

# Your Personal Money Manager Pearson INVESTMENT LETTER

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## FEATURED STOCKS - JANUARY/FEBRUARY 2021

### GROWTH STOCKS:

KB Home  
Kinross Gold Corp

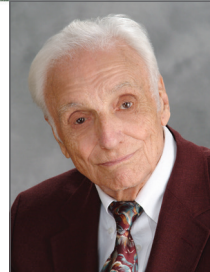
### ETFs:

Financial Select Sector SPDR® Fund

### VALUE STOCKS:

Bank of America Corp  
Bristol-Myers Squibb Co

Health Care Select Sector  
SPDR® Fund



**Walter D. Pearson**  
*Chairman*



**Donald E. Pearson**  
*President*



**Ann Hathaway**  
*Account Manager*

## 2020 In Review

Trying to write a recap for the past year is exceptionally difficult. The pandemic has changed or altered our lives in so many ways. Many have lost jobs or been temporarily laid off, while the whole family dynamic of work, school, and play has been changed. Because of this the market has also been very different.

I would like to think we've all held a substantial amount of cash in reserve for these types of issues, but most have not. So it's live off of whatever reserve we have, and then utilize the credit card and add debt to it. Hopefully, the stimulus checks that have been provided are helping to keep us afloat as we continue to work our way through this. The problems and issues we currently face are far from over, but with the vaccines coming soon, hopefully we can begin to get some relief. The government has provided ways to get money out of our accounts with minimal tax consequences, and the required minimum distribution on retirement accounts was not required, if not in your best interest, for this year.

The market tanked in March/April - down about 35%. As I say every time there is a down turn, we won't lose anything if we stay the course and hold our positions. We have been through these corrections before. The market turned around rapidly, and, as we came to year end, the average was up 22% over prior year. I am happy to report we've had another solid year and our selections and client portfolios have outperformed the average again.

## 2021 Outlook

We have turned the corner from 2020 and now begin another year. This one will be much

more difficult to project simply because of the variables that are now built in with a great deal of uncertainty. We have recently seen the Democrats win the two Georgia Senate seats, thus making the Senate a fifty split for each party. This gives the Vice President the deciding tie-breaking vote if or when needed, so we can consider the Senate under Democratic leadership. The House of Representatives continues under Democratic leadership, and with an incoming Democratic president, the Democrats will be in complete control. Whether we like or agree with this outcome I'm only addressing this from an investment stand point for both you and me. As an example there's a strong possibility we may re-enter the climate control program under this leadership and this will give a boost to solar investments. All we can do is watch, and listen, and be prepared to make investment decisions for all of us predicated on the track we are on, or, if the track changes, we are all prepared to change trains too.

I also would disagree with those who think we must make adjustments immediately. With the pandemic far from the finish line, and the vaccines only in the first inning of the game, with a tremendous amount of us not vaccinated yet, there probably won't be much in the way of changes coming for the first half of this year. As far as where the economy is right now and where it is headed: From the low spot in the spring up to today the market has made one impressive comeback. Because of this I believe we are going to have another positive year. I will go out on a limb and predict in the area of a 10% gain. I believe the route will be rocky with multiple dips, and this will be due to the problems we

haven't fixed yet and new ones that we will have to face along the way. The economy collapsed in the second quarter and strongly rebounded in the third quarter of 2020 and finished the year up 3%. Most indicators used to project 2021 economic growth results are showing 4.3%. To keep all of this on track unemployment must continue to improve, and it appears it will as the vaccines continue to get many back to work. When our problems were peaking back in April unemployment was at a 14.7% high. Today we are in the neighborhood of 7%, and it appears it can get down to 6% by year end.

For the past 10 years growth stocks have far outperformed value stocks, and we have favored those as a larger part of portfolios. As this new leadership group begins to put in their programs, I believe value stocks will make a substantial improvement. The proper portfolio should have a blend of both, but we may increase the value holdings. I'm still very strong on growth and Apple remains my number one choice. So we will watch, and monitor, and make decisions predicated on events driving the economy.

