10/08/2026

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.

SOFTER PAYROLLS BOOST CONTINUES THIS WEEK

	10/02/2026	10/08/2026	Change	10/06/2026 High	52 Week High 08/13	Increase over 8/13 Previous high	Weekly close - Change from top	Note
S&P 500	7,722.78	7,774.44	0.67%	7,844.52	7,816.70	0.36%	-0.54%	Will the indices continue to make new records?
Nasdaq Comp	27,190.86	27,382.92	0.71%	27,722.75	27,190.21	1.96%	0.71%	

S&P 500 - 50 Day Moving Average	7,660.62
S&P 500 - 89 Day Moving Average	7,566.09
S&P 500 - 200 Day Moving Average	7,285.37

As we can see above, the markets continued to improve after payrolls surprisingly low number of just 29,000 net new jobs for Sep. On Friday Oct 2nd, both indices closed 1% higher reversing weakness caused by higher bond yields, breadth improved substantially and on Tuesday October 6th both indices have made all time highs but tumbled on Thursday afternoon mostly on Gulf war and higher inflation fears.

Bond yields have been stuck in a narrow range and after a successful auction on Oct 7th, have not shown any signs of running away, not even after a 1.5% drop in equities today.

Overall, the strategy is cautious with a constant need for risk mitigation.

