

From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

Well, I'm very glad to repeat this phrase...I am very happy with the earnings season so far. With roughly half of S&P 500 companies having reported quarterly results, earnings for the period are down 1.7%, while revenues are up 4% versus the same quarter a year ago. Now, for those that are new to the newsletter I'll repeat what I've said many times before, the hardest thing to manipulate is a Revenue or Sales surprise. With earnings per share, I can "work" the numbers by firing workforce (lower costs) or buying back shares to beat the estimates. A company cannot manipulate its way to higher sales or revenue. This makes the 4% revenue beat so far this earnings season especially impressive. On the economic front, last week's release of the latest U.S. GDP report confirmed that the economy is losing momentum, with GDP slowing to 1.1% in the first quarter, compared with 2.6% in the prior quarter and 3.2% in the quarter before that. Also, while consumers continue to show resiliency, with household spending (the lion's share of the economy) increasing at a healthy 3.7% rate last quarter, a notable acceleration from the previous period and well above the average of 1.7% over the prior four quarters. This is the reason for my continued belief in the "soft landing" theory. The S&P 500 is up 8% so far in 2023 while the Nasdaq has seen the strongest momentum, up 16%, as technology and growth stocks have rallied on the back of lower rates. One last statistic to leave you with, since 1982, when the stock market was higher on the year heading into May, it went on to post a full-year gain 89% of the time, averaging an annual return of 12%.

Company Specific / Micro Economic Summary

Amazon (AMZN)

Shares initially rose 10% in afterhours trading but fell nearly 4% the following day as concerns over the company's slowing cloud computing business overshadowed slightly better-than-expected reports for quarterly earnings and revenue. Earnings per share of 31 cents beat estimates of 21 cents. Revenues of \$127.4 billion were higher than the calls for \$124.5 billion. The cause for the decline was CEO Andy Jassy's commentary on the call that businesses have been curtailing spending on cloud services.

Microsoft (MSFT)

Shares rose 9% as the company reported a top and bottom-line beat. Earnings per share of \$2.45 were better than Wall Street estimates of \$2.23. Revenues of \$52.86 billion were also better than the calls for \$51.02 billion. CEO Satya Nadella said he expects revenue to grow over time from its continued investments in Artificial Intelligence.

Google (GOOG)

Shares rose 3% as the company also reported a top and bottom-line beat. Revenues of \$68.79 billion were well above estimates of \$68.9 billion. Earnings per share of \$1.17 were higher than the calls for \$1.07. YouTube ad revenue was \$900 million better than expected.

Boeing (BA)

Shares rose 3% as the company reported a mixed quarter but increased its production target for the Max 737. Earnings per share were a loss of \$1.27 when analysts were looking for a loss of \$1.07. Revenues of \$17.92 billion were better than the calls for \$17.57 billion.

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Meta (META aka Facebook)

Shares rallied 12% as the company reported a strong quarter on the top and bottom lines. Earnings per share of \$2.20 were much better than the expectations of \$2.03. Revenues of \$28.65 billion were also ahead of Wall Street calls for \$27.65 billion. Daily active users of 2.04 billion were also higher than the 2.01 billion. Average revenue per user was \$9.62 versus calls for \$9.30. CEO Mark Zuckerberg also forecasted revenue for the second quarter to be \$29.5 and \$32 billion, which was also higher than what analysts were looking for.

Amgen Pharmaceuticals (AMGN)

Shares fell 2% on the back of a mixed quarter. Earnings per share of \$3.98 were better than the estimates of \$3.84. Revenues however came in a bit light at \$6.11 billion when Wall Street was looking for \$6.24 billion.

Exxon Mobil (XOM)

climbed about 2% after the oil major reported adjusted earnings per share of \$2.83, about 24 cents above what analysts were forecasting, and record quarterly income of \$11.43 billion, more than double the year-earlier level. Revenue of \$86.56 billion also came in above expectations.

Chevron (CVX)

rose about 1% after the company reported a 5% rise in first-quarter net profit, beating forecasts, as a strong performance by its refining business helped offset weaker oil and gas production as oil prices slipped.

Intel (INTC)

Share rose 4% despite the semiconductor maker posting a net quarterly loss of \$2.8 billion and a 36% plunge in year-over-year quarterly revenue. Those losses were not as severe as analysts expected, and the company's forecast of a recovery later this year seem to have assured investors.

Colgate-Palmolive (CL)

Stock rose more than 2% after the company's earnings and revenue exceeded expectations. Colgate also raised its annual organic sales forecast, noting consistent price increases and solid demand for its pet nutrition products.

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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