

# Your Personal Money Manager Pearson INVESTMENT LETTER

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

## FEATURED STOCKS - JANUARY/FEBRUARY 2022

### VALUE STOCKS:

Apple Inc

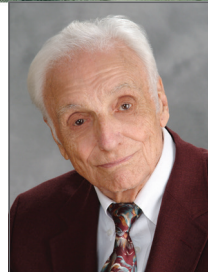
### ETFs:

Vanguard Growth Index  
Fund ETF Shares

### GROWTH STOCKS:

Amazon.com Inc

Technology Select Sector  
SPDR® Fund



**Walter D. Pearson**  
*Chairman 1998-2021*



**Donald E. Pearson**  
*President*



**Ann Hathaway**  
*Account Manager*

## 2021 In Review

This article is probably as difficult to write as any I've done before. If you ask why, I say it's because 2021 issues are not finished and none of us know when they will be. As we read the current news about COVID-19, the Omicron variant is replacing the Delta as the virus that's infecting people today, as the Delta replaced the original months back. Our medical leaders are telling us the quarantine time will be reduced, and those with the original shots, and then the added booster, will be treated differently too.

Additional issues for all of us are prices increasing with everything we need in our everyday lives, as well as issues affecting everyday travel. Over 800 flights a day are being canceled and it appears no end is in sight. The medical field, airlines, restaurants, and the list is ongoing of establishments that cannot hire enough people to effectively run their businesses while some employees stay home due to having financial resources or reserves. When are we going to begin working together to get things back to how they used to be - a fair day's work for a fair day's pay, while we work toward a successful retirement?

As we go forward, I can only write again that what we've been doing we will continue doing. Blending growth choices with value selections of stocks and ETFs could and should be successful. We will continue with ongoing research and select what we believe to be the very best choices for all of us while prioritizing safety. I didn't believe the market would go up as much as it did this year, but our client performances are exceeding 20% and have outperformed my expectations. We will begin immediately laying the groundwork for another successful year in 2022.

## Going Forward in 2022

As we look ahead for 2022, we have the very difficult responsibility of putting in place our plans and goals. I believe we all know what we plan for today can easily be changed at any time, just as the Omicron and other issues that are on the front burner right now have done. Alarming gas prices, the drastic rise in inflation, and the huge increase in violent crime will alter market performance. With our President's approval rating falling far below 50% we can only hope changes can and will be made to get our economy back on track. As I write often, my political beliefs are irrelevant - we are simply writing about the best investments so we can prosper again this year.

I have posted our top two stocks and ETFs in this letter and know almost everyone with us has all or some of these in their portfolios. Stocks are Apple (AAPL) and Amazon (AMZN), and ETFs are (VUG) and (XLK). These have all climbed over 25% this year, and we believe they will again in 2022. As we often say, choices we make we believe we'll have for years - no day trading.

As things change, we will change too, and we will try to make decisions that will help our portfolios. Today 71% of Americans are vaccinated yet so many others are not. The Supreme Court may take up their position on this and make decisions to affect us all, or decide to not be a part of this. These are some of the variables that are ahead, and we all need to await their decisions. Either way I believe we'll watch, and make our decisions predicated on the decisions given. My prediction for our portfolios for 2022 is plus 10% or more.

## Toys for Tots Again

This has been year 17 for Pearson Capital heading up Toys for Tots for the needy children here in South Shore. I cannot think of anything nicer that we do together as a community. I can assure you we're all doing this as a team whether it's the bowling leagues contributing cash, or businesses placing a large box at their locations, or others giving client specials to get toys contributed. We did this again as we did last year because of the virus with drive-thru drop off for toys, bikes, and cash outside trying to prioritize safety. Even without an inside collection party we all came together again.

We haven't received final numbers from the Marines yet, but we believe we're about the same as last year. This would be about 70 full boxes of toys, 70 bikes, and over \$16,000 (a new record!) in cash.

Space limits me in trying to thank and recognize everyone helping and participating in this mammoth undertaking, but I would like to give a special thank you to Pearson Capital's Ann Hathaway who is really overseeing all, the South Shore Chamber, Marine officers and enlisted personnel that give us their full support, Pam Vassello representing the Alley at Southshore, and Joe Eletto who works with Century 21 personnel and heads up a bike drive as every year they collect and contribute more than 50.

I would also offer a special thank you to John Smith who has a personal private line to Santa Claus and makes sure he shows up every year.

To everyone helping with this, on Christmas morning know you made a child's Christmas so much better with your contribution. I want to personally thank you all for sharing in this with us.

**DP**

# PEARSON CAPITAL'S RECOMMENDED STOCKS JANUARY/FEBRUARY 2022

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

## APPLE INC (AAPL) NASDAQ PRICE \$177.57

Apple Inc. designs, manufactures and markets smartphones, personal computers, tablets, wearables and accessories, and sells a variety of related services. The Company's products include iPhone, Mac, iPad, and Wearables, Home and Accessories. iPhone is the Company's line of smartphones based on its iOS operating system. Mac is the Company's line of personal computers based on its macOS operating system. iPad is the Company's line of multi-purpose tablets based on its iPadOS operating system. Wearables, Home and Accessories includes AirPods, Apple TV, Apple Watch, Beats products, HomePod, iPod touch and other Apple-branded and third-party accessories. AirPods are the Company's wireless headphones that interact with Siri. Apple Watch is the Company's line of smart watches. Its services include Advertising, AppleCare, Cloud Services, Digital Content and Payment Services. Its customers are primarily in the consumer, small and mid-sized business, education, enterprise and government markets.

