DOW THEORY FORECASTS®

Vol. 76, No. 18, May 4, 2020

Stock Market Trends & Securities Reports Since 1946

www.DowTheory.com

No country for old bulls

New Buys, a sell, and a slight downgrade

Keysight Technologies *($99; KEYS)* is replacing **J.P. Morgan Chase** *($98; JPM)* on the Focus List.

■ Keysight provides software and tools that help customers electronically design and test new products. A sturdy balance sheet and a steady stream of recurring revenue should help stabilize operations during the downturn. The shares have rallied 23% in the past month and dipped just 4% for 2020. The consensus projects growth of 6% for earnings and 3% for revenue.

■ Of all the big U.S. banks, we still like J.P. Morgan best. Having bank exposure makes sense given the potential for a U.S. recovery. But partly due to J.P. Morgan's Quadrix® scores — its Overall rank is just 43 — the stock no longer ranks among our very favorite picks. *J.P. Morgan remains a Buy and a Long-Term Buy. Keysight is also a Long-Term Buy.*

■ **Adobe** *($349; ADBE)* joins the Buy and Long-Term Buy lists. Adobe software and services help customers publish, promote, and measure the effectiveness of their digital content. The stock trades at a lofty 41 times trailing earnings, an 8% premium to the median

Continued on page 6

No country appears spared from the economic fallout of the coronavirus. Stocks are down across all geographic markets this year.

Despite their losses, U.S. stocks have fared better than most, extending their 10-year run of outperforming foreign markets. U.S. stocks have fallen 11% in 2020, according to MSCI. Just a handful of countries are holding up better: Denmark (down 1% in U.S. dollars), China (5%), New Zealand (6%), and Switzerland (7%). Developed markets are down 17%. Emerging markets, which tend to rely more on tourism and natural-resource extraction, are down 19%.

The global economy is expected to contract 3% in 2020, estimates the International Money Fund, which would mark the worst downturn since the 1930s. The IMF anticipates a partial recovery in 2021, with growth projected to reach 6% — but concedes its forecast contains "extreme uncertainty." The forecast assumes outbreaks peak in most countries in the June quarter and then fade in the second half of 2020. A more severe pandemic could cause the global economy to shrink 6% this year, followed by a weaker rebound in 2021. For perspective, the global economy contracted about 10% during the Great Depression of 1929 to 1932 and 0.1% in 2009.

If a second outbreak emerges in 2021, the IMF warns, the global economy could contract for a second straight year. The flu pandemics of 1918, 1957, and the late 1960s all experienced second waves. The second waves of the 1918 and 1960s pandemics proved even deadlier than the first.

Although economic forecasts are becoming increasingly grim, stocks have bounced back. In the past month, developed markets have rallied 9% and emerging markets 6%. Again, the U.S. runs near the front of the pack, up 11%.

We are increasing our exposure to foreign stocks with the addition of **Kirkland Lake Gold** *($44; KL)* to our Long-Term Buy List, reviewed in more

Continued on page 2

FOREIGN MARKETS LAG

Stocks are down across all geographic markets in 2020. Developed markets have narrowly outperformed emerging markets. Just a handful of countries, such as China, are outpacing the U.S. in 2020.

	— Price Returns —		
		– Annual. –	
Geographic Region	*Year-To-Date*	*5 Years*	*10 Years*
Europe (developed)	-21%	-4%	0%
Europe (emerging)	-32	-6	-6
Pacific (developed)	-17	-2	1
Asia (emerging)	-28	-1	2
Africa	-27	-11	-3
Latin America	-44	-10	-9
U.S.	-11	6	9
China	-5	-1	3
Developed markets	**-17**	**2**	**5**
Emerging markets	**-19**	**-3**	**-1**

Source: MSCI. All returns in U.S. dollars.

Dow Theory Forecasts is an independent investment adviser and makes no commissions on the stock transactions of its subscribers.

No country for old bulls

Continued from page 1

INT'L INVESTING

detail on page 6. For investors seeking additional diversification, we review three international stocks below.

■ Alibaba Group (*$207; BABA*), China's internet-commerce giant, is pushing further into the cloud, with plans to pump $28 billion into its cloud infrastructure over the next three years. Cloud computing represented just 7% of Alibaba's sales for the 12 months ended December but grew 66%. Companywide sales rose 42% during that stretch, while per-share profits rose 47% and operating cash flow 34%. Alibaba launched a booking service for coronavirus tests at a time when China is accelerating testing in the hope of limiting outbreaks. *Earning a Quadrix Overall score of 93, Alibaba is not rated.*

■ For the March quarter, **Canadian National Railway's** (*$85; CNI*) adjusted earnings per share rose 4% on flat revenue. Volumes slipped 1%, driven by weakness in automotive, intermodal, and forest products. Pricing climbed 2%. Management scrapped both its 2020 guidance and its three-year outlook due to uncertainty caused by the coronavirus pandemic. But the railroad stands by its previous plan to raise the quarterly dividend 7% this year. *Yielding 2.7%, Canadian National is rated B (average).*

■ For the March quarter, **ICON** (*$162; ICLR*) reported 4% higher earnings per share on 6% sales growth. ICON has now grown per-share profits in 31 straight quarters and sales in each of the past 40 quarters. But both growth streaks seem destined to end in the current quarter. ICON warned that June-quarter earnings per share would slump 23% to 47%, on a sales decline of 10% to 17%. That guidance fell well short of analyst expectations.

