DOW THEORY FORECASTS®

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Buy List tweaks as Dow goes bullish

On July 18, the Dow Theory turned bullish with Dow Industrials closing above 34,589.77. In response to that signal, we are making several adjustments. We are upgrading **Broadcom** *($901; AVGO)* to the Buy List. Target weights for Buy-rated stocks are being increased by 0.2%, resulting in target weights of 3.5% for Focus List stocks and 3.2% for non-Focus stocks. With the changes, our stock-market exposure rises to 90.9%.

To fund our higher exposure to stocks, we are trimming exposure for several of our bond funds. The target weight for **Fidelity Total Bond** *($46; FBND)* drops to 2.0% from 3.0%, while **Vanguard Short-Term Corporate Bond Index's** *($76; VCSH)* target is now 4.1% from 5.7%. We are dropping all exposure to **JPMorgan Ultra-Short Income ETF** *($50; JPST)*. Our target weight for **Dodge & Cox Global Bond** *($11; DODLX)* is unchanged at 3.0%.

Broadcom, which offers semiconductor solutions and infrastructure software, delivered impressive April-quarter results.

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Interpreting the inverted curve

David Walle, CFA
Contributing Editor

For some investors, the recession clock started ticking on April 1, 2022, when the yield curve — the two-year versus 10-year treasury yield — inverted for the first time in our current economic cycle. Initially, it was but a blip — the yield curve promptly turned back positive and remained that way for the next three months. However, the yield curve has been negative every day of trading since July 6, 2022.

Typically, interest rates are higher for long-term bonds than short-term bonds, resulting in an upward-sloping yield curve. An inverted yield curve forms when bond investors demand more compensation for short-term bonds than long-term bonds — implying that investors anticipate a drop in short-term interest rates. The 10-year Treasury yield has lagged 2-year yields in 14% of trading days since June 1976, the extent of data available from the Federal Reserve Bank of St. Louis.

An inverted yield curve has preceded every U.S. recession since the 1950s. But it doesn't always signal that a downturn is imminent. The past six recessions began anywhere from

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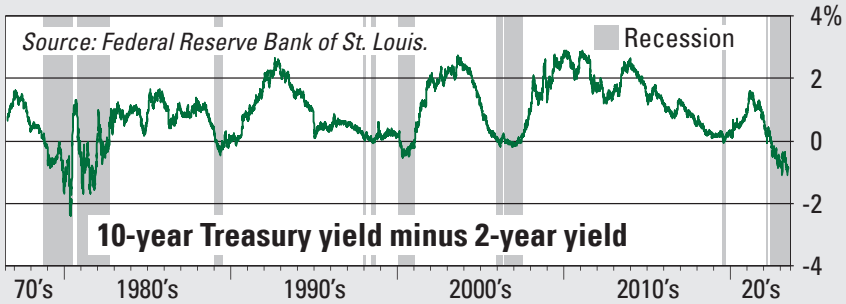
YIELD CURVE FLASHES WARNING SIGNAL



The yield curve (10-year Treasury yield minus 2-year Treasury yield) initially inverted in April 2022, and has been consistently negative since July 2022. Earlier this month the yield curve inverted by its sharpest level since September 1981. An inverted yield curve has preceded every U.S. recession since the 1950s. Recessions are shaded.

What We're Thinking

Interpreting the inverted curve

Continued from page 1

five months to 34 months after the yield curve initially turned negative. On average, the recessions started 18 months following the first instance of an inversion. The first inversion of this cycle occurred 16 months ago.

Additionally, the yield curve doesn't always remain inverted in the lead-up to a downturn. Ahead of the pandemic recession of 2020, the yield curve went negative for just three days.

Finally, an inverted yield curve doesn't signal that the stock market is poised to drop. For each inversion-to-recession period since the late 1970s, the S&P 500 Index has risen — anywhere from 3% in the lead-up to the 1980 recession to a nearly 30% rally ahead of the 1990 recession.

The current inversion is notable for its severity and duration. In early July, the yield curve inverted to its steepest level since 1981. At 255 consecutive trading days and running, the yield curve hasn't stayed negative for so long since September 1980 to October 1981, a stretch of 278 trading days that ran well into the recession. The market's reaction during the recent inversion is also a diversion from the norm. Despite the S&P 500 Index rallying 19% in 2023, it remains roughly flat since the yield curve first turned negative on April 1, 2022.

