

# Your Personal Money Manager **Pearson** **INVESTMENT LETTER**

Published Monthly Since 1982  
[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

## FEATURED STOCKS - OCT/NOV 2018

### VALUE STOCKS:

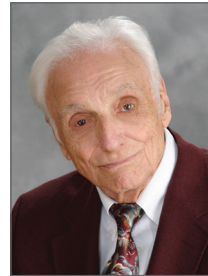
Walt Disney Co.  
FMC Corp

### GROWTH STOCKS:

Arrow Electronics Inc.  
Signature Bank

### ETFs:

Financial Select Sector SPDR® Fund  
Technology Select Sector SPDR® Fund



**Walter D. Pearson**  
*Chairman*



**Donald E. Pearson**  
*President*



**Ann Hathaway**  
*Account Manager*

## Stock Ownership

It is my opinion that in today's world not enough people own stocks and are not invested properly. The Federal Reserve Board does an annual ongoing three-year family study, and found the results for 2017 to be 54%. This consists of individual stocks or mutual funds and 401k's or similar products. At different times in our lives this number could and should change, and this has to do with current events and the economy. As an example, when Jimmy Carter was President you could get CD's paying over 15% annually, while at the same time interest rates on home mortgages were 15% or higher. Currently we are in a long running bull market in which we should be invested and mortgage rates are under 5%.

Many believe, as do I, this long running bull market still has room and time to run up further. Since 2009, the S&P has more than quadrupled. Throughout this period, we have been faced with threats of nuclear war and government shutdown. What have been fueling the market's growth are corporate tax cuts and low interest rates. If the Fed continues to raise interest rates slowly, this should have little impact on derailing the continuous upbeat performance we have been maintaining for nine years.

I believe one can feel comfortable buying an ETF or a mutual fund that is classified as balanced and well diversified. Another option is an individual stock choice. We believe a well-diversified portfolio is made up of several ETF's that build balance and diversification and then made even better by adding several well-chosen individual stocks.

As things change one must make decisions which are difficult because of quickly changing events. As an example, the president has decided to place tariffs on many items and products, and he continues to add more. Some have been canceled and others

minimized. One must look carefully before investing in automobile stocks, housing, and agriculture as these sectors are the ones that should be impacted.

For example, several months ago we made purchases for many accounts with Lear Corporation (LEA). Lear Corporation is a supplier to the global automotive industry. The Company is engaged in supplying automotive manufacturers with seating, electrical distribution systems and electronic modules, as well as related subsystems, components, and software. This stock, because of being hurt by the tariffs, has fallen considerably. Currently at \$147, the P/E ratio is just over seven, while the 2018 projected growth rate is over 19%, yielding nearly 2%. Despite falling over 20% recently, this is rated a strong buy today by almost all analysts. With our system of portfolio building the purchase amount of this would be within 1-2% only. Some individual stocks could be at a higher percent of ownership such as Apple, (APPL) with stronger credentials.

## Planning When to Retire

One of the most difficult decisions we make is when to retire. The obvious answer is as soon as possible, but the better answer is once one is physically and financially able to do this correctly. Considerations one must review are physical health, the money needed to be responsibly successful, and handling your time after decades of work. One can visit the Social Security website and consider the projections of what you will receive upon retirement. Add that to whatever other sources of income you'll have such as pensions, or income from rentals, and so forth.

Once you've done your calculations many find that retiring early or when you would like to may necessitate working at Wal-Mart or somewhere else to supplement your income. An alternative to consider that will

probably give you a considerably better retirement is delaying receiving your retirement a bit longer.

Staying on the job one year past 66 would result in an increase to your social security payout of 8% per year. This means one receiving \$50,000 from social security and savings would receive an additional \$4,000. An expected income of \$125,000 would receive an additional \$10,000 per year for life.

Today a mistake made by many is applying for social security at age 62 because one can. Most don't realize if full retirement benefits are yours at either age 66 or 67, one must accept considerably less if choosing to take your benefit at age 62. For example, if full retirement would be \$1,600 per month, it will be reduced to \$1,120, obviously a large reduction for the rest of your life. As I noted above, when one delays starting social security payments each year after your full retirement, your amount would increase by 8% annually for each year of delayed retirement and continue right up to age 70.