NON-FARM PAYROLLS

Bad news is good news? The market has rewarded a poor payrolls report with a 1% gain, because it believes that with just 29,000 jobs created, there is no chance of an interest rate hike in October. The CME watch tool now is just pricing in odds of an Oct hike at just 21.6%.
Given the downward revisions for the previous months and the small increase in hourly earnings, I would think that chances of a rate hike are zero.

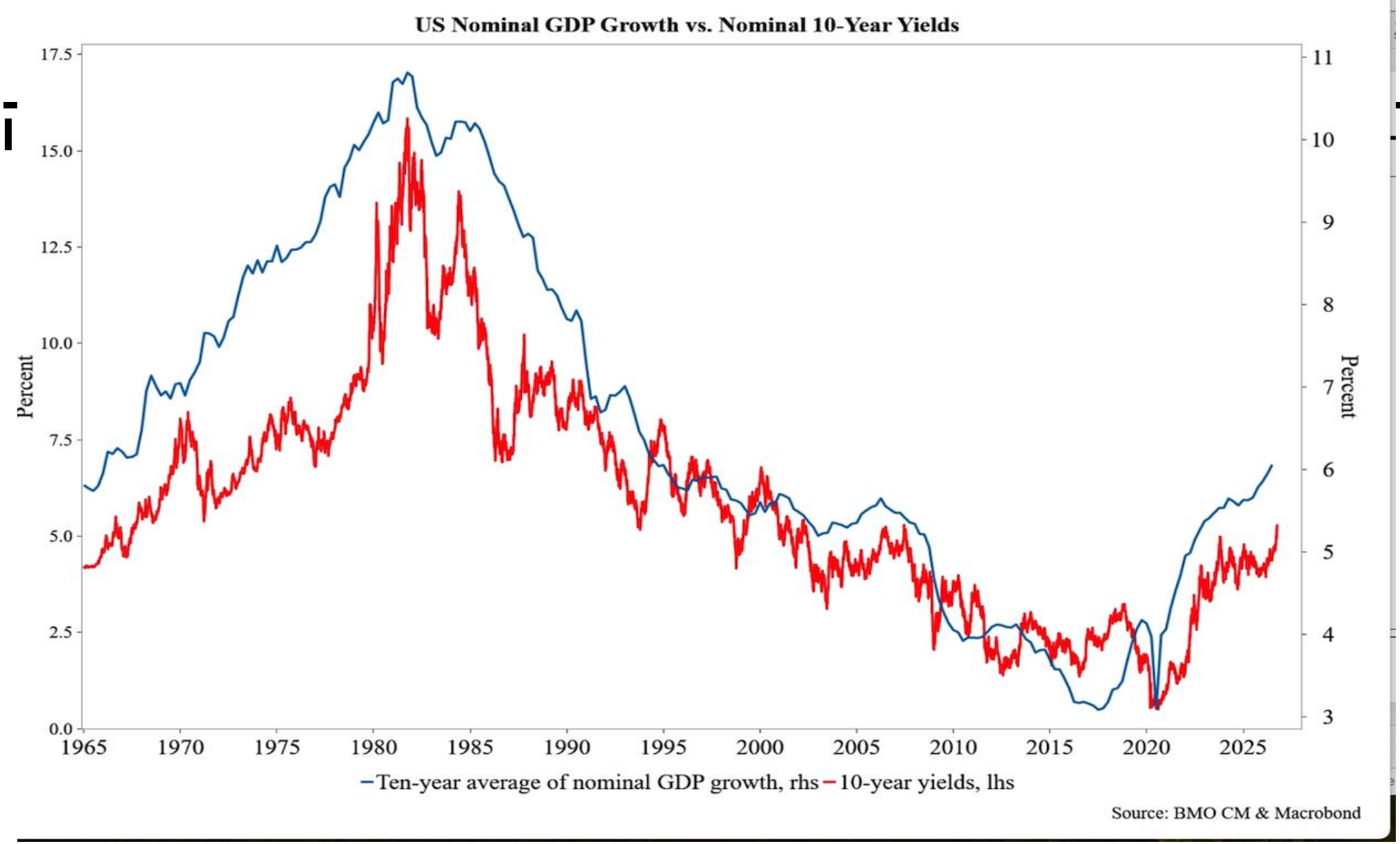
U.S. nonfarm payrolls added just 29,000 net new jobs in September, completely missing the +88,000-consensus estimate. Sep payrolls also slowed sharply from the previous month's gain of 133,000, which was also revised lower from 162,000 in August. As was July by 31,000 jobs from a positive 21,000 to a negative 10,000. The BLS is no stranger to revisions - this is normal, however, the percentage distortions will probably make me rely on ADP more, even if it is not as widely followed. As a result, the unemployment rate increased to 4.2% from 4.1% in the prior month, also exceeding consensus estimates of 4.1%. It also went up because more folks participated with the participation rate going up a notch to 61.8% from 61.6%.

