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03/05/2026

Weekly Webinar

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# INTRODUCTION – FOCUS ON FUNDAMENTAL ANALYSIS

**An analyst for several decades**

**Senior Analyst - Value Notes**

**CFO - CPA firm, business consulting**

**Analyst - Motley Fool and Seeking Alpha**

**CFO - L Capital, family office, project analysis and capital allocation**

At Fountainhead, we believe that investing in businesses, whether it's a massive Google or a startup with \$200Mn in revenues. Every business must be valued based on their fundamentals, irrespective of their daily price movements over which we have little control. But we do have analytical ability to analyze and value businesses and base our decisions on how well they perform. If you've been familiar with my work in the past year and a half, I really like to go for businesses which are market leaders, and have strong, competitive advantages, very strong balance sheets, and great margins which allows them to price their products or services way higher than the competition. To me the biggest incentive to invest in a company is its "moat" or significant competitive advantages. The term "moat" was coined by the great Warren Buffett signifying an unbreachable competitive advantage, like a deep moat surrounding a castle to keep out intruders. The hugely successful Peter Lynch, also placed a tremendous emphasis on investing only in great businesses and not worrying about the market.

Four examples of companies with great moats are Nvidia with its high-powered GPUs, Google with search, Taiwan Semiconductor with its manufacturing operations, and ASML with its EUV lithography machines, without which you cannot create a high-powered GPU.

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## MORTGAGE APPLICATIONS PICK UP

Finally, Mortgage applications jumped 11% in early March 2026 as 30-year fixed rates dropped to 5.98%, the lowest level since September 2022, according to the Realtor.com post.

This surge was primarily driven by a 20% rise in conventional refinances, while home purchase applications also saw gains, showing increased activity from both buyers and homeowners looking to lower their rates

**Refinance Surge:** The Refinance Index has shown substantial growth, recently jumping 7% in a single week to hit its highest point since early 2022, Mortgage News Daily 6.

Home affordability is gradually increasing. A new Zillow analysis found that affordability has improved by more than \$30,000 from one year ago, driven by rising incomes and falling mortgage rates. That means a median-income household can now afford a \$331,483 home. Zillow said that is the highest affordable price since March 2022.

Still, we have a long, long way to go. Redfin data out this week showed nearly 14% of sale agreements were canceled last month, the highest share for any January on record in data going back nearly a decade.

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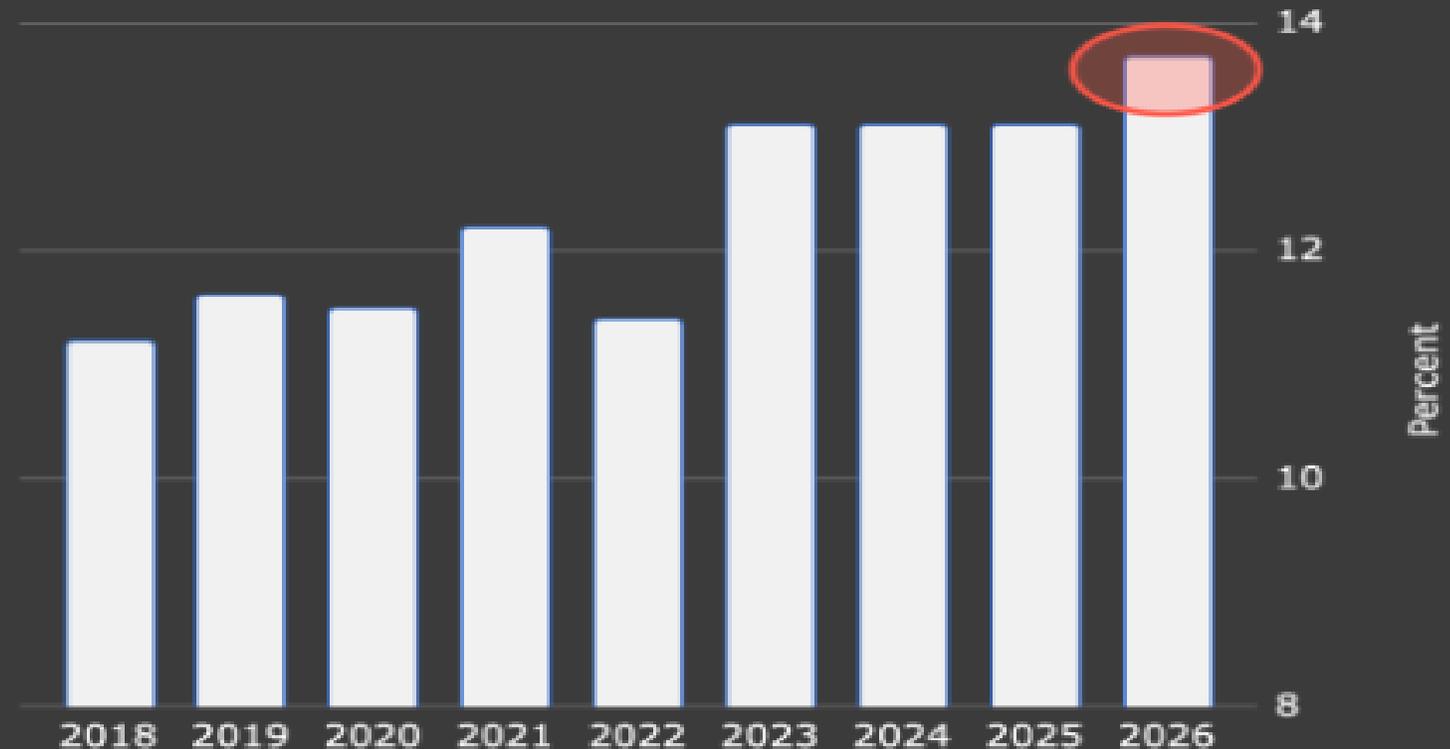
# MORTGAGE APPLICATIONS PICK UP