Some investors are dismissing the importance of this latest yield-curve inversion, raising variations of the well-worn argument that this time is different. In recent months, inflation has begun to cool and the U.S. economy still appears solid, easing concerns that the Fed's aggressive stance on rate hikes could tip the U.S. into a recession.

Still, it's worth remembering that inverted yield curves have historically signaled that an economic expansion is closer to its ending than its beginning. And once the inversion occurs, stocks tend to rise at a slower-than normal pace.

AFTER YIELD CURVE INVERTS, A WAITING GAME

Since the late 1970s, U.S. recessions have occurred between five and 34 months after the first instance of the yield curve inverting. For our most recent economic cycle, the yield curve first turned negative in April 2022, about 16 months ago.

Negative Yield Curve			U.S. Recessions			
Date Yield Curve Turned Negative	Number Of Months Before Recession Started	Frequency Before Recession (Negative Yield Curve Days/ Total Days)	Start Date	End Date	Length	S&P 500 Return From Inversion To Start Of Recession
8/1978	17	339/339	1/1980	7/1980	6 months	3.1%
9/1980	10	198/198	7/1981	11/1982	16 months	4.5
12/1988	19	190/388	7/1990	3/1991	8 months	29.6
5/1998	34	45/443	3/2001	11/2001	8 months	13.3
12/2005	23	238/485	12/2007	6/2009	18 months	17.9
8/2019	5	3/107	2/2020	4/2020	2 months	12.4
4/2022	16*	257/319				0.2
Average	**18**				**10 months**	**13.5**

**And counting. Source: Federal Reserve Bank of St. Louis.*

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Market Commentary

Dow Theory in bullish camp

Boosted by continued strength in technology stocks and a solid start to earnings season, the Dow Industrials finally closed above their November high of 34,589.77. The fresh highs confirmed an earlier breakout in the Dow Transports — and shifted the Dow Theory into the bullish camp.

While we have boosted our stock-market exposure in recent months, we are lifting our exposure again in response to the confirmed new highs. After this week's addition of **Broadcom** *($901; AVGO)* and an increase in the target weights of all stocks, our Buy List now has 90.9% in stocks. The remainder is spread among three bond funds, as shown on page 7.

Broadening advance

When "both averages have penetrated the highest points previously attained in a primary bull market, it is generally safe to infer that the primary bull trend will continue for a considerable period of time." So wrote Robert Rhea in his 1932 book, *The Dow Theory*.

Rhea's point is relevant today, as this month's confirmed new highs signal that a new bull market began in September. The Dow Industrials rallied 20% from their September low before surpassing 34,589.77 — a bigger-than-normal gain in advance of the first confirmed bull signal.

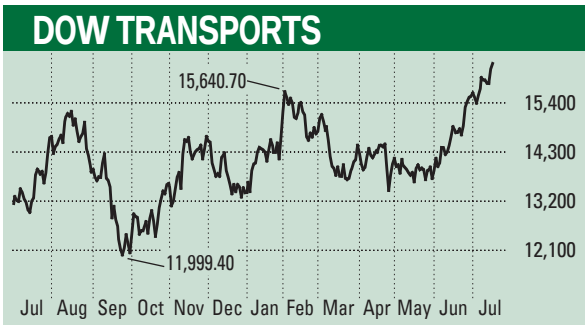
Still, the Dow Theory is not designed to get you in at the market's low — or out at the market's high. That is one reason we've been lifting our stock-market exposure prior to this month's bull signal. Also, we've been able to find stocks that suit our growth-at-a-good-price approach, partly by focusing on technology and other areas delivering better-than-expected operating momentum.

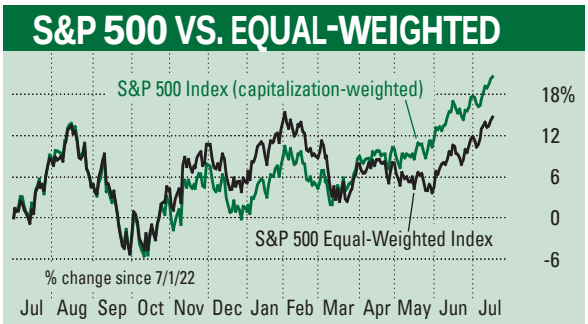
We still like select tech stocks, but we'd like to see the recent broadening in the market to continue. The S&P 1500 advance-decline line, a running daily total of advancing minus declining stocks, recently hit an 18-month high.