When planning retirement, one must also try to be on the watch for the unexpected, too. Some of the variables that one might have to deal with that are not anticipated are failing health, or having to leave the work place prematurely to care for a loved one. These are only a few reasons why I always suggest starting to invest as much as possible at a young age to maximize financial growth.

Statistics are written often about how little savings and investments many have.

Retirement is something everyone wants but less and less of the work force will be able to enjoy. Maximize your 401k's, open a Roth, become a serious saver, and seek a professional's help.

**DP**

**WALTER'S WISDOM**  
**www.pearsoncapitalinc.com**

*Tell me not, in mournful numbers,  
Life is but an empty dream!  
For the soul is dead that slumbers,  
And things are not what they seem.*

*Life is real! Life is earnest!  
And the grave is not its goal;  
Dust thou art, to dust returnest,  
Was not spoken of the soul.*

*This is the start of a poem entitled A Psalm of Life written some years ago by Henry Wadsworth Longfellow. When I was much younger, my sister and I agreed to learn some of these poems that were well known and were liked. This is one that I learned and cannot forget, but what I ate for breakfast I will forget.*

*One of the important things to remember is that the value of money does not increase, but it will if it is invested properly, so let's get with it. In looking back one can see there were certain industries that were growing and would be good industries in which to invest. Take a look at the restaurant business. You might have chosen Wendy's or McDonald's, or you might have chosen something else. There are a good number of them.*

*Another thing to bear in mind is the value of waiting. When you are waiting you are adding time to your investment. Time is the very important factor which allows your company to make money. The other factor that can be added is a company that is growing. Put them both together and you can be sitting on a mountain that has yet to assimilate. The market may go up or maybe a downside is due, but either way, if your company is growing, and it continues to grow, it makes no difference what has happened to the stock market because your stock has to sell at a higher price because its earnings are higher. You might have bought gold stocks, and you might have profited because the dollar has gone down. But that isn't growth. It just means you have taken advantage of a situation. And, if you did, you have acted wisely,*

*One day a man came around suggesting that we start selling annuities, so I looked into it because I thought it might be an interesting avenue, but, after a great deal of study, I came to the conclusion that they were loaded with costs. From time to time others would come suggesting that we try something they were selling, but each time it was the same thing. There might have been one or two good things involved, but the costs made them unbearable in my opinion.*

*I think the time has come for you to take vacation. Have you chosen the spot as yet? Remember, this a spot for rest and relaxation, not just a place to lie around and get rested, but a place for rest and relaxation. That means just what it says. I can remember lying down for a rest but having no relaxation at the same time. Usually I get both but there are times when the work load is overpowering and a rest is all I can get. Part of your load, which may keep you off relaxation, is keeping a sharp mind on things that may be coming up. It is always the time to become aware of some stock or some field that you think we should both study. A few years ago the fast food industry started to take hold. If you noticed that happening, you are one of those who shared the profits. STAY AWAKE! Rest and relaxation is each man's due but remember to remember!*

*It is now time to consider the companies which you own which have increased the dividend. Are you ready for this? Could you stand this again? PBR, BG, EXPE, UFS, NVO, STN, ATRI, MTB, SJT, NLY, BHP, BBL, MO, MLM, CM, SSL, SNP, BMO, BNS, CHL, CSWC, GG, PTR, SIG, AMT, VZ, INFY, AVGO, PBA, BBD, NXPI, SFL, TOT, JCI, INGR CP, LGF.B, VET, GPMT, MCD, MBT, TWO.*

**WP**

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**Source Rating Key for PCI's featured stocks:** **Pearson Investment Growth Rating** measures long-term past and future growth.

**Pearson Value Rating** measures current value in terms of potential for the dollar. **Investors Business Daily** measures growth and relative price strength.

**S&P** measures financial quality and growth potential. **Value Line** measures timeliness, value and safety.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.

He is the author of the book, Investing for the Millions and Publisher Emeritus for the Pearson Investment Letter.

At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.

He is a contributing columnist for various publications and is listed in Who's Who in America.

