

June 4th, 2021

From Wall Street to Main Street

Highlights from the past week

Market / Macro Economic Summary

Markets ended strongly as the jobs report early this morning came in at 559,000 when most economists were looking for our economy to have created closer to 671,000 jobs. Let's discuss this for a second to understand the implications of this data. The Federal Reserve's main job is to make sure the US economy remains on solid footing and keeps expanding post the pandemic. Now, there has been recent chatter about the Fed's actions in keeping some of their stimulus in place (bond buying program and keeping Fed Funds interest rates low) because it is believed our economy does not need this continued stimulus. As it stands, our economy is recovering well as vaccinations are up, earnings reports are showing strong quarterly numbers and the consumer is still spending. Should the Federal Reserve increase rates, this will serve to slow our economy down, which would hurt stocks. Now, having the "jobs created" number fall short of expectations like it did this morning, is an indication to the Fed that the economy is not quite as strong as we expected, and the Fed is given more time to keep rates low. This will mean stocks will do well for longer since we do not have to worry about the Fed having pressure to try to slow our economy down.

Company Specific / Macro Economic Summary

Zoom (ZM)

Stock rose 4% on the heels of a strong earnings report for the most recent quarter. Sales grew 191%, earnings per share of \$1.32 were way above the 99 cents estimates. Revenues of \$956.2 million were also well above the estimates of \$906 million. Management should take a bow as well as they showed their effectiveness as the company reported a much better gross margin (how much the company keeps of every dollar earned) from 69% to 74%.

CrowdStrike (CRWD)

Shares traded 4% lower even though it reported a massive blowout quarter. Revenues for the cyber security firm rose 70% to \$302 million dollars and above the estimates of \$291.4 million. Earnings per share came in at 10 cents which were also ahead of the projections for 6 cents. Annual recurring (subscription) revenue for the remainder of the year was increased to 144 million and the company said it expects annual recurring revenue to top \$3 billion dollars by 2025!

Broadcom (AVGO)

Stock traded 2% higher as the company reported strong earnings results. Earnings per share of \$6.62 were well above the \$6.43 estimates. The 5G chip maker also had revenues of \$6.61 billion in the quarter when most of Wall Street was looking for \$6.51 billion. CEO Hock Tan remained optimistic that the demand for the semiconductor company is not going anywhere anytime soon.

Lulu Lemon (LULU)

Shares barely rose 1% as the company reported an 88% growth in revenues. Earnings per share came in at \$1.16 versus estimates of \$91 cents. Revenues of \$1.23 billion were ahead of the projections of \$1.13 billion. CEO Calvin Johnson remained optimistic that the consumer will keep spending and help the company catch up to rivals Nike and Under Armour.

Parting Thoughts

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

Regards,

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