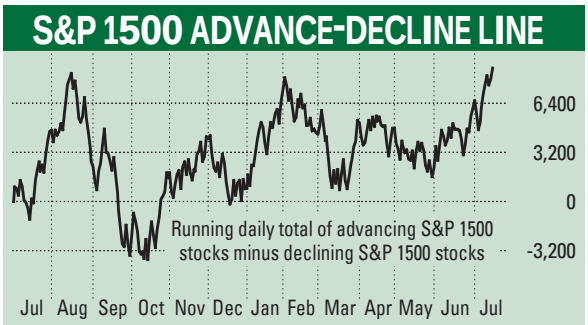
The initial reaction to June-quarter results has been mostly favorable, especially in the financials sector. Also, bond yields have retreated on favorable inflation news, with yields on 10-year Treasury bonds dropping to 3.74% from 4.05% on July 6.

Conclusion

With the Dow Theory in the bullish camp and the broad market showing improvement, a positive stance toward stocks is appropriate. A near-term pullback as earnings are released is certainly possible, but we're inclined to view any such dip as a buying opportunity.







Charts by MetaStock ®

You can PEG good values

There's something about the PEG ratio that just makes sense.

Start with the price/earnings ratio using estimated current-year profits, a solid valuation metric on its own. Then divide that ratio by Wall Street's expected long-term profit-growth rate, and you get price/earnings to growth (PEG), which considers valuation relative to growth.

Plenty of stocks boast either low price/earnings ratios or high expected profit-growth rates. The PEG ratio helps put both metrics in perspective. For instance: **BorgWarner** *($46; BWA)* trades at 12 times expected 2023 earnings, somewhat cheaper than the typical property & casualty insurer. But factor in its expected long-term profit-growth rate of 14%, and the PEG ratio of 0.9 is 48% below the sector average.

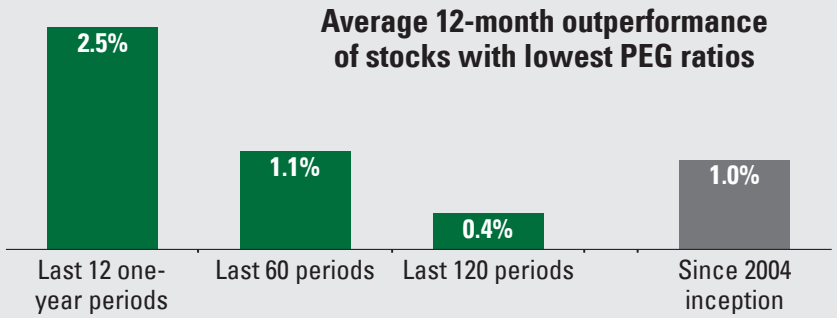
Below, we profile four stocks with attractive PEG ratios:

Property-and-casualty insurer **Chubb** *($193; CB)* stands out not because it's great at a few things, but because it's good at most things. The company scores above 50 in five of the seven Quadrix® category scores, reflecting solid growth and an attractive valuation. Over the last three years, Chubb posted annualized growth of 8% in sales, 15% in per-share profits, and 21% in operating cash flow, while the consensus models 14% annualized profit growth over the next five years. The stock trades at 11 times projected 2023 earnings and has a PEG ratio of 0.8, 49% below the sector average.