**"Remember the Lord your God, for it is He who gives you the ability to produce wealth." (Deut. 8:18)**

**ARROW ELECTRONICS INC. (ARW) NYSE PRICE \$73.72**

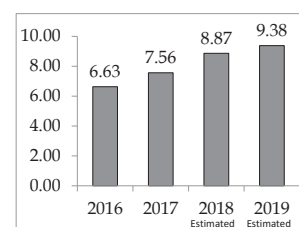
Arrow Electronics, Inc. is a provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions. The Company has a portfolio of product offerings available from various electronic components and enterprise computing solutions suppliers. The Company's segments include the global components business; the global enterprise computing solutions (ECS) business, and corporate business segment. It distributes electronic components to original equipment manufacturers and contract manufacturers through its global components business segment. Through global ECS business segment, it provides enterprise computing solutions to value-added resellers. The Global components segment markets and distributes electronic components and provides a range of value-added capabilities. Global ECS' portfolio of computing solutions includes datacenter, cloud, security, and analytics solutions.

Type: Growth  
Sector: Information Technology

Institutional Holdings: 93.2%  
Industry: Electronic Equipment, Instruments & Components

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **10.6**  
Annual Yield: **0%**  
Annual Dividend: **0**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A**  
Morningstar Rating: **B**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **B**



**SIGNATURE BANK (SBNY) NASDAQ PRICE \$114.84**

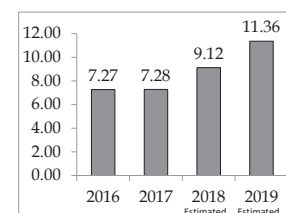
Signature Bank is a full-service commercial bank. The Bank operates over 30 private client offices throughout the New York metropolitan area. Its segments include Commercial Banking and Specialty Finance. It offers a range of business and personal banking products and services. Its specialty finance subsidiary, Signature Financial LLC (Signature Financial), provides equipment finance and leasing services. Signature Securities Group Corporation, a subsidiary of Bank, is a licensed broker-dealer, investment advisor offering investment, brokerage, asset management and insurance products and services. The Commercial Banking segment consists of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities. The Specialty Finance segment consists of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, commercial vehicle, municipal and national franchise financing and/or leasing.

Type: Growth  
Sector: Financials

Institutional Holdings: 96.1%  
Industry: Banks

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **14.4**  
Annual Yield: **0.5%**  
Annual Dividend: **0**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **N/A**



**WALT DISNEY CO. (DIS) NYSE PRICE \$117.05**

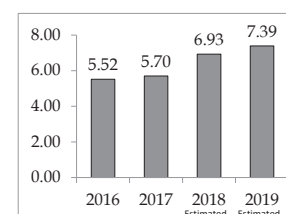
The Walt Disney Company is an entertainment company. The Company operates in four business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media. The media networks segment includes cable and broadcast television networks, television production and distribution operations, domestic television stations, and radio networks and stations. Under the Parks and Resorts segment, the Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions, as well as resort properties. The studio entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays. It also develops and publishes games, primarily for mobile platforms, books, magazines and comic books. The Company distributes merchandise directly through retail, online and wholesale businesses. Its cable networks consist of ESPN, the Disney Channels and Freeform.

Type: Value  
Sector: Consumer Discretionary

Institutional Holdings: 62.2%  
Industry: Media

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **17.1**  
Annual Yield: **1.5%**  
Annual Dividend: **1.68**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **N/A**



**FMC CORP (FMC) NYSE PRICE \$87.18**

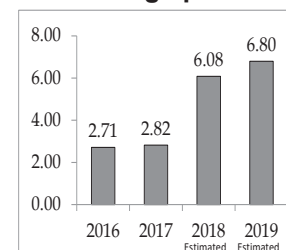
FMC Corporation is a diversified chemical company serving agricultural, consumer and industrial markets. The Company operates in three business segments: FMC Agricultural Solutions, FMC Health and Nutrition, and FMC Lithium. As of December 31, 2016, the FMC Agricultural Solutions segment developed, marketed and sold three classes of crop protection chemicals: insecticides, herbicides and fungicides. The Company's FMC Agricultural Solutions segment operates in the agrochemicals industry. This segment develops, manufactures and sells a portfolio of professional pest control, and lawn and garden products. The FMC Health and Nutrition segment focuses on nutritional ingredients, health excipients and functional health ingredients. The Company's FMC Health and Nutrition segment focuses on food ingredients, pharmaceutical excipients and omega-3 oils. The Company's FMC Lithium segment manufactures lithium for use in a range of lithium products.

