



12-7-20

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 12-4-20	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	30,218.26	+1.0%	+5.9%
S&P 500	3,699.12	+1.7%	+14.5%
NASDAQ	12,464.23	+2.1%	+38.9%

The Department of Labor reported 712,000 initial job claims last week. Continuing claims came in at 5.552 million for the week ended November 21. New weekly jobless claims fell more than expected last week even as states reimpose stay-in-place restrictions throughout November amid a resurgence in COVID-19 cases. In November alone, new COVID-19 cases topped 4 million, more than doubling the record from October. The U.S. economy added back 245,000 jobs in November, the fewest in seven months, as the pandemic surged while businesses wait for a vaccine to be distributed. The unemployment rate fell to 6.7% from 6.9% in October.

Federal Reserve Chairman Jerome Powell warned that the economic outlook remains “extraordinarily uncertain” as coronavirus infections accelerate until vaccines become widely available.

The ISM Manufacturing Index slipped to 57.5% in November from 59.3% in October with manufacturing activity slowing. The ISM Non-Manufacturing Index slipped to 55.9% in November from 56.6% in October, which reflects a slightly slower pace of expansion in the services sector.

For the week, the stock market again hit record highs with the Dow rising 1.0%, the S&P 500 gaining 1.7% and NASDAQ jumping 2.1% as weak jobs data led hope for additional fiscal stimulus.

HI-Quality Company News



Ulta Beauty-ULTA reported third quarter sales declined 8% to \$1.6 billion with net income declining 42% to \$74.8 million and EPS declining 41% to \$1.32. Third quarter results include an impairment charge related to the suspension of Ulta Beauty’s Canadian expansion plans as management refocuses its efforts on strengthening U.S. operations, a decision that resulted in an \$18 million (or \$0.32 per share) reduction in net income. Comparative store sales (stores open at least 14 months, including stores temporarily closed due to COVID-19 and e-commerce sales) declined 7.8% with transactions declining 15.4% and average ticket increasing 7.6%. By category: Cosmetics accounted for 45% of sales, down 600 basis points from last year; Skincare, Bath and Fragrance accounted for 26% of sales, up 500 basis points; Hair Care Products and Tools accounted for 21% of sales, up 300 basis points and Services accounted for 4% of sales, down 200 basis points from last year. During the first nine months of 2020, Ulta generated \$142 million in free cash flow, down 45% from last year due to the drop in net income. The company ended the quarter with \$507 million in cash, \$1.7 billion in long-term lease obligations, no long-term debt and \$1.9 billion in shareholders’ equity. With all the uncertainty surrounding COVID-19, management suspended guidance. However, encouraging holiday trends in November led the company to increase sales expectations with comparable sales now expected to decline in the range of 12% to 14% from last year.



3M-MMM is taking further actions to streamline operations, positioning the company to deliver greater growth and productivity as global markets emerge from the pandemic. As a result, 3M updated its 2020 outlook expecting restructuring charges of between \$250 million and \$350 million with \$120 million to \$150 million expected to be paid during this current quarter. The remainder of the pre-tax charge is currently anticipated to be incurred primarily in the second half of 2021. The moves will likely result in annual pre-tax savings of between \$200 million to \$250 million each year. As part of the restructuring plan, 3M will eliminate approximately 2,900 jobs globally in 2021.



UnitedHealth Group-UNH updated its outlook for 2020 with revenues expected to approximate \$257 billion and net earnings to approach \$15.90 per share. UnitedHealth Group's initial 2021 outlook is for revenues of \$277 billion to \$280 billion, representing growth of 8%-9%, and net earnings of \$16.90 to \$17.40 per share, representing growth of 6% to 9%. Strong revenue growth will be mainly driven by the Optum business segment, which is expected to generate double-digit growth in 2021. These figures include approximately \$1.80 per share in potential net unfavorable impact to accommodate continuing COVID-19 effects, such as treatment and testing costs; the residual impact of people deferring care in 2020; and unemployment and other economic-driven factors. Cash flows from operations are expected to range from \$20 billion to \$21 billion in 2021. Thanks to the strong cash flows, UnitedHealth plans to pay \$5 billion in dividends in 2021 and repurchase \$4.5 billion to \$5.5 billion of its common stock during the year. Management reaffirmed its long-term goal of 13% to 16% annual growth in EPS.

In other news, UnitedHealth Group and Eli Lilly announced a partnership to conduct a pragmatic study of bamlanivimab in high-risk, COVID-19 infected individuals. Bamlanivimab recently received Emergency Use Authorization (EUA) by the U.S. Food and Drug Administration for the treatment of mild to moderate COVID-19 patients who are at high risk for progressing to severe COVID-19 and/or hospitalization. The study will identify and treat a large, diverse population of high-risk individuals for COVID-19 with bamlanivimab under real-world conditions with a goal of reducing the severity of illness and hospitalizations. It will draw upon both UnitedHealth Group's UnitedHealthcare health benefits business as well as its Optum health services business to detect and treat high-risk symptomatic patients who test positive for COVID-19, including daily symptom tracking, in-home SARS-CoV-2 testing and in-home infusion services. Delivering bamlanivimab to patients through home infusions allows them to stay quarantined and at home, minimizing the potential spread of COVID-19.



Stryker-SYK increased its quarterly dividend 9.6% to \$.63 per share thanks to solid financial results in a challenging environment.



Facebook-FB reached an agreement to acquire Kustomer, a top-rated CRM that enables businesses to effectively manage all customer interactions across channels. The goal with Kustomer is to give businesses access to best-in-class tools that deliver excellent service and support. Terms were not disclosed although reports suggest the transaction value may approximate \$1 billion.



Raytheon Technologies-RTX was awarded a \$642,000,000 Navy contract that provides for the procurement of performance-based logistics activities in support of the F-35 Lightning II F135 propulsion system. Work will be performed in various locations, including East Hartford, Connecticut, and is expected to be completed in November 2021.

Gentex-GNTX and PayByCar, Inc. announced a commercial agreement that will allow an increasing number of drivers to pay for gas and other essentials directly from their vehicle. The companies are working to ensure compatibility between Gentex's Integrated Toll Module® (ITM®), and PayByCar™, an innovative payment solution that allows drivers to use their smartphone and toll transponder to fuel up at certain gas stations without using cash or a credit card. PayByCar uses the driver's toll transponder to identify the vehicle upon entering a participating gas station. The system immediately sends a text message to the driver, who replies with the appropriate pump number. PayByCar then turns on the pump, registers the transaction, charges the driver's credit card, and issues an email receipt.



Intel-INTC and **Google-GOOG** Cloud announced a collaboration to simplify enterprises' ability to adopt and deploy cloud-first business models using their existing on-premise, self-managed hardware.



Canadian National Railway-CNI announced that they set a new grain movement record in November with over 3.12 million metric tons of Canadian grain moved. This is the 8th consecutive month of record grain movement.

It was a November to remember as positive vaccine news drove the stock market sharply higher with the Dow, S&P 500 and Nasdaq all generating double-digit gains for the month. The merriment continued during the first week of December with all three indices setting record highs last Friday. It remains to be seen whether a Santa Claus rally will wrap up the year or whether the Grinch will jealously steal some of the overindulgent gains.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

Ingrid R. Hendershot, CFA
President