Chubb is expected to declare June-quarter earnings on July 25, just one day after this newsletter went to press. The consensus calls for a sales gain of 9% and 5% higher per-share profits. Analysts project profitability will improve as the year goes on, culminating in gains of 18% for 2023 and 12% for 2024, supported by sales growth of at least 6% both years. *Chubb, which yields 1.8%, is a Focus List Buy.*

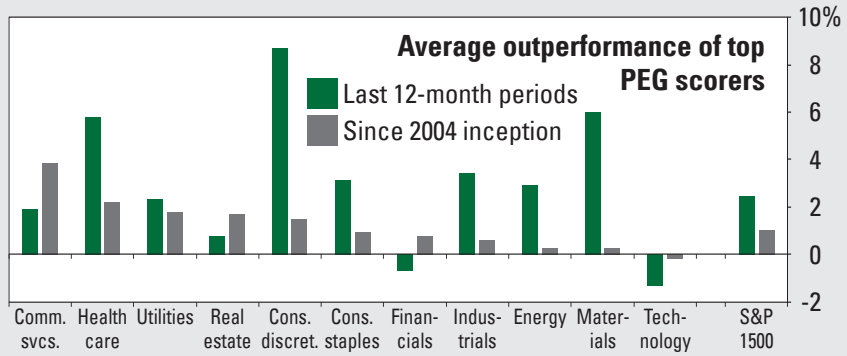
Managed-care stocks, which tend to generate solid and consistent growth, aren't typically known for their valuations. But we're not comparing **Elevance Health** *($463; ELV)* to super-cheap stocks like refiners or steelmakers — just other managed-

HANG YOUR HAT ON THIS PEG



Among S&P 1500 Index stocks, those with the lowest price/earnings-to-growth (PEG) ratios outperformed by an average of 2.5% in the last 12 rolling 12-month periods, delivering positive outperformance in 10 of those periods. Over the last 19 years, stocks with the lowest PEG ratios have outperformed by an average of 1.0% in 12-month periods. We wouldn't use PEG ratio on its own to select stocks, but we frequently consider it when assessing the valuation of stocks that possess other encouraging criteria.

SECTOR BREAKDOWN



Stocks with the highest Quadrix scores for PEG ratio (equating to those with the lowest PEG ratios) have averaged positive outperformance in 10 of the 11 market sectors since the rank's inception in 2004. PEG ratio has also worked in nine of the 11 sectors over the last 12 rolling periods. Over the long haul, PEG has shown the most predictive power in the consumer-discretionary, health-care, communication-services, utilities, and real estate sectors.

What's news on the internet?

It takes just a handful of clicks to catch up on news relevant to your stocks. Visit **www.DowTheory.com** for links to 14 days' worth of stories about our recommended stocks.

care providers. Against that backdrop, Elevance's value stands out. At 14 times the current-year per-share-profit estimate of $32.77, Elevance trades 37% below its sector average. Not a bad discount. Factor in the consensus for long-term annual profit growth of 11% and we get a PEG ratio of 1.3, 38% below the sector average.

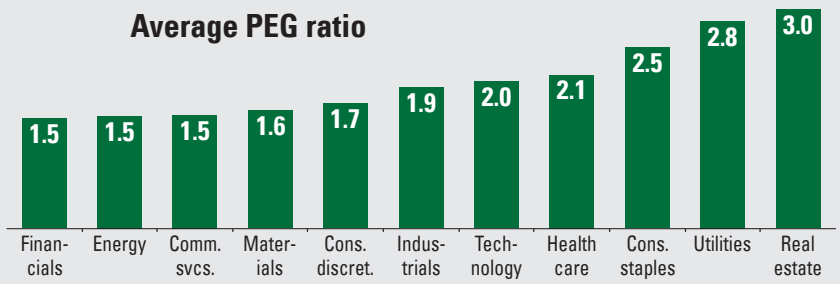
Elevance has put up quite the growth history in recent years, managing five-year annualized gains of 12% for sales, 19% for per-share profits, and 15% for operating cash flow. The *Forecasts* loves purchasing growth at a discount, and that growth story is far from over. The consensus calls for growth of 7% in sales and 12% in per-share profits this year, followed by respective gains of 4% and 13% in 2024. *Elevance is rated Buy.*

Phillips 66 *($102; PSX)* trades at five times trailing earnings, which seems really cheap until you consider that the median refiner has a price/earnings ratio of just four. However, Phillips is far from the typical refiner. It offers a more diversified business model than most, with large midstream (pipelines and storage), marketing, specialty-fuels, and chemical interests. That diversification allows for steadier cash flows than the typical refiner, as well as superior growth over the last five years, which explains analyst optimism about growth over the next five years.

The above criteria justify Phillips' above-peer price/earnings ratio. But when we combine Phillips' consensus five-year profit-growth rate of 14% with a forward P/E ratio of seven, we get a PEG ratio of 0.2, 86% below the sector average.

