

November 8th, 2021

From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

Markets will more than likely close slightly lower this week, bringing a 5-week streak of higher closes to an end. As I've always said, negative days are crucial to a healthy market as stocks simply "should not" just go in one direction. Pauses in the upward trajectory should be construed as a good thing, unless such a decline is coupled with some macroeconomic change that is a precursor to bigger things, which is not anything that I believe we need to worry about currently. As of today, we have over 91% of the S&P 500 report earnings and of those, 81% have reported an earnings surprise. The average beat has been by 10.2%, so this is why I remain optimistic of the current economic environment.

Company Specific / Micro Economic Summary

Disney (DIS)

Shares slumped over 4% as the company missed its numbers across the board. Earnings per share of 37 cents were short of the expectations of 51 cents. Revenues \$18.53 billion also fell shy of the \$18.79 estimates. Unfortunately, the company had seen high growth in its subscribers to Disney + but that slowed in the quarter and gave reasons for investors to sell stock. CEO Bob Chapek did reiterate that the company still expects to hit 230-260 million subscribers by 2024.

PayPal (PYPL)

Shares dropped 12% as the company guided in a more conservative manner for next year than Wall Street was looking for. Earnings per share of \$1.11 were higher than the \$1.07 analysts expected. Revenues grew by 13% to \$6.18 billion but fell just shy of the estimates of \$6.23 billion. The company said they expect to be at 55 million users by year's end and also announced a Venmo partnership with Amazon to allow clients to pay at checkout within the next 12 months.

Roblox (RBLX)

Shares soared 42% (yes.... not a typo) on the heels of much better than expected earnings report. Daily active users increased over 43% year over year, during a time when most people expected a decrease as we put Covid-stay at home orders in the rearview mirror. Revenues grew 28% to \$637.8 million and beat the estimate of \$636.5 million. The company now boasts 47.3 million "average" daily users.

Coinbase (COIN)

Shares fell 3% on the heels of a miss on the top and bottom lines. Revenues of \$1.3 billion fell sort of the \$1.6 billion wall street estimates. Earnings per share of \$1.62 were also below the calls for \$1.81. Crypto currencies saw a decline in trading in the third quarter and attributed directly to the shortfall. The company reported active users on the platform to be 73 million, but only 7.4 million of those were monthly transactors.

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Unity Software (U)

Shares hit an all-time high as the company reported a strong quarter but also announced an acquisition of Weta Digital. The markets applauded the purchase to a much larger extent than that of the earnings results. Earnings per share came in at a loss of 6 cents, one cent better than expectations. Sales of \$286.3 million were also well ahead of the calls for \$266.5 million. CEO John Rocitiello has the company rolling strong as the digital world looks to transition much faster towards the so-called "metaverse."

Sofi Financial (SOFI)

Shares rose over 12% for the fintech company as they reported a strong quarter. To start, the online financial firm grew its customers by over 96% to 2.9 million clients. Wall Street expected the company to lose 14 cents, but the company came in at a 5-cent loss. Revenues of \$277.2 million also came in much better than the \$251.6 million analysts were looking for. CEO Anthony Noto said the company is doing a much better job at cross selling their credit card and lending products to their banking clients.

Affirm Technologies (AFRM)

Shares rallied over 27% on the heels of what has already been a fairly crazy return on its shares for the year. Revenues of \$269.4 million beat the estimates of \$248.2 million. During the call, management said they have reached an agreement with Amazon to be the sole third party buy now, pay later option. Lastly, active customers grew to 8.7 million which was a 124% growth over the same period a year ago.

Parting Thoughts

I continue to reinforce the thought that markets have tons of momentum in its favor, and we should close out the year on a higher note.

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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