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05/14/2026

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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## THE S&P 500 – WE ARE GETTING TOO COMPLACENT

**Complacency has set in:** Another week, another record is now getting worrisome, and as much I cheer the AI revolution this is a market that has gotten way ahead of itself on several fronts. The bounce back from the Iran war low was based on a ceasefire and the re-opening of the Straits of Hormuz. We have an 18% bounce back but nothing to show for it. The ceasefire is fragile and the Straits of Hormuz continues to remain choked. There is no reason to get so complacent, the latest CPI, and PPI reports were much higher than expected, and I cannot see gas prices reducing before 2027.

AI valuations are now discounting 2027 earnings in May 2026.

	05/05/26	05/14/26	Change	Iran War Low	Oct 2025 High	Difference from high	High to Low	Bounceback
<b>S&amp;P 500</b>	7,389.94	7,489.22	1.34%	6,316.91	6,986.33	7.20%	-9.58%	18.56%
<b>Nasdaq Comp</b>	26,247.08	26,538.29	1.11%	20,690.25	24,014.99	10.51%	-13.84%	28.26%
<b>200 DMA Exp- S&amp;P 500</b>						6,704.49		11.70%

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## **THE S&P 500 – WE ARE GETTING TOO COMPLACENT**

**Here are more details, which should at least slow down the rally but isn't:**

**Consumer Inflation** – Last month, the CPI ran at 3.8%, fueled by gas prices.

**Wholesale Inflation** – The Producer Price Index rose 6% YoY – see the increase in freight prices!

### **Consumer sentiment - Key Findings - Early May 2026 (University of Michigan Survey)**

**Consumer Sentiment Index:** Dropped to 48.2, a new record low, from 49.8 in April.

**Current Conditions:** Declined roughly 9% to 47.8.

**Consumer Expectations:** Edged up to 48.5, indicating a slight improvement in future outlook, but remain deeply pessimistic.

**Inflation Expectations:** Year-ahead inflation expectations eased to 4.5% (from 4.7%), while five-year expectations dipped to 3.4%.

