Palacios' Perspectives

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From Wall Street to Main Street

Highlights from the past week

Market / Macro Economic Summary

Markets continue to seesaw as case counts across the country seem to be pointing to a bit of a resurgence. Florida, Texas, Arizona seem to be rising but there is an overwhelming consensus towards not closing our economy again. This will be managed on a state by state basis and the markets will probably continue to go up and down until we have some more clarity on this. Obviously, a vaccine and/or treatment will make all this a moot point. We are in rather quite period for earnings as we close out the quarter and we will begin to hear from companies how their second quarter fared.

Company Specific / Macro Economic Summary

Oracle (ORCL)
Shares dropped 5% on the heels of a mixed quarter. Earnings per share of $1.20 was slightly ahead of the $1.15 estimates. Revenues of $10.44 billion however, were short of the $10.65 billion Wall Street was looking for. Revenues from cloud services and licensing support only grew by 1%, this is a business line that competes directly with Amazon Web Services and Microsoft's Azure platform.

Kroger (KR)
Stock lowered by about 1% on the heels of having returned a gain of 13% on the year for shareholders. The company did report an impressive top and bottom-line beat. Earnings per share of $1.22 was higher than the $1.12 the markets were looking for. Sales of $41.55 billion were also higher than the $40.71 billion analysts were looking for. Same store sales were up an amazing 19% when the street was looking for a gain of 13.8% growth. This is another section of the economy that is being pushed higher as these grocers are all working on online ordering and either contactless delivery or drop off to accommodate customers amidst the covid-19 pandemic.

CarMax (KMX)
Shares dropped just shy of 5% as CEO Bill Nash reported a quarter that missed the significantly lowered expectations. Earnings per share were 3 cents, when the company reported $1.59 in the same period a year ago. Sales declined 40% to $3.23 billion from $5.37 billion a year ago, although it was higher than the $2.7 billion analysts were looking for. During the quarter, comparable sales fell 42% from the same period a year ago, although Nash commented that he saw improvement in Sales in May.

Parting Thoughts

At this time, active management is so crucial as the market will slowly continue to bifurcate between stocks that can do well amidst Covid and companies that are impaired (even to the brink of bankruptcy for some).

We welcome an opportunity to discuss the above detail and wish you much success in the rest of your week!

Regards,

E. Palacios

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