Even if we factor in some excess optimism in the consensus growth target — not uncommon, as Wall Street analysts tend to be a confident bunch — Phillips' PEG ratio implies an attractive value. Phillips pays an indicated dividend yield of 4.1%. *Phillips is rated Buy.*

WIDE RANGE OF VALUE



Average PEG ratios vary greatly from sector to sector within the S&P 1500 Index. When you consider a company's PEG ratio, compare it to the average for the sector.

VALUE FOCUS

A-RATED VALUES

Below, we present A-rated stocks that earn Quadrix Value and Overall scores of at least 60 and price/earnings-to-growth (PEG) ratios below 1.5, traditionally a threshold for value. In addition, all stocks have PEG ratios at least 23% below their sector average. Stocks on our Buy List in **bold**.

	– Price/Earnings Ratio –			Profit Growth				PEG Ratio		Quadrix		
Company (Price; Ticker)	Trailing	On Curr.-Yr. Est.	On Next-Yr. Est.	Last 12 Months	Last 5 Years (Annual.)	Est.. Curr. Yr.	Est. Next 5 Years (Annual.)	Current	Discount To Sector Average	Value	Overall	Sector
BorgWarner *($46; BWA)*	10	12	11	16%	3%	-15%	14%	0.9	-48%	74	71	Cons. disc.
Centene *($68; CNC)*	11	11	10	13	15	11	12	0.9	-58	90	71	Health care
Chubb *($193; CB)*	12	11	10	14	18	18	14	0.8	-49	76	69	Financials
Cigna *($293; CI)*	13	12	10	4	14	7	12	1.0	-54	77	87	Health care
Comcast *($43; CMCSa)*	12	12	10	11	12	0	10	1.2	-23	76	70	Commun.
Deere *($436; DE)*	14	14	14	63	30	33	17	0.8	-56	61	94	Industrials
Delta Air Lines *($49; DAL)*	8	7	6	711	3	110	34	0.2	-89	81	90	Industrials
Elevance Hlth. *($463; ELV)*	15	14	13	11	18	13	11	1.3	-38	76	84	Health care
Fox *($34; FOXa)*	10	10	11	25	NM	21	14	0.7	-53	78	76	Commun.
Kroger *($47; KR)*	11	10	10	9	14	7	7	1.4	-43	78	77	Cons. stap.
PayPal *($74; PYPL)*	17	15	13	4	17	20	16	0.9	-37	70	93	Financials
Phillips 66 *($102; PSX)*	5	7	9	162	35	-25	33	0.2	-86	98	88	Energy
Textron *($68; TXT)*	16	13	12	20	9	28	11	1.2	-38	65	74	Industrials

Note: Quadrix scores are percentile ranks, with 100 the best. NM Not meaningful.

Buy List tweaks as Dow goes bullish

Continued from page 1

Per-share profits rose 14% on sales growth of 10%; both metrics topped consensus estimates, causing shares to rally on the news. For the 12 months ended April, Broadcom grew earnings per share 27%, revenue 17%, operating cash flow 18%, and free cash flow 25% to $9.72 billion.

The company expects demand for artificial intelligence will boost its semiconductor sales. Management targets 5% higher revenue for the July quarter, above the then-consensus. Broadcom is awaiting U.S. approval for its pending acquisition of VMware *($167; VMW)*; antitrust regulators for both the European Union and the U.K. cleared the deal this month.

Despite surging 42% in the past three months, Broadcom shares trade at 21 times estimated current-year earnings, below the S&P 1500 Index median of 24 for semiconductors. At 22 times trailing earnings, the stock trades below its five-year norm of 35.5. *Broadcom, yielding 2.0%, was previously rated A (above average).*

Earnings reviews

Health insurers

■ For the June quarter, **Elevance Health** *($463; ELV)* grew per-share profits 13% to $9.04 excluding special items, exceeding the consensus by $0.27. Revenue, up 13% to $43.67 billion, also topped analyst estimates. The managed-care business posted 10% revenue growth, while Carelon, the pharmacy-services segment, delivered 18% higher sales. Medical membership grew 2% to 48 million, driven by gains for Medicaid and Medicare.

