

From Wall Street to Main Street

Highlights from the past week



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Market / Macro Economic Summary

After another week of seeing declines across all three markets, August is certainly growing long in the tooth for yours truly. As I mentioned last week, it is healthy for the markets to consolidate for a bit after a strong run. The S&P, Dow and Nasdaq all finished down roughly around 2% lower on the week. Some items that did raise my level of concern a bit this week were the Fed meeting minutes for July being released and some governor's concerns that we might have to raise rates once or twice more. Additionally, we had one of the largest real estate developers in China, Evergrande Group, file for bankruptcy protection in US courts Thursday. The news exacerbated worries over China's sputtering economic recovery, heightened fears of a contagion that could spill into China's related industries and weighed on markets. In the coming week we will get two major data points that will hopefully help change our current path. Federal Reserve Chair Powell will speak at Jackson Hole, Wyoming and we also get quarterly earnings results from Nvidia.

Company Specific / Micro Economic Summary

Home Depot (HD)

Shares were slightly higher on a top and bottom-line beat. Earnings per share of \$4.65 were a clear twenty cents ahead of the estimates of \$4.45. Revenue of \$42.92 billion was also higher than the analyst expectations of \$42.23 billion. Same store sales were a decline of 2% but that was an improvement of the expected drop in the metric of 3.6%. CEO Ted Decker did reiterate full year forecast for 2023 full year and said the board approved a \$15 billion dollar share buyback program. This is a strong support from the board that they believe the stock is undervalued.

Target (TGT)

Shares rose 3% despite the company reporting a mixed quarterly report. Earnings per share of \$1.80 trounced the Wall Street calls of \$1.39. Revenue of \$24.77 billion was below the Wall Street call for \$25.16 billion. Unfortunately, on the same store sales front the company lost 5.4% which is more than the 3.7% drop that was expected. One other item that gave investors a positive feeling on the quarter was the 17% drop in inventory reported by management. This in turn shows they are running the business in a more cost conscious and expense controlling way.

Cisco Systems (CSCO)

Shares rose 2.5% as the company reported another strong quarter and top/bottom-line beat. Earnings per share of \$1.14 were above the calls of \$1.06. Revenue of \$15.2 billion was better than the calls for 15.05 billion. CEO Chuck Robbins highlighted the firm's efforts on cyber security, Artificial Intelligence and cloud as the reasons for the strong quarter.

TJX Companies (TJX)

Shares climbed 4% as the retailer reported a very strong quarter. Revenue of \$12.76 billion beat estimates of \$12.45 billion. Earnings per share of 85 cents also beat the calls for 77 cents. Sales climbed 7% to \$12.76 billion and same store sales grew by 4% on the quarter as well.

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Walmart (WMT)

Shares fell 2% despite the company reporting a rather strong quarter. Earnings per share of \$1.84 were 13 cents ahead of the Wall Street estimates of \$1.71. Revenue of \$161.63 billion also exceeded expectations of \$160.27 billion. Transactions at stores not only increase by 3% but the average purchase also increased by 3.4% for U.S. stores. Same store sales grew by a strong 6.4% in the quarter. CEO Doug McMillon saw high profit margin businesses increase in the quarter as well as advertising revenue grew by 36%.

John Deere (DE)

Shares declined 3.9% despite a top and bottom-line beat partly due to investors thinking that the demand for the agriculture equipment maker might slow down. On the quarter, earnings per share of \$10.20 were well above the Wall Street expectations for \$8.22. This represented a 66% increase over the same period a year ago. Sales rose 10% to \$14.28 billion which were also ahead of the calls for \$14.143 billion. Management also guided higher on the current year's forecasts.

Applied Materials (AMAT)

Shares rose 2% as the domestic chip maker beat estimates for the most recent quarter. Earnings per share of \$1.90 were well ahead of the calls for \$1.74. Revenue of \$6.43 billion was also higher than the Wall Street expectations of \$6.16 billion.

Ross Stores (ROSS)

Shares rose 5.7% as the retailer also reported a strong quarter. Revenue of \$4.93 billion came in higher than the expected \$4.75 billion. Earnings per share of \$1.32 were far above the calls for \$1.16. Management highlighted the continued strength from the consumer as the main cause for the strong quarterly results.

Palo Alto Networks (PANW)

Shares rose 9% for the cyber security provider on a rare late Friday announcement of its latest quarterly earnings. Earnings per share of \$1.44 were better than the calls for \$1.29. Revenue of \$1.95 billion was slightly below the estimates of \$1.96 billion. CEO Nikesh Aurora said the company would grow earnings for the upcoming year by more than 20%.

Parting Thoughts

We welcome an opportunity to discuss the above detail and wish you much success in the rest of your week!

Regards,

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