



01/15/2026

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 J POWELL DRAMA THAT FIZZLED OUT

Late Sunday evening (Jan 11th), we were treated to an astonishing sight of Fed Chair J Powell fighting back after being served with subpoenas threatening criminal indictment, with a direct accusation at the White House.

“This new threat is not about my testimony last June or about the renovation of the Federal Reserve buildings. It is not about Congress’s oversight role; the Fed through testimony and other public disclosures made every effort to keep Congress informed about the renovation project. Those are pretexts. **The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the President.**”

“**No one — certainly not the chair of the Federal Reserve — is above the law, but this unprecedented action should be seen in the broader context of the administration’s threats and ongoing pressure,**” Powell said, of the subpoenas.”

THE J POWELL DRAMA THAT FIZZLED OUT

“This is about whether the Fed will be able to continue to set interest rates based on evidence and economic conditions, or whether instead monetary policy will be directed by political pressure or intimidation,” he went on, adding that “Public service sometimes requires standing firm in the face of threats.”

The markets opened 0.5% lower, but recovered soon enough as traders realized that

- a) The White House had shot itself in the foot again. (Another TACO trade)
- b) Chair Powell's resolve meant that there was a solid chance of the Fed keeping its independence.
- c) Given how strong corporate results were likely to be, interest rate cuts didn't seem to be as material to the markets.

Besides, by late Tuesday and early Wednesday the Iran situation started to look dire enough for the White House to issue orders to evacuate personnel.

ANOTHER DAY ANOTHER DRAMA.

DEALING WITH VOLATILITY

01/14 - Wednesday:

The high level of violence because of a crackdown on Iran protesters by the Khamenei government had reports of more than 2,400 deaths in the past two weeks. None of this seemed sustainable with a belligerent US government dying to flex. The likely overthrow of the Khamenei regime backed by an imminent attack on Iran by the US spooked markets for pretty much most of Wednesday, which eventually subsided with a comment from the White House. This is what Rueter's reported late Wednesday:

A U.S. official, speaking on condition of anonymity, said the United States was pulling some personnel from key bases in the region as a precaution given heightened regional tensions.

"All the signals are that a U.S. attack is imminent, but that is also how this administration behaves to keep everyone on their toes. Unpredictability is part of the strategy," a Western military official told Reuters later on Wednesday.

At the White House, however, Trump suggested he was adopting a wait-and-see posture toward the crisis.

Trump told reporters that he has been told that killings in the Iranian regime's crackdown on the protests were subsiding and that he believes there is currently no plan for large-scale executions."

The tech sensitive Nasdaq Composite rebounded from a 1.7% drop to close just 1% lower, and the S&P 500 0.5% lower.

DEALING WITH VOLATILITY

Risk Mitigation is important:

I don't want to panic and predict that the US indices would collapse, however I do keep coming back to the several exogenous factors that could derail markets, it could be one, it could be the weight of the collective, and I do not want to be exposed in high-risk tech if I don't have to. Knowing what happened in 2025, it would be reasonable to state that this administration's risk profile is higher than most, and that should be a factor in our decision making.

Here is the current list:

Venezuela – worst case scenario – boots on the ground, power vacuum, chaos

Iran – worst case scenario – lack of resolution, protests and violence continue, overthrow, power vacuum, chaos, nuclear weapons – it would be a huge mistake to commit boots on the ground in Iran.

Greenland – worst case scenario - Breakdown of NATO and isolation of the United States, major trade war with the EU, forced colonization and legal violation of UN Charter and international self-determination laws.

The question is – how many fronts does the US want to open....endless fire-fighting has to take its toll sometime and then are domestic risks as well.

ECONOMIC REPORTS – PAYROLL 01.09.2026

The Non-Farm Payrolls Report for Dec 2025 - US Payrolls Rose in line with estimates

US Dec. Nonfarm Payrolls Rise 50k M/M; Est. 55K

US Dec. Unemployment Rate 4.4%; Est. 4.5%

US Dec. Two-Month Payroll Net Revision Subtracts 76,000

Private payrolls look weak, at just a 37,000 gain for the month. Note that manufacturing sees yet another contraction in payrolls. The drop of the unemployment rate shut the door for the January Fed cut. In interest rate swaps, the probability of that happening is now seen as zero!

The three-month moving average -- is now at a 22,000 contraction. Even with diminished labor supply that doesn't look helpful from a consumption standpoint.