NON-FARM PAYROLLS

Gainers - Health care employment (+17,000) and construction (11,000) contributed to the increase
Losers - Government (-17,000), Information (-10,000)

AHE - Average Hourly Earnings growth slowed down - Up 0.1% M/M vs. +0.3% consensus and +0.3% prior. The annualized average hourly earnings increase was 3.0% Y/Y vs. +3.2% consensus and +3.1% prior.

So in essence, fewer jobs created with lower pay bumps and inflation increasing at the same or higher rate - doesn't sound promising, and most likely doesn't call for an interest rate hike.


US Nominal GDP Growth vs. Nominal 10-Year Yields
Percent
Percent
17.5
15.0
12.5
10.0
7.5
5.0
2.5
0.0
11
10
9
8
7
6
5
4
3
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
2025
Ten-year average of nominal GDP growth, rhs
10-year yields, lhs
Source: BMO CM & Macrobond

INTEREST RATES – THE LATEST TREASURY AUCTION WAS SUCCESSFUL

10/07/2026

The treasury auction went better than expected, treasury yields had shot up this morning with investors expecting the worst. Yields have retraced a bit to 5.28% from their highs. The bid-to-cover ratio came in at 2.77, and 57.6% of competitive bids were awarded at the high.

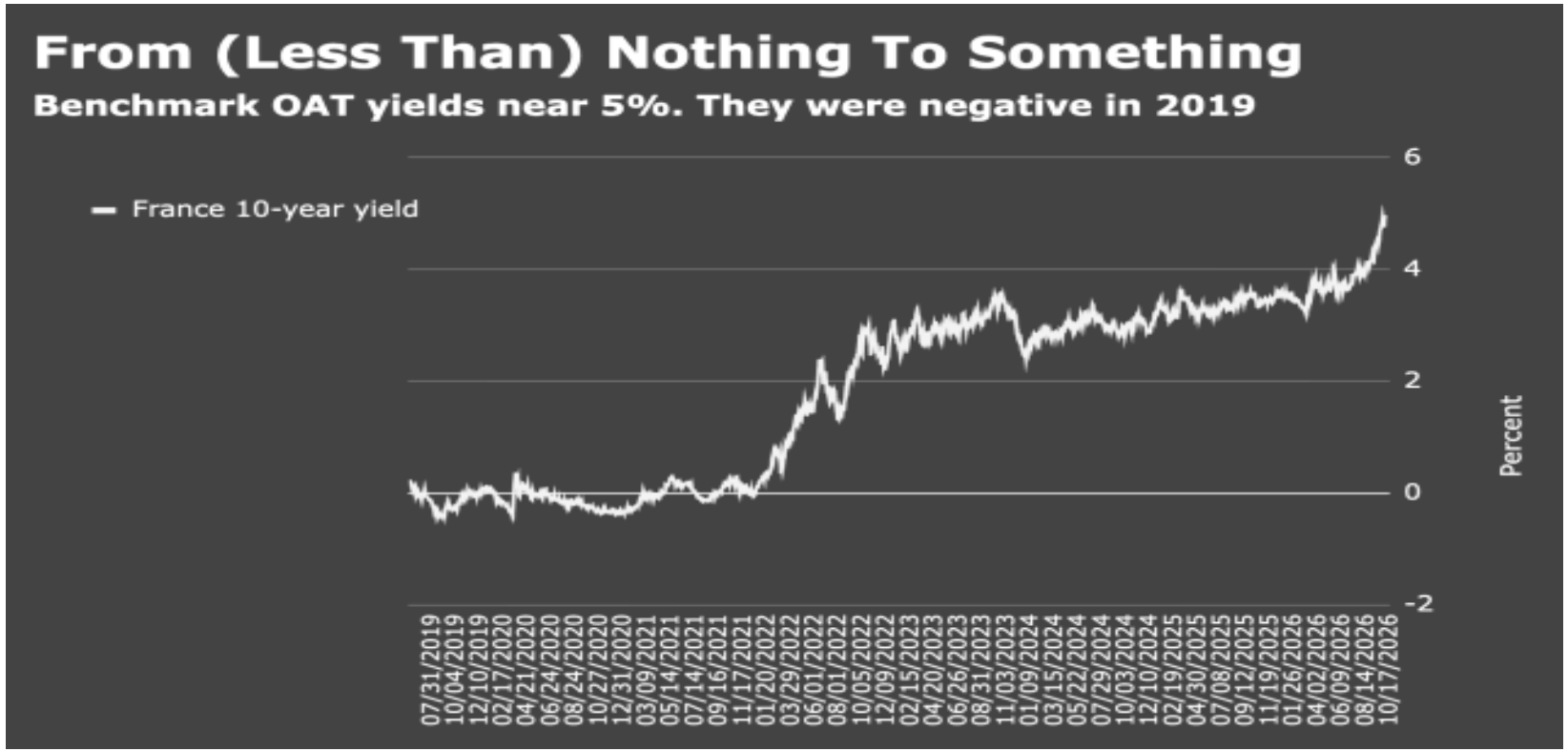
The Treasury's latest 10-year note sale drew solid end-investor interest, easing pressure across the yield curve as buyers absorbed the supply with little need for dealer support.

The department sold $39B of 9-year, 10-month notes at a high yield of 5.3%, stopping through the when-issued level by 1.7 basis points.

As of writing the 10-year treasury yield is at 5.24% - I believe we will attract interest from global lenders because Europe cannot get its act together and in a sea of profligacy, we seem to be less of a basket case than the rest of the world.

INTEREST RATES – THE U.S. IS STILL PREFERRED TO EUROPE

France's pain is the US' gain One can always count on the weaker Europeans making us look better…Investors panicked by a sharp drop in France's government bonds – now running at 5% turned to the U.S. for presumably better and relatively safer yields.



INTEREST RATES – US IS STILL PREFERRED TO EUROPE

Investors panicked by a sharp drop in France's government bonds – now running at 5% has traders turned to the U.S. for presumably better and relatively safer yields.