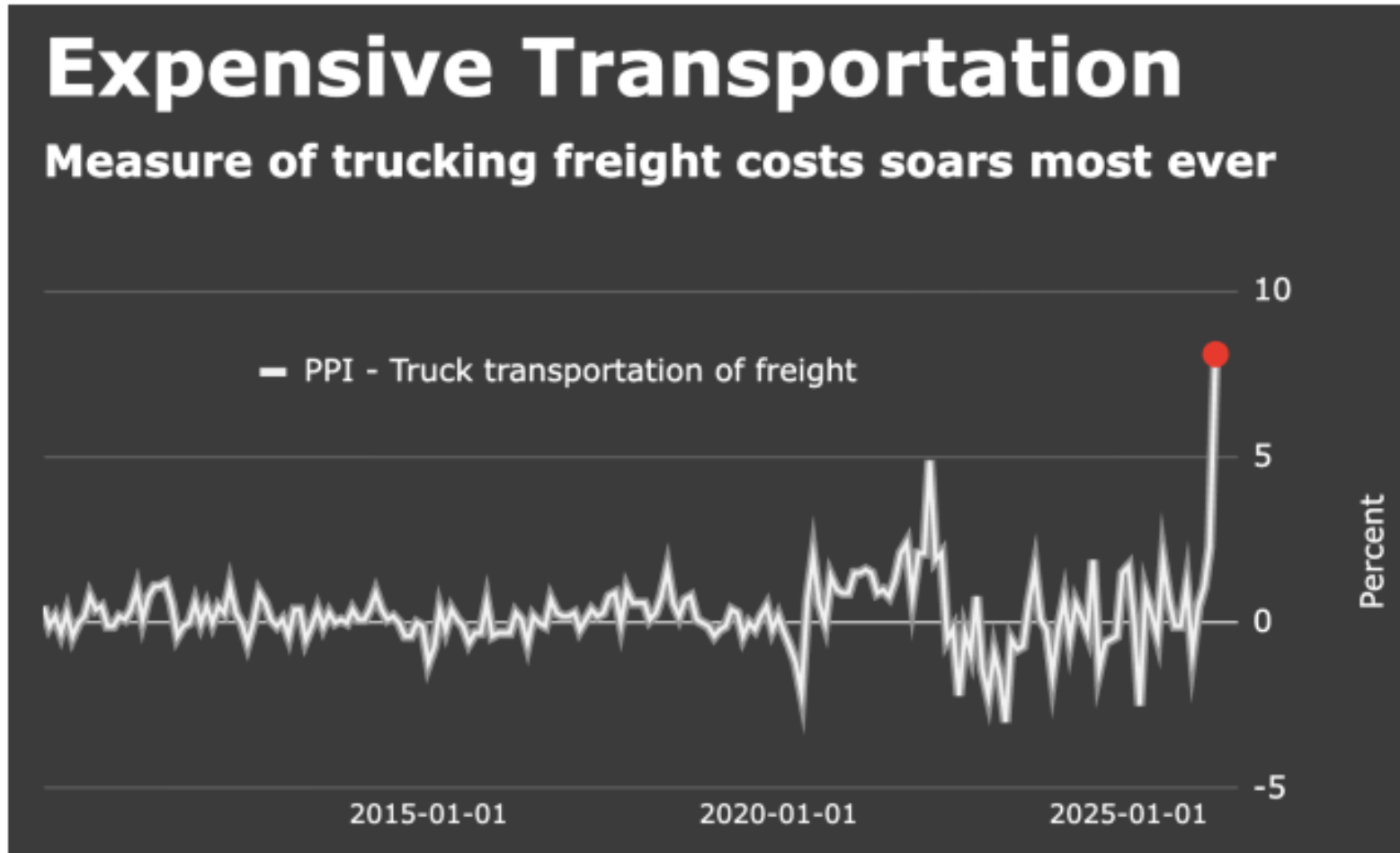
**Major Drivers:** Roughly one-third of consumers cited high gasoline prices and about 30% mentioned tariffs as factors, with Middle East developments causing significant instability.

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# THE S&P 500 – WE ARE GETTING TOO COMPLACENT

Inflation affects transport – here's a visual.



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## **SHOULD WE STAY RISK-ON OR IS IT TIME TO TAKE PROFITS?**

I think it is time to take profits.

Between Friday and Nvidia earnings I'm planning to take 10-15% off the table. These are the stocks that I will take profits in:

Nebius (NBIS)

Bloom Energy (BE)

Micron (MU)

These SaaS stocks are under review: I am looking for specific improvements in Q1 earnings, otherwise I might sell all or parts of these.

Figma (FIG) earnings out on 05/14/2026 – Results were outstanding.

Rubrik (RBRK) will wait till earnings on 06/03/2026

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## **IRAN WAR – CHINA SUMMIT UNLIKELY TO YIELD ANYTHING FOR THE IRAN WAR**

“Collision or even clashes.” That’s what’ll happen in the unfortunate event America “mishandles” the Taiwan issue, said Xi Jinping during a two-and-a-half-hour chat with Donald Trump in Beijing on “Taiwan independence and cross-Strait peace are as irreconcilable as fire and water,” Indeed, the title Xinhua chose — “Safeguarding peace and stability across the Taiwan

Also, the timing of the short Xinhua readout was no accident. The Party released it, both in simplified Chinese and in English, before any other official summary of the Xi-Trump meeting. And as a standalone news item. (Note the emphasis.) My own view is that Xi’s content to wait. He thinks the US is in terminal decline. He spoke as much on Thursday, even as Trump surely didn’t read it that way. The world’s experiencing a “once-in-a-century transformation,” Xi said. That’s a reformulated version of “changes unseen in a century,” a propaganda talking point that refers, obliquely or not, to the dissolution of the US-led, post-War global security architecture and other manifestations of American hegemony.

