



02/05/2026

Weekly Webinar

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.

THE STOCK MARKET "ECONOMY" IS VULNERABLE. A FALL WILL HURT MORE

Looks like this was a contrarian indicator of the market topping? Given the fall on Tuesday, Wednesday and Thursday this may be true and we're in a correction.

A Magnificent Feeling

Stocks as share of financial assets*



Note: *U.S. Households and nonprofits

Source: U.S. Federal Reserve

VALUATIONS DON'T LEAVE MUCH ROOM FOR BAD NEWS

Why am I worried?

When the stock market becomes the economy, it has de-facto assumed the leadership role of growth, and / or wealth creation. In a slightly bizarre follow up to last week's topic, that the stock market was the economy, our worst fears of a tanking stock market that worsens the economy may be coming true. Everybody and their uncle are invested in the market and the low cash levels, and continuous Buy The Dip suggest overbought, overinvested or over extended or all three.

Valuations are not leaving any room for complacency and short sellers have taken advantage of the skittishness.

The exposure is wide enough that weakness in one market will spill over to the next as investors struggle to pay for losses.

My big fear is that there could be contagion risk from crypto, which is now entrenched and institutions have been far too greedy to not provide for the risks.

THE FEAR OF AI TAKING OVER WHITE-COLLAR JOBS IS REAL

In a note Tuesday, Morgan Stanley analyst Toni Kaplan called Anthropic's plug-in development "a sign of intensifying competition" that could be negative for big companies in the legal space, including [Thomson Reuters](#) and RELX.

Both stocks closed down around 15%.

As investor worries about new AI capabilities swept through other sectors, shares of companies that develop, license and even invest in code and systems were hit, [wiping out \\$300 billion](#) in market value.

This continues through Thursday at the time of writing.

THE FEAR OF AI TAKING OVER WHITE-COLLAR JOBS IS REAL

For weeks, software engineers have been sounding off on social media, expressing awe and dread about what they are seeing AI systems do. Skills that took them a lifetime to develop can be completed with relative ease, speeding up the process of coding to a shocking degree.

Meta Platforms Chief Financial Officer Susan Li told investors last week that the company has seen a 30% year-over-year increase in output per engineer driven by AI coding tools.

Power users have seen an 80% boost.

ADP JOBS REPORT – ANOTHER LACKLUSTER MONTH

Private payrolls rose by just 22,000 in January, far short of expectations,

The total was less than the downwardly revised 37,000 increase in December and below the consensus forecast for 45,000.* The report starts 2026 off on basically the same note where 2025 ended: a lackluster job market in a low-hire, low-fire environment. Private companies added just 22,000 positions for the month and the number would have been negative had it not been for a surge of 74,000 hires in the education and health services category.

The total was less than the downwardly revised 37,000 increase in December and below the Dow Jones consensus forecast for 45,000. The report starts 2026 off on basically the same note where 2025 ended: A lackluster job market in a low-hire, low-fire environment that likely will do little to quell fears from Federal Reserve policymakers that more support may be needed. **“Hiring is softening. It continues a pattern that we’ve noticed for the past three years,”* Nela Richardson, ADP’s chief economist, said on CNBC. *“Employers are very reticent to hire in the current economy.”** Richardson noted that benchmark revisions the firm employed to its data showed that job gains in 2025 already were weaker than reported, by about 18,000 per month, or 216,000 for the year.

