin with immediate rollbacks on the price of common items such as brown eggs, breads, bananas, ground beef, and avocados. What this really means is that these prices will now be more in line with your local grocery store. Before long, Amazon Prime members will be able to receive other discounts and perks by shopping either at the store or online. This is great. We would still like to be a fly on the wall at the boardroom meeting when founder John Mackey realizes he is just a figurehead.  
  
**02. Hospital worker claims monumental Powerball prize**  
  
A 53-year-old hospital worker from Massachusetts, Mavis Wanczyk, has stepped forward to claim the $758.7 million Powerball winnings—the second largest in US history, but the largest ever for one single winner. She wisely chose the lump sum payment, which reduced the amount to $480.5 million. However, the federal government and the state of Massachusetts will take over $150 million of that before she sees any cash. No doubt there will also be a massive amount due when she files her return. Nonetheless, could you imagine the rush of winning that kind of dough?!   
  
**01. Will this be Janet Yellen’s last Jackson Hole?**  
  
Fed Chair Janet Yellen will give the keynote address at the Jackson Hole Economic Policy Symposium tomorrow in Jackson Hole, Wyoming. This annual meeting of the economic minds was originally hosted by the Kansas City Fed (Jackson Hole is part of KC’s territory) back in 1982 as a way to hold the discussions in a more tranquil setting. The 35th annual meeting in this incredible setting is making news for a unique reason: it very well could be Janet Yellen’s swan song as Fed Chair. We would say there is a better than 50% chance that, when her first term is up this coming February, President Trump will offer the job to his top economic advisor, Gary Cohn. Yellen has done a much better job with the title than did her predecessor, Ben “Helicopter” Bernanke, but Cohn would be a great choice. It has been speculated that he is only sticking around the administration because he believes he will get the gig.

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***We wonder what Sir Martin's excuse would have been back then...***

**10. Lowe’s, as usual, is going in a different direction than Home Depot**  
We avoid home improvement retailer Lowe’s ($65-**$72**-$86) like the plague. If we have to drive twice as far to get to a Home Depot (HD $119-**$150**-$161), we will do it. Long checkout lines and poor customer service—so easily fixable—are the primary reasons we steer clear of the former. It appears that a good number of Americans agree with us, as Lowe’s once again missed its earnings estimates after a Home Depot beat. The company posted sales of $19.5 billion for the quarter, a slight miss, and net income of $1.42 billion, also a miss. Confirming management’s ineptness, the company blamed its lowered guidance on increased costs related to longer employee shifts in an effort to “increase the customer experience.” Hey knuckleheads, why don’t you do what Home Depot did to alleviate long lines: install self-checkout kiosks! So simple. Lowe’s was down 6% at the open on the lousy report. (Home Depot is a member of the [Penn Global Leaders Club](http://r20.rs6.net/tn.jsp?f=001G2Syx-CCM_xwKn3FQOltesXfBmCIBOeWNIQteF6qoq2ENJHDZbuVdnSHyfCD_2sH6xXMAs-paCm7ik3JV_gT8BMfzRwyIrnuLhi0aXdLCN9TyiH_Yq8janjtpW0HBtj3vzptwQ7QGEjD-Pr12he-9lYa8aX4bKCE2XIPbYH-hMm3Vlnp97krrmyHidZP0OeF&c=KqJ_DvtBBhl0_GKqyAT6B6tihoDJrJd96fEjDQj2X2hcfGlwrs1_mg==&ch=h83jSuGBzU25Nl9UisfLD2l7Cf-_9hWAf_x62hg_rLdeZ3sNJqgAIw==).)  
  
**09. Sales of newly-built homes tank in July, prices go up 6.3%**  
  
Sales of new homes plummeted in the month of July, dropping 9.4% to a seasonally-adjusted rate of 571,000 units per year. Meanwhile, the median price of a newly-built home climbed 6.3% year-over-year, to $313,700. The interest rate on jumbo loans ($417,000 and above) dropped to 3.99%. Don’t sweat the July figures too much. More homes being built and fewer homes being sold is not a good trend, and the inventory of new homes did jump from a 5.2-month supply to a 5.8-month supply, but a 6-month supply of inventory is the healthy point at which the fulcrum balances supply and demand.  
  
**08. Shares of La-Z-Boy gap down 20% on big miss**  
  
If your inner aggressive investor needs another stock to play with, using either puts or calls, here’s one for you: La-Z-Boy (LZB $22-**$25**-$34). It was just a few months ago we reported that the recliner and upholstered furniture maker was spiking 20% on an earnings beat. Well, it’s another quarter, and quite a different story. The company’s shares fell 20% on Wednesday after missing Wall Street estimates for the fiscal 1st quarter of the year. On sales of $357 million for the quarter, the company had a net income of $11.7 million. So, that means we should buy a nice call and expect a pleasant surprise by next quarter, right? Adding to the volatility is the fact that LZB has a market cap of just $1.2 billion.  
  
**07. World's largest ad agency falls double digits on dour outlook**  
  
With its $24 billion market cap and $19 billion in annual sales revenue, WPP plc (WPPGY $89-**$91**-$122) is the world’s largest ad agency—some say even bigger than McCann Erickson (sorry, that’s a Mad Men joke). The company was reduced in size by about 12% on Wednesday, however, after giving some pretty lousy forward guidance for the remainder of 2017. The company’s CEO, Sir Martin Sorrell came down from his white puffy cloud to give three reasons the number stunk: “digital disruption,” activist investors forcing companies (like Proctor & Gamble) to cut costs, and “zero-based budgeters” who demand all expenses be justified at the start of each period. In other words, the jerks who are making the marketing executives justify each outrageously-expensive TV buy. Here’s what Sorrell didn’t admit to, but it is a fact: new technology has allowed the average small business owner to compete with the really big boys without paying the extortion fee to companies like WPP.   
  
**06. Wal-Mart teams up with Google to take on Amazon (got that?)**  
  
If there is one company in the world which will never surrender to Amazon (AMZN $710-**$958**-$1,083), it is Wal-Mart (WMT $65-**$80**-$82). The Bentonville-based retailer just teamed up with one of the five companies larger in size than Amazon, Alphabet (GOOGL $744-**$943**-$1,009), to beat the Amazon Echo at its own game. Using special technology which only Wal-Mart currently utilizes, the Google Home device will be able to express order grocery items using a customer’s past shopping patterns. For example, if you say, “Hey Google, order me some coffee,” the device will know that you drink Starbucks French Roast pods and have the goods sent from Wal-Mart to your home via Google Express. Google says that this technology is available to other retailers, but it made sense to start with the world’s largest grocery chain. That is a direct competitive threat to Amazon Prime and the Echo device.  
  
**05. Disney needs to dump ESPN, the laughing stock of the media world**  
  
Talk about derangement syndrome. Despite ESPN’s ratings falling off a cliff thanks to the continual insertion of politics into the network’s on-air discussions, ESPN executives claim that their viewer do not believe they are political at all. Huh? Maybe this delusional statement would have carried a little weight with a few mind-numbed robots out there if the network didn’t just yank color commentator Robert Lee from calling the upcoming University of Virginia home opener. Seriously. No joke. The Asian-American Lee was told that after the Charlottesville incident, his name was simply too incendiary. ESPN says the decision was "mutual." Um, OK. This is not a story from “The Onion.” It really has happened. Who are the jack-booted thugs here? ESPN is a wholly-owned subsidiary of Walt Disney (DIS $90-**$102**-$116). How about throwing the sports network in with the AT&T/Time Warner deal. They can share a green room with CNN.  
  
**04. Stock of the Day: YRC Worldwide**  
  
YRC Worldwide (YRCW $7-**$12**-$17), formerly Yellow Freight System and then Yellow Roadway (after the purchase of Roadway in 2003), was founded in 1929 by the same man—Grover Cleveland Harrell—who started the Yellow Cab Company. The Overland Park, Kansas-based YRC has grown into a major provider of trucking services throughout North America, despite its tiny $400 million market cap. The company racked up $4.7 billion in sales last year, and is on pace to increase that amount in 2017. The earnings-per-share consensus has also been on the rise, with analysts expecting net earnings of at least 50 cents per share. Definitely a small-cap to watch.  
  
**03. More retail mixed signals: Guess? blows away expectations**  
  
Shares of specialty retailer Guess? (GES $10-$12-$19) were rocketing up double-digits after hours following news of the company’s blowout quarter. Against expectations for $559 million in revenue, the LA-based clothier had sales of $574 million for the quarter. Even more impressive, the company earned 19 cents per share versus expectations of 10 cents per share. CEO Victor Herrero credited the company’s focus on new locations in Europe and Asia for much of the success. The company also gave strong guidance for the rest of this year and 2018. This small retailer's results prove the importance of strong leadership, especially in a hyper-challenging industry.  
  
**02. Uber is still losing money, but the rate of descent is lessening**  
  
Ride-hailing service Uber had an impressive 17% growth rate in bookings this past quarter from the same quarter last year, and the troubled company has staunched some of its bleeding. On revenue of $1.75 billion in Q2, the company lost $645 million. Uber’s cash position dropped from $7.1 billion at the end of Q1 to $6.6 billion at the end of June. That’s still a bundle, but the company needs to right the ship, find a good CEO, and go public before those funds dry up. Unfortunately, we’ve yet to hear a qualified name for the position. What’s Joe Biden doing these days?  
  
**01. Williams-Sonoma also had a really good quarter, up 8% after hours**  
  
Cookware and home furnishings retailer Williams-Sonoma (WSM $43-**$43**-$57) has been sitting at its 52-week low, like so many other small retailers. The company’s shares should pop about 7% from Tuesday’s low of $42.68 after sales and profit figures came in stronger than expected. On sales of $1.2 billion, the company had a net income of $52.9 million. They needed some good news. Shares are down 20% over the past year and 10% year-to-date. With a price-to-earnings ratio of 12, it has some room to run.

