

Intrinsic Value Weekly

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We have updated the composition of the Economic Sectors this week, with some changes. Large Basic Industry is now fairly valued. Large Consumer Staples are still over-priced. Large Financial is fairly priced. Large Utilities are less under-priced. And Large Transports are under-priced.

The movement of America OnLine to Large Cap Technology on Jan 1st boosted the relative value of MidCap Tech's, but they're still over-priced.

Small Cap Basics are much more attractive, as are Small Health, Energy, Finance and Transports.

While the structural flaws in the Brazilian monetary system have been exposed this past week, unless others are encouraged to follow their example, we doubt any lasting effect will show up in the pricing of the world's equities. Dumber things have happened though.

This week we suggest looking at the data on Large Cap Transports, a group which is now under-priced and holding a few companies which offer rising returns and low expectations.

ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF September, 1998

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	0.7%	(20.7%)	(24.7%)
CONSUMER CYCLICALS	(1.9%)	(17.5%)	11.7%
CONSUMER STAPLES	26.4%	(0.8%)	(9.9%)
HEALTH	(0.6%)	(12.3%)	(21.7%)
ENERGY	(6.7%)	(27.0%)	(37.8%)
FINANCIAL	(1.4%)	(2.0%)	(16.2%)
CAPITAL GOODS	18.6%	(9.7%)	(9.9%)
TECHNOLOGY	29.5%	10.4%	6.1%
COMMUNICATIONS	17.8%	(8.8%)	(12.8%)
UTILITY	(17.8%)	(28.6%)	(8.1%)
TRANSPORTATION	(18.8%)	17.4%	(15.3%)
Weighted Total:	11.6%	(8.7%)	(6.6%)

Black - Overvalued

Red - (Undervalued)

YEAR-TO-DATE PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 1/15/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.2%	2.6%	5.7%	(3.0%)	4.4%	(2.1%)
CONSUMER CYCLICALS	9.2%	(0.4%)	16.5%	(1.7%)	19.3%	(2.1%)
CONSUMER STAPLES	14.8%	(0.6%)	8.9%	(5.1%)	9.2%	(7.5%)
HEALTH	11.6%	(4.3%)	10.0%	(4.0%)	10.6%	(3.2%)
ENERGY	5.5%	(2.4%)	3.3%	0.9%	2.4%	(4.1%)
FINANCIAL	14.2%	1.7%	13.3%	(3.2%)	16.1%	1.5%
CAPITAL GOODS	8.0%	(0.4%)	9.3%	(3.3%)	12.5%	0.7%
TECHNOLOGY	20.9%	7.2%	17.8%	2.9%	17.5%	3.7%
COMMUNICATIONS	8.6%	2.9%	1.8%	(14.1%)	0.3%	(11.5%) *
UTILITY	3.0%	(2.7%)	11.6%	(5.0%)	4.5%	(4.6%)
TRANSPORTATION	0.8%	(0.7%)	1.8%	(3.3%)	3.2%	(0.3%)

* Sector contains only 2 companies

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 1/15/99	Intrinsic Value	+/- %	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 42.563	\$48.89	(13%)	2.2	(3.7%)
CTL	Century Telephone Ent.	\$ 64.250	\$62.64	3%	2.1	(6.2%)
DAL	Delta Air Lines, Inc.	\$ 56.000	\$74.44	(25%)	1.0	(6.3%)
G	Gillette Company	\$ 52.500	\$48.20	9%	5.9	14.4%
HD	Home Depot	\$ 54.875	\$54.30	1%	7.4	(5.6%)
INTC	Intel Corporation	\$135.375	\$112.11	21%	8.6	4.4%
LOW	Lowe's Companies	\$ 50.625	\$43.76	16%	4.3	(7.4%)
NYT	New York Times Co.	\$ 33.375	\$47.61	(30%)	2.4	(7.0%)
NUE	Nucor Corporation	\$ 47.000	\$68.82	(32%)	1.6	(5.6%)
PNM	Public Service Co. of NM	\$ 19.750	\$28.66	(31%)	0.8	(2.2%)
SLB	Schlumberger Limited	\$ 49.375	\$55.18	(11%)	2.5	(5.2%)
WEN	Wendy's International	\$ 22.938	\$30.05	(24%)	1.7	0.0%
Average:						(2.5%)