Elevance now expects 2023 earnings to exceed $32.85 per share, good for growth of at least 13%. Management had previously forecasted per-share profits to surpass $32.70 and the then-consensus stood at $32.78. *Elevance is a Buy.*

■ **UnitedHealth Group** *($504; UNH)* said earnings per share for the June quarter rose 10% to $6.14 excluding special items, topping the consensus by $0.16. Revenue climbed 16% to $92.9 billion, also comfortably ahead of expectations. Growth was balanced, with the managed-care business posting revenue growth of 13% and Optum services up 25%.

Management raised the low end of its 2023 outlook for earnings per share to $24.70 to $25.00, implying 11% to 13% growth. The low end of prior profit guidance was $24.50 per share. *UnitedHealth is a Buy.*

Big banks

June-quarter results for the largest U.S. banks have been mixed. **Bank of America** *($32; BAC)*, **J.P. Morgan Chase** *($154; JPM)*, and **Wells Fargo** *($46; WFC)* grew per-share profits more than 20%, comfortably topping consensus estimates. But **Citigroup** *($48; C)* and **Goldman Sachs** *($341; GS)* posted sharply lower earnings, missing analyst expectations. With the exception of Goldman, the banks increased revenue by 5% or more, yet came up short of their consensus estimates.

Loan growth was generally modest, rising by less than 3% for Bank of America, Citigroup, and Wells Fargo, though J.P. Morgan posted a 13% gain. Deposits held flat for Citigroup but dropped for the other banks.

Bank executives appeared measured in their comments about the U.S. economy. They noted that U.S. consumers are cautious but not behaving as though a recession is near. They also said that the economy has performed better than expected, though growth still appears likely to slow. *J.P. Morgan is rated A (above average). Bank of America, Citigroup, Goldman, and Wells Fargo are rated B (average).*

RANK CHANGES

We are adding **Broadcom** *($901; AVGO)* to the Buy List and increasing target weights for all stocks on the Buy List (see the table on page 7 for details). After these changes, the Buy List has 90.9% in stocks and the remainder divided between three bond funds.

* * * * *

Check for rank changes and market updates on our twice-weekly hotlines, updated Wednesdays after the market's close and Fridays around noon Central time. Go to **www.DowTheory.com** or call (800) 931-2295. **For July, the passcode for the telephone hotline is 410.**

Technology review

◆ **Microsoft** *($355; MSFT)* said artificial-intelligence tools for its Office software will cost $30 per user per month, on top of what most business customers already pay for their existing software packages. That represents more than a 50% price hike, given that Office subscription plans range from $12.50 to $57 per user. The new software, called Microsoft 365 Copilot, incorporates both internet information and Microsoft's own data. Microsoft shares have surged to a record high.

Separately, Microsoft and Activision *($92; ATVI)* extended the deadline to complete their merger to Oct. 18. Microsoft agreed to pay Activision $3.5 billion if either company terminates the deal, up from its prior break-up fee of $3.0 billion. A U.S. judge blocked the Federal Trade Commission's appeal to pause the deal. Elsewhere, Britain's Competition Appeal Tribunal paused the ban on the deal that had been imposed

by the country's antitrust regulators. Microsoft and Activision have been considering divesting some of their U.K. cloud-gaming business to clinch regulatory approval. Microsoft also struck a 10-year deal with Sony *($54; SNY)* to allow Activision's "Call of Duty" game to remain on PlayStation consoles. *Microsoft is a Focus List Buy.*

◆ **Alphabet** *($122; GOOGL)* rolled out Bard, its artificial-intelligence chatbot, in Europe and Brazil, as the company tries to keep pace with Microsoft. Bard is equipped to converse with users in more than 40 languages. This marks Bard's biggest expansion to date. *Alphabet is a Focus List Buy.*

Corporate roundup

➤ **Grainger** *($766; GWW)* announced plans to build a distribution center in Oregon that should open in 2025. The company also expects to open warehouses in Pennsylvania and Texas this September and a third facility in North Carolina in 2024. *Grainger is a Focus List Buy.*

➤ Environmental groups are urging the Environmental Protection Agency to require the removal of all abandoned telecom lead cables and infrastructure that children can reach from the ground. Environmentalists also want the EPA to examine the risks of underwater lead cables, which could contaminate drinking water.

