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Morning Tack - "Rajiv Jain"

And then there was this from my pal Joe Monaco, Ph.D., founder and portfolio manager of Monaco Capital Management of Virginia Beach, Virginia:

> Good morning Jeffrey, glad you are back.
>
> You were right about Rajiv Jain... being "wicked smart." He held a conference call last week and as a new investor to his fund I listened in. I was taken by the profoundness of an answer he gave to the question of, "Do you think the emerging markets are a buy with them selling at such a discounted PE to the developed markets?" His answer was as follows:
>
> "First let me say that yes, I like the emerging markets, but not for the reason you gave. In fact, I disagree that the emerging markets sell at a large discounted PE vs. the developed markets. Yes the PE is lower, but it's not because they are unduly cheap. EM sells at a discounted PE because of the composition of the EM. The industries that comprise the emerging markets are primarily, autos, oils, steel, lumber, basically old heavy industry and natural resources. Well, auto companies sell for less than 10 times earnings in the U.S. and sell for less than 10 times earnings in the EM. Oil companies sell for a low PE in the U.S. and sell for a low PE in the EM. The industries in most emerging countries are those that make money from mining 'things' and making 'things.' Whereas the developed countries, primarily the U.S., are comprised of companies that make money from innovation and invention. You can buy 'things' from anywhere but you can't buy innovation from anywhere. So you pay a higher PE for a company that is nimble and innovative versus a company that produces the same thing year in and year out, and makes a product you can buy anywhere."
>
> In my 38 years in this business, I have never heard anyone make that distinction between the U.S. and emerging markets. It also sounds like he is a believer in your 'intangible asset' theory, although he never used that term. The way I personally explain intangible assets to my clients and friends is, "You pay more for what somebody knows than for what somebody owns."

Now I first met Rajiv a few years ago when he separated from a large Geneva-based bank and opened up his own shop. He indeed is wicked smart, but more importantly he is a really good guy. Rajiv is the Chairman and Chief Investment Officer of Fort Lauderdale-based GQG Partners and also serves as the sole portfolio manager for all GQG Partners strategies.

"You pay more for what somebody knows than for what somebody owns."

. . . Joe Monaco, Ph.D., Monaco Capital Management

U.S. Markets	Close	Net	1 Day % Chg	YTD %
Dow Jones	25239.37	175.48	0.70%	8.20
Dow Jones Transports	5028.53	68.35	1.38%	9.19
Dow Jones Utilities	726.32	1.66	0.23%	1.88
S&P 500	2724.87	18.34	0.68%	8.70
NASDAQ	7347.54	83.67	1.15%	10.73
Russell 2000 (Smallcaps)	1517.54	15.48	1.03%	12.53
BKX (Banking)	97.28	0.55	0.57%	13.40
BTK (Biotech)	4915.31	5.02	0.10%	16.45
XOI (Oil Index)	1300.88	6.00	0.46%	12.23
SOXX (Semiconductor)	1293.88	6.48	0.50%	12.01

Key Commodity Prices	Last	Net	
Crude Oil WTI (NYM $/bbl) Continuous	54.310	-0.19	
Gold (NYM $/ozt) Continuous	1318.000	-1.30	
Silver (NYM $/ozt) Continuous	15.845	-0.04	
United States Dollar Index	95.945	0.09	
Market Valuation	**2017**	**2018E**	**2019E**
Consensus S&P 500 EPS	$132	$160	$168
P/E	20.7	17.1	16.2
Treasury Yields	**90D**	**10 Yr**	**30 Yr**
	2.38	2.72	3.06
Source: Factset Data as of:	2/5/2019		

He commenced investment operations at GQG Partners in June 2016 and has more than 25 years of investment experience. Previously, Rajiv served as a Co-Chief Executive Officer and Chief Investment Officer and Head of Equities at Vontobel Asset Management.

As for yesterday's equity markets, in yesterday's missive I wrote:

> Despite the overbought condition, my work suggests the equity markets can trade higher into the mid-February "energy peak" often referenced in these reports. Despite that outlook, I do not trust the overbought condition the equity markets have currently worked themselves into and continue to advise caution on a short-term trading basis. That said, there is now plenty of internal energy in the equity markets to continue the move higher, even though the SPX has overrun my initial trading-target of 2600 – 2650.

The equity markets are consolidating to the upside, which is pretty consistent with what my indicators have been telegraphing, even though I remain concerned with the overbought conditions of the equity markets. That upside consolidation should be followed by yet another breakout to the upside with a secondary trading target of 2800 – 2820, which should stall into the mid-February energy peak timing zone. Market gains seem to be more about a lack of supply rather than earnest demand. As I write at 5:10 a.m. the preopening S&P 500 futures are up a modest 4 points on no real overnight news.

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