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05/21/2026

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 – INTEREST RATES ZOOM UP

**Interest rates are putting a break on the market:**

I believe the S&P 500 has topped at 7,517.12 on May 14th, 2026. Getting to this level was fantastic, but the bounce back from early March has reached euphoric, irrational and unsustainable levels. No matter how great tech and AI earnings are, there is a limit to what one should pay for them. In my opinion, the S&P 500 is overpriced given that the 30-year and the 10-year U.S. Treasuries have shot up to 5.16% and 4.62%:

	05/15/2026	05/21/2026	Change	Iran War Low	Top - 05/14/2026	Bounceback at top	Pullback
<b>S&amp;P 500</b>	7,408.50	7,406.15	<b>-0.03%</b>	6,316.91	7,517.12	<b>19.00%</b>	-1.48%
<b>Nasdaq Comp</b>	26,225.14	26,135.25	<b>-0.34%</b>	20,690.25	26,707.14	<b>29.08%</b>	-2.14%
<b>S&amp;P 500 - 20 Day Moving Average</b>						<b>7,294.00</b>	

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## THE S&P 500 – INTEREST RATES ZOOM UP

The equity markets usually compete with interest rates for investors' money and

a) If the US government is willing to pay you 5.16% per year for a 30-year bond, why would an investor buy the S&P 500 with an earnings yield of  $\$334.61/7,406 = 4.5\%$ , which is currently lower than the 10-year treasury yield of 4.62%. Earnings need to grow to the current high levels.

b) Stock valuations are based on discounted cash flows at the most current corporate borrowing rates, which is usually above the risk-free rate. Therefore, the higher interest rates go, the lower will be the "intrinsic" value of the company's stock.

Simply stocks have to work harder in a high-interest rate environment.

For example, in the Covid-19 era, treasury yields had dropped to 1%, so a stock returning just 4-6% was the better alternative, in what we called the "TINA" era (There Is No Alternative). Now there are several alternatives competing for the investor's money. Especially for institutional investors, who have norms and risk parameters guiding their actions.

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# BANK OF AMERICA FUND MANAGER SURVEY

The monthly survey of fund managers for May 2026, showed some historic numbers.

**Chart 1: In It to Win It... record monthly jump in FMS equity allocation**  
Net % overweight equities (m/m change, ppt)



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

**Chart 16: FMS equity allocation highest since Jan'22**  
Net % overweight equities



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

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## **BANK OF AMERICA FUND MANAGER SURVEY**

Professional capital allocators with more than \$450 billion in AUM cut cash levels and lifted their equity exposure by the most in decades this month.

Fund managers increased their allocation to equities from a net 13% Overweight to a net 50%.

“Asset allocation in May was very risk-on,” BofA’s Michael Hartnett wrote, editorializing around the results of his flagship report.

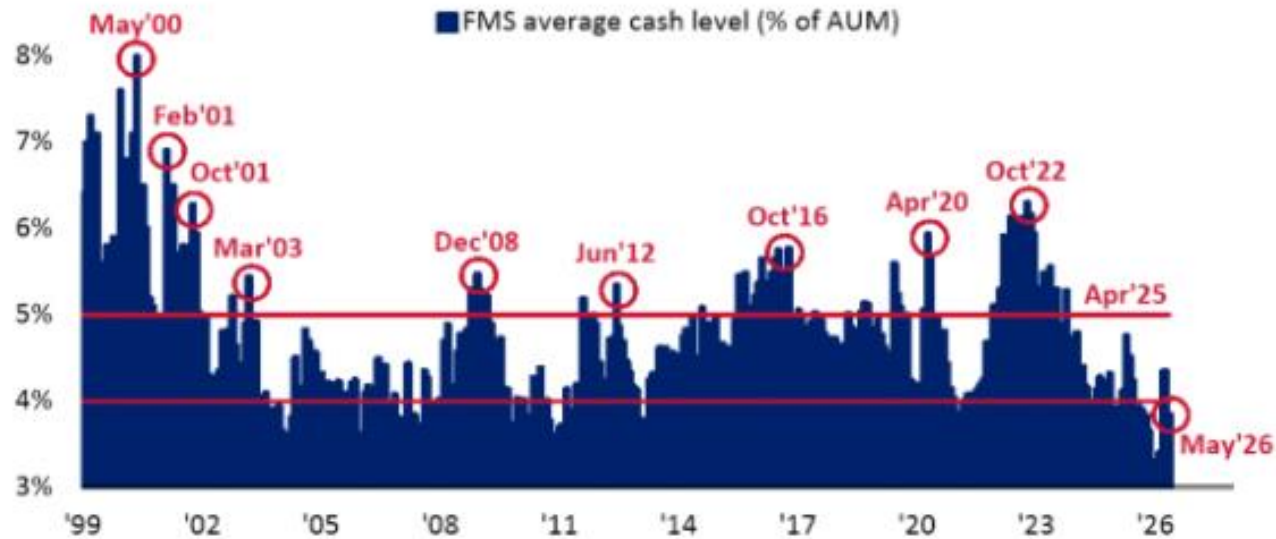
Self-reported cash levels dropped to just 3.9% from 4.3% the prior month. That was the biggest monthly drop in more than two years.

