



6-29-20

## WEEKLY UPDATE

### *Economic and Market Performance*

MARKET INDEX	CLOSE 6-26-20	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
<b>DJIA</b>	25,015.55	-3.3%	-12.3%
<b>S&amp;P 500</b>	3,009.05	-2.9%	-6.9%
<b>NASDAQ</b>	9,757.22	-1.9%	+8.7%

Another 1.48 million Americans filed for unemployment benefits in the week ending June 20. While last week's report marked 12 consecutive weeks of deceleration, more than 47 million Americans have filed for unemployment insurance over the past 13 weeks.

Consumer spending climbed a record 8.2% in May after tumbling in April, as consumers used government stimulus checks to help deal with job losses during the pandemic. However, personal incomes sank 4.2% last month, reflecting the mass unemployment.

Sales of previously-owned homes in May were down 26.6% compared to last year to an adjusted 3.91 million due to the pandemic. This was the lowest level for existing-home sales since July 2010. By contrast, new home sales jumped 16.6% in May pointing towards a rebound in the housing market. The number of applications for mortgages to purchase homes reached an 11-year high. Research from Realtor.com shows that demand for homes may be much higher in the suburbs and rural areas than in cities.

The International Monetary Fund lowered its global growth forecast for 2020 to -4.9% from -3.0% in April, marking the institution's lowest estimate in the history of its forecasts.

A potential \$1 trillion fiscal stimulus bill is in the works. U.S. Treasury Secretary Steven Mnuchin said that the next stimulus bill will be focused on getting people back to work quickly. White House economic adviser Lawrence Kudlow said tax rebates and direct mail checks are also on the table in the next coronavirus relief bill.

Last week, global equities were under pressure due to spiking U.S. coronavirus cases and concern over trade friction between the U.S. and Europe. Texas and Florida were forced to backtrack on reopening their economies as coronavirus cases rose further and a record number of new cases were reported nationwide.

Last week, the Dow dropped 3.3%, the S&P 500 declined 2.9% and the NASDAQ retreated 1.9%.

### *HI-Quality Company News*



Accenture reported third quarter revenue declined 1% to \$11.0 billion with net income down 1.7% to \$1.2 billion and EPS down 1.5% to \$1.90. The operating margin expanded 10 basis points to 15.6% during the quarter. New bookings increased 4% to \$11 billion with consulting bookings of \$6.2 billion and outsourcing bookings of \$4.8

billion. This was impressive as the world faced health, economic and social challenges during the quarter. There was strong demand for Accenture's digital, cloud and security services in a "remote everything" world with these services making up 70% of new bookings. Accenture expects strong bookings for these services in the fiscal fourth quarter as well. Year-to-date free cash flow increased 12% to \$4.7 billion. During the first nine months of the year, Accenture used its very strong free cash flow to make acquisitions of \$1.3 billion, pay dividends of \$1.5 billion, a 10% increase, and repurchase \$2.33 billion of its common shares at an average price of \$245.26 per share. Accenture has \$1.9 billion authorized for future share repurchases. For the full 2020 fiscal year, Accenture now expects revenue growth in the range of 3.5% to 4.5% with EPS expected in the range of \$7.57 to \$7.70. The company raised its free cash flow outlook range to \$5.8 billion-\$6.3 billion for the full year.

## FACTSET

**FactSet** reported third quarter revenues rose 2.6% to \$374.1 million with net income up 9.7% to \$101.2 million and EPS up 11% to \$2.63. The increase in sales is primarily due to higher sales of analytics, content and technology solutions and wealth management solutions. Annual Subscription Value plus professional services was \$1.52 billion as of quarter end, representing 5% organic growth. This was due to higher sales in FactSet's wealth and research workflow solutions and price increases in the company's international region. FactSet increased its dividend 7% to \$.77 during the quarter, marking the 15th consecutive year of dividend increases. Year-to-date free cash flow increased 4% to \$283.5 million with dividend payments of \$81.4 million and share repurchases of \$171 million. The company expanded its share repurchase program by \$220 million during the quarter and has \$288 million currently authorized for future share repurchases. For the full 2020 fiscal year, FactSet expects revenues in the range of \$1.485 billion and \$1.490 billion with EPS expected in the range of \$9.60 to \$9.80. Despite the challenging environment, FactSet expects to end the fiscal 2020 year on a strong note as they continue to close deals and bring on new clients. The company's strong balance sheet and cash flows provide the company's resilient business model with stability during uncertain times.



