

Intrinsic Value Weekly

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The under-pricing of the Basic Industry, Energy and Transportation sectors reversed sharply this week. And this amid a very sharp reversal in the run-up of Technology stocks. These big changes occurred with an accelerating sell-off in the long-term US Treasury market. Yields jumped to 5.35% for the 30-year maturity, taking Utility stocks down too (though MidCap utilities out-performed). The Dollar Index did OK this week and gold prices, though up, seem well controlled, so we're not seeing the usual inflation precursors. That said, the price of industrial commodities still hover just above their 52-week low and expecting commodity prices to continue downward is unreasonable. Any lurch upward, which the market seems to be now expecting would change the character of this market. Our valuation work shows Energy stocks to be under-priced and Basic Industry stocks as fairly priced, but both with pessimistic assumptions. Any boost in the selling prices of the products of these companies will lift their values and ultimately their stock prices. The bad news in all this is that a rise in commodity prices could be accompanied by more than a trivial rise in long-term interest rates. That would damage the valuations in the rest of the market. So, if you're betting on rising commodities, don't forget to minimize your exposure to nearly everything else

ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	0.5%	(24.1%)	(21.9%)
CONSUMER CYCLICALS	(1.9%)	(18.7%)	6.0%
CONSUMER STAPLES	24.6%	(10.3%)	(12.5%)
HEALTH	2.6%	(15.7%)	(24.3%)
ENERGY	(2.0%)	(32.8%)	(43.2%)
FINANCIAL	(7.6%)	(18.6%)	(23.0%)
CAPITAL GOODS	14.0%	(16.5%)	(15.9%)
TECHNOLOGY	31.9%	(6.1%)	7.4%
COMMUNICATIONS	18.3%	(5.6%)	(20.0%)
UTILITY	(21.5%)	(32.9%)	(13.1%)
TRANSPORTATION	(12.5%)	10.3%	(14.6%)
Weighted Total:	11.2%	(16.9%)	(10.0%)

Black - Overvalued

Red - (Undervalued)

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 2/5/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.2%	5.1%	5.7%	1.2%	4.6%	(1.9%)
CONSUMER CYCLICALS	9.3%	(2.5%)	17.1%	(2.1%)	19.2%	(4.1%)
CONSUMER STAPLES	14.6%	(2.4%)	8.0%	(0.5%)	9.3%	(2.2%)
HEALTH	12.1%	(0.7%)	10.1%	(2.2%)	10.6%	(4.1%)
ENERGY	5.5%	5.6%	3.2%	2.4%	2.3%	2.9%
FINANCIAL	13.9%	(4.7%)	14.1%	(1.0%)	15.9%	(8.6%)
CAPITAL GOODS	8.0%	(1.6%)	9.0%	(4.8%)	12.2%	(4.3%)
TECHNOLOGY	20.9%	(6.2%)	17.3%	(7.8%)	17.7%	(4.3%)
COMMUNICATIONS	8.6%	(3.9%)	2.0%	(1.4%)	0.3%	(4.3%) *
UTILITY	2.8%	(2.4%)	11.4%	(1.7%)	4.5%	(3.2%)
TRANSPORTATION	1.0%	2.6%	2.0%	(0.4%)	3.4%	(3.6%)

* Sector contains only 2 companies

Weekly prices changes may not match prior issues due to changes in composition of sectors.

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 2/5/99	Intrinsic			Q Ratio	Weekly
			Value	+/- %			Price Change
ALD	AlliedSignal Inc.	\$ 43.063	\$48.89	(12%)	2.0	10.4%	
CTL	Century Telephone Ent.	\$ 67.375	\$62.64	8%	2.1	(0.9%)	
DAL	Delta Air Lines, Inc.	\$ 57.563	\$74.44	(23%)	1.0	5.5%	
G	Gillette Company	\$ 56.938	\$48.20	18%	7.1	(2.7%)	
HD	Home Depot	\$ 55.875	\$54.30	3%	7.3	(7.6%)	
INTC	Intel Corporation	\$127.563	\$112.11	14%	10.2	(9.5%)	
LOW	Lowe's Companies	\$ 55.000	\$43.76	26%	4.8	(5.7%)	
NYT	New York Times Co.	\$ 33.125	\$47.61	(30%)	2.4	(3.5%)	
NUE	Nucor Corporation	\$ 48.750	\$68.82	(29%)	1.8	(0.5%)	
SLB	Schlumberger Limited	\$ 53.000	\$55.18	(4%)	2.6	11.3%	
WEN	Wendy's International	\$ 22.563	\$30.05	(25%)	1.8	(5.2%)	
Average:						(0.8%)	