ECONOMIC REPORTS – PAYROLL 01.09.2026

The big revisions: October was revised down by 68,000, from -105,000 to -173,000 and November was revised down by 8,000, from +64,000 to +56,000.

The net effect: Employment in October and November combined is 76,000 lower than previously reported.

No surprise to see health care driving the hiring, adding 21,000 roles which means health care employment rose by an average of 34,000 per month last year (though that's less than the average monthly gain of 56,000 in 2024)

So, for the full year, payrolls climbed by 584,000. That's the weakest increase since 2020, when they plunged by 9.2 million due to Covid. Looking back before the pandemic, you don't see an annual payroll increase as weak as 584,000 throughout the entire expansion from 2010 through 2019!

ECONOMIC REPORTS – CPI 01.13.2026

CPI in line with expectations but core CPI was slightly better than expected in December 2025.

December Consumer Price Index:

+0.3% M/M vs. +0.3% consensus and +0.2% prior, according to data released by the Bureau of Labor Statistics on Tuesday.

+2.7% Y/Y vs. +2.6% consensus and +2.7% prior.

Core CPI (excludes food and energy): +0.2% M/M vs. +0.3% consensus and +0.2% prior.

+2.6% Y/Y vs. +2.7% consensus and +2.6% prior.

Considering that December was supposed to record a bounce back in prices after suspected mismeasurement of October and November, the 0.2% core increase looks all the tamer.

ECONOMIC REPORTS – CPI 01.13.2026

Here's more detail and comments from Bloomberg:

Food away from home (otherwise known as restaurants) also saw a 0.7% monthly increase. That's the biggest since October 2022. For all the encouraging signs from the core CPI, the person on the street isn't going to be wildly happy if both grocery and restaurant prices are climbing the most since the worst year of the inflation crisis.

Here's one category that is proving a real bugbear to the Trump administration: Food at home. (In other words, groceries.) The monthly price rise here is 0.7%. That's the biggest gain since August 2022, back near the peak in inflation.

Shelter prices did see some bounce back, with a 0.4% increase, double the 0.2% rise for the two months October/November. But not enough to propel a faster increase in the core CPI.

Bloomberg Intelligence chief US rates strategist Ira Jersey has a first take:

“Knee-jerk rally and bull steepening are justified with the relief that consumer prices didn't really jump. The 2.7% YoY headline translates toward a sub-2.5% PCE deflator, so clears the way for the Fed to be a bit more dovish. We still don't think a cut in January is a done deal, but this *certainly puts March on the table.*”

STOCKS – PURE STORAGE (PSTG) \$73-\$74

A good long-term opportunity, buying the stock.

Pure Storage's banishment to the dog-house with a 27% post-earnings drop from \$94 to \$69 is an opportunity. It has recovered to around \$75 but still has a long way to go.

Not surprisingly, the short-sighted sell-off was triggered by management's plans to increase R&D and sales spending in the current year, which would only be accretive to revenues and earnings in FY2027. Strangely, no one realized that the downtick in margins was only for a year. This industry needs product development. As AI and data centers progress the emphasis on reducing energy costs will produce the winners, and it makes no sense for Pure Storage to not develop energy saving storage arrays for hyper scalers like Meta.

Margins will recover in 2027: Despite increased spending, management explicitly expects operating margin expansion. Pure Storage designs storage arrays for Meta, it is built by an OEM, Kioxia, the design and technology provides them recurring royalty based on the amount of storage delivered to Meta. We may see comparatively lower revenue growth, because Pure will count revenue income from royalties and not the full product sales, and one should be able to discern that compared to prior years. We will see that in higher net incomes and earnings.

STOCKS – PURE STORAGE (PSTG)

A recurring subscription business: The shift to a software type subscription model for storage is absolutely the right way to group. The uncertainty created by this pivot is worth it if it improves revenue and margins and Pure Storage has to offer a competitive edge and differentiation..

Product Differentiation: Pure's proprietary DirectFlash technology has an energy-efficient edge over incumbents like Dell. It is supposedly 10x more energy-efficient and requires 80% less rack space, a competitive advantage for power-constrained AI data centers.

Capturing the technology shift: The industry is shifting from legacy "spinning disks" which is still over 40% of the storage market. Their new products such as FlashBlade//EXA specifically target the "Neo-Cloud" and AI inference markets.

