

3-15-21

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 3-12-21	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	32,778.64	+4.1%	+7.1%
S&P 500	3,943.34	+2.6%	+5.0%
NASDAQ	13,319.86	+3.1%	+3.3%

New jobless claims fell more than expected last week to 712,000, which was a four-month low with continuing claims dropping to 4.144 million. Increasing vaccines have driven business re-openings, which is allowing hiring to pick up. Still, claims remain well above even the Great Recession-era high of 665,000 weekly claims in March 2009. However, new claims are more than likely to continue dropping into the spring and summer, assuming the vaccine rollout and improving COVID-19 case counts extend into the coming months.

The total Consumer Price Index (CPI) increased 0.4% in February, as expected with year-over-year CPI up 1.7%. The report kept inflation concerns in check for now, but many expect inflation to increase in coming months. Inflation is building in the Producer Price Index (PPI). The Producer Price Index for final demand increased 0.5% in February. On a year-over-year basis, the Producer Price Index for final demand was up 2.8%.

Because of inflation concerns, the benchmark 10-year Treasury yield added nearly 10 basis points to reach a more than one-year high of 1.6%. This marked a rise of about 50 basis points from levels from one month ago. The rapid rise in rates earlier this month has sparked volatility across many tech stocks, with expectations of higher rates and borrowing costs weighing on the valuations of growth companies.

President Joe Biden signed the \$1.9 trillion stimulus bill into law last Thursday, commemorating the one-year anniversary of a U.S. lockdown over the coronavirus pandemic with a measure designed to bring relief to Americans and boost the economy.

The preliminary University of Michigan Index of Consumer Sentiment for March increased to 83.0 from the final reading of 76.8 for February. The March reading is the highest since August 2020 as improvement was driven by gains across all socioeconomic subgroups and stemmed from optimism about the increasing number of vaccinations and the passage of the \$1.9 trillion fiscal stimulus package.

During the past week, the stock market celebrated the \$1.9 trillion fiscal stimulus bill and rising vaccinations with the Dow jumping 4.1%, the S&P 500 rising 2.6% and the NASDAQ increasing 3.1%.

HI-Quality Company News



Ulta Beauty-ULTA reported fourth quarter revenues declined 4.6% to \$2.2 billion with net income down 23% to \$171.5 million and EPS down 22% to \$3.03. Results were better than expected in the fourth quarter with comparable store sales down 4.8%. Improving trends in consumer demand resulted in improving trends in sales, transactions and profitability. During the fourth quarter, the company opened two new stores and ended the year with 1,264 stores. For the full year, revenues dropped 17% to \$6.2 billion with net income declining 75% to \$175.8 million and EPS falling

74% to \$3.11 as the company was adversely impacted by the pandemic with temporary store closures. Return on equity fell to 8.8% in 2020 due to the lower earnings. Free cash flow declined 18% to \$658.5 million with the company repurchasing \$115 million of its shares outstanding, including 147.8 million shares repurchased in the fourth quarter for \$41.9 million at an average cost of \$283.49 per share. As of 1/31/21, the company had \$1.5 billion remaining authorized for future share repurchases. The company ended the year with \$1 billion in cash, \$1.6 billion in operating lease liabilities and \$2.0 billion in shareholders' equity. For fiscal 2021, the company plans to open 40 net new stores with revenues expected in the range of \$7.2 billion to \$7.3 billion on comparable store sales growth of 15% to 17%. The company expects its operating margin to expand to 9%, driven by gross margin expansion with EPS expected in the range of \$8.85-\$9.30. **The company expects to repurchase \$850 million of its stock in fiscal 2021** with capital expenditures expected in the range of \$200 million to \$250 million. The company also announced its CEO transition plan for fiscal 2021.



Oracle-ORCL reported third quarter revenues increased 3% to \$10.1 billion with net income up 95% to \$5 billion and EPS up 113% to \$1.68. Excluding a one-time tax benefit of \$2.3 billion related to the transfer of assets between subsidiaries, adjusted net income increased 10% to \$3.5 billion and EPS increased 20% to \$1.16. Cloud services and license support revenues increased 5% to \$7.3 billion while Cloud license and on-premise license revenues increased 4% to \$1.3 billion. Oracle's rapidly growing, highly profitable, multi-billion-dollar cloud ERP businesses helped drive subscription revenue, which now accounts for 72% of total revenue, up 5% during the quarter. Cloud ERP subscription revenue included 30% growth of Fusion ERP and 24% growth of NetSuite ERP as Oracle continues to win business from its competitors. Oracle's Gen2 Cloud Infrastructure business grew revenue at a rate in excess of 100%. During the quarter, Oracle repurchased \$4 billion of its shares at an average cost of \$62.50 per share. Trailing twelve-month free cash flow increased 3% to \$12.8 billion and represented 100% of net income. **Oracle's board increased the quarterly dividend by 33% to \$0.24 per share and the share buyback authorization by \$20 billion.** The company ended the quarter with \$35.9 billion in cash and investments, \$64 billion in long-term debt and \$9.6 billion in shareholder equity. Looking ahead to the fourth quarter, Oracle expects revenues to increase 5% to 7%, or 1% to 3% in constant currency, with adjusted earnings expected to increase 7% to 11% to \$1.28 to \$1.32 per share. Fourth quarter capital expenditures are estimated at \$1 billion as the company invests in its infrastructure to alleviate supply constraints.



T. Rowe Price Group-TROW reported preliminary month-end assets under management of \$1.50 trillion as of February 28, 2021, representing a 2.1% increase since year end.

Johnson & Johnson

The United States plans to double its order of the single-shot **Johnson & Johnson-JNJ** coronavirus vaccine, procuring an additional 100 million doses. Merck has agreed to partner with J&J to produce its vaccine.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The very same day, the Dow entered a bear market as the market anticipated how deeply the pandemic would disrupt the world's economy. The market's steep and rapid decline priced in a full global recession with fears of a global depression. However, by March 23, 2020, the Dow bottomed at 18,214 and began to rally with the Dow setting a record high of 32,779 just one year later. Massive monetary and fiscal stimulus, which continues with the most recent \$1.9 trillion fiscal stimulus package, has Mr. Market anticipating a strong economic recovery. On March 11, 2020,

there were roughly 1,200 confirmed cases of COVID-19 in the U.S. Just one year later on March 11, 2021, about 1,200 Americans were vaccinated against COVID-19 **every minute**. As Warren Buffett says, “Never bet against America!”

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

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President