**THIS IS A CONTRARIAN INDICATOR WHEN CASH LEVELS GET SO LOW.**

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# BOFA FUND MANAGER SURVEY

**Chart 3: FMS cash level drops to 3.9%, triggering sell signal**  
BofA FMS average cash level (% of AUM)



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

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## **BANK OF AMERICA FUND MANAGER SURVEY**

The “bottom line” from Hartnett’s survey is that investors are “all-in on risk-on.” At 7.8, the bank’s pseudo-famous Bull & Bear Indicator is “a chip shot from a ‘sell’ signal,” he remarked.

“The bull capitulation is almost complete, with early-June ripe for profit-taking,” Hartnett went on.

Bond yields, he said, will determine the scope and depth of any pullback.

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## **BANK OF AMERICA FUND MANAGER SURVEY**

The hike in US interest rates (government treasuries comes at the worst possible time - when there is no cash left to invest.

The long bond remained in the spotlight on Tuesday, when yields breached the 5.176% peak from 2023 on their way to the highest since 2007.

Although the proximate cause is the war and the deteriorating inflation outlook, it's important to step back and remind ourselves that the long bond has exactly nothing going for it fundamentally.

Domestic politics in the US are a mess on tidy days and there are palpable concerns about Kevin Warsh's commitment to price stability in the face of political pressure.

As for America's fiscal trajectory... well, it isn't great, to put it politely. That'd be "fine" (deficits and debt really don't matter for the US as long as dollar hegemony's preserved) but for the administration's determination — it's almost a compulsion — to alienate allies and agitate adversaries. Even if you doubt, as I do, the notion that agitation with Trump's enough on its own to trigger sales of US Treasuries (i.e., spite selling), the mere act of creating geopolitical turmoil can force other nations (finance ministries, central banks, FX reserve managers etc.) to sell if only to defend their currencies.

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## **INFLATION RUNNING VERY HOT**

The FOMC Meeting minutes reveal a wary board

“Good luck, Kevin. You’re going to need it.”

### **That’s a concise summary of the April FOMC minutes:**

Almost all participants flagged a risk that the war even if it ends expeditiously, could cause “the prices of oil and other commodities [to] remain elevated for longer than expected.”

If that turns out to be the case, more or less everyone on the Committee expects “continued upward pressure on inflation” stemming from the lingering effects of the supply shock including and especially “the pass-through of higher input costs to other prices.”

Recall that a trio of dissenters at the April FOMC meeting argued for a change to the forward guidance, which they said should clearly reflect the possibility that the next move in rates could be a hike. To recycle some of my own color, that was the first time the Fed acknowledged that the statement language around the outlook implicitly reflected an easing bias.

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## **INFLATION RUNNING VERY HOT**

Wednesday's minutes said several more participants (i.e., in addition to the three voters) favored

dropping that wording.

“Many participants indicated they would have preferred removing the language from the post-meeting statement that suggested an easing bias regarding the likely direction of the Committee's future interest rate decisions,” the minutes said, adding that “the vast majority” of policymakers said the war increased the risk that inflation will take longer to recede to the Fed's target.

