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From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

Markets started the week on a rough note but have ended it really well, with four straight days of positive results. As I tried to mention last week, this weakening of stocks is normal during this time of year and understandable since we have a lack of earnings from market moving stocks. I believe we're probably done with the downturn, and we should head into earnings next week with the idea that markets should resume their upward trend. As is common each quarter, we will begin the earnings season for the third quarter with the major banks. We should head from Wells Fargo, JP Morgan, Bank of American among others and they should provide some color into the health of both the economy and the consumer!

Company Specific / Macro Economic Summary

Pepsi (PEP)

Shares were flat as the company reported a strong quarter. Earnings per share of \$1.79 came in stronger than the analyst expectations of \$1.73. Revenues of \$20.19 billion were also above the estimates of \$19.39 billion and were a growth of 11.6%. Organic revenue, which looks at the growth is revenue excluding acquisitions came in at a very respectable 9%! CFO Hugh Johnston commented on seeing inflation risks from supply chain issues, labor, and commodity prices. He noted the company will more than likely implement another rate hike in early 2022 in addition to hikes done in 2021.

Constellation Brands (STZ)

Shares were little changed as the company reported a mixed quarter. Earnings per share came in at \$2.52 which was much lower than the \$2.80 per share analysts were looking for. Sales of \$2.3 billion were on the mark for Wall Street expectations. Management did guide higher for next year as they raised their outlook for earnings per share from \$10.15 to \$10.30 for 2022. As in prior quarters, CEO Bill Newlands highlighted the strength in Modelo Especial and Corona Extra as they propelled beer shipments to grow by 12% year over year.

Levi's (LEVI)

Shares rose 2% as the company reported a top and bottom-line beat. Earnings per share of 48 cents came in stronger than the 37 analysts expected. Revenues of \$1.5 billion were also slightly ahead of calls for \$1.48 billion. CEO Chip Bergh was actually complimentary of the company's supply chain in helping their ability to match increased demand for its products. Digital sales were up 10% over last year and accounted for 20% of overall sales, this goes to show how important it is for companies to build out a "direct to consumer" website/sales options.

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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