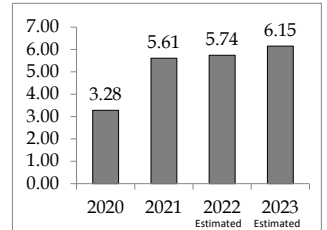
Type: Value  
Sector: Information Technology

Institutional Holdings: 57%  
Industry: Technology Hardware, Storage & Peripherals

### Ratings & Recommendations

Current P/E Ratio: **32**  
Annual Yield: **0.5**  
Annual Dividend: **0.88**  
Investor's Bus. Daily: **A+**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A**

### Earnings per share



## AMAZON.COM INC (AMZN) NASDAQ PRICE \$3,334.40

Amazon.com, Inc. offers a range of products and services through its Websites. The Company's products include merchandise and content that it purchases for resale from vendors and those offered by third-party sellers. It also manufactures and sells electronic devices, including Kindle, Fire tablet, Fire TV, Echo, Ring, and other devices and it develops and produce media content. It operates through three segments: North America, International and Amazon Web Services (AWS). AWS offers a set of technology services, including compute, storage, database, analytics, machine learning, Internet of Things, cloud and serverless computing. In addition, it provides services, such as advertising to sellers, vendors, publishers, authors, and others, through programs such as sponsored ads, display, and video advertising. It also offers Amazon Prime, a membership program that includes free shipping, access to streaming of various movies and television (TV) episodes, including Amazon Original content.

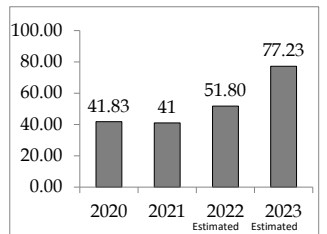
Type: Growth  
Sector: Consumer Discretionary

Institutional Holdings: 57%  
Industry: Internet & Direct Marketing Retail

### Ratings & Recommendations

Current P/E Ratio: **66.2**  
Annual Yield: **0**  
Annual Dividend: **0**  
Investor's Bus. Daily: **C**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A**

### Earnings per share



## VANGUARD GROWTH INDEX FUND ETF SHARES (VUG) NYSE ARCA PRICE \$320.90

The investment seeks to track the performance of the CRSP US Large Cap Growth Index that measures the investment return of large-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

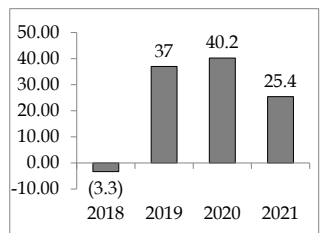
Location: USA  
Type: 100% Stock

Category: Growth  
Industry: Technology

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **0.5**  
Annual Dividend: **1.54**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
Morningstar: **B**

### Performance by %



## TECHNOLOGY SELECT SECTOR SPDR® FUND (XLK) NYSE ARCA PRICE \$173.87

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.

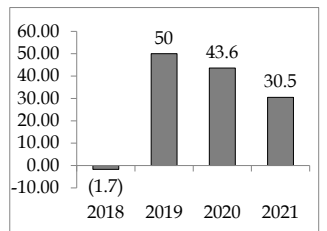
Location: USA  
Type: 100% Stock

Category: Growth  
Industry: Technology

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **0.8**  
Annual Dividend: **1.42**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
Morningstar: **B**

### Performance by %



# 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, E, W, 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. \*\*\***

## 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.*

## MARKET VIEW *Continued from page 4*

For the past year and a half, the company has made massive investments in its warehouses and logistics part of the business. Many analysts expect that to benefit in earnings this year. A typical Amazon fulfillment center is 800,000 square feet. It currently has 110 fulfillment centers in the U.S., and it plans to add 28 more. Due to the pandemic, many people were forced to change their routine and purchased goods and services directly online instead of going to a retail store. Many analysts believe that this will not change once the pandemic ends and instead will continue. The investment newspaper Barron's also has Amazon as one of its top picks of 2022, believing that this stock will do well this year.

### In the most recent quarter:

1) We expect a sharp jump in earnings this quarter in many areas, especially in the tech sector.

**Key Point: We are still expecting good earnings results for this quarter despite issues due to the pandemic.**

### Cash Flows:

Due to the COVID-19 crisis, many businesses were shut down and/or many people were forced to work from home. This has caused a huge amount of pent-up demand for goods and services, and in turn has caused supply chain issues as companies have also reopened and attempted to respond in kind. While this may cause problems for some companies, other

companies are able to boost their profit margins temporarily as demand for products and services remain high. This profit margin increase should benefit the stock market for the next few quarters.

