

From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

The markets have remained a challenge as we look for signs of how various economic situations will resolve themselves. Topping the list is how the Fed will manage to bring inflation under control. Secondly, how will oil come back down to reasonable levels? Third, when will the Russia/Ukraine war come to an end? Finally, when will China finally get over the Covid pandemic and help ease the supply chain issues we face due to their inability to vaccinate its masses? As we wait to see these items play out, I am a firm believer that the markets will be range-bound. We will have up days followed by down days until these pressures decrease and we can go back to growth. The key in all of this remains patience, and we should continue to hold steady as I do believe the worst is behind us.

Company Specific / Micro Economic Summary

Walmart (WMT)

Shares fell as inventories rose and fuel costs ate into the quarterly numbers. Earnings per share of \$1.30 were short of the estimates for \$1.48. Revenues of \$141.57 billion were ahead of the calls for \$138.84 billion. CEO Doug McMillion said the company should see sales increase by 4% this year, although it had previously forecasted 3% growth.

Home Depot (HD)

Shares rose nearly 5% on the day as it reported a very strong quarter and raised its full year outlook. Earnings per share of \$4.09 trashed the estimates for \$3.68. Revenues of \$38.91 billion were also ahead of the analyst estimates of \$36.72 billion. New CEO Ted Decker said the company now projects to grow sales by 3% for the year as well as increased growth of earnings per share from 3.6% to mid-single digits.

Target (TGT)

Shares of the retail giant were walloped as the company saw its biggest one-day share decline (-25%) on the heels of a tough quarter. Higher inventories and fuel costs added to the problem, but they also reported a change in consumer behavior as shoppers bought more experience-based goods like birthday party supplies and luggage for vacations. Earnings per share of \$2.19 were much lower than the \$3.07 analysts expected. Revenues of \$25.17 billion were just ahead of the calls for \$24.49 billion.

Lowe's (LOW)

Shares fell 5% as the company reported a mixed quarter. While earnings per share beat (\$3.51 versus \$3.22), revenues of \$23.66 billion were just shy of the \$23.76 billion analysts had expected. CEO Marvin Ellison said the company still feels good about the full year guidance as he sees the consumer demand remain strong. Another problem in the quarter was poor timing, as management had stocked the shelves with summer items, but April and May were still unseasonably cold months.

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Cisco (CSCO)

Shares declined as the company reported a mixed quarter but forecasted a lower revenue for the year. Earnings per share of 87 cents were just better than the estimates for .77. Revenues of \$12.84 were shy of the smites of \$213.34 billion. CEO Chuck Robbins said demand remains robust and constant, while some supply chain issues are getting better.



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Palo Alto (PANW)

Shares jumped over 12% as the network security marker announced a top and bottom line beat as well as higher guidance. Earnings per share of \$1.79 was well above the estimates of \$1.68. Revenues of \$1.39 billion were also ahead of the calls for \$1.36 billion. CEO Nikesh Arora said revenues grew 29% year over year and cyber security remains a top priority in IT spending.

John Deere (DE)

Shares slumped as the company reported a mix quarter as supply chain issues hampered results. Earnings per share of \$6.81 were ahead of the estimates of \$6.71 but revenues of \$12.03 billion were below the calls for \$13.2 billion. Management reiterated that the issues the company faces are purely a supply chain issue with chips and parts because they see a very healthy demand for its tractors and agricultural equipment.



Randall Beardsley

Parting Thoughts

I continue to mention the word patience because I believe that inflation will come down as prices will fall.

We welcome an opportunity to discuss the above detail and wish you much success in the rest of your week!

Regards,

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