



12/11/2025

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 FED FOMC MEETING 12/10/2025-1

The Federal Reserve December meeting went as expected with a 25-basis point cut.

Why did they cut? – Hiring has lost momentum, and they believe that payrolls are likely to be revised lower given previous year trends, and private sector data with higher layoffs also suggested they need to prioritize employment.

Powell reiterated that stand during the press conference.

Unemployment moved to 4.4% in September, up from 4.1% in June.

In his press conference, Powell said he expected the impact of tariffs to fade next year.

“Let’s assume there are no major new tariff announcements — inflation from goods should peak in the first quarter,” he said.

THE FED FOMC MEETING 12/10/2025-2

What lies ahead? - In their new economic forecasts officials' median projections pointed to one cut in 2026, and one in 2027.

GDP forecast higher - Officials upgraded their median outlook for growth in 2026, to 2.3% from the 1.8% they projected in September.

Inflation forecast lower - They also foresaw inflation declining to 2.4% next year, from the 2.6% they projected in September.

The Fed is also injecting liquidity into the market – Quantitative tightening ended and they are also buying treasuries to calm the markets down. This will help keep interest rates low.

The stock market reacted positively with a 0.5% increase, but the bond markets yawned, the 10-year treasury yield dropped from 4.17% to 4.15%.

THE FED FOMC MEETING 12/10/2025-3

Parsing their stance and forecasting 2026: The policy rate is in the neighborhood of neutral and having delivered 75bps of cuts since September, the Fed's in a position to wait and see how the US economy evolves.

Two key metrics for 2026 underscored the Fed's dilemma:

The half-point upgrade to the GDP growth suggested an economy in fine fettle.

But a 12-month Unemployment Rate projection of 4.4%, suggested the need for being dovish.

I believe that the Fed has done the right thing in increasing T-bill purchases to alleviate funding market strains and prevent passive tightening through the reserves channel.

There was a need for increasing liquidity.



THE FED FOMC MEETING 12/10/2025-4

Powell did talk a lot about a weak labor market, his tone postulating jobs weakness as a bigger problem than inflation.

The deluge of private-sector data points to a weakening labor market.

We get a partial jobs report for Oct and a full one for November next week, which is likely to be distorted by the shutdown.

He also feels the same way of the next CPI Inflation release and indicated it'll be at least a month (or two) before anyone has a clean read on... well, on anything.

In the meantime, the Fed's working assumption is that between a resilient high-end consumer and AI spending, the US economy's probably fine.

They could be bringing this to a softish landing....

THE YEN DOLLAR CARRY TRADE IS OVER - 1

The Japanese 10-year yield surged from 1.07% to 1.95% in the past year, signaling an exit from deflation and an 80% chance of a BoJ rate hike in December.

Fiscal stimulus under PM Takaichi conflicts with tighter monetary policy, risking a loss of investor confidence and higher yields driven by bond vigilantes.

Rising Japanese yields are triggering an unwind of the yen carry trade, reducing demand for U.S. Treasuries and adding upward pressure on U.S. yields even after the Fed cut.

Higher hedging costs and narrowed yield differentials make carry trades less profitable, contributing to recent U.S. and crypto market volatility.

Bond vigilantes in the U.S. are skeptical of fiscal stimulus amid moderate inflation and low unemployment, questioning Fed independence under Chair Hasset.

While most carry trade unwinding likely occurred in 2024–2025, some residual volatility remains, though the upcoming BoJ hike is largely priced in.

US GOVT BOND YIELDS- THE HASSETT PREMIUM

Markets are increasingly concerned about inflation risk under likely incoming Fed Chair Kevin Hassett, given perceptions of his lack of inflation-fighting credibility.

Hassett is widely seen as politically subservient to President Trump, raising fears the Fed may cut rates even amid elevated inflation if the White House demands it.

The bond market reflects this skepticism: the term premium has widened to 72 bps, it's highest since September, signaling higher perceived risk in long-term Treasuries.