STOCKS – PURE STORAGE

Challenges - This is heavily reliant on data center buildouts, competitive with giants like Dell in the mix and will always have the threat of obsolescence, as we can see how the legacy spin disks getting shunted out. The financial challenge is also to get a better GAAP profitable margin for a better valuation, as a \$4Bn revenue company, investors need to see more profitability,

Valuation: PSTG sells for 31x earnings growing over 18%, with a great chance of exceeding this growth rate, revenues are expected to grow at 15-16% in the next three years, with a P/S ratio of 5.6, which is also reasonable.

STOCKS – DELL

Dell Technologies (DELL) \$120

Industry/Sector/Type - Computer hardware/cyclical

Biggest catalysts for the stock - Increasing percentage of AI revenues with a low valuation, with a strong likelihood of multiples expanding.

Positives

A fairly large share 52%, growing from 47% YoY of Dell's revenues, is now coming from the Infrastructure solutions group led by AI servers and infrastructure equipment. More importantly this share will continue to grow. In Q3 they shipped \$5.6Bn worth of AI servers and \$15.6Bn year to date, and they still have a backlog of \$18.4Bn.

The PC business has stabilized, with client solutions revenue increasing 3%. Dell has 5 consecutive quarters of P&L growth and 7 consecutive quarters of commercial demand growth.

The valuation is very attractive at just 10.5x earnings growing at 16% in the next three years, and I'm confident that Dell will fetch a higher multiple in 2027

Negatives

60% of the business will be low margin and cyclical - Even within infrastructure AI business is just growing.

It has significant competition in several of its business segments, including OEMS out of China that compete heavily on price.

Operating margins are poor at 5.5% as is cash flow generation, and should the AI bubble burst under the weight of over building and a demand slowdown, weaker companies like Dell will take the brunt of it and a long while to recover.

STOCKS – DELL

Investors will need to be very patient with Dell, because even with already low margins, ramping AI servers takes up extra cash and expenses upfront. I believe this company is improving; For a \$112Bn behemoth, 8% revenue and 16% growth is fairly impressive. In this case the benefits outweigh the risks and I could see Dell crossing \$150 in the next 12 months returning 25% in a year. With just a small 9% price increase in the past year, Dell has room to run.

Return

1 Year 9% 5 Year 57% 10 Year

Valuation

Three years forward.

P/S 0.7 Sales Growth 8% P/S Growth 0.06

P/E 10.53 Earnings Growth 16% PEG 0.67 - Very Reasonable

Cash Flow Margin 6%

Operating Margin 5.4%

BANK EARNINGS INDICATE A STEADY ECONOMY

Earnings season opens at a steady pace with bank earnings in line, and credit loss provisions are not elevated, except for JPM, which always tends to be more conservative. Pretty much all their stocks fell post earnings, which is OK.

JP Morgan (JPM) \$309

The company now expects 2026 net interest income, excluding markets, of ~\$95B vs. \$92.6B reported for 2025. Overall, the bank expects NII of ~\$103B, market dependent, compared with the Visible Alpha consensus of \$100B.

Guidance for 2025 adjusted expense of ~\$105B, market dependent, compares with the Visible Alpha consensus of \$105B. Card service net charge-off rate is expected to be ~3.4%.

Q4 adjusted EPS of \$5.23, beating the average analyst estimate of \$4.86, increased from \$5.07 in Q3 2025, which excluded a significant item, and \$4.81 in Q4 2024.

Adjusted revenue of \$46.8B, topping the \$46.3B consensus, fell from \$47.1B in the prior quarter and climbed from \$43.7B a year ago.

"Each line of business performed well," Chairman and CEO Jamie Dimon said. "In the CIB (Commercial and Investment Bank), revenue rose 10%. Markets continued to benefit from demand for financing and robust client activity, pushing revenue up 17%."

Provision for credit losses was \$4.66B, higher than the Visible Alpha consensus of \$3.86B, compared with \$3.40B in the previous quarter and \$2.63B a year ago.

Net interest income (managed) of \$25.0B, matching the Visible Alpha consensus, grew from \$24.1B in Q3 and \$23.4B in the prior year's Q4.

BANK EARNINGS INDICATE A STEADY ECONOMY

Bank of America (BAC) \$53.60

Q4 EPS of \$0.98, beating the average analyst estimate of \$0.95, fell from \$1.06 in Q3 and rose from \$0.83 in Q4 2024.