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## **IRAN WAR – CHINA SUMMIT UNLIKELY TO YIELD ANYTHING FOR IRAN WAR**

Xi likely believes that in due time, the US won't be capable of defending Taiwan, or at least not at an acceptable cost. Besides, the island holds elections in 2028 which could produce a government more amenable to Beijing's overtures, even as US elections that year may well result in a government more determined to safeguard democracy on the island.

Notably, Chinese state media didn't mention the Iranian nuclear program nor the Strait.

A readout released subsequent to the Taiwan stand-alone just said the Mideast was discussed.

"We should be partners, not adversaries," Xi said, inside the Great Hall of the People, while introducing a new term for the goal of Sino-US relations: "Constructive strategic stability."

He was kind enough to define that. It's a state of affairs "characterized primarily by cooperation" but with "well-regulated competition and manageable differences." If pursued, such a relationship will promote "lasting and predictable peace," Xi said.

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## A FROTHY MARKET LOOKS VULNERABLE

As good as these earnings look, I believe they are priced in, and the slightest tumble will likely lead to severe punishment.

In 2026, the S&P 500 is going to increase earnings by a whopping 23.3% with huge jumps from the M-7, and from companies supplying to data centers. Basically, the recipients of the \$750Bn bounty of Capex towards data center buildouts. But in 2027 growth will slow down, and if AI spending reduces or doesn't generate enough revenue, we should see a pullback.

At 22.3x earnings the S&P 500 is overpriced, based on historical averages of 19x.

On	2026	2027	2026	2027				2026	2027
5/14/26	EPS	EPS	Growth	Growth	5/14/2026	2026 P/E	2027 P/E	PEG	PEG
<b>S&amp;P 500</b>	334.61	382.29	<b>23.37%</b>	14.25%	7,489.22	<b>22.38</b>	19.59	0.96	1.37

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## **A FROTHY MARKET LOOKS VULNERABLE**

AI and stocks are the only game in town. And with the SEC and FINRA lowering day-trading minimums from \$25,000 to \$2,000 in June, a new wave of “frothiness” and retail pumping could be the final catalyst for a massive blow-off top.

Last weekend at my golf league outing, 35 of our 40 members were talking about stocks. One golfer told me to buy Nebulous. Before I could correct him, he said he was sorry that he put in only \$25,000, that he should have borrowed and bought more.

