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When things get volatile, sometimes you can find comfort in history. And looking back, we can find some statistical good news. The SPX made its YTD high on June 8. Looking back in history to 1928, it has only made its YTD high in June once (1948). Statistically, it's unlikely to have already peaked for the year. That said, let's keep our heads down and keep looking for stocks with improving fundamentals.

ON Semiconductor (ON)

- Cost synergies from the Fairchild acquisition are likely to be greater than currently modeled by consensus
- Demand for auto image sensors could add 20c to EPS
- Valuation is fair to cheap depending on the measure

Conservative Fairchild synergy projections and increasing demand for image sensors in auto market drive EPS upside

ON's management projected $150 million in cost synergies from the Fairchild acquisition, a combination of $120 million of operating expense cuts and $30 million in COGS reductions. This equates to $0.35 EPS accretion. However, analysts are beginning to suspect that ON did not include potential manufacturing synergies which could be as large as $20 million to $60 million of cost savings per fab. This could drive an additional $0.05 to $0.14 of EPS accretion for every fab closure. Fairchild has two six-inch fabs that could be consolidated into ON’s eight-inch fab operations and generate synergies two years after the deal closes.

ON has 70% automotive image sensor market share and three-year design win visibility. ON expects advanced driver assistance systems (ADAS) penetration to drive camera attach rates per vehicle to four to six in the next two to three years from 1.3 per unit today, with attach rates rising to six to eight cameras by 2020-2022. High-end ADAS vehicles are expected to use 15 or more cameras per vehicle in four to six years. Pacific Crest analyst, Mike McConnell thinks this doubling to tripling of cameras per vehicle add $0.20 to EPS once the design wins are implemented.

On a GAAP basis, the stock is fairly valued at 22.5x earnings but using non GAAP consensus EPS the PE drops to 12x. Over the next year, consensus estimates top line growth of 4% and bottom line of 21%.

Advanced Micro Devices (AMD)

- First new product announcement since 2011 meets a need in the value GPU market
- Zen CPU launching in 2H16
- AMD has gained 500bps of unit share in the desktop market over the past 4 quarters.

New product builds on the desktop marketshare gains and opens the door to the Virtual Reality hardware.

AMD's share gains stem from its ability to offer a high-end graphics card at a reasonable price to the low-end and mainstream markets.

At Computex last week, AMD announced its first 14nm FinFET GPU based on the Polaris architecture. This is the first new product announcement since 2011 when its 28nm products were first released. AMD's Radeon RX 480 will begin to ship on June 29th at a cost of $200, with 4GB of GDDR5. This is essentially a high end GPU for the value market. Recent shipments of VR HMDs from Oculus and HTC suggest positive demand for Sony VR systems, which Jefferies analyst, Mark Lipacis, believes will use AMD GPUs.

In addition to Polaris, AMD has 2 additional growth drivers 1) its new 'Zen' CPU platform (expected in 2H16 for desktops, and 2017 for servers), and 2) 3 semi-custom ramps in console refreshes (SNE PlayStation 4.5, MSFT's Xbox 1.5 and Nintendo's NX).

Buffalo Wild Wings (BWLD)

- The cost of wings continue to drop after falling 16% y/y last month
- Revenue growth is in the mid to high teens but expectations are low for the coming year with only a 13% growth rate modeled
- Profit margins have been holding ~7.5% for the last two years and likely to see an uptick on lower input costs

Margins should improve on lower input costs which are not in guidance.

The wing price deflation that began last month accelerated last week, as wing prices declined 9-10% from last year to $1.43. This marks the fourth consecutive week of wing price deflation (after inflation approached 20% in April). Underlying wing prices to date for BWLD’s 3Q are tracking below consensus (8-9% underlying wing deflation QTD).

Chicken wing costs had remained stubbornly high through April, not seeing the normal decline post the NCAA tournament, partially because of a large QSR chain stockpiling ahead of a promotion (see Mighty Confident Wings Can Come Down). With that inventory build seemingly over, Urner Barry wing costs have fallen 16% since late April and are now down 4% year over year, which benefits BWLD's costs for June.

The lower input costs offer the company more flexibility on promotional activity as well. The company has revamped its happy hour and offers specials for "Wing Tuesdays" but as we head into the Olympics, promotional activity is likely to increase which will raise SSS and create intra quarter catalysts.

Although the stock has a PE of 28x, consensus EPS growth for next year is 19% making the stock fairly valued if the EPS upside from lower input costs does not materialize.

BWLD was also highlighted in SGI on 5/25 and has appreciated ~2% while the S&P declined by ~.5% as of Monday's close.