



JUNE-JULY 2019
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Life Alert: I am so pleased to be able to tell everyone that I recently celebrated my 91st birthday. I am also pleased to say that I now have been involved in the flooring industry for 64 years. What a wonderful period this has been for me and my family. I thank everyone in the flooring industry who has participated in the great happiness that I have enjoyed.

Flooring Flashes:

1. The **FCIF (Floor Covering Industry Foundation)** a non-profit institution stands ready to help those in the flooring industry who have suffered a major illness and need financial assistance. Contact Andrea Blackburn (ablackbourn@fcif.org) if you need assistance with medical bills, prescriptions, housing, food, etc. due to a life changing event that occurred because of a medical misfortune.
2. The **World Floor Covering Association** has named **Vance Bell**, Chairman and CEO of Shaw Industries, to the industry

Hall of Fame. He will be inducted as the 49th recipient of this honor, on September 19th, during a ceremony celebrating the WFCA's 60th anniversary.

3. The **World Floor Covering Association** has named **Piet Dossche**, founder and originally the owner of US Floors, to the industry Hall of Fame. He will be inducted as the 50th recipient of this honor, at the International Surface Event (TISE) in Las Vegas during Surfaces 2020.

Corporate Results-Flooring Manufacturers & Retailers

1. No major announcements-However, I continue to predict that Carpet, wood, and laminate sales in the U.S. will have a negative sales year, however, LVT and ceramic (including stone) will have very good years which will help the industry achieve a 3% overall increase!

Corporate Results/Builders, Home Centers:

1. **Lowe's** reported a first quarter increased 2.2%. Comp sales in the U.S. increased 4.2%. Net income increased 5.9%. Net income as a percentage of sales was 5.7%.
2. **Home Depot** reported a first quarter sales increase of 5.7%. Comp sales in the U.S. were up 3%. Net income was up 4.5%. Net income as a percentage of sales was 9.5%. Their average sales per square foot was \$435.18 compared to \$412.03 last year, a 5.6% increase.
3. **Hovnanian** reported sales declines for their 2nd quarter and six month period of 12.3% and 10.7% respectively. They suffered a loss for both periods, which was similar to last year. Their backlog in units and dollars were down 6.8% and 5.4% respectively.
4. **Toll Brothers** reported second quarter and six month sale increases of 7.3% and 11% respectively. Net income was up for both periods 8.4% and 7.9% respectively. Backlog

in units and dollars were down 8% and 11% respectively. Average backlog sales price was also down 3%.

Positives Observations:

1. FedEx will deliver packages seven days a week starting in 2020.
2. Mortgage rates dropped below 4% for the first time since early last year.
3. New home sales were up in May 3.5% compared to last year and better than April by 6.7%. **See Exhibit II.**
4. Overall retail sales rose 0.5% in May from a month earlier.
5. Household net worth rose 4.5% in the first quarter of 2019. In the 4th quarter of 2018 household net worth had dropped 3.7%.
6. Employer's added 75,000 jobs in May, and the unemployment rate held steady at 3.6%, a half-century low. **See Exhibit III.**
7. Mortgage refinancing soared in the middle of June due to an unexpected drop in interest rates.

Neutral Observations:

1. Despite the majority of Americans receiving a tax cut, the U.S. pulled in close to \$100B more last year from taxpayers than in 2017.
2. The IRS audited less than 1% of individual tax returns in 2018 making last year the 7th consecutive year with such a low number.
3. Fortune magazine listed the world's greatest leaders. Number one was Melinda and Bill Gates. Surprisingly, number 2 was the Prime Minister of New Zealand, Jacinda Ardern. She is 38 years old, and was recognized for getting near unanimous support for a ban on semi-automatic weapons. Number 3 is a 16-year old climate activist, and fourth was Robert Mueller.
4. A private lunch with Warren Buffet, now costs only \$4.5M.
5. The world's most expensive coffee costs \$75 for a cup. It is California based Klatch Coffee, the only North American chain that sells the rare brew called "Elida Geisha Ntuarl 803". It has already sold out.
6. Countries that do not like American travelers are: Egypt, Jordan, Turkey, Palestinian Territories, Russia, Belarus, Pakistan, Greece, Iran, Lebanon, Austria, Argentina, Slovenia, Tunisia and Germany.

