XCEL WEALTH MANAGEMENT
A REGISTERED INVESTMENT ADVISORY FIRM

Palacios' Perspectives

January 29th, 2021

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For more information on creating and reviewing your financial plan

www.xcelwealth.com

386-872-3440

From Wall Street to Main Street

Highlights from the past week

Market / Macro Economic Summary

The markets are looking to end the first month of the year on a breakeven note. It has been an interesting ride in the markets as we started 2021. Let's first discuss the elections. I believe the consensus after the presidential election in November was that if Georgia's two senate seats went to the Democrats the markets would tumble. The idea was that the markets prefer a split government so that it forces compromise but as the January 5th results came in, the market actually shot up! The only logical reasoning is that the markets see the results as favorable because Democrats are talking more stimulus and infrastructure spending that should translate to more jobs and spending in the economy, which are positive for stocks.

Now, onto to the outlook for this year. We see several tailwinds helping to guide the markets higher to include a Federal Reserve actively promoting keeping rates near zero as the economy continues to recover from Covid-related impacts. The new madam Secretary of the Treasury, Janet Yellen, has also said she intends to support stimulus to help struggling Americans. Lastly, President Biden wants his administration to focus on infrastructure as noted above and that means more Federal spending. One thing to keep in mind is that our economy is a "Consumer driven" economy, as opposed to a Manufacturing one. More jobs and stimulus mean more money in people's pockets and more spending thereby helping the markets head higher. The last part to mention in terms of outlook for the year is that lots of companies will be reporting better numbers as compared to last year (during Covid) so those upside surprises should help power stocks higher. The only visible "potential" negative is the vaccination rate across the US and the possibility of new strains of the virus. Hopefully neither become problematic and we can get back to some semblance of normal again.

Company Specific / Micro Economic Summary

Johnson & Johnson

Reported earnings per share of $1.86 as expectations were for $1.82. Revenues in the fourth quarter were $22.48 billion when analysts were looking for $21.67 billion. The pharmaceutical business grew by 16% year over year but the consumer products division was only up 1.4%. All eyes will remain of the phase 3 trial results which should be released in the coming weeks.

Microsoft

Shares rose 4% as the tech giant reported earnings per share of $2.03 versus calls for $1.64! Revenues of $43.08 billion where much higher than the $40.18 billion Wall Street was looking for. Leading the charge was the 23% jump in revenue in Microsoft's intelligent cloud units which include Azure, public cloud and enterprise services. Cloud based, Azure unit grew a whopping 50%, which should bode well for Amazon as they are direct competitors in the space.

Starbucks

Shares declined a bit although earnings were 61 cents per share, analysts were looking for 55 cents. Revenues were a bit shy at $6.75 billion when estimates called for $6.93 billion. CEO Kevin Johnson said they expect global sales to rebound in 2021 to the tune of an 18% rise from last year.

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Boeing
Stock fell 4% as it reported a nearly $12 billion loss for 2020. The company took a $6.5 billion dollar charge as its 777X (wide body plane) will be delayed in deliveries to 2023. Most of these wide body planes are used in international travel, which obviously has been impacted by Covid. CEO Dave Calhoun did say he does not expect the company to be cash flow positive until 2022. On the good side of news, European regulators did approve the 737 Max for a resumption in travel.

Apple
Shares were slightly down as the company reported its first ever $100 billion revenue quarter! In the fourth quarter, the company had $111.4 billion in revenue, sales rose 21% year over year and every single category of products saw double digit percent growth. Earnings per share of $1.68 versus estimates for $1.41. CEO Tim Cook says iPhones now comprise over $1 billion active units across the world.

Tesla
Shares slid as the company reported a mixed quarter. Earnings per share of 80 cents were short of the estimates for $1.03. Revenues of $10.74 billion were higher than the $10.4 billion estimates. CEO Elon Musk did say the company expects 50% vehicle delivery growth for the years to come as the Texas and German plants are expected to come online.

FaceBook
Shares traded slightly higher as the company reported a top and bottom-line beat. Earnings of $3.88 per share crushed the $3.22 that analysts were expecting. Revenues of $28.07 billion were also much higher than the $26.44 billion Wall Street was looking for. Amidst the public outcry of its censorship, the company still had $1.84 billion daily active users.

Parting Thoughts
Hopefully, the earnings reports continue to come in as strong as they have been and continue to support our markets towards higher valuations.

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

Stay Safe and Kind Regards,

E. Palacios

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