Source: Redfin

## Falling Through

### Home deal cancelations notch January record

■ Pending home sales which fell out of contract as a share of all pending sales -- Januarys



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## THE ADP REPORT – FEBRUARY 2026

Pleasant surprise from ADP:

In a positive development, that should be welcome in the current doom and gloom from AI replacing humans, ADP's payroll report, based on surveys of 26Mn employers indicated that US companies added the most jobs since July last month. At 63,000 net new jobs, this was a welcome relief and hopefully a sign of stability. The 63K handily beat consensus analysts' estimate of 50K jobs.

**To be sure, this is not tech hiring, it was led by education and health services, sectors that have saved the job market from collapsing in 2025.** Some gains also came from construction and information, with the strongest hiring in the South (I would think data center construction ramps would be in the center of this). Small businesses (below 20 employees) led the pack in hiring.

**Wages and pay gains:** Job switchers got a 6.3% increase in pay from a year earlier, and for those who stayed still eked out a 4.5% gain.

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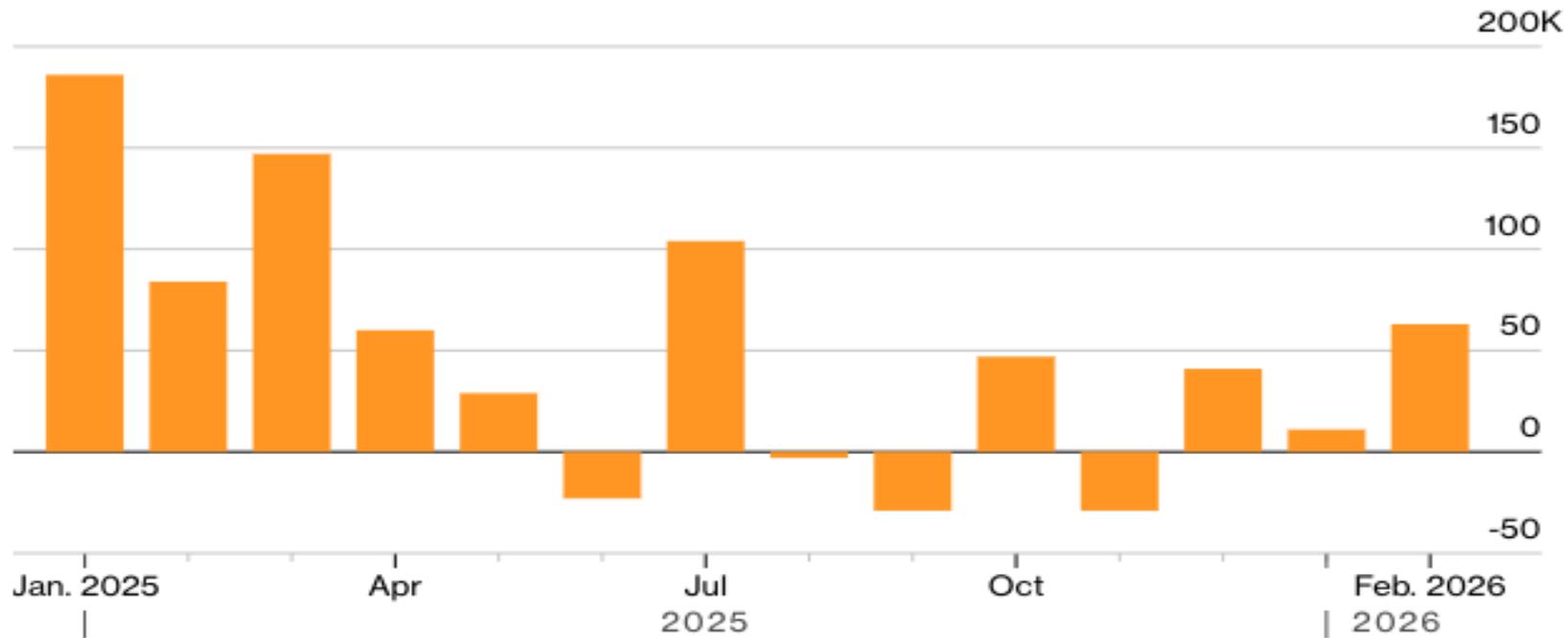
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# THE ADP REPORT – FEBRUARY 2026

