

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

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

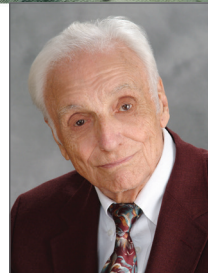
### FEATURED STOCKS - FEBRUARY/MARCH 2022

#### VALUE STOCKS:

Bank of America Corp  
Bristol-Myers Squibb Co

#### ETFs:

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



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



**Donald E. Pearson**  
*President*



**Ann Hathaway**  
*Account Manager*

### 2022 – Startup

We are only a few weeks into this year and uncertainty continues to grow. Omicron continues to spread around the world, and we do not know if or when we may return to what we consider normal. Since March of 2020 our lives have certainly become different. Along with this issue we now focus on Russia considering an invasion into Ukraine and know this would have a terrible impact on all countries. This is more than enough for all of us to digest, but we have got to prepare for the Federal Reserve to start interest rate hikes that will most likely begin in March, probably beginning with a quarter percent, but maybe a half percent, with more to come throughout the year. Our current inflation rate is the highest it has been in four decades, and the Feds believe the rate hikes will help to slow the inflation growth. Food prices and gas prices continue to increase while we listen to our leaders debate and argue, with very little success, as to how to fix the problems.

I believe what's important now is how we handle our accounts going forward, as we all have uncertainty in our immediate future. Although I can turn on the TV and hear market experts giving us their projections, I can honestly tell you none of them can guarantee or know what the future holds for us. I can also give you my opinion, and that is although we went down about 10% very quickly in 2022 none of us have lost anything if we haven't sold from our accounts. As I said in March of 2020, do not sell, and my message is the same today. Although this year will probably be volatile, we should be positive by year end.

### Moving Forward

We are living in a very strange time. Companies are reporting record profits while we're experiencing higher food and gasoline prices. Super markets have empty shelves and car dealerships have empty lots. Parley this with the \$7 trillion in federal stimulus pumped into the economy that has given American households quantity savings, and it's easy to see why these are very unusual times. No one knows for certain how this year will play out, but I will share my thoughts and expertise for 2022.

The politicians and decision-makers will continue to argue and disagree throughout the entire year with not much changing until election time in November. Interest rates will begin to climb, as inflation is being watched closely, and the effort is being made to reduce it from its current high. Unemployment should become lower as there are many more jobs available today with many retiring or quitting during the pandemic and not returning to work. This means companies will raise hourly pay to encourage workers to apply. When you go out to stores and restaurants today, just look in their window and you can read their help wanted signs. They are everywhere.

Areas I believe will do very well are financials, as they will benefit from higher profit margins as interest rates rise, and healthcare, as our population continues aging and we continue needing new and ongoing vaccines. Technology will always be necessary and today's best are those with cloud-based services. Many of these companies chosen can be purchased through ETFs as we have been doing for years with outstanding success. Two are featured in this month's letter. I will project this year has a lot of volatility and finishes up about 10%.

### Why Roll Over a 401k

If you leave a job or retire, you are often encouraged to roll over your 401k or other workplace retirement account. Although I have my opinion of what I believe is best, I also encourage you to explore your options before making a decision. Hopefully, you are doing what's best for you. If you have a minimal amount, most places will cut a check and send you on your way. For those with \$5,000 or more, several choices are usually given, and it's up to you to decide what's best for you.

Although I almost never find this to be your best decision, after leaving your employer you can leave your 401k behind because the account continues to outperform the market. Your prior employer allows this and although you or they are no longer contributing, it is allowed to remain with minimal expense.

Another option that might be available to you, if are changing jobs, is transferring your 401k to the new company where it will hopefully prosper and grow following their rules.

A third option, which I recommend, is to roll your 401k over into an IRA that can be managed by you or a quality Investment Advisor. If you choose a licensed company such as ours, I must make decisions that are in your best interest all the time because I am a fiduciary. When I explain how simple this is, I have to believe you'll be impressed and give this a great deal of consideration.

Our management fee is 1% and we have no trading fees or bonuses or commissions, and we only place into your account exactly what we own ourselves. Simply said, we only want the best choices and believe you do too.