With nearly two-thirds of ICON's global sites affected by the coronavirus pandemic, management withdrew its full-year outlook. More encouraging, ICON says the number of affected sites could fall to 20% in the December quarter, even if a second wave of coronavirus hits this fall, because ICON will be able to prepare for any potential shutdowns. ICON's long-term prospects remain intact, given its backlog expanded 10% last quarter to $8.7 billion, more than three times annual revenue. *ICON is a Focus List Buy and a Long-Term Buy.*

FOREIGN STOCKS

Below we list international stocks included in the Monitored List, along with a handful of other large foreign stocks with high Quadrix scores. Our recommended foreign stocks are listed in **bold**.

Company (Price; Ticker)	To-Date Total Return	— Quadrix Scores — Momentum	Value	Overall	Market Value (Billions)	Sector	Country	Advice
Accenture *($188; ACN)*	-10%	39	29	45	$121.8	Technology	Ireland	B (average)
Alibaba Group *($207; BABA)*	-3	83	39	93	546.1	Cons. discretionary	China	Not ranked
AstraZeneca *($51; AZN)*	4	24	18	18	66.6	Health care	U.K.	C (below avg.)
BP *($25; BP)*	-31	17	67	27	515.9	Energy	U.K.	C (below avg.)
Barrick Gold *($27; GOLD)*	43	97	23	91	46.7	Materials	Canada	A (above avg.)
Canadian National Railway *($85; CNI)*	-6	24	38	44	61.0	Industrials	Canada	B (average)
ICON *($162; ICLR)*	-6	57	27	58	8.8	Health care	Ireland	A (above avg.)
Kirkland Lake Gold *($44; KL)*	0	96	45	98	9.3	Materials	Canada	A (above avg.)
Nintendo *($54; NTDOY)*	9	58	26	72	6.5	Communication svcs.	Japan	Not ranked
Novartis *($86; NVS)*	-7	53	42	60	197.8	Health care	Switzerland	B (average)
Unilever *($49; UN)*	-14	78	41	86	129.3	Consumer staples	Netherlands	Not ranked

Note: Quadrix scores are percentile ranks, with 100 the highest.

Editor, Director of Research
Richard J. Moroney, CFA

Managing Editor, Analyst
Robert A. Sweet, CFA

Contributing Editors, Analysts
Charles B. Carlson, CFA David A. Wright, CFA
David B. Walle, CFA

Dow Theory Forecasts (ISSN 0300-7324 USPS 997-000) published weekly by Horizon Publishing Company, 7412 Calumet Ave, Hammond, Indiana 46324-2692. Subscription Rate $289 a year. Back issues are available for $10 each by writing to the address above, or free to our subscribers on our website at www.DowTheory.com. Periodicals postage paid at Hammond, Indiana, and at additional mailing offices. When you move—Please notify us three weeks in advance of any change in address. This will insure uninterrupted service. Periodically we rent our mailing list to companies with products that may be of interest to subscribers. If you would prefer not to be included in these mailings, please notify us in writing.

POSTMASTER: Send address change to Dow Theory Forecasts, 7412 Calumet Avenue, Hammond, Indiana 46324-2692.

MARKET COMMENTARY

Yield comparisons favor stocks

Helped by slowing growth in new coronavirus cases, hope for a potential treatment, and easing restrictions on activity, the major averages are trading near seven-week highs. Reflecting this week's rank changes, our buy lists now have 86.6% to 87.8% in stocks.

Payouts at risk

Using dividend yield as a valuation tool has some drawbacks. First, dividends tend to be a lagging indicator, since companies typically won't raise them until they are fully confident earnings will support the higher payout — and because most are reluctant to cut dividends even if prospects have dimmed somewhat.

Second, dividends depend on corporate policy, including whether to return excess cash flows via dividends rather than share repurchases. The dividend payout ratio, the percentage of earnings paid out in dividends, exceeded 45% for the median S&P 500 company for most of the 1970s and 1980s. Today the median is 32%, above the 25-year norm of 27%.

For the broad market and for most sectors, buying shares with high dividend yields has not been as effective as buying those cheap based on price/earnings, price/cash flow, or price/free-cash-flow ratios. Still, dividend yield has some advantages:

➤ Dividend yield is a clear-cut number. It does not depend on accounting assumptions, and few things are more tangible than the cash you receive for holding a stock.

➤ Because stocks and bonds compete for investors' money, comparing yields can provide useful perspective.