ADP JOBS REPORT – ANOTHER LACKLUSTER MONTH

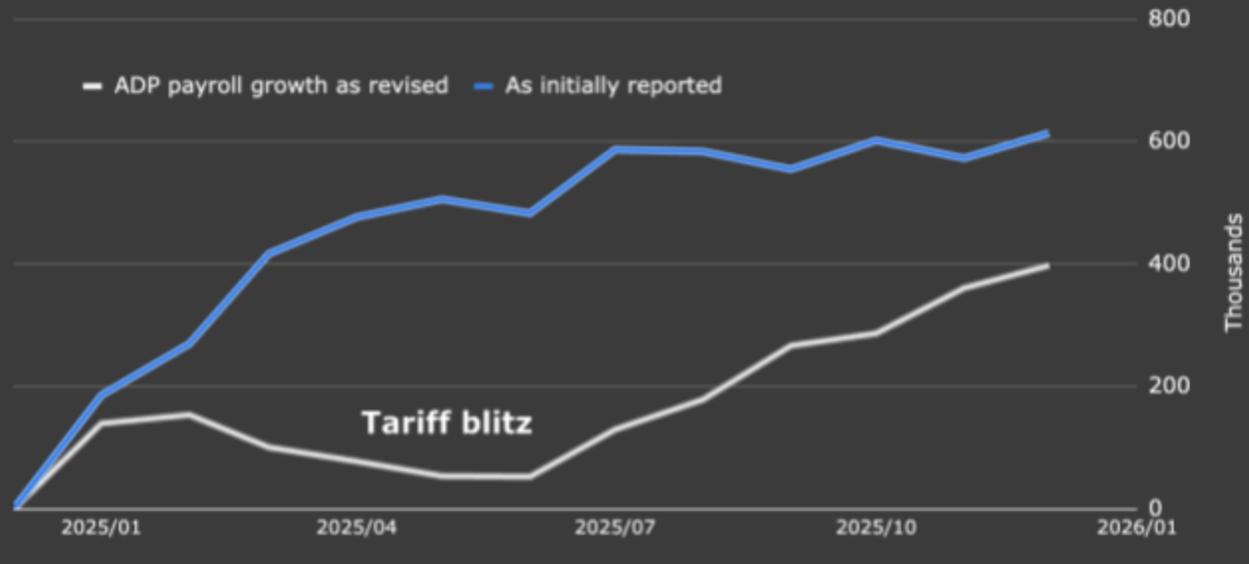
Outside of the health care-related jobs, the primary driver behind employment growth last year, financial activities added 14,000 positions while construction rose by 9,000 and both the trade, transportation and utilities and the leisure and hospitality industries contributed 4,000. However, several sectors reported losses. Professional and business services tumbled 57,000, the other services category lost 13,000 and manufacturing was down 8,000. All but 1,000 net jobs came from the services sector.

From a size standpoint, companies employing between 50 and 499 workers added all the jobs, with small firms flat and large employers down 18,000. The totals don't add up exactly because of rounding. *Wage gains were little changed from December, with those staying in their jobs seeing growth of 4.5%.*

ADP REVISIONS SUGGEST TARIFFS KILLED HIRING

On Second Thought

Private hiring was much softer in 2025 than initially thought



CHALLENGER LAYOFFS

Feb 05 Challenger Report: January Job Cuts Surge; Lowest January Hiring on Record

JOB CUTS SURGE IN JANUARY; HIGHEST JANUARY TOTAL SINCE 2009. LOWEST JANUARY HIRING ON RECORD

U.S.-based employers announced 108,435 job cuts in January, an increase of 118% from the 49,795 cuts announced in the same month last year. It is up 205% from the 35,553 job cuts announced in December, according to a report released Thursday from global outplacement and executive coaching firm Challenger, Gray & Christmas.

January's total is the highest for the month since 2009, when 241,749 job cuts were announced. It is the highest monthly total since October 2025, when 153,074 cuts were recorded.

“Generally, we see a high number of job cuts in the first quarter, but this is a high total for January. It means most of these plans were set at the end of 2025, signaling employers are less-than-optimistic about the outlook for 2026,” said Andy Challenger, workplace expert and chief revenue officer for Challenger, Gray & Christmas. Tariffs are killing jobs:

CHALLENGER LAYOFFS

WHICH INDUSTRIES CUT THE MOST IN JANUARY?