**DP**

# PEARSON CAPITAL'S RECOMMENDED STOCKS FEBRUARY/MARCH 2022

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

## BANK OF AMERICA CORP (BAC) NYSE PRICE \$48.80

Bank of America Corporation is a bank holding company and a financial holding company. The Company is a financial institution, serving individual consumers, small- and middle-market businesses, institutional investors, corporations and governments 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 Bank of America Private Bank; Global Banking, which provides a range of lending-related products and services; Global Markets, which offers sales and trading services and research services.

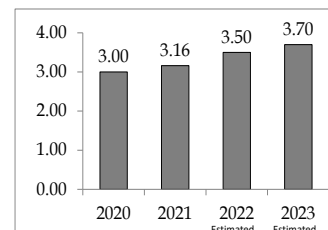
Type: Value  
Sector: Financials

Institutional Holdings: 71%  
Industry: Banks

### Ratings & Recommendations

Current P/E Ratio: **13.9**  
Annual Yield: **1.7**  
Annual Dividend: **0.84**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **B+**

### Earnings per share



## BRISTOL-MYERS SQUIBB CO (BMY) NYSE PRICE \$66.51

Bristol-Myers Squibb Company is a biopharmaceutical company. The Company is engaged in the discovery, development, licensing, manufacturing, marketing, distribution and sale of biopharmaceutical products. It offers products for a range of therapeutic classes, which include oncology, immunology, cardiovascular and fibrosis. Its pharmaceutical products include chemically-synthesized or small molecule drugs 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 Revlimid, Eliquis, Opdivo, Orenicia, Pomalyst/Imnovid, Sprycel, Yervoy, Abiraterone, Empliciti, Reblozyl, Inrebic, Onureg, Zeposia, Vidaza, Baraclade and Breyanzi. Its products are sold to wholesalers, distributors, pharmacies, retailers, hospitals, clinics and government agencies.

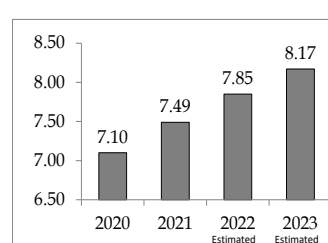
Type: Value  
Sector: Health Care

Institutional Holdings: 73%  
Industry: Pharmaceuticals

### Ratings & Recommendations

Current P/E Ratio: **21.1**  
Annual Yield: **3.3**  
Annual Dividend: **2.16**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **A-**  
Stand & Poor Rating: **B-**  
The Street (analyst avg.): **B**

### Earnings per share



## FINANCIAL SELECT SECTOR SPDR® FUND (XLF) NYSE ARCA PRICE \$40.68

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.

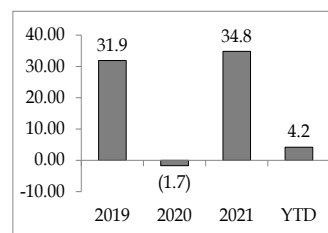
Location: USA  
Type: 100% Stock

Category: Value  
Industry: Financial

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1.9**  
Annual Dividend: **0.79**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **B**  
Morningstar: **B**

### Performance by %



## TECHNOLOGY SELECT SECTOR SPDR® FUND (XLK) NYSE ARCA PRICE \$159.77

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.

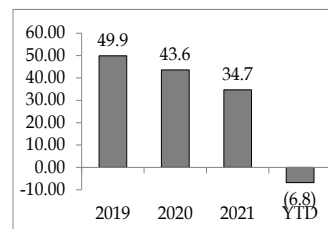
Location: USA  
Type: 100% Stock

Category: Growth  
Industry: Technology

### Ratings & Recommendations

Current P/E Ratio: **N/A**  
Annual Yield: **1.4**  
Annual Dividend: **0.87**  
Investor's Bus. Daily: **N/A**  
Pearson Growth & Value: **A**  
Stand & Poor Rating: **A**  
Morningstar: **A**

### Performance by %



# JUST ASK ANN

Tax time can be very, well, taxing. Many of us just want to get the whole thing done asap, but waiting on all the documents makes the process seem to drag on forever. Getting tax forms from TD is no different. Many of you have already received 1099s but that doesn't mean you won't get an updated one in the near future. If you do file your taxes and then get a 1099-R later, you should consult your CPA to see if this restatement affects your return. In most cases the change is minimal and won't require a refile. The following is the current notification on tax documents that TD has provided us. (2/8/2022)

