

DOW THEORY FORECASTS

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Stocks of all sizes join in

Much has been written — including here — about the outsized impact of a few megacap stocks on key U.S. stock indexes. Admittedly, the numbers grab our attention:

- ▶ The largest 10 stocks account for 39% of the S&P 500 Index's market capitalization, up from 35% at the end of 2023 and 18% at the end of 2013.
- ▶ The index has gained 25.5% so far this year, and the 10 largest stocks account for more than half of that wealth creation.
- ▶ The average stock in the S&P 500 Index has returned 16.8% this year, well below the index return. Only about one-third of stocks have gained more than the index, which highlights the relative strength of the largest companies.

While rising indexes are always good to see, the dominant role

Continued on page 2



Robert Sweet, CFA
Managing Editor

Value score delivering investment value

The S&P 1500 Index has been on a remarkable run, surging 23% in 2024 after delivering annualized returns of 15% for the five years ended Dec. 31. But corporate profits haven't kept up with stocks' upward trajectory, causing valuations to appear elevated.

As of Nov. 13, the average S&P 1500 stock traded at 20 times estimated next-year earnings, a 13% premium to its 20-year norm of 17.5. The average stock has been more expensive on just 13% of month-ends over the past 20 years. The average stock trades at a 10% premium to its 20-year norm for estimated current-year earnings and a 3% premium based on trailing earnings.

With cheap stocks in short supply, it's not surprising that the Quadrix® Value score has been working lately. S&P 1500 stocks in the top quintile

for Value have outperformed the average index stock by an average of 4.3% over the past 12 rolling 12-month periods, as shown at the

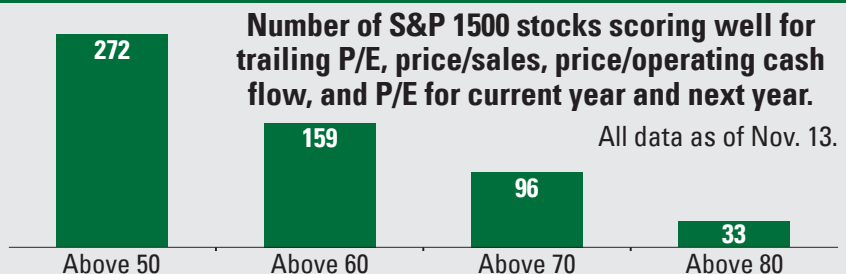
bottom of page 4. That's better than Value's average outperformance of 2.5% since 1994.

Value's recent performance has been uneven across the index's 11 sectors. This suggests that Value scores are doing a relatively better job of picking sectors to buy than identifying the best stocks within

VALUE FOCUS

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CHEAP FROM FIVE DIFFERENT ANGLES



We screened for S&P 1500 stocks that look cheap from five different angles: trailing P/E, price/sales, price/operating cash flow, P/E for current year, and P/E for next year. A total of 272 stocks (18% of constituents) score above 50 for all five metrics, while 33 stocks (2%) score above 80.



WHAT WE'RE THINKING

Stocks of all sizes join in *Continued from page 1*

played by the largest stocks left some people worried, as narrow rallies tend to be more prone to reversals.

Encouragingly, market breadth has improved considerably since midyear. Some highlights:

➤ The largest 10 stocks averaged a return of 37.3% in the first six months of 2024, versus 6.7% for the average stock. Those titans accounted for 75% of the index's 15.3% return.

➤ Since the end of June, the 10 biggest stocks have lagged the average slightly. They account for 39% of the index's stock-market capitalization but have only provided 30% of the index's returns since June 30.