**Nike** reported fourth quarter revenues declined 38% to \$6.3 billion with the company reporting a loss of \$790 million. This was due to the majority of Nike-owned and partner stores outside of China being closed because of the COVID-19 pandemic with retail sales coming to a halt. Sales in China returned to growth in the fourth quarter as most of the stores in China reopened. Nike digital sales increased 75% with strong double-digit increases across all geographies thanks to the strong Nike brand. For the full fiscal 2020 year, revenues declined 4% to \$37.4 billion with net income down 37% to \$2.5 billion. Return on shareholders' equity was 31.5% for the year. Nike ended the year with robust cash and short-term investments of \$8.8 billion. Nike has a strong track record of investing to fuel growth and consistently increasing returns to shareholders through dividends and share repurchases including 18 consecutive years of rising dividend payouts. In fiscal 2020, the company returned \$4.5 billion to shareholders including dividends of \$1.5 billion and share repurchases of \$3 billion. The share repurchase program was suspended in March to maximize liquidity during the current environment. Given the continued economic uncertainty, Nike is not providing guidance for fiscal 2021. Management does expect the first fiscal half to continue to show declines in growth compared to the prior year period with the second half expected to show significant growth with the full fiscal 2021 year expected to result in flat to positive revenue growth.



**Mastercard-MA** announced it has entered into an agreement to acquire Finicity, a leading North American provider of real-time access to financial data and insights. The purchase price is \$825 million, and Finicity's existing shareholders have the potential for an earn-out of up to an additional \$160 million, if performance targets are met. As with past acquisitions, Mastercard does not expect this acquisition to be incrementally dilutive to its business for greater than 24 months.



**Cognizant** is providing a team of its life sciences experts to support Verily's Baseline COVID-19 Testing Program to increase individuals' access to test scheduling. Verily is a unit of **Alphabet-GOOGLE**. The Baseline COVID-19 Testing Program is a connected solution that supports individuals through screening, testing, and receiving results safely and quickly. The program is in operation at more than 140 testing sites across 13 states and has supported the administration of more than 284,000 COVID-19 tests. Plans are also in place to continue to expand testing locations nationally.



**Apple-AAPL** announced new updates to its operating system by introducing iOS 14 which will allow users to organize apps into an App Library; provide more accessible widgets that can be placed on the home screen; bring picture-in-picture to iPhone; add in-line replies and mentions to messages; introduce a new language translation app; provide maps which will track electric car charging and tell you where you need to go to charge up; and support cars to unlock and start the car with the iPhone. Apple also introduced App Clips that will allow you to tap on apps for food delivery, parking payments, and other items. Apple also previewed watchOS 7, delivering enhanced customization tools and new health and fitness features to the advanced smartwatch, including new watch faces, sleep tracking, automatic handwashing detection, additional workout types including dance, and a new hearing health feature.



**Walgreens-WBA** announced the company is resuming immunization services with additional safety measures in place for pharmacy team members and patients. The changes follow recently updated U.S. Centers for Disease Control and Prevention (CDC) guidelines and come ahead of flu season, which health officials warn may coincide with a second wave of COVID-19. Walgreens pharmacists have a history of providing immunizations to patients in communities across the country, having administered more than 60 million vaccines in the U.S. since 2010.



**Raytheon Technologies** received a \$2.3 billion US Missile Defense Agency contract for seven GaN-based AN/TPY-2 radars as part of the Terminal High Altitude Area Defense (THAAD) system, which is designed to protect against incoming ballistic missile threats. The contract is part of a foreign military sale to the Kingdom of Saudi Arabia.

If you have any questions, please let us know.

Sincerely,

*Ingrid R. Hendershot*

Ingrid R. Hendershot, CFA  
President