

# Intrinsic Value Weekly®

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The jump of Midcap sectors into the black this week underlines the importance of tracking the valuation of sectors frequently; weekly for instance. The volatility of prices since Labor Day is truly breathtaking. Some areas of undervaluation still exist though and one ought to look carefully at Large Consumer Cyclical, Utilities and Transports. In the Midcap area, Consumer cyclical, Health, Capital Goods and Utilities offer excellent value. In Small Cap areas, Energy, Financial, Capital Goods and Communications are still depressed. Notable is the lack of any opportunity now in Technology areas.

Our next full revaluation of sectors will appear in next week's issue. Meanwhile page 3 highlights the underlying value drivers in the Large Consumer Cyclical component stocks.

## ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF JUNE, 1998

<u>SECTORS</u>	<u>S&amp;P 500</u>	<u>S&amp;P MIDCAP</u>	<u>S&amp;P SMALL CAP</u>
BASIC INDUSTRY	16.6%	(7.5%)	(2.8%)
CONSUMER CYCLICALS	(7.9%)	(24.5%)	4.7%
CONSUMER STAPLES	58.4%	(9.4%)	11.4%
HEALTH	7.4%	(20.4%)	(1.9%)
ENERGY	0.3%	2.0%	(14.6%)
FINANCIAL	1.8%	2.2%	(17.2%)
CAPITAL GOODS	17.1%	(11.8%)	(15.2%)
TECHNOLOGY	31.4%	2.1%	(4.5%)
COMMUNICATIONS	17.4%	3.9%	(25.6%)
UTILITY	(5.2%)	(19.8%)	(3.6%)
TRANSPORTATION	(5.0%)	11.3%	(2.6%)

Black - Overvalued

Red - (Undervalued)

## WEEKLY PRICE CHANGE

<u>SECTORS</u>	<u>S&amp;P 500</u>	<u>S&amp;P MIDCAP</u>	<u>S&amp;P SMALL CAP</u>
prices as of 11/06/98			
BASIC INDUSTRY	5.08%	4.47%	2.83%
CONSUMER CYCLICALS	4.97%	7.90%	6.89%
CONSUMER STAPLES	4.25%	5.52%	6.47%
HEALTH	0.82%	1.24%	3.19%
ENERGY	1.65%	2.70%	4.26%
FINANCIAL	4.77%	5.45%	5.08%
CAPITAL GOODS	3.81%	2.60%	5.40%
TECHNOLOGY	0.65%	8.22%	7.36%
COMMUNICATIONS	2.81%	1.47%	19.77% *
UTILITY	1.98%	2.73%	2.35%
TRANSPORTATION	5.80%	10.67%	2.77%

\* Sector contains only 2 companies

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## Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol Name		Price	Intrinsic	+/- %	Q Ratio
		11/6/98	Value		
ALD	AlliedSignal Inc.	\$ 42.500	\$48.89	(13.1%)	1.96
CTL	Century Telephone Enterprises, Inc.	\$ 56.750	\$54.16	4.8%	1.83
DAL	Delta Air Lines, Inc.	\$107.000	\$148.87	(28.1%)	0.98
G	Gillette Company	\$ 47.500	\$48.20	(1.4%)	5.63
INTC	Intel Corporation	\$ 95.438	\$100.81	(5.3%)	6.60
NUE	Nucor Corporation	\$ 47.750	\$68.82	(30.6%)	1.67
PNM	Public Service Company of New Mexico	\$ 22.875	\$28.66	(20.2%)	0.82
SLB	Schlumberger Limited	\$ 56.938	\$55.18	3.2%	2.60
WEN	Wendy's International	\$ 21.000	\$25.43	(17.4%)	1.50

### Value Drivers

### Standard Market Statistics

	Sales		Leverage		Yield	PE	PB	PS
	Growth	EBIT	ROC	at Market				
	12M	Margin %						
ALD	7.9%	11.4%	11.8%	19.3%	1.4%	16.93	4.96	1.45
CTL	74.6%	29.7%	9.1%	33.9%	0.5%	18.83	4.01	3.56
DAL	4.9%	12.0%	14.2%	61.6%	0.2%	7.42	1.98	0.55
G	2.4%	23.1%	20.2%	6.6%	1.1%	45.52	9.77	5.02
INTC	0.7%	39.4%	33.5%	0.6%	0.1%	25.70	6.81	5.79
NUE	6.0%	11.0%	21.1%	5.5%	1.0%	14.29	2.12	0.92
PNM	20.3%	14.3%	7.0%	49.1%	3.5%	12.19	1.15	0.73
SLB	9.6%	15.5%	14.6%	12.1%	1.3%	24.88	3.91	2.18
WEN	-1.5%	14.9%	11.9%	29.4%	1.1%	25.00	2.05	1.39

### Notes on Intrinsic Value Portfolio

Two of the Intrinsic Value Portfolio are now slightly over-valued. Not to worry; the Intrinsic Values above are estimates, not precision targets. And these numbers are prone to vary over time as the current assessment of each business is put into current context. Nevertheless, substantially all the portfolio has outperformed the S&P 500 this, year: by approximately 360 basis points year-to-date.