## A Personal Thank You

To our many clients whom we all very much appreciate and to the South Shore Florida community: For 16 years our company has headed up the Toys for Tots drive and has built it into the largest collection event in our area. This year we collected from generous people about 6,000 toys, 70 bicycles, and \$15,000.

**HAPPY NEW YEAR**

**DP**

**PCI - The 2011 E.G. Simmons Award winner for Outstanding Community Service!**

## TIME IS ON YOUR SIDE

*I think we should talk about your heirs - probably I should say your children. It is important that they learn to save while they are young, and that is where you come in. Either have them open an account or open one for them, but they should start learning to save while they are still young. You should sit where we do and see the number of heirs who inherit an account, immediately turn it into cash, and then the investment is gone. Teach them to save and they shall appreciate their inheritance. If they start with a few dollars, it will grow. By going over their statement each month, you can point out to them the importance of saving, and how time will make investments grow.*

*I would suggest that they look at the final results of Wendy's, McDonald's, or Cracker Barrel just to name a few, and point out to them what happened over a period of time. Time is a great healer. Time is the entity that will make \$1,000 become \$2,000 or \$4,000, or maybe more. That's what time can do. Time is one of the things that are working for you. There are dividends, growth of your company, and then comes time. Look at Wendy's. Here is a combination of growth and time. Please learn to consider time as a purveyor of cash.*

*I had another thought that can make money for you. Some years ago I wrote a book on stocks and the stock market and received a number of congratulatory letters. One gentleman stated that he had bought a number of books on the subject but that mine was the best he had ever read on investing. It is titled INVESTING FOR THE MILLIONS.*

*Go back to the way you used to think. You used to put your money in the bank and you were satisfied with the amount of interest paid. No one would think to tell you that there were other sources that would pay you a lot more. No one told you about inflation and how the dollar was depreciating. Everyone knew gas was \$3.00 a gallon whereas many years ago it was 50 cents. Back a few more years it was 17 cents. That was before inflation. That was before the gold backing was removed. This happened some years ago, and with no backing it continues to lose value day after day. Most people do not understand this. The facts are these. Prior to 1929 we had a safety net called Fort Knox. That's where our gold was stored and for every new paper dollar that was issued a commensurate amount of gold was added to our backing. Before things changed, we had a tremendous amount of gold. Now we have inflation and the value of the dollar decreasing.*

***Do yourself a favor by arranging a talk with one of us!***

**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.

# PEARSON CAPITAL'S RECOMMENDED STOCKS JANUARY/FEBRUARY 2021

www.pearsoncapitalinc.com

## BANK OF AMERICA CORP (BAC) NYSE PRICE \$32.15

Bank of America Corporation is a bank holding company and a financial holding company. The Company is a financial institution, serving individual consumers and others with a range of banking, investing, asset management and other financial and risk management products and services. The Company, through its banking and various non-bank subsidiaries, throughout the United States and in international markets, provides a range of banking and non-bank financial services and products through four business segments: Consumer Banking, which comprises Deposits and Consumer Lending; Global Wealth & Investment Management, which consists of two primary businesses: Merrill Lynch Global Wealth Management and U.S. Trust, Bank of America Private Wealth Management; Global Banking, which provides a range of lending-related products and services; Global Markets, which offers sales and trading services, and All Other, which consists of equity investments, residual expense allocations and other.

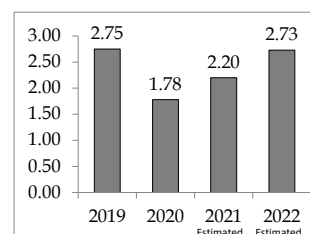
Type: Value  
Sector: Financials

Institutional Holdings: 70%  
Industry: Banks

### Ratings & Recommendations

Current P/E Ratio: **14.8**  
Annual Yield: **2.4**  
Annual Dividend: **0.72**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **C**  
The Street (analyst avg.): **B**