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***Just wait until you see the size of the mortgage on the joint...***

**10. In slam at Synchrony, Wal-Mart in talks with Affirm for credit offers**  
Synchrony Financial (SYF $26-**$30**-$38, formerly GE Capital) is the exclusive issuer of credit cards for the largest retailer in the world: Wal-Mart. That being the case, the company has to feel a bit uneasy about Wal-Mart’s (WMT) new alliance with Affirm, Inc.—a startup run by PayPal (PYPL) co-founder Max Levchin. Wal-Mart is in talks with Affirm to offer installment loans to the retailer’s customers for larger purchases (over $200) on items such as tires, lawnmowers, and furniture items. The finance company would not issue actual cards; rather, it would simply make installment loans to customers with all levels of creditworthiness, with the 10% to 30% interest rate being determined by credit score. Synchrony, which Warren Buffett’s Berkshire took a stake in last quarter, is down 17% YTD.  
  
**09. In big tech push, Macy’s hires away eBay executive as new president**  
  
Penn Intrepid Trading Platform member Macy’s (M $19-**$20**-$45) has a long way to go before hitting our target price (OK, 9% just to hit our buy price), but the stalwart US retailer popped nearly 4% at Tuesday’s open on news that the company smuggled away one of eBay’s (EBAY) top executives to take on the role of Macy’s new president. Hal Lawton, just 43 years old, is a digital selling genius. At eBay he turned around the company’s flagging sales after its split from PayPal (PYPL). Before eBay, Lawton worked at Home Depot (HD), helping grow that company’s digital business from $400 million to $2 billion. We already loved Macy’s for its deep value and massive real estate holdings. This pickup just solidifies our opinion of the firm.  
  
**08. Northrop Grumman, Boeing win plum US Air Force contracts**  
Northrop Grumman (NOC $207-**$272**-$275) announced that it has been awarded a $329 million contract for the design phase of the new ICBM-X series US nuclear missile system. This initial phase will be completed by 20 Aug 2020. A similar contract worth $349 million was awarded to Penn Global Leaders Club member Boeing (BA $126-**$239**-$246). This begs the question, what happened to Lockheed Martin (LMT $229-**$304**-$308), which had also thrown its hat into the ring? While no specifics were given, the Air Force simply stated that they decided to go with the NOC and BA bids. We own all three companies in the [Penn Dynamic Growth Strategy](http://r20.rs6.net/tn.jsp?f=001h_SE-wqzMjd0qXvRTN5FGzmcPmQJcN6gc8nQmiHuBC9UQDzyr9-jSZQlhDdR0m5tAda1ppJPSxgJ60NDzbhWmowYN6kOyYm8HGF6oDUIeOtGrgBlZsc-q4dOzKS0m_UeWulAS__KisTx4-roTO47rmujN7IiN42n23hN_eXhB2oPjDh_r3qorTrS4kjoXdJ_&c=d_Zrny_UYqGcAwr9g6VQ6Yyj1DPDBVVRNahWHE4K1arkIiYw3tey-Q==&ch=GRYAbX6gTYXT5f1BcZJo3UD15SHwS8g0WQoUvB80o2e8ngGuk8PWng==) holding ITA, the iShares US Aerospace & Defense ETF.  
  
**07. But wait until you see the mortgage…**  
Jay Z and his wife, Beyonce, have been house hunting in LA for some time, so the world will be relieved to hear that they finally found some new digs to call home. The $88 million property (at least that is what they paid for it) sits on 2.5 acres in Bel-Air. With 30,000 square feet of living space, the home also boasts four swimming pools, a full basketball court, and a 15-car garage. It’s not like they don’t have the money, but did they really need to take out a $53 million mortgage? Oh well, rates are low. Payments will be in the neighborhood of $250,000 per month, with California adding another $125,000 or so per month on top of that for property taxes. Not to mention insurance for some of the sure-to-be-colorful parties that will be going on at the pad.   
  
**06. How the mainstream media insidiously tries to shape public opinion**  
Now that the Charlottesville incident is slowly losing steam, the topic du jour among the business press is tax cuts. Never mind the irrefutable fact that the United States has the highest corporate tax rate in the industrial world, it is now the media’s job, in their warped collective mind, to stop tax reform dead in its tracks. With the US Congress slowly meandering back to D.C., it will have one major job to do before its next obscene vacation break: tax cuts. That means it’s time for the media to jump into action. There is virtually no chance, barring the passage of a flat tax (which would be GREAT!), that the home mortgage interest deduction goes away. So, what is the headline at the top of the CNBC home page? “Popular mortgage deduction could get a haircut in tax reform.” Here’s just one of the BS lines from the story: “The mortgage interest deduction, which only benefits about 20% of taxpayers….” What baloney! They are trying to do two things with this story. First, they are trying to upset the millions of Americans who take the mortgage deduction—maybe even enough to call their representatives and demand it remains. Second, they are trying to say that nobody but the “wealthy” (defined as CNBC as anyone making above $100k per year) really even benefits from the deduction. Well, CNBC, make up your mind! Are we supposed to be outraged that it’s on the chopping block, or outraged that only the wealthy can take advantage of it? More smarmy, sleazy reporting by the hacks trying to shape the news rather than report it.  
  
**05. Marky Mark highest-paid actor? What about the Funky Bunch?**  
Talk about a really good guy hitting it big. Mark Wahlberg, formerly Marky Mark, is at the top of the current Forbes list of highest-paid actors. The star of “Transformers,” “The Last Knight,” and “Patriots Day,” pulled in a cool $68 million within the past year, putting him just out of reach of Dwayne “The Rock” Johnson—probably another great guy. How refreshing not to see a bunch of blowhard, political types at the top of the list.  
  
**04. Stock of the Day: Planet Fitness**  
Planet Fitness (PLNT $18-**$25**-$25) is a $2.4 billion small, glittering jewel right on the cusp of becoming a mid-cap. The company operates and franchises fitness centers around the country, boasting 1,200 locations and more than 8.7 million members. This seems to be the gym calling millennials’ names. With low monthly fees (generally $20), perks like pizza Mondays and bagel Tuesdays, and the “judgement free zone," the younger generation is gravitating to the place. One “lunk head” got kicked out of a New Jersey location for grunting too much during his workout. (A lunk head is someone who showboats, overtly grunts, or makes fun of others for their lack of gym expertise.) PLNT brought in about $378 million last year, with $21.5 million flowing down as net income. In fact, the company has turned a profit every quarter since going public two years ago, and the stock has been on a quite steady, 45-degree trajectory to the upside. We see the company’s growth continuing into the foreseeable future. Lunk heads need not invest.  
  
**03. These are your top two dream candidates for Uber CEO? Yikes**  
Following Travis Kalanick’s ouster from the company he founded, Uber, the search for a new CEO has been intense. So, what brilliant leadership giants are at the top of the list? GE’s cold fish Jeffrey Immelt (who took the company straight down after Jack Welch left), and Hewlett-Packard’s Meg Whitman—another dud. Although Whitman took herself out of the running, some of Uber’s biggest private investors are starting a campaign to woo her into taking the job. Of course, after the sexual harassment charges levied under the Kalanick reign, why wouldn’t you want two amorphous blobs like Immelt and Whitman to float to the top of the candidates’ pool?  
  
**02. And there goes Apple's dream of challenging Detroit**  
We were always skeptical of the rumors. After all, how could the company that blew Apple TV after Steve Jobs died ever design, build, and sell its own line of autonomous vehicles. Our guess is that CEO Tim Cook saw Elon Musk doing it and figured his company’s giant stash of dough could plow them through any challenges. Wrong. The company is apparently coming to that realization now, as well. Project “Titan,” as the secret plan was code-named, is now Project Edsel. In all fairness, that’s a bad analogy—the Edsel (Edsel Ford was the only recognized son of Henry Ford) was actually built before it was scrapped. Apple says it is now working on making really good software and hardware to go inside of a new autonomous vehicle…that someone else builds.  
  
**01. Markets rocket back to life on Tuesday  
​**  
Despite the best efforts of some in the press to foment a deeper market downturn, the major indexes came roaring back on Tuesday, following a week of wall-to-wall politics. The Dow jumped nearly 200 points, the S&P 500 spiked 25, and the Nasdaq was up 84. Essentially, all were up about 1% in one trading day, wiping out half of August's losses. Now, Senator McConnell, how about earning a sliver of your fat paycheck and getting tax reform done to help prevent a serious market correction.

**Monday, 21 Aug 2017**

**The US-based tanker *Independence* just punched Putin in the face...**

**10. Total to buy shipper A.P. Moeller-Maersk's oil unit for $5 billion**  
Denmark’s A.P. Moeller-Maersk (AMKBY $6-**$10**-$11) is one of the world’s biggest shipping companies. Unfortunately, the company is highly-leveraged to the energy sector. In fiscal year 2014 the company’s net profits were floating around $5 billion. For the trailing twelve months, the company’s net income is -1.831 billion, with the losses attributable mainly to the drop in oil prices. Perhaps that is why French oil conglomerate Total (TOT $45-**$50**-$55) was able to acquire the company's oil unit for $5 billion plus the assumption of $2.5 billion of its debt. Total will spend another $3 billion to decommission Maersk oil rigs in the North Sea.  
  
**09. Buffett has Texas utility deal yanked out from under him**  
  
Just days before Warren Buffett’s Berkshire Hathaway (BRK.B $142-**$178**-$180) was scheduled to go before a bankruptcy judge to argue its case for the company’s purchase of Oncor, Sempra Energy (SRA $93-**$118**-$119) has swooped in to pick the company up with a sweetened offer. Oncor is a regulated electric utility serving 10 million customers throughout the state of Texas. It is owned by now-bankrupt Energy Future Holdings (formerly TXU) and seemed like the perfect deep value pickup for Berkshire; the company made an offer of $9 billion for the utility. Sempra, worth about $30 billion, made a $9.4 billion offer, which was quickly accepted. Sempra already owns San Diego Gas & Electric and Southern California Gas. Nicely played.  
  