Although flat on the day as of this writing, France's 10-year yields came within a few basis points of 5% on Thursday. They were negative 0.45% this time seven years ago.

Jones Trading's Mike O'Rourke remarked, with barely-veiled disdain. "Unsurprisingly, such policies led to profligate spending [and] nations are finding that investors have become more discerning buyers of their debt."

The situation in France is acute. Protests poor conditions at public schools continued Thursday, when at least 150 high schools were closed around the country. That was at least fewer than Tuesday, when as many as 900 schools were shut due to the demonstrations.

INTEREST RATES – US IS STILL PREFERRED TO EUROPE

Long story short, France's fiscal situation is apparently so dire that the government can't afford to keep classrooms adequately staffed, nor school facilities respectably maintained. I think it's a virtually certainty that, on her fourth try, Le Pen ascends the Élysée.

All populists — those on the right and left — are inclined to magical thinking when it comes to public finances. Le Pen's no different. Earlier this week she said France is spiraling towards "a de facto default." She said her plan, which includes tax cuts, pension reform, limits on France's payouts to Brussels (which, if not approved at the EU level, would presumably mean cuts to subsidies for key French constituencies) and an effort to squeeze multinational corporate tax cheats, will fix the situation. **Spoiler alert: It won't.** Or at least not anytime soon, and certainly not within the 18-month timeframe Le Pen laid out for reassuring markets that France is "a reliable partner." She says she can cut the deficit by nearly 2.5ppt in just four years and slash **France's debt-to-GDP ratio by 7ppt to a still high 112% over the same period,** while simultaneously cutting taxes by €30 billion. I think we all know how that's likely to turn out. The bond market certainly does. Coming back to the broader point, the developed world's experiencing a comeuppance for the ages. "Concerns are not limited to one single nation. **Whether it is France, the US, Japan or the UK, there has been a persistent theme of worry that government deficit**