### Earnings per share



## BRISTOL-MYERS SQUIBB CO (BMY) NYSE PRICE \$61.70

Bristol-Myers Squibb Company is engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of biopharmaceutical products. The Company's pharmaceutical products include chemically synthesized drugs, or small molecules, and products produced from biological processes called biologics. Small molecule drugs are administered orally in the form of a pill or tablet. Biologics are administered to patients through injections or by infusion. Its products include Empliciti, Opdivo, Sprycel, Yervoy, Eliquis, Orencia, Baraclude, Hepatitis C Franchise, Reyataz Franchise and Sustiva Franchise. It offers products for a range of therapeutic classes, which include virology, including human immunodeficiency virus (HIV) infection; oncology; immunoscience, and cardiovascular. Its products are sold to wholesalers, retail pharmacies, hospitals, government entities and the medical profession across the world. Its subsidiaries are Celgene Corp and MyoKardia, Inc.

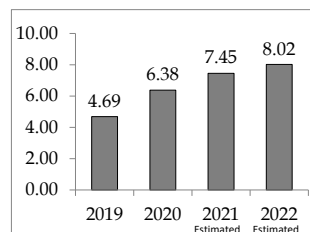
Type: Value  
Sector: Health Care

Institutional Holdings: 74%  
Industry: Pharmaceuticals

### Ratings & Recommendations

Current P/E Ratio: **9.7**  
Annual Yield: **3.2**  
Annual Dividend: **1.96**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **B**

### Earnings per share



## KB HOME (KBH) NYSE PRICE \$32.81

KB HOME is a homebuilding company. The Company is engaged in selling and building a range of new homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family residential homes. It operates through five segments, which consist of four homebuilding segments and one financial services segment. Its homebuilding segments include West Coast, Southwest, Central and Southeast. The homebuilding segments are engaged in the acquisition and development of land primarily for residential purposes. The financial services segment offers property and casualty insurance and, in certain instances, earthquake, flood and personal property insurance to its homebuyers in the same markets as its homebuilding segments, and provides title services in the majority of markets located within its Central and Southeast homebuilding segments. It offers homes in development communities, at urban in-fill locations and as part of mixed-use projects.

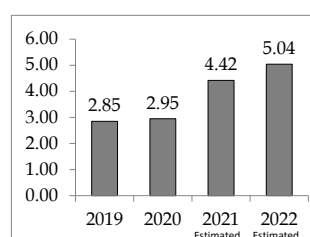
Type: Growth  
Sector: Consumer Discretionary

Institutional Holdings: 88%  
Industry: Household Durables

### Ratings & Recommendations

Current P/E Ratio: **10.1**  
Annual Yield: **1.9**  
Annual Dividend: **0.60**  
Investor's Bus. Daily: **D**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **B**

### Earnings per share



## KINROSS GOLD CORP (KGC) NYSE PRICE \$8.01

Kinross Gold Corporation is a gold mining company. The Company is engaged in gold mining and related activities, including exploration and acquisition of gold-bearing properties, the extraction and processing of gold-containing ore, and reclamation of gold mining properties. The Company's segments include Fort Knox, Round Mountain, Bald Mountain, Paracatu, Kupol, Maricunga, Tasiast and Chirano. Fort Knox is an open-pit gold mine located in Fairbanks, Alaska. Round Mountain open-pit mine is located in Nye County, Nevada. Bald Mountain open-pit mine is located in Nevada. The Company's gold production and exploration activities are carried out principally in Canada, the United States, the Russian Federation, Brazil, Chile, Ghana and Mauritania. Gold is produced in the form of dore, which is shipped to refineries for final processing. Kinross also produces and sells a quantity of silver.

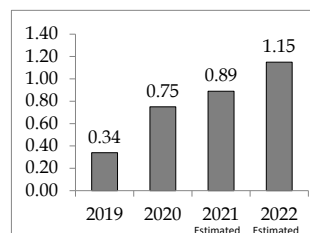
Type: Growth  
Sector: Materials

Institutional Holdings: 65%  
Industry: Metals & Mining

### Ratings & Recommendations

Current P/E Ratio: **9.4**  
Annual Yield: **0.8**  
Annual Dividend: **0.06**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **B**

### Earnings per share





# JUST ASK ANN

It's the start of another year and a reminder that we all need to revisit our personal and financial information to update, add to, or clear out.