## Update: Your Clients' Consolidated Form 1099s

As a follow-up to our January 24, 2022, release of your clients' 2021 Consolidated 1099 tax forms, we are pleased to inform you that additional forms (where applicable) are available. These new forms are for clients to whom we did not issue a 1099 tax form on January 21, 2022, and who did not hold investments deemed likely to reallocate their income distributions. In addition, some clients who previously received a 2021 Consolidated 1099 tax form may receive a corrected form due to a reallocated income distribution and/or tax correction.

Your clients can sign up for e-delivery of tax documents by logging into [the AdvisorClient site](#), then click My Profile > Communication Preferences.

In an effort to allow sufficient time to capture as many income reallocations as possible, we have designated the following dates for any necessary 1099 corrections.

### **1st Correction Cycle - March 3, 2022**

Reports reclassified income (not captured on Consolidated 1099 forms to be issued by mid-February 2021) that was reported to TD Ameritrade between **February 11, 2022**, and **February 24, 2022**.

### **2nd Correction Cycle - March 17, 2022**

Reports reclassified income that was reported to TD Ameritrade between **February 25, 2022**, and **March 10, 2022**.

### **3rd Correction Cycle - April 7, 2022**

Reports reclassified income that was reported to TD Ameritrade between **March 11, 2022**, and **March 31, 2022**.

### **4th Correction Cycle - April 14, 2022**

Reports reclassified income that was reported to TD Ameritrade between **April 1, 2022**, and **April 7, 2022**.

We will alert your clients who have a valid email address on file once their 2021 Consolidated Form 1099(s) and 2021 corrected Form 1099(s) (if issued) are available to be accessed online.

## **MARKET VIEW** *Continued from page 4*

### **In the most recent quarter:**

1) We expected a sharp jump in earnings this quarter in many areas and in areas we did not expect, such as Tyson foods, (TSN). Earnings went up despite supply chain issues.

**Key Point: As earnings come in, we can see what direction the market will take us into the next quarter.**

### **Cash Flows:**

Everyone is talking and worried about inflation. For the past 20 years, inflation has been rather steady year after year. Unfortunately, during the lockdowns, inflation has grown more than normal, and is affecting the goods and services that we use on a daily basis. While reading the latest quarterly report by Ron Baron from the Baron Funds, he borrowed a quote from Warren Buffett. "During inflation, Goodwill Is The Gift That Keeps On Giving." In the report they describe Goodwill as the value of a business in excess of its stated "book value." That can be great management, brands, technology or superior technical process. Stocks that have this Goodwill can raise prices in an inflationary environment and protect one's wealth. They go on to later state that "Our government devalues its currency by creating inflation... so debt will be a smaller part of our economy. This allows America to repay or pay interest on borrowings with less valuable dollars."

Our second Value stock for this month is Bristol-Myers Squibb (BMY). Bristol-Myers Squibb discovers, develops, and markets drugs for various therapeutic areas, such as cardiovascular, oncology, and immune disorders. A key focus for Bristol is immuno-oncology, where the firm is leading in drug development. I owned Celgene before it merged with Bristol Myers, so it is already part of my portfolio. Although there are worries about its major product Revlimid's patent expiring, the company has over 50 early stage assets in its product pipeline. In December, BMY raised its dividend by 10% and also approved a \$15 billion share buyback. The buyback authorization represents more than 10% of the stock's current market capitalization.

### **New trends we see:**

1) Inflation historically accounts for about two-thirds the annual growth for the economy.