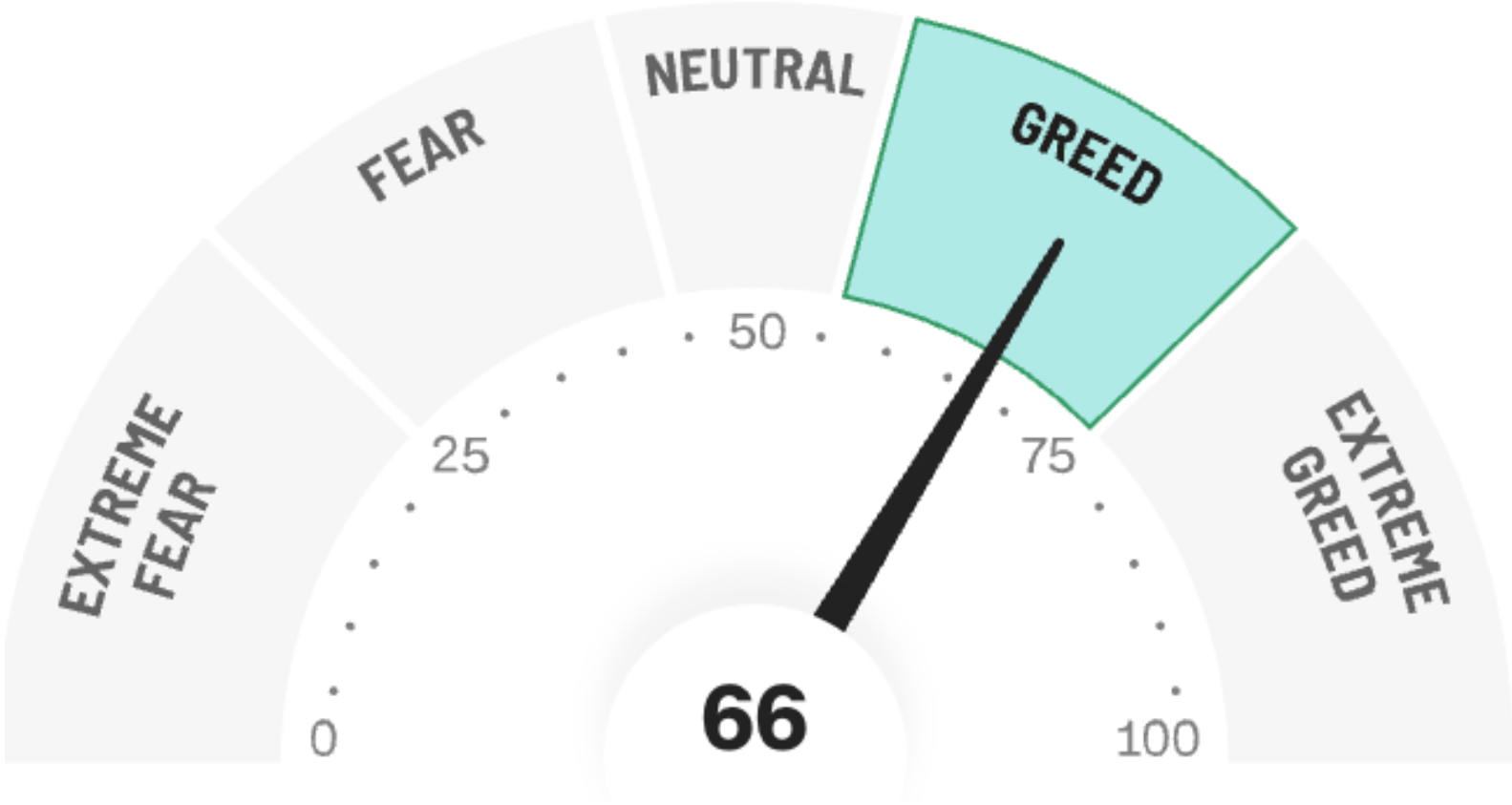
Peter Lynch famously said, that if you’re at a cocktail party and the room is shunning the Asset Manager (him), it is the beginning of a bull market. If they’re listening to him – it is in the middle of the bull market. If they’re giving him advice, it is the ending of a bull market.

Of the Fear and Greed indicators, overall, we are at greed and two indicators are at extreme greed.

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# A FROTHY MARKET LOOKS VULNERABLE



# A FROTHY MARKET LOOKS VULNERABLE

## MARKET MOMENTUM

S&P 500 and its 125-day moving average

● S&P 500 ● 125-day moving average

EXTREME GREED



Last updated May 14 at 1:23:46 PM EDT

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# A FROTHY MARKET LOOKS VULNERABLE

## PUT AND CALL OPTIONS

5-day average put/call ratio



Last updated May 14 at 1:18:43 PM EDT

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## **INFLATION AND HIGH INTEREST RATES ARE KILLING RESIDENTIAL HOUSING**

Purchase activity in America's gridlocked US housing market has been low because of high mortgage rates. The 30-year fixed jumped 15bps in three days amid back-to-back above-consensus inflation reports.

At 6.57%, Mortgage News Daily's high frequency series is 11bps above the weekly average reported by the MBA on Wednesday.

That MND average was last higher on March 27, during the worst days of the conflict.

