



7-12-21

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 7-9-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	34,870.16	+0.2%	+13.9%
S&P 500	4,369.55	+0.4%	+16.3%
NASDAQ	14,701.92	+0.4%	+14.1%

For the week ending July 3, initial unemployment claims increased 2,000 to 373,000. Continuing claims for the week ending June 26 decreased by 145,000 to 3.339 million -- the lowest since March 21, 2020. The four-week moving average for initial claims (394,500) is at its lowest level since March 14, 2020. That's still too high, yet the trend remains encouraging.

The ISM Non-Manufacturing Index for June decreased to 60.1% from a record-high 64.0% in May. The June reading marks the thirteenth straight month of growth for the services sector. The services sector activity is still running at a fast pace, although it has moderated since May with some of the slowdown driven by services companies experiencing difficulties with employee turnover and finding qualified candidates.

Consumer credit increased by \$35.3 billion in May after increasing an upwardly revised \$20.0 billion in April. The expansion in consumer credit in May was the largest since December 2010.

During the past holiday-shortened week, the stock market enjoyed fireworks as all three major indices hit record highs with the Dow rising 0.2% and the S&P 500 and the NASDAQ each gaining 0.4%.

HI-Quality Company News



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In addition to announcing its regular quarterly dividend of \$.66 per share, **Paychex-PAYX** also announced a **new \$400 million share repurchase authorization**. "At Paychex, we take great pride in the company's history of providing exceptional shareholder value. Today's dividend and stock repurchase announcement are an illustration of that commitment and positions us to continue to make strategic investments in the long-term growth of Paychex," said Martin Mucci, Paychex president and CEO. In fiscal 2021, Paychex returned \$909 million in dividends, or 83% of net income, to shareholders.



REGENERON

Regeneron Pharmaceuticals-REGN announced that scientists from the Regeneron Genetics Center® (RGC) have discovered rare genetic mutations in the GPR75 gene associated with **protection against obesity**. As reported in Science, almost 650,000 people were sequenced to find rare individuals with this genetic 'superpower,' providing new insights into the genetic basis of obesity. Potential therapeutics mimicking these

genetic superpowers are being developed at Regeneron, utilizing its VelocImmune technologies and novel technologies from collaborators such as Alnylam Pharmaceuticals, Inc. It is estimated that more than one billion people could be suffering from obesity (body mass index [BMI] of 30 or higher) by 2030. Working with research collaborators, RGC scientists found that individuals who have at least one inactive copy of the GPR75 gene have lower BMI and, on average, tend to weigh about 12 pounds less and face a 54% lower risk of obesity than those without the mutation. Protective 'loss of function' mutations were found in about one of every 3,000 people sequenced. "Discovering protective genetic superpowers, such as in GPR75, provides hope in combating global health challenges as complex and prevalent as obesity," said George D. Yancopoulos, M.D., Ph.D., President and Chief Scientific Officer at Regeneron. "Discovery of protective mutations – many of which have been made by the Regeneron Genetics Center in its eight-year history – will allow us to unlock the full potential of genetic medicine by instructing on where to deploy cutting-edge approaches like gene-editing, gene-silencing and viral vector technologies."



Walgreens Boots Alliance-WBA reported third quarter sales rose 12.1% to \$34 billion with the company swinging to a \$1.2 billion profit and EPS of \$1.27 compared to a loss in the prior year period, which included a \$2 billion non-cash impairment charge related to goodwill and intangible assets in Boots UK. Sales growth during the quarter reflected strong growth in the International segment, aided by the formation of the company's joint venture in Germany, and solid growth in the United States segment. Profitability improved across both the pharmacy and retail segments in the United States and a rebound in the International segment due to less severe Covid-19 restrictions in the UK. **Free cash flow increased 36% during the first nine months to \$3.3 billion** with the company paying \$1.2 billion in dividends. During the quarter, WBA completed the divestiture of the Alliance Healthcare businesses and used a portion of the \$6.275 billion in cash to pay off \$3.3 billion of debt and will deploy the remainder to accelerate growth. The company raised fiscal 2021 EPS guidance from mid-to-single growth to around 10% growth in constant currency reflecting the strong results in the third quarter and greater clarity on the impact of COVID-19 vaccinations. Walgreens has administered more than 25 million COVID-19 vaccinations to date.

FACTSET

FactSet-FDS reported third quarter revenue rose 7% to \$399.6 million with net income and EPS each dipping less than 1% to \$100.7 million and \$2.62, respectively. The increase in revenue was due to higher sales of analytics and content and technology solutions. Annual Subscription Value (ASV) plus professional services was \$1.6 billion as of 5/31/21. Annual ASV retention was greater than 95%. Client count during the quarter increased 69 to 6,172 with user count up 1,649 to 155,004. Operating margin declined to 29.5% compared with 32.5% in the prior year period because of higher spending for the company's multi-year investment plan as well as increased performance-based compensation reflecting the acceleration in ASV. Free cash flow year-to-date increased 14% to \$322.8 million with share repurchases of \$172 million and dividend payments of \$87.1 million during the same time. During the third quarter, the company repurchased 178,100 shares of its common stock at an average price of \$323.25 for \$57.6 million with \$292.4 million remaining authorized for future share repurchases. **During the past quarter, the company increased its dividend 6.5%, marking the 22nd consecutive year of dividend increases.** For the full fiscal 2021 year, FactSet expects revenue in the range of \$1.57 billion to \$1.59 billion and EPS in the range of \$10.05 to \$10.45.

During the past week, interest rates unexpectedly tumbled with the 10-year U.S. Treasury Note falling as low as 1.25% despite recent concerns about rising inflation. Some analysts ascribed the drop to technical factors while others worried about further lockdowns due to the Delta variant of the coronavirus which caused Japan to declare a national emergency and prohibit spectators at the Olympics. The Federal Reserve has repeatedly stated it expects inflation to be transitory.

Treasury yields play an important role in the economy, affecting borrowing costs on everything from mortgages to corporate bonds. Longer-term yields also serve as an economic barometer with rates tending to fall on a weakening growth outlook. Second quarter financial results will begin to be reported this week which may reflect peak growth in this economic cycle as these results lap the weak pandemic results from last year. Stay tuned!

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

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President