Value Drivers

Standard Market Statistics

	Sales Growth		EBIT Margin %		Leverage at Market		Yield	PE	PB	PS
	Last 12M		Margin %	ROC		Market				
ALD	4.5%	11.4%	11.8%	19.1%	1.4%	16.5	5.0	1.5		
CTL	74.9%	29.7%	9.1%	30.3%	0.4%	27.2	4.8	3.9		
DAL	3.2%	12.0%	14.2%	61.0%	0.2%	7.6	2.0	0.6		
G	-1.7%	23.1%	20.2%	5.7%	0.9%	60.9	12.7	6.5		
HD	22.7%	8.3%	11.8%	6.4%	0.2%	59.3	12.5	3.1		
INTC	4.8%	39.4%	33.5%	0.5%	0.1%	38.7	10.8	8.8		
LOW	19.9%	6.2%	10.4%	8.7%	0.2%	45.7	7.9	1.7		
NYT	2.5%	16.5%	10.5%	16.9%	1.1%	22.6	3.8	2.3		
NUE	-0.8%	11.0%	21.1%	5.4%	1.0%	16.3	2.3	1.0		
SLB	2.4%	15.5%	14.6%	11.9%	1.4%	25.5	3.5	2.0		
WEN	-1.5%	14.9%	11.9%	25.8%	1.1%	28.3	2.3	1.6		

Notes on Intrinsic Value Portfolio

When the pricing of the IV stocks beats the market by more than a percent in a week, it's worth remarking. As with their sector performances, **DAL** and **SLB** rose sharply in a down market. Finally, our last week's table pounding on **ALD** seems to have worked - a 10% jump in the stock (or perhaps just a coincidence). We still see another 10% rise as justified.

The New York Times (**NYT** - NYSE) reported earnings and confirmed the reasonableness of our forecast of its fundamentals. To the extent that economic growth accelerates, the company's revenue growth could surprise on the upside.

Our concerns about **INTC** and **LOW** recently finally bore fruit. We'd wait to see some under-pricing to establish positions. **HD** may be the first to get there, stay tuned.

Page 3 this week focuses on companies in the Large Cap Basic Industry sector and highlights those with some reason for further investigation. Note the presence of **NUE** in this sector.

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Basic Industry - S&P 500 Index