EARNINGS BONANZA

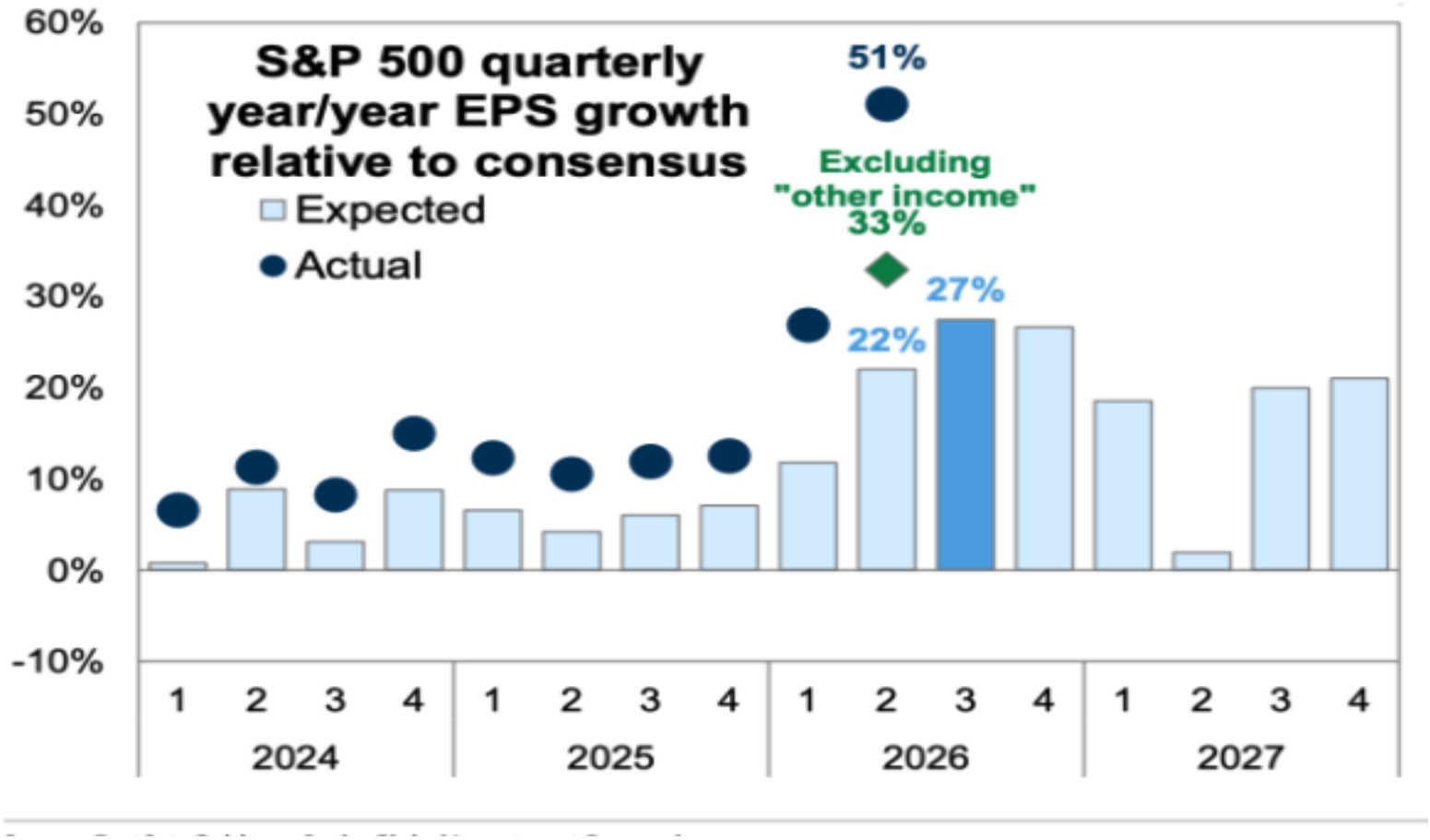
You know things are going well when corporate America's expected to report profit growth of almost 30% and the US economy's not comping a recession year.
Q2 was among the best quarters ever for EPS growth excluding quarters during which the comparable period from the prior year was marred by a downturn. Hell, Q2 might've been the best quarter ever outside of recession recoveries.

As the figure below, from Goldman, reminds you, aggregate S&P 500 earnings grew by half versus Q2 2025, an absurdist result aided by investment write-ups at Alphabet and Amazon, which own massive stakes in Anthropic.

The enormous benefit of those write-ups for overall index EPS growth (+18ppt) actually served to accentuate the "ex-other income" growth result: Profits grew by a third versus the prior year even without those gains, a veritable bonanza and an 11ppt beat to a pre- reporting season consensus that counted among the highest ex-recession recovery bars in living memory.

EARNINGS

Exhibit 3: Bottom-up consensus estimates show S&P 500 EPS growth of 27% year/year in Q3 2026



EARNINGS

As the figure shows, the bar's even higher this quarter: 27%, with more than three quarters of the expected gain coming from Tech and Energy. As Goldman's Ben Snider noted, the typical company in those two sectors is seen posting EPS growth of at least 30%.

At the sector level, Energy earnings are expected to more than double. Most of that's from higher margins. Sales growth's seen at "just" 17%, while margins are expected to expand by nearly 650bps.

As for Tech, overall sector profits are seen expanding by two-thirds on top-line growth of 40%, with 430bps of margin expansion. Comms Services EPS should grow by almost 40% thanks mostly to fatter margins.

As concentrated as earnings growth is by sector, the situation looks even more (much more) extreme when broken down by company.