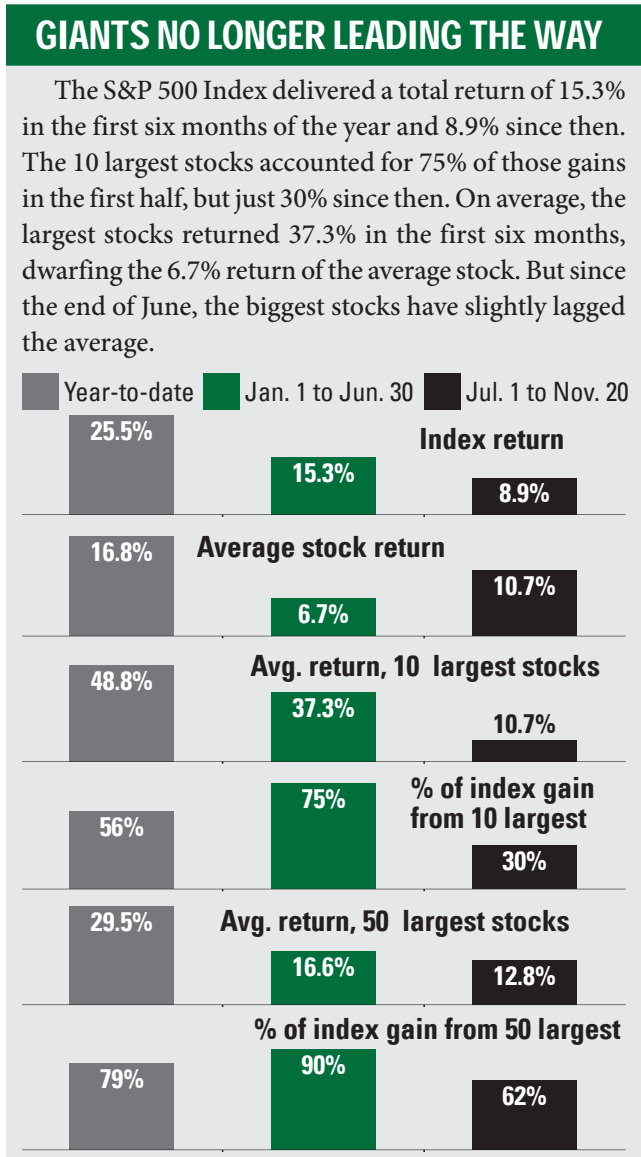
➤ The 50 largest stocks accounted for 90% of the S&P 500 Index's total return in the first half, but just 62% since then.

I didn't mention these numbers to imply the biggest stocks are in trouble. We currently recommend five of the 10 largest stocks on our Buy List.

However, the erosion of the outsized effect of the largest stocks reveals an encouraging trend: The rest of the market no longer relies on a few megas to drive the bus. The average S&P 500 Index stock has gained 10.7% since the end of June, a solid return. During that period, the 10 largest stocks averaged returns in line with the index average. The 50 largest averaged 12.8% — above the index-wide average.

We love to see major indexes pegging new highs, especially when those highs are supported by broad-based upward momentum. Over the last one month, three months, and since June, the S&P MidCap 400 and S&P SmallCap 600 Indexes have outgained the S&P 500. So have the Dow Transports.

When small, midsize, large, and transportation stocks sing the same song, it's wise to listen.



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MARKET COMMENTARY

Transports still relevant

Chart watchers like to say there's nothing more bullish than a record high.

For followers of the Dow Theory, there's nothing more bullish than significant highs in both the Dow Jones Industrial Average and Dow Jones Transportation Average. But a new high in one average, unconfirmed by the other, can be a reason for caution.

Why does the Dow Theory attach such importance to the Dow Jones Transportation Average, a price-weighted, 20-stock index representing industry groups that account for less than 2% of the U.S. stock market's value? And why are we letting action in these old-school stocks influence our strategy for 2025?

Our answers, as usual, come in the form of bullet points:

► **The Dow Theory is a system, and a system needs clear rules.** While not perfect, the Dow Theory has been right a lot more often than not over the past 120 years — partly because it provides clear rules that don't change with every market cycle. As William Hamilton wrote in 1928, "Half an indication is not necessarily better than no indication at all. The two averages must confirm each other."

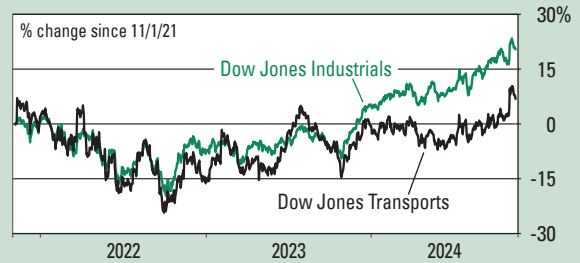
► **The recent new highs in both averages ended a long period of divergence.** In fact, until this month, the Industrials and Transports had not both reached record highs together since November 2021. Partly because of the new highs, we're maintaining a mostly invested posture, with 88.8% of our Buy List in stocks.

► **Economic sensitivity and operating leverage.** Demand for transportation services is highly correlated with economic growth. Also, most transportation companies have high fixed costs, meaning small improvements in volumes can trigger big swings in profit margins. For example, it costs nearly as much to fly a half-empty airplane as a full one, so airline and airfreight margins are highly sensitive to demand. Over the past 12 months, profit margins in the transportation sector have rebounded somewhat from depressed levels.

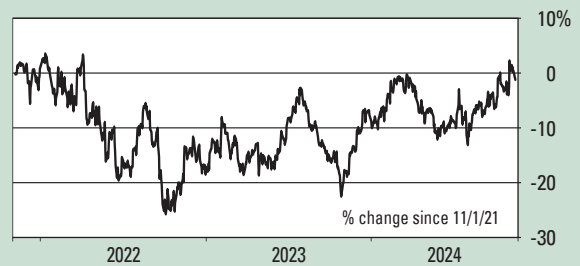
Because stock prices tend to move in advance of earnings, transportation stocks are a highly sensitive leading indicator. Continued strength in transportation margins and share prices would bode well for the business outlook.