**08. China's "Great Wall Motor" wants to buy Jeep**  
  
From a “Buy American!” standpoint, does it really matter? After all, Jeep hasn’t been an American company since Italy’s Fiat (FCAU $6-**$13**-$14) bought the company in 2009 (it bought the 41% of the shares it didn’t already own back in 2014). Sure, it still builds plenty of vehicles in the US, but so does Toyota. What’s the difference? Now, ownership of the iconic vehicle born out of World War II, and a symbol of past American automotive might, could well become a Chinese asset. Fiat has been approached by the Great Wall Motor Company, China’s largest truck and SUV producer, regarding a deal. Jeep sales have quadrupled since Fiat took ownership (why couldn’t Chrysler make that happen when it was an American company?), and it is now the most valuable asset in that car company’s garage. Fiat currently holds a market cap of $26 billion; Jeep is arguably worth about the same amount as its parent company.  
  
**07. The Container Store drops again, this time for lowered guidance**  
  
A four-year chart of retail container and organization chain The Container Store (TCS $4-**$4**-$8) looks like the side-view of a black ski slope, moguls and all. The ski lift dropped you off at $45 per share, and you skidded, flipped, and flopped (at least that would be me on the slopes) all the way down to $4 per share. TCS came within 27 cents of its all-time low today after it lowered guidance for the full year. The company now expects to earn between 27 cents and 40 cents per share—down from earlier guidance—because it is paying off some interest and debt costs. The company has remained in the black, and its P/E ratio of 23 is decent. Having said that, with the brutal retail environment out there who on earth would plop money down on the stock—it’s a container store, for Pete’s sake! The next big uptick we see is when a private equity firm says it will take the company private, which it should have been all along.  
  
**06. US delivers first shipment of gas to former Soviet satellite Lithuania**  
  
America has this wonderfully-valuable commodity in abundance, yet (for some strange reason) we wouldn’t share it with our friends around the world. All that has changed. Lithuania, a former soviet satellite-state, just received its first cargo shipment of American produced liquefied natural gas (LNG) from the Independence, a US-based tanker. For ease of transport, natural gas is chemically converted into a liquid state, taking up 1/600ththe amount of space that natural gas would use, all without the need for pressurization. Former President Obama said he was for the export of this commodity, yet did not allow one transaction to take place. Lithuania has, for all intents and purposes, been held hostage by Moscow due to its need for Russian LNG. Upon receipt of the asset, Lithuania’s energy minister said that “the US is already the country’s most important strategic partner, and now becomes a reliable LNG supplier for the whole region.”  
  
**05. It was a really, really bad day for punk activist Bill Ackman**  
  
Maybe billionaire activist and chronic agitator Bill Ackman should have extended his August vacation in the Hamptons to avoid the news on Monday. OK, we don’t know that he has a place in the Hamptons, but can’t you picture him nestled in there somewhere between the Kennedy compound and Oprah’s place? Nonetheless, the smarmy little hedge fund manager got a double dose of bad news today. With respect to his bullying of ADP to replace the CEO and get three board seats (one for him), the company’s board of directors shot him down on all counts. With respect to his massive short position in the company he has been trying to destroy for his own personal gain, Herbalife, the company’s shares shot up 8% during Monday’s session, costing him millions. The stock gained on news that it is looking at options to take itself private. If that happens, his enormous position is toast.  
  
**04. Stock of the Day: Shire plc hits 52-week low after CFO departure**  
  
Dublin-based Shire plc (SHPG $139-**$141**-$209) is a $43 billion biotech focused on specialty drugs for rare diseases, as well as conditions such as ADHD and binge-eating disorders. Like many of its brethren, the company’s share price has been beaten down as of late. On Monday came word that CFO Jeff Poulton was leaving Shire to join Boston-based plant technology start-up Indigo Ag (think better yields through scientifically-modified seeds). That news sent the stock plummeting below its 52-week low, hitting $139.36 before rebounding slightly. This company’s assets alone are worth $200 per share, in our opinion, and the stock could easily be trading in the $250 range again before long. The company has made a number of smart acquisitions over the past few years, and is more-than-likely within 10% of a multi-year trough.  
  
**03. UAW dealt blow at Mississippi Nissan plant, vows to fight on**  
  
Organized labor just isn’t having much luck in the South. The latest blow came from the workers at a Canton, Mississippi Nissan plant; 62% of whom voted against letting the union organize the plant. Union representatives didn’t take the loss well, and vowed to call for another vote after the mandatory six-month waiting period. “We ran against a monster,” said one union supporter.  
  
**02. Researchers trying to find cause for alarming rise in serious allergies**  
  
Based on private insurance claims surrounding serious cases of anaphylactic food allergies, there has been a massive increase in the number of Americans with these life-threatening conditions. A New York-based non-profit health organization ran a database with 24 billion medical claims dating back a decade, and the findings have been astounding. The rate of severe allergic reactions to foods (peanuts are the primary culprit) has increased by nearly 400% over the past ten years. Theories about what is causing this onslaught of new cases runs the gamut, from the increased use of antibiotics to the recommendation that parents keep their babies away from suspect foods. The study is still in its early stages.  
  
**01. Investors are pumping money into commodities in bet on economy**  
  
After years of languishing, prices of copper, aluminum, and other metals used in industry are suddenly hitting highs not seen in years. The iPath Bloomberg Copper ETN, for example, is currently trading around $34 per note, up from $22 a year ago. Zinc is sitting at its highest price in a decade, and the iPath Bloomberg Aluminum ETN is up 21% year-to-date. What’s behind this sudden jump in prices? Investors are betting on a continued expansion of the global economy.

[**Friday, 18 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

**For all the tough talk, the US and China had a great meeting this week...**

**10. Holy cow! A small specialty retailer just beat expectations**  
  
Clothing retailer Gap (GPS $21-**$23**-$31) followed up its strong first quarter earnings report (which we wrote about in our [Specialty Retail](http://r20.rs6.net/tn.jsp?f=001eHPTkDVhOERyGGnlJZcTQmbPYf0Ukba-4Ad9udfqHs-_YuF4GwPUfzgw4CxvpBWw5fR5qGHIr_znjqy8Hi3M-GYZQi33Oy4p1BO6eYq0oqF7rU2hzwfVG276tZMD2NiCAAFxA4wu8L1XBk5fGt4EDfBtm6siRSEx7RsOy_-387o8Ypbw92Uzhg==&c=ytaOg6Qul3iyJGG5AGlUIoEzEv1X8xpI3To2FghmLtYvRLGiPzHECg==&ch=vwAZni4xaTghZ2iVyOG9EOdgIXONF9lapBLX9ovPu4Yr9WFFEvqEAw==) section) with another solid hit to the outfield, bucking the trend of its peers. In Q2, once again on the back of strong demand for Old Navy goods, the company grew its comparable-store sales by 1%, to $3.8 billion (Old Navy revenues jumped 5% from last year). Check out this metric: net income, the company’s profit after cost of goods sold, expenses, and taxes, grew from $125 million in Q2 of 2016 to $271 million this past quarter. Granted, that equals an operating margin of just 7%, which highlights the struggles of the retail industry (JC Penney’s operating margins are 1.96%, by comparison).  
  
**09. Alibaba hits new 52-week high as earnings, cloud computing spike**  
  
Get this: in the second quarter of 2016, Chinese Internet giant Alibaba (BABA $86**-$167**-$176) had revenues of $4.84 billion. Fast forward to the same quarter, one year later, and the company generated $7.4 billion in revenues. That equates to a 53% spike in sales. Mobile monthly active users of the company’s online retail marketplaces rose to 529 million. What should be of more concern to Amazon (AMZN), which has been touting its cloud-based computing service known as Amazon Web Services (AWS), is BABA’s 96% year-over-year increase in its own cloud computing business. As of right now, however, it’s still no contest: AWS is raking in $3 billion per quarter in sales, while Alibaba’s cloud platform is at $359 million in the most recent quarter.  
  
**08. Penn member Globus Medical receives FDA approval, pops 6%**  
  
Medical device maker and member of the Penn Intrepid Trading Platform Globus Medical (GMED $19-**$31**-$34) jumped 6% on Thursday following the announcement that the FDA had approved the company’s robotic guidance and navigation system known as Excelsius GPS. The Excelsius system will be used with Globus Medical implants and instruments for minimally invasive orthopedic and neurosurgical procedures. The stock is up 25% since entering the Intrepid.  
  
**07. Taking our profits on Broadcom in the New Frontier Fund**  
  
When we purchased shares of Broadcom (AVGO $159-**$250**-$258) in February of 2016 for the Penn New Frontier Fund, shares were sitting at $126.58. Because the company is currently trading near its high and we see some short-term downside risk, and because we need the cash for another purchase in the NFF, we are taking our 98% long-term profits on the semiconductor company.   
  