## US Private Firms Ramped Up Hiring in February

Companies added the most jobs since July last month

Change in private payrolls (MoM)



Source: ADP Research

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## THE ADP REPORT – FEBRUARY 2026

“We’ve seen an increase in hiring and pay gains remain solid, especially for job-stayers,” Nela Richardson, chief economist at ADP and a contributor to Bloomberg Television, said in a statement. “But with hiring concentrated in only a few sectors, our data shows no widespread pay benefit from changing jobs.”

The BLS report of non-payrolls is out on Friday 03/06/2026 with consensus estimates of a 60,000.

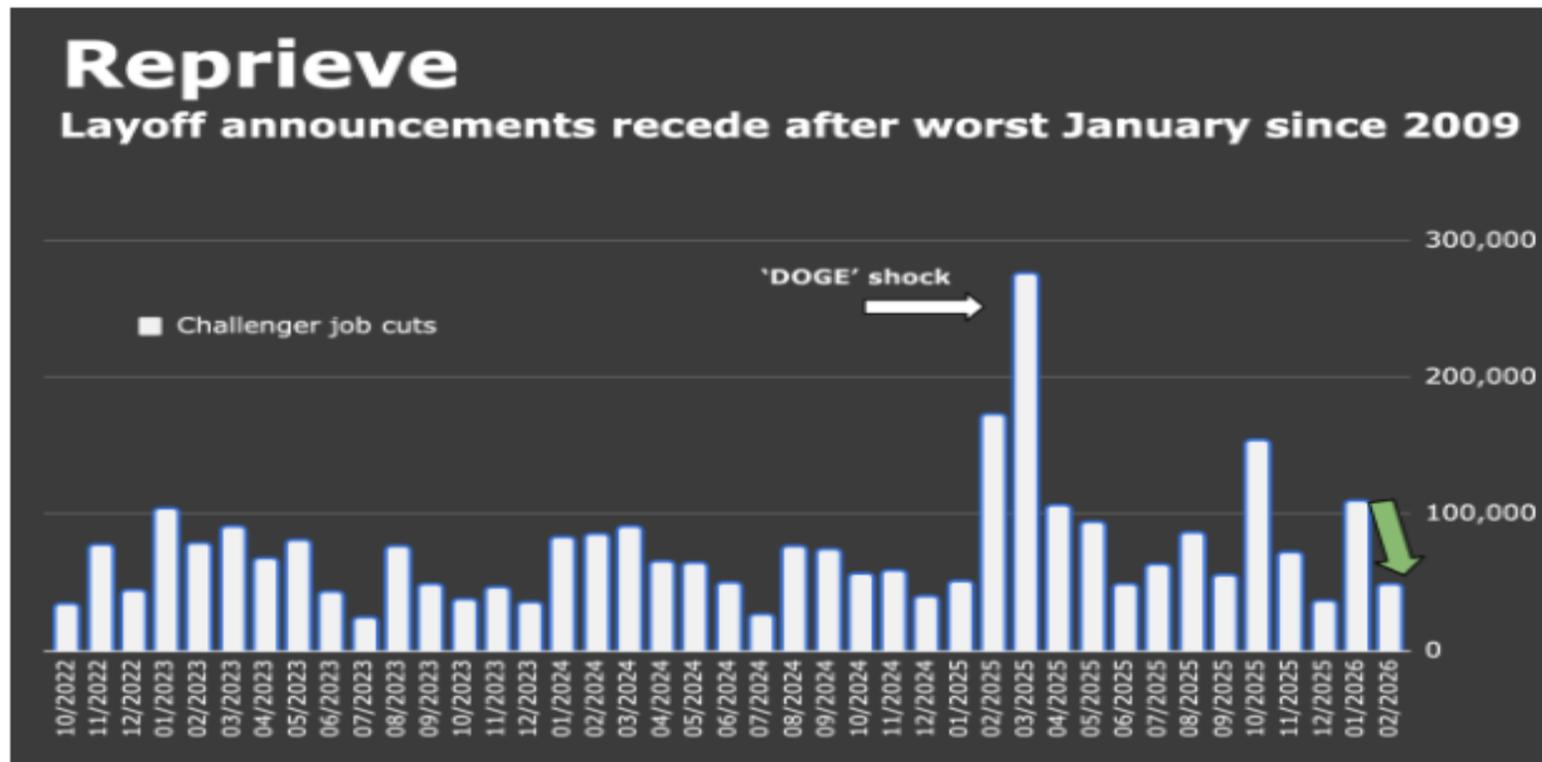
**Key takeaway:** After SasSmageddon fears and Ghost GDP dystopian scenarios from the short sellers, this is a welcome shot in the arm. My expectations are not very high for 2026, and I will take any good news with pleasure. Thank you very much.

