

Intrinsic Value Weekly

Volume 2, No. 4

Published Weekly by Intrinsic Value Associates, LLC

January 25, 1999

S&P 500 Over-priced: Consumer Staples, Capital Goods, Technology, Communications **Neutral:** Basic, Consumer Cyclicals, Health, Energy, Financial **Under-priced:** Utility, Transportation

S&P MidCap Over-priced: Transportation **Neutral:** Consumer Staples, Financial, Technology, Communications **Under-priced:** Basic, Consumer Cyclicals, Health, Energy, Capital Goods, Utility

S&P Small Cap Over-priced: Consumer Cyclicals, Technology **Neutral:** Utility **Under-priced:** Basic, Consumer Staples, Health, Energy, Financial, Capital Goods, Communications, Transportation.

The retreat of the market last week is partly valuation-based (large stocks unde-performed mid sized and small caps) and partly driven by concerns about the sustainability of U. S. monetary policy in the face of another round of inflationary policy in Latin America. No unequivocal answer to that concern has yet been forthcoming from the U. S. Treasury and, to the extent that trade policy moves toward protecting steel makers, new questions about the strength of the international trading system are likely. Without concrete evidence of a negative policy course, equity investors should remain fully committed.

ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	(4.2%)	(23.1%)	(22.3%)
CONSUMER CYCLICALS	(2.2%)	(16.8%)	10.8%
CONSUMER STAPLES	23.0%	(9.2%)	(10.5%)
HEALTH	(3.8%)	(15.3%)	(22.6%)
ENERGY	(7.4%)	(27.1%)	(39.2%)
FINANCIAL	(5.6%)	(4.9%)	(18.7%)
CAPITAL GOODS	14.9%	(13.0%)	(11.4%)
TECHNOLOGY	28.1%	(2.2%)	10.3%
COMMUNICATIONS	22.7%	(7.4%)	(13.1%)
UTILITY	(17.7%)	(29.1%)	(8.7%)
TRANSPORTATION	(17.6%)	17.2%	(12.3%)
Weighted Total:	9.5%	(12.9%)	(6.6%)

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 1/22/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.2%	(4.9%)	5.7%	(3.1%)	4.3%	(3.9%)
CONSUMER CYCLICALS	9.4%	(0.3%)	17.1%	0.9%	19.5%	(0.8%)
CONSUMER STAPLES	14.9%	(2.7%)	8.0%	(8.5%)	9.3%	(0.7%)
HEALTH	11.6%	(3.2%)	9.9%	(3.4%)	10.8%	(1.1%)
ENERGY	5.6%	(0.7%)	3.4%	(0.1%)	2.4%	(2.3%)
FINANCIAL	14.5%	(4.3%)	13.5%	(3.0%)	15.8%	(2.9%)
CAPITAL GOODS	8.0%	(3.2%)	9.2%	(3.6%)	12.4%	(1.7%)
TECHNOLOGY	19.8%	(1.1%)	17.6%	(3.7%)	17.4%	(1.1%)
COMMUNICATIONS	9.2%	4.2%	1.9%	1.5%	0.3%	(0.4%) *
UTILITY	3.0%	0.2%	11.8%	(0.7%)	4.6%	(0.7%)
TRANSPORTATION	0.9%	1.4%	1.9%	(0.2%)	3.4%	3.5%

* Sector contains only 2 companies

Weekly prices changes may not match prior issues due to changes in composition of sectors.

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 1/22/99	Intrinsic Value	+/- %	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 39.625	\$48.89	(19%)	2.2	(6.9%)
CTL	Century Telephone Ent.	\$ 65.063	\$62.64	4%	2.1	1.3%
DAL	Delta Air Lines, Inc.	\$ 49.000	\$74.44	(34%)	1.0	(12.5%)
G	Gillette Company	\$ 51.875	\$48.20	8%	5.9	(1.2%)
HD	Home Depot	\$ 55.938	\$54.30	3%	7.4	1.9%
INTC	Intel Corporation	\$128.875	\$112.11	15%	8.6	(4.8%)
LOW	Lowe's Companies	\$ 52.813	\$43.76	21%	4.3	4.3%
NYT	New York Times Co.	\$ 32.750	\$47.61	(31%)	2.4	(1.9%)
NUE	Nucor Corporation	\$ 45.313	\$68.82	(34%)	1.6	(3.6%)
PNM	Public Service Co. of NM	\$ 19.063	\$28.66	(33%)	0.8	(3.5%)
SLB	Schlumberger Limited	\$ 51.500	\$55.18	(7%)	2.5	4.3%
WEN	Wendy's International	\$ 22.563	\$30.05	(25%)	1.7	(1.6%)
Average:						(2.0%)

