



3-25-2024

WEEKLY UPDATE

Market Performance

MARKET INDEX	CLOSE 03/22/2024	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	39,475.90	+2.0%	+4.7%
S&P 500	5,234.18	+2.3%	+9.7%
NASDAQ	16,428.82	+2.9%	+9.4%

The Federal Reserve left interest rates unchanged last week but signaled future interest rate cuts in 2024. Mr. Market applauded with the Dow Jones rising 2.0%, the S&P 500 gaining 2.3% and the NASDAQ jumping 2.9%.

Economic Releases

First-time claims for state unemployment benefits—a proxy for layoffs—declined 2,000 to 210,000 for the week ended March 16 while continuing claims—a proxy for the number of people with ongoing unemployment benefits—increased by 4,000 to 1.8 million from the previous week. The labor market overall remains in good shape.

Housing starts increased 10.7% month-over-month to a seasonally adjusted annual rate of 1.521 million as weather improved from cold weather in January. Building permits increased 1.9% month-over-month to a seasonally adjusted annual rate of 1.518 million.

Existing home sales increased 9.5% month-over-month in February to a seasonally adjusted annual rate of 4.38 million from four million in January. This was the sharpest increase in a year, though sales were still down 3.3% from the same period a year ago. The overall pace of sales approached the 2023 peak (4.55 million) that was reached last February, even though the average 30-yr mortgage rate has increased by about 50 basis points since that time, which suggests that the market is holding up relatively well in the face of elevated mortgage rates. The median existing home price for all housing types increased 5.7% year-over-year to \$384,500, the eighth consecutive month of year-over-year price increases.

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 as valuations appear attractive and cash is available:



Nike-NKE reported fiscal third quarter revenues were up slightly to \$12.4 billion with net income trotting 5% lower to \$1.2 billion and EPS down 3% to \$.77, reflecting restructuring charges of \$.21 per share. Nike Direct revenues were up slightly to \$5.4 billion while wholesale revenues increased 3% to \$6.6 billion. On a geographic basis, Nike brand sales increased 3% in North America to \$5.1 billion; 5% in Greater China to \$2.1 billion; 3% in Asia Pacific and Latin America to \$1.6 billion; which were partially offset by a 4% decline in EMEA to \$3.1 billion during the quarter. Converse sales declined 20% to \$495 million during the quarter. **Gross margin during the quarter expanded 150 basis points to 44.8% primarily driven by strategic pricing actions and**

lower ocean freight and logistics costs. Inventories declined a healthy 13% during the quarter to \$7.7 billion with weeks of supply at the lowest level since the pandemic. During the quarter, Nike paid dividends of \$562 million, an increase of 6% from the prior year, and repurchased 7.9 million of its shares for \$866 million. The company has \$10 billion remaining authorized for future share repurchases. In other news, the German soccer federation announced a deal for Nike to supply all of Germany's national teams with its apparel and equipment from 2027 to 2034. Nike expects sales to increase about 1% for the full-year fiscal 2024, as the company continues its restructuring efforts. **In fiscal 2025, Nike expects sales and earnings to grow with operating margins expanding, excluding restructuring charges, although the first half is expected to see sales decline in the low single-digit range as the company transitions to new brands.** Footwear products introduced over the past several quarters are on track to generate a multi-billion dollar run rate on an annual basis. The Olympics this summer will also enable Nike to showcase its new products.