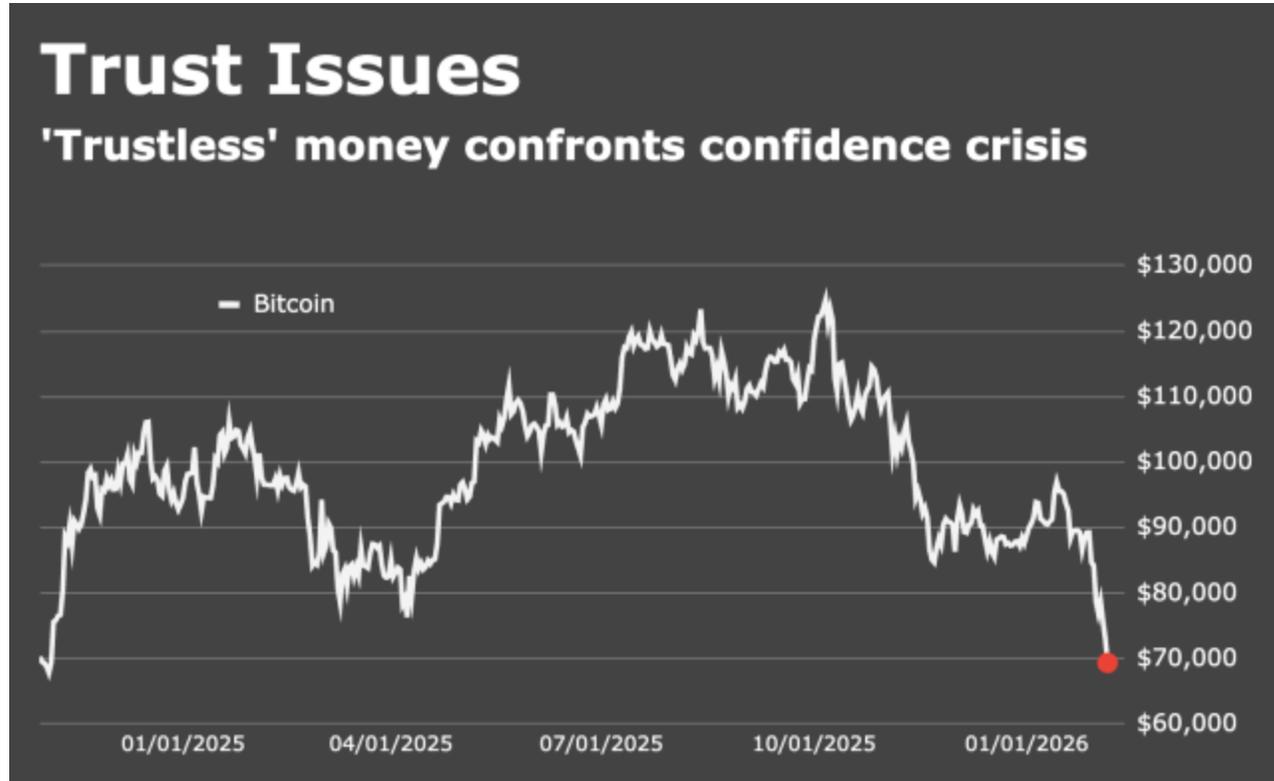
Transportation announced the highest number of job cuts in January with 31,243, primarily due to an announcement from UPS. The company announced it would cut 30,000 jobs after severing ties with Amazon. Technology announced 22,291 job cuts in January. The bulk of these came from Amazon, which announced 16,000 job cuts as it restructures its layers of management.

“CEO Andy Jassy, like many CEOs recently, has said AI will cost jobs in the coming years, but this cut appears to be due more to over hiring and reducing layers than to the new technology,” said Challenger.