Value Drivers

Standard Market Statistics

	Sales		Leverage at		Yield	PE	PB	PS
	Growth Last 12M	EBIT Margin %	ROC	Market				
ALD	4.5%	11.4%	11.8%	20.4%	1.5%	18.7	5.6	1.7
CTL	74.6%	29.7%	9.1%	31.0%	0.4%	22.4	4.8	4.2
DAL	3.2%	12.0%	14.2%	64.6%	0.2%	7.2	1.9	0.5
G	-0.3%	23.1%	20.2%	6.2%	1.0%	48.3	10.4	5.3
HD	22.7%	8.3%	11.8%	6.4%	0.2%	60.0	12.6	3.1
INTC	4.8%	39.4%	33.5%	0.5%	0.1%	32.6	9.0	7.4
LOW	19.9%	6.2%	10.4%	9.1%	0.2%	40.1	6.9	1.5
NYT	3.7%	16.5%	10.5%	17.0%	1.2%	23.6	3.9	2.3
NUE	6.0%	11.0%	21.1%	5.8%	1.1%	13.6	2.0	0.9
PNM	15.4%	14.3%	7.0%	52.8%	4.2%	10.3	1.1	0.7
SLB	9.6%	15.5%	14.6%	12.2%	1.5%	22.0	3.4	1.9
WEN	-1.5%	14.9%	11.9%	25.8%	1.1%	26.0	2.1	1.4

Notes on Intrinsic Value Portfolio

A noted manager said this week "Volatility is our friend". This was a very friendly week. While the IVP was off 2% on average, one-third rose in price. We're now cautious about Intel and Lowes and pounding the table for AlliedSignal, Delta Air, New York Times, Nucor and Wendy's. We should be excited about Public Service of New Mexico, but pending the outcome of its case before the New Mexico Supreme Court, we'll remove the stock from the list for now.

One group not currently represented in the Intrinsic Value Portfolio is pharmaceuticals. We noted in our December 21st issue that the outcome of the Medicare Commission, due in March, will determine whether the slumping drug stocks will be a major buying opportunity or the beginning of regulated utility status. We'll keep a close eye on this. The last major buying opportunity was coincident with the Clinton Health Care Plan.

This week, on Page 3, we'd like you to scan the MidCap Utility Sector, a group which outperformed nicely last week.

