



6-22-20

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 6-19-20	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	25,871.46	+1.0%	-9.4%
S&P 500	3,097.74	+1.9%	-4.1%
NASDAQ	9,946.12	+3.7%	+10.9%

Another 1.508 million Americans filed for unemployment benefits in the week ending June 13. While trends are improving, more than 45 million Americans have filed for unemployment insurance over the past 13 weeks.

Jay Powell, the Federal Reserve chairman, said, "The levels of output and employment remain far below their pre-pandemic levels, and significant uncertainty remains about the timing and strength of the recovery." He noted that until the coronavirus disease is contained, a full recovery is unlikely.

The Federal Reserve took further steps to keep credit flowing to big businesses during the pandemic amid signs of a resurgence of COVID-19. The Fed is expanding the scope of its \$750 billion emergency corporate debt loan facility to include individual corporate bonds.

Total retail sales surged 17.7% in May while sales, excluding autos, jumped 12.4%. That was the largest monthly increase in retail sales ever, but retail sales were down 6.1% year-over-year.

Total industrial production increased 1.4% in May with the capacity utilization rate at 64.8%. The improvement was due to a pickup in the output of motor vehicles and parts. Despite the improvement in May, total industrial production is still 15.3% lower than the same period a year ago.

The Conference Board's Leading Economic Index (LEI) increased 2.8% in May. It was the first increase in the LEI since January and is reflective of an uptick in activity as some state economies started to open in May. Improvements in building permits and stock prices helped to push the index higher.

Overall, economic data is improving on a sequential basis but still weak when compared to a year ago.

Last week, the Dow rose 1.0%, the S&P 500 increased 1.9% and the NASDAQ jumped 3.7%.

HI-Quality Company News



Oracle reported that the company had strong performances in both the cloud infrastructure and cloud applications businesses during the fourth fiscal quarter. The overall business did remarkably well considering the pandemic. Results would have been even better except for customers in the hardest-hit industries that Oracle

serves such as hospitality, retail and transportation where purchases were postponed. For the full fiscal 2020 year, Oracle reported revenues dipped 1% to \$39.1 billion with operating income up 3% to \$13.9 billion and EPS up 4% to \$3.08. Return on shareholders' equity was 80%, driven by additional leverage as the company increased its debt by \$20 billion in the fourth quarter to take advantage of lower interest rates. Free cash flow declined 10% during the year to \$11.6 billion with the company paying \$3.1 billion in dividends and repurchasing 361 million of its common stock for \$19.2 billion at an average price of about \$53.19 per share. Over the last decade, Oracle has reduced its shares outstanding by about 40%. With business expanding and the business mix shifting to more profitable lines of business in the cloud, Oracle is confident that its revenue will accelerate and operating margins will expand. For the first fiscal quarter, revenue growth is expected to be down 1% to up 1% with non-GAAP EPS expected to increase 4% to 8% to a range of \$.84-\$.88.



Apple is temporarily shutting 11 stores again in U.S. states where COVID-19 cases have been spiking in recent weeks, including in Arizona, Florida, North Carolina and South Carolina.

In other news, Apple announced the App Store ecosystem supported \$519 billion in billings and sales globally in 2019 alone. The new study, conducted by independent economists at Analysis Group, found that the highest value categories were mobile commerce (m-commerce) apps, digital goods and services apps, and in-app advertising. The results encapsulate the full sweep of the dynamic, competitive, and flourishing app economy, which has unleashed a torrent of innovation across 175 countries and revolutionized the way the world learns, works and connects.



3M reported total sales for May declined 20% to \$2.2 billion. Total sales declined 11% in Health Care, 12% in Consumer, 17% in Safety and Industrial and 30% in Transportation and Electronics. On a geographic basis, total sales declined 15% in Asia Pacific, 21% in the Americas and 26% in EMEA (Europe, Middle East and Africa).

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

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President