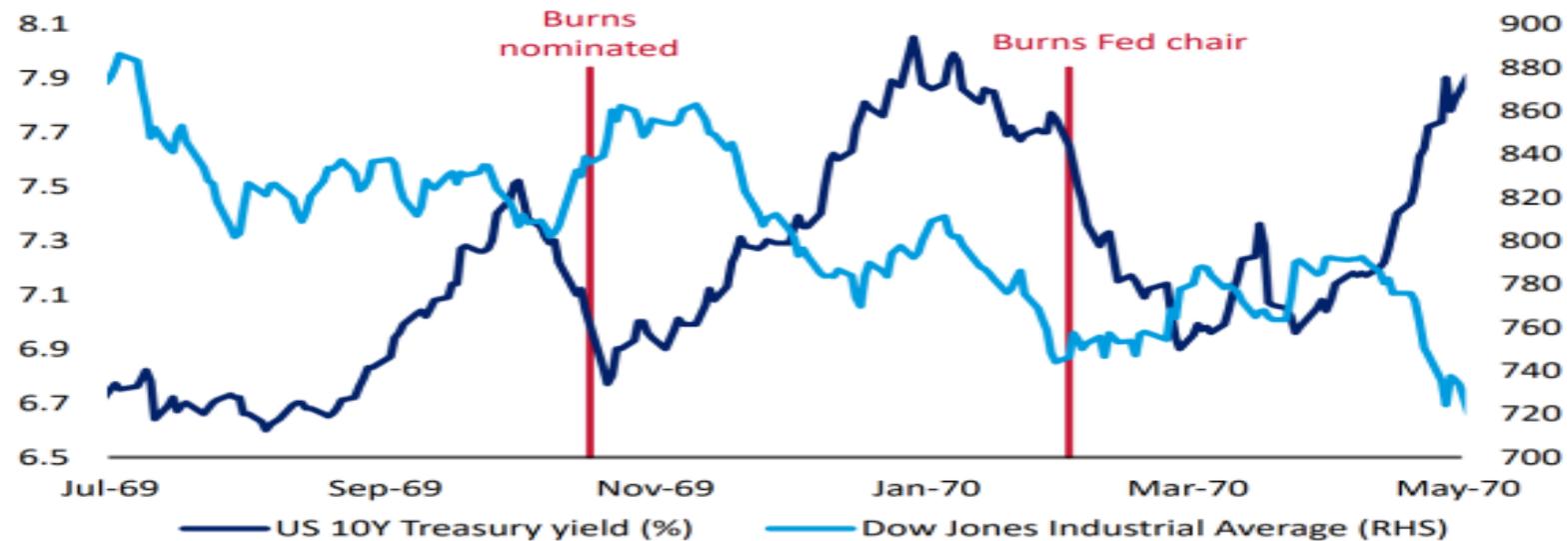
Since Hassett emerged as Fed frontrunner in late November, the term premium widened ~15 bps, indicating a “Hassett premium” priced into yields.

Factors like pro-growth fiscal stimulus, corporate earnings resilience, and still-easy financial conditions could combine to embed structurally higher inflation expectations going forward.

THE HASSET PREMIUM

Chart 9: Burns nomination to term start... yields up, stocks down

UST 10-year yield and DJIA from from 1969 to 1970-



Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

US GOVT BOND YIELDS- THE HASSETT PREMIUM COULD HURT THE STOCK MARKET

I'm cautious of the market rallying even after today's 25 basis point cut for the following reasons.

After the strong "Buy The Dip" during Thanksgiving, follow up has been poor.

The bond market is falling with rising yields despite a rate cut.

The Japanese Carry Trade is over but could still have a lag effect and create volatility.

The perceived lack of Fed independence under the new chair could spook the bond and equity markets.

US GOVT BOND YIELDS – GOING AGAINST THE GRAIN

I'm skeptical of US treasury yields falling if the rest of the world is moving in the opposite direction.

Money markets are now pricing in almost no prospect of further interest-rate cuts from the European Central Bank, and around a 30% chance of a hike by the end of 2026.

Traders are all but certain the Bank of Japan will raise its benchmark rate 25 basis points next week to 0.75%, with at least one more increase expected next year.