I also like the fact that this is from ADP – a very large sample size and a lot more credibility on the line.

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# THE CHALLENGER REPORT – FEBRUARY 2026

Challenger Report: After a staggering spike to start the new year, job cuts across the US economy receded in February, a welcome development to be sure. **Layoff announcements were 48,307 last month**, Challenger, Gray & Christmas said Thursday. That was less than half the cuts tallied in January and down 72% from the same period a year ago, the largest YoY drop in quite some time.



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## THE CHALLENGER REPORT – FEBRUARY 2026

**By sector, layoffs are still heavy in Tech, which announced another 11,039 cuts last month.** That makes 33,330 for the year so far, up more than half versus the first two months of 2025. “AI is the big story, and Tech is responding to a number of pressures right now,” Challenger remarked.

Out of all 2026 announced job cuts, AI’s directly responsible for just 8% of planned layoffs. I think that understates the case. Although openly boasting of AI-enabled cost-cutting might be good for a given company’s stock price, human replacement can be a PR problem. I imagine some firms, particularly those which aren’t publicly traded, don’t shout about it from the rooftops when they replace Joe with HAL. Anyway, hiring plans recovered in February, but remain weak. Recall that January’s tally was the lowest for that month ever, so when you hear analysts raising a 140% MoM increase in hiring intentions, consider the comp. The figure above shows you a decade of Februarys. Last month’s total was down by almost two-thirds from February of 2025.

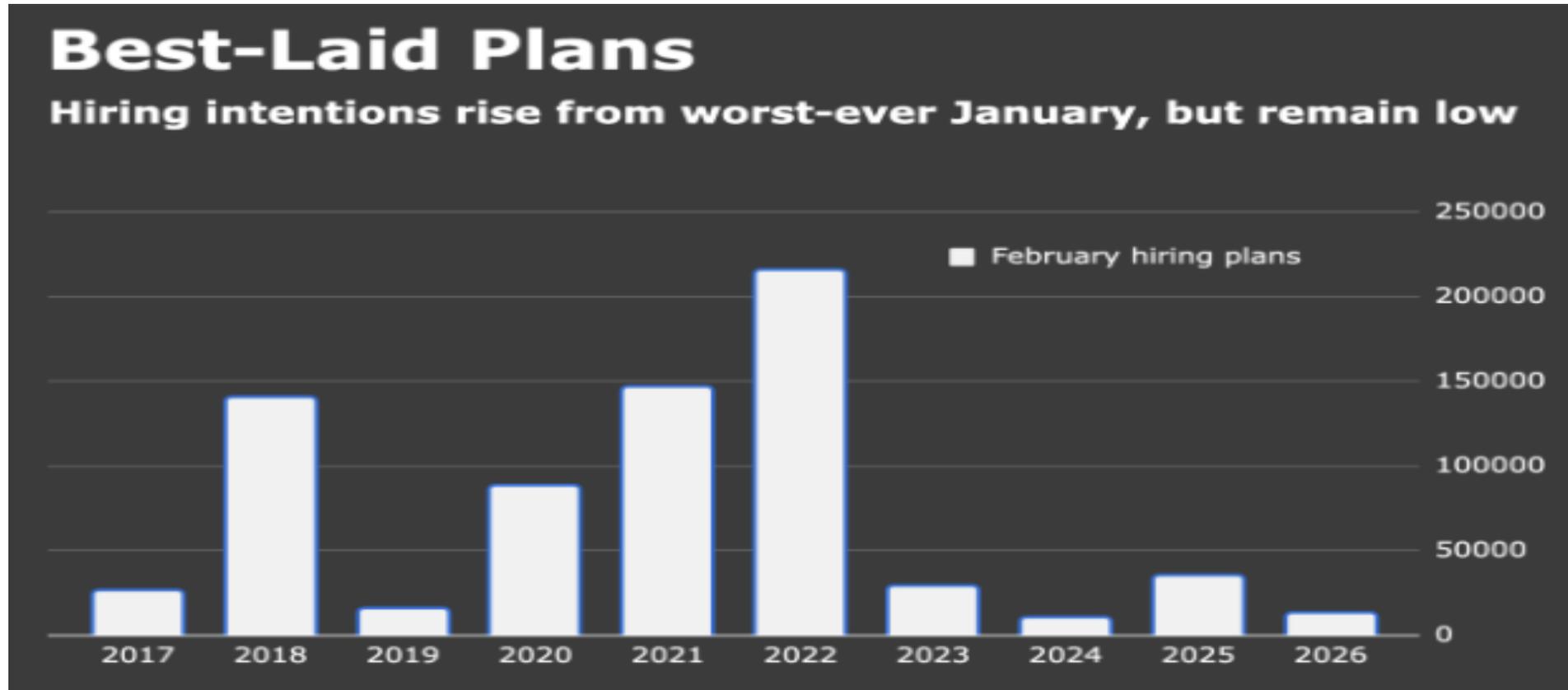
Total hiring plans across the first two months of 2026 are just over 18,000, down more than half versus the first two months of last year. As far as the outlook, Challenger gently suggested events in the Mideast could have an adverse impact. “With US involvement in a growing war in Iran, the end of Q1 may bring more layoff plans,” he said, adding that companies might “tighten belts amid uncertainty and higher costs.”

