BROKERAGESELECT NEWSLETTER

Taxes

If you want to set up an Individual 401K as a sole employee of your business, you need to set up the plan by December 31. You have until you file your taxes to fund it..

Roth IRA For Kids

If your child has earned income, a Roth IRA is a great way to help them start a nest-egg. It doesn't apply only to minors. If your child is working and can qualify for a Roth IRA, you can fund the account for them. With tax-exempt growth and tax-exempt withdrawals, it's a great way to save.

Gift Card Donations

As the season of gift-giving and receiving begins, keep in mind that charities will accept the small balances that remain on cash gift cards. You don't have to throw them away. You can donate what's left.

Perspectives

With over 90% of companies in the S&P500 reporting their 3rd quarter earnings, US corporate profits seem strong. According to FactSet, about 80% reported better than expected earnings per share and about 75% posted revenues that beat estimates. For the S&P500 as a whole, earnings grew 39% as compared to the 3rd quarter of 2020. While this is the 3rd largest earnings growth rate since 2010, the number appears large as a result of a recovery from a COVID impaired 2020. The stock market has responded to the earnings bounce off of depressed 2020 levels. The S&P500 is up just over 26%. Even with the strong earnings surge, the S&P500 trades at a lofty forward 12-month P/E of 21. The 5-year average forward price-to-earnings ratio for the index is 18.4. When valuations are well-above average, investors need to be careful. There is much less of a margin of safety and disappointments can lead to significant price declines. Of course earnings reports are backward looking. The stock market looks ahead. The sectors where FactSet is reporting the greatest increases in earnings estimates since September 30 are financial stocks followed by healthcare. Overall, analysts expect year-over-year profit growth to moderate from the 39% rate in the 3rd quarter to about 21% in the 4th quarter. This is still solid growth. Not surprisingly the year-over-year growth comparisons are expected to continue to slow as the 2021 economy was better than in 2020. At present, analysts are calling for profit growth estimates in 1Q22 of 6%. Interesting to note, analysts see revenue growth for S&P500 companies slowing at a much lesser rate than profits. The reason is inflation cost pressures. Of the companies reporting 3rd quarter figures, 285 mentioned "inflation". As we head into 2022, the big question for investors will be how can the market sustain a 20+ P/E in the face of slowing growth comparisons and inflation pressures which dampen profit margins and may cause the Fed to raise interest rates? I suggest that there are two ways the market can continue to support the current valuation. One would be that growth moderates less than estimated. This could happen if COVID subsides and/or

"Most of what I want this year is listed on the Nasdaq."

Something Else

Rowley Leigh's Beet Salad for 6

2 lbs of beets
3 tsp cider or white wine vinegar
1 red chili
2 large shallots
12 anchovy fillets
12 mint leaves
Sea salt & olive oil

Wash the beets and cut the leaves and stalks from the base. Steam the beets for 1-2 hrs until tender. When cool, rub skins off. Slice the beets, sprinkle with sea salt and vinegar and leave to macerate. Steam the leaves and shoots until wilted. Add sea salt and olive oil. Remove chili seeds. Slice chili and shallots. Add anchovies and mint.

BrokerageSelect is a boutique securities broker-dealer that sets itself apart by providing expert knowledge and dedicated service to our clients.

BrokerageSelect
364 West 117th Street Suite 5A
New York, NY 10026
877-301-1550 (v)

www.BrokerageSelect.com

becomes more manageable through greater vaccination and the development of therapeutics. An increase in productivity would help the profit picture, as well. This could happen as corporations reap the benefits of "work anywhere" technology. The other way to maintain the market's P/E would be for inflation to moderate which would help margins and keep the Fed from raising rates too much. For this to happen, supply bottlenecks would need to be resolved and some increase in the supply of key commodities like oil. It's not impossible to see valuations maintained in 2022 but it is unlikely to be an easy accomplishment. Investors need careful stock selection to find companies that can maintain profit margins and growth.

Out Of The Box

Growth appears to be the driver that investors are fixated on. As a value investor at heart, this reality is not always comfortable. Growth has a tantamount requirement which is more growth. Without more, the stocks can not maintain their valuations. It seemed odd at first when PayPal, a financial payments firm, was rumored to be buying Pinterest, a consumer discovery site. Where do the two fit? PayPal is a platform and a platform needs users. Pinterest has over 400 million active users. If PayPal can get those on Pinterest to use its services, it unlocks a pool of growth. After its stock declined on the rumor, PayPal did not go forward with a buyout offer. I'm not sure we've heard the last of this story. Large mega-cap companies need to expand in ways that "move the needle" to keep growing in a way that satisfies investors. This means these super-big companies need to move into large industries and/or find large pools of users. There is revived talk of Apple getting into the auto industry. I think it is likely we will see mega-cap e-commerce/internet/tech companies move into big areas like education and healthcare. M&A in 2022 may look very different.

We wish all of you a happy and healthy holiday season filled with joy, friendship, love and peace.