**06. As Cisco continues its slow decline, one challenger stands out**  
  
The other day we made mention of our disdain for Cisco Systems (CSCO $29-**$31**-$35), primarily because of the company’s inept management. As the networking equipment and software company’s core customer base slowly erodes, another firm—about one-tenths Cisco’s size—is picking up the slack. Actually, it would be more accurate to say that this spitfire is actively engaged in taking clients from the $153 billion lumbering Spruce Goose. When we took our profits on Broadcom (AVGO) in the New Frontier Fund to make room for another entrant, it was this company. Clients and members can take a look at this newest member to the club by visiting the [Trading Desk](http://r20.rs6.net/tn.jsp?f=001eHPTkDVhOERyGGnlJZcTQmbPYf0Ukba-4Ad9udfqHs-_YuF4GwPUf-btO5Y6JmDdIht8jbPby7zh9Nh0d5pkZcxnzEdhuuLWEtyICj97tvGGY1PsgjQvmXf1Kjz9FClJu8d-Sbb0O-q7_kXzSaiPeNFJgKicbqdDSSgyc9TljibOAusOWV9EOw==&c=ytaOg6Qul3iyJGG5AGlUIoEzEv1X8xpI3To2FghmLtYvRLGiPzHECg==&ch=vwAZni4xaTghZ2iVyOG9EOdgIXONF9lapBLX9ovPu4Yr9WFFEvqEAw==).  
  
**05. Foot Locker plummets 28﻿% after yet another bad earnings report**  
  
We’ve had this discussion for the past year. It is the difference between buying a specialty retailer, and the companies that actually make the goods which the specialty retailer relies upon. Foot locker (FL $34-**$34**-$79) sells the products of manufacturers like Nike (NKE) and Adidas (ADDYY). When Nike announces it will begin selling its products on Amazon (AMZN), what can happen to a store like Foot Locker? A nightmare scenario like the one that played out today. FL dropped 28% by Friday’s close after reporting a drop in both sales and profits. This stock, which closed at $34.48 per share, was sitting at $77 per share on 09 May of this year. Ouch. We love value plays, but this one is just too risky.  
  
**04. Stock of the Day: Stamps.com**  
  
You’ve no doubt seen their ads, but probably had no idea they were publicly traded. Not only is [Stamps.com](http://stamps.com/) (STMP $85-**$210**-$220) a publicly-traded company, it has little competition in the space and has dramatically increased earnings nearly every quarter for the past decade. The subscription-based services company provides US postage and shipping software over the Internet, negating the need to visit the US Post Office or office supply store for postage and related equipment. Last year the company earned $7.45 per share. For next year, the company is projecting earnings per share of $8.61. They haven’t missed a target yet.  
  
**03. US taking steps to reduce tensions on the Korean Peninsula**  
  
Following threats by the pot-bellied dictator of NOKO to launch nuclear missiles against Guam, a US island territory in the Western Pacific, it was beginning to feel like the days of Khrushchev, Castro and the Cold War had returned. Since then, however, the US has taken steps to defuse the tensions—at least temporarily. [Read more](http://r20.rs6.net/tn.jsp?f=001eHPTkDVhOERyGGnlJZcTQmbPYf0Ukba-4Ad9udfqHs-_YuF4GwPUfzgw4CxvpBWwW9eU_3grLJNtezNw-snOVRSS_QY209a4s79v7qVOrhkul4-5n2mZ4BR3Vo9d-YZw7j_immkLhCewygaBtOubC3euQZBLLqSPoXa2oRI5KU7qU43md_WEkA==&c=ytaOg6Qul3iyJGG5AGlUIoEzEv1X8xpI3To2FghmLtYvRLGiPzHECg==&ch=vwAZni4xaTghZ2iVyOG9EOdgIXONF9lapBLX9ovPu4Yr9WFFEvqEAw==)...  
  
**02. America's stance, not NOKO's actions, forced China's hand**  
  
Were there a vacuum outside of Kim Jong-un’s violent outbursts and military buildup, you can bet that China would sit quietly behind its longstanding trade policies. Instead, because of America’s reaction to the saber-rattling of the dictator, China’s hand has been forced. [Read more](http://r20.rs6.net/tn.jsp?f=001eHPTkDVhOERyGGnlJZcTQmbPYf0Ukba-4Ad9udfqHs-_YuF4GwPUfzgw4CxvpBWwW9eU_3grLJNtezNw-snOVRSS_QY209a4s79v7qVOrhkul4-5n2mZ4BR3Vo9d-YZw7j_immkLhCewygaBtOubC3euQZBLLqSPoXa2oRI5KU7qU43md_WEkA==&c=ytaOg6Qul3iyJGG5AGlUIoEzEv1X8xpI3To2FghmLtYvRLGiPzHECg==&ch=vwAZni4xaTghZ2iVyOG9EOdgIXONF9lapBLX9ovPu4Yr9WFFEvqEAw==)...  
  
**01. Investors are finally letting politics get in their head; thanks CNBC**  
  
If we wanted to hear wall-to-wall politics incessantly throughout the day, we have a number of choices on TV, depending upon our political leanings. If we want businessnews, however, we should be able to tune into the business network, CNBC, and get away from politics. For five straight days, from six in the morning until five in the afternoon, CNBC has been all politics, all the time. On Thursday, they finally worked their magic and got into investors’ heads, driving the market down over 200 points. There is one, and only one, salient point which the network brought up, and that revolves around President Trump’s key economic advisor, Gary Cohn. If he ends up quitting the team, expect a big market hit. If the GOP does not get tax reform done this year, expect a 5-10% correction. Other than those two issues, simply tune out of the faux business channel altogether. For the record, despite Thursday’s horrendous close, the S&P and the Dow finished the week down just 0.65% and 0.66%, respectively.

[**Wednesday, 16 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

***To Yoplait's new spokeswoman, the French girl, we say oui oui!..***

**10. Our Apple TV may actually do something besides play music for us**  
  
We are convinced that when Steve Jobs died, Apple TV died with him…at least for an extra five years. Now, it appears the company (AAPL $103**-$162**-$162) is willing to get serious about making their $149 box something more than a glorified music device with really cool background scenes. Apple has just entered the “original content” fray by expressing its willingness to budget $1 billion over the next year on its own lineup of television shows and specials. Think HBO’s “Game of Thrones” or Netflix’s “Mad Men.” For $1 billion, the company should be able to produce up to ten new programs. Yes, it’s a crowded market, but think of the 30 million or so Apple TV devices collecting dust in living rooms across America, just waiting for something good to come on.  
  
**09. China’s largest tech company, Tencent, sees revenues soar by 59%**  
  
Chinese gaming and Internet giant Tencent (TCEHY $23-**$41**-$42), which made news recently for buying 5% of outstanding Tesla (TSLA) shares, just reported a 59% spike in revenues for the quarter. The company’s sales of $8.5 billion easily topped estimates calling for $7.8 billion, and represented a 59% jump from the same quarter in 2016. Tencent is a dominant provider of mobile gaming, and its WeChat mobile messaging platform has 963 million (repeat: 963 million) active monthly users. Incredibly, that is about half the number of active monthly users on Facebook (FB). Tencent’s main listing is on the Hong Kong Stock Exchange, but it trades on the US over-the-counter market.  
  
**08. Start of a turnaround? Target beats on sales, raises guidance**  
  
After an endless string of bad news, multiline retailer Target (TGT $49-**$55**-$79) finally has something to smile about. Revenues came in better than expected (at $16.43 billion for the quarter), same-store sales actually climbed (1.3%) from last year, and management raised its expectations for 2017’s full-year sales and profits. Speaking of profit, net income for the quarter was flat from last year—at $672 million—but there are new signs of life for this struggling retailer. If investors believe in the turn-around story, here’s the cherry on top: TGT has a 4.56% dividend yield.   
  
**07. General Mills’ new CEO isn’t buying all the new-age, feel-good hype**  
  
Pick up a mainstream newspaper or turn on the financial networks and the message, with respect to food products, is clear: the “middle” of the grocery store is dead. You know, the middle aisles with all those yucky, sugar-coated cereals and boxed food items. Like members of a cult, CEOs invited on these networks nod their head up and down in agreement when these little millennial anchors tell them “what the public wants,” like they know. General Mills’ (GIS $53-**$58**-$72) new CEO, Jeffrey Harmening isn’t buying it. He said that his company will not turn its back on the likes of Cinnamon Toast Crunch and Lucky Charms. You wouldn’t know it by listening to millennial reporters on the business networks, but the dirty little secret is that sales of these classic American products have been on the rise. Our hats off to General Mills. From an investment standpoint, at $58 per share and with a P/E of 20, we consider the company undervalued. OH, and we also approve of the company's new Yoplait Oui yogurt ads featuring "The French Girl."  
  
**06. General Dynamics wins US Navy contract; Stryker delivered to army**  
  
One of our core defense holdings, General Dynamics (GD $149-**$200**-$206), has been awarded a $10 million contract from the US Navy for sustainment of its US- and UK-based fire control system and attack weapons control system. Much of the work will take place at Cape Canaveral Air Force Station, which is quickly becoming about as exciting as it was during the height of the nascent manned space program in the US. General Dynamics has also been in the news for the latest version of its Stryker vehicle, which has been delivered to the US Army for deployment to Eastern Europe. The vehicle is equipped with a new 30mm cannon and Javelin anti-tank missiles which have the capability of decimating the latest Russian hardware on the ground. To take advantage of the rebuilding of the US military, we also use ITA, the iShares US Aerospace & Defense Fund, in the Penn Dynamic Growth Strategy.  
  
**05. One of our least favorite tech names, Cisco, fails to deliver...again**  
  
Our main gripe with Cisco Systems (CSCO $29-**$32**-$35) over the past few years, and a major reason we would not own the routers and network software firm in any portfolio, has been the leadership void at the company. From goofy John Chambers to relatively-new CEO Chuck Robbins, we have little confidence in management’s grasp of the industry in which they operate. Today’s earnings report provides yet another piece of evidence to that end. Revenue was down 4% year-over-year, and has now declined for seven straight quarters (annualized). The company also announced it would be laying off 1,100 workers. Shares were down after hours.  
  