EARNINGS

Exhibit 5: Top 10 contributors to S&P 500 Q3 earnings growth
* indicates company has reported Q3 results

			Contribution to consensus y/y SPX EPS growth (excludes "other income")					
			2026					
Name	Ticker	Expected report date	Q1	Q2	Q3	Q4	2026	2027
Micron Technology, Inc.*	MU	September 30	10 %	14 %	19 %	22 %	17 %	14 %
NVIDIA Corp.	NVDA	November 19	21	15	15	15	16	25
Meta Platforms Inc	META	October 29	8	(1)	7	(0)	3	1
Alphabet Inc.	GOOGL	October 27	5	3	6	5	4	6
Broadcom Inc.	AVGO	December 11	3	4	5	6	5	6
Exxonmobil Holdings Corp.	XOM	October 30	(2)	4	4	4	3	0
Amazon.com, Inc.	AMZN	October 30	3	2	4	3	3	4
Boeing Company	BA	October 27	0	0	3	(5)	(0)	1
Chevron Corp.	CVX	October 30	(1)	5	3	3	3	(1)
Marathon Petroleum Corp.	MPC	November 3	0	2	3	2	2	(1)
Top 10 contributors			**47 %**	**48 %**	**68 %**	**54 %**	**55 %**	**55 %**
AI infrastructure ex. hyperscalers			**52**	**48**	**54**	**58**	**53**	**58**
Hyperscalers			**20**	**7**	**19**	**10**	**14**	**14**

Source: FactSet, Goldman Sachs Global Investment Research

There's the table. You've probably seen it by now. If not, feast your eyes.

EARNINGS

The chips, the hyper-scalers, the supermajors, the refining giant and Boeing are seen accounting for almost 70% of overall index EPS growth, up from half in Q2.

That's not to say the "typical" company isn't expected to report good results. The median company in the index is seen growing the bottom line by 9%, down from 14% in Q2,
Still, the concentration issue's topical. As Snider remarked, the outsized contributions of a few companies to index profit growth is "mirror[ed]" by the worst market breadth since the dot-com bubble.

"While the market is only 2% from its all-time high, the median stock is 17% below its all- time high," he wrote. "Both earnings and returns for the index are primarily being supported by the Info Tech sector."

TRADE ALERTS:

10/07/2026

Bought initial 25% of Cognex (CGNX) $61.75
Bought initial 25% of Zeta Global (ZETA) $32.75
Bought 50% of On Holdings (ON) – Premium footwear and apparel brand selling to the high-end.

Planning to buy

Keyence (KYCCF) – Robotics picks and shovels

Hexagon (HXGBY) – Robotics picks and shovels

Klaviyo (KVYO) – An old favorite, it's overdue for a re-rating with 20-22% revenue and earnings growth with stock multiple a bargain. Shopify owns 18% of Klaviyo.

Comfort Systems USA (FIX) – Data center HVAC and other operations.

STOCKS - COGNEX

CGNX Cognex (CGNX) - $64.90. Its machine vision and industrial automation products portfolio could be a big beneficiary of physical AI/robotics. Given the difficulty of finding robotic pure plays, Cognex would be a good place to start, and for the same reason it would likely keep a premium valuation. It has moved 37% in the past year, so a slow and steady accumulation would be good.

Physical AI Product lines:
Vision guided robotics - Smart cameras, optical sensors, and software that mount directly on or near industrial robots,
Automated Quality Inspection: The In-Sight series delivers defect detection, part tracking, and robot guidance
Industrial Barcode Reading: The Data Man lineup decodes high-speed, direct-part-mark (DPM) 1D and 2D barcodes across complex logistics workflows and production lines.

3D Perception & Physical AI Expansion: Cognex has expanded deeper into spatial depth perception and robotic spatial navigation (including acquisitions like Intel's RealSense technology) to support mobile robots (AMRs/AGVs) and complex 3D bin-picking applications.

STOCKS - COGNEX

Cognex was a slow grower with a 7% revenue growth in the past decade, and revenue peaked at $1.02Bn in 2021, but sales are forecasted to grow 15% this year and 11-13 in the next 5.

Positives

Improving demand across logistics, packaging, consumer electronics, and semiconductors, AI-enabled products such as OneVision and the RealSense acquisition expand Cognex's addressable market, but adoption will take time and grow steadily.

Exposure to high-growth markets via the RealSense acquisition could create upside, particularly if humanoid robots take off.

Logistics and packaging are Cognex's largest end markets, and both are growing at a healthy pace, with logistics momentum still being driven by large e-commerce customers. Cognex has suggested that its growth is being driven by the automation of existing facilities rather than capacity expansion. In addition, management has stated that penetration is still low. Packaging is also underpenetrated and is a less cyclical market.