Net interest income (FTE basis) of \$15.9B, topping the \$15.7B Visible Alpha estimate, increased from \$15.4B in the prior quarter and \$14.5B a year ago.

Noninterest income of \$12.6B vs. the \$11.9B Visible Alpha consensus dropped from \$12.9B in the prior quarter and increased from \$12.1B a year ago.

Q4 provision for credit losses edged up to \$1.31B from \$1.30B in Q3 and fell from \$1.45B in the prior year's Q4.

Wells Fargo (WFC) \$90.50

Q4 EPS of \$1.62 vs. \$1.66 in Q3 and \$1.43 in Q4 2024. The current quarter's bottom line included \$0.14 per share of severance expense. Excluding the charge, Q4 2025 EPS came to \$1.76, vs. the average analyst estimate of \$1.69.

Total revenue of \$21.3B, misded consensus of \$21.7B, compared with \$21.4B in the prior quarter and \$20.4B a year ago.

Provision for credit losses of \$1.04B increased from \$681M in Q3 and declined from \$1.10B in Q4 2024.

Net interest income of \$12.3B, vs. the Visible Alpha consensus of \$12.4B, increased from \$12.0B in the previous quarter and \$11.8B in last year's Q3. Common equity target of 15% and set a new medium-term target of 17%-18%.

FACTSET

Analysts Increased EPS Estimates for S&P 500 Companies for 2nd Straight Quarter

Given concerns in the market about inflation and tariffs, did analysts lower EPS estimates more than normal for S&P 500 companies for the fourth quarter? The answer is no. During the fourth quarter, analysts increased EPS estimates in aggregate for the quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) increased by 0.5% (to \$70.50 from \$70.16) from September 30 to December 31.

In a typical quarter, analysts usually reduce earnings estimates during the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 1.6%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during quarter has been 3.1%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 3.3%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 4.3%.

This quarter marks the 2nd straight quarter in which analysts have increased EPS estimates in aggregate during the quarter.

FACTSET Q1 AND 2026 S&P 500

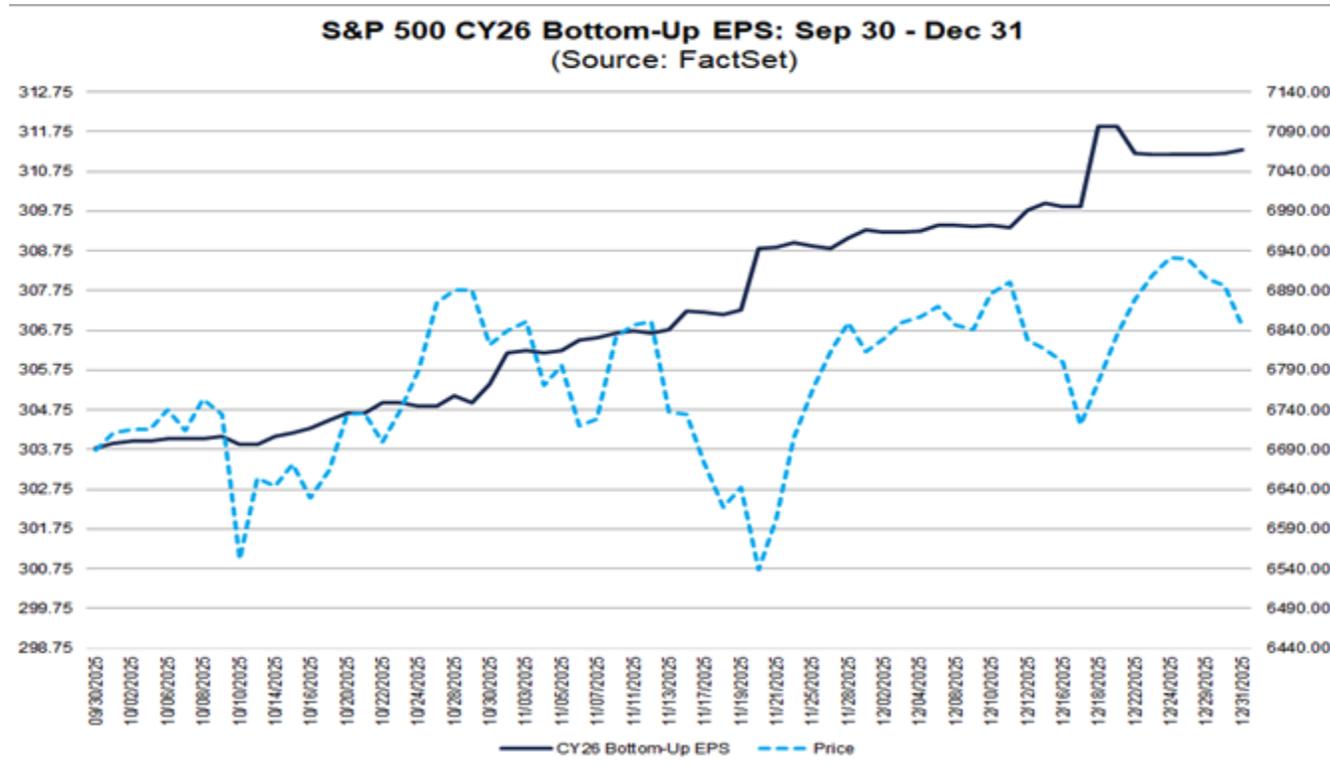
Analysts Increased EPS Estimates for S&P 500 Companies for 2nd Straight Quarter