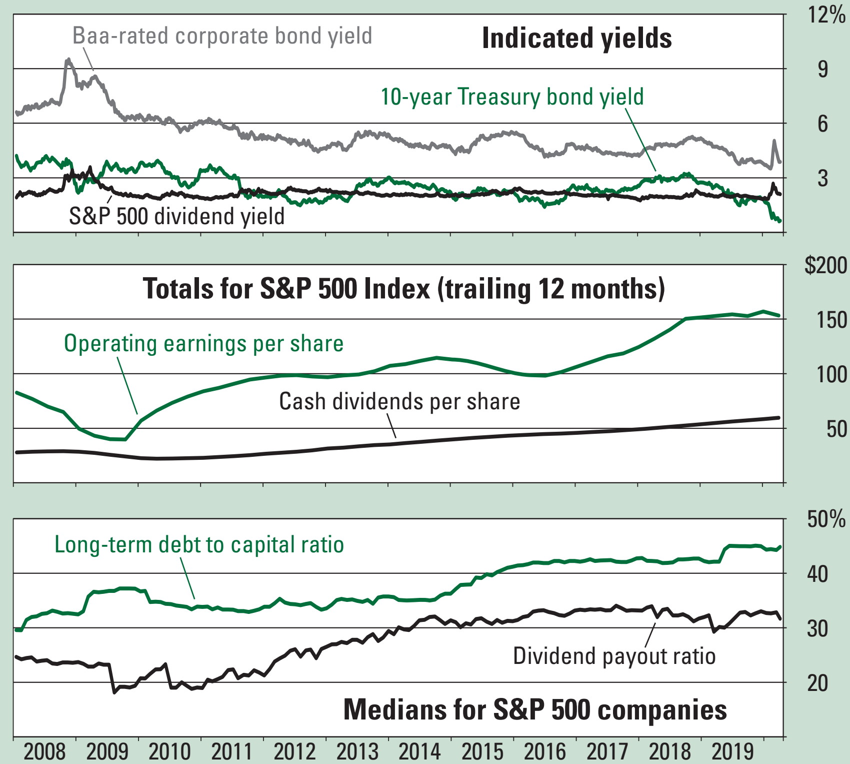
Over the past 20 years, the yield on 10-year Treasury bonds has exceeded the yield of the S&P 500 Index by an average of 1.4%. Today that is reversed, with the S&P 500's yield higher by more than 1.4% — down slightly from the more than 50-year high reached in March. The historical comparison is nearly as favorable for stocks when compared to Baa-rated corporate bond yields, with the income advantage of bonds less than half its 20-year norm.

Of course, part of the reason yields are relatively high is the risk of dividend cuts in the current economic downturn. The S&P 500 has already seen a flurry of dividend reductions and suspensions this year, and cuts are even worse among non-S&P 500 companies. Analysts at **Goldman Sachs** *($190; GS)* expect total dividends for the S&P 500 Index to drop 23% in 2020, while Wells Fargo analysts expect a small increase.

If big banks see loan losses easing and maintain their dividends, we think the Goldman Sachs forecast is likely to prove too pessimistic. But, even with a 23% cut, the dividend yield would still compare favorably to bond yields relative to historical norms.

The bigger question is whether you think bonds are overvalued. If bond yields are headed sharply higher, the spread between stock and bond yields could return to historical norms even as stocks deliver negative returns.

DIVIDEND FUNDAMENTALS



At 32%, the median dividend payout ratio (indicated dividends divided by trailing earnings) among S&P 500 companies is only modestly above the 25-year norm of 27%. But the median for long-term debt as a percentage of capital is 45% — well above historical norms. High debt levels could factor in dividend decisions if the economic downturn is prolonged.

Special Report

Buybacks falling out of favor

Stock buybacks, a popular corporate use of discretionary cash over the past decade, appear poised to fall for the second straight year as companies scramble to shore up their balance sheets amid the coronavirus-driven downturn. Aside from liquidity concerns, some companies may be wary of sparking public anger by continuing to repurchase shares while laying off workers.

Earlier this year, analysts anticipated that share repurchases for companies in the S&P 500 Index could reach $800 billion, implying 10% growth. But that was before the coronavirus slowdown drove more than 40 S&P 500 companies to halt stock buybacks, according to *The Wall Street Journal*. Most of the largest U.S. banks, including **Citigroup** *($50; C)* and **J.P. Morgan Chase** *($98; JPM)*, paused their share-repurchase plans in mid-March. Other big companies known for their aggressive buyback plans, such as **Intel** *($62; INTC)* and **Chevron** *($95; CVX)*, have followed suit.