► **The Trump trade.** If across-the-board tariffs trigger a slowdown in global trade volumes, transportation companies will suffer — especially if the tariffs trigger a U.S. recession. At the same time, transportation companies could be notable beneficiaries of tax cuts and deregulation initiatives from the incoming administration.

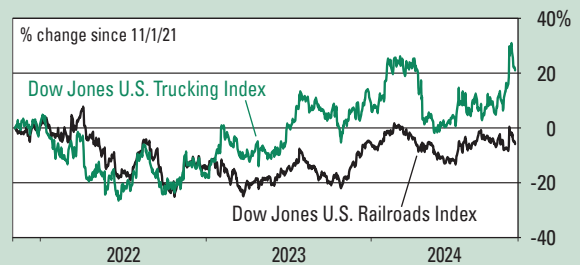
INDUSTRIALS AND TRANSPORTS



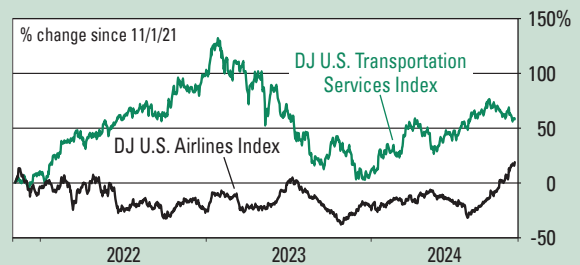
S&P 1500 TRANSPORTATION GROUP



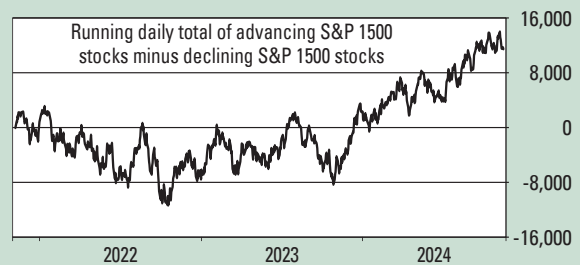
TRUCKERS AND RAILROADS



AIRLINES & TRANSPORT SERVICES



S&P 1500 ADVANCE-DECLINE LINE




Value score delivering investment value Continued from page 1

sectors. Within the consumer-discretionary and financials sectors, Value scores have worked well. Within communications, health care, and consumer staples, Value scores have struggled.

As always, few stocks look cheap across multiple valuation metrics, as shown at the bottom of page 1. That's one reason we rely so heavily on the Value score, rather than relying on one or two individual metrics. The Value score looks better than almost all individual Value metrics based on return per unit of risk. Roughly 20 valuation factors comprise the Value score.

Below, we review three stocks with attractive valuations relative to our research universe, or sector peers, or both.

 **Avista** (\$39; AVA) looks cheap from virtually every angle. The stock earns a Quadrix Value rank of 71, with 86% of the Value category's individual factors ranking in the top half of our research universe. The stock scores in the top quintile of U.S. stocks for six Value factors, including dividend yield and P/E versus five-year median. Relative to S&P 1500 Index utilities, Avista trades at discounts of 24% based on trailing earnings, 42% on trailing sales, 17% on estimated 2024 earnings, and 18% on estimated 2025 earnings.


Through the first nine months of 2024, Avista grew operating income 15% for its electric utility (70% of total operating income) and 9% for its natural-gas utility (30%). Citing lower-than-expected investment valuations for its other businesses, Avista cut its 2024 profit outlook in November. Still, analysts have become slightly more bullish on Avista's 2025 growth prospects, with the consensus now projecting that per-share profits will climb 8%, compared