**04. Stock of the Day: Agilent Technologies**  
  
One of our favorite sectors, with the aging baby-boomer population and incredible new medical technologies on the horizon, is health care. While many growth investors focus on the biotech industry within that sector, we love the often-ignored diagnostic and medical equipment makers. One of the leaders in that industry is $20 billion Agilent Technologies (A $43**-$62**-$62). The company operates in three segments: life science and applied equipment (50%), lab consumable and services (35%), and diagnostics/genomics (15%). Roughly one-third of the company’s sales come from each: the US, the EU, and China/Japan. The company rings up about $4 billion in sales each year, with roughly $500 million funneling down as profits.  
  
**03. Youth employment in US having strongest summer since 1969**  
  
Ahh, those wonderful summer jobs. Between the school years, a chance to pad the pocket and have a little fun with your friends. For me, the job was dishwasher and busboy at a local country club, making $2.65 an hour. At age 13, I had to lie about my age to get on. For the past eight years or so, summer youth employment levels hit the skids, with a dearth of job availability. Something changed that this summer. In fact, the unemployment rate for students on summer break fell to its lowest level since Neil Armstrong was making his “one historic step….” Yet another sign that the US economy is finally making a real recovery.  
  
**02. Bristol-Myers Squibb falls after failed cancer drug testing**  
  
Shares of big pharma company Bristol-Myers Squibb (BMY $46-**$58**-$60) were off slightly following reports that Opdivo and Yervoy, two of the firm’s kidney cancer drugs, had failed to noticeably reduce progression of the disease. Talk about flat: shares are off 2% YTD and 4% over the past year. The company’s share stagnation is starting to remind us of Pfizer’s (PFE) lackluster performance. Time for some biotech acquisitions.  
  
**01. US stocks up again on Wednesday; S&P, Nasdaq in green for month**  
  
On the back of improved retail earnings reports, all major markets were in the green on Wednesday, with the S&P 500 and Nasdaq both erasing all losses suffered thus far in the month. Target, Gap, Best Buy, and Dollar Tree all reported good numbers. We believe each of these players also have a lot further to rebound.

[**Tuesday, 15 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

***Boeing will be building 620 of these beauties each year...***

**10.** **Boeing on a roll: 737 production line ramps up to 52 per month**  
  
For decades, the perennial question in the aircraft manufacturing industry was which giant would land more orders for the year: America's Boeing (BA $126-**$237**-$246), or the European Union's government subsidized Airbus (EADSF $56-**$84**-$87). As of late, however, it really hasn't been a contest—Boeing is eating Airbus's lunch. The Everett, Washington-based company just announced that it would ramp up production of its 737 airliner from 42 to 52 per month, surpassing its previously-announced increase to 47 per month. This past May the company delivered its first 737 MAX 8 to Malaysia-based Malindo Air. With the ramped-up production, Boeing will be producing 620 model 737’s per year. That is truly astounding. Boeing is a member of the *Penn Global Leaders Club*.  
  
**09.  Coach hammered despite profit gain as sales miss forecast**  
  
In the second quarter of 2016, luxury retailer Coach (COH $34**-$42**-$48) raked in $81.5 million of net income. Based on the just-released Q2 figures for 2017, the company increased that figure by a massive 86%, to $151.7 million. Great new, right? Then why did the stock plummet 13% on Tuesday’s open? Apparently, investors weren’t thrilled with the 2% drop in sales—from $1.155 billion to $1.13 billion. The P/E ratio—at 22—is in line with other luxury retailers, so what’s up? Investors are simply mispricing this strong company as they are bombarded with negative retail headlines. A full 45% of Coach handbags sell for $400 or more. The consumers buying these handbags are not trolling Amazon for a better deal. At $41.50 per share, if you need a consumer discretionary holding in the luxury space, Coach is a screaming buy.  
  
**08.** **Amazon to issue debt offering to fund Whole Foods acquisition**  
  
According to a securities filing, Amazon Inc. (AMZN $710-**$983**-$1,083) will issue debt to raise up to $16 billion in funds for the company’s acquisition of Whole Foods Markets, Inc. Moody’s has assigned a credit rating of Baa1 (one notch below the lowest “A” level) on the new offering, and has raised the company’s outlook to positive. There are no details yet on the interest rates or other terms for the new senior, unsecured bonds. Why would a company which has produced $9.7 billion in free cash flow over the past year issue debt to fund the purchase? For one, the cost of borrowing capital is so low right now thanks to the Fed. For another, until the US repatriation tax rate comes into line with the rest of the developed world, it remains too expensive for Amazon to bring the cash they hold overseas back home. We will watch for the terms of the new debt instruments—they may make a nice addition to our fixed income portfolio.  
  
**07.** **Feds investigate Johnny Depp's former business managers**  
  
Following a $25 million lawsuit brought about by actor Johnny Depp against his former business managers, the Management Group, three investigative arms of the government are looking into the Hollywood business services firm. The IRS, the SEC, and the DoJ are looking at whether the company laundered money and committed fraudulent acts. The SEC is specifically looking at how the firm handled Depp’s funds while in their possession. Depp claims that owners Joel and Robb Mandel invested millions of dollars of his money in ventures partly owned by the brothers and their firm, creating a conflict of interest. Whether it happened in this case, we cannot say. However, this very situation plays out time and time again with the assets of wealthy actors and athletes.  
  
**06.**  **JC Penney in midst of worst five-trading-day period of existence**  
  
Century-old retailer JC Penney (JCP $3-**$3**-$11) began trading on the New York Stock Exchange back in 1972—45 years ago. In all those decades, the stock has never been as bloodied up as it has been over the past five trading days. After Tuesday’s drubbing, the stock notched its third-straight record low. Since the beleaguered retailer’s Q2 report came out last week, the company’s share price has fallen 33%. Want to buy it? Don’t look to the P/E ratio for clues—it doesn’t exist since the company is losing 85 cents per share. The only price catalyst we can think of would be an offer to take the company private.  
  
**05.** **Perennial Penn member Wynn up 6% after upgrade**  
  
Regular Penn member Wynn Resorts (WYNN $83-**$136**-$140) was up over 6% on Tuesday following an upgrade by Deutsche Bank. Analyst Carlo Santarelli also raised his price target on the gaming stock to $150 per share, citing increased traffic at the company’s Chinese luxury resort, Wynn Palace. Wynn had sales of $4.8 billion worldwide last year, and $5.4 billion trailing twelve months (TTM), indicating nice revenue growth.    
  
**04. Stock of the Day: Tractor Supply Company**  
  
Like clockwork, every single year for the past decade, the Tractor Supply Company (TSCO $50**-$52**-$86) has steadily increased its sales. With the exception of one little blip in 2008, the company has also increased its profits each year for the past decade. With nearly $7 billion in annual sales, TSCO is the largest farm retailer in the US, and the company now has 1,600 locations scattered throughout the country. But it’s not done growing. We expect the $6.6 billion company to grow to 2,800 locations within the next decade. When an industry gets hammered like retail is right now, we like to dive in and look for the best undervalued gems to add to our portfolio. Sitting at $2 above its one-year low, down 37% in the past year, and with a 16 P/E, Tractor Supply fills the bill nicely. We are adding it to the *Penn Global Leaders Club* at $52.19 per share.   
  
**03.** **Americans’ debt load hits a new record high**  
  
$12.84 trillion. That’s the aggregate amount of debt Americans now owe. That figure, which is a new record high, is up $552 billion from a year ago. According to the Federal Bank of New York, which is responsible for the latest report, credit card balances slinking into delinquency ticked up noticeably. We will probably look back on one component of this figure as the most troublesome: student loan debt hit $1.34 trillion. The bright side? At least all Americans combined still owe $7 trillion less than our federal government owes. Why doesn’t that make us feel better?         
  
**02.** **Urban Outfitters sees its same-store sales fall 5%, stock spikes 14%**  
  
Makes perfect sense, right? Home Depot (HD) beats, and the stock falls. Teen retailer Urban Outfitters (URBN $16-**$17**-$41) reports a 5% drop in comp-store sales, and it rallies 14% in after-hour trading. Total net sales at the firm also dropped, down 2% from last year. So, what gives? In the case of Urban, analysts had such dire predictions for the earnings report that even these figures ended up looking good. There is a fascinating trend playing out in the retail sector, and if investors can stomach some losses before probable gains, they can make a lot of money. Urban was off 51% since November of 2016, and has a current P/E of 10. A 14% spike after a pretty lousy earnings report is not so far-fetched with ratios like that.     
  
**01.** **Theater stocks fall after MoviePass lowers monthly fee to $9.99**  
  
MoviePass ([www.moviepass.com)](x-webdoc://938694BD-EACC-472D-806B-09F0A6C9F9E9) is a subscription-based service which allows members to go to their local theater and watch pretty much all the movies they want (no blackout dates) for one set, monthly price. Members can see one movie, no matter how new, every 24 hours at any of 4,000 theaters on 36,000 screens. Major theater chains like AMC (AMC), Regal (RGC), Cinemark (CNK), and Imax (IMAX) were down Tuesday following MoviePass’ decision to lower all memberships to one $9.99 per month fee. With the plethora of options we now have at our fingertips, the chains have been suffering. This decision by MoviePass to drop prices is further evidence of technology’s impact on the industry.

[**Monday, 14 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

***Want a free Apple Watch? Are you insured by Aetna?...***

**​10.** **Thanks to US saber-rattling, China finally bans N Korean imports**  
  
Ultimately, the world will find that only his removal from power will stop the pot-bellied North Korean Dictator, Kim Jong-un, but under intense pressure from the United States, China just dealt a blow to his regime. Beginning Tuesday, China will ban North Korean coal, iron, and seafood from entering the mainland, according to that country's commerce ministry. Of the $3 billion or so N Korea legally exports, roughly $2.5 billion is purchased by the Chinese. Of course, a serious crackdown on the country's illegal exports (like weapons to African countries) must also materialize.  
  
