

October 30th, 2021

## From Wall Street to Main Street

*Highlights from the past week*



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### Market / Macro Economic Summary

Markets managed to pull off a microcosm of the month of October within the day yesterday. Markets started the day decidedly lower after Amazon and Apple reported disappointing quarters, more on this later, but then reversed course midday to close up for all three (Nasdaq, Dow Jones and S&P 500). I'd like to provide a bit of a commentary on where I believe we end the year. By the end of next week, we will have over 90% of the S&P 500 (largest 500 U.S. listed stocks) having reported. As of now, over 70% of the companies have reported better than expected earnings. As of October 27<sup>th</sup>, Lipper estimates that we saw an over \$24.5 plus billion dollar "inflow" of monies into the stock market, with most of it going into U.S. Equity/Stock funds. The National Retail Federation released its forecast of 8.5%-10.5% increase in holiday spending, which doubles the 4.4% average in the last five years. Weekly initial jobless claims fell to a 19-month low of 281,000, lowest level since March 2020. All of this as background to why I feel confident about ending the year higher and not seeing any signs of a falloff for stocks as we tend to hear that chatter get louder and louder as the markets hover over all-time highs. I'll remain vigilant to the economic metrics that serve as leading indicators for things to come, but for now.... most signs are positive.

### Company Specific / Micro Economic Summary

#### Facebook (FB)

Shares were up slightly as the company reported a slightly mixed quarter. Earnings per share of \$3.22 beat estimates of \$3.19. Revenue came in lower at \$29.01 billion when analysts were expecting \$29.57 billion. Daily Active Users came in as expected at 1.93 billion! Average revenue per user came in at \$10, while the street expected \$10.15. CEO Mark Zuckerberg recognized that the scrutiny the company is getting is going to help them do better over time and doubled down on the investments the company has already made in labor and dollars (over \$10 billion) devoted to refining their systems. Lastly, a couple of days after earnings the company announced it will be changing its name, to Meta. It will trade under the stock symbol (MVR) intended to highlight the company's redirection into developing the Metaverse, or alternate reality world of the future.

#### United Parcel Service (UPS)

Shares were up 2% as the company hit earnings per share of \$2.71 versus \$2.55 estimates. Revenues grew 9.2% to \$23.18 billion, beating estimates of \$22.56 billion. Company also raised estimates for operating margin for the full year to be 13%, which is higher than the previous 12.7%.

#### Advanced Micro Devices (AMD)

Stock was barely higher on the heels of a top and bottom-line beat. Sales of the chips for servers and game consoles were up 54%! Earnings per share of \$73 beat estimates of 67 cents and were up 16% year on year. Revenues of \$4.31 billion neat calls for \$4.12 billion. CEO Lisa Su also forecasted growth in the fourth quarter of over 39%.

#### Microsoft (MSFT)

Shares rose over 2% on a blow out quarter. Earnings per share of \$2.27 blew past estimates of \$2.07. Revenues of \$45.32 billion handily exceeded the \$43.97 billion analyst expectations and was 22% year on year. Intelligent Cloud revenue grew 31% over last year and Azure and other cloud services within that grew by over 50%! CFO Amy Hood said the growth seems sustainable!

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#### Alphabet "aka Google (GOOG)

Shares traded slightly higher after the company's top/bottom line beats. Earnings per share of \$27.99 far exceeded the estimates for \$23.48. Revenues of \$65.12 billion also crushed calls for \$63.34 billion. Advertising revenue grew 43% to \$53.13 billion in the quarter and almost doubled the \$37.1 billion a year ago. CFO Ruth Porat said Apple's privacy changes should have a moderate impact on YouTube revenues. Google cloud revenues grew 45% to \$4.99 billion.

#### Boeing (BA)

Shares fell 1.5% as the company cannot seem to get out of its own way. Earnings per share were a loss of 60 cents, when analysts expected a loss of 20 cents. Revenues of \$15.28 billion were lower than the estimates of \$16.3 billion. Even though the company has seen sales of its 737 Max rise, they're now mired in the grounded 787 Dreamliner. CEO Calhoun said they delivered 62 737's this quarter and can increase production but will soon run into supply chain issues.

#### Ford (T)

CEO Jim Farley delivered a quarter that shocked Wall Street. Earnings per share of 51 cents almost doubled the 27-cent estimates. Revenues of \$33.21 billion also beat expectations for \$32.54 billion. Shares jumped 9% on the day and the company also raised guidance for the full year.

#### Amazon (AMZN)

Shares initially dropped over 4% and ended the day only 2% as the company missed on the top and bottom lines for the first time in recent memory. Earnings per share of 6.12 were well below the \$8.92 analysts were looking for. Revenues of \$110.81 billion were also shy of the \$111.6 billion Wall Street estimates. New CEO Andy Jassy said the company expects several billion dollars of higher expenses due to labor shortages, global supply constraints and increased freight and shipping costs. The company plans to hire 275,00 more workers due to higher demand.

#### Apple (AAPL)

Shares dropped 3% as the company reported a mixed quarter. Earnings per were met expectations at \$1.24 and Revenue grew 29% year-over-year to \$83.36 billion but fell short of estimates of \$84.85 billion. CEO Tim Cook said the company calculated a \$6 billion dollar impact on the quarter due to supply chain issues. Iphone revenues were up 47% year-over-year, services up 25.6%, MacBook's up 1.6% and iPads were 21.4% higher.

#### Chevron (CVX)

Shares were slightly up as earing per share of \$2.96 handily beat calls for \$2.21. Revenues grew 80% over last year to \$44.71 billion and more than the \$40.52 billion estimates. CEO Mike Wirth said the company keeps focusing on operational efficiency, marked by a 22% drop in spending.

### Parting Thoughts

One important note, Amazon and Apple falling short cannot be attributed to a slowing business/demand for their products but rather supply issues. This is a very good thing.

Regards,

*E. Palacios*



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