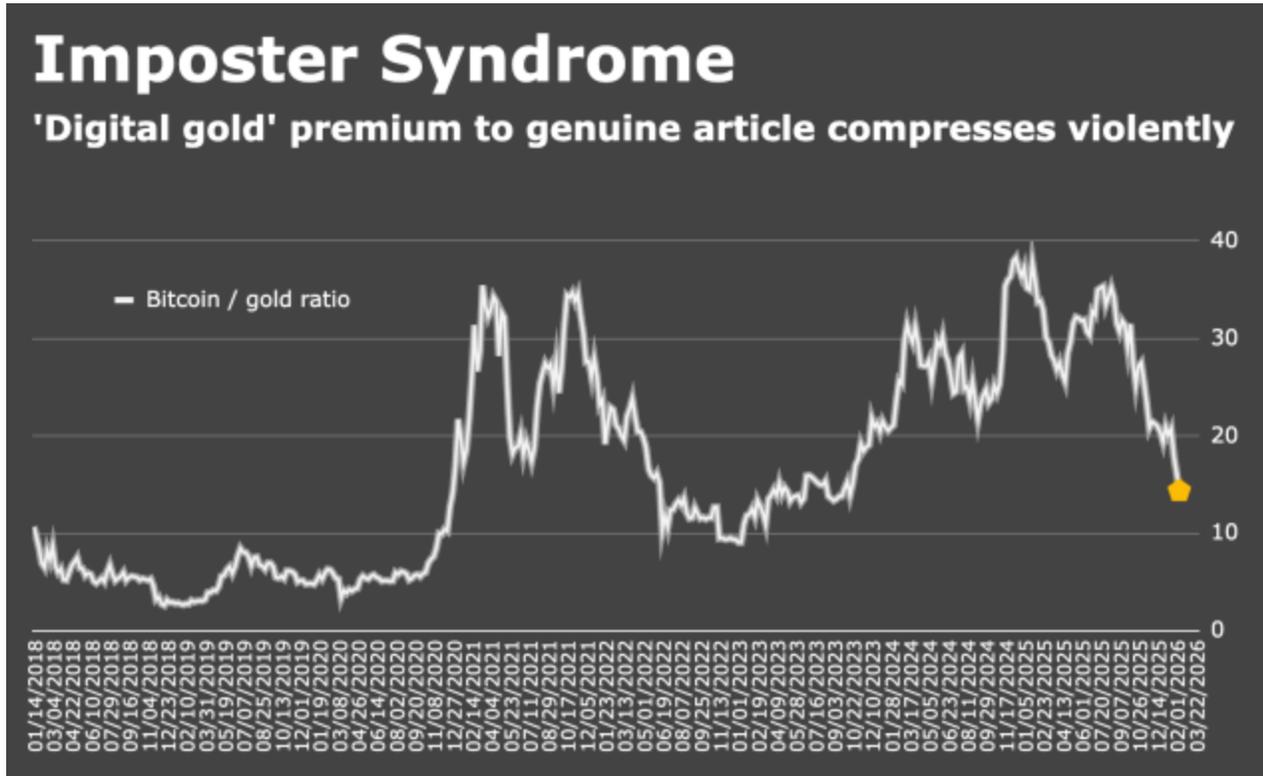
Healthcare companies and health products manufacturers, including Hospitals, announced 17,107 job cuts in January, the most for the industry since April 2020, when 19,453 job cuts were recorded.

“Healthcare providers and hospital systems are grappling with inflation and high labor costs. Lower reimbursements from Medicaid and Medicare are also hitting hospital systems. These pressures are leading to job cuts, as well as other cutting measures, such as some pay and benefits.

THE BITCOIN AND CRYPTO SELL OFF



CRYPTO TO GOLD – CORRELATION KEEPS GETTING LOWER



CRYPTO CAN FALL A LOT FURTHER

I have not owned cryptocurrency; I was never sure of its Bonafide's and saw it as a speculative asset. Here is a similar viewpoint.

Richard Farr, chief market strategist and partner at Pivotus Partners, has issued a stark prediction for Bitcoin (BTC-USD), setting a price target of zero for the cryptocurrency.

“Our BTC price target is 0.0. That’s not just for shock factor. It’s where the math takes us,” the strategist said, noting that Bitcoin (BTC-USD) has failed to function as a dollar hedge and instead operates as “a speculative instrument correlated to the Nasdaq.”

According to Farr, the cryptocurrency faces insurmountable obstacles in gaining institutional adoption or serving as a legitimate medium of exchange.

“No serious central bank will ever own something where Michael Saylor controls the float,” he said on X, referring to the Strategy (MSTR) executive who has accumulated massive bitcoin holdings.

The strategist also criticized Bitcoin’s environmental impact, stating that miners “are bleeding cash” while the network remains “horribly inefficient as a transaction processor and wastes tremendous amounts of energy.”

CRYPTO CAN FALL A LOT FURTHER

Farr's assessment aligns with warnings from Michael Burry, the investor known for predicting the 2008 financial crisis, who cautioned that falling Bitcoin (BTC-USD) prices could trigger a self-reinforcing "death spiral."

Burry noted that Bitcoin, down more than 40% from its October peak, is now "exposed as a completely speculative asset" that does not qualify as a debasement hedge like gold (XAUUSD:CUR) or silver (XAGUSD:CUR). "Sickening scenarios have now come within reach," the investor wrote in a Substack post.

