



## It's time to buy the Big & Low 25 stock basket again as Energy names fall out

The 25 stocks that most lower the S&P PE are attractive again. These stocks have big market cap and earnings weights and trade at low PEs vs. the S&P. These 25 stocks are: 9 Financials (JPM, C, WFC, BAC, GS, MET, PRU, AIG, COF), 8 Tech (AAPL, IBM, HPQ, CSCO, MU, QCOM, INTC, ORCL), 2 Airlines (AAL, DAL), 2 Telecom (VZ, T), 2 Autos (GM, F), 1 Health Care (GILD), and 1 Energy (VLO). The aggregate PE on 2015 EPS of these 25 stocks is 12 vs. 20x for the S&P excluding them. We see value at Telecom, but return it to EW from the OW set Jan end and put Media/Cable back to EW from UW. We OW Health Care, Tech, Financials and Utilities. We UW Energy, Industrials and Materials.

Figure 10: 25 stocks that lower the S&P 500 PE the most, i.e. stocks with big market cap and earnings weights and trade at low PEs vs. the S&P

Ticker	Name	Sector	Industry	Market Cap (\$bn)	PE on 2015EPS	Earnings Weight	Earnings Weight * (Stock 2015 PE - S&P 500 2015 PE)
AAPL-US	Apple Inc	Information Technology	Technology Hardware, Storage & Peri	757.6	14.1	5.04%	-0.184
JPM-US	JPMorgan Chase & Co	Financials	Banks	247.9	11.3	2.06%	-0.132
C-US	Citigroup Inc	Financials	Banks	166.5	10.0	1.57%	-0.122
GILD-US	Gilead Sciences Inc	Health Care	Biotechnology	164.1	10.0	1.53%	-0.119
IBM-US	International Business I	Information Technology	IT Services	159.7	11.0	1.38%	-0.093
AAL-US	American Airlines Grou	Industrials	Airlines	30.9	5.0	0.67%	-0.085
WFC-US	Wells Fargo & Co	Financials	Banks	262.9	13.5	1.84%	-0.078
BAC-US	Bank of America Corp	Financials	Banks	176.1	12.3	1.33%	-0.072
VZ-US	Verizon Communicatio	Telecommunication Services	Diversified Telecommunication Servic	206.5	13.0	1.51%	-0.071
GM-US	General Motors Co	Consumer Discretionary	Automobiles	47.4	7.7	0.57%	-0.058
GS-US	Goldman Sachs Group I	Financials	Capital Markets	83.1	10.4	0.75%	-0.055
MET-US	Metlife Inc	Financials	Insurance	59.5	9.0	0.63%	-0.055
HPQ-US	Hewlett-Packard Co	Information Technology	Technology Hardware, Storage & Peri	60.1	9.2	0.63%	-0.054
T-US	AT&T Inc	Telecommunication Services	Diversified Telecommunication Servic	179.7	13.6	1.23%	-0.051
CSCO-US	Cisco Systems Inc	Information Technology	Communications Equipment	151.2	13.1	1.07%	-0.050
F-US	Ford Motor Co	Consumer Discretionary	Automobiles	60.5	9.6	0.60%	-0.049
PRU-US	Prudential Financial Inc	Financials	Insurance	38.9	8.5	0.44%	-0.040
AIG-US	American International	Financials	Insurance	82.3	12.0	0.64%	-0.037
MU-US	Micron Technology Inc	Information Technology	Semiconductors & Semiconductor Eq	28.6	8.0	0.34%	-0.033
VLO-US	Valero Energy Corp	Energy	Oil, Gas & Consumable Fuels	31.0	8.6	0.34%	-0.031
COF-US	Capital One Financial C	Financials	Consumer Finance	47.1	11.0	0.40%	-0.027
DAL-US	Delta Air Lines Inc	Industrials	Airlines	36.0	10.3	0.36%	-0.027
QCOM-US	Qualcomm Inc	Information Technology	Communications Equipment	114.3	14.4	0.76%	-0.025
INTC-US	Intel Corp	Information Technology	Semiconductors & Semiconductor Eq	158.0	15.2	0.97%	-0.025
ORCL-US	Oracle Corp	Information Technology	Software	142.0	15.0	0.90%	-0.024
<b>S&amp;P 500</b>				<b>18,816</b>	<b>17.7</b>		
<b>The 25 Big &amp; Low stocks</b>				<b>3,492</b>	<b>12.0</b>		
<b>S&amp;P ex. the 25 Big &amp; Low stocks</b>				<b>15,324</b>	<b>20.0</b>		

Source: IBES, Deutsche Bank

Figure 11: Summary statistics on the 25 Big and Low S&P 500 stocks

The 25 Big & Low Stocks	Count	Mkt Cap		PE on 2015 EPS	Companies
		Weight	Weight		
Financials	9	33%	11.4	JPM, C, WFC, BAC, GS, MET, PRU, AIG, COF	
Information Technology	8	45%	13.4	AAPL, IBM, HPQ, CSCO, MU, QCOM, INTC, ORCL	
Industrials	2	2%	6.2	AAL, DAL	
Telecommunication Services	2	11%	13.3	VZ, T	
Consumer Discretionary	2	3%	8.7	GM, F	
Energy	1	1%	8.7	VLO	
Health Care	1	5%	10.1	GILD	
<b>All</b>	<b>25</b>	<b>100%</b>	<b>12.0</b>		

Source: IBES, Deutsche Bank