Type: Value  
Sector: Materials

Institutional Holdings: 90.1%  
Industry: Chemicals

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **22.7**  
Annual Yield: **0.8%**  
Annual Dividend: **0.66**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **N/A**





## JUST ASK ANN

**Just a reminder to our Clients, Pearson Capital CANNOT change any personal information on your TD account. Address, phone numbers and email addresses can only be updated at TD due to security reasons.**

If you need to make a change, please call TD directly at 800-431-3500 and press 0 to get a representative (NOTE: 0 will not be a VM prompt but it will get you to a rep). Or, you can email our support team at [independence@tdameritrade.com](mailto:independence@tdameritrade.com)

You can always update your information through your online access.

HOWEVER, please let us know as well to update Pearson files. You may call us or send me an email.

### **New AdvisorClient.com Enhancements**

TD hopes you're enjoying the new AdvisorClient.com experience. Thanks to your valuable feedback, they're excited to let you know that they've added the following new features to the platform:

The Balance History Chart will provide a historical depiction of your account values over time for a single account utilizing the month-end account value for a rolling 12-month period.

**Watch Lists** - The landing page will now display the current price and daily performance for each individual security held by a client. There will also be an option to toggle and retrieve watch lists you created in the previous version of AdvisorClient.com.

## **FINANCIAL SELECT SECTOR SPDR® FUND (XLF) NYSE ARCA PRICE \$27.58**

The investment seeks investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Financial Select Sector Index. The fund generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index. The index includes securities of companies from the following industries: diversified financial services; insurance; banks; capital markets; mortgage real estate investment trusts ("REITs"); consumer finance; and thrifts and mortgage finance.

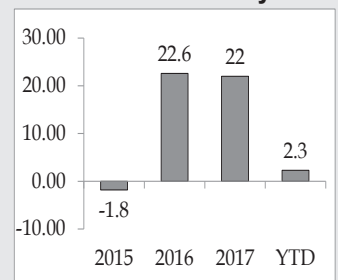
Location: USA  
Type: 100% Stock

Category: Bank/Finance  
Industry: Diversified

### **Ratings & Recommendations**

Current P/E Ratio: **N/A**  
Annual Yield: **1.6%**  
Annual Dividend: **0.44**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

### **Performance by%**



## **TECHNOLOGY SELECT SECTOR SPDR® FUND (XLK) NYSE ARCA PRICE \$75.33**

The investment seeks investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Technology Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy, which means that the fund typically invests in substantially all of the securities represented in the index in approximately the same proportions as the index. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index.

Location: USA  
Type: 100% Stock

Category: Technology  
Industry: Diversified

### **Ratings & Recommendations**

Current P/E Ratio: **N/A**  
Annual Yield: **1.3%**  
Annual Dividend: **0.97**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Morningstar Rating: **B**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**

### **Performance by%**



## Earnings Flows:

Recently, on September 24, as a result of an update to the Global Industry Classification System (GICS) by S&P Dow Jones Indices and its partner, MSCI, a new communications sector has been created in place of its heavily weighted technology sector. According to S&P, the new Communication Services sector will include companies that facilitate communication and offer related content and information through various media. Additions from the Technology sector include Alphabet (GOOG), Facebook (FB), Twitter (TWTR) and Electronic Arts (EA), to name a few. The three companies that currently make up the Telecommunication Services sector, AT&T (T), Verizon (VZ) and CenturyLink (CTL), will remain in the new sector. Media companies like Twenty-First Century Fox (FOXA), Disney (DIS) and CBS (CBS) will be added, along with Netflix (NFLX) and TripAdvisor (TRIP) from the Consumer Discretionary sector.

So far, we expect this upcoming quarter's earnings announcements will once again be greater than last year, as the tax cuts continue to benefit companies and growth as well.

Here is what we see:

- 1) Many people expect a great Christmas holiday in the retail sector.
- 2) Housing starts are down because of increased prices due to tariffs and higher interest rates.

Key Point: There are changes to balance out the sectors of the S&P 500.

## Cash Flows:

So far, 2018 is on track to be the biggest year for corporate stock buy backs, which reduces the number of outstanding shares. The S&P recently announced results indicating S&P 500 stock buybacks, or share repurchases, totaled \$190.6 billion for quarter two of 2018, overtaking the prior quarterly record of \$189.1 billion, set during Q1 2018. This is a 58.7% increase from the \$120.1 billion reported for Q2 2017.

