



10-5-20

## WEEKLY UPDATE

### *Economic and Market Performance*

MARKET INDEX	CLOSE 10-2-20	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
<b>DJIA</b>	27,682.81	1.9%	-3.0%
<b>S&amp;P 500</b>	3,348.44	1.5%	+3.6%
<b>NASDAQ</b>	11,075.02	1.5%	+23.4%

The U.S. economy saw another 661,000 jobs added back in September and a modest improvement in the unemployment rate to 7.9%. Even as the US economy brings back some workers, an increasing number of Americans have found their layoffs to be permanent. The number of permanent job losers jumped by 345,000 to 3.8 million in September, with this number having increased by 2.5 million since February.

The U.S. economy saw another historically high number of first-time unemployment insurance claims filed last week due to the coronavirus pandemic as another 837,000 individuals filed new jobless claims. A wave of new layoffs from major corporations looms as Disney said it would slash 28,000 jobs in its resort business. Shell plans to cut up to 9,000 positions by the end of 2022 and airlines, including American Airlines and United Airlines Holdings, are moving forward with a collective 32,000 job cuts.

"We want to get back to maximum employment as soon as possible," New York Fed President John Williams said, adding that the economy would be strong and close to full employment "in about three years' time."

Personal income declined 2.7% month-over-month in August. The expiration of enhanced unemployment benefits helps explain the big drop in personal income. Personal spending increased 1.0%, which indicates consumers appear to be spending more out of savings now.

However, U.S. consumer confidence rebounded more quickly in September than most economists had expected. The consumer confidence index rose sharply to a reading of 101.8, up from 86.3 in August, largely due to a more favorable view on current business conditions. That is the highest figure since the COVID-19 pandemic took hold in March but still significantly below February's reading of 132.6.

The ISM Manufacturing Index for September came in at 55.4% versus 56.0% in August. The dividing line between expansion and contraction is 50.0%, so the September reading suggests there was a continued expansion in manufacturing activity, but at a slightly slower pace than the month before. The manufacturing sector continues to recover after its sharp downturn in the April-May period when the index was running at 41.5% and 43.1%, respectively.

The stock market declined on Friday on news that President Trump and the First Lady tested positive for the coronavirus. For the week, the Dow rose 1.9%, and the S&P 500 and NASDAQ each increased 1.5% on hopes of additional fiscal stimulus.

## Hi-Quality Company News



**PepsiCo-PEP** reported third quarter revenues rose 5% with net income up 9% and EPS popping 11% higher to \$1.65. These results reflect the continued strength of the company's global snacks and food businesses, which delivered 6% organic revenue growth, and a significant improvement in the global beverages business with 3% organic revenue growth. Both Frito-Lay and Quaker Foods continued to deliver robust growth as at-home consumption trends have remained strong. Management expects these trends to continue in 2021 as remote working and more flexible work schedules will likely result in more breakfast and lunch consumption at home. Free cash flow increased 30% during the first nine months of the year to \$4 billion with the company paying \$4.1 billion in dividends and repurchasing \$1.5 billion of its common shares year-to-date. For the full 2020 year, management raised their revenue and earnings outlook with organic revenue growth expected to be about 4% with core EPS of about \$5.50. The company is expected to generate \$6 billion in free cash flow with capital expenditures expected to be about \$1 billion lower than originally expected due to more efficient capital spending. For the full year, PepsiCo expects to return \$7.5 billion to shareholders, comprised of \$5.5 billion in dividends and \$2 billion in share repurchases.



**Starbucks-SBUX** announced that its Board of Directors approved a 10% increase in the Company's quarterly cash dividend. The quarterly cash dividend will increase from \$0.41 to \$0.45 per share and will be effective with the dividend payment to be distributed on November 27, 2020, to shareholders of record on November 12, 2020. This increase raises the Company's annual dividend rate to \$1.80 per share. "The Board's decision to raise our quarterly dividend demonstrates confidence in the strength of our recovery and the robustness of our long-term growth model," said Kevin Johnson, Starbucks president and CEO. "Our cash flow generation is strong, and we remain committed to reducing our financial leverage while continuing to invest for future growth," concluded Johnson. Starbucks initiated its dividend in 2010 and has increased it in each of the past 10 years.

### Alphabet

**Alphabet's Google-GOOG** plans to pay \$1 billion to publishers globally for their content over the next three years with a product called Google News Showcase. Google will pay publishers to create and curate high-quality content for a different kind of online news experience.



**UnitedHealthcare-UNH** is the only company to offer Medicare plans with the AARP name. UnitedHealthcare serves nearly one in five people in the Medicare program through its portfolio of plans. This includes approximately 4.5 million through its Medicare Supplement plans. In 2021, people with eligible UnitedHealthcare Medicare Supplement plans across 35 states will have access to a variety of value-added programs and features offered at no additional cost, including a nationwide dental discount program with no waiting periods or annual limits, a hearing aid discount program; 24/7 nurse line; Renew Active by UnitedHealthcare, which offers access to an extensive network of participating gyms and fitness locations as well as access to AARP Staying Sharp® online brain health program; and an AARP Smart Driver™ course – an online or in-person driving refresher course that may allow for reduced insurance premiums. UnitedHealthcare also serves approximately 4.1 million people through its stand-alone Part D prescription drug plans, including the AARP® MedicareRx Walgreens (PDP) plan, which offers \$0 tier 1 copays at more than 9,200 Walgreens and Duane Reade locations.



General Dynamics Land Systems (GDLS), a business unit of **General Dynamics-GD**, was awarded a \$1.219 billion contract to produce, test and deliver Interim Maneuver Short-Range Air Defense (IM-SHORAD) systems to the

U.S. Army. The Army's initial order on the contract calls for 28 Stryker IM-SHORAD vehicles for \$230 million with an estimated completion date of September 30, 2025.



Private sector employment increased by 749,000 jobs from August to September according to the September ADP National Employment Report®. "The labor market continues to recover gradually. In September, the majority of sectors and company sizes experienced gains with trade, transportation, utilities and manufacturing leading the way. However, small businesses continued to demonstrate slower growth," said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute.

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We are preparing your third quarter reports which you should receive shortly. If you have any questions, please let us know.

Sincerely,

*Ingrid R. Hendershot*

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President