**09. Japan's economy is suddenly growing again, thanks to Abe's policies**  
  
After decades of stagnation—and a dethroning as the world's second-largest economy—signs of life are appearing within the Japanese economy. All of a sudden, the country has assembled a string of six consecutive quarters of positive growth, adding credibility to the policies of Shinzo Abe, a leader once labeled the Japanese Ronald Reagan. For the second quarter, economists were predicting an annualized growth rate of 2.5% in Japanese GDP; instead, the country's economic engine put together a 4% annualized growth rate. The markets have been predicting Abe’s success: the Nikkei 225 Index is up nearly 17% over the past year.    
  
**08. Low CPI number points to fewer, not more, interest rate hikes**  
  
It wasn’t that long ago when most Fed watchers and economists were predicting three to four interest rate hikes in 2017. Now, one potential catalyst may be the reason for fewer rate hikes on the horizon. One official reason for interest rate hikes is to keep inflation around a target range of 2%.  July’s consumer price index (CPI) rose just 0.1% from June, and 1.7% since July of 2016. That takes away one check mark on the Fed’s hike rationale chart. The US core consumer inflation rate, which excludes food and energy prices, also grew at just 1.7% year-over-year. It looks like you will have a little more time to buy that new home or refinance that existing mortgage.   
  
**07.**   **In interesting twist, could France's Danone be acquired by US firm?**  
  
This past April we reported on France’s Danone SA (DANOY $12-**$16**-$16), maker of Danon yogurt and other dairy/food products, purchase of White Wave Foods, and ruminated over the inability of US companies to buy their French counterparts. It’s still in the rumor stage, but it appears that Danone, itself, may be the target of an acquisition by the likes of Kraft Heinz (KHC) or Coca-Cola (KO). Sadly, thanks to Warren Buffett’s infusion of cash into Brazil’s 3G Capital to purchase Heinz and Kraft, KHC is really not an American company any longer (3g/BRK own just over half of the company). As for Danone, it was trading up about 3% on the news. We are rooting for a KO takeover, which would be a good fit considering Danone's bottled water business.  
  
**06.** **Taking a page from ADP, Proctor & Gamble hits back hard at activist**  
  
It is refreshing to finally see. For years, we’ve watched as punk little billionaire activists run roughshod over publicly-traded companies, generally for their own personal gain (not for the general good of stakeholders). Now, the companies are beginning to fight back. Last week it was ADP attacking the smarmy Bill Ackman. Today, Proctor & Gamble (PG $81**-$92**-$92) set its sights on Nelson Peltz, the activist owner of hedge fund Trian Partners, who has been demanding a board seat. P&G sent a letter to shareholders saying that Peltz wants the seat to “satisfy his own agenda,” and that “change for the sake of change” is not a recipe for success. While Trian owns $3 billion worth of PG shares, keep in mind that this is a $233 billion company, so that amounts to just under 1.3% of shares outstanding. We believe shareholders will shoot down Peltz’ effort at the annual shareholders’ meeting on 10 October.  
  
**05.**  **Why we see Aldi's home food-delivery system failing miserably**  
  
We’ve been in an Aldi a time or two. The experiences were underwhelming, and that’s being generous. In fact, the visits made going to Wal-Mart (WMT) feel like a trip to Saks Fifth Avenue by comparison. The German low-cost food retailer just announced plans to team up with Instacart in an effort to develop its own grocery delivery system. It will first test the program in LA, Dallas, and Atlanta. While we believe grocery delivery will one day be commonplace, perhaps even the norm, the low-cost shoppers attracted to Aldi will not, generally speaking, opt for home delivery. If you are looking for rock-bottom prices, why would you pay the extra (Instacart) fee associated with having your packaged foods delivered? Further, Aldi does not even offer home delivery on their website; shoppers must go to Instacart’s app or website. Aldi has plans to expand its 1,600 US locations to 2,500 within five years. Good luck.       
  
**04. Stock of the Day: BioMarin Pharmaceutical Inc.**  
  
BioMarin Pharmaceutical (BMRN $78**-$83**-$102) is a US-based biotech which focuses on rare-disease therapies.  It arguably holds monopolies in a number of rare-disease niche markets, and has formed alliances with larger biotech firms to develop, manufacture, and market a number of potentially life-saving drugs. The company’s approved drugs have been granted orphan-drug status, meaning they have seven years of market exclusivity in the US, and ten years in the European Union. The company’s operating revenue has increased every year for the past decade, with sales of $1.1 billion in 2016 (steadily up from $121 million a decade ago). With profitability probable in 2017, BMRN is on the short list of takeover candidates in the industry. The company's share price has been hanging out in the 52-week low range for some time—well off of its $150 per share peak back in July of 2015.  
  
**03.** **Aetna in secret talks with Apple to offer Apple Watch to all members**  
  
Health care benefits giant Aetna (AET $105**-$155**-$162), which helps insure 23 million Americans, has been in secret talks with Apple (AAPL $103**-$160**-$162) to discuss ways to get the Apple Watch on the arms of its members. The company already offers the health-tracking device to its 50,000 employees as part of a wellness program, and it would now like to offer all members the same perk. While the watch has been somewhat of a disappointment to analysts thus far, between the new health apps under development by the firm and deals with companies like Aetna, the sky is the limit. Especially after the watch goes through a few more design changes to make it more fashionable.           
  
**02.**   **Target to acquire Grand Junction to expand its delivery service**  
  
Is it an “us too!” move that will actually work? Based on its price and its P/E ratio, we would love to add retailer Target (TGT $49-**$56**-$79) to one of our portfolios, but we remain skeptical of the organization’s management team. The Minneapolis-based multiline retailer just announced that it will buy San Francisco-based Grand Junction, a transportation technology company, to expand its home delivery service. When the deal is done, Grand Junction employees will become Target team members, and the firm’s CEO will become Target’s vice president of technology. It is almost impossible to overestimate the level of disruption Amazon has imposed (or inflicted) upon the retail space. Which begs the question: why not just order those goods from Amazon and get free, two-day delivery?        
  
**01.** **Lundbeck, 23andMe to team up for landmark depression study**  
  
Closely-held Danish pharmaceutical company Lundbeck, founded in 1915, has announced it will team up with DNA testing company 23andMe for a first-of-its-kind genetic study designed to gain a deeper understanding of the biology behind depression and bipolar disorders. The study will combine cognitive assessments with genetic data in an attempt to determine how genes influence brain processes (such as decision-making) in individuals with these mental health issues. 23andMe will recruit 15,000 people with depression disorder and 10,000 people with bipolar disorder for the study. An estimated 22 million Americans suffer from some form of these afflictions. Interest individuals can [go here](http://r20.rs6.net/tn.jsp?f=00112A5Ujmfd23ae2ZFTBlHIyG2JKfcUzxj15AeuFigAd1hYCUKFKjqnazuxrQa36kYq36i-uM9RbZ-pFwr0xkbUUFYzETwHE772ZCsNnpIJz6ZhsA8gaIz6GZDJNJg80knKqObMuSX38dbEvVn_L6fMdFikPpKFVWIU5WRwAA4-Hw=&c=ti6rSl7wrXroEbDciySNKzhRk13ipmEaQ4uSMCJ7JG7NxZART9D5Tg==&ch=7LIKK0-6caxfnzrQrYAxr8PShISaQe85AYMT00_WQAw29bPnYQ8E5A==) to learn more about criteria for membership to the study.

[**Thursday, 10 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

***In your wardrobe within two shipping days for just $1,495...***

**10. Blue Apron delivers first earnings report: loses less than expected**  
Food kit delivery company Blue Apron (APRN $6-**$6**-$11) just released its very first earnings report as a publicly-traded company. Good news! The company didn't bleed as much money as expected. Over the course of the past quarter, APRN sold $238 million worth of product (vs $235M expected) and had an operating loss of $23.9 million (less than the $24.3M expected loss). The average Blue Apron customer buys $251 worth of boxed meal kits per year, and the company’s customer base increased by 23% from a year ago. The stock jumped about 7% on the earnings report, but is still down about 37% from its IPO last month.  
  
**09. Nice change of pace: Macy's revenue beats, stock jumps, then drops**  
Investors just don’t seem willing to take a chance on the big clothing retailers yet. Take Macy’s (M $21-**$23**-$45). The company earned more than expected last quarter ($5.55 billion), but the trajectory of comparable-store sales is still headed south. Sales were off 5.4% from last year, and comp-store sales fell about 3% year-over-year. Here’s what we see: Yes, the environment is challenging; but Macy’s has a P/E of 12, is sitting near a one-year low, and is not going out of business (like Sears or, potentially, JCP). We own Nordstrom (JWN) in the space right now, but M looks tempting.  
**FOLLOW UP**: M dropped 4% at open; we have added it to the Intrepid Trading Platform.  
  
**08. Consumer Reports: stop buying these Microsoft laptops, tablets**  
Microsoft (M $56-**$72**-$74) singlehandedly drove us into the arms of Apple. After years of frustrating gremlins in the Windows operating systems, we decided to give Apple's IOS a try...and never looked back. It seems Consumer Reports is starting to feel the same way. The highly-trusted ratings organization has yanked its recommendations for four Microsoft devices—two Surface laptops and two Surface Books (tablets)—after chronic complaints from customers. The consumer group said it could no longer recommend the devices because of poor reliability compared to other brands.  
  
**07.**   **Unlike Teva, OTC pharma company Perrigo actually delivered**  
In the midst of a sour market on Thursday, over-the-counter drug maker Perrigo (PRGO $64**-$77**-$99) was busy surging 16%. On sales of $1.24 billion ($1.18B was expected), the company is bucking the recent trend created by industry laggards, mainly on the back of strong OTC drug sales. Competitors Teva (TEVA) and Mylan (MYL) just reported lousy quarterly figures, and Perrigo was expected to fall in line. Why aren’t we biting on Perrigo? The company’s negative $25.18 in earnings per share has something to do with it. Nonetheless, we are keeping it on our radar. Think of the company as a very small ($11B market cap) Johnson & Johnson (JNJ). When you are in the grocery store and see the knock-off store brand next to the name brand, the lower-priced brand probably belongs to Perrigo.  
  
