

October 1, 2019

Hello Friends,

As we kick off the 4th quarter, it's been a very good year for the financial markets. The Dow is up 15.38%, the S&P 500 has gained 18.74% and the NASDAQ has advanced 20.55%. It seems quite surprising that the market would be able to advance with so many headwinds and negative news. The market has shrugged off the Mueller report, a China trade war, Iran, Korea, recession worries, and an impeachment inquiry against Trump. Last year, the market made a high on this same date, then the fourth quarter was a disaster as the Fed continued to raise interest rates while the economy was showing signs of slowing.

I wouldn't know if the 4th quarter of 2019 will have the same pattern as 2018, but it's certainly possible that the problems that Trump faces regarding Ukraine will cause even a greater market decline. I certainly can't think of a positive way to spin the recent news and events, and I worry about the downside risk. I plan on keeping a substantial amount of cash in money markets, CDs, Treasury Bills and Tax-Free Municipal Bonds as a means to dampen market volatility and reduce risk.

I'm still going to buy stocks even if I'm worried about the economy and the politics. The price of a stock is directly correlated to how much revenue, dividend and profit that an enterprise can deliver. A greater profit than expectation usually leads to a higher price. So, the bottom line key to successful stock selection is to pick companies that can consistently deliver profits that exceed expectations. And I believe that Apple can deliver on that premise.

It is my opinion that the current impeachment inquiry, and all other Trump issues, will have little or no impact on the sale of iPhones. The iPhone, along with the other smartphones, are as essential to our daily routine as toilet paper. Very few people would be able to exist without either, and those folks are probably living in a cave. I found an internet source that claimed 70% of the homeless have smartphones. The iPhone is attached to our being and it is always in our possession.

About every year or so, Apple launches a new model with greater battery life, more features and greater efficiencies. Our older devices have cracked screens, or tired batteries, or slow performance. About every three or four years, old iPhones get replaced, and the price is outrageous. It's more than a new Dell or HP desktop computer. My hunch is that the markup up on a new iPhone is about the same as the markup on a beer at the ballgame. Most of us know that we're paying more than it's worth, but we buy it anyway.

I think that the iPhone is the greatest invention since the beginning of mankind. Steve Jobs was a true genius. The iPhone has given birth to hundreds, if not thousands of other industries and firms. There is no way that Uber and Lyft would exist today without the iPhone. Can you imagine someone trying to request a ride share from the street using a laptop computer? Sure, Amazon existed before the iPhone, but now all of us have access to Amazon from the palm of our hand the entire day. It takes just a few seconds to make an Amazon purchase.

The message that I'm trying to convey is that the politics in this country stink, but I'm still going to own, and buy more Apple every time the price retreats. No matter what happens to Trump, or regardless of who is elected in 2020, iPhone sales should remain robust. In addition, there's the Mac, iPad, watch, TV, a subscription streaming service plus everything else that is behind closed doors in secret development.

It sure would be nice if both sides in Washington could learn to get along and find harmony in the workplace like the rest of us, but I don't have much confidence that will happen. As always, please call or email if you have any questions or concerns. Happy Halloween.

Sincerely,
Jim Aljian



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