What counts as the top quintile for each sector

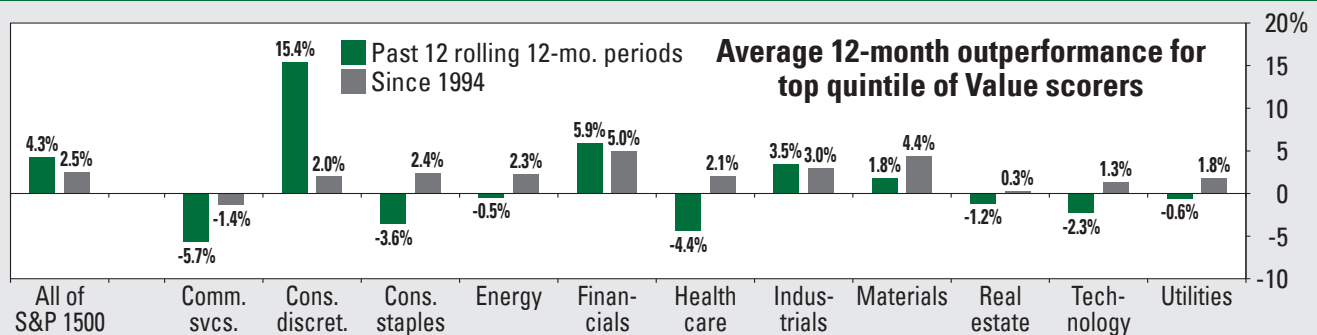
Quadrix scores are percentile ranks, based on our research universe of more than 3,100 U.S.-traded stocks. With that in mind, what qualifies for a stock to reach the top quintile for a given Quadrix category can vary widely between sectors. As shown below, to qualify for the top quintile for a given sector, Value ranges from scores of 91 for energy to 48 for real estate.

S&P 1500 Sector	Current Minimum Value Score For Top Quintile	Qualifying Stocks <i>Buy In Bold, Top 15 Utilities in Italics, Rest From Monitored List</i>
Energy	91	HAL
Communications	89	CHTR, <i>CMCSa</i>
Cons. discretion.	85	F, GM
Cons. staples	83	WBA
Financials	78	HIG , MET, TRV
Materials	76	
Health care	73	CI, CNC, CVS, ELV, PFE, THC UHS
Utilities	66	<i>AVA, NFG, POR, SR</i>
Industrials	64	DAL, DE, FDX
Technology	57	LRCX, QCOM
Real estate	48	

to 6% growth 30 days ago. Yielding 4.9%, Avista is the top-yielding utility in our Top 15 Portfolio.

 Property and casualty (P&C) insurer **Chubb** (\$283; CB) earns above-average scores for 65% of factors comprising its Value score of 77. The stock also looks cheap among other S&P 1500 Index financials. The trailing P/E ratio of 13 is well below the sector average of 17. The stock

VALUE SCORES PAYING OFF FOR SOME SECTORS




S&P 1500 Index stocks scoring in the top quintile for the Quadrix Value score have outperformed the average index stock by an average of 4.3% over the past 12 rolling 12-month periods, better than the norm of 2.5% since 1994. But the Value score has recently worked in only four sectors, compared to 10 sectors over the long term.

Nowhere has Value worked better recently than in the consumer-discretionary sector, where stocks in the top quintile have outperformed the average sector stock by an average of 15.4%. Value is also working in the financials (5.9% outperformance), industrials (3.5%), and materials (1.8%) sectors.

trades at least 32% below its sector norm based on trailing sales and operating cash flow. The stock trades at just 12 times estimated 2025 earnings, 19% below its sector. Analyst estimates for 2025 are rising, with the consensus projecting 7% growth for both earnings per share and revenue.

Pretax catastrophe losses rose 14% to \$765 million in the September quarter but were lower than Chubb had anticipated, even taking into account \$250 million in damages from hurricanes Helene and Milton. Management estimates pretax losses of \$250 million to \$300 million from Hurricane Milton in the December quarter. Still, Chubb says its pricing environment remains strong. For the September quarter, net premiums rose 8% for Chubb's global P&C business, 8% for North American P&C, and 11% for life insurance. *Chubb is a Focus List Buy.*

 **Dell Technologies** (\$134; DELL) has delivered a total return of 78% in 2024, dragging down its Quadrix Value score to 39. Yet Dell shares continue to trade at steep discounts to the average S&P 1500 Index technology stock. Dell's trailing P/E, current-year P/E, and next-year P/E ratios linger more than 29% below norms for the technology sector. The stock trades at 1.0 times trailing sales, well below its sector average of 3.5. At 15.5 times trailing operating cash flow, Dell trades at a 20% discount to its sector norm of 19.3.

With October-quarter results due Nov. 26, Dell is expected to report per-share profits of \$2.05, up 9%, on revenue of \$24.72 billion, up 11%. Analyst estimates for both earnings and sales have crept higher in the weeks leading up to the report. Dell has a strong track record for managing expectations. In the past 20 quarters, Dell has missed the consensus profit estimate just twice. *Dell is a Focus List Buy.*

ALL-AROUND VALUE CHAMPS VERSUS SECTOR

These stocks from our Buy, Focus, and Top 15 Utilities lists all trade below their S&P 1500 Index sector norms for trailing P/E, price/sales, price/operating cash flow, and P/E ratios based on estimated current-year and next-year earnings. Focus List stocks are in **green**, Top 15 stocks in *italics*.