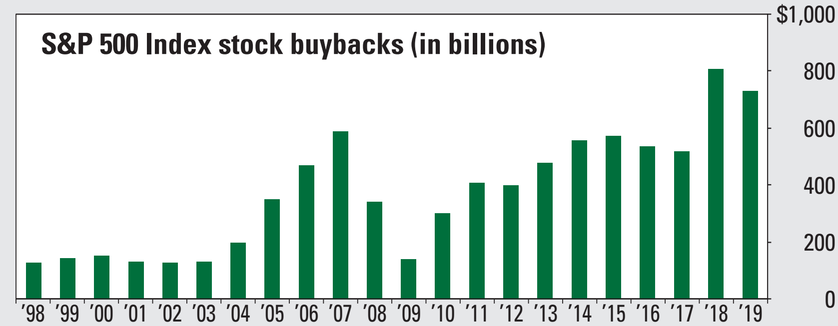
The absence of share repurchases could be contributing to the market's recent volatility. The loss of corporate buybacks eliminated one source of market demand that has at times stepped in when shares dropped. Companies also have one less lever to pull for boosting per-share profits.

It might take several years before share repurchases return to recent levels. Looking back at the tech-bubble burst, buybacks fell 12% in 2001 and 4% in 2002; they eventually surpassed prerecession levels in 2004. In the last recession, stock buybacks fell 42% in 2008 and 59% in 2009. Repurchases didn't near the prerecession peak until 2014 and 2015.

In the following paragraphs, we review three stocks with a track record of share repurchases. Even if they press pause on stock buybacks, these companies boast strong balance sheets that could let them resume repurchases sooner than their peers.

At a time when many companies are suspending share repurchases and dividends, **Apple** *($288; AAPL)* has the capacity and apparent willingness to keep capital returns flowing to shareholders. Apple raised its share-repurchase plan by $75 billion last year, after a $100 billion boost in 2018. Meanwhile, its dividend has grown 9% to 13% in each of the past

BACKING OFF FROM BUYBACKS



S&P 500 Index share repurchases appear likely to decline for the second straight year since reaching a record $806.41 billion in 2018. During the last recession, stock buybacks fell 42% in 2008 and 59% in 2009 — and didn't approach their prerecession peak until 2014 and 2015. Share repurchases have averaged $529 billion annually over the past decade and $372 billion since 1998.

A DECADE OF S&P 500 CAPITAL RETURNS

Growth for dividends tends to be far more consistent than for stock buybacks. But after 10 straight years of gains, S&P 500 Index dividend payouts could fall in 2020. Companies could remain stingy for years to come. Note that in the years immediately after the last recession, share repurchases and dividends consumed a smaller portion of operating earnings than they have in recent years.

	In Billions			Annual Change In			
Year	*Operating Earnings*	*Dividends*	*Stock Buybacks*	*Operating Earnings*	*Dividends*	*Stock Buybacks*	*Dividends & Buybacks As % Of Operating Earnings*
2019	$1,304.51	$485.48	$728.74	2%	6%	-10%	93%
2018	1,281.66	456.31	806.41	20	9	55	99
2017	1,066.00	419.77	519.40	16	6	-3	88
2016	919.85	397.21	536.38	4	4	-6	101
2015	885.38	382.32	572.16	-12	9	3	108
2014	1,004.22	350.43	553.28	5	12	16	90
2013	956.01	311.77	475.59	10	11	19	82
2012	866.04	280.69	398.91	-1	17	-2	78
2011	876.76	240.20	405.08	16	17	36	74
2010	758.71	205.82	298.82	52	5	117	67

Source: Standard and Poor's.

six years. Armed with a cash hoard of $207 billion, Apple could ramp stock buybacks in the coming year, especially considering its shares are down 11% over the last three months.

Buybacks have shaved 7% from Apple's share count in the past year, 16% over the past three years, and 33% over the past seven years. That repurchase activity has been remarkably steady, reflected by Apple's share count dropping sequentially in 29 straight quarters. Entering January, Apple had utilized $116.1 billion of its existing $175 billion share-repurchase plan.

Apple typically announces its annual dividend hike and updated share-repurchase plan when releasing March-quarter results, scheduled for April 30, after our deadline. *Yielding 1.1%, the stock is a Focus List Buy and a Long-Term Buy.*

Lam Research's *($280; LRCX)* long-term plan targets returning 75% to 100% of free cash flow to investors through dividends and stock buybacks. Lam has grown its dividend at least 38% annually since initiating the quarterly distribution in 2015. Meanwhile, stock buybacks have carved 20% from Lam's outstanding shares over the past three years. Lam has $1.8 billion (nearly 5% of its share count) remaining on its $5 billion share-repurchase plan. Given the uncertain economic outlook from the coronavirus, management plans to slow buyback activity and will likely refrain from repurchases in the June quarter.

In an unusual move, Lam declined to offer quarterly guidance with its March-quarter results. Visibility for the second half of the calendar 2020 year remains murky. But Lam entered the June quarter with a record backlog and noted that demand has not yet changed due to the coronavirus, as customers continue to upgrade their semiconductor equipment. Lam boasts a balance sheet crammed with $5.39 billion of cash, versus $5.09 billion of total debt. *Yielding 1.6%, Lam is a Focus List Buy and a Long-Term Buy.*

Leidos *($103; LDOS)* entered 2020 with strong operating momentum, growing per-share profits 18% last year on 9% higher revenue. Cash from operations jumped 29% and free cash flow 25% to $871 million. Leidos plans to post results May 5. In the first four months of 2020, Leidos won at least four government contracts worth a total of $8.39 billion.

