

August 27th, 2021

From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

Markets have rallied this week and remain at all-time highs. We have had another week of pretty good earnings reports which continue to provide the foundation for keeping stocks at these levels. At a minimum, they provide investors with reassurances that these stocks deserve to be at all-time highs. Equally as important to keeping markets here and higher is the Federal Reserve maintaining a strategy to accommodate as our economy rebounds from Covid. Fed. Chair Jerome Powell made comments this morning that helped reassure markets that while there is consensus among the board to start reducing the bond buying program, the Fed will keep accommodating the economy for growth. Very good news for the markets indeed and a reason for why the Dow is up 260 points (.74%), S&P is up 1% and the tech heavy Nasdaq is up 1.26% as of the time of this writing.

Company Specific / Micro Economic Summary

Palo Alto Networks (PANW)

Shares of the cyber security firm popped 18% on the heels of a strong earnings report. Earnings per share of \$1.60 were well ahead of the \$1.44 estimate. Revenues of \$1.22 billion were up 28% from a year ago and topped Wall Street expectations for \$1.17 billion. CEO Nimesh Arora also raised guidance for the year as more ransom attacks drive business demand higher.

Toll Brothers (TOLL)

Shares traded higher by 4% as the company reported another strong quarter. Earnings per share of \$1.87 came in 32 cents stronger than the expectations. Revenues of \$2.23 billion came in just shy of the \$2.24 billion Wall Street was looking for. CEO Doug Yearly said he was happy to see lumber prices fall from their highs of \$1,700 per thousand board feet down to \$500, which on a typical newly built home will translate to roughly a \$40,000 cost savings for a new homeowner.

Salesforce (CRM)

Shares were 3% higher on the heels of their fifth consecutive quarter growing revenues by at least 20%. Earnings per share of \$1.48 crushed the estimates of 92 cents. Revenues of \$6.34 billion were also higher than the \$6.24 billion. CEO Marc Benioff was confident that regardless of how long the Delta variant remains, it does nothing but accelerate the adoption of its online offerings.

Snowflake (SNOW)

Shares popped nearly 7% as the company reported its second earnings report since going public. Revenues jumped 104% to \$272.2 million, ahead of the estimates of \$256.5 million. Earnings per share however came in at a loss of 64 cents when Wall Street was looking for a loss of 15 cents. Snowflake although a young company is looking to take business from Oracle and has quickly jumped to having 4,990 customers up from 3,117 last year.

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Peloton (PTON)

Shares sank 9% as the company reported a wider than expected loss on the back of the treadmill recall. Earnings per share came in at a loss of \$1.05 when analysts were expecting a loss of 45 cents. Revenues of \$936.9 million were slightly above the estimates of \$927.2 million. CEO John Foley said the company is mired in the recall at the moment and will also slash the price of its bikes by about 20%.

Workday (WDAY)

Stock rose 5% as the company reported strong second quarter results. Revenues of \$1.26 billion rose 18.7% and ahead of the estimates for \$1.24 billion. Earnings per share of \$1.23 rose 46% from the same period a year ago and beat the 78 cents analysts were looking for. Lastly, estimates for the current quarter were also raised to \$1.157 billion in subscription revenue which is better than what the analysts were projecting of \$1.131 billion.

Splunk (SPNK)

Shares traded slightly lower as the company reported numbers that did beat expectations. The company reported revenue of \$606 million when analysts were looking for \$570 million. Earnings per share come in at a loss of 62 cents which did represent an improvement of an expected loss of 69 cents.

Dollar Tree (DLTR)

Shares dropped 12% as the company is being severely impacted by rising shipping costs. Freight costs are currently being impacted by China. In the current quarter the cost were roughly \$1.50-\$1.60 drag on earnings per share and that compares to 60-65 cents back in May of this year! Earnings per share of \$1.23 did beat the estimates of \$1.00 and revenues of \$6.34 billion were below the estimates of \$6.45 billion.

Parting Thoughts

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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