Company (Price; Ticker)	Trailing P/E Ratio	Price/Operating		-Est. P/E-		Quadrix	
		Sales	Cash Flow	Curr. Year	Next Year	Value	Overall
<i>Comcast (\$43; CMCSa)</i>	10.2	1.4	6.3	10.2	9.8	91	91
Commun sector avg.	19.7	2.3	10.6	17.9	17.7	58	56
Chubb (\$283; CB)	12.8	2.1	7.7	12.9	12.0	77	90
<i>Hartford Fin'l</i> (\$118; HIG)	11.3	1.3	6.1	11.6	10.1	84	95
Financials sector avg.	17.0	3.5	13.1	16.8	14.9	58	68
<i>Tenet Health</i> (\$152; THC)	13.6	0.7	4.5	13.6	13.3	85	96
<i>Univ. Health</i> (\$198; UHS)	13.3	0.9	7.0	12.4	10.9	84	83
Health-care sector avg.	23.4	3.4	17.3	23.6	20.5	43	49
<i>Dell</i> (\$134; DELL)	18.5	1.0	15.5	17.0	14.2	39	57
Technology sector avg.	27.4	3.5	19.3	26.9	23.8	35	47
<i>Avista</i> (\$39; AVA)	15.2	1.6	6.1	16.2	15.0	72	44
<i>Evergy</i> (\$64; EVRG)	17.3	2.6	7.3	16.8	15.9	64	61
<i>Portland General</i> (\$47; POR)	13.5	1.4	7.1	15.0	14.5	81	61
<i>Spire</i> (\$68; SR)	16.1	1.5	4.3	15.0	14.0	73	61
Utilities sector avg.	20.5	2.9	9.7	19.6	18.0	54	51
S&P 1500 Index avg.	21.7	2.8	14.4	21.7	19.6	50	54

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

ALL-AROUND VALUE CHAMPS VERSUS UNIVERSE

The A-rated, Buy, Focus List, and Top 15 Utilities stocks below rank among the cheapest half of stocks in Quadrix for trailing P/E, price/sales, price/operating cash flow, P/E for current year, and P/E for next year. Recommended stocks are in **bold**, with the Focus List in **green**. Top 15 stocks are presented in *italics*.

Company (Price; Ticker)	Trailing P/E Ratio	Price/Operating		Quadrix Scores		Value	Overall
		Sales	Cash Flow	Curr. Year	Next Year		
<i>Charter Commun.</i> (\$389; CHTR)	71	72	90	77	74	92	100
<i>Comcast</i> (\$43; CMCSa)	82	64	77	84	80	92	89
<i>Delta Air Lines</i> (\$64; DAL)	76	82	80	82	86	83	95
<i>General Motors</i> (\$55; GM)	96	93	93	97	97	92	98
<i>Halliburton</i> (\$31; HAL)	85	70	75	86	84	94	72
Hartford Financial (\$118; HIG)	78	65	80	79	80	84	95
<i>HCA Holdings</i> (\$333; HCA)	56	66	67	58	58	63	70
<i>Kroger</i> (\$58; KR)	70	95	74	70	64	74	86
<i>MetLife</i> (\$83; MET)	85	79	91	86	88	94	60
<i>Portland General</i> (\$47; POR)	64	62	77	63	57	81	59
<i>Spire</i> (\$68; SR)	64	62	90	60	56	71	64
Tenet Healthcare (\$152; THC)	62	81	86	64	57	85	96
<i>Travelers</i> (\$257; TRV)	69	66	79	69	69	85	99
<i>U.S. Bancorp</i> (\$51; USB)	58	53	53	71	70	71	90
Universal Health (\$198; UHS)	64	78	73	73	74	84	83
<i>Verizon Commun.</i> (\$42; VZ)	88	66	86	89	87	87	76

Operating results

Technology

■ **Applied Materials** (\$170; *AMAT*) said October-quarter earnings per share rose 9% to \$2.32, topping the consensus by \$0.13. Revenue grew 5% to \$7.05 billion, also above analyst expectations. Gross profit margin, up for the sixth straight quarter, is on pace to reach its highest annual level since 2000. The midpoint of management's January-quarter guidance calls for per-share profits of \$2.29, up 8%, on revenue climbing 7% to \$7.15 billion. At the time of the announcement, the consensus stood at \$2.27 for earnings per share and \$7.24 billion for revenue. *Applied Materials is a Buy.*

■ **Nvidia** (\$146; *NVDA*) said October-quarter earnings per share surged 103% to \$0.81 excluding special items, topping the consensus by \$0.06. Revenue jumped 94% to \$35.08 billion, also ahead of the consensus. The midpoint of Nvidia's January-quarter outlook projects revenue of \$37.5 billion, up 70% and above the then-consensus of \$37.03 billion. *Nvidia is rated A (above average).*