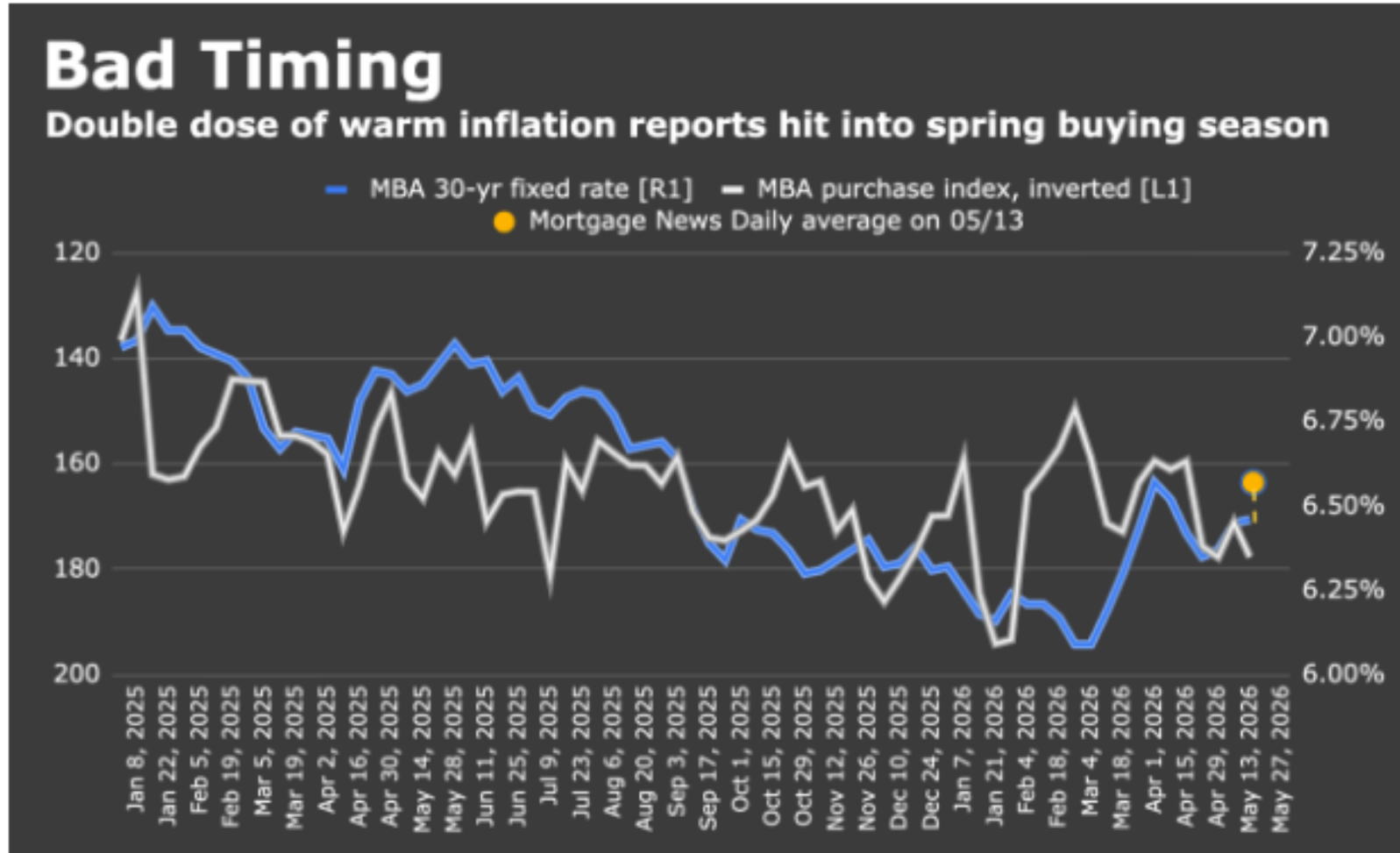
This remains the best environment for discounts in at least 13 years. As the figure below makes abundantly clear, sellers predominate, and by a huge 46.5% margin.

If you have \$80,000 in cash, a solid six-figure income and near-perfect credit, you can demand big concessions. In theory anyway.