Semiconductors are Cognex's fastest-growing end market at the moment. This is being driven by strong AI-related demand, particularly in memory. Cognex's semiconductor business is predominantly vision systems for large equipment manufacturers. There are also emerging opportunities in data centers, although these are still small at the moment.

STOCKS - COGNEX

Negatives

Automotive - remains a soft spot, which primarily relates to weakness in Europe, which was somewhat offset by growth in Asia and the Americas in Q2. Cognex's guidance suggests that its automotive business will accelerate in the second half of the year, although the decline in Europe could be structural. Cognex has long expected battery inspection for EVs to be a growth driver, though, meaning a rebound in this part of the market could reaccelerate the automotive business. The stock is fairly priced at 40x earnings, and 10x sales and while it does have the “robotic” multiple, earnings and revenues will have to grow into the valuation, the stock could be range bound for a few quarters to a year.

Cyclicality - Consumer electronics is an area of strength at the moment, supported by the introduction of new device types (smart glasses, foldable smartphones). Cognex is also benefiting from supply chain diversification across Asia. A significant portion of Cognex's consumer electronics revenue has historically been generated in China, and many companies have sought to rectify this situation in recent years. Supply chain diversification tailwinds in the consumer electronics business will disappear at some point, though, and Cognex has already suggested that this was more of a growth driver in 2025.

STOCKS - COGNEX

Opportunities

Cognex also intends to acquire RealSense, a vision technology company that is focused on robotic perception. RealSense is a leader in this market and has proprietary technology, including ASICs, and a robust developer community. RealSense will give Cognex exposure to applications like vision-guided fixed-arm robots, autonomous mobile robots, quadrupeds, and humanoids. The capabilities of the companies are complementary, with RealSense potentially helping Cognex to expand into more complex automation tasks. RealSense is expected to generate $80-$90 million in revenue in 2026, an increase of more than 50% YoY. Over the long term, the company is expected to generate revenue growth in excess of 25% annually.

The robotic perception market is expected to grow at more than a 25% annual rate in coming years, reaching approximately $1.6 billion in 2030. Humanoid and quadruped robots could also provide significant upside to this estimate. While Cognex believes that RealSense is the market leader, it appears to be a fairly fragmented market at the moment..
CGNX has already appreciated 37% this year so installment buying would be the safer play.

ON HOLDINGS (ONON)

Q2 showed continued growth across DTC, APAC, and apparel, while gross margin reached a new high despite softer wholesale activity.

Management is deliberately protecting premium positioning rather than chasing wholesale volume, which should support pricing and brand equity over time.
The move into apparel, tennis, and training continues to broaden On beyond running and expands its long-term addressable market. The classic Ons cost $160, and the average price of its footwear has shot up to $170, which is among the industry's highest. On's executives plan to keep it that way.

"We're educating our consumer not to expect a sale," Founder, Coppetti told investors. This education began a few years ago when Nike and Adidas stepped back from traditional retail to sell directly to consumers, clearing shelf space for upstart brands like On and Hoka. By the time the sneaker giants came to their senses, they had already ceded that prime real estate to the unfamiliar, funny-looking products that have invaded our closets.

ON HOLDINGS (ONON)

By now, Ons are no longer just for hardcore runners. They have become office attire and might as well be part of the dress code at country clubs. If you walk around the Masters, you'll pass more Ons than azaleas. The company is even chasing the affluent shoppers who have been priced out of the luxury market. If they can't afford an Hermès bag or another pair of Chanel flats, they might just splurge on a different kind of status symbol.

But sticking to a strategy of restraint gets harder in times of weaker demand. On's stock took a pounding after the recent earnings call when the company said it deliberately sent fewer shoes to retailers to maintain its pricing power—and keep those shoes from ending up on sale.

ONON is reasonably priced at just 19x earnings growing over 20% and just 2.6x sales growing over 15%. This is a young company only targeting the high end and with its branding I believe this is the start of a decade of success.