Financials

■ For the month of October, **American Express** (\$288; *AXP*) said total loans rose 11% to \$88 billion for U.S. consumer cardholders and 19% to \$30.5 billion for U.S. small businesses. Loan delinquencies and the net write-off rate rose year-over-year. *AmEx is a Focus List buy.*

■ **Progressive** (\$257; *PGR*) said both net premiums written and net premiums earned climbed 19% for the month of October. But Progressive's quarterly combined ratio deteriorated to 94.1% from 91.7%. A key profitability metric, the combined ratio divides losses and expenses by earned premiums, meaning a lower number is better. Hurricanes Helene and Milton left Progressive with \$206.5 mil-

RANK CHANGES

We're making no changes to the Buy List today. In the Top 15 Utilities portfolio, **T-Mobile US** (\$235; *TMUS*) replaces **American Electric Power** (\$97; *AEP*).

* * * * *

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 **November, the passcode for the telephone hotline is 409. For December, the passcode is 412.**

lion in losses for automobiles, boats, and recreational vehicles in October. *Progressive is a Focus List Buy.*

Top 15 Utilities change

We are adding **T-Mobile US** (\$235; *TMUS*) to the Top 15 Utilities portfolio, replacing **American Electric Power** (\$97; *AEP*).

◆ T-Mobile joins **Comcast** (\$43; *CMCSa*) as the only stocks in the Top 15 that don't operate traditional electric or natural-gas utilities. However, we see T-Mobile as a good fit for the Top 15 because of its utility-like business model, collecting monthly payments for a crucial service. The company's customer base has more than tripled over the last 12 years and continues to grow, with the customer count up 22% in the September quarter. Analysts project profit growth of 28% this year and 13% next year. *T-Mobile, also rated Buy, yields 1.5%.*

◆ American Electric has lagged most of its peers over the last month (down 3%) and three months (roughly flat). Despite those weak total returns and market expectations for profit declines in each of the next four quarters, the shares don't look cheap. Factor in subpar long-term

profit potential and below-average sector scores, and it's time to sell.

Retail

➤ For the October quarter, **Lowe's** (\$263; *LOW*) reported adjusted earnings per share of \$2.89, down 6% but \$0.08 above the consensus. Total revenue slipped 1% to \$20.17 billion. Same-store sales fell 1.1%, hurt by persistent softness for bigger-ticket items. Looking further out, Lowe's warned of the risk of higher costs if incoming President Trump implements more tariffs, adding that 40% of its cost of goods sold come from outside of the U.S. *Lowe's is rated C (below average).*

➤ **Target** (\$122; *TGT*) shares tumbled after the retailer posted disappointing October-quarter results and guidance for the current quarter. Per-share profits fell 12% to \$1.85 excluding special items, well short of the consensus of \$2.30. Total revenue rose 1%, also missing the consensus. Target expects January-quarter earnings per share of \$1.85 to \$2.45, down 18% to 38%, lagging the then-consensus of \$2.65. *We are dropping Target to B (average) on the Monitored List.*

➤ **Walmart** (\$87; *WMT*) grew October-quarter earnings per share 14% to \$0.58 excluding special items, surpassing the consensus by \$0.05. Total revenue climbed 5% to \$169.59 billion. U.S. same-store sales excluding fuel rose 5.3%, with transaction volumes up 3.1% and average ticket up 2.1%. For the second straight quarter, management raised its profit and revenue guidance for fiscal 2025 ending January. But Walmart warned that it may raise prices on some products if Trump goes through with his plan to levy more tariffs. About one-third of Walmart's products are made, grown, or assembled outside of the U.S. *Walmart is now rated A (above average) on the Monitored List.*

Technology update

■ **Qualcomm** (\$154; *QCOM*) sketched out its long-term outlook, projecting that newer end markets will drive growth over the next five years. Sales to the automotive industry are projected to reach \$8 billion by fiscal 2029 ending September, up from \$2.9 billion in fiscal 2024. Qualcomm's internet of things segment is expected to generate \$14 billion in annual sales by fiscal 2029, up from \$5.4 billion in fiscal 2024. Management views these new markets as a way for Qualcomm to overcome the looming threat of **Apple** (\$229; *AAPL*) potentially severing its supply contract as early as 2027. In the past year, smartphone semiconductors generated about 75% of Qualcomm's revenue. *Qualcomm is a Focus List Buy. Apple is rated A (above average).*

Corporate roundup

◆ The European Commission fined **Meta Platforms** (\$566; *META*) \$843 million after finding that the company's classified-advertising platform Marketplace was too-closely tied to its Facebook social network, creating an unfair advantage that hurt competition. Meta plans to appeal the fine. Separately, a U.S. judge ruled that Meta must face a lawsuit brought by the Federal Trade Commission over the company's 2012 acquisition of Instagram and 2014 purchase of WhatsApp. A trial date has yet to be set. *Meta is a Focus List Buy.*

◆ **Comcast** (\$43; *CMCSA*) announced plans to spin off its NBC-Universal cable TV networks. Cable channels — including MSNBC, CNBC, USA, Oxygen, E!, Syfy, and Golf Channel — generated about \$7 billion in revenue for the 12 months ended September, 6% of Comcast's total sales. *Comcast is rated A (above average) and is a member of our Top 15 Utilities Portfolio.*

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.