Although meeting participants still “judged [that] risks to the employment side of the Committee's dual mandate were tilted to the downside,” more or less everyone agreed that labor market conditions were “stable” and likely to stay that way.

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## **INFLATION RUNNING VERY HOT**

In addition, “most” policymakers mentioned the fillip to growth from AI investment, said “consumer spending had been resilient” and believe real GDP growth’s likely to “remain solid” for the rest of the year.

I could go on, but I think you get the point: This isn’t a Fed inclined to cut rates. Not at all. That doesn’t mean it’s a Committee which wants to raise them either, but there’s no hope — none — for Kevin Warsh when it comes to marshaling support for a cut at his first meeting as chair next month.

That being the case, Warsh can look forward to the first of what’ll almost surely be regular derision from the presidential social media feed beginning promptly on the afternoon of June 17<sup>th</sup>.

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## WALMART FEELS HIGH INFLATION EATING INTO CUSTOMER SPENDING

Walmart Inc. warned rising fuel costs are squeezing the company's bottom line and could lead to higher prices for shoppers.

The world's largest retailer said comparable sales in US stores, excluding fuel, rose 4.1% in the latest quarter, slightly better than what Wall Street analysts were expecting. It also forecast adjusted profit for the second quarter that missed expectations.

The mixed results show that the company continues to gain market share across income levels with its focus on low prices, fast delivery and wide assortment. But that emphasis on affordability is facing pressure as inflation accelerates and the conflict in Iran drives up fuel prices.

Walmart shares fell as much as 7.9% on Thursday, the steepest intraday drop since November 2023. The stock had risen 17% so far this year as of Wednesday's close.

"The high-income consumer is spending with confidence in many categories, whereas the low-income consumer, we can tell, is more budget-conscious, trying to navigate certain financial distress," Chief Financial Officer John David Rainey said in an interview with Bloomberg News.

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## **WALMART FEELS HIGH INFLATION EATING INTO CUSTOMER SPENDING**

Walmart is viewed as an economic barometer due to its large size and footprint across the US and other markets. Spending has largely held up in recent years, although consumers have become increasingly selective with their purchases. Good deals and unique products can still attract buyers. Higher tax refunds this year have given families some extra cash, but this benefit is expected to fade. As high gas prices put pressure on shoppers' budgets, customers are putting less gas in their tanks, with the number of gallons per pump falling below 10 for the first time since 2022. If fuel costs stay at current levels, prices across the board could rise in the second quarter and the second half of the year, Rainey said. Inflation was 1.2% during the last quarter.

Fuel weighed on Walmart's profit margin, with the company absorbing "virtually the entirety" of the increases during the period, Rainey said. This suggests that the retailer is sacrificing some earnings in the near term to keep prices low and competitive — an effort that it said it would continue to prioritize. The number of discounts rose 20% from a year ago.

"It's tough on very short notice to be able to navigate a cost headwind like that," he said. While Walmart will be able to manage through it, he expects to see an equal or larger challenge related to fuel in the current quarter.

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## **NVIDIA'S EARNINGS**

Nvidia Nvidia topped estimates and guided ahead of consensus for current-quarter revenue in hotly-anticipated results released on Wednesday afternoon in the US. Revenue last quarter was \$81.62 billion, Nvidia said Wednesday. That was well ahead of the \$78.85 billion consensus expected and up 85% YoY.

The current-quarter guide is \$91 billion. That'd equate to 95% YoY growth, likewise better than analysts saw headed in. Notably, that assumes no revenue from the Chinese market.

Jensen Huang “The buildout of AI factories — the largest infrastructure expansion in human history — is accelerating at extraordinary speed,” he declared. “Nvidia is uniquely positioned at the center of this transformation as the only platform that runs in every cloud, powers every frontier and open source model, and scales everywhere AI is produced.”

Gross margin of 75% was in line for Q1, and the company expects a similar result this quarter. The board approved another \$80 billion in buybacks and the company said it's upping the dividend to \$0.25.

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## **NVIDIA'S EARNINGS**

Going forward, Nvidia's going to split its numbers into two "market platforms" in a shakeup of how it reports quarterly results. There'll be Data Center (which'll house devices for agentic and physical AI including PCs, game consoles, workstations, robotics and automotive").