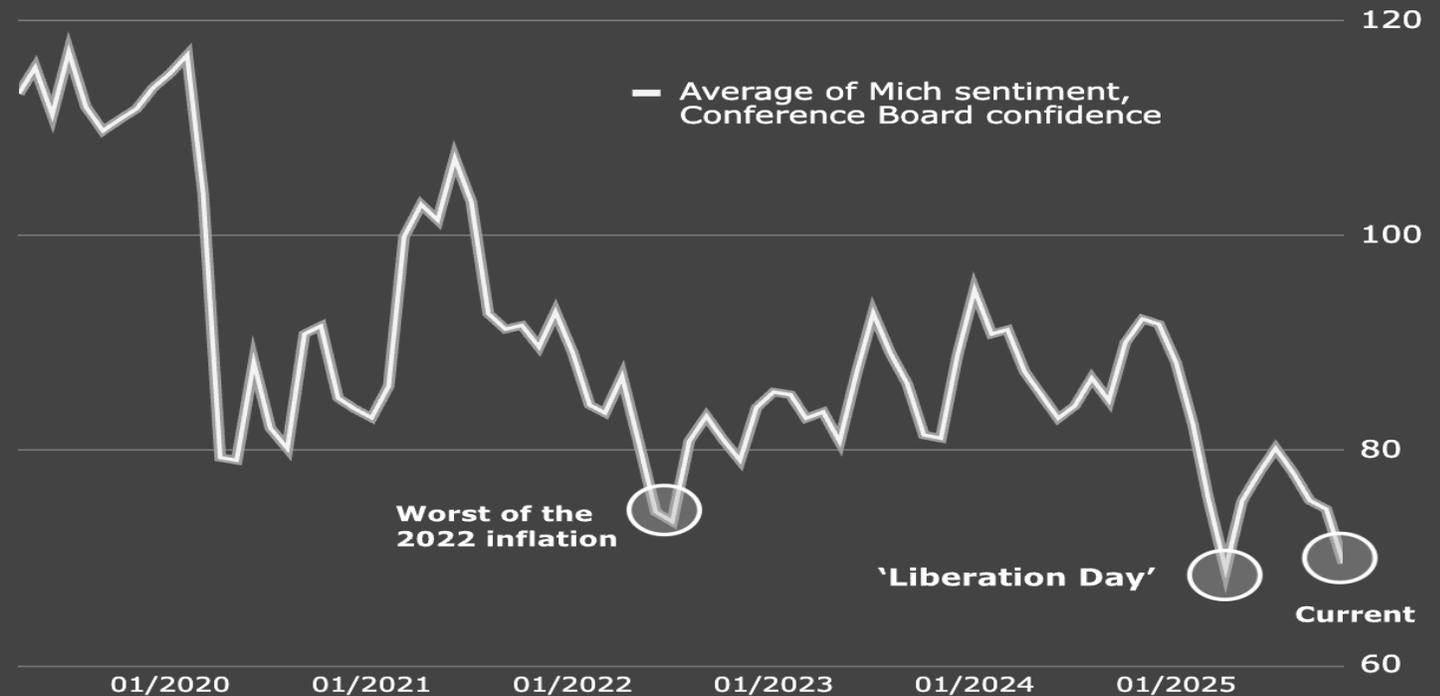
In the US, the Feds have suggested only cut in 2026, though with a new chair that could change.

Given that countries like Japan and global investors that invest in US treasuries have better options with higher rates at home, I suspect that demand for US gilts will likely wane if interest rates are not high enough.

ECONOMIC UPDATES – 1 CONSUMER SENTIMENT REMAINS POOR

National Tragedy

Consumer mood in America has never been worse



CONSUMER INCOME GROWTH

Goldman has a more positive view on consumer income, which according to them should improve in 2026, with varying degrees among different income cohorts.