Our recommendations depend importantly on Quadrix **Overall** scores, which are percentile ranks based on scores for **Momentum** (recent operating results), **Value** (price/earnings and other valuation ratios), **Quality** (long-term growth and returns on assets, investment, and equity), **Financial Strength** (debt levels, interest coverage, and profit margins), **Earnings Estimates** (trends in analyst estimates), **Performance** (stock returns for periods of up to 12 months), and **Reversion** (long-term returns).

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 11.2% of the Buy List spread around three fixed-income funds: **Vanguard Short-Term Corporate Bond** (\$78; *VCSH*), **Fidelity Low Duration Bond Factor** (\$50; *FLDR*), **Fidelity Total Bond** (\$45; *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.

Company (Price; Ticker)	Buy List Target Weight	Div. Yield	— Quadrix Scores —			52-Week Range
			Momen- tum	Value	Quality	
Tenet Healthcare (\$152; <i>THC</i>)	3.2%	0.0%	90	85	90	96 \$171 - \$66
Hartford Fin'l (\$118; <i>HIG</i>)	3.6	1.8	88	84	85	95 123 - 77
ResMed (\$242; <i>RMD</i>)	3.2	0.9	100	43	98	94 260 - 152
EMCOR (\$516; <i>EME</i>)	3.6	0.2	100	27	100	91 525 - 209
Leidos (\$162; <i>LDOS</i>)	3.6	1.0	96	43	85	91 203 - 106
Progressive (\$257; <i>PGR</i>)	3.6	0.2	89	61	87	91 264 - 149
• Booking (\$5,016; <i>BKNG</i>)	3.6	0.7	91	29	99	90 5,069 - 3,079
Chubb (\$283; <i>CB</i>)	3.6	1.3	81	77	81	90 302 - 217
• Meta (\$566; <i>META</i>)	3.6	0.4	100	30	100	90 603 - 314
• Qualcomm (\$154; <i>QCOM</i>)	3.6	2.2	95	58	96	90 231 - 126
Amer. Express (\$288; <i>AXP</i>)	3.6	1.0	95	41	92	89 297 - 163
• Alphabet (\$176; <i>GOOGL</i>)	3.6	0.5	92	37	87	88 192 - 128
Visa (\$307; <i>V</i>)	3.2	0.8	84	26	97	84 312 - 252
Universal Health (\$198; <i>UHS</i>)	3.2	0.4	64	84	79	83 243 - 134
Fiserv (\$218; <i>FI</i>)	3.6	0.0	71	32	81	80 218 - 125
• App. Materials (\$170; <i>AMAT</i>)	3.2	0.9	95	36	99	79 256 - 145
• NetApp (\$123; <i>NTAP</i>)	3.2	1.7	91	41	81	79 135 - 77
Parker-Hannifin (\$690; <i>PH</i>)	3.2	0.9	84	18	94	78 712 - 426
• AppLovin (\$325; <i>APP</i>)	3.6	0.0	91	4	95	77 343 - 36
• Amazon.com (\$203; <i>AMZN</i>)	3.6	0.0	90	17	80	75 216 - 143
• T-Mobile US (\$235; <i>TMUS</i>)	3.2	1.5	58	39	86	70 242 - 148
NextEra Energy (\$77; <i>NEE</i>)	3.2	2.7	80	49	62	66 86 - 54
Dell Tech. (\$134; <i>DELL</i>)	3.2	1.3	74	39	66	57 180 - 68
Bank of America (\$46; <i>BAC</i>)	3.2	2.3	54	48	50	53 47 - 29
• Microsoft (\$415; <i>MSFT</i>)	3.2	0.8	46	25	99	46 468 - 363
• Broadcom (\$163; <i>AVGO</i>)	3.6	1.3	78	9	63	42 186 - 90

