



9-14-20

WEEKLY UPDATE

Economic and Market Performance

| MARKET INDEX | CLOSE 9-11-20 | WEEK GAIN/LOSS | Y-T-D GAIN/LOSS |
|--------------------|------------------|-------------------|--------------------|
| DJIA | 27,665.64 | -1.7% | -3.1% |
| S&P 500 | 3,340.97 | -2.5% | +3.4% |
| NASDAQ | 10,853.54 | -4.1% | +21.0% |

Another 884,000 Americans filed for first-time unemployment insurance benefits last week, matching the previous week's level. Continuing claims for the week ended August 29 were 13.4 million.

The consumer-price index (CPI) increased 0.4% during August with total CPI up 1.3% year over year. The largest increase in the CPI in August was for used cars and trucks, up 5.4%, representing the biggest increase since 1969. As more people seek to avoid public transportation, the demand for used cars has risen during the pandemic.

The annual inflation rate is still running well below the 2% target of the Federal Reserve. In late August, Fed Chairman Jerome Powell revealed a shift in central-bank policy toward average inflation targeting. The Fed will now allow inflation to rise above the central bank's 2% target for extended periods of time. This means the Fed might no longer raise rates proactively to stave off expected inflation just because unemployment drops.

Last week, the markets continued to decline amid continued volatility with the Dow down 1.7%, the S&P 500 falling 2.5% and the NASDAQ giving back 4.1%.

HI-Quality Company News



Oracle Corporation-ORCL reported fiscal 2021 first quarter sales increased 2% to \$9.4 billion with net earnings increasing 5% to \$2.3 billion and EPS increasing 14% to \$0.72. Cloud services and license support revenues, which accounted for 74% of total revenues, increased 2% to \$6.9 billion. Cloud applications businesses continued growing rapidly with Fusion ERP up 33% and NetSuite ERP up 23%. Oracle now boasts 7,300 Fusion ERP customers and 23,000 NetSuite ERP customers in the Oracle Cloud. Oracle's cloud infrastructure businesses also continued growing rapidly with revenue from Zoom more than doubling during the quarter. Cloud license and on-premise license revenues, which represented 9% of total sales, increased 9% to \$886 million. Hardware sales, also 9% of total sales, dipped slightly from last year to \$814 million and Services sales, 8% of the total, fell 8% to \$720 million. Operating margins increased 300 basis points to 34% on lower expenses. Oracle generated \$5.5 billion in free cash flow during the quarter, down 2% from last year on a 13% jump in capital expenditures as the company continues to build out its global cloud infrastructure. The company returned \$5.7 billion to shareholders during the quarter through dividends of \$730 million and share repurchases of \$5 billion. During the past 12 months, Oracle repurchased \$19.2 billion of its common stock and during the past decade, the company has reduced its shares outstanding by 40%. The company ended the quarter with more than \$42 billion in cash and marketable securities, \$68 billion in long-term debt and \$10 billion in shareholders' equity. Looking ahead to the fiscal second quarter, revenues are expected to be flat to up 2% with EPS up 10% to 14% to between \$0.98 and \$1.02.



Biogen-BIIB announced new data underscoring the efficacy and safety of its broad, industry-leading portfolio of multiple sclerosis (MS) therapies. “We at Biogen are proud of our commitment to addressing both the urgent and long-term challenges facing people living with MS,” said Maha Radhakrishnan, M.D., Chief Medical Officer at Biogen. “The data we are presenting at ACTRIMS-ECTRIMS highlight the improved outcomes that our broad MS portfolio has continued to provide for people with relapsing forms of MS, regardless of where they are in their treatment journey, as well as our ongoing investment in research and development to identify potentially effective drug candidates.”



T. Rowe Price Group-TROW reported preliminary month-end assets under management of \$1.34 trillion as of August 31, 2020, representing an 11% increase from year end.



Mastercard-MA continues to see improvement in card growth rates, in part due to further relaxation of social distancing measures in several markets, partially offset by the expiration of elevated unemployment benefits in the United States. They are seeing continued improvement in travel and entertainment related categories such as lodging, restaurants, auto rental and gas. Volume growth rates, excluding travel and entertainment, are now like what was seen before the pandemic in Q4 2019, thereby highlighting the impact of the pandemic on the travel and entertainment sector. From a geographic perspective, all regions outside the United States have improved from July to August. There are now countries showing positive year-over-year growth rates in each region, including Brazil, United Arab Emirates and South Africa.

After gaining 75.7% from its March 23 low through a record high of 12,056 on September 2, the tech-led NASDAQ Composite Index fell 10% to 10,847.69 over three trading days, its swiftest correction on record. The reason why is high valuations and increased volatility due to option and momentum trading. A few select technology companies, including **Apple**, **Alphabet**, Amazon, **Microsoft** and **Facebook**, have been leading the charge this year with most still trading at lofty levels despite the correction. These five companies represent nearly 25% of the value of the S&P 500 index, a level of concentration rarely seen in this benchmark. While all these companies are terrific businesses, the current valuations still appear too high for most of them. We have pocketed hefty profits on Apple, Microsoft and Facebook by trimming our positions in these stocks, which has reduced our exposure to a sector of the market that may pull back further.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

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President