- The rapid return of market prices to near-mid-summer levels has exposed the fault lines of overvaluation in several large stocks. We expect to publish Intrinsic Value Reports this month on several low revenue growth, high priced popular stocks.

# Intrinsic Value Weekly

Consumer Cyclicals - S&P 500 Index

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Company Name	Ticker	Last 12		ROE	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
		Market Value - Equity	Mo. Sales Gr. %							
AMERICAN GREETINGS -CL A	AM	\$ 2,775.8	-0.4%	14.13	8.59	16.78	2.22	12.01	8.21	1.81%
ARMSTRONG WORLD INDS INC	ACK	\$ 2,693.5	11.3%	0.11	22.8	14.6	12.7	3.3	15.77	2.85%
AUTOZONE INC	AZO	\$ 4,352.9	20.5%	0.20	18.1	8.3	19.0	4.0	15.74	0.00%
BLACK & DECKER CORP	BDK	\$ 5,112.6	-1.5%	-0.01	12.7	8.1	-6.8	2.9	8.40	0.87%
BLOCK H & R INC	HRB	\$ 4,599.5	20.6%	0.21	13.0	15.7	26.8	3.6	9.90	2.19%
BRUNSWICK CORP	BC	\$ 2,068.2	10.7%	0.11	11.5	7.6	11.6	1.6	11.99	2.40%
CENDANT CORP	CD	\$ 11,762.2	@SF	@SF	1.7	23.9	24.2	2.9	14.63	0.00%
CENTEX CORP	CTX	\$ 2,373.4	19.5%	0.20	14.6	8.1	12.7	2.4	14.45	0.40%
CHRYSLER CORP	C	\$ 32,452.1	11.3%	0.11	24.7	3.3	9.1	2.9	4.19	3.19%
CIRCUIT CITY STR CRCT CTY GP	CC	\$ 3,655.9	13.6%	0.14	6.8	4.3	30.9	2.2	8.70	0.38%
CONSOLIDATED STORES CORP	CNS	\$ 2,182.9	22.2%	0.22	8.3	7.5	24.0	2.1	15.01	0.00%
COOPER TIRE & RUBBER	CTB	\$ 1,389.2	7.4%	0.07	14.7	7.5	11.4	1.7	9.93	2.12%
COSTCO COMPANIES INC	COST	\$ 13,421.6	11.0%	0.11	12.6	2.1	30.5	5.4	10.48	0.00%
DANA CORP	DCN	\$ 7,297.4	17.2%	0.17	21.7	7.1	13.8	2.7	8.81	2.62%
DAYTON HUDSON CORP	DH	\$ 19,687.5	10.1%	0.10	18.6	4.3	23.1	4.7	11.29	0.80%
DILLARDS INC -CL A	DDS	\$ 3,469.5	6.9%	0.07	9.2	6.0	13.8	1.3	8.12	0.47%
DOLLAR GENERAL	DG	\$ 5,746.8	28.5%	0.29	24.2	7.8	30.2	8.2	21.79	0.47%
DOW JONES & CO INC	DJ	\$ 3,573.8	-7.8%	-0.08	-102.7	4.2	-5.4	6.1	4.72	1.94%
DUN & BRADSTREET CORP	DNB	\$ 4,940.1	-5.9%	-0.06	-44.7	14.4	21.1	-10.3	12.79	2.50%