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## HIRING AND LAYOFFS

February is a nice improvement, but if you see it in historical context, it is still low.



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## THE PMI – PURCHASING MANAGERS INDEX REPORTS

Nice upsides from both manufacturing PMIs and Service PMIs – a rare occurrence.

The US services sector's heating up. 56.1 on the headline was 2.5% ahead of estimates and the highest since 2022. As the figure shows, February marked the second month during which the ISM headlines printed in expansion territory together. Earlier this week, the factory gauge likewise beat estimates.

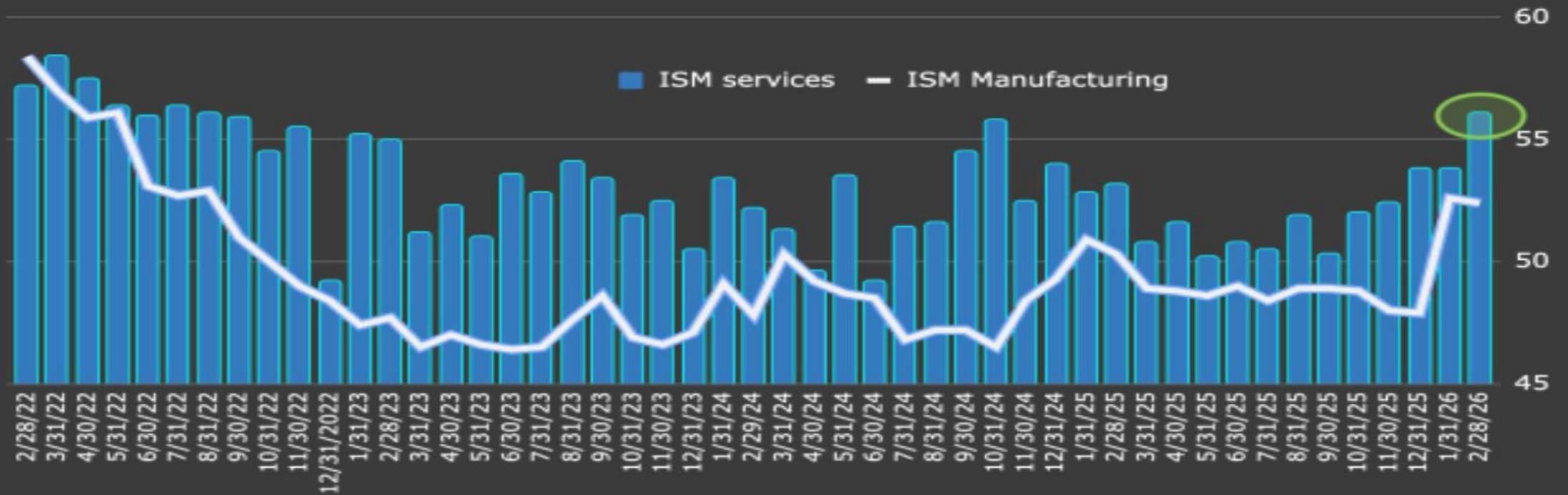
Some of the subindexes were quite lively in Wednesday's release. The production measure nearly kissed 60, and new orders rose 5.5ppt to 58.6, the highest since September of 2024. Although the price metric remained elevated, 63 actually counted as a big downside surprise. Consensus was looking for something north of 68.

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# THE PMI REPORTS

## Expanding Together

ISM services, manufacturing both above 50 for second month



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## **THE PMI/PAYROLLS DATA SUGGEST A POSSIBLE BOTTOMING OUT**

While the Iran war has driven investor sentiment for most of this week, the latest batch of U.S. data showed the power of hard, economic figures to move markets.