**06.**  **ADP CEO: Ackman is a “spoiled brat”**  
Finally, a CEO not afraid to stand up to these punk little hedge fund managers who always claim to know what a target company needs, despite their own dearth of experience in that particular industry. We have written about Bill Ackman enough for readers to know our low opinion of the little blowhard. Now, ADP CEO Carlos Rodriguez is calling him to the carpet. ADP (ADP $85**-$110**-$122) is a very well-run business solutions firm. As for performance, the company has returned about 100% growth to shareholders over the past five years. Nonetheless, Ackman opened his gaping hole and demanded the replacement of Rodriguez and several board members, nominating himself and two allies to the board (his Pershing Square fund holds an 8% stake). Rodriguez not only asked investors to look at ADP’s performance as compared to Ackman’s Pershing Square (funny), but also called the activist a “spoiled brat.” We love it. For the record, Pershing has been losing assets under management ever since its JC Penney and Valeant debacles.    
  
**05.**  **Canada Goose (not the booze joint) beat, spiked, and then dropped**  
We wrote about high-end parka and outerwear maker Canada Goose (GOOS $15-**$18**-$24) this past March when the Toronto-based fashion house was successfully taken public. This morning, the market seemed excited by the company’s quarterly results which showed a six-fold increase in direct-to-consumer sales for the prior three months. The stock surged 9%. As the trading day went on, investors must have begun pondering the $9 million loss GOOS had in the quarter, and the share price changed direction by about 13% (to down 4%). Revenues were decent, at $21 million. As for us, we can’t afford a $1,495 parka, thank you very much.        
  
**04. Stock of the Day: Invitation Homes**  
Understandably, new home ownership took a big tumble following the great subprime mortgage crisis of 2008. Furthermore, millennials have shown little interest in taking the traditional real estate route as they marry and have children. Blackstone's Invitation Homes (INVH $20**-$22**-$22) could be a great way to play this demographic trend if you believe it will continue going forward. The company is merging with Starwood Waypoint Homes (SFR) to create a rental-home juggernaut, which will own about 82,000 homes in 17 metro locations. The second-largest player post-merger will be American Homes 4 Rent (AMH), which owns about 49,000 homes across the country.    
  
**03.** **Options traders betting on a big move in SNAP after earnings report**  
Troubled social media firm (didn’t they just go public?) Snap, Inc. (SNAP $12-**$13**-$29) will report earnings after the close of trading on Thursday, and based on recent options action, it is going to move big—it is just a question of which direction. Based on short and long options placed on SNAP, a 17% move one way or the other is implied. We would have bought a put, betting on the 17% drop.          
  
**02.  Charter is up 38% this year on rumors that it will be acquired**  
Shares of Charter Communications (CHTR $241**-$399**-$409) have spiked 38% thus far in 2017 as rumors mount that Verizon or Sprint (via Softbank) are readying a move to acquire the telecom company. Now a third player has entered the race: France’s Altice. The best suitor for the company is, in our opinion, Verizon. However, Verizon is probably the one player of the three that will walk away if the multiples get too high on the deal.          
  
**01. Markets take a breather, as does oil**  
Stocks closed near session lows on Thursday, with the S&P falling 36, the Dow down 205, and the Nasdaq off 135 (that was a 2% move to the downside). After two days of wall-to-wall Korea yammering by the talking heads in the media, investors finally succumbed. Earnings have been rolling in pretty strong, economic reports have been good, and business optimism (according to the most recent report) is stellar. Sell-offs like this are normal and healthy, and often provide great buying opportunities. US equities remain in a confirmed uptrend.  Oil closed the day off 2.32% at $48.40 per barrel.

[**Wednesday, 09 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

***The Wendy's pretzel bacon cheeseburger...***

**10. Office Depot, the K-Mart of the office supply world, misses numbers**  
The last time we walked into an Office Depot (ODP $3-**$5**-$6), it looked like the K-Mart of the office supply world. The place was a dump. When we went to check out, the debit card reader wasn't working properly, and it was getting uncomfortable standing at the front of the one open checkout line with other customers—each carrying their one to two items—impatiently waiting behind us. What happened to this wonderful merger between Office Depot and OfficeMax designed to "reinvent" the business supply shopping experience? What a joke. We weren't the least bit surprised when ODP reported a sharp decline in Q2 profits. CEO Gerry Smith said, "...the company remains on track to achieve our full-year target." Good luck. Why don't you get out of your insulated C-suite and visit one of your dumps. The stock was off 23% at Wednesday's open.  
  
**09. Wendy's serves up another quarter of increased sales**  
It's almost as if they are cooking the books. How in the world has fast-food chain Wendy's (WEN $9-**$16**-$17) been able to increase its same-restaurant sales for eighteen straight quarters? But that's exactly what the $4 billion mid-cap restaurant has done (increase sales, that is), with the latest quarter showing a 3.2% increase. While the company's revenue was down from last year (at $320 million), and net income was actually negative for the quarter (-$1.8 million), these drops are due to "one-offs" related to a strategic push for fewer corporate stores and more franchisees. Wendy's argues that franchisee-operated restaurants offer a consistent stream of net rental income and franchisee fees. Want to know how much it takes to become a franchisee? [Read the rest of the story](http://r20.rs6.net/tn.jsp?f=001Rf28rXBBxsRihKx5ucDfZpDVlL_0tFDwTcAYIizdQNfwsTM4cRhhCLK3cx4tDGmXqlyhvFmTbGzoMv-FmL9XNS9crZeg7VXdbJYI7dg1Jou97uFBiB0nStuBXjumE-KS6rBcLjQ0F-OZrADGUdDspa9LFn3OZBjFirZlR0ywXPs=&c=QmCxM3c4BK4QrncAt6zlZSgTcR5CwcTqOJjyHIw7mlLHl7yLpgritA==&ch=Z_ikaqP5WvWfNQj7mD7eHfbL_fFq3DMj-76vhhBQTnNHG_D0ZlO_bA==)...  
  
**08. Ten year anniversary of the beginning of the Great Recession**  
It really is hard to believe it has been a full decade. Just as Americans had forgotten about the great tech bubble burst of 2001/2002, we got slammed with yet another "black swan" event (weren't those events only supposed to pop up every three or four generations?): the Great Recession. The massive banks that kept the world's financial gears lubed—Lehman Brothers, Bear Stearns, Wachovia, et al—were actually failing, never to be revived. It was on Thursday, 09 Aug 2007, that the French bank BNP Paribas froze the assets of three investment funds due to an inability to value thinly-traded derivatives made up of subprime mortgages. The cat was out of the bag. Nobody would buy the garbage securities any longer. Thus, the massive and unprecedented failure in the banking system. Plenty has been done to prevent this particular black swan from being seen again, but don't think others aren't lurking out there. $1 trillion in student loan debt. $1 trillion in unsecured credit card debt. A $20 trillion national debt. Don't let fear guide you, however. Use proper asset allocation based on your own risk tolerance to take advantage of market opportunities while mitigating risks. Take the [Risk Portfolio Analysis](http://r20.rs6.net/tn.jsp?f=001Rf28rXBBxsRihKx5ucDfZpDVlL_0tFDwTcAYIizdQNfwsTM4cRhhCI1nml6sn_bT4qcTsEEZ5CyhfsaUfXLmhj4roNDNmO-_BA0ja6DgZkmux51wSIEGBViFI079P9GkVn5vp0l1Lwk6L3yQOt6QYg==&c=QmCxM3c4BK4QrncAt6zlZSgTcR5CwcTqOJjyHIw7mlLHl7yLpgritA==&ch=Z_ikaqP5WvWfNQj7mD7eHfbL_fFq3DMj-76vhhBQTnNHG_D0ZlO_bA==) (click the link and go about halfway down the page) to find your own unique risk number.  
  
**07.  Inflation in Venezuela hits 250% in the first seven months of 2017**  
According to Venezuela's congress, a group which President Nicolas Maduro is trying to render useless as he consolidates power, the rate of inflation in the country thus far in 2017 is just under 250%. For anyone doubting the numbers, ask the citizens for evidence. Empty grocery stores, a lack of basic necessities, and the purposeful weakening of the bolivar provide the evidence of and foundation for the economic nightmare. The International Monetary Fund has predicted that inflation in the country will hit 720% by the end of the year. With the worthless national currency, it now takes the equivalent of $150 to buy a dozen eggs in Caracas.  
  
**06. CVS trying a new strategy to knock itself out of the doldrums**  
Drugstore chain CVS Health (CVS $69-**$79**-$98) is looking at a new strategic plan to break itself out of the doldrums: returning to its roots as, first and foremost, a drugstore. Taking a cue from the plethora of quick care facilities now popping up on seemingly every street corner, the company plans to expand its on-site medical clinics. The goal is to entice customers to use the facilities for the treatment of common but chronic maladies like asthma and high blood pressure, saving them a trip to their primary care physician. The company has recently been losing ground, and lucrative contracts, to Walgreens Boots Alliance (WBA $75-**$81**-$88). We like the move. Having said that, we typically use WBA when we invest in this space. (And never Rite-Aid).  
  
**05. Tesla meets with California DMV regarding autonomous semi-trailers**  
California is renowned for being a business-unfriendly state when it comes to private enterprise trying to maneuver the labyrinth of laws and regulations. That's why it was so intriguing when the state's department of motor vehicles met with Tesla (TSLA $178-**$364**-$387) executives to discuss future plans for the electric automaker. The preliminary discussions apparently revolve around Tesla's next big push—electric and autonomous big rigs. Tesla is arguing that fleets of these advanced semis could greatly reduce accidents on the road and pollution in the air. At least we know the latter is of big concern to the state.  
  