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Utility - S&P MidCap 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
AGL RESOURCES INC	ATG	\$ 1,231.9	4.0%	12.3	12.5	16.4	2.0	0.0	9.6	5.02%
ALLEGHENY ENERGY INC	AYE	\$ 3,979.2	12.4%	12.5	26.2	14.4	1.9	7.5	9.9	5.29%
AMERICAN WATER WORKS INC	AWK	\$ 2,574.4	6.8%	10.1	23.7	21.6	2.4	11.1	5.5	2.57%
BLACK HILLS CORP	BKH	\$ 532.5	145.3%	15.8	19.5	16.8	2.8	9.8	13.7	4.05%
CALENERGY INC	CE	\$ 1,957.5	36.2%	3.6	12.0	31.3	2.0	5.6	4.6	0.00%
CLECO CORP	CNL	\$ 753.2	17.8%	12.3	23.4	14.4	1.9	7.5	8.7	4.84%
CMP GROUP INC	CTP	\$ 608.3	-1.2%	1.1	7.4	9.5	1.3	6.2	3.5	4.80%
CMS ENERGY CORP	CMS	\$ 5,075.1	8.0%	13.6	16.9	21.9	2.7	7.4	9.9	2.91%
CONNECTIV INC	CIV	\$ 2,391.0	90.3%	10.6	16.5	14.8	1.6	7.0	8.3	6.90%
DPL INC	DPL	\$ 3,200.4	0.7%	14.1	27.9	17.4	2.7	10.9	11.9	4.73%
EL PASO ENERGY CORP/DE	EPG	\$ 3,952.1	2.6%	9.5	9.2	17.9	2.1	8.0	6.2	2.32%
ENERGY EAST CORP	NEG	\$ 3,323.9	17.0%	9.7	20.8	18.8	2.1	8.9	8.8	3.04%
FLORIDA PROGRESS CORP	FPC	\$ 4,118.4	10.1%	3.1	8.2	25.6	2.4	7.8	5.3	5.04%
HAWAIIAN ELECTRIC INDS	HE	\$ 1,244.4	1.5%	10.6	25.3	13.6	1.6	0.0	10.1	6.38%
IDACORP INC	IDA	\$ 1,264.7	55.7%	12.2	24.7	15.1	1.9	8.0	8.4	5.53%
ILLINOVA CORP	ILN	\$ 1,797.3	4.4%	7.6	13.6	(55.6)	1.3	9.4	6.4	4.95%
INDIANA ENERGY INC	IEI	\$ 672.7	-12.1%	13.2	16.3	18.5	2.4	9.5	12.4	4.16%
INTERSTATE ENERGY CORP	LNT	\$ 2,338.2	-6.4%	10.1	14.0	21.9	1.6	7.4	6.8	6.60%
IPALCO ENTERPRISES INC	IPL	\$ 2,381.0	5.2%	18.2	31.0	21.9	4.7	11.8	11.9	2.09%
K N ENERGY INC	KNE	\$ 1,459.3	119.1%	12.7	6.2	15.5	1.9	6.6	8.6	3.70%
KANSAS CITY POWER & LIGHT	KLT	\$ 1,741.2	4.8%	8.3	26.1	15.6	2.1	7.8	8.2	5.90%
KEYSPAN ENERGY	KSE	\$ 4,635.1	-1.6%	11.8	14.0	@NA	1.6	0.0	9.4	6.10%
LG&E ENERGY CORP	LGE	\$ 3,501.3	9.4%	11.7	4.9	18.8	2.3	10.6	8.3	4.56%
MCN ENERGY GROUP INC	MCN	\$ 1,426.0	2.3%	12.3	13.7	(5.8)	1.3	(20.3)	9.0	5.67%
MIDAMERICAN ENERGY HLDG	MEC	\$ 2,523.2	-1.6%	10.7	14.4	17.7	2.0	7.4	6.7	4.48%
MINNESOTA POWER & LIGHT	MPL	\$ 1,534.5	2.8%	11.6	(19.1)	16.3	2.3	0.0	(6.2)	4.79%
MONTANA POWER CO	MTP	\$ 2,871.6	13.6%	12.4	21.2	21.8	3.1	12.1	8.5	3.07%
NATIONAL FUEL GAS CO	NFG	\$ 1,663.8	-1.4%	3.6	8.5	53.2	2.0	11.5	4.4	4.16%
NEVADA POWER CO	NVP	\$ 1,336.1	5.6%	9.8	22.6	16.0	1.6	8.7	8.5	3.84%
NEW ENGLAND ELECTRIC SYSTEM	NES	\$ 2,924.8	1.6%	12.6	20.9	14.2	1.8	6.7	10.6	4.83%
NIPSCO INDUSTRIES INC	NI	\$ 3,368.0	26.6%	15.1	15.9	19.8	3.0	8.0	9.7	3.37%
NORTHEAST UTILITIES	NU	\$ 2,074.4	-0.1%	(6.1)	5.6	(34.8)	1.0	6.0	2.2	0.00%
OGE ENERGY CORP	OGE	\$ 2,155.6	23.8%	13.2	18.5	14.1	2.4	7.4	10.7	4.98%
PINNACLE WEST CAPITAL	PNW	\$ 3,548.2	6.8%	11.6	27.9	14.8	1.8	5.7	7.8	3.10%
POTOMAC ELECTRIC POWER	POM	\$ 2,911.4	8.7%	8.9	23.8	17.4	1.7	7.1	6.8	6.76%
PUBLIC SERVICE CO OF N MEX	PNM	\$ 796.3	15.4%	10.0	14.3	10.3	1.1	4.8	7.0	4.20%
PUGET SOUND ENERGY INC	PSD	\$ 2,219.7	9.7%	8.0	15.7	16.7	1.7	7.4	7.2	7.01%
QUESTAR CORP	STR	\$ 1,453.9	-2.2%	12.4	18.7	16.0	1.9	7.1	10.5	3.74%
SCANA CORP	SCG	\$ 3,049.8	10.3%	12.4	27.5	13.7	1.9	8.3	9.2	5.23%
TECO ENERGY INC	TE	\$ 3,261.7	5.1%	14.6	22.2	18.5	2.6	8.6	11.8	5.01%
UTILICORP UNITED INC	UCU	\$ 1,876.9	65.3%	11.5	3.3	15.5	1.7	7.1	7.8	5.00%
WASHINGTON GAS LIGHT CO	WGL	\$ 1,071.4	-1.4%	11.1	13.5	17.5	1.9	9.6	9.7	4.91%
WISCONSIN ENERGY CORP	WEC	\$ 3,335.9	9.2%	3.3	15.7	25.8	1.9	9.5	6.1	5.39%