A new round of dip-buying was fueled on Wednesday by positive numbers on the U.S. economy. The ISM services index rose to its highest level since 2022, and private payrolls showed the strongest level of job growth in seven months. Analysts at ING noted the figures are consistent with gross domestic product growth of more than 3% this year.

That might be a little short of the Trump administration's projection of 4% to 5% growth but it's not bad either.

Obviously, the February data relate to a period before the start of hostilities in the Middle East. But that doesn't mean investors are wrong to take into account the strength of the domestic economy as well as risks from the conflict.

The main impact on Americans from the fighting is rising oil prices, which are roughly 13% higher than they were on the eve of the war. That will translate into some pain at the pump, but the market is pricing in a reasonably swift reopening of the Strait of Hormuz and therefore a limited inflationary shock.

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## **THE PMI / PAYROLLS DATA COULD SUGGEST A BOTTOMING OUT**

Inflation is still a worry. The Federal Reserve's Beige Book, released Wednesday, noted that all 12 regional Fed branches said prices increased in recent weeks. Higher costs for energy and raw materials will be exacerbated by shipping disruption.

But tariff-driven price pressures could ease after a federal trade-court judge on Wednesday ordered the Trump administration to start refunding more than \$130 billion collected in global levies invalidated by the Supreme Court last month.

Investors trying to gauge the direction of the U.S. market will be glued to news from the Middle East. But short of the war ending, the next big twist is just as likely to come from the official February jobs report on Friday, and that's probably a good thing.

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## **STOCKS - BROADCOM**

Broadcom delivered an excellent forecast and convinced analysts that there was a strong market for its ASICs and TPUs and that its penetration of the AI market was just beginning. Investors rewarded it with a sharp 6% post market gain, a huge reversal from the treatment it gave Broadcom in its previous quarter, and a welcome change from the treatment it gave its giant rival Nvidia with a severe drop just 2 weeks back.

### **Here are the quarterly earnings and guidance:**

The beats were modest, but the guidance and especially the earnings call were very solid. CEO, Hock Tan doesn't mess around and never misses a beat, and after last quarter's drubbing (purely market sentiment – there weren't any fundamental differences), he ensured that analysts had plenty to like for the years ahead.

Q1 Non-GAAP EPS of \$2.05 (+30% YoY) beat by \$0.03

Revenue of \$19.31Bn (+29.4% Y/Y) beat by \$170M.

AI revenue: Q1 AI revenue of \$8.4Bn rose 106% YoY, with a further acceleration to \$10.7Bn in Q2

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## STOCKS - BROADCOM

Phenomenal Margins and cash flow – Adjusted EBITDA margins were 68% of sales and should remain over 68% in Q2. Operating cash flow was 42.7% of sales and will remain north of 40% in Q2. Free cash flow was also abnormally high at over 40% – this is where all the Capex from the hyperscalers (especially Google) are going, Broadcom doesn't need to spend it, instead it returns a lot of this cash to shareholders – \$10.9Bn in Q1 with \$3.1Bn of cash dividends and \$7.8Bn buybacks.

Management stressed a strong future ahead, with a sixth customer and shared that OpenAI will use up 1Gigawatt of XPU's in 2027.

CEO, Hock Tan -- "Our visibility in 2027 has dramatically improved. Today, in fact, we have line of sight to achieve AI revenue from chips...in excess of \$100 billion in 2027. We have also secured the supply chain required to achieve this."

Replying to analysts on the \$100Bn number and investor concerns over hyperscalers' return on investment. Tan explained,

"What is very, very interesting and surprising to us is very much for inference in order to productize the LLMs...And that inference is driving a substantial amount of compute capacity, which is great for us because...our 5, 6 customers...are on the path to creating their own custom accelerators."

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## STOCKS - BROADCOM

### **Inference, Inference, Inference!**

In all my previous posts and articles on Broadcom, I've always stressed that inference is going to be insanely huge; every simple question one asks on ChatGPT results in tokens generated for inference, which requires computing power, so one can imagine how much inference will be used in enterprise software databases not just for queries but 10x more for actual solutions. This is the tip of the iceberg, and ASICs and TPUs such as Broadcom's do that part very efficiently – they're specially designed for that purpose. 40% or more of Nvidia's GPU revenue and usage is from inference, and Nvidia's data center revenue is running at about \$300Bn a year. Its absurd to think that Nvidia alone can supply all the AI computing needs to this market, and second largest competitor Broadcom is going to get a fairly large share of this market. Then it will continue to grow, think about it, we've barely scratched physical AI, which will be another huge area.