Importantly, these are inflation adjusted Real incomes

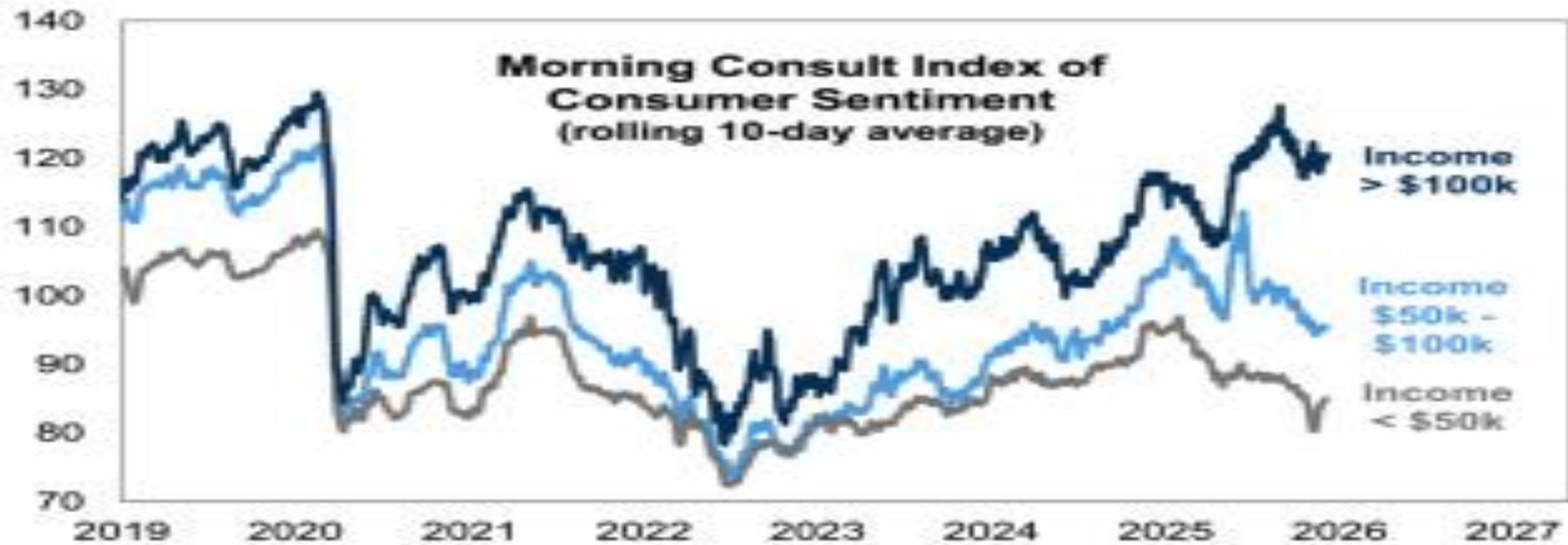
“Slow job growth and elevated inflation have weighed on consumer income growth in Q4, but a re-acceleration in early 2026” is likely “as a result of a diminishing inflation impulse from tariffs, tax cuts passed in the One Big Beautiful Bill Act, and a stabilization of the labor market,” Goldman’s Ben Snider, who stepped up to replace the retiring David Kostin,

According to Goldman the 69K to 94K income cohort should see their real incomes grow 2.8% next year, and the 94K to 108K cohort should see their real incomes grow 2.5% next year.

The lowest income cohort (Below \$50,000) will be stung by SNAP, and Medicaid cuts and reduction of Obamacare subsidies. Their real incomes will drop to 1.1%