This month's Income stock is Western Union (WU). Western Union is a leading independent provider of consumer money transfer services. In the beginning of 2021, the company had hit a high of \$26 per share, but then reversed itself due to extended fears of COVID-19, as well as fears of competition from new fintech companies. It recently made a low of \$15 a share and currently has a yield of over 5%. WU also announced it is selling its Business Solutions segment (7% of revenue) for \$910 million in cash to focus on its core consumer-to-consumer (C2C) business, as its CEO is retiring and bringing in a chief executive that specializes in the digital transfer business. We believe that its core brand will continue to do well as the country rebounds economically over the next year.

### New trends we see:

1) According to the Wall Street Journal, companies in the S&P 500 repurchased \$234.5 billion in shares during the third quarter, topping the previous record of \$223 billion in the fourth quarter of 2018.

**Key Point: Even though there are supply chain issues, many companies are still benefiting due to the continued pent-up demand for their goods and services.**



# WALL STREET INDEXES

Indexes	2015	2016	2017	2018	2019	2020	2021
S&P 500	(0.8%)	5.8%	19.6%	(7.1%)	28.9%	16.4%	26.9%
Dow Jones	(2.2%)	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%
Nasdaq	5.7%	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%
Market Average	0.9%	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic Flows:

The Federal Reserve, in a change of its previous statements, has announced that it will accelerate an end to the central bank's pandemic-era support of the US economy in a major shift that will also see a series of interest rate rises next year. They had originally decided to begin reducing the monthly pace of its net asset purchases by \$10 billion for Treasury securities and \$5 billion for agency mortgage-backed securities in order to gradually phase the program out, but instead pivoted to this new action. Specifically, the most recent Federal Open Market Committee's (FOMC) statement issued this month implies that there would be three key interest rate hikes of 0.25% each for the federal funds rate in 2022. These rate hikes will not commence until the Fed ends its tapering.



"Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation....These problems have been larger and longer lasting than anticipated, exacerbated by waves of the virus. As a result, overall inflation is running well above our 2% long-run goal and will likely continue to do so well into next year." Chairman Powell said.

The measures are a signal that US central bankers no longer view rising inflation as a transitory issue caused by supply chain problems meeting pent-up consumer demand, but an issue that now needs to be addressed quickly to prevent long term inflation from building. We originally had assumed that the Fed would take its time and let the supply chain issues work out on its own, but circumstances in their eyes have changed.

The Bank of England has also unexpectedly raised interest rates for the first time in three years amid growing concerns over inflation, despite the rapid spread of the coronavirus Omicron variant. In a surprise move, its monetary policy committee (MPC) voted by a majority of eight to one to raise rates from the historic low of 0.1% to 0.25%, judging that pressure on households from surging living costs outweigh the risks to the economy from the new variant. To us this means that inflation is now a worldwide phenomenon, and many central banks may take further actions toward monetary tightening as well. Inflation is now running at 5.1%, in Great Britain, the highest in a decade, and many economists expect it to rise further early next year as well. The last time the Bank raised interest rates was in August 2018, when they reached 0.75%. They were then cut twice in March 2020 at the start of the pandemic.

### New trends we see:

- 1) In the past 12 months, the average home price has gone up by more than 13% to over \$350,000.
- 2) Even though passing the infrastructure deal was decades overdue, it will take years to have any substantial infrastructure created to help the economy.

**Key Point: The Fed has made the decision to taper its bond buying and is poised to start raising interest rates as soon as that is over.**

### Earnings Flows:

January starts the New Year right with earnings reports for the fourth quarter in the middle of the month, and we expect surprises both toward the upside and the downside as we are still facing a surge in COVID-19 cases and supply chain issues. We originally expected guidance for this year so far to remain conservative as to keep things in perspective. As the pandemic weakens, and the supply chain improves, we should see improving results in many areas of the economy, especially in the retail sector.

Our growth company choice for this month is Amazon (AMZN). Amazon.com, Inc. is a leading global e-commerce retailer, as well as a major provider of cloud computing services for both companies and governments. It also is one of the major players in the video streaming industry as well. Amazon Prime's annual subscription service has an estimated 200 million members worldwide that pay up to \$119 a year for free two-day shipping, online video, and music streaming services.

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## Pearson Capital, Inc.

P.O. Box 3739  
6431 Rubia Circle  
Apollo Beach, Florida 33572  
Tel: (813) 641-7575  
Fax: (813) 641-7755

www.pearsoncapitalinc.com

Chairman Of The Board  
Head Of Investment Research  
**Walter D. Pearson (deceased)**

President  
**Donald E. Pearson**  
E-mail: [PearsonCapital@aol.com](mailto:PearsonCapital@aol.com)

Stock Analyst  
**Chris Carothers**  
[PearsonCapital2@yahoo.com](mailto:PearsonCapital2@yahoo.com)

Account Manager  
**Ann Hathaway**  
[PearsonCapital7@gmail.com](mailto:PearsonCapital7@gmail.com)

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**Roberta Wilde**

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