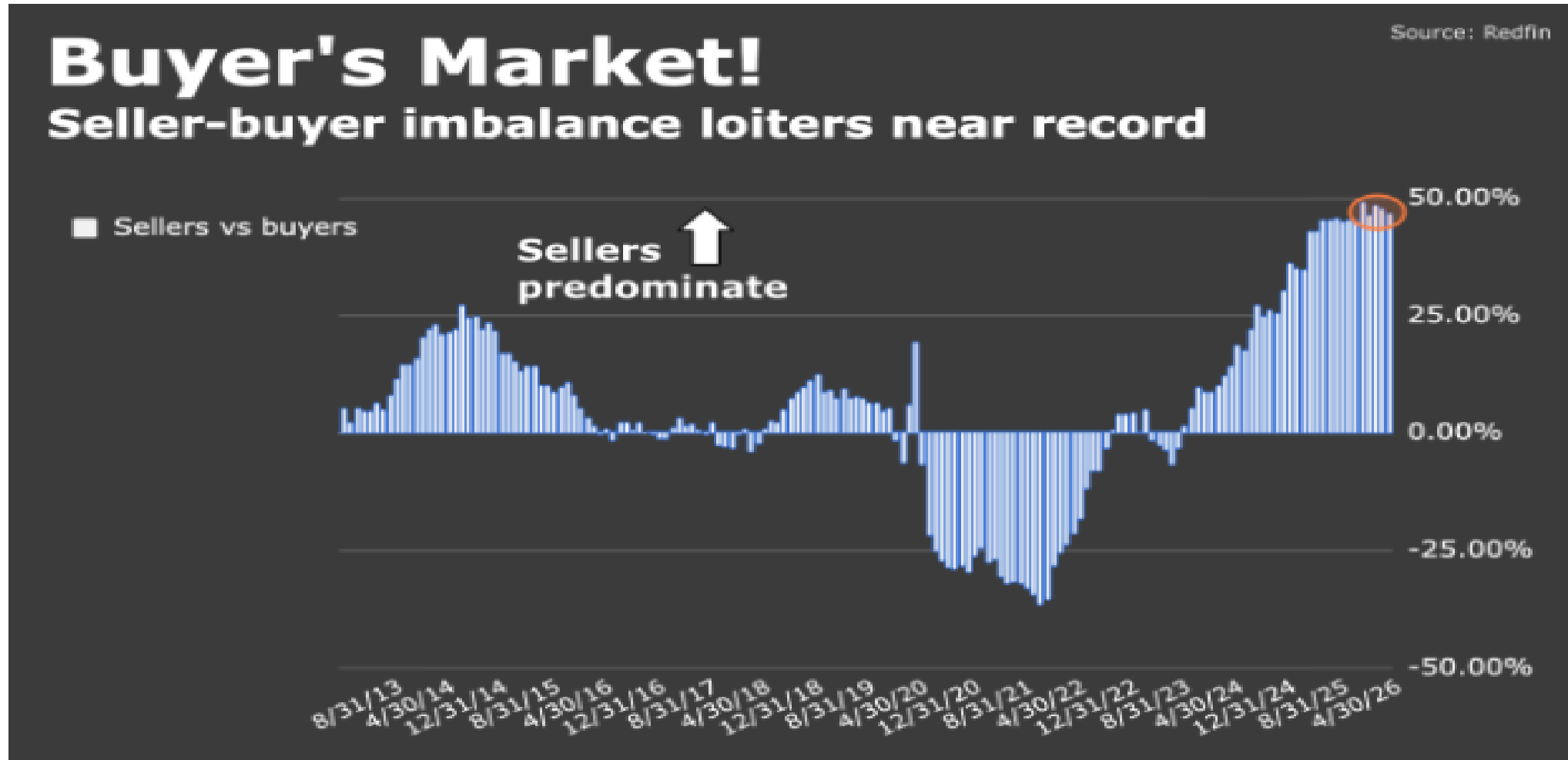
"If the number of buyers continues to grow, more homeowners may see it as an opportunity to list their homes, helping bring the market out of this deep freeze," Redfin senior economist Asad Khan told Lily Katz.