The *Wall Street Journal* reported that more than 2,000 lead cables have been left behind by telecommunication companies, such as **AT&T** *($15; T)* and **Verizon Communications** *($34; VZ)*, creating potential health hazards. Shares of both AT&T and Verizon slumped on the news. One analyst projected that nationwide cable-removal costs could reach $59 billion. Other analysts estimated AT&T's exposure upwards of $4 billion. *Verizon is rated B (average). AT&T is rated C (below average).*

OUR RECOMMENDED BUYS

The Buy List represents our top choices for 18-month gains. Focus List stocks, listed in **bold**, represent the best picks among that group.

If you want your equity portfolio to track the Buy List, purchase each of the stocks below in the proportion suggested by the target weight. As a partial hedge, we're keeping 9.1% of the Buy List spread around three fixed-income funds: **Vanguard Short-Term Corporate Bond** *($76; VCSH)* and **Fidelity Total Bond** *($46; FBND)* exchange-traded funds, and the **Dodge & Cox Global Bond Fund** *($11; DODLX)*.

If you are mimicking the Focus List, hold the same fund positions as our Buy List while putting the rest into equal-dollar positions in Focus List stocks.

Sector / Company (Price; Ticker)	Buy List Target Weight	Div. Yield	Quadrix Scores: Overall	12-Factor Sector	Reranked Overall	52-Week Price Range
Communication services						
• **Alphabet** *($122; GOOGL)*	3.5%	0.0%	66	72	57	$129 - $83
Consumer discretionary						
BorgWarner *($46; BWA)*	3.5	1.5	71	77	47	51 - 31
• Ulta Beauty *($471; ULTA)*	3.2	0.0	67	42	45	557 - 361
Energy						
EOG Resources *($122; EOG)*	3.2	2.7	88	52	64	151 - 97
Phillips 66 *($102; PSX)*	3.2	4.1	88	76	88	114 - 74
Financials						
American Express *($177; AXP)*	3.5	1.4	84	45	64	182 - 131
Chubb *($193; CB)*	3.5	1.8	69	32	64	231 - 174
Fiserv *($128; FI)*	3.5	0.0	87	20	57	130 - 92
Visa *($241; V)*	3.5	0.7	85	38	38	245 - 175
Health care						
Elevance Health *($463; ELV)*	3.2	1.3	84	89	99	550 - 412
Merck *($106; MRK)*	3.2	2.8	65	99	67	120 - 85
UnitedHealth Group *($504; UNH)*	3.2	1.5	59	72	73	558 - 446
• Vertex Pharma. *($359; VRTX)*	3.2	0.0	85	72	74	366 - 272
Industrials						
Grainger *($766; GWW)*	3.5	1.0	91	87	71	812 - 463
Hubbell *($337; HUBB)*	3.5	1.3	84	58	52	338 - 189
Parker-Hannifin *($404; PH)*	3.5	1.5	85	65	66	410 - 236
Textron *($68; TXT)*	3.2	0.1	74	62	80	76 - 58
United Rentals *($460; URI)*	3.5	1.3	91	90	75	482 - 256
Technology						
• **Adobe** *($527; ADBE)*	3.5	0.0	95	98	94	539 - 275
• Analog Devices *($196; ADI)*	3.2	1.8	64	47	57	199 - 133
• Apple *($195; AAPL)*	3.2	0.5	51	4	39	198 - 124
• **Appl. Materials** *($142; AMAT)*	3.5	0.9	91	60	92	147 - 71
• Broadcom *($901; AVGO)* NEW	3.2	2.0	92	27	95	922 - 415
• Lam Research *($640; LRCX)*	3.2	1.1	76	22	86	664 - 300
• **Microsoft** *($355; MSFT)*	3.5	0.8	81	79	80	367 - 213
• **ON Semiconductor** *($102; ON)*	3.5	0.0	89	36	91	105 - 55
Salesforce *($234; CRM)*	3.5	0.0	81	99	65	238 - 126

Fund (Price; Ticker)	Buy List Target Weight	Div. Yield	Total Return: 3 Months	6 Months	12 Months	Fund Score	52-Week Range
Dodge & Cox Global *($11; DODLX)*	3.0%	4.8%	2.6%	2.9%	10.1%	100	$11 -$10
Fidelity Total Bond *($46; FBND)*	2.0	3.8	0.7	0.1	1.3	99	48 - 43
Vang. Short-Term Corp. *($76; VCSH)*	4.1	2.6	0.6	0.7	2.1	92	77 - 73