FACTSET

FactSet-FDS reported fiscal 2024 second quarter revenues increased 6% to \$545.95 million with net income up 7.1% to \$140.9 million and EPS up 8.0% to \$3.65. Revenue growth during the quarter was driven by asset owners, corporates, hedge funds and private equity and venture capital clients. **Key operational metrics during the quarter include greater than 95% ASV (annual subscription value) retention and 90% client retention, an 11% increase in user count to 206,478 and a 4% increase in client count to 8,020.** Annual subscription growth plus professional services grew 5.4% to \$2.21 billion on the heels of robust demand for FactSet's financial data and analytics services. Net cash provided by operating activities decreased 13% to \$143.8 million during the second quarter of fiscal 2024, primarily due to the timing of remitted payroll taxes related to employee stock compensation as well as income tax payments made in the period. Quarterly free cash flow decreased 17% to \$121.9 million, compressed by a decrease in net cash provided by operating activities and higher capital expenditures. During the quarter, FactSet repurchased 113,050 shares for \$52.3 million at an average cost per share of \$462.23, leaving \$188 million remaining under the current share repurchase program. **During the first half of fiscal 2024, FactSet returned \$186.3 million to shareholders through dividends of \$74.1 million and share purchases of \$112.2 million. Given challenging market conditions that have caused customers to reduce headcount and delay decision-making for expenditures, FactSet now expects finishing fiscal 2024 at the bottom range of its previous guidance. Revenues are now expected in the range of \$2.2 billion to \$2.21 billion with EPS in the range of \$13.95 to \$14.35.**



Accenture-ACN reported fiscal second quarter revenues of \$15.8 billion, relatively flat with last year. Consulting revenues decreased 3% to \$8.0 billion and managed services revenues increased 3% to \$7.8 billion. **Net income and EPS each increased 10% during the quarter to \$1.7 billion and \$2.63, respectively,** as the operating margin expanded 70 basis points to 13%. New bookings during the quarter dipped 2% to \$21.6 billion, although still represented the company's second highest level of new bookings with a book-to-bill ratio of 1.4. The company had a record 39 clients with quarterly bookings over \$100 million. **Generative AI new bookings exceeded \$600 million during the quarter and \$1.1 billion during the first half of the fiscal year.** Free cash flow declined 8% during the first half to \$2.4 billion with **the company paying \$1.6 billion in dividends, a 15% increase over last year, and repurchasing \$2.5 billion of its stock.** Accenture has \$4.6 billion remaining authorized for future share repurchases. Accenture has made 23 acquisitions during the first half of the year for \$2.9 billion to serve the needs of its clients and expand its growth opportunities. **Given an uncertain geopolitical and macro environment, Accenture's clients are delaying decision making on their technology spending. As a result, the company lowered its financial outlook for fiscal 2024 and now expects revenue growth in the range of 1% to 3%, compared to 2% to 5% previously with EPS now expected to increase 6% to 8% in the range of \$11.41 to \$11.64, compared to \$11.41 to \$11.76 previously. The company continues to expect free cash flow in the range of \$8.7 billion to \$9.3 billion with the company expecting to return at least \$7.7 billion in cash to shareholders through dividends and share repurchases.**



Raytheon-RTX was awarded a \$1.2 billion contract to supply Germany with Patriot® air and missile defense systems. These systems will augment Germany's existing air defense infrastructure with additional Patriot equipment.



In an antitrust complaint, the U.S. Department of Justice sued Apple-AAPL, accusing the company of an illegal monopoly on smartphones. The Justice Department alleges that Apple uses its market power to prevent competitors from offering innovative services such as digital wallets and limited the functionality of hardware products that compete with Apple's own devices. The suit also claims that Apple makes it difficult for users to switch to devices that don't use Apple's operating system, such as Android smartphones. **Apple said it plans to vigorously defend against the lawsuit.** "This lawsuit threatens who we are and the principles that set Apple products apart in fiercely competitive markets," an Apple spokesman said in a statement. "If successful, it would hinder our ability to create the kind of technology people expect from Apple—where hardware, software, and services intersect."

As the Federal Reserve signaled it is on track to cut interest rates for the first time since the onset of the pandemic, the stock market set new record highs last week with the S&P 500 topping 5,200. Corporate profits will benefit from lower interest rates. The Fed kept their outlook for three cuts in 2024 and moved toward slowing the pace of reducing their bond holdings, despite a recent uptick in inflation. While Jerome Powell continued to highlight the Fed would like to see more evidence that prices are coming down, he also said it will be appropriate to start easing "at some point this year."

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot, CFA
President