For the March quarter, Leidos is expected to report per-share profits of $1.18, up 4%, on revenue growth of 12%. Leidos has topped consensus profit estimates in 12 straight quarters and sales estimates in four straight quarters.

Leidos deployed $1 billion of capital last year, with 70% going toward stock buybacks and dividends, 20% toward capital expenditures and debt payments, and 10% toward acquisitions. Leidos has used stock buybacks to trim its share count 4% in the past year and 6% over the past three years. In February, management said it would prioritize paying down debt over stock buybacks to lighten up its leveraged balance sheet. *Leidos, which yields 1.3%, is a Focus List Buy and a Long-Term Buy.*

DIVIDENDS IN DANGER?

Generally, companies find it easier to suspend stock buybacks than to cut their dividends. But in these hard times, more hard decisions are being made. Through late April, 25 companies in the S&P 500 Index had cut or suspended their dividends in 2020 — more than the past three full years combined, according to Standard & Poor's. A total of 18 companies have suspended their dividends, the most since 2008.

BUYBACK STALWARTS

The recommended stocks below have used repurchases to lower their share counts at least 4% over the past three years. In most cases they have also grown their dividends more than 10% annually. Operating cash flow is up over the past 12 months for most companies, supporting future buybacks and dividend growth.

Company (Price; Ticker)	Share Count 1-Year Change	Share Count 3-Year Change	Dividend Yield	Dividend 1-Year Change	Dividend 3-Year Annualized Change	Dividend Payout Ratio	Cash & Equivalents (Billions)	Long-Term Debt (Billions)	Oper. Cash Flow 12-Month Change	Oper. Cash Flow 12-Month Total (Millions)	Quadrix Scores Value	Quadrix Scores Overall
Akamai Tech. *($98; AKAM)*	-1%	-7%	0.0%	NA	NA	0%	$1.20	$1.90	15%	$1,121	28	91
Apple *($288; AAPL)*	-7	-16	1.1	8%	11%	24	207.10	93.10	-3	73,217	23	76
Applied Materials *($54; AMAT)*	-4	-15	1.6	5	28	27	4.00	4.70	8	3,400	41	88
Booz Allen Hamilton *($75; BAH)*	-1	-6	1.7	26	17	40	0.70	2.00	44	583	24	84
Lam Research *($280; LRCX)*	-6	-20	1.6	3	45	31	5.40	5.00	-27	2,194	27	74
Leidos *($103; LDOS)*	-4	-6	1.3	3	1	26	0.70	3.00	29	992	38	75
Northrop Grumman *($332; NOC)*	-1	-4	1.6	10	14	25	3.30	14.30	34	4,217	40	69
Qorvo *($99; QRVO)*	-7	-7	0.0	NA	NA	0	1.10	1.60	4	919	45	90

Note: Quadrix scores are percentile ranks, with 100 the best. NA Not available.

New Buys, a sell, and a slight downgrade

Continued from page 1

S&P 1500 Index application-software stock. But Adobe offers a track record for operating momentum that seems likely to continue through the downturn.

For the 12 months ended February, Adobe grew per-share profits 22%, sales 22%, operating cash flow 17%, and free cash flow 13%. For fiscal 2020 ending November, Adobe is expected to increase per-share profits 44% on sales growth of 16%. Encouragingly, analyst estimates have held up remarkably over the past 60 days. At 34 times estimated 2020 profits, the stock trades at a modest 3% premium to its industry median. *Adobe was previously rated A (above average).*

■ **Applied Materials** *($54; AMAT)* is being added to the Buy List. Although the coronavirus poses an obstacle to Applied Materials' supply chain, customer demand for semiconductor equipment remains solid. Applied Materials has scrapped its April-quarter guidance, but also announced a 5% hike to its dividend in mid-March, signaling confidence in its balance sheet (net debt is less than $2 per share) and free-cash-flow trends (up 16% for the 12 months ended January). *Applied Materials is also a Long-Term Buy.*

■ **FleetCor Technologies** *($248; FLT)* is being dropped from the Buy and Long-Term Buy lists. The shares have soared 45% since their March 23 low, but analyst estimates for both 2020 and 2021 are plunging. We anticipate a challenging environment ahead, given FleetCor's heavy exposure to retail fuel purchases, representing 44% of sales last year. We're cutting bait before quarterly results on May 7. *FleetCor is being removed from coverage and should be sold.*

■ We are initiating coverage of **Kirkland Lake Gold** *($44; KL)* as a Long-Term Buy. Based in Toronto, Kirkland operates four underground gold mines and three milling facilities in Australia and Canada. Although gold-mining stocks have a history of volatility, Kirkland's fundamentals are impressive. Production jumped 35% in 2019 and free cash flow surged 83% to $473 million — before the 13% rally in gold prices this year. The balance sheet contains $707 million of cash and just $15 million of total debt.