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# INFLATION AND HIGH INTEREST RATES ARE KILLING RESIDENTIAL HOUSING



# INFLATION AND HIGH INTEREST RATES ARE KILLING RESIDENTIAL HOUSING



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## **INFLATION RUNNING VERY HOT**

Gas prices caused core inflation to run faster than expected last month, the BLS said Tuesday, in a release that portends ill from the shock leaking into the U.S. economy even as we wait for a compromise in the gulf, hoping that this could subside, deflate or at least stabilize..

No surprise for the main culprit - the gasoline index rose 5.4% from the prior month after a record-breaking 21.2% advance in March. The 3.8% advance for the broad energy index accounted for 40% of the overall, all-times increase in April. Consumers are hurting with the grocery gauge, which posted its largest monthly gain since the summer of 2022, when the world was reeling from the Ukraine war.

The 0.4% (0.376% unrounded) MoM increase for core CPI marked an acceleration from March, topped the official consensus and counted as the quickest since January of 2025. The 0.4% increase translates to a 2.8% annual increase.

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## **INFLATION RUNNING VERY HOT**

Here's what stands out - inflation increased fast as well, in the all-items basket, at 0.64% MoM and 3.8% YoY. If the pace of wage gains, which tends to be uneven, doesn't match this increase, it's going to get worse for the average American consumer, already buffeted by job opening scarcity, high healthcare and stubborn inflation.

My take is that if there is no significant compromise soon on the Iran front, this week, we're headed into a quagmire, which is going to hurt the American economy, running only on data center spending.

With the hotter inflation reading, traders are increasing the odds that the Fed will hike rates by the end of the year. The probability of a 25-basis-point rate increase at the December meeting rose to 25.4% from 21.5% on Monday.

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## SAAS COMPANIES THREATENED BY ANTHROPIC

The \$50 Bn annual revenue run (ARR) rate for Anthropic spooked enterprise software stocks on Wednesday.

Therefore, it might be prudent to re consider whether software stocks will sustain revenue growth. The logic is that Anthropic's revenue will come at the expense of SaaS companies, either in reduced seats, or lower prices to compete with Anthropic's products.

Anthropic courts a new kind of customer: small business owners

- Anthropic is looking to court smaller companies. To that end, the company announced Wednesday the launch of Claude for Small Business, a new suite of services designed for customers who less resemble Walmart and Starbucks and more resemble the local hardware store or coffee shop.
  - So far, much of the most intensive AI adoption has occurred at the enterprise level. In the recent past, [studies have shown](#) that most companies that scaled AI systems beyond experimental or pilot-level integration tended to be large companies with expansive budgets. This appears [to be changing somewhat](#), as smaller and midsized businesses are seeing greater adoption.
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## **SAAS COMPANIES THREATENED BY ANTHROPIC**

Anthropic's new bundle of features are designed to serve those new AI converts. They are available via a newly introduced toggle within Claude Cowork, the company's task-automation platform for business users that can browse the web, manage files, and execute multistep workflows on a user's behalf. By toggling it on, paying users gain access to a host of automated services, including bookkeeping functions, business insights, and generative tools for ad campaigns.

The new suite also includes integrations between Claude Cowork and a number of software products — like QuickBooks, Canva, Docusign, HubSpot, and PayPal.

My SaaS exposure is fairly low, but I may even reduce it further, simply there are too many small positions. Instead, I can consolidate by selling the weaker ones at a loss and keep the better performers.

These are being looked at. I'll update

Figma – results were excellent today, I'm going to hold, IBM, Klaviyo, Snowflake, Rubrik, ZScaler, Everpure, Cadence and Synopsis

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## MERCADO LIBRE (MELI)

Mercado Libre (MELI) \$1,562

This is a good long-term investment, the “Latin America Amazon’s” price is reasonable after the 38% drop in the past year.

### Long-Term Positives

Mercado Libre dropped 13% post-earnings driven by strategic investments, which hurt margins.

The top line accelerated with Commerce Revenue up 47% and Fintech revenue up 51% YoY, as strategic investments deepen user engagement.