For the first half of 2018, buybacks are up 49.9% to \$379.7 billion from the prior year's \$253.3 billion. For the 12-month period ending June 2018, S&P 500 issues spent a record \$645.8 billion on buybacks, up 29.0% from \$500.8 billion for the corresponding 2017 period. This is 9.6% higher than the prior record of \$589.4 billion, set during the 12-month period ending March 2016. The buying continued to be top heavy, with the top 20 issues accounting for 49.7% of all S&P 500 buybacks. Apple (Appl) was the largest company for buybacks, spending \$21.9 billion in Q2 2018, down from the record \$22.8 billion spent for Q1 2018. Apple accounted for 30.6% of the IT sector's buybacks and 11.5% of all S&P 500 buybacks for Q2.

New trends we see:

- 1) Buybacks will continue this upcoming quarter.
- 2) We expect future buybacks to eventually slow down.

Key point: The buybacks continue.

### Management Fee:

*Our fee is extracted quarterly from the account at 25% of one percent by TD Ameritrade. Immediately following any quarterly management fee extraction, it is posted within your account's history information available on line. It is also posted in your TD Ameritrade monthly statement.*

*Fourth Quarter October-November-December-see your October statement.*

# WALL STREET INDEXES

Indexes	2012	2013	2014	2015	2016	2017	2018
S&P 500	13.4%	29.6%	11.4%	(0.8%)	5.8%	19.6%	8.9%
Dow Jones	7.3%	26.5%	7.5%	(2.2%)	7.9%	25.1%	7.1%
Nasdaq	15.9%	38.3%	13.4%	5.7%	4.1%	28.2%	16.6%
Market Average	12.2%	31.5%	10.8%	0.9%	5.9%	24.3%	10.9%



## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

## Economic Flows:



During its most recent meeting, the Federal Reserve lifted the benchmark overnight lending rate by a quarter of a percentage point to a range of 2.00% to 2.25%. This increase is its eighth since late 2015 and marked the end of the era of accommodative monetary policy. It still foresees another rate hike in December, three more next year, and one increase in 2020. That would put the U.S. central bank benchmark overnight lending rate at 3.4%, roughly half a percentage point above its estimated "neutral" rate of interest, at which rates neither stimulate nor restrict the economy. Right now we believe that they are comfortable with this direction. The economy, fueled in part by the tax cuts President Donald Trump pushed through Congress, has been on a tear. Growth clocked in at a 4.2% annual rate in the most recent quarter. That is the fastest quarterly pace in years. Most economists forecast growth for 2018 as a whole will end up as the strongest in over a decade. Unemployment, at 3.9%, is well below the 4.5% that the Fed pegged as the level at which unemployment can remain for a sustained period without accelerating inflation. The Fed's current policy statement has included descriptions of loose monetary policy as a staple element in recent years, though they will update their statements from now on to take a more tightening but cautious stance in the future.

What about next year? Most economists foresee a slowdown in the ten-year-old U.S. economic expansion as President Donald Trump's trade war takes a toll and the benefits of tax cuts start to fade. Also, China may threaten to continue to sell Treasury securities as their trade war with the U.S. escalates. Recently, the U.S. announced a new round of 10% tariffs that will be imposed this week on \$200 billion in Chinese imports and, if China does not negotiate in good faith, the rate reportedly will be raised to a whopping 25% later this year. Clearly the Trump administration is striving to get China to negotiate in good faith. Talks recently have broken down, with no date set for a follow-up. It is said that China likely will hold off on negotiations, waiting things out until the U.S. midterm elections are over. Rising bond yields, worries of market overvaluation, and the fear of a slowdown in China due to tariffs are making people slightly worried in the midst of a fantastic earning season.

We still remain optimistic that tariff negotiations will happen and the Fed limits the tightening at the same time, as it will take additional time to negotiate trade agreements with the Chinese.

New trends we see:

- 1) The president has stated that the negotiations with Canada are too slow.
- 2) Oil prices have rebounded to a new high not seen in years.

Key Point: The Federal Reserve now has lined up its goals of how it will approach interest rate increases up until 2020.

Continued to page 5

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Editor  
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## Table of Contents

Walter's Wisdom:	2
Featured Stocks:	3
Featured Stocks:	4
Ask Ann	4
Market Outlook	5-6