Now is a good time to:

**Check addresses, phone numbers and emails.** Are these all correct in your TD portfolio? I have noticed that some of you are good at editing your new home address but fail to make sure that the physical address and the mailing address are updated at the same time. Take a moment to check your mailing address on the USPS website to be sure that they agree your address is correct. We have found that the USPS has rejected several addresses simply based on a difference of an abbreviation or household designation (e.g.- Apt. Unit, Suite, etc.) or even a directional description (N, S or NE, SW, etc.).

Did you finally lose that landline? TD needs your primary contact phone number (we do too!). Did you change internet providers? Be sure that your email is current.

All of this data can be corrected online by using the MY PROFILE tab on the website. If you do not use the online access, you can call TD at 800-431-3500 and have them do it for you. There is also a form available to update this info that can be faxed or mailed in to TD. Contact us if you need this.

**Check your IRA beneficiaries.** Has your marital status changed? Do you need to add or delete a beneficiary? This applies also to any account that carries a TOD (Transfer on Death) designation.

**Do you need to adjust a monthly distribution?** Call us to help you do this as paperwork may be involved.

\*\*\* PEARSON CAPITAL cannot change any personal information for you due to security issues. \*\*\*

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Although suspended for 2020, (as of now) **RMDs WILL BE REQUIRED FOR 2021!**

## Financial Select Sector SPDR® Fund (XLF) NYSE ARCA PRICE \$30.50

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.

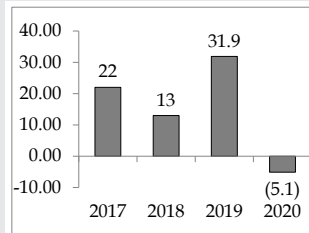
Location: USA  
Type: 100% Stock

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **2.1**  
Annual Dividend: **.60**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
Morningstar: **B**

Category: Value  
Industry: Financials

### Performance by%



## Health Care Select Sector SPDR® Fund (XLV) NYSE ARCA PRICE \$115.33

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 Health Care Select Sector Index. In seeking to track the performance of the index, the fund employs a replication strategy. It generally invests substantially all, but at least 95%, of its total assets in the securities comprising the index. The index includes companies from the following industries: pharmaceuticals; health care equipment & supplies; health care providers & services; biotechnology; life sciences tools & services; and health care technology.

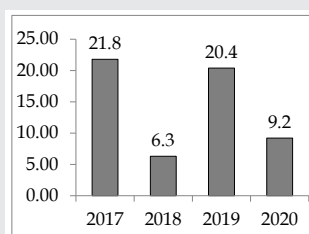
Location: USA  
Type: 100% Stock

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1.5**  
Annual Dividend: **1.69**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
Morningstar: **C**

Category: Value  
Industry: Healthcare

### Performance by%



doesn't take effect until September 30, 2021, when it rises from \$8.56 per hour to \$10 per hour. The wage then will rise by \$1 per hour every September 30 until September 30, 2026, when it reaches \$15 per hour. Voters in Arizona, Colorado, Maine, and Washington approved November ballot measures to raise their respective minimum wages. Arizona, Colorado and Maine will have incrementally increased their minimum wages to \$12 an hour by 2021. Washington's had been increased as well. Arizona, Colorado and Maine will incrementally increase their minimum wages over \$12 an hour starting in 2021. Washington's will be increased incrementally over \$13.50 an hour starting in 2021 as well. We do not think this overall increase will stop soon as the years progress.

**New trends we see:**

- 1) Once the COVID virus is contained, we will see a surge of pent up demand for goods and services.
- 2) The Biden Administration will seek a new diplomatic treaty with China.
- 3) The environment will be a focus for this new administration.
- 4) Credit card balances declined by more than \$100 billion over the last year.
- 5) Savings rate for households are reaching new highs.