**04. Stock of the Day: Red Robin Gourmet Burgers**  
Red Robin Gourmet Burgers (RRGB $41-**$59**-$74) jumped 9% on Wednesday following an earnings beat. The $755 million small-cap had sales of $315 million last quarter and earnings of 61 cents per share. The "gourmet fast food" niche market has apparently troughed, so if management can make good on its growth projections, it should be a lot easier for a company of this size to make a major price move as compared to its much-larger competitors (McDonald's, for example, has a $126 billion market cap). We have never owned RRGB (we do own McDonald's), but its multiples make it look pretty interesting right now.  
  
**03. Live Nation has an easy beat, rallies after the bell**  
Ticketmaster's parent company, Live Nation (LYV $26-**$38**-$38), should punch through its 52-week high at Thursday's open following an impressive, after-hour earnings report. The company was rallying over 7% after bringing in $2.82 billion during the quarter, with $81.5 million of that figure filtering through as profit. As the demand for live events defies the zeitgeist of staying at home and streaming, LYV has been raking in the dough. The stock is up 50% year-to-date, and that's before tomorrow's probable move.  
  
**02.** **Wal-Mart begins testing app that allows shoppers to skip checkout**  
Ah, yes, we are old enough to remember those days. Standing in line at Wal-Mart (WMT $65**-$82**-$82) while the little old lady across from the cashier adjusts her bifocals, searches for a pen in her purse, and starts the five-minute ritual of writing the $9.86 check. Then came those wonderful self-checkout kiosks, saving shoppers countless hours over the years. Now, the $245 billion retailer is getting ready to launch a redesigned version of its “Scan & Go” app, which will allow shoppers to scan and pay for the products they throw into their cart and head straight out the door. It will take a lot of technology to prevent theft using the new system, but we expect Wal-Mart to do it right. The Penn Global Leaders Club member is sitting at a 52-week high.  
  
**01. Oil shorts starting to look good as oil climbs back to $50 per barrel**  
It was about four weeks ago when energy analyst John Kilduff proclaimed oil was heading down into the $30s. At the time, crude was going for about $44 per barrel. Unfortunately for Kilduff and the American driver, the commodity began heading steadily up after that statement. After data released Wednesday showed a smaller amount in reserves than expected, oil once again tickled $50. While we are not ready to dust off our short oil ETFs, we are getting ready. If crude climbs another $5 or so, we will probably add the position to either the Dynamic Growth Strategy (as a satellite holding) or the Intrepid and wait for the inevitable retrenchment.

[**Tuesday, 08 Aug 2017**](http://www.penneconomics.com/pennafter-hours#PennAfterHours)

***Michael Kors rocked up nearly 22% on Tuesday...***

**10. Penn member McDonald's to open 2,000 more stores in China**  
Penn Global Leaders Club member McDonald's (MCD $110-**$155**-$160) announced that it will have 4,500 restaurants in mainland China by 2022—about 2,000 more than it has today. It also gave an ambitious projection: the company said it will notch double-digit sales growth in the country each year for the next five years. It's amazing how much has been accomplished at the chain in the two years since the former dud CEO was fired.  
  
**09. Michael Kors up 22% at close of trading following earnings beat**  
London-based women's apparel and accessories maker Michael Kors (KORS $32-**$45**-$53) has been a poster child for the besieged retail fashion industry. Down 27% in one year and 13% ytd, the company couldn't shake itself out of the doldrums. Before today, that is. Investors pumped new life into the company, pushing it up nearly 22% by the close, following an earnings beat. The luxury retailer had $952 million in sales and earnings of $125 million for the quarter. Get this: both of those figures are worse than the same quarter last year, but analysts were predicting far bleaker numbers. It's all relative, we suppose. With the company's small P/E of 11, this could be a good stock to play a retail rebound (as we [pointed out in May](http://r20.rs6.net/tn.jsp?f=0014edi5vkSEMSoLDm_7KtBkDVFqMDdibgbA-dFDlwHtUVpzuftgX5_H-ChYpY4ad42-K4LrvXqc2k03bRji0eRtBDDh07N08hXtj9Db2rnevOtxKfhEnTkP1HEP8v-2jPDAgBuYOP3PabKA4VC6vPppRpjJ_fNEDvuvFRRoLgPN1ig7GO6y65WuYEJcjH7Tv2HNrFLbPzkDa4=&c=5gKcA3CgAMIllvCr-jaH-OL8UrknV5J_vI0g_bxfFR7FkG2CJuQhIA==&ch=lN0n6UmD-dBNo-THk90YDF5mO8sUzmjpQ1yo4eoJSj_Po92w8uHcKg==)).  
  
**08. Full steam ahead: job openings hit a record 6.2 million in June**  
An important metric for the health of the US economy—new job openings—just hit a new record. According to the BLS (Bureau of Labor Statistics), private employers need to fill a record 6.2 million jobs throughout the US. While that is the highest level on record, actual hires remained little changed, hinting that companies are having a challenge finding qualified individuals to fill the positions. Does that surprise anyone?  
  
**07.  We are taking our double-digit profits on Signet Jewelers**  
Two months ago we added Signet Jewelers (SIG $46-**$61**-$101), parent of Jared, Kay, Zales, and others, to the Penn Intrepid Trading Platform following a gap down. Having tracked this stock for years, it looked too good to pass up at that price and P/E. We wanted a double-digit gain, and we got it. We sold SIG today in the Intrepid at $61.42 for a 12% gain. Members, see the [Trading Desk](http://r20.rs6.net/tn.jsp?f=0014edi5vkSEMSoLDm_7KtBkDVFqMDdibgbA-dFDlwHtUVpzuftgX5_Hwqqc8P1_y87BtV0S3qNq-YiLO2Ab4mBwwdh_WoLtZL8mmzDUXlghOc7la1Y4mIQodvA0l4XOuGSrezseGlb0hgMIW5jp_3oAt4VDpI9XT3j0fqT44Ca8k2qOsLm3y0OOw==&c=5gKcA3CgAMIllvCr-jaH-OL8UrknV5J_vI0g_bxfFR7FkG2CJuQhIA==&ch=lN0n6UmD-dBNo-THk90YDF5mO8sUzmjpQ1yo4eoJSj_Po92w8uHcKg==). Recall that the Intrepid is used for short-term, double-digit gains, with the stocks generally holding stop losses.  
  
**06. Penn stock Bristol-Myers jumps after WSJ says it is good takeover**  
Penn Global Leader Club member (there are 40 in all, by the way) Bristol-Myers Squibb (BMY $46-**$57**-$64) was in the green on Tuesday following another round of rumors that the company would be a great takeover candidate. With a $93 million market cap, it would take a Pfizer, Johnson & Johnson, or Merck to pull it off, but with its low 20 P/E and healthy drug pipeline, it wouldn't surprise us. This is a rich industry for consolidation activity. Stand-alone or acquired, this pharma is a winner going forward.  
  
**05. Disney will start its own streaming service, pull movies from Netflix**  
Disney (DIS $90-**$107**-$116) wants to get in on the cord-cutting business, not just be part of someone else's technology platform. The diversified media giant has announced that it will pull all of its movies from Netflix (NFLX $93-**$179**-$192) and launch its own branded streaming service to consumers beginning in 2019. It will also be making a significant investment in original content for the new platform. We believe this is a great strategic move for the company, but our Netflix subscription thinks it stinks.  
  
**04. Stock of the Day: OraSure Technologies**  
In the late 1980s a small, Oregon-based fluid testing company named Epitope, Inc. introduced an HIV detection kit which could detect the disease using a bit of oral fluid known as oral mucosal transudate, or OMT. The collection kit was called OraSure. Fast forward a few decades, and OraSure (OSUR $7-**$21**-$22) has grown into a leader in the development, manufacture, and distribution of oral fluid diagnostic and collection devices. At just $1.24 billion in size, the medical instruments and supplies company has been turning a profit quarter in and quarter out, with a nice growth trajectory for the foreseeable future.  
  
**03. Not exactly Marvel: Netflix buys comic book publisher Millarworld**  
It isn't quite akin to Disney picking up Marvel in 2009. Then again, Netflix's purchase of comic-book publisher Millarworld did not cost $4 billion. Netflix apparently made the purchase in a quest for new original content, and it hopes that the company's first official acquisition will provide the background material. We must admit, however, that we've never heard of "Kick-Ass" or "Old Man Logan," the publisher's two most "recognizable" names. Netflix paid somewhere between $50 million and $100 million for the deal.  
  
**02. Priceline's after-hours earnings don't look bad, but stock slides**  
Internet travel firm Priceline (PCLN $1,392-**$2,049**-$2,068), home of Captain Kirk and Penny from "Big Bang," brought in $3 billion in revenues last quarter, matching estimates. Unfortunately, the stock was falling about 6% in after-market trading due to muted expectations for the current quarter. In sympathy, competitor TripAdvisor (TRIP $35-**$39**-$66) was also down around 6%. Priceline has been near a one-year high, while TripAdvisor's one-year price chart looks like one of those slides from the 70s we used to coast down on burlap sacks.  
  
**01. Penn Strategic Income member Blackstone on Spanish buying spree**  
Private equity firm and member of the Penn Strategic Income Portfolio Blackstone Group (BX $23-**$34**-$35) has agreed to purchase a majority stake in Banco Popular Español SA's real estate portfolio worth about $35 billion. While the exact price wasn't announced, knowing Blackstone's management team, they got a great deal. Nonetheless, this is a big bet on the fiscal health of southern Europe. Blackstone, up nicely since we added it to the SIP, has a 6.77% dividend yield.