The new reporting structure will "better reflect" Nvidia's "current and future growth drivers," the company said.

This goes without saying, but Nvidia's so damn big now that the stock has very little hope of enjoying the kind of meteoric gains observed in other semi names this year.

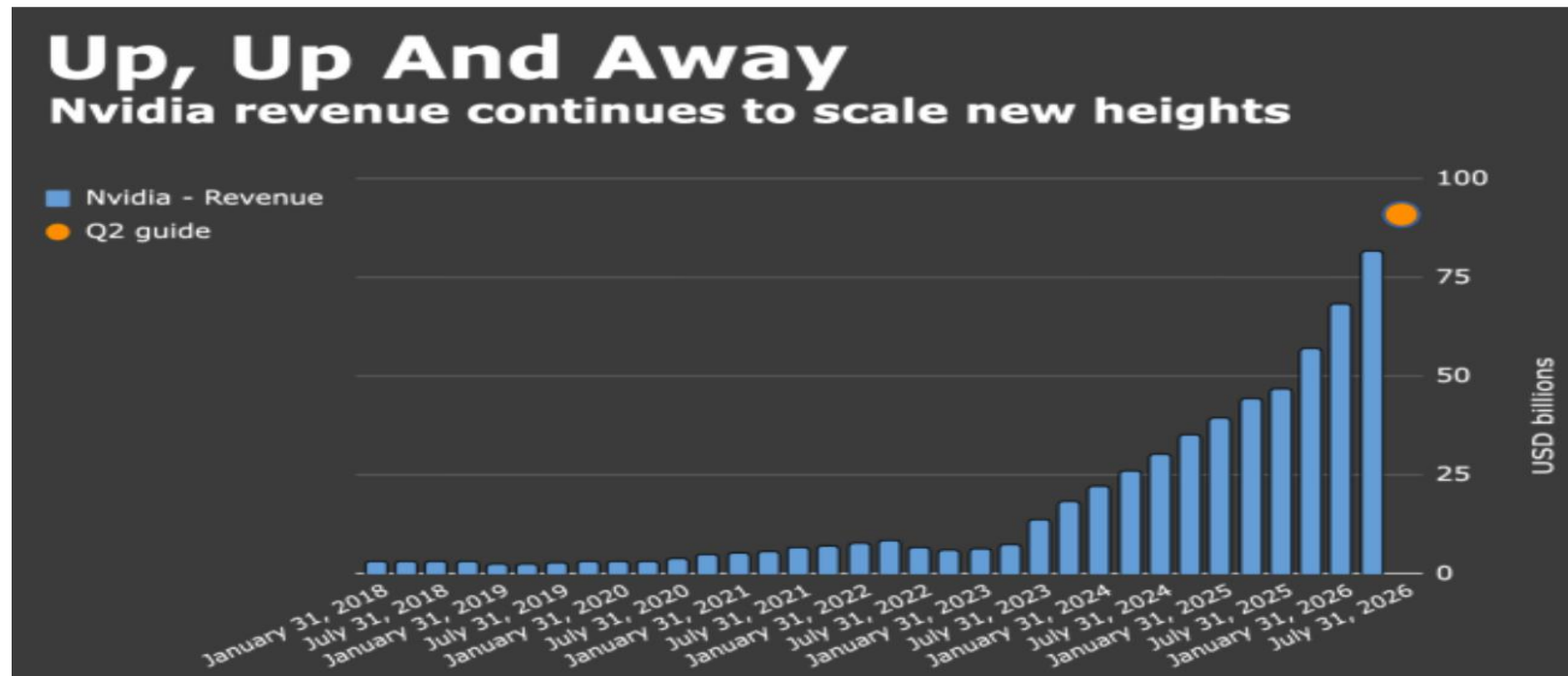
Although Alphabet briefly challenged Nvidia for the title of world's most valuable company this month, Huang's behemoth was back on top as of mid-week, worth \$5.4 trillion ahead of earnings.

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## NVIDIA'S EARNINGS

But I would note that this is a company trading on a 24x forward multiple at a time when the rest of the Mag7 is trading around 30x, the cap-weighted S&P 22x and the equal-weighted benchmark nearly 18x — and it's growing revenue at a near triple-digit rate.



