

October 22nd, 2021

From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

Markets have been rising since the earnings season kicked off last week and earnings have come in strong as expected. Not too often that I toot my horn, but I tried to make sure my readers maintained their wits as we saw the markets be shaky at the end of September and into earnings in October. This tends to happen each year, and if precedent continues.....this should mean that we end the year on a high note. We have tons of earnings reports to get to, so without further delay, let's get to it!

Company Specific / Micro Economic Summary

Johnson & Johnson (JNJ)

Stock jumped 2% on the heels of a mixed quarter. Earnings per share of \$2.60 were stronger than the Wall Street expectations for \$2.35. Revenues of \$23.34 billion were short of the \$23.72 billion analysts were looking for. The company is rising primarily because management did guide higher for the remainder of the year as earnings for the full year are now expected to be in the range of \$9.77-\$9.82 when they had previously said \$9.60-\$9.70. Management maintained a \$2.5 billion dollar sales outlook for its Covid vaccine.

Verizon (VZ)

Shares rose 2.4% on the back of a strong quarter for 5G-enabled device sales. Revenues of \$32.9 billion grew over 5.5% and were stronger than the estimates of \$33.2 billion. Earnings per share of \$1.41 were also better than the analyst expectations of \$1.25. In the quarter, the company had 423,000 net additions in wireless subscribers. CEO Hans Vestberg is very optimistic on the company's positioning for the continued 5G network rollout across the US.

Netflix (NFLX)

Shares rose by a little over 1% as the company reported what actually turned out to be a better quarter than previously anticipated. Last quarter management lowered its forecast for subscribers in this quarter, but as the company was expected to gain 3.84 million subs, it actually added 4.4 million! Earnings per share of \$3.19 were much better than the \$2.56 analysts expected. Revenues of \$7.48 billion actually came "in-line" with expectations. CEO Reed Hastings said he's optimistic as they will release more content than ever before and plans to do so into 2022. The popular show "Squid Game" became the biggest TV show ever, being watched 142 million times in the first four weeks!

Tesla (TSLA)

Shares fell then rose as CEO Elon Musk keeps delivering each quarter. Earnings per share of \$1.86 beat the \$1.59 calls. Revenues of \$13.76 billion also beat estimates of \$12.63. Austin and Berlin gigafactories have started deliveries and profit margin grew to 30.5%, which is great for investors.

Abbott Labs (ABT)

Shares rose 3% on a top and bottom line beat. Earnings per share of \$1.40 was well ahead of the 90 cent expectations. Revenues of \$10.93 billion were also higher than the forecasts of \$9.56 billion. CEO Robert Ford said medical device sales grew 14.6% and he was happy with the new product pipeline. Sales of its Covid-19 testing kits reached \$1.908 billion on the year.

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International Business Machines (IBM)

Shares fell just over 4% as the company reported a slower growth quarter. Earnings per share at \$2.52 were better than the estimates of \$2.50. Revenues of \$17.62 billion were short of the \$17.77 billion. What has the company sliding is CEO Arvin Krishna speaking on the disappointment on the quarter as cloud & cognitive software revenues only grew by 2.5% (which was slower than Wall Street expected) as the company is making a shift towards a focus on that segment. Consulting revenue grew 12% to \$4.43 billion and overall revenue grew by 3%.

AT&T (T)

Stock rose 1% on a mixed quarter. Earnings per share of 82 cents came in higher than the 64 cent expectations. Revenues fell short as the third quarter number came in at \$39.9 billion but short of the estimates of \$40.6 billion. CEO John Stankey did highlight the company's wireless subscriber growth which came in at 1.2 million when analysts only expected growth of 688,000. An update on the Warner Media spinoff has the company completing that transaction in early 2022.

Snap Inc. (SNAP)

Shares are getting walloped over 22% after the company missed revenues expectation on the back of Apple's IOS change to its data tracking. Earnings per share of 17 cents was well above the 8 cents estimates. Revenues of \$1.07 billion were shy of the \$1.10 billion analysts were expecting. CEO Evan Spiegel said supply chain issues could affect advertising revenues in coming quarters.

Chipotle Mexican Grill (CMG)

Shares initially rose 1% but are currently trading down 3% on a top and bottom-line beat. Earnings of \$7.02 came in much better than estimates of \$6.32. Revenues of \$1.95 billion were slightly above the calls for \$1.94 billion. Beef and freight costs were higher, but the company did announce a 4% menu price hike back in June to offset rising costs.

American Express (AXP)

Shares are rising 5% on good quarterly results. Earnings per share of \$2.27 well exceeded the \$1.83 Wall Street was looking for. Revenues of \$10.9 billion was higher than the \$10.52 billion expectations. Cardholder spending was up 19% from the same period in 2019 and millennials and Gen Z cardholders grew over 38%.

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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