

Intrinsic Value Weekly

Volume 2, No. 2

Published Weekly by Intrinsic Value Associates, LLC

January 11, 1999

Large Capitalization Stocks now look close to dangerously over-priced. Most Mid Cap and many Small Cap sectors offer more margin of valuation safety. But if a correction should set in in coming weeks, we doubt much short-term protection would be offered there. Valuation has much more to do with longer-term expected return than short-term fluctuation. So if you have to be in stocks, you ought to find higher long-term returns in Large Cap Energy or Utility shares the undervalued sectors in the smaller markets.

The danger signals now being shown in this market are not only the speculative fever for anything Internet, but also the decline in the US bond market and the value of the US dollar. One factor mitigating these warnings is the continued stability of the dollar gold price. Nevertheless, rising yields and falling currency have often been a precursor to stock market problems.

Our Sector Data on Page 3 this week looks at Mid Cap Basic Industry stocks. With renewed vigor in the manufacturing sector, the "Alcoa" effect could be most pronounced in under-priced Mid Caps.

ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF September, 1998

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	17.5%	(11.6%)	(2.4%)
CONSUMER CYCLICALS	2.7%	(14.9%)	13.2%
CONSUMER STAPLES	17.7%	(9.7%)	17.6%
HEALTH	6.3%	(17.6%)	2.7%
ENERGY	(1.5%)	(16.4%)	(31.3%)
FINANCIAL	7.8%	4.4%	(17.0%)
CAPITAL GOODS	21.9%	(6.2%)	(8.8%)
TECHNOLOGY	31.9%	35.6%	12.8%
COMMUNICATIONS	30.8%	(4.0%)	(0.9%)
UTILITY	(3.8%)	(23.4%)	(1.3%)
TRANSPORTATION	3.1%	21.9%	7.3%
Weighted Total:	15.8%	0.6%	2.1%

Black - Overvalued

Red - (Undervalued)

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 1/8/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.3%	7.3%	5.4%	(0.3%)	5.5%	0.2%
CONSUMER CYCLICALS	9.0%	3.1%	14.6%	0.5%	19.5%	(0.9%)
CONSUMER STAPLES	14.7%	0.9%	8.3%	(1.4%)	9.3%	(4.0%)
HEALTH	11.8%	(1.2%)	8.8%	(4.7%)	10.4%	(4.0%)
ENERGY	6.3%	2.2%	3.3%	9.1%	2.6%	5.0%
FINANCIAL	14.7%	6.2%	13.2%	0.0%	15.7%	2.6%
CAPITAL GOODS	7.9%	1.3%	9.4%	(1.7%)	12.2%	1.6%
TECHNOLOGY	19.6%	7.2%	23.9%	(0.5%)	16.4%	4.2%
COMMUNICATIONS	8.6%	3.3%	1.7%	(11.9%)	0.3%	(2.8%) *
UTILITY	3.0%	(0.6%)	10.8%	(3.2%)	4.6%	(2.4%)
TRANSPORTATION	0.9%	7.0%	1.7%	0.5%	3.3%	3.3%

* Sector contains only 2 companies

Intrinsic Value Weekly

Page 2

Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol Name	Price 1/8/99	Intrinsic Value	+/- %	Q Ratio	Weekly Price Change
ALD AlliedSignal Inc.	\$ 44.188	\$48.89	(10%)	2.2	(0.3%)
CTL Century Telephone Ent.	\$ 68.500	\$62.64	9%	2.1	1.5%
DAL Delta Air Lines, Inc.	\$ 59.750	\$74.44	(20%)	1.0	14.9%
G Gillette Company	\$ 45.875	\$48.20	(5%)	5.9	(4.1%)
INTC Intel Corporation	\$129.688	\$112.11	16%	8.6	9.4%
NUE Nucor Corporation	\$ 49.813	\$68.82	(28%)	1.6	15.2%
PNM Public Service Co. of NM	\$ 20.188	\$28.66	(30%)	0.8	(1.2%)
SLB Schlumberger Limited	\$ 52.063	\$55.18	(6%)	2.5	12.3%
WEN Wendy's International	\$ 22.938	\$25.43	(10%)	1.7	5.2%
Average:					5.9%