Negative Observations:

1. Existing home sales in April were down compared to February and down compared to last year 4.9%. This was the 15th consecutive month that sales were less than a year ago. **See Exhibit I.**
2. Existing home sales in May were down compared to a year ago by 1.1%. This was the 16th consecutive month that sales were less than a year ago. One slight positive, sales in May were slightly better than April by 2.7%. **See Exhibit I.**
3. The three major stock indexes did not do well in May. The DJIA was down 6.3%, the S&P was down 6.4% and the NASDAQ was down 8.2%. There were 5 consecutive weeks of losses at the end of May in the stock indexes. **See Exhibit IV** for year-to-date results. (I should note that the S&P hit a record high on June 20th). I should also note that June could end up being the best stock price increase in 50 years.
4. The U.S. budget deficit widened to \$310B in the first four months of their fiscal year. It is expected to grow even more due to the tax cuts and increased spending for defense.
5. 69% of CEO's believe a recession will begin by the end of 2019.
6. Sales at several major retail chains, Kohl's, J.C. Penney, Nordstrom, Macy's, Home Depot and Lowe's, slowed in the first quarter.
7. Job cuts in April and May at U.S. based companies jumped an unhealthy 46% and 86%..
8. Durable goods orders tumbled 2.1% in April.

9. Overall enrollment at the nation's colleges and universities declined for the 7th year in a row.

PREDICTION

I am repeating the prediction I made last month, mainly because existing home sales continues to lag behind last year's sales number. "I expect that the balance of 2019 will be challenging for flooring manufacturers and retailers. Wood, laminates and carpet will have a difficult year meeting last year's level of sales. Luxury vinyl tile will be the catalyst that should put the total flooring industry **up approximately 3% to 4% for the entire year**. Total sales will be difficult due to continued poor results in existing housing sales, and longer years that consumers are taking to replace their floors due to the market share switch from soft flooring to hard surface floors."

SUMMARY

Since 2006 not a single new mall has been built. Now there are only 1150 malls left in the U.S. It is estimated that we had 1500 malls at the peak. Economists are predicting that 350 lower-quality malls will close in the near future. Amazon continues to take market share from brick and mortar retail locations. Is this healthy? I don't think so. This will eventually hurt the overall economy. In addition, as stated above, flooring sales continue to be sluggish due to the success of hard flooring products that last much longer in a consumer's home.

EXHIBIT II-*WILL NOW INCLUDE ALL HOUSING, INCLUDING CONDOS, ETC.
New Single Family Home Sales
Averages Based on Monthly Sales

Exhibit I-*will now include all existing home sales condos, etc.-as of October 2017
Existing Single Family Home Sales
Annual Averages Based on Monthly Sales

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 18	5380	-6.7	-3.2
Feb 18	5540	13.7	3.0
Mar 18	5600	-1.1	1.0
Apr 18	5460	-1.4	-2.5
May 18	5430	-3.0	-0.4
Jun 18	5380	-2.2	-0.6
Jul 18	5340	-1.5	-0.7
Aug 18	5340	-1.5	Flat
Sep 18	5150	-4.1	-3.4
Oct 18	5222	-4.7	1.4
Nov 18	5333	-7.0	1.9
Dec 18	4999	-10.3	-6.4
Jan 19	4940	-8.5	-1.2
Feb19	5510	-1.8	11.8
Mar 19	5210	-5.4	-4.9
Apr 19	5190	-4.9	-0.4
May 19	5340	-1.1	2.7
For 2014	4334	-3.3	
For 2015	4627	6.7	
For 2016	4828	4.3	
For 2017	5510	1.2	
For 2018	5340	-3.1	

