Palacios' Perspectives

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From Wall Street to Main Street

Highlights from the past week

Market / Macro Economic Summary

First off, I hope everyone celebrated a happy and memorable Thanksgiving with loved ones. We're knocking on December's door and expectations for a Santa rally are still lurking. With regards to the markets, we are now roughly 95% of the S&P 500 companies having reported. Overall earnings results are beating estimates by an average of 6% and 70% of those that have reported have beaten their estimates. On the top line, revenues have been beaten by an average of 4% and 71% of the companies reported have beaten on revenues. This good top and bottom-line growth show me the underlying economy is doing well (via revenues) but companies are also being smart about cutting/managing costs via the earnings. A recent KPMG survey of global CEO's showed that while most (58%) expect a short yet mild recession in 2023, most are optimistic about the world economy over a three-year period. While investing over this period might seem tough, long-term investors will be rewarded with an improving economy, a Fed that should be done with major rake hikes and therefore a market that will improve from here. We might have some setbacks, but the direction is one that I believe is more constructive.

Company Specific / Macro Economic Summary

Dell Technologies (DELL)
Shares traded 2% lower after reporting a good quarter that beat expectations, but guidance came in light. Sales of $24.72 billion were higher than the estimates of $24.37 billion. Earnings per share of $2.30 were very well ahead of the Wall Street estimates of $1.60. The problem with guidance for the current quarter is that is reflects a 4% decline in earnings and 16% decline in sales.

Deere (DE)
Shares jumped 5% on the heels of a phenomenal quarter. The company saw demand for various equipment lines remain elevated as an aging farm and construction fleet will drive replacement orders into the foreseeable future. Earnings per share in the quarter came in at $7.44 (81% growth) as Wall Street was looking for a $7.11 number. Revenues jumped 27% to $15.54 billion as estimates were for $14.4 billion. Management expects 2023 net income to be around $8-$8.5 billion, which is 12%-19% jump from this year's results.

Dick's Sporting Goods (DKS)
Shares jumped 7% as the company reported a strong third quarter and guided for a strong finish to the year as well. Same store sales saw an increase of 6.5%, sales grew 7.7% to $3 billion dollars and earnings per share of $2.45. All were stronger than the estimates set by Wall Street.

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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