Fund (Price; Ticker)	Target Weight	Div. Yield	— Total Return —			Fund Score	52-Week Range
			3 Months	6 Months	12 Months		
Dodge & Cox Global (\$11; <i>DODLX</i>)	1.5%	4.2%	-2.3%	2.6%	7.6%	100	\$11-\$10
Fidelity Low Duration (\$50; <i>FLDR</i>)	4.1	5.6	1.0	3.0	6.6	88	50- 50
Fidelity Total Bond (\$45; <i>FBND</i>)	1.5	4.6	-1.4	3.5	7.6	94	47- 44
Vang. Short-Term Corp. (\$78; <i>VCSH</i>)	4.1	3.8	0.5	3.6	7.2	94	80- 76

• Nasdaq Stock Exchange. 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
\$176	\$0.80	0.5%	23	12,511	7%	\$191.75 - \$127.90

Few qualms about Alphabet's queries

This summer, **Alphabet** (\$176; GOOGL) lost its antitrust case after a U.S. judge found that the company had participated in anticompetitive behavior to “maintain its monopoly” in the U.S. search market. At press time on Nov. 20, the Justice Department had not yet revealed its final proposed remedies. According to published reports, regulators seek to force the company to either change the way it links mobile products to the Google search engine, or sell its Chrome browser or Android operating system.

We remain bullish on the stock. Alphabet is balancing massive investments to support its long-term business with robust operating growth. Infrastructure improvements to support AI are contributing to capital expenditures running at double the levels of 2021 to 2023. Additionally, the stock offers a rare blend of size, valuation, and growth prospects. Up 26% this year, Alphabet is a Focus List Buy.

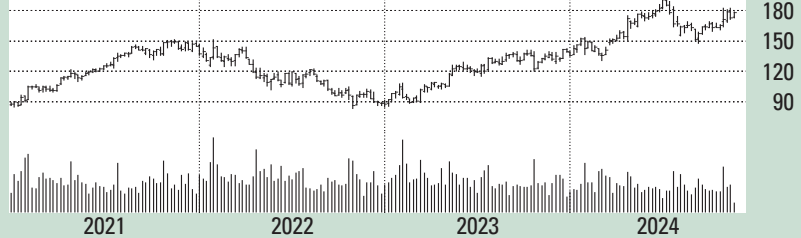
Search still growing

Alphabet, with 17 straight quarters of sales growth, increased per-share profits more than 15% in each of the past six quarters. For the 12 months ended September, Alphabet grew earnings per share 45% and revenue 14%.

In the past year, growth has been driven by Google Cloud (12% of sales for the 12 months ended September), with sales up 30%. Google search remains Alphabet's largest business by far (55% of revenue for the 12 months ended September), with sales up 7%.

ALPHABET

Chart by MetaStock



Quarter	Per-Share Earnings*	Sales Change	Quarterly Price Range	P/E Ratio Range	Quadrix Scores †
Sep '24	\$2.12 vs \$1.55	15%	\$191.75 - \$147.22	28 - 21	Overall 88
Jun '24	1.89 vs 1.44	14	186.05 - 149.60	29 - 23	Momentum 92
Mar '24	1.89 vs 1.17	15	153.78 - 130.67	27 - 23	Value 37
Dec '23	1.64 vs 1.05	13	142.68 - 120.21	27 - 23	Quality 87

Year (Dec.)	Sales (Bil.)	Per-Share Earnings*	Per-Share Dividend	52-Week Price Range	P/E Ratio Range	Fin'l Strength 97
2023	\$307.4	\$5.80	\$0.00	\$142.68 - \$84.86	25 - 15	Earnings Ests. 88
2022	282.8	4.56	0.00	151.55 - 83.34	33 - 18	Performance 62
2021	257.6	5.61	0.00	150.97 - 84.81	27 - 15	Reversion 14
2020	182.5	2.93	0.00	92.19 - 50.44	31 - 17	

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

YouTube advertising (10%) sales also rose 7%. Rounding out Alphabet's businesses are miscellaneous Google services (22%) and other bets (1%).

AI has been viewed as a threat to Alphabet's dominant position in the search market. Sure enough, Google's slice of the search market has slipped to 89.3% from 91.6% over the past 12 months, largely due to share gains by **Microsoft's** (\$415; MSFT) Bing. But management says AI has actually boosted its search business by expanding the ways users create queries for online data.

New AI search features also support stronger ad growth. For its cloud unit, Alphabet's AI tools are driving higher usage with existing customers and attracting new customers, lead-

ing to larger contracts.

Conclusion

Analyst estimates jumped after Alphabet's September-quarter report, continuing their upward trend over the past few months. For the December quarter, the consensus calls for per-share profits to climb 29% on 12% higher sales. Looking ahead to 2025, both per-share profits and revenue are projected to rise 12%.

Alphabet shares appear cheap at 20 times estimated 2025 earnings. Just two other stocks in the S&P 500 Index with market values above \$250 billion are expected to deliver double-digit profit growth next year and trade below 20 times estimated earnings.

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

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