Margin pressure stems from expanded free shipping, credit portfolio growth, and logistics capex, but unit shipping costs and engagement metrics are improving.

Patient investors will see the benefits of the lower free shipping threshold, which is a long-term investment in user behavior, eventually leading to deepening engagement on the platform. Plus, their investments in expanding cross-border trade along with strengthening their fulfillment network to support their marketplace are enabling them to provide their customers with lower prices and better selection while reducing shipping costs at the same time.

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## MERCADO LIBRE (MELI)

The metrics look good:

Commerce Revenue accelerated by 47%, led primarily by Brazil, which contributes over 56% of Total revenue. Lowering of the free-shipping threshold had a big role to play, as GMV in Brazil grew at an accelerated pace of 38%, while items sold also surged 56%, up from 45% in the previous quarter, and unique buyers' growth accelerated to 32% YoY.

The ads business grew 73% YoY as advertising budgets in Latin America shifted to digital, and the company is well positioned to capture the spend, given its investments in the technology as well as its rich first-party data.

The Fintech segment, too accelerated, growing 51%+ YoY during Q1 and contributing roughly 45% to Total Revenue. During the quarter, MAUs reached a record 82.9M users, reflecting the highest level of engagement and retention as users are choosing to hold more of their money with Mercado Pago because of superior returns on deposits that incumbent banks find difficult to match. Meanwhile, their credit portfolio grew a record 87% YoY to \$14.5B, with a record 2.7M

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## MERCADO LIBRE (MELI)

credit cards that were issued during the quarter now accounting for 46% of the total portfolio.

Investor Michael Burry confirmed on his "Substack" that he purchased a new full position in Mercado Libre last week in the "\$1600s" after the company's post-earnings decline.

### **Challenges**

Sequential drop in margins continue, and management has kept missing estimates, driving sentiment lower, hurting investors confidence, and thus its stock price. The company needs to start at least meeting its earnings per share estimates to indicate an inflection before investors start losing faith.

The Valuation is reasonable at 36x earnings growing at 40%, (MELI as the dominant e-commerce platform in South America has always commanded a premium)

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# AMPHENOL

Amphenol (APH) \$138

## **Industry/Sector/Type - Industrial, communications, defense and aerospace**

Biggest catalyst for the stock - Amphenol's IT datacom segment is fueled by hyperscaler AI data center capex and its role as Nvidia's primary connector supplier.

I like the company; it is worth accumulating starting at this price and then on declines. Their overall execution and Nvidia's partnership for the NVLink systems are good reasons.

### **Positives**

Amphenol has a good record of meeting and beating estimates; Revenue growth at 21% beat expectations 52% in 2025.

Consistently adding companies and integrating them well at scale has expanded its product scope and competitiveness.

Its IT Datacom segment grew 127% in 2025 outstripping company wide growth and should continue to grow at around 37% for the next 4 years fueled by demand from data centers.

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# AMPHENOL

As the main connector supplier for Nvidia's GPUs' NVLinks to transmit data, Amphenol should continue to ride data center growth.

Its operating and cash flow margins are strong at 26% and 30% even after acquisitions, suggesting that APH does a great job executing.

Revenue growth has beaten expectations growing at 21% and 52% in 2024, and 2025

Margins are strong at 26% and 30% even after acquisitions, suggesting that APH does a great job executing.

## **Challenges**

Amphenol is a serial acquirer, and about 50% of growth has been inorganic, and likely to continue as it adds more product lines. Execution becomes very crucial.

In the short run, this will affect margins, and cash flow.

Its other other segments grow only in the mid to high teens, which will affect growth as well as its valuation.

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# AMPHENOL

Stock performance - 1 Year 74% 5 Year 313% 10 Year 904%

Return: The vast majority of the gains have come in the past year, inflating the longer-term performance, the stock was in neutral for a long time.

## **Valuation**

Three years forward.

P/S 5 Sales Growth 20% P/S Growth 0.25

P/E 28 Earnings Growth 23% PEG 1.2

Cash Flow Margin 30%

Operating Margin 26%

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