**Key Point: The market may be very volatile in the first quarter.**

**Earnings Flows:**

The middle of January is the beginning of this month's earnings season, and that starts the New Year right with earnings reports. Even though there will be easier earnings comparisons than last year, with the run up of the current market, expectations will be high for companies to make and beat their earnings forecasts. This may make the market vulnerable to a correction. December traditionally is optimistic, yet the recent three-way all-time high by the DJIA, S&P 500, and Russell 2000, may end up subduing the market's return in the first half of the year. Yet, year-over-year quarterly

comparisons in 2021 will be favorable, especially in the last half of this year as companies will have great expectations to report as well. This helps create a sign of the economy growing again.

**New trends we see:**

- 1) Apple is moving forward with its self-driving auto technology.
- 2) As the economy returns to normal, energy stocks will start to rebound.
- 3) We expect technology stocks to still lead the way for this first half of the year.
- 4) Companies are expecting a big rebound at the end of this year.

**Key Point: The market may have run up too high as we move into the first quarter of the New Year.**

**Cash Flows:**

We will continue to see a large number of new stocks and IPO's issued in the next two quarters. With the interest rates near 0%, this will lead to an increased amount of capital creation and the abilities of companies to use leverage for mergers and acquisitions. We expect this trend to continue until the Federal Reserve starts taking a more cautious stance toward interest rates. Also, any future stimulus from the government will go into the economy and help out the market as well.

**New trends we see:**

- 1) Expect to see more IPO's and mergers and acquisitions of companies.
- 2) OPEC just announced a surprise oil cut, creating a floor for oil prices in the near term.
- 3) The next administration will want to continue with stimulus measures.
- 4) Mortgage financing more than doubled in 2020.

**Key Point: Expect to see more IPO's and mergers and acquisitions of companies.**

**Management Fee:**

*Our fee is extracted quarterly from the account at 25% of one% 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.  
First Quarter January-February-March-see your January statement.*

# WALL STREET INDEXES

Indexes	2014	2015	2016	2017	2018	2019	2020
S&P 500	11.4%	(0.8%)	5.8%	19.6%	(7.1%)	28.9%	16.4%
Dow Jones	7.5%	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	7.2%
Nasdaq	13.4%	5.7%	4.1%	28.2%	(4.7%)	35.2%	43.7%
Market Average	10.8%	0.9%	5.9%	24.3%	(6.0%)	28.8%	22.4%



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic Flows:



As of this writing, Democrat Jon Ossoff, a documentary filmmaker, and Rev. Raphael Warnock, a senior pastor at the historic Ebenezer Baptist Church in Atlanta, have defeated Republican incumbent Senators David Perdue and Kelly Loeffler based on preliminary results. Since Democrats won both of the runoff races, instead of the GOP holding a 50-48 majority, that has now moved to a split Senate 50-50. Vice President-elect Kamala Harris would hold the tie breaking vote, giving the Democratic Party control of the White House and Congress. The stock market is normally happy to see a divided Congress, so we may see stock market volatility in the near term. Experts projected the new political makeup being a divided Senate, so we will see if this new makeup with the Senate will move forward with President Biden's agenda, or still be a Congress of gridlock.

In the meantime, the Fed has allowed short-term rates to remain effectively at 0%.

The Federal Open Market Committee (FOMC) held its last 2020 meeting in December and issued a statement that was mostly about the Covid-19 virus and its impact on the U.S. economy. Fed Chairman Jerome Powell stated that the Fed will keep key short-term interest rates at or near 0% through 2023. The Fed also reiterated that it has a 2% inflation target and keeps its goal to achieve maximum employment. It confirmed that it would continue to buy \$80 billion per month in Treasury securities and \$40 billion in agency-backed securities, including mortgage-backed securities. Recently Powell said, "We do see the economy continuing on a solid path of recovery, but the main risk we see is the further spread of disease here in the United States."

I think this inflation may take years for the economy to feel the effects, but wage increases will be part of those changes. More than 25 states will raise their minimum wages this year. As stated before, more than 60% of Florida voters approved a measure that would raise the state's minimum wage from \$8.56 to \$15 per hour by 2026. The change

Continued on page 5

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**The Pearson Investment Letter**  
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