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## **NVIDIA'S EARNINGS**

Nvidia's quarterly revenue during the April quarter five years ago was \$5.66 billion. Sales were \$81.62 billion last quarter.

But Nvidia's capacity to scale the data center business is an ongoing source of astonishment. As Bloomberg noted in an article that carried several headlines before the editors finally settled on "Nvidia Tells Skeptical Investors AI Is Ready to Go Mainstream," (Bloomberg changes their article titles in real-time to fit the price action — URLs don't lie), overall sales this year will be around 22 times higher than they were just half a decade ago. Moreover, Nvidia now says it'll be the world's largest supplier of CPUs. "We have visibility to nearly \$20 billion in total CPU revenue this year," CFO Colette Kress said on

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## **NVIDIA'S EARNINGS**

It's worth noting that Nvidia actually isn't expensive, at least when expressed as a multiple of company analysts' collective profit forecasts. Thanks to upgraded expectations, the stock trades at just 24x, not that much richer than the benchmark it dominates, and more than 10 turns cheaper than its own 10-year average.

In any event, the linchpin of what many believe is a technological epoch on par with human history's most consequential breakthroughs is still capitalizing quite handsomely on the revolution it started. Sales growth is reaccelerating and may well reach triple-digits again in the current quarter, it's buying back more stock and it's raising the dividend.

I'm not sure what else you could possibly want as a shareholder, but I'll leave it up to "efficient" markets to determine whether the quarter (and guide) were good enough to warrant a rally. Or if the bar's simply too high to clear these days regardless of how objectively impressive a given quarter's numbers turn out.

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## **DELL LOOKS VERY INTERESTING**

I missed out on Dell (DELL) earlier; I was a little risk-averse given its cyclical past, but I now believe that it has a good long-term future and in spite of the 100% jump in the past year, the stock is still reasonable at 19x earnings growing at 16-20% a year consistently, double its historical average of 8-10%. It also forecasts 10 to 12% revenue growth from a cyclical historical average of 5.

### **Dell has a big competitive advantage for on-premise AI computing:**

This year, a survey about AI adoption found that 67 percent of AI workloads run outside the cloud – either on premises, on devices, at the edge, or in co-location facilities – and 88 percent of those surveyed said they are running at least one AI workload on premises. AI – particularly agentic AI and inferencing – has changed the game, swinging the pendulum back to infrastructure, in the datacenter and at the edge.

This trend is being driven by the surging use by organizations of AI agents – “They have memory and credentials and access and the ability to take action, and this requires a new architecture for work itself,” Dell said – enterprise demand for sovereign AI, and the desire to bring AI closer to where the data is being created and stored.

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## DELL LOOKS VERY INTERESTING

“CIOs are aggressively pivoting to hybrid AI,” the CEO said. “The risk is not the cloud. The risk is losing control of your data, your cost, your security, your intellectual property, and your speed. In the agent era, lock-in does more than slow innovation. It actually limits what your company can become. Soon, every company will deploy fleets of agents, composing workflows on infrastructure that they control.”

Dell, of course, is big on selling on-premises AI architecture, since that is in fact what it does for a living. A few years back, the company introduced the Dell AI Factory with Nvidia, which provides its riff on the racks and servers and storage for Nvidia AI systems, aimed at companies looking to create a sovereign AI environment. The company now has some 5,000 customers running Dell AI workloads in their Dell AI factories that include not only the technology but design and innovation, engineering, supply chain, services, support, and financing.

These include Pharmaceutical giant Eli Lilly, Samsung, Honeywell, Google’s Gemini, Palantir’s Foundry and Artificial Intelligence Platform (AIP) and Reflection’s open-source frontier models and SpaceXAI’s Grok

Dell claims it is reliable and more cost effective than a cloud environment

~~“Users can test, build, and fine tune agents locally while running the latest open-weight models in the 70 billion to 250 billion parameter range [and] up to a trillion parameters. And you can do it without unpredictable cloud costs, bandwidth costs, or risks of IP leak. This is unmetered intelligence, and you~~