



11-15-21

WEEKLY UPDATE

Market Performance

MARKET INDEX	CLOSE 11-12-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	36,100.31	-0.6%	+17.9%
S&P 500	4,682.85	-0.3%	+24.7%
NASDAQ	15,860.96	-0.7%	+23.1%

During the past week, the major indices retreated on inflation news with the Dow down 0.6%, the S&P 500 declining 0.3% and the NASDAQ dropping 0.7%.

Economic Releases

A summary of economic releases during the past week which may impact the financial markets:

For the week ending November 5, initial jobless claims declined by 4,000 to 267,000, a new pandemic-era low, while continuing claims for the week ending October 30 were 2.160 million. Although payrolls have grown every month so far in 2021, the economy is still more than four million jobs short of pre-pandemic levels.

Consumer price inflation (CPI) hit a 30-year high in October as total CPI jumped 0.9% month-over-month in October and was up 6.2% year-over-year. This is the fifth consecutive month of inflation running at a rate of greater than 5%. Core CPI, which excludes food and energy, rose 0.6% month-over-month and was up 4.6% year-over-year. Most components of the index increased in the past month, which reflects a broadening of the inflation pressures with higher energy prices leading the way.

The Producer Price Index (PPI) for October for final demand increased 0.6% month-over-month, also pointing to continued inflation.

The preliminary November University of Michigan Index of Consumer Sentiment dropped to 66.8 from the final reading of 71.7 for October. It was the lowest reading for the index since November 2012. Escalating inflation is negatively affecting consumer attitudes due to reduced living standards and a growing belief that effective policies are not being developed to reduce the damage from surging inflation which will likely persist into 2022.

HI-Quality Company News

A summary of important earnings and/or capital allocation news announced during the past week from the high-quality companies held in most client portfolios. For new clients, these companies may become investment candidates when valuations appear attractive and cash is available:



Johnson & Johnson-JNJ announced its intent to separate the Company's Consumer Health business, creating a new publicly traded company in 18-24 months in a tax-free transaction to shareholders. The planned separation would create two global leaders that are better positioned to deliver improved health outcomes for patients and consumers through innovation, pursue more targeted business strategies and accelerate growth.

The New Consumer Health Company would be a leading global consumer health company, touching the lives of over one billion consumers around the world every day through iconic brands such as Neutrogena, AVEENO®, Tylenol®, Listerine®, JOHNSON'S®, and BAND-AID® and continuing its legacy of innovation. The New Consumer Health Company would be a global leader with a powerful portfolio of iconic brands — comprising four \$1 billion megabrands and 20 brands over \$150 million. The Consumer Health segment is expected to generate revenue of approximately \$15 billion in 2021. Following the planned separation, the new Johnson & Johnson would remain the world's largest and most diverse healthcare company and continue its commitment to lead in global healthcare R&D and innovation, with a portfolio that blends its strong Pharmaceutical and Medical Device capabilities focused on advancing the standard of care through innovation and technology. The new Johnson & Johnson would remain committed to maintaining a strong balance sheet and to its stated capital allocation priorities of R&D investment, competitive dividends and value-creating acquisitions. The overall shareholder dividend will remain at least at the same level following the completion of the transaction.

The logo for Regeneron, featuring the word "REGENERON" in white, uppercase letters on a blue rectangular background.

Regeneron Pharmaceuticals-REGN announced that its Board of Directors authorized a share repurchase program of up to \$3 billion of the Company's outstanding common stock. "With the strength of our balance sheet and our business, we see this as an opportunity to continue to invest in Regeneron," said Robert E. Landry, Executive Vice President, Finance and Chief Financial Officer of Regeneron. "This share repurchase program is part of our broader capital allocation strategy to maximize shareholder value for years to come."

The logo for Baxter, featuring the word "Baxter" in white, italicized, lowercase letters on a blue rectangular background.

Baxter International-BAX announced an approximately \$100 million expansion of its sterile fill/finish manufacturing facility located in Halle/Westfalen, Germany. This facility specializes in partnering with leading pharmaceutical and biotech companies on the development and contract manufacturing of drug product for parenteral (injectable) pharmaceuticals. Construction on the new manufacturing building is expected to begin in 2022 and be completed in 2024.

The logo for Booking Holdings, featuring a grid of dots to the left of the words "BOOKING" and "HOLDINGS" stacked vertically in blue, uppercase letters.

Booking Holdings-BKNG announced that it has entered into an agreement to acquire B2B distributor of hotel rooms, Getaroom, from Court Square Capital Partners for approximately \$1.2 billion. At closing, U.S.-based Getaroom will roll into Booking Holdings' Priceline brand.



T. Rowe Price Group-TROW reported preliminary month-end assets under management of \$1.67 trillion as of October 31, 2021, which reflects a 14% increase since year end.



The board of directors of **Automatic Data Processing-ADP** approved a 12% increase in the quarterly cash dividend to an annual rate of \$4.16 per share, marking the 47th consecutive year in which ADP has raised its quarterly dividend.



Accenture Federal Services (AFS), a subsidiary of **Accenture-ACN**, has been awarded a \$618 million cost plus award fee task order to enhance and modernize the United States Marshals Service's (USMS) mission-critical IT systems. The USMS supports the federal justice system with protecting the federal judiciary, apprehending federal fugitives, transporting federal prisoners, and other law enforcement duties.



Mastercard-MA announced it expects to grow net revenue at a “high-teens” percentage compound annual rate from 2022 to 2024 and is also looking for a minimum annual operating margin of 50% over that span, resulting in a “low-twenties” compound annual growth rate on earnings per share. Mastercard will be looking to capture new growth avenues in payments, where it sees a \$255 trillion total addressable market with “significant untapped opportunity.” The company also expects to grow its services business, which is expected to bring in more than \$6.5 billion in revenue this year. Mastercard sees further growth opportunities in open banking, which makes it easier for consumers to link their financial data to other services, and “buy-now pay-later purchasing” with new partners, including American Airlines Group and Fiserv Inc.

With inflation continuing to surge and now at the highest level in more than three decades, the Federal Reserve may have to act faster and more aggressively than initially thought when inflation was deemed “transitory.” Given inflation concerns, investors should focus on **HI**-quality companies with low capital needs and strong balance sheets and cash flows that can provide consistent dividend increases that keep dividend income growing at rates well ahead of inflation. A good example is **Automatic Data Processing**, which announced a hefty 12% increase in its dividend this past week, marking the 47th consecutive year of dividend increases.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Kendershot

President