ECONOMIC UPDATES – 2 CONSUMER SENTIMENT BY COHORT

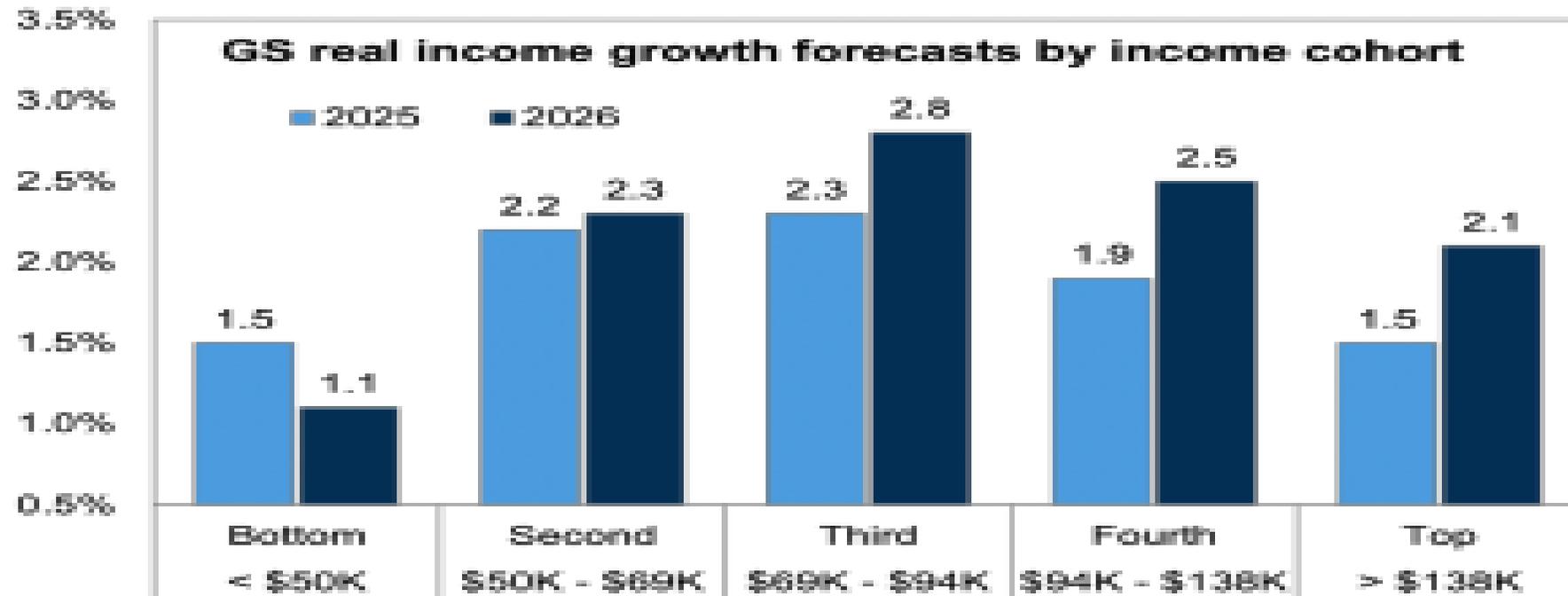
Exhibit 3: Consumer sentiment varies widely by income cohort



Source: Morning Consult, Goldman Sachs Global Investment Research

ECONOMIC UPDATES – HIGHER INCOME COHORTS SHOULD DO WELL - GOLDMAN

Exhibit 5: Real income growth for middle income consumers should accelerate in 2026



Income ranges estimated based on 2022 BEA data in current dollars.

Source: US Bureau of Economic Analysis (BEA), Goldman Sachs Global Investment Research

SYNOPSIS EXCELLENT RESULTS –STAYING INVESTED, NOT ADDING ANY MORE

Record full-year 2025 revenue of \$7.05Bn, growth of 15%

Fourth-quarter revenue of \$2.26Bn exceeding the midpoint of guidance grew from 1.64Bn YoY, including \$668Mn from Ansys.

Full-year and fourth-quarter non-GAAP earnings per diluted share (EPS) exceeded guidance.

Looking ahead, the company projects first quarter fiscal 2026 revenue ranging from \$2.37B to \$2.42B, which surpasses the \$2.36B estimate. It forecasts adjusted EPS to range from \$3.52 to \$3.58, which also clears the \$3.46 estimate

Expecting fiscal year 2026 revenue of \$9.6 Bn at mid-point, including \$2.9Bn from Ansys

Strong backlog of \$11.4Bn, which underscores the resilience of business.

We expect to set another revenue record in 2026 while fully integrating Ansys, driving further operational efficiency, and capitalizing on our expanded opportunity."

Q4 - EPS \$2.39, growing from \$1.79 for the fourth quarter of fiscal year 2024.

Full year EPS \$12.91 dropping from \$13.20 on the Ansys acquisition.

