XCEL WEALTH MANAGEMENT
A REGISTERED INVESTMENT ADVISORY FIRM

# Palacios' Perspectives

**Week ending April 21st, 2023**


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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**

We've begun earnings season and I have certainly not been disappointed. There have been 84 companies that have reported (17 of which are in the S&P 500) and 79% of them are beating their earnings per share. On the top line, which is harder to manipulate in accounting methods, revenues have come in at a pace of 63% of the companies beating their revenue/sales estimates. While these results are what I hoped for, this coming week will have 178 of the top 500 companies report. The next two weeks will be crucial for how the tale of the earnings season will be remembered.

**Company Specific / Micro Economic Summary**

Charles Schwab (SCHW)
Shares rose 2% as earnings per share (excluding onetime, non-recurring items) of 93 cents topped the FactSet consensus of 90 cents. Revenue grew 9.5% to $5.12 billion, just below the FactSet consensus of $5.14 billion. Management cited "near-record" inflows of capital from investors as it booked more than 1 million new brokerage accounts and $132 billion in core net new assets, including $53 billion in March.

Bank of America (BAC)
Shares fell 1% as the major bank said its first-quarter net income increased by 15% to $8.2 billion, or 94 cents a share, from $7.1 billion, or 80 cents a share, in the year-ago quarter. CEO Brian Moynihan declined to provide a full-year 2023 estimate for net interest income, although it said it remains "comfortable" with the analyst projection of 7% to 8% growth.

Johnson & Johnson (JNJ)
Stock reversed early gains to trade down 2% on Tuesday, after the company swung to a first-quarter loss as it booked a multibillion-dollar charge to settle lawsuits stemming from its talc-containing powders. On the quarter, it reported a loss of $68 million, or 3 cents a share, for the quarter, after income of $5.149 billion, or $1.93 a share, in the year-earlier period. The loss was due to a $6.9 billion one-time litigation charge relating to the afore-mentioned lawsuits.

Goldman Sachs (GS)
Shares slid 2% as it reported earnings of $8.78 a share from revenue of $12.22 billion in the first quarter. Brokers surveyed by FactSet had expected earnings of $8.14 a share from revenue of $12.76 billion. Net interest income—the difference between interest earned on loans and paid on deposits—also disappointed. The total was $1.78 billion, below the $2.11 billion expected by analysts.

Netflix (NFLX)
Shares initially dropped 10% but recovered as reported that subscribers increased by 1.75 million in the first quarter of the year, missing analysts' average estimate of 2.2 million. Netflix reported fiscal first-quarter net earnings of $1.31 billion, or $2.88 a share, compared with $3.53 a share in the year-ago quarter. It erased most of the loss on company disclosures that its new ad-supported service is a success and its crackdown on shared accounts in the U.S. is coming this quarter.

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Tesla (TSLA)
Stock slid 9.8% as automotive gross profit margins, excluding regulatory credits, came in at 19%, down from about 21% in the fourth quarter of 2022. It is the first time that number has been below 20% since the second quarter of 2020. It reported a profit of 85 cents a share, meeting expectations, on sales of $23.33 billion, just a touch below forecasts for $23.67 billion. When asked about margins, CEO Elon Musk said that he would be ok to sacrifice margin for higher volume as opposed to focusing on maintaining profit margins while selling fewer cars. He did reiterate that he expects profit margins to return above the 20% level once they FDOT approves the self-driving mode.

International Business Machines (IBM)
Shares were up 1.8% in late trading following the earnings report. revenue of $14.25 billion, up 0.4% from a year earlier, or 4.4% adjusted for currency, leaving the total about $100 million shy of the Wall Street consensus call for $14.35 billion. On an adjusted basis, profits were $1.36 a share, beating the Wall Street consensus by 10 cents a share, aided by strong cost controls.

Proctor & Gamble (PG)
Shares rose 3% as it reported Earnings Per Share (EPS) of $1.37 per share for the first quarter, about 5 cents above analysts' forecasts, as well as stronger-than-expected revenue of $20.7 billion. The company also raised its outlook for 2023 organic sales growth to 6% from its earlier forecast of 4% to 5%.

CSX Corp. (CSX)
Shares rose 3% as it reported first-quarter EPS of 48 cents, surpassing analysts' expectations by about 5 cents, and revenue of $3.71 billion also topped forecasts.

Schlumberger (SLB)
Reported net income of 63 cents per share, beating analysts' forecasts of 61 cents, as well as higher-than-expected revenue. However, the oilfield service company's shares fell more than 4% after suggesting the North American onshore market may plateau this year.

Freeport-McMoRan (FCX)
Shares fell 4% as it reported a profit of 46 cents per share, which was better than analysts' were expecting but still down by about half from a year earlier. The company's mining volumes and supply chains were hampered by extreme weather and protests in Peru.

**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*