The speculative nature of Bitcoin (BTC-USD) has been amplified by its correlation with traditional markets, according to Burry, who noted that BTC's correlation with the S&P 500 (SP500) has reached 0.50.

He warned that if prices fall another 10%, Strategy (MSTR) would be billions in the red and could "find capital markets essentially closed."

CRYPTO CAN FALL A LOT FURTHER

Spot ETFs, he added, “have only boosted Bitcoin’s speculative nature” while increasing the token’s ties to stock market movements.

Should Bitcoin (BTC-USD) decline to \$50,000, the consequences could be catastrophic for the broader ecosystem, according to market experts. Burry warned that miners could go bankrupt while “tokenized metals futures would collapse into a black hole with no buyer,” as corporations' de-risk by liquidating profitable positions.

The investor noted that up to \$1B in precious metals was already liquidated at month’s end due to falling crypto prices, illustrating the interconnected risks facing digital asset markets.

In addition, about \$1T in market cap has been wiped from Bitcoin (BTC-USD) in just three weeks, as the crypto hovers around the \$67,300 mark.

THE GREAT SELL OFF – A CORRECTION OF 10%

I think a 10% textbook defined correction is likely.

I don't believe the markets have finished correcting, the Nasdaq peaked at 24,019, therefore a 10% correction or 2,402 points, brings the Nasdaq Composite to 21,618. As of writing the COMP is at 22,614

That means we still have another 5% to go from here. If the index corrects by 5%, I will think individual tech stocks would correct at least 10% more from here.

For the S&P 500, the 10% drop from the high of 7,002 is around 6,300, we are at 6,792 and still have another 7% to go. The S&P 500 may not correct as much as the Nasdaq Composite, as there had been a fairly large shift in the past three months away from tech stocks.

Buy the dip is a bad idea at the moment, I believe the sentiment has shifted to Sell The RIP.

The best strategy in a downward, riskier sentiment is to lower targets, and multiples and just be disciplined.

Conserving capital is much more important.

STOCKS

M-7

Alphabet (GOOG) – \$325 Not planning to sell any more. I will add around \$270-\$280

Amazon - (AMZN) - \$225 I own a small percentage; I plan to buy \$200-\$210

Microsoft - (MSFT) -\$406 Likely to remain range-bound, because it is tied too much to OpenAI's fortunes, I will add only around \$375-\$380

Tesla - (TSLA) - I don't own or follow; it has its own investing style.

Meta - (META) - \$680 – Holding, no plans to add more.

Nvidia - (NVDA) - I sold 36% because it was too large a portion of the portfolio and also wanted to protect profits, plan to hold the rest.

Apple - (AAPL) - \$274 – I think this is the safest of the lot and the best defensive, I'll continue to accumulate, at lower levels

Broadcom - (AVGO) \$315 – Holding.

STOCKS

Other Tech and Artificial Intelligence stocks:

Micron - (MU) - \$381 Taking some profit was good. Holding the rest

Nebius (NBIS) -\$76 I stopped loss 20-25% of holding around \$90, at \$75 I'm holding the rest, I have enough exposure and will not add more.

Credo Tech - (CRDO) - \$101 Holding, will sell if there is an earnings pop to \$140-\$150

Vertiv (VRT) - \$180 Holding, will sell if there is an earnings pop to \$200.

Reddit (RDDT) - \$154, earnings out today 2/5 - may exit over \$180.

Arista Networks (ANET) - \$127 – Holding the rest.

Advantest (ATEYY) - \$155, Holding

Bloom Energy (BE) - \$140, Holding

WHAT TO DO WITH SAAS COMPANIES?

This is an interesting article in [Barron's](#)

Software's Meltdown Is Doublethink. Don't Fall for It.* Doublethink is a core theme in George Orwell's "1984"—believing two contradictory ideas at the same time. It's what Wall Street is doing right now. Investors are transitioning from the megacap tech giants amid concerns over the pace of artificial-intelligence spending, while buying stocks of companies that rely on the input costs of soaring commodity prices to maintain their profit margins. They're also dumping software stocks following a largely untested thesis that suggests Anthropic's new AI-powered ad-on will render the sector obsolete, while continuing to question the pace at which companies are adopting the new technology. *For Bank of America's Vivek Arya, the software selloff has a whiff of the stock market's DeepSeek meltdown a year ago, when the launch of a cut-priced AI chatbot spooked investors who had piled into U.S. tech stocks.* *The stock losses, Arya wrote on Wednesday, imply all the money being poured into AI is unsustainable and won't bring in equally massive returns—and at the same time suggest AI adoption will be “so pervasive and productivity-enhancing” that software becomes obsolete.* *Both outcomes,” he said, “cannot occur at once.”* *Yet, that's what the market thinks. Or “doublethinks.”*

WHAT TO DO WITH SAAS COMPANIES?