ORACLE RESULTS - MISSED EXPECTATIONS-1

Oracle (ORCL) Post Earnings \$193 - down 13%

Cloud Infrastructure growth not enough for the overall revenue miss, possible datacenter delays, and high cost of Capex. Neutral for now, but may be interest if price keeps falling.

Q2 Non-GAAP EPS of \$2.26 beats by \$0.62.

Revenue of \$16.06Bn (+13.9% Y/Y) misses by \$130Mn.

Q2 Remaining Performance Obligations \$523Bn, up 438% – This beat estimates of \$500Bn

Q2 Cloud Revenue (IaaS plus SaaS) \$8.0Bn, up 34%

Q2 Cloud Infrastructure (IaaS) Revenue \$4.1Bn, up 68%

Q2 Cloud Application (SaaS) Revenue \$3.9Bn up 11%

ORACLE RESULTS - MISSED EXPECTATIONS-2

Q2 Fusion Cloud ERP (SaaS) Revenue \$1.1 billion, up 18%

Q2 NetSuite Cloud ERP (SaaS) Revenue \$1.0 billion, up 13%

Delays in the key Abilene datacenter that likely caused a miss, but the 68% was reassuring to analysts. Even as Free cash flow fell to -\$10bn in FQ2 (driven by \$12bn of capex, ~46% ahead of [consensus]), indicating that OCI growth will likely come through strong in H2, with no visible delays in datacenter build outs, which also appears as a relief.

Oracle has over 211 live and planned regions worldwide—for clients like Amazon, Google and Microsoft.

Multicloud database business is its fastest growing business—up 817% in Q2.

Given the high exposure to other cloud, data center and AI stocks, I'll sit this one out.

BROADCOM RESULTS –1

Broadcom (AVGO): Q4 Non-GAAP EPS of \$1.95 beats by \$0.08.

Revenue of \$18.02B (+28.2% Y/Y) beats by \$560M.

Adjusted EBITDA of \$12,218 million for the fourth quarter, or 68% of revenue

Cash from operations of \$7,7Bn for the fourth quarter, less capital expenditures of \$237Mn, resulted in \$7.5Bn of free cash flow, or 41% of revenue

"In Q4, record revenue of \$18.0 billion grew 28% year-over-year, driven primarily by AI semiconductor revenue increasing 74% year-over-year," said Hock Tan, President and CEO of Broadcom Inc. (AVGO)

BROADCOM RESULTS – 2

CEO Hock Tan, went on to say:

"We see the momentum continuing in Q1 and expect AI semiconductor revenue to double year-over-year to \$8.2 billion, driven by custom AI accelerators and Ethernet AI switches.

We forecast Q1'26 total revenue of \$19.1 billion and adjusted EBITDA of 67%."

Based on current business trends and conditions, the outlook for the first quarter of fiscal year 2026, ending February 1, 2026, is expected to be as follows:

First quarter revenue guidance of approximately \$19.1Bn vs consensus of \$18.31Bn.

First quarter Adjusted EBITDA guidance of 67% of projected revenue.

I suspect Broadcom, will wipe out some of the fears from Oracle's results.

Continuing to Hold.

PORTFOLIO STRATEGY - 2026 - 1

I may be too early in calling out the lack of an independent Fed and a Hasset premium, given that Chair Powell is still in his job till May.

However, I would take a defensive posture for sure and rotate away from AI, the way I have started in the past two weeks.

No additional purchases unless there are significant discounts / bargains

Added hedges – These are defensive insurance positions, I feel it is worthwhile spending on premiums because the drawdown in tech tends to be very high.

Bought protection on the Nasdaq 100

Put stop losses in place for all higher risk stocks

PORTFOLIO STRATEGY – 2026 –2 HEDGES

Duolingo Inc - Puts

Credo Technology - Covered Calls, Puts

Nebius Group – Covered Calls

Rubrik – Stop Loss

Astera Labs - Covered Calls, Puts

Applied Digital – Stop Loss

Bloom Energy – Covered Calls, Puts

Micron – Covered Calls, Puts

Roblox – Stop Loss

Joby Aviation – Stop Loss

Sound Hound – Stop Loss

Rocketlabs – Stop Loss

Advanced Micro Devices Inc – Stop Loss
