# Palacios' Perspectives

**Week ending May 27th, 2022**

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Managing Wealth Servicing Generations

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## From Wall Street to Main Street

*Highlights from the past week*

**Market / Macro Economic Summary**

Markets broke a seven-week losing streak, its longest since 2001, in a major way. The Nasdaq led the way as it rebounded 6.8% higher this week alone, followed by the S&P 500 having regained 6.6% and the Dow Jones Industrial Average having jumped 6.2%. I hate to sound like a broken record in this aspect of things, but this is the exact reasoning that I've asked for patience with the recent market performance. As swift as some of the days have been with over 2% moves, we saw the same thing to the upside this week and hence the major rebound across the board. One reasoning could have been that we had been oversold and we were due for a rebound. What I care to believe is that there are several economic indicators that are showing that inflationary pressures are decreasing, and it will help the Fed slowly increase and get this economy in line.

**Company Specific / Micro Economic Summary**

Zoom (ZM)
Shares soared 18% as the expectations had gotten so bad that the close results were enough to lift the stock significantly. Earnings per share of 1.03 were ahead of the estimates of 87 cents. Revenues however were exactly as expected at $1.07 billion dollars. Management raised guidance for 2022 with earning per share projected to be in a range of $3.70-$3.77 from $3.45 -$3.51. They also reported they had 198,900 enterprise clients which marked a 24% year over year increase.

Toll Brothers (TOL)
Shares rose 6% as the company reported a top and bottom-line beat. Earnings per share of $1.85 were ahead of the calls for $1.46. Revenues of $2.28 billion where much higher than the $2.05 billion dollars. Management said demand remains strong and while it has moderated from peak levels, the imbalance between supply of homes and the strong demand should keep sales strong. CEO Douglas Yearly Jr, said the company's backlog now stands at 11, 768 homes or $11.7 billion.

Nvidia (NVDA)
Shares had an interesting travel after the company reported its latest quarter. Initially the shares dropped 10% after hours, ending up opening the next day down 5% but then ended the trading day up 5%. In terms of the quarter, earnings per share of $1.36 were much better than the $1.29 analysts were expecting. Revenues of $8.29 billion were also well ahead of the $8.11 billion Wall Street was looking for. CEO Jensen Huang did blame the Ukraine-Russian conflict and China covid issues as a shortfall of $500 million of revenues. He did say that the demand remains elevated for its artificial intelligence (for cloud) and gaming chips. Sales were up 46% year over year and data center and gaming sales continue to grow quarter over quarter. Nvidia's data center business, which sells chips for cloud computing grew a whopping 83% annually to $3.75 billion. It finally overcame the gaming chips in terms of overall sales, but gaming chips did still grow at 31% over last year to $3.62 billion dollars.

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Snowflake (SNOW)
Shares fell 16% but rebounded some as the company reported a slightly mixed quarter. Earnings per share of a loss of 53 cents matched expectations. Revenues of $422.4 million were an 85% growth over a year earlier and above the calls for $413.7 million. The main problem here is that the last two quarters the company had been growing revenues at 101% and 110%, so analysts are questioning whether growth rate is slowing down.

Alibaba (BABA)
Shares rose as once again I believe expectations had gotten too low and the company reported a top and bottom-line beat. Earnings per share of 16 cents came in higher than the 14 cents analysts were looking for. Revenues of $32.2 billion were also ahead of the calls for $30.8 billion. Shares had been down 56% on the year, so such a quarter was seen as promising for a post covid world.

Costco (CSTO)
Shares fell 2% as the company reported a strong quarter but reported much higher labor and freight costs in the quarter. Earnings per share of $3.17 were much stronger than the anticipated $3.03. Revenues grew 16% to $52.60 billion as analysts expected closed to $51.71 billion. Management sees strong demand with the consumer, just that demand has shifted within items.

Ulta Beauty (ULTA)
Shares jumped 7% as the reopening play seems to be working for the cosmetics retailer. Earnings per share of $6.30 were 9.6% higher than last year and higher than the estimates of $4.46. Revenues of $2.356 billion were a 21% growth over the same period the year prior and beat the estimates of $2.123 billion. Lastly, management raised guidance across the board for the remainder of the year, from earnings per share, revenues and same store sales.

**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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