

From Wall Street to Main Street

Highlights from the past week



Erick J Palacios, MBA



Jon Xynidis



Randall Beardsley

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Market / Macro Economic Summary

Markets ended the first week of August on a negative note as all indexes were down week. The Dow was down .5%, the S&P 500 was down 2.2% and the Nasdaq was down close to 3% on the week. On Friday, we also had the labor department report a 187,000 increase in jobs, but that number was shy of the 200,000 expected. Hourly wages rose .4% and the overall unemployment dropped to 3.5%. This is showing a relatively tight labor market but more importantly it is very difficult for me to see the possibility of a recession now. Allow me to explain, a tight labor market is the sign of a strong economy therefore with such a strong economy it is hard to figure there is a recession lurking in the midst. One last item that mattered to the markets was the news of Fitch's credit rating drop for United States sovereign debt. This came out of the blue but still managed to affect the markets. I do not think it is a big deal since most global currencies depend on the US Dollar but nonetheless something to monitor as we move forward.

Company Specific / Micro Economic Summary

Advanced Micro Devices (AMD)

Shares jumped 4% on the company's latest quarterly results. Earnings per share of 58 cents beat estimates by one penny. Revenues of \$5.36 billion also beat the calls for \$5.31 billion. CEO Lisa Su said she expected second half Data Center revenue to grow by 50% over the first half. At its core, the massive jump is due to the rollout of the MI300X chip, which deals with artificial intelligence.

Devon Energy (DVN)

Stock moved 2% lower on the mixed quarter. While earnings per share of \$1.18 were in line with the estimates, Revenue of \$3.45 billion was lower than the \$3.47 billion. Of note, the company shows resiliency/capacity in being able to produce more oil as it grew volumes by 8%.

Starbucks (SBUX)

Stock fell 1% as the company reported a revenue miss. Earnings per share of \$1 did however beat the estimates of 99 cents. Revenues of \$9.17 billion were shy of the Wall Street calls for \$9.29 billion.

Merck (MRK)

Shares closed 1% lower as the company swung to a loss on the quarter primarily due to its acquisition of Prometheus pharmaceuticals. Earnings per share were a loss of \$2.06 when Wall Street was looking for \$2.18. Revenue was boosted by sales of cancer fighting drug Keytruda.

Amgen Pharmaceuticals (AMGN)

Shares were up 5.5% after the biotech company and Dow component delivered better-than-expected quarterly results. Earnings per share of \$5 were much better than the \$4.44 Wall Street was looking for. Revenue of \$6.99 billion also beat the estimates by 5%. CEO Robert Bradway also raised revenue guidance for the remainder of the year.

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Qualcomm (QCOM)

Shares fell 5% despite the company beating on the top and bottom-line. Earnings per share of \$1.87 were better than the expected \$1.81. Revenues of \$8.5 billion were also better than the calls for \$8.44 billion. The problem was the revenue guide for the following quarter at \$8.1 and \$8.9 billion but Wall Street was looking for \$8.7 billion. Lastly, there is an expected decrease in mobile device shipments which is a main driver for revenues for the chip maker.

Moderna (MRNA)

Shares were flat despite a top and bottom-line beat plus raise in guidance for the year. Earnings per share came in at a loss of \$3.62 but were better than the expected loss of \$4.04. Revenues of \$344 million were also higher than the \$319.6 million Wall Street was looking for. Management targets \$6-\$8 billion on Covid sales this year as compared to the prior guide of \$5 billion.

Amazon (AMZN)

Shares were up more than 9% after delivering better-than-expected results for the last quarter. Earnings per share of 65 cents were better than the 35 cents analysts were looking for. Revenues of \$134.4 billion were also ahead of the calls of \$131.5 billion. Amazon Web Services came in at revenue of \$22.1 billion which topped the estimates of \$21.8 billion. New CEO Andy Jassy's cost cutting efforts helped the company report its biggest earnings beat since 2020.

Apple (APPL)

Shares were down more than 4% after iPhone sales for the last quarter disappointed, overshadowing the company's better-than-expected earnings and revenue. Earnings per share for the fiscal third quarter came in at \$1.26, above the \$1.19 expected by analysts polled by Refinitiv. Revenue also came in higher than anticipated but was down about 1% on a year-over-year basis.

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

Erick J. Palacios, MBA
Wealth/Financial Advisor