Analyst estimates are trending higher, with the consensus projecting 18% profit growth in 2020 on 81% higher revenue. The stock trades slightly below the median of 14 for S&P 1500 Index materials stocks. Down 1% this year, the shares yield 1.1% *Kirkland is a Long-Term Buy.*

RANK CHANGES

Keysight Technologies *($99; KEY)* is joining the Focus List, replacing **J.P. Morgan Chase** *($98; JPM)*, which remains a Buy and a Long-Term Buy. **Adobe** *($349; ADBE)* is joining the Buy and Long-Term Buy lists, while **Applied Materials** *($54; AMAT)*, already a Long-Term Buy, is being upgraded to a Buy. We are initiating **Kirkland Lake Gold** *($44; KL)* as a Long-Term Buy. **FleetCor Technologies** *($248; FLT)* is being sold from the Buy and Long-Term Buy List. After these rank changes, the **Vanguard Short-Term Corporate Bond** *($81; VCSH)* exchange-traded fund will make up 12.2% of the Buy List and 13.4% of the Long-Term Buy List.

* * * * *

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 April, the passcode for the telephone hotline is 415. For May, the passcode is 407.**

Earnings reviews

Communication services

◆ **Alphabet's** *($1,342; GOOGL)* adjusted earnings per share fell 17% to $9.87 for the March quarter, missing the consensus of $10.76. Revenue, up 13% to $41.16 billion, topped analyst expectations. Although the Google search business grew sales 9% to $24.50 billion, the unit's sales were tracking down at a double-digit rate by the end of March. Still, Alphabet is generating stronger growth in its smaller businesses, with YouTube ad revenue up 33% and cloud computing up 52%. *Alphabet is a Focus List Buy and a Long-Term Buy.*

◆ **Facebook** *($194; FB)* said March-quarter earnings per share fell 10% to $1.71 excluding special items, matching the consensus. Sales rose 18% to $17.74 billion, topping the consensus. Daily average users grew 12% for Facebook's various social networks and applications. Facebook said advertising revenue fell sharply in the month of March but then stabilized. For the first three weeks of April, ad revenue is holding flat from the same period last year. *Facebook is a Focus List Buy and a Long-Term Buy.*

Industrials

◆ For the March quarter, **Northrop Grumman** *($332; NOC)* earned $5.15 per share, up 2% but $0.34 short of the consensus. Sales climbed 5% to $8.62 billion, ahead of analyst expectations. Management trimmed its full-year outlook, with the midpoints of its new ranges targeting 4% growth for earnings per share and revenue. At the time of the announcement, the consensus had projected 8% profit growth on 5% higher sales. Northrop blamed its weaker guidance in part on the coronavirus' toll on its supply chain and lower worker attendance. *Northrop is a Buy and a Long-Term Buy.*

Technology

◆ **Akamai Technologies** *($98; AKAM)* said March-quarter earnings per share rose 9% excluding special items, topping the consensus by $0.04. Revenue rose 8% to $764 million, also ahead of expectations, while operating cash flow jumped 39%. Akamai withdrew its 2020 guidance. But midpoints for its June-quarter outlook, implying 13% profit growth on 8.5% higher sales, exceeded the consensus at the time of the announcement. *Akamai is a Focus List Buy and a Long-Term Buy.*

◆ **Microsoft's** *($177; MSFT)* per-share profits rose 23% to $1.40 in the March quarter, exceeding the consensus by $0.13. Sales, up 15% to $35.02 billion, also topped expectations. Microsoft said the coronavirus had a minimal net effect on its results, as higher cloud usage, personal-computer demand, and gaming more than offset weakness in licensing and ad spending for the Bing search and LinkedIn businesses. *Microsoft is a Focus List Buy and a Long-Term Buy.*

◆ **Zebra Technologies** *($245; ZBRA)* grew adjusted earnings per share 9% to $2.67 in the March quarter, surpassing the consensus by $0.03. Sales slipped 1% to $1.05 billion. For the June quarter, Zebra expects per-share profits to slide 17% to 30% on a sales decline of 11% to 17%. At the time of the announcement, analysts had expected per-share profits to fall 43% on 13% lower sales. Management withdrew its 2020 outlook. *Zebra is a Buy and a Long-Term Buy.*

BUYS AND LONG-TERM BUYS

The Buy List represents our top choices for 12-month gains. Focus List stocks, listed in **bold**, represent the best picks among that group. Long-Term Buys are our top choices for 24- to 48-month gains.

If you want your equity portfolio to track the Buy List or Long-Term Buy List, purchase each of the stocks below in the proportion suggested by the target weight. To represent the cash portion of your equity portfolio, hold 12.2% (Buy List) or 13.4% (Long-Term Buy List) in the **Vanguard Short-Term Corporate Bond** *($81; VCSH)* exchange-traded fund.

If you are copying the Focus List, hold a 12.2% fund position and put the rest into equal-dollar positions in the Focus List stocks.