Analysts loved it “Strong AI outlook of over \$100B in FY27 likely proves conservative with expectations to supply 10GW of compute including 1GW+ to AVGO's 6th announced customer, OpenAI,” Jefferies analyst Blayne Curtis wrote in a note to clients. “The AI spend overhang will still linger, but AVGO made a strong case for their AI revenue to outgrow the market and see continued growth through C28.” Curtis has a Buy rating and a \$500 price target on Broadcom.

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## STOCKS - BROADCOM

Delving deeper, Curtis pointed to comments made by Broadcom management on the call that they already have 10 gigawatts of demand for fiscal 2027, including 1 gigawatt from the aforementioned, OpenAI (OPENAI) and 3 gigawatts from Anthropic (ANTHRO). And with the company pointing to AI chip revenue surpassing \$100B in 2027, Curtis said that may actually be conservative.

“Our math suggests revenue per GW was \$13B/GW in CY25 rising to just under \$18B in CY26 and we would expect this to ramp to \$20-25B/GW in 2027, implying potential for AI revenue to actually reach over \$200B,” Curtis posited.

“Overall, the debate for AVGO (and NVDA) will still be how sustainable cloud capex growth will be into C28 and this call didn’t necessarily answer that question, but this helps provide line of sight to \$25-30 of EPS in CY27 (vs. our prior \$20 upside case) and we struggle to see how these compute names will remain this cheap,” Curtis added.

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## **STOCKS - BROADCOM**

RBC Capital Markets Srinu Pajjuri was also impressed with the outlook for 2027, but said there are some issues that may be out of Broadcom's control.

"AVGO has a solid execution track record, and we have little reason to question management's visibility," Pajjuri wrote in a note. "At the same time, the 10GW expectation for FY27 (~3GW in FY26) implies a steep ramp and could run into power/data center constraints. In addition, key customers Anthropic/META/OpenAI have equity-incentivized supply agreements with NVDA/AMD, which could take priority over AVGO's ramps." Pajjuri has a Sector Perform rating on Broadcom and upped his price target to \$360 from \$340 after the results.

Citi analyst Atif Malik reiterated his Buy rating after the results, as any concerns about margins or competition were put to bed.

"Management stated that Anthropic rack shipments will not pressure margins and confirmed OpenAI as its sixth AI customer," Malik wrote in a note to clients. "The company also highlighted a sharp improvement in visibility, with line-of-sight to reaching \$100B in AI revenue by F27. As a result, we raise our F26/F27 EPS (incl. SBC) estimates by 14%/17% to \$10.15/\$15.4."

**I own Broadcom and plan to hold it for the next 3-5 years and will add more on declines.**

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## **NVIDIA IS DOING THE RIGHT THING, BUT I DON'T EXPECT MUCH IMPACT**

Nvidia Earnings to Include Cost of Stock-Based Pay – a smart move by Nvidia for full transparency. Nvidia is planning to make the costs of stock-based compensation more transparent. It's a move that could put it in a better light against a vast majority of the market, including rivals Broadcom and Advanced Micro Devices.

Nvidia said alongside its earnings report last week that it would include stock-based compensation in its adjusted earnings for its current fiscal year. It also disclosed the amount that it would come to for its current quarter—around \$1.9 billion. Giving workers shares as part of their compensation package is common practice in the technology sector. However, the practice is also controversial among some investors, who claim that it acts as a hidden expense, inflating adjusted profits. Nvidia's move could put pressure on its rivals to follow suit and benefit the company, according to Melius Research analyst Ben Reitzes. He notes that the hit to Nvidia's adjusted earnings per share from stock-based compensation would only be about 3%, versus more than 20% for Broadcom and AMD. J.P. Morgan analysts think Nvidia might be holding back some good news for its GTC conference to be held from March 16-19, following a report from The Wall Street Journal that it could unveil a new chip for inference, the process of generating results from artificial-intelligence models.

**A hold for now, will update after its GTC**

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## CROWDSTRIKE

**CrowdStrike (CRWD) \$390. For a change it was good to see quarterly earnings beats not get punished.** CrowdStrike closed slightly higher, perhaps indicating that fear of cyber stocks getting annihilated by AI was misguided or overdone. CRWD is pretty much the gold standard in cybersecurity. Annual Recurring Revenue growth was a big reassurance that the best-in-class companies like CRWD would maintain their competitive edge and valuation. **I continue to hold the stock.** CrowdStrike's (CRWD) fourth quarter results beat estimates and saw positive reactions from analysts.

Shares of CrowdStrike were largely flat but in the green premarket on Wednesday. Analysts liked it and kept their positive ratings: RBC Capital Markets kept its Outperform rating and \$550 price target on the stock. "CrowdStrike delivered a very strong quarter by accelerating at scale and raising FY/27 ARR [Annual Recurring Revenue] expectations. Strength was broad-based and Flex/Re-Flex continues to drive momentum in the business. Even with raised FY/27 expectations, we still believe upside is likely throughout the year and could point to FY ARR acceleration," said analysts led by Matthew Hedberg. The analysts noted that CrowdStrike remains a top idea as a cybersecurity consolidator accelerating at scale and is poised to see tangible tailwinds from AI adoption.