FEDERATED DEPT STORES	FD	\$ 8,171.0	1.8%	0.02	10.9	7.3	12.9	1.6	10.86	0.00%
FLEETWOOD ENTERPRISES	FLE	\$ 1,328.8	10.9%	0.11	28.9	5.5	10.7	2.9	24.41	2.11%
FORD MOTOR CO	F	\$ 61,444.0	-4.0%	-0.04	22.3	10.6	2.9	2.2	6.61	3.41%
FRUIT OF THE LOOM INC -CL A	FTL	\$ 1,162.2	-8.1%	-0.08	-91.3	2.0	-5.0	3.0	1.71	0.00%
GANNETT CO	GCI	\$ 18,712.1	9.6%	0.10	20.5	16.8	19.2	5.4	13.20	1.22%
GAP INC	GPS	\$ 25,931.6	34.3%	0.34	33.7	13.1	40.4	16.7	39.17	0.30%
GENERAL MOTORS CORP	GM	\$ 43,885.4	-5.4%	-0.05	37.7	6.2	16.7	3.1	4.91	2.98%
GENUINE PARTS CO	GPC	\$ 5,874.4	7.9%	0.08	18.4	6.4	16.8	3.2	14.74	3.04%
GOODYEAR TIRE & RUBBER CO	GT	\$ 8,720.2	-2.8%	-0.03	16.5	7.5	14.7	2.6	10.18	2.15%
HARCOURT GENERAL INC	H	\$ 2,543.1	14.6%	0.15	-13.7	1.7	40.9	4.2	4.11	1.60%
HARRAHS ENTERTAINMENT INC	HET	\$ 1,737.7	17.7%	0.18	14.6	10.3	14.6	2.4	8.81	0.00%
HASBRO INC	HAS	\$ 4,735.2	-0.9%	-0.01	7.3	7.4	51.4	2.6	11.30	0.89%
HILTON HOTELS CORP	HLT	\$ 5,276.9	9.3%	0.09	7.0	9.4	20.5	1.5	7.09	1.58%
HOME DEPOT INC	HD	\$ 66,449.5	23.2%	0.23	16.3	5.9	49.1	9.3	11.79	0.27%
IMS HEALTH INC	RX	\$ 11,249.5	-10.5%	-0.10	39.0	26.5	54.0	13.6	32.01	0.18%
INTERPUBLIC GROUP OF COS	IPG	\$ 8,775.4	19.5%	0.20	21.6	8.7	28.9	7.6	10.03	0.93%
ITT INDUSTRIES INC	IIN	\$ 4,345.5	-12.3%	-0.12	13.8	5.2	30.1	5.3	11.09	1.64%
JOSTENS INC	JOS	\$ 860.9	-7.9%	-0.08	45.0	12.8	15.6	7.1	52.39	3.76%
K MART CORP	KM	\$ 7,861.1	2.2%	0.02	4.6	3.2	23.4	1.4	6.10	0.00%
KAUFMAN & BROAD HOME	KBH	\$ 1,227.0	29.5%	0.30	15.2	7.1	15.1	3.1	11.45	0.98%
KNIGHT-RIDDER INC	KRI	\$ 4,315.8	14.8%	0.15	25.6	6.9	14.1	2.9	6.12	1.46%
KOHL'S CORP	KSS	\$ 7,316.2	25.1%	0.25	14.8	6.9	44.5	7.6	12.38	0.00%
LAIDLAW INC	LDW	\$ 3,115.9	21.8%	0.22	1.6	14.0	9.0	1.1	8.21	1.92%
LIMITED INC	LTD	\$ 6,337.7	7.0%	0.07	10.6	5.7	3.7	3.7	6.94	1.87%
LIZ CLAIBORNE INC	LIZ	\$ 2,187.6	6.7%	0.07	20.0	11.5	11.9	2.4	27.30	1.35%
LOWES COS	LOW	\$ 13,109.5	19.2%	0.19	13.7	4.3	31.1	5.0	10.41	0.32%
MARRIOTT INTL INC	MAR	\$ 7,101.2	6.3%	0.06	22.9	4.4	19.3	5.0	11.12	0.68%