Company (Price; Ticker)	– Target Weight – Buy List	LT Buy List	Market Value (Bil.)	Div.	Div. Yield	Div. Payout Ratio	Quadrix Overall Score	52-Wk. Price Range
Adobe *($349; ADBE)* NEW	3.1%	2.9%	$171	$0.00	0.0%	0%	89	$387 - $255
• **Akamai Tech.** *($98; AKAM)*	3.5	3.2	16	0.00	0.0	0	91	108 - 73
• **Alphabet** *($1,342; GOOGL)*	3.5	3.2	935	0.00	0.0	0	78	1,531 -1,009
• **Apple** *($288; AAPL)*	3.5	3.2	1,315	3.08	1.1	24	76	328 - 170
Applied Materials *($54; AMAT)* †	3.1	2.9	51	0.88	1.6	27	88	69 - 37
Booz Allen Hamilton *($75; BAH)*	3.1	2.9	11	1.24	1.7	40	84	82 - 54
Bristol-Myers Squibb *($62; BMY)*	3.5	3.2	106	1.80	2.9	39	88	68 - 42
• CDW *($111; CDW)*	3.1	2.9	16	1.52	1.4	25	77	146 - 73
Charles River Labs. *($146; CRL)*	3.5	3.2	7	0.00	0.0	0	80	179 - 96
Citigroup *($50; C)*		2.9	111	2.04	4.1	30	61	83 - 32
• **Comcast** *($39; CMCSa)*	3.5	3.2	180	0.92	2.4	29	65	48 - 32
• **Facebook** *($194; FB)*	3.5	3.2	558	0.00	0.0	0	83	224 - 137
• **Fortinet** *($109; FTNT)*	3.5	3.2	19	0.00	0.0	0	85	122 - 69
• **ICON** *($162; ICLR)*	3.5	3.2	9	0.00	0.0	0	58	179 - 104
J.P. Morgan Chase *($98; JPM)* †	3.1	2.9	311	3.60	3.7	33	43	141 - 77
Keysight Tech. *($99; KEYS)* †	3.5	3.2	19	0.00	0.0	0	76	110 - 71
Kirkland Lake Gold *($44; KL)* NEW		2.9	9	0.50	1.1	18	98	68 - 26
L3Harris Tech. *($195; LHX)*	3.5	3.2	44	3.40	1.7	37	93	231 - 142
• **Lam Research** *($280; LRCX)*	3.5	3.2	42	4.60	1.6	31	74	344 - 171
Leidos *($103; LDOS)*	3.5	3.2	15	1.36	1.3	26	75	126 - 68
• **Microsoft** *($177; MSFT)*	3.5	3.2	1,370	2.04	1.1	38	88	191 - 119
Northrop Grumman *($332; NOC)*	3.1	2.9	56	5.28	1.6	25	69	385 - 263
Progressive *($80; PGR)*	3.5	3.2	47	2.65	3.3 ‡	44	94	85 - 62
• **Qorvo** *($99; QRVO)*	3.5	3.2	12	0.00	0.0	0	90	122 - 59
Stryker *($193; SYK)*	3.1	2.9	73	2.30	1.2	28	61	226 - 125
Thermo Fisher Scien. *($336; TMO)*	3.5	3.2	135	0.88	0.3	7	56	347 - 250
UnitedHealth Group *($288; UNH)*	3.5	3.2	277	4.32	1.5	29	89	307 - 188
• Zebra Technologies *($245; ZBRA)*	3.1	2.9	13	0.00	0.0	0	58	260 - 150

• Nasdaq Stock Exchange. NEW Added to list. † Recent rank change. Notes: Quadrix scores are percentile ranks, with 100 the best. ‡ Dividends not paid in standard format. Progressive pays a special dividend, in addition to small quarterly payments.

Corporate roundup

➤ With the coronavirus pandemic upending supply chains and eroding consumer demand, **Apple** *($288; AAPL)* is reportedly postponing mass production of its forthcoming high-end iPhone by a month. Apple typically releases its new iPhone in September, with production ramping in early summer. Apple still plans to release four new iPhone models later this year, though it may slash iPhone production by upwards of 20% in the second half of 2020. In other news, Apple's retail chief expects to open "many more" stores in May, including some in the U.S. *Apple is a Focus List Buy and a Long-Term Buy.*

➤ **Comcast's** *($39; CMCSa)* NBCUniversal plans to introduce new tools that let TV viewers buy products directly from advertisers. Ads will include codes that can be scanned by a smartphone, which then send consumers to NBCUniversal Checkout, an online shopping cart. To help internet subscribers hurt by the pandemic, Comcast will postpone late fees and service cancellations through June 30. *Comcast is a Focus List Buy and a Long-Term Buy.*

➤ **L3Harris Technologies** *($195; LHX)* is advancing more than $100 million in accelerated payments to its smaller suppliers in an effort to protect its supply chain during the coronavirus downturn. *L3Harris is a Focus List Buy and a Long-Term Buy.*

