



10-12-20

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 10-9-20	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	28,586.90	3.3%	0.2%
S&P 500	3,477.14	3.8%	+7.6%
NASDAQ	11,579.94	4.6%	+29.1%

U.S. states saw another 840,000 jobless claims filed last week, as the number of Americans applying for first-time unemployment insurance benefits each week continues to hover at a historically high level. Continuing claims for the week ended September 26 fell to 10.976 million compared to 11.979 million during the prior week. As with new jobless claims, continuing claims have held well above pre-pandemic levels and have not broken below the 10 million mark in more than six months.

Consumer credit contracted by \$7.2 billion in August, marking the sixth straight monthly contraction in revolving credit, which is something that hasn't happened since late 2010 to early 2011. This underscores the more restrictive credit stance adopted by lenders in the wake of the COVID shutdown and rise in unemployment.

The ISM Non-Manufacturing Index for September increased to 57.8% from 56.9% in August. Notably, the September index eclipsed the 57.3% reading registered in February prior to the pandemic which is pointing to a recovery in services.

The stock market registered the biggest weekly gains since July on optimism for further fiscal stimulus. For the week, the Dow rose 3.3%, the S&P 500 increased 3.8% and NASDAQ jumped 4.6%.

HI-Quality Company News



Payroll • HR • Retirement • Insurance

Paychex-PAYX reported first quarter sales declined 6% to \$932.2 million with net income dropping 20% to \$211.6 million and EPS decreasing 19% to \$.59. The effects of the COVID-19 pandemic continue to negatively impact financial results as small businesses were closed during the period. However, client retention remained at record highs and new sales performance is accelerating with the year-over-year sales unit growth at the highest level in five years. The increase in demand is due to an “incredible” 20% increase in business startups during the period, increased outsourcing of existing businesses and market share gains. This all bodes well for improvement in Paychex’s second half financial results. Paychex’s financial position remains strong with cash and corporate investments of \$952 million, long-term debt of \$797 million and shareholders’ equity of \$2,779 million. Free cash flow declined 28% during the quarter to \$194 million due primarily to the lower earnings. During the quarter, the company paid \$223 million in dividends and repurchased \$29 million of its common shares. Paychex has seen half of the jobs it serves come back from the pandemic lows and expects steady and gradual improvement through the fiscal 2021 year. Paychex raised their guidance for fiscal 2021 with total revenue expected to decline 2% to 4% for the year with adjusted EPS expected to decline 6%-8%.



Ross Stores-ROST terminated its \$500 million revolving credit facility as it's not needed. In addition, the company says it has repaid in full the amounts it had borrowed under its \$800 million unsecured revolving credit facility.

Alphabet

Alphabet's-GOGL self-driving unit, Waymo, is opening its driverless service to the general public in the Phoenix, Arizona area. The robo-taxi service can be hailed through an app which can be downloaded from Google Play or Apple's App Store.



Gentex-GNTX is partnering with RetiSpec to engineer, manufacture and commercialize technology for the early detection of Alzheimer's disease. RetiSpec is an artificial intelligence (AI) medical imaging company developing tools for the early detection of disease biomarkers in the eye. By harnessing hyperspectral imagery, RetiSpec's patented technology allows for the rapid, simple and cost-effective identification of Alzheimer's biomarkers years before the emergence of clinical symptoms. In preclinical and feasibility studies, the retinal imaging technology was effective in detecting small changes in biomarkers associated with elevated cerebral amyloid beta levels early in the disease process including before the onset of clinical symptoms. Gentex will apply its capabilities in electro-optics and digital vision to build on RetiSpec's technology and global IP portfolio in its pursuit of commercializing early and accessible Alzheimer's detection.

Johnson & Johnson

Johnson & Johnson-JNJ announced the European Commission (EC) has approved an Advance Purchase Agreement in which the Janssen Pharmaceutical Companies will supply 200 million doses of its COVID-19 vaccine candidate to EU Member States following approval or authorization from regulators. The EU Member States also have the option to secure up to 200 million additional doses. Separate to the agreement with the EC, as part of the Company's larger commitment to respond to the COVID-19 pandemic, Johnson & Johnson has also announced to allocate up to 500 million vaccine doses toward international efforts to ensure access for lower income countries, with delivery beginning mid-next year following approval or authorization from regulators. Recognizing the unique global demand for COVID-19 vaccines, JNJ is working tirelessly to further expand the number of available doses.

During the past century, innovative technology and advances in healthcare have driven economic growth, raised wages and helped Americans lead longer and healthier lives. This week's **HI**-quality news reminds us that these trends remain firmly in place. Amid all the challenges of 2020, one can't help but marvel over Google's technology that is enabling driverless vehicles; Gentex's electro-optics and digital vision which enables early Alzheimer's detection in order to help treat this devastating condition; and Johnson & Johnson's warp speed of developing a COVID-19 vaccine which may be distributed in 2021 on a global basis as the company ramps up producing more than a billion doses. If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

Ingrid R. Hendershot, CFA
President