This year's worst-performing sectors are information technology and financials, which are down 1.3% and 2.3% respectively, and communications services is essentially flat. An index of the Magnificent Seven tech companies is down 2.1%. And data from Barchart show the iShares North American Tech-Software ETF is underperforming the broader Nasdaq benchmark by the most in more than two decades. Capital Economics' James Reilly sees a way out of the market contraction, arguing the decline in software stocks is more closely tied to company specifics than sector skepticism. "Ultimately, firms' exposures to the AI revolution can be grouped into one of three boxes: those who enable, those who adopt, and those who are disrupted," said Reilly, Capital's senior market economist. "Investors have simply been taking the view that the benefits accruing to the enablers and users would outweigh the costs to those disrupted," he added. "We doubt the latest news changes much on that front—so, we expect the stock market to rally before long."

WHAT TO DO WITH SAAS COMPANIES?

Still, narrowing into individual names reveals some pretty heavy pessimism. And that could take a good deal of time to overcome. Oracle is now some 53% south of its 52-week high. CoreWeave CRWV - 6.72% is down 51% and Salesforce down 45%. Workday and Adobe —42% and 41%, respectively. Duolingo has crashed more than 78% from its May 2025 peak. “Software stocks are likely nearing capitulation, and that’s more likely for the high-quality companies within this group,” said Bret Kenwell, U.S. investment analyst at eToro. “However, once this selloff is over, will there be a new ceiling on just how much investors are willing to pay for them?,” he asked. “If so, that could limit the upside and the recovery time for this space—high quality or not.” Arya, however, remains optimistic that investors will see the thread that ties AI capex—which Gartner estimates will reach \$2.5 trillion this year—to widespread adoption. “AI models provide unprecedented levels of intelligence, yet harnessing and productizing that intelligence will take time, likely the next several years,” he said. “We expect the volatility to moderate as earnings and guidance clarify the outlook this reporting season.” That’s an outcome that would be, in the words of Orwell himself, “doubleplusgood”.

WHAT TO DO WITH SAAS COMPANIES?

These are all good companies, and I should have stopped loss of 20-25% on them at much higher levels but will now hold.

What was the correct strategy? – I should have reduced my buying prices and even though I did accumulate on declines, it was just still too high to begin with.

Even though their business will survive the AI onslaught, and they're smart enough to use AI tools they face competition and pricing pressure.

IBM - (IBM) Hold, I have a stop loss at \$275,

Pure Storage - (PSTG) Hold, I have a stop loss at \$60

Service Now (NOW), Hold, I have a stop loss at \$90

Snowflake (SNOW), Hold, I have a stop loss at \$150

Cadence (CDNS) Hold

Synopsis (SNPS) Hold

OTHER PORTFOLIO STOCKS

These are all good companies, and I should have stopped loss of 20-25% on them at much higher levels but will now hold.

Cybersecurity -

Rubrik (RBRK) Hold

CrowdStrike (CRWD) Hold

Fintech

Affirm - (IBM) Hold

Health Insurance

United (UNH) - Hold

Oscar (OSCR) - Hold

Molina Healthcare (MOH) - Holding, likely to add more.

OVERALL STRATEGY

For the past several webinars, I have been emphasizing defence for 2026.

But I still believe my mistake in the past few months was adding too many small positions in decent SaaS and SaaS type companies. There the valuation criteria should have been stricter, and even though the targets were not high, in so many of those the goal was to move away from higher risk AI.

The accumulation also should have been more spread out.

Initially because the positions were small it was fine but the total allocation to this sector now makes it necessary to not add exposure – not selling at these prices but will not add and exit at decent levels.

I am going to keep higher levels of cash, and add industrials, and other segments and defensives going forward.

2026 is going to be a difficult year – conserve capital.