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 18	657	Flat	-7.8
Feb 18	663	1.0	-0.6
Mar 18	694	8.8	12.3
Apr 18	636	11.6	-1.5
May 18	666	8.9	3.6
Jun 18	631	2.4	-5.3
Jul 18	608	2.8	-1.7
Aug 18	585	4.5	-3.8
Sep 18	597	-14.3	-5.8
Oct 18	544	-12.0	-8.9
Nov 18	657	-7.1	16.9
Dec 18	621	-9.1	-4.8
Jan 19	636	-3.3	1.5
Feb19	667	0.6	4.9
Mar 19	692	3.2	4.5
Apr 19	646	1.6	-6.7
May 19	689	3.5	6.7
For 2014	440	2.3	
For 2015	502	14.2	
For 2016	561	11.3	
For 2017	613	8.3	
For 2018	622	1.5	

EXHIBIT III***Unemployment Percentages-Month End***

	<u>2017</u>	<u>2018</u>	<u>2019</u>
January	4.7	4.1	4.0
February	4.7	4.1	3.8
March	4.5	4.1	3.8
April	4.4	3.9	3.6
May	4.3	3.8	3.6
Jun	4.4	4.0	
July	4.3	3.9	
August	4.4	3.9	
September	4.2	3.7	
October	4.1	3.7	
November	4.1	3.7	
December	4.1	3.9	

**EXHIBIT IV-Stock Market Analysis YTD
(Percentages) At the End of the Month**

	<u>DJIA</u>	<u>S&P</u>	<u>NASDAQ</u>
Jan 18	+5.7	+5.6	+7.4
Feb 18	+1.2	+1.5	+5.4
Mar 18	-2.2	-1.2	+2.4
Apr 18	-1.3	-0.2	+2.9
May 18	-1.2	1.3	7.9
Jun 18	-1.8	1.7	8.0
Jul 18	3.0	5.5	11.0
Aug 18	5.0	8.5	17.5
Sep 18	7.0	9.0	16.5
Oct 18	1.6	1.4	5.8
Nov 18	3.3	3.2	6.2
Dec 18	-5.6	-6.2	-3.9
Jan 19	7.2	7.8	9.7
Feb 19	11.1	11.0	13.5
Mar 19	11.2	13.1	16.5
Apr 19	18.0	18.0	22.0
May 19	7.5	10.7	13.1

EXHIBIT VI As of 6/24/19
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$87.95	54.34-89.44
Armstrong	AFI	\$11.52	10.49-20.46
Dixie	DXYN	\$.63	..65-2.60
Ethan Allen	ETH	\$22.64	16.90-25.55
QEP	QEPC	\$24.49	22.10-36.00
Interface	Tile	\$16.03	13.45-24.55
Lumber Liquidators	LL	\$11.33	8.81-26.92
Mohawk	MHK	\$138.69	109.35-228.49
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	\$3.98	3.70-9.50
Floor & Decor	FND	\$40.65	23.30-52.38

*Approx.-changes daily

EXHIBIT VII As of 6/24/19
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$9.71	8.16-16.08
DR Horton	DHI	\$44.54	32.39-47.02
Home Depot	HD	\$205.50	158.09-215.43
Hovnanian	HOV	\$7.10	6.90-44.75
KB	KBH	\$24.47	16.82-28.26
Lennar	LEN	\$51.41	37.29-55.77
Lowes	LOW	\$99.02	84.75-118.23
NVR	NVR	\$33.43	20.41-34.89
4Pulte	PHM	\$32.15	20.64-33.15
Toll Bros	TOL	\$36.49	28.68-39.80

*Approx.-changes daily

BIBLIOGRAPHY/SOURCES: CATALINA RESEARCH, WSJ, NYT, FORBES, FORTUNE, NEWSWEEK, TIME, BUSINESS WEEK, SUN-SENTINEL, GOLF POETRY, VARIOUS INVESTMENT STRATEGY REPORTS, CNN, USA TODAY, U.S. NEWS, INVESTORS BUSINESS DAILY, U.S. COMMERCE DEPT., FLOOR COVERING NEWS, FLOOR COVERING WEEKLY, TALKFLOOR, BLOOMBERG BUSINESSWEEK, OXFORD DICTIONARY OF QUOTATIONS

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**Published monthly by N.L. Nagle, Inc.
7378 Floranada Way, Delray Beach, FL 33446
(561) 637-5052 OFFICE - (561) 637-5097 FAX – Cell# (561) 699-3555
Laurencenagle@gmail.com**