• *Nasdaq Stock Exchange.* NEW *Added to list.* *Notes: Quadrix scores are percentile ranks, with 100 the best.*

Analysts' Choice

Recent Price	Dividend	Yield	P/E Ratio	Shares (Millions)	Long-Term Debt as % of Capital	52-Week Price Range
$46	$0.68	1.5%	10	236	36%	$51.14 - $31.14

BorgWarner has all the right parts

At the moment, the biggest news surrounding auto-parts maker **BorgWarner** *($46; BWA)* involves the spin-off of Phinia *($26; PHIN)*, a fuel-systems and aftermarket business.

Nothing against Phinia, but we advise readers to look beyond the headlines. We appreciate the many charms of BorgWarner — growth, valuation, and market position — with or without the divested unit, and we have advised readers to sell Phinia while holding onto BorgWarner, a Focus List Buy.

In the driver's seat

When it comes to developments in the auto industry, BorgWarner sticks to the fast lane.

➤ The move toward clean-air legislation around the globe favors BorgWarner. The company generates about one-fifth of its revenue from turbochargers, a cost-effective way to improve engine efficiency.

➤ In recent years, BorgWarner's acquisition efforts have focused on vehicle electrification, broadening its product mix. The company now makes e-motors, power electronics, chargers, and battery systems, providing an excellent platform for growth as electric vehicles become more popular.

➤ The company's wet dual-clutch technology provides 5% to 15% fuel savings relative to older automatic transmissions with four gears. In addition, BorgWarner is a leader in torque-transfer systems, which enable four-wheel and all-wheel drive for sport-utility vehicles and crossovers, which continue to grow in popularity worldwide.

Vroom, vroom

BorgWarner's strong market position seems poised to drive market-beating growth. Analysts expect BorgWarner's sales to fall 6% this year, then grow 6% and 10%, respectively, in the next two years. The company seems capable of long-term revenue growth well in excess of the 1% to 3% annual increases expected in global demand for light vehicles. Light vehicles account for more than three-fourths of BorgWarner's sales. The consensus calls for per-share profits to decline 15% this year, followed by gains of 9% in 2024 and 16% in 2025. The company plans to release June-quarter results Aug. 2.

Credit BorgWarner's superior growth to a combination of positioning in higher-potential segments of the automobile market and increases in its dollar content per vehicle.

It's a steal

The only investment better than a company with an attractive market position and superior growth is that same company trading at a discount price. You can purchase BorgWarner shares at 12 times projected 2023 earnings, 47% below the S&P 1500 Index industry median. The stock fetches an even steeper industry discount based on price/sales and price/book. Plus, the trailing P/E ratio of 10 is 38% below the stock's three-year average valuation.

For six pages of statistical reports on BorgWarner, visit **www.DowTheory.com/Go/Page8**.

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BORGWARNER

Quarter	Per-Share Earnings*	Sales Change	Quarterly Price Range	P/E Ratio Range
Mar '23	$1.09 vs $1.05	8%	$51.14 - $40.11	11 - 9
Dec '22	1.26 vs 1.06	12	43.39 - 31.45	10 - 7
Sep '22	1.24 vs 0.80	19	40.17 - 31.14	10 - 8
Jun '22	1.05 vs 1.08	0	40.65 - 32.58	10 - 8

Year (Dec.)	Sales (Bil.)	Per-Share Earnings*	Per-Share Dividend	52-Week Price Range	P/E Ratio Range
2022	$15.8	$4.60	$0.68	$50.09 - $31.14	11 - 7
2021	14.8	4.15	0.68	55.55 - 37.76	13 - 9
2020	10.2	2.76	0.68	44.05 - 17.00	16 - 6
2019	10.2	4.13	0.68	46.60 - 30.71	11 - 7

** Earnings exclude special items. † Quadrix scores are percentile ranks.*

Quadrix Scores†	
Overall	71
Momentum	54
Value	74
Quality	64
Fin'l Strength	52
Earnings Ests.	24
Performance	65
Reversion	50