At the sector level, only three of the eleven sectors witnessed an increase in their bottom-up EPS estimate for Q4 2025 from September 30 to December 31: Information Technology (+6.1%), Financials (+1.2%), and Energy (+0.3%). On the other hand, eight sectors recorded a decrease in their bottom-up EPS estimate for Q4 2025 during this period, led by the Utilities (-6.2%), Health Care (-4.0%), and Consumer Staples (-3.8%) sectors.

Analysts also increased earnings estimates for 2026 over the past three months. From September 30 through December 31, the CY 2026 bottom-up EPS estimate increased by 2.5% (to \$311.30 from \$303.79). At 6,975, the S&P 500 is priced at 22.4x \$311 earnings.

At the sector level, five sectors witnessed an increase in their bottom-up EPS estimate for CY 2026 from September 30 to December 31, led by the Information Technology (+9.5%) sector. On the other hand, six sectors recorded a decrease in their bottom-up EPS estimate for CY 2026 during this period, led by the Energy (-5.9%) sector.

FACTSET BOTTOMS UP EPS GUIDED UPWARDS



S&P 500: Change in Sector-Level CY26 EPS (Sep 30 to Dec 31)
(Source: FactSet)

FACTSET FORWARD P/E IS AT ITS HISTORIC PEAK



TAIWAN SEMICONDUCTOR

TSMC's earnings and capex plans also send strong signals

Taiwan Semiconductor Manufacturing (TSM) rises after Q4 profit surges amid AI boom; plans more US factories

The global foundry's fourth quarter net income jumped 35% year-over-year and forecast revenue growth of close to 30% in U.S. dollar terms in 2026. Q3 2025 net revenue grew 25.5% year-over-year to \$33.73B (NT\$1.046T, +20.5% Y/Y).

Net income jumped 35% year-over-year to NT\$505.74B, beating analysts' estimates,

From the earnings call "In 2025, we observed robust AI-related demand throughout the whole year, while non-AI end-market segments bottomed out and saw a mild recovery," Our business in the fourth quarter was supported by strong demand for our leading-edge process technologies,"

Capex - to be between \$52B and \$56B as it continues to invest to support its customers' growth, with about 70% to 80% of the 2026 to advanced process technologies, jumping from \$41Bn in 2025 and \$30Bn in 2024

TSM noted that in the last five years alone, its capex totaled \$167B and R&D investments totaled \$30B

TAIWAN SEMICONDUCTOR

TSMC's earnings and capex plans also send strong signals for semis, AI and technology

Outlook

For the first quarter of 2026, TSM expects revenue to be between \$34.6B and US\$35.8B, a 4% sequential increase, or a 38% year-over-year increase at the midpoint.

The company expects revenue growth of nearly 30% in 2026, faster than the average analyst estimate, due to demand for AI accelerators, Bloomberg News reported.

“You’re trying to ask us whether AI demand is real or not. I’m also very nervous about it,” Wei said in response to an analyst’s question on the conference call. “We’re investing \$52 billion to \$56 billion in capex, right? If we don’t do it carefully, that’d be a big disaster for TSMC,” the report added.

Q4 Revenue by Platform

High Performance Computing, or HPC, represented 55% of net revenue, up from 53% in the fourth quarter of 2024. The company's smartphone segment represented 32% of net revenue in the fourth quarter of 2025, versus 35% in the year ago period.