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## **CROWDSTRIKE**

Wedbush (IVES) maintained its Outperform rating but lowered the price target on the stock to \$550 from \$600. "CRWD remains on the IVES AI 30 list as we continue to believe that CRWD's position as the gold standard of cybersecurity remains firmly unchanged in the face of this software sell-off with the company's innovative, best-in-class Falcon platform becoming increasingly important in the new modern AI threat landscape," said Ives and his team.

Evercore maintained its In Line rating but raised the price target on the stock to \$395 from \$375. "F4Q results were solid and broadly consistent with last quarter's narrative, which delivered disciplined execution, resilient fundamentals, but no meaningful upside surprise. We view the quarter and the guide as balanced and largely in line with expectations," said analysts led by Peter Levine.

Morgan Stanley kept its Equal-weight rating but reduced the price target to \$487 from \$537. "CRWD's FQ4 beat expectations across the board, as company sees Flex, Cloud, Next-Gen SIEM [Security Information & Event Management], Identity all continue to scale, while EDR [Endpoint Detection and Response] continues to accelerate. See tailwinds from AI and overall platformization, leaving us encouraged post recent pullback in the stock," said Meta Marshall and her team.

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## MIDDLE EAST AND OIL

According to Barron's the danger of oil prices rising is very real and shouldn't be ignored.

The price of oil has caused some stock market volatility, but it's not at a level that's causing a lot of problems. But there is a number that could send shock waves through Wall Street.

Oil is at \$78 per barrel, about 13% above its 24-month moving average—essentially a two-year average—of \$69. Historically, when the commodity is that amount above the average, the S&P 500 goes on to see a return in the mid single-digit percentages for the following 12 months, according to Evercore data.

**The data show that stock returns turn negative for the following year when oil approaches roughly 35% above the moving average. That would be a price of about \$93, and for now it's a long way away from reaching that level.**

Energy prices are a single-digit percentage of the entire Consumer Price Index, so oil and gas prices today won't cause massive inflation. Also, oil prices have only been up at current levels for a few days, so if they drop, the average oil price over this period won't be quite so high anyway.

**That's why the length and intensity of the war matters: the worse the situation gets, the more likely it is that oil supplies are disrupted and oil remains at current levels or shoots higher.**

One important factor will be how long shipping traffic is disrupted through the Strait of Hormuz. Tons of oil moves through that region to various areas of the globe, so if the flow is restricted, supplies would drop and the price would rise.

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## MIDDLE EAST AND CHANGES IN STRATEGY

The current scenario offers no visibility into any de-escalation, and it would be very very difficult to forecast our way out of this.

The smart thing to do would be to increase hedges. We sold more covered calls to get some premiums.

Some analysts have predicted that if the conflict lasts more than three or four weeks, we could see triple-digit oil prices — which would be a major shock to the system and have a lot of cascading effects.

The USO (United States Oil Fund LP ETF) has spiked from \$87 to \$97 or 11% in the past week. I won't trade in it, its impossible to predict short term moves.

Treasuries – 4.14% - this has shot up from 3.95% just a week ago and is causing a lot of heartburn.

Bottom line – If hostilities continue into the middle of next you have to pray for a TACO trade, I don't see any other way out, I don't believe this market can handle \$90 oil and another prolonged quagmire like Ukraine. **Most polls indicate that the public is against the conflict and it should surely affect the administration's decisions. Polling will get worse as the conflict lengthens.**

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## MIDDLE EAST AND CHANGES IN STRATEGY

Market participants betting on the so-called TACO trade—the idea that U.S. President Donald Trump will reverse policies that rattle markets—may find it harder to rely on that playbook during a war, former J.P. Morgan strategist Marko Kolanovic said on Thursday.

With the U.S.-Israeli military conflict with Iran in its sixth day, the fallout is increasingly driven by developments that are far harder to reverse than trade policy decisions, for instance, Kolanovic wrote in a social media post. "Trump can fix very little" at this point, he added.

'Trump Always Chickens Out' "applies when Trump on his own decides e.g. if tariffs are 50% or 0% instantaneously," Kolanovic said. Trump's Liberation Day tariff announcement last year drove a sharp market selloff, before a rebound took hold about a week later when the White House paused the harsher tit-for-tat tariffs (while keeping a baseline tariff). The TACO trade has resurfaced many times since then.

Now, amid the deepening war in Iran, "many processes are out of his hand," Kolanovic said of Trump. "You can't reverse damage to global energy infrastructure or appoint new Iran president by a tweet."

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