ANALYSTS' CHOICE

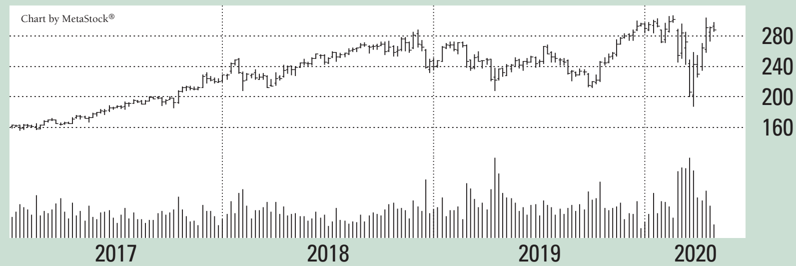
Recent Price	Dividend	Yield	P/E Ratio	Shares (Millions)	Long-Term Debt as % of Capital	52-Week Price Range
$288	$4.32	1.5%	19	963	32%	$306.72 - $187.72

UnitedHealth: Built for a bear market

UnitedHealth Group *($288; UNH)* provides customers with health insurance — essential during the coronavirus pandemic. Its stock also provides investors the bare necessities to ride out the bear market.

UnitedHealth shares have held flat in 2020, while the S&P 500 Index has retreated 9%. The stock offers a solid dividend yield of 1.5% and a track record of generous dividend growth — at least 20% in each of the past 10 years. The shares look cheap at 19 times trailing earnings, versus their five-year average of 21.5. Finally, UnitedHealth's growth prospects remain sturdy at a time when corporate executives are scrambling to slash or scrap their guidance. UnitedHealth is a Focus List Buy and a Long-Term Buy.

UNITEDHEALTH GROUP



Quarter	Per-Share Earnings*	Sales Change	Quarterly Price Range	P/E Ratio Range
Dec '19	$3.72 vs $3.73	7%	$306.72 - $187.72	20 - 12
Sep '19	3.90 vs 3.28	4	300.00 - 212.08	21 - 15
Jun '19	3.88 vs 3.41	7	268.69 - 213.12	19 - 15
Mar '19	3.60 vs 3.14	8	253.49 - 208.07	19 - 15

Year (Dec.)	Sales (Bil.)	Per-Share Earnings*	Per-Share Dividend	52-Week Price Range	P/E Ratio Range
2019	$242.2	$15.11	$4.14	$300.00 - $208.07	20 - 14
2018	226.2	12.88	3.45	287.94 - 208.48	22 - 16
2017	201.2	10.07	2.88	231.77 - 156.09	23 - 16
2016	184.8	8.05	2.38	164.00 - 107.51	20 - 13

Quadrix Scores†	
Overall	89
Momentum	73
Value	43
Quality	97
Fin'l Strength	58
Earnings Ests.	65
Performance	92
Reversion	5

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

Handling the downturn

A dominant player in health insurance (62% of sales for the 12 months ended March, 52% of operating profit), UnitedHealth has also been expanding its presence as a health-care provider (10%, 15%), pharmacy-benefit manager (25%, 20%), and consultant (3%, 13%).

For the March quarter, adjusted earnings per share held flat, while sales rose 7% and cash from operations slipped 9%. UnitedHealth's operating momentum for the 12 months ended March was solid, with per-share profits climbing 11%, sales 6%, and operating cash flow 72%. Free cash flow more than doubled over the past 12 months to $3.02 billion.

Unlike most companies, United-Health stands by its 2020 guidance, forecasting per-share profits of $16.25 to $16.55, implying 8% to 10% growth. The consensus profit estimate stands at $16.23 per share, leaving some room for upside.

Health insurers are seeing elective-care spending drop more sharply than added costs from the coronavirus, a scenario that should boost short-term profitability. **HCA Healthcare** *($113; HCA)*, the largest U.S. for-profit hospital company, says outpatient surgeries are down 70% in April, with inpatient admissions down 30%. UnitedHealth expects elective procedures to slow further in the June quarter, a development benefiting its insurance business but hurting the health-services unit.

Still, with 26 million Americans losing their jobs in the past couple months, commercial insurers will likely face a drop in membership, while government-sponsored programs should see their ranks swell.

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

Commercial plans account for 63% of United-Health's U.S. members, versus 23% for Medicare and 14% for Medicaid.

Looking back at the last recession, UnitedHealth's membership base slipped 2% in 2009, with the commercial business shedding 7% of members, while its government business grew 13%. Total membership grew 3% in 2010, bouncing back above prerecession levels.

The coronavirus downturn has not dampened UnitedHealth's ambition for pushing further into ancillary businesses. In late April, the company entered advanced talks to acquire AbleTo, a remote provider of mental-health services, for about $470 million. AbleTo is seeing higher demand during the pandemic.

UnitedHealth Group Inc., 9900 Bren Road E., Minnetonka, MN 55343, (952) 936-1300, www.unitedhealthgroup.com.