Value Drivers

Standard Market Statistics

	Sales Growth 12M	EBIT Margin %	Leverage at ROC Market	Yield	PE	PB	PS	
ALD	7.9%	11.4%	11.8%	18.7%	1.4%	19.3	5.6	1.7
CTL	74.6%	29.7%	9.1%	30.0%	0.4%	22.4	4.8	4.2
DAL	4.9%	12.0%	14.2%	60.2%	0.2%	7.3	1.9	0.5
G	-0.3%	23.1%	20.2%	6.9%	1.1%	48.3	10.4	5.3
INTC	0.7%	39.4%	33.5%	0.5%	0.1%	34.2	9.0	7.7
NUE	6.0%	11.0%	21.1%	5.3%	1.0%	13.6	2.0	0.9
PNM	15.4%	14.3%	7.0%	51.6%	4.0%	10.3	1.1	0.7
SLB	9.6%	15.5%	14.6%	12.1%	1.4%	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

The Large Cap stocks rocketed ahead last week and the Large Cap Intrinsic Value Stocks except Gillette and AlliedSignal rose spectacularly. For now, until the bulk of stocks get over-priced, or until gold prices begin following bonds and the dollar in signalling higher cost of capital, investors in the under-priced of these names should sit still and not panic. The increased valuation risk is now something to be very concerned about, though.

On Page 3.

Our industry highlight this week is usually associated with rapid economic growth. So last week's enthusiasm for Alcoa and other basics suggests a rotation in sectoral profit trend. Investors ought to concentrate on favorable valuation as well as improving profit momentum, so we suggest looking at the Mid Cap Basic sector for new ideas.

