



## Weekend Thoughts 09/24/22

- Information Technology
  - Qualcomm (QCOM)
    - "The car is now connected to the cloud. . .Once you connect the car to the cloud, everything changes. The car becomes a center for services, distribution of content, for new applications. And that is very connected to not only how the car becomes a platform for new services and a new opportunity for the car companies."
- Consumer Discretionary
  - AutoZone (AZO)
    - "We believe inflation is stabilizing. We are seeing transportation costs begin to moderate after reaching historic levels, but we are not seeing product cost deflation yet nor are we seeing any signs that labor wage growth is slowing"
  - Lennar Corporation (LEN)
    - "In addition to the well-documented supply chain constraints and limited workforce slowing production, housing has now been considerably impacted by the more than doubling of mortgage rates over the past months and therefore, the doubling of monthly payment costs and reduction of housing affordability."
    - "We expect to start seeing some easing in labor as the overall industry reduces the level of construction starts. This easing should start to first occur in the fourth quarter with front-end trades and in the first quarter with finished trades."
  - MGM Resorts International (MGM)
    - "business has really never been stronger in Las Vegas than it is right now. In the second quarter, we set all-time records in our Las Vegas properties."
  - Stitch Fix (SFIX)
    - "consumers are telling us they are feeling more cash constrained."
- Consumer Staples
  - Costco (COST)
    - "We've seen minor improvement in a few areas. But all in, pressures from higher commodity prices, higher wages and higher transportation costs and supply chain disruptions. They're still present, but we are seeing just a little light at the end of the tunnel. . . We're seeing some relief on container pricing. Wages are still the higher thing when we talk to our suppliers. And as we all know, wages still seem to be the one thing that's still relatively higher. But overall, some beginnings of some light at the end of that tunnel."
- Financials
  - Bank of America (BAC)
    - "We got a pretty good read on charge-offs from our 90 days past due credit card portfolio and our 30 to 60 bucket and our 5-day bucket. And at this point, we don't see anything alarming in there. . .the underlying core portfolio and the core performance at this point on both consumer and commercial, it's in terrific shape."
- Industrials
  - FedEx Corporation (FDX)
    - "During the first quarter, manufacturing, global trade and consumer spending decelerated, particularly late in the quarter and certainly more than we anticipated."

As a result, our first quarter volumes were lower than we forecasted. Our current expectations for 2022 U.S. GDP growth and U.S. industrial production forecasts have declined by about 100 basis points since June. Data shows that U.S. consumer spending has slowed as inflation remains a challenge. Further, consumption is skewed towards services, demonstrated by the fact that in June, excluding auto, the real retail inventory to sales ratio fully recovered to its pre-pandemic level. From October to June, the real inventory to sales ratio, excluding automotive, increased 14 basis points, which was the fastest gain over an 8-month period in the 25-year history of the series.”

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