Value Drivers

Standard Market Statistics

	Sales				Standard Market Statistics			
	Growth Last 12M	EBIT Margin %	ROC	Leverage at Market	Yield	PE	PB	PS
ALD	7.9%	11.4%	11.8%	19.3%	1.4%	19.3	5.6	1.7
CTL	74.6%	29.7%	9.1%	31.3%	0.4%	22.4	4.8	4.2
DAL	4.9%	12.0%	14.2%	61.6%	0.2%	7.3	1.9	0.5
G	-0.3%	23.1%	20.2%	6.1%	1.0%	48.3	10.4	5.3
HD	22.7%	8.3%	11.8%	6.5%	0.2%	60.0	12.6	3.1
INTC	4.8%	39.4%	33.5%	0.4%	0.1%	32.6	9.0	7.4
LOW	19.9%	6.2%	10.4%	9.4%	0.2%	40.1	6.9	1.5
NYT	3.7%	16.5%	10.5%	16.8%	1.1%	23.6	3.9	2.3
NUE	6.0%	11.0%	21.1%	5.6%	1.0%	13.6	2.0	0.9
PNM	15.4%	14.3%	7.0%	52.1%	4.1%	10.3	1.1	0.7
SLB	9.6%	15.5%	14.6%	12.7%	1.5%	22.0	3.4	1.9
WEN	-1.5%	14.9%	11.9%	25.5%	1.0%	26.0	2.1	1.4

Notes on Intrinsic Value Portfolio

With the exception of Intel and Gillette, the Intrinsic Value Portfolio underperformed the S&P 500 last week. In fact, as a whole, it matched the index. We have added two old names this week, Home Depot and Lowe's Cos., to update their relative values. **Home Depot**, underpriced last February, is now **fairly priced** and we are neutral on it. **Lowe's**, a stellar performer last year, is now significantly over-priced. Lowe's has exceeded analysts' expectations in the past 12 months and may exceed our forecast too. We'd be **cautious** about Lowe's though. We've also re-run the **Wendy's** valuation and found it to be higher than previously thought, mostly because of stock repurchases.

Our newest addition is the **New York Times Company**. Our very modest forecast puts the intrinsic value at \$46+ versus the current \$33.375; a **very attractive pricing gap**. We expect NYT to achieve revenue growth of around 5% through increasing national penetration. Further, the company's attention to conserving capital and repurchasing stock will help greatly.

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Transportation - S&P 500 Index

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Company Name	Ticker	Market Value - Equity	Last 12MM Sales Growth	ROE	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
AMR CORP/DE	AMR	\$ 11,724.3	7.0%	15.8	10.5	7.6	1.7	0.0	7.8	0.00%
BRLNGTN NTHRN SANTA FE	BNI	\$ 15,509.7	6.7%	13.0	22.7	15.0	2.4	8.5	8.3	1.45%
CSX CORP	CSX	\$ 8,922.2	-4.6%	13.9	14.8	13.8	1.6	7.5	7.4	2.94%
DELTA AIR LINES INC	DAL	\$ 8,037.3	4.9%	24.6	17.7	7.3	1.9	3.8	14.2	0.18%
FDX CORP	FDX	\$ 11,674.1	6.9%	12.6	7.0	25.5	3.3	8.7	8.7	0.00%
NORFOLK SOUTHERN CORP	NSC	\$ 10,906.9	1.6%	12.8	25.4	17.4	2.2	10.6	8.0	2.78%
RYDER SYSTEM INC	R	\$ 1,911.3	5.2%	15.1	8.8	11.4	1.8	2.4	6.9	2.27%
SOUTHWEST AIRLINES	LUV	\$ 8,871.5	11.4%	15.8	14.6	18.3	3.7	12.1	10.3	0.11%
UNION PACIFIC CORP	UNP	\$ 11,688.6	-9.1%	5.3	10.9	(32.2)	1.4	16.6	3.9	1.69%
US AIRWAYS GROUP INC	U	\$ 4,900.5	2.0%	132.6	14.0	5.4	6.6	3.7	9.2	0.00%