Intrinsic Value Weekly

Basic Industry - S&P Mid Cap Index

Page 3

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
AIRGAS INC	ARG	\$ 605.7	19.7%	9.5	7.1	21.8	1.5	5.5	6.8	0.00%
AK STEEL HOLDING CORP	AKS	\$ 1,370.8	-2.1%	16.3	8.6	12.6	1.6	6.9	8.5	2.15%
ALBEMARLE CORP	ALB	\$ 1,069.2	1.8%	15.5	10.3	15.3	2.5	7.1	9.9	1.58%
BOWATER INC	BOW	\$ 2,470.0	20.7%	4.5	6.8	(142.9)	1.5	12.2	3.8	1.75%
CABOT CORP	CBT	\$ 1,899.6	1.1%	17.1	14.4	15.5	2.7	0.0	13.6	1.56%
CALGON CARBON CORP	CCC	\$ 286.5	-4.8%	9.7	10.1	31.3	1.3	9.8	7.6	4.38%
CALMAT CO	CZM	\$ 736.2	15.2%	4.8	6.4	32.8	2.1	12.2	6.0	1.29%
CARPENTER TECHNOLOGY	CRS	\$ 814.0	18.5%	12.7	13.7	9.3	1.2	5.4	10.8	3.60%
CHESAPEAKE CORP	CSK	\$ 805.7	-13.3%	12.1	(5.6)	20.3	1.9	8.2	(5.3)	2.13%
CLEVELAND-CLIFFS INC	CLF	\$ 478.7	17.6%	13.5	20.6	8.2	1.1	7.1	14.9	3.49%
CONSOLIDATED PAPERS INC	CDP	\$ 2,345.7	32.2%	9.0	11.6	19.9	1.9	8.3	6.1	3.39%
CROMPTON & KNOWLES CORP	CNK	\$ 1,459.6	-0.3%	(458.3)	10.5	14.0	(76.5)	8.0	14.5	0.25%
CYTEC INDUSTRIES INC	CYT	\$ 976.3	16.5%	29.3	12.9	7.8	2.5	4.5	11.8	0.00%
DEXTER CORP	DEX	\$ 721.6	4.5%	15.1	5.2	12.4	2.0	6.8	6.8	3.35%
ETHYL CORP	EY	\$ 542.5	-5.7%	53.6	8.5	6.1	3.2	3.4	9.5	3.85%
FERRO CORP	FOE	\$ 831.9	-1.3%	(19.0)	8.6	14.9	4.3	0.0	19.1	2.31%
FULLER (H. B.) CO	FULL	\$ 597.7	3.6%	11.9	3.9	34.1	2.0	10.0	6.4	1.87%
GEORGIA GULF CORP	GGC	\$ 523.3	-4.3%	228.1	11.4	8.0	14.8	4.6	16.3	1.89%
GEORGIA-PACIFIC TIMBER CO	TGP	@NA	-3.8%	(438.8)	59.2	13.5	@NA	0.0	26.1	4.32%
GLATFELTER (P H) CO	GLT	\$ 525.6	21.8%	13.3	12.0	11.3	1.5	5.7	9.1	5.60%
HANNA (M A) CO	MAH	\$ 641.5	7.6%	12.0	4.3	12.6	1.2	6.0	8.8	3.71%
IMC GLOBAL INC	IGL	\$ 2,358.0	2.0%	4.5	10.1	26.7	1.3	7.1	7.3	1.55%
LAWTER INTERNATIONAL INC	LAW	\$ 344.2	5.2%	23.1	16.5	20.0	3.3	13.1	13.7	3.81%
LONGVIEW FIBRE CO	LFB	\$ 633.0	-2.5%	(1.6)	3.8	(88.9)	1.4	6.9	2.4	0.65%
LUBRIZOL CORP	LZ	\$ 1,439.5	0.5%	19.0	11.5	12.5	1.8	6.8	13.3	3.99%
LYONDELL CHEMICAL CO	LYO	\$ 1,360.8	-70.6%	46.2	13.3	11.0	2.3	6.5	16.0	5.09%
MARTIN MARIETTA MATERIALS	MLM	\$ 2,697.0	20.1%	17.5	11.7	26.7	5.1	14.4	11.4	0.90%
MAXXAM INC	MXM	\$ 445.9	0.2%	(2,037.5)	6.0	15.9	(125.5)	2.9	4.0	0.00%
MINERALS TECHNOLOGIES INC	MTX	\$ 913.8	4.1%	10.8	13.8	16.2	2.0	8.2	12.5	0.24%
OLIN CORP	OLN	\$ 1,360.0	-3.2%	17.4	2.6	13.0	1.6	5.7	3.1	4.16%
OREGON STEEL MILLS INC	OS	\$ 359.8	2.3%	3.4	2.9	131.9	0.9	7.3	2.7	4.00%
RAYONIER INC	RYN	\$ 1,282.4	-8.4%	13.8	10.6	17.3	2.1	7.2	7.0	2.70%
RPM INC-OHIO	RPM	\$ 1,768.3	14.8%	15.5	6.6	17.5	2.8	11.9	7.3	2.94%
SCHULMAN (A.) INC	SHLM	\$ 728.0	-0.3%	14.3	8.6	15.3	2.1	10.8	17.7	2.10%
SOLUTIA INC	SOI	\$ 2,729.2	-3.6%	(146.6)	13.7	12.8	(20.0)	7.5	20.0	0.17%
SONOCO PRODUCTS CO	SON	\$ 2,920.7	-6.4%	(0.1)	8.4	84.6	3.7	0.0	11.4	2.50%
SOUTHDOWN INC	SDW	\$ 2,168.7	8.2%	19.5	17.0	21.2	2.9	14.6	12.2	1.06%
UCAR INTERNATIONAL INC	UCR	\$ 877.1	-2.6%	65.0	18.5	(2.5)	(3.3)	(2.9)	22.0	0.00%
UNIVERSAL CORP/VA	UVV	\$ 1,122.1	-4.0%	25.8	6.5	9.1	2.2	0.0	17.5	3.38%
VULCAN MATERIALS CO	VMC	\$ 4,339.3	5.2%	21.1	16.8	17.9	4.5	11.5	22.9	1.61%
WAUSAU-MOSINEE PAPER CORP	WMO	\$ 972.4	63.1%	16.1	9.9	@NA	2.1	10.7	11.6	1.57%
WITCO CORP	WIT	\$ 972.0	-9.1%	14.0	8.4	13.6	1.4	5.1	8.9	6.64%