**Key Point: Our government devalues its currency by creating inflation... so debt will be a smaller part of our economy. This allows America to repay or pay interest on borrowings with less valuable dollars**



# WALL STREET INDEXES

Indexes	2016	2017	2018	2019	2020	2021	2022
S&P 500	5.8%	19.6%	(7.1%)	28.9%	16.4%	26.9%	(5.5)%
Dow Jones	7.9%	25.1%	(6.7%)	22.3%	7.2%	18.7%	(3.1)%
Nasdaq	4.1%	28.2%	(4.7%)	35.2%	43.7%	21.4%	(9.3)%
Market Average	5.9%	24.3%	(6.0%)	28.8%	22.4%	22.3%	(6.0)%



## MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

### Economic Flows:

As we stated before, the Federal Reserve, in a change of its previous statements, 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 see a series of interest rate rises coming this year. The bond and stock market have already responded, and as a result, we have seen long term interest rates increase and a correction in high flying growth stocks that had been outperforming during the pandemic times.

Many economists now feel that Federal Reserve Chair Jerome Powell's stance on the current economy is now very different from the last time the Fed hiked rates, raising fears about a more aggressive hawkish cycle and a potential fifty basis point rate hike as soon as March. The most recent Federal Open Market Committee's (FOMC) statement issued this past month implied that there would be three key interest rate hikes of 0.25% each for the federal funds rate in 2022. If the fifty basis point increase happens, that will lead to more speculations of Fed tightening later this year. Economists from Bank of America have even implied that the Fed may raise rates as much as seven times in this tightening cycle,

The good news is that several Fed presidents came recently with the message of gradual increases, with one stating a fifty basis point rate hike is not their initial preference. Since overall inflation is running well above the Fed's 2% long-run goal, we believe that they are still waiting for supply chain issues to abate, and then take additional measures when needed. The market is already experiencing greater volatility, and any surprises would not be in their interests. Fed Chief Powell stated that they will begin to address the need to raise rates as we move into the March meeting and meetings after that.

The Bank of England has raised interest rates for the second time in three months amid growing concerns over inflation, and warned that surging energy bills would push inflation higher than expected, to more than 7% by April. According to the Guardian, its monetary policy committee (MPC) showed a growing split among its nine members, with four voting for a more aggressive increase to 0.75% to tackle rising prices and bring them more swiftly back to the Bank's 2% inflation target. To us, this means that they are taking a more aggressive action first, rather than waiting for the Federal Reserve to make its first move.

### New trends we see:

- 1) Energy prices are up by double digits in January alone, exacerbating the inflation numbers for this quarter.
- 2) The Fed sees a labor market that, by so many measures, is historically tight.

**Key Point:** Many people are now speculating on higher interest rate hikes; however, we still believe the Fed will go with three interest rate hikes this year as they normally planned.

### Earnings Flows:

February brings us into the middle of this earnings season with most of the small cap stocks reporting. So far, after the large cap stocks reported, as we stated before, surprises both toward the upside and the downside happened as we saw the negative surprise of Facebook (FB) and the positive surprises from both Apple (APPL) and Amazon (AMZN), dominate the news. During this time, each company is dealing with supply chain issues, some doing much better than others. Ford (F), for example, is going to shut down some factories temporarily due to semiconductor chip issues, while General Motors (GM) is not, stating that they are able to deal with the chip shortage. However, both are having issues with the continued truckers' blockade from Canada.

Our first value stock choice for this month is Bank of America (BAC). Bank of America is one of the largest financial institutions in the United States, with more than \$2.5 trillion in assets. It is organized into four major groups: consumer banking, global wealth and investment management, global banking, and global markets. This includes its network of branches, home mortgage lending, vehicle lending, credit and debit cards, and small-business services. It also does investment banking, corporate and commercial real estate lending, and capital markets operations. I have owned this company for over ten years. When interest rates rise, and the bond yield curve steepens, Bank of America is ready to benefit as it will increase its bottom line, because they are able to provide higher interest rate loans from their large deposit base.

*Continued on page 3*

## 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](http://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)

**The Pearson Investment Letter**  
published monthly since 1982

Editor  
**Roberta Wilde**

### Services Provided

Managed Accounts:  
Individual - Joint - Custodial  
Corporate - Partnership - Trust  
IRA's; Roth - Trad - College - SEP  
401(k) & 403(b) Rollovers - Transfers

**Free consultation**  
**No hidden fees**

**Privacy Policy**  
Available online or mailed upon request.

### Table of Contents

Featured Stocks: .....	2
Ask Ann .....	3
Market Outlook .....	3-4