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Company Name	Ticker	Market Value Equity	Last 12MM Sales Growth	ROE	NOPAT Margin	PE Ratio	Price/ Book Ratio	Price/ Cash Flow	Return on Capital	Dividend Yield
AIR PRODUCTS & CHEMICALS INC	APD	\$ 6,819.91	4.4%	20.5	17.7	14.0	2.7	0.0	13.0	2.11%
ALCAN ALUMINIUM LTD	AL	\$ 6,018.11	0.2%	9.4	6.8	14.9	1.2	6.8	5.8	2.27%
ALCOA INC	AA	\$ 16,429.69	15.2%	18.4	6.5	17.2	3.2	9.0	6.2	1.68%
ALLEGHENY TELEDYNE INC	ALT	\$ 4,250.74	-0.9%	29.8	7.8	16.5	3.5	11.6	11.8	2.97%
ARCHER-DANIELS-MIDLAND CO	ADM	\$ 9,491.96	9.9%	6.2	5.1	26.6	1.4	10.0	7.5	1.25%
ASARCO INC	AR	\$ 589.82	-17.9%	8.5	4.3	(4.2)	0.3	39.5	3.1	2.69%
BARRICK GOLD CORPORATION	ABX	\$ 7,614.00	1.3%	(3.7)	(7.0)	(3.4)	2.1	14.7	(2.1)	0.89%
BATTLE MTN GOLD CO	BMG	\$ 861.84	-19.8%	(3.2)	(1.0)	(3.4)	2.2	(5.2)	(0.3)	1.33%
BEMIS CO	BMS	\$ 1,770.61	-1.6%	16.8	6.9	16.2	2.8	8.9	11.1	2.60%
BETHLEHEM STEEL CORP	BS	\$ 1,161.71	-3.3%	19.9	5.0	13.5	1.5	3.1	5.5	0.00%
BOISE CASCADE CORP	BCC	\$ 1,725.23	12.2%	(4.4)	1.1	(35.4)	1.2	6.3	1.4	1.96%
CHAMPION INTERNATIONAL CORP	CHA	\$ 3,548.52	-1.4%	(17.1)	1.6	44.4	1.1	5.8	0.9	0.54%
CYPRUS AMAX MINERALS CO	CYM	\$ 1,014.26	-23.6%	2.2	7.5	(9.4)	0.4	3.0	4.1	7.19%
DOW CHEMICAL	DOW	\$ 20,529.28	-7.9%	23.6	6.7	15.1	2.6	7.7	6.1	3.75%
DU PONT (E I) DE NEMOURS	DD	\$ 62,047.53	-16.1%	21.7	11.1	35.3	5.2	18.6	10.6	2.54%
EASTMAN CHEMICAL CO	EMN	\$ 3,593.32	-4.2%	16.3	8.4	12.9	1.8	5.4	6.6	3.88%
ECOLAB INC	ECL	\$ 5,008.74	13.5%	24.3	8.2	33.4	9.1	20.6	10.4	1.09%
ENGELHARD CORP	EC	\$ 2,874.00	15.0%	6.1	6.7	15.0	3.6	9.9	13.4	1.99%
FMC CORP	FMC	\$ 1,836.11	2.8%	(3.2)	4.1	9.9	2.5	4.7	4.0	0.00%
FREEPRT MCMOR COP&GLD -CL B	FCX	\$ 1,841.67	-12.2%	(293.3)	13.9	14.6	4.2	3.7	7.7	1.80%
GEORGIA-PACIFIC GROUP	GP	\$ 6,403.42	2.0%	(2.4)	1.8	52.4	1.7	0.0	2.1	1.40%
GOODRICH (B F) CO	GR	\$ 2,471.57	17.3%	8.0	5.9	16.6	1.7	8.2	7.3	3.31%
GRACE (W R) & CO	GRA	\$ 1,098.02	-1.1%	18.9	3.6	(7.0)	2.2	(19.4)	3.2	3.88%
GREAT LAKES CHEMICAL CORP	GLK	\$ 2,186.92	6.3%	5.5	11.5	46.2	1.7	17.3	6.9	0.86%
HERCULES INC	HPC	\$ 2,678.49	-6.9%	47.0	16.1	11.0	3.8	8.5	12.2	3.81%
HOMESTAKE MINING	HM	\$ 2,151.75	-8.7%	(31.8)	(28.1)	(7.3)	2.6	(16.1)	(15.1)	0.98%
INCO LTD	N	\$ 2,003.66	-21.4%	(0.5)	6.5	(15.3)	0.5	0.0	2.1	0.83%
INTL FLAVORS & FRAGRANCES IFF	IFF	\$ 4,421.18	-1.4%	21.8	23.3	23.0	4.8	18.4	27.4	3.66%
INTL PAPER CO	IP	\$ 13,719.22	-3.0%	(1.7)	3.6	56.5	1.4	8.6	2.7	2.24%
LOUISIANA-PACIFIC CORP	LPX	\$ 2,200.77	-4.4%	(7.9)	(3.3)	1,003.1	1.7	11.6	(3.9)	2.77%
MEAD CORP	MEA	\$ 3,159.44	-8.1%	6.6	5.1	21.0	1.3	0.0	5.6	2.08%
MONSANTO CO	MTC	\$ 29,116.25	15.1%	7.2	14.2	(116.0)	6.9	96.4	12.3	0.25%
MORTON INTERNATIONAL INC	MII	\$ 4,322.63	-0.8%	13.8	14.9	17.1	2.2	9.7	15.9	1.45%
NALCO CHEMICAL CO	NLC	\$ 1,751.96	9.8%	24.5	18.8	68.8	2.9	12.8	21.8	3.74%
NEWMONT MINING CORP	NEM	\$ 3,229.44	-7.6%	4.3	16.3	(7.8)	1.7	(44.3)	12.7	0.62%
NUCOR CORP	NUE	\$ 4,269.18	-0.8%	15.7	11.9	16.3	2.3	8.6	21.1	0.98%
PHELPS DODGE CORP	PD	\$ 2,884.17	-21.7%	16.3	12.4	13.2	1.0	5.2	10.6	4.02%
PIONEER HI-BRED INTERNATIO PHB	PHB	\$ 6,240.81	3.3%	20.9	19.6	28.8	5.5	19.9	25.4	1.53%
PLACER DOME INC	PDG	\$ 3,047.24	0.4%	(19.6)	(15.5)	(12.4)	2.1	47.4	(7.6)	0.82%
POTLATCH CORP	PCH	\$ 1,022.57	-0.2%	3.8	5.9	27.0	1.1	5.4	4.2	4.94%
PPG INDUSTRIES INC	PPG	\$ 9,690.11	1.8%	28.5	11.1	11.9	3.8	8.2	13.2	2.63%
PRAXAIR INC	PX	\$ 5,551.19	2.1%	19.6	12.8	12.1	2.4	5.7	8.1	1.42%
REYNOLDS METALS CO	RLM	\$ 3,126.12	-14.9%	5.0	7.3	22.4	1.3	7.8	6.9	2.89%
ROHM & HAAS CO	ROH	\$ 5,088.35	-7.0%	24.1	10.9	12.2	3.4	7.0	11.5	2.35%
SIGMA-ALDRICH	SIAL	\$ 2,804.62	7.6%	15.7	15.9	17.0	2.7	12.7	15.4	1.04%
TEMPLE-INLAND INC	TIN	\$ 3,322.04	6.0%	2.5	9.8	33.6	1.6	8.6	5.5	2.14%

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UNION CAMP CORP	UCC	\$ 4,717.5	0.6%	4.0	5.4	221.4	2.1	12.9	5.2	2.64%
UNION CARBIDE CORP	UK	\$ 5,360.1	-13.0%	28.4	13.2	13.3	2.3	6.6	13.5	2.23%
USX-U S STEEL GROUP	X	\$ 2,495.5	-8.5%	24.7	10.0	6.4	1.3	3.6	8.2	3.54%