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		Market Value - Equity	Mo. Sales Gr. %							
MASCO CORP	MAS	\$ 10,417.4	17.2%	0.17	17.2	17.5	22.6	4.5	16.01	1.44%
MATTEL INC	MAT	\$ 11,431.9	4.3%	0.04	15.3	14.5	24.9	6.6	24.02	0.82%
MAY DEPARTMENT STORES CO	MAY	\$ 13,946.9	4.7%	0.05	20.0	9.0	17.7	3.7	12.98	2.11%
MAYTAG CORP	MYG	\$ 4,744.7	24.9%	0.25	29.8	6.8	17.9	8.0	9.38	1.39%
MCGRAW-HILL COMPANIES	MHP	\$ 8,837.7	6.6%	0.07	20.3	5.2	26.3	6.1	6.24	1.75%
MEREDITH CORP	MDP	\$ 1,607.4	15.6%	0.16	22.8	15.6	24.7	5.4	25.00	0.72%
MEYER (FRED) INC	FMY	\$ 8,265.4	122.8%	1.23	7.6	4.6	214.0	3.5	7.14	0.00%
MIRAGE RESORTS INC	MIR	\$ 3,212.8	-0.5%	-0.01	13.9	23.2	17.7	2.1	12.53	0.00%
NEW YORK TIMES CO -CL A	NYT	\$ 5,848.6	3.7%	0.04	15.2	10.9	21.1	3.5	10.52	1.23%
NIKE INC -CL B	NKE	\$ 8,506.8	-3.9%	-0.04	12.3	5.3	42.6	4.0	10.94	1.04%
NORDSTROM INC	NOBE	\$ 4,470.0	8.8%	0.09	12.6	4.4	23.6	3.2	8.65	1.04%
OMNICOM GROUP	OMC	\$ 8,846.6	27.1%	0.27	25.7	10.1	32.2	9.8	16.01	0.96%
OWENS CORNING	OWC	\$ 2,096.7	20.8%	0.21	-14.1	7.5	21.0	-4.7	7.34	0.77%
PENNEY (J C) CO	JCP	\$ 12,317.5	12.9%	0.13	7.6	7.2	24.4	1.8	9.58	4.49%
PEP BOYS-MANNY MOE & JACK	PBY	\$ 1,008.8	15.1%	0.15	6.0	5.5	40.5	1.2	5.98	1.64%
PULTE CORP	PHM	\$ 1,226.1	16.1%	0.16	6.1	4.9	15.4	1.5	8.65	0.56%
REEBOK INTERNATIONAL LTD	RBK	\$ 1,012.5	-5.2%	-0.05	26.6	4.1	32.0	2.0	9.46	0.00%
RUSSELL CORP	RML	\$ 821.7	-1.5%	-0.02	8.2	5.0	141.8	1.2	5.12	2.47%
SEARS ROEBUCK & CO	S	\$ 18,563.7	4.9%	0.05	20.3	6.2	17.3	3.2	7.90	1.94%
SERVICE CORP INTERNATIONAL	SRV	\$ 9,647.3	10.7%	0.11	13.7	17.8	25.5	3.5	4.43	0.96%
SHERWIN-WILLIAMS CO	SHW	\$ 4,549.4	3.5%	0.04	16.4	8.6	16.8	2.9	13.19	1.71%
SNAP-ON INC	SNA	\$ 2,039.5	12.2%	0.12	16.9	10.8	86.3	2.3	12.27	2.55%
SPRINGS INDUSTRIES -CL A	SMI	\$ 444.2	2.6%	0.03	8.6	5.4	19.2	1.0	8.68	3.35%
STANLEY WORKS	SWK	\$ 2,790.8	3.6%	0.04	-6.9	10.1	20.3	4.6	15.90	2.74%
STAPLES INC	SPLS	\$ 9,784.7	29.2%	0.29	13.5	5.5	56.8	8.9	10.61	0.00%
TANDY CORP	TAN	\$ 4,836.5	-7.5%	-0.08	18.2	6.5	48.2	4.9	12.78	0.83%
TIMES MIRROR COMPANY -SER A	TMC	\$ 3,599.2	1.3%	0.01	144.1	10.0	43.2	32.3	24.02	1.19%
TJX COMPANIES INC	TJX	\$ 6,725.0	12.2%	0.12	27.0	4.8	18.6	6.3	9.23	0.56%
TOYS R US INC	TOY	\$ 5,389.8	6.9%	0.07	11.1	7.4	12.8	1.3	8.62	0.00%
TRIBUNE CO	TRB	\$ 7,461.8	11.8%	0.12	22.0	12.0	18.9	4.4	8.87	1.11%
TRW INC	TRW	\$ 6,736.0	12.1%	0.12	-3.1	7.3	-144.2	3.9	16.47	2.20%
VENATOR GROUP INC	Z	\$ 1,389.1	-5.3%	-0.05	16.8	5.7	9.1	1.1	5.54	0.00%
VF CORP	VFC	\$ 5,944.5	2.1%	0.02	18.5	7.7	16.0	3.2	13.65	1.63%
WAL-MART STORES	WMT	\$ 160,939.1	15.6%	0.16	19.1	2.7	40.8	8.7	9.14	0.43%
WHIRLPOOL CORP	WHR	\$ 4,379.1	22.7%	0.23	-2.6	5.3	15.7	2.4	7.07	2.36%