



APRIL 2019
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Life Alert: Those that do more and talk less are usually more successful in life.

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. *I agree with **Catalina Research's** recent forecasts that the wood, laminate and soft flooring segments of the flooring industry will experience a negative sales year in 2019.
3. *Luxury vinyl tile products will be the catalyst for this years increase in sales in flooring.
4. *Lumber Liquidators has agreed to pay a \$33M penalty for misleading investors about formaldehyde-laced laminate flooring from China.
5. *I estimate that all flooring products will increase only 3% to 4% in dollars in 2019 and that soft flooring products in dollars will represent less than 44% of total flooring sales for the year.

Corporate Results-Flooring Manufacturers & Retailers

1. ***Lumber Liquidators** reported a sales increase for the year of 2018 of 5.4%. Their comp sales increased 2.6%. Their net loss for the year was \$54M compared to \$38M last year. They have 413 locations compared to 393 last year. They forecast negative comp sales for the first quarter of 2019.

Corporate Results/Builders, Home Centers:

1. ***KB Home** reported negative sales of 7% in their first quarter. Net income was \$30M compared to a loss last year of \$71M. Backlog in units and dollars were down 6.9% and 16% respectively.
2. ***Lennar** reported a first quarter sales increase of 36%. Net income increased 40%. The large sales and net income increases were due to an acquisition. Their backlog in units and dollars were up significantly for the same reason.

Positives Observations:

1. *The DJIA finished March with an 11.15% gain year to date. The S&P was up 13.07% and the NASDAQ was up 16.49%, both year to date numbers. We are in the 10th year of a bull market, and this first quarter of 2019 was the best quarter in nearly ten years. **See Exhibit IV.**
2. *New home sales were up in February over last year by 0.6% and better than January by 4.9%. **See Exhibit II.**
3. *Sales at U.S. retailers surged in March by the most in a year and a half, beating February numbers by 1.6%. Auto sales were significantly up gaining 3.5%. Department store sales were flat.
4. *The FRB left interest rates unchanged and stated that they are unlikely to raise rates in 2019.
5. *Interest rates on 30-year mortgages have fallen to a 13-month low. They are now at 4.06%, the lowest since January 2018.
6. *The U.S. economy grew at a 2.2% rate in the 4th quarter. The original number was 2.6%.

7. *Unemployment applications are at the lowest level since 1969, 50 years ago.
8. *Employer's added 196,000 jobs in March, and the unemployment rate stayed at a historic low of 3.8%. This was the 102nd straight month that U.S. employers added jobs. **See Exhibit III.**
9. *The U.S. trade deficit narrowed in February compared to January, due to a pickup in exports.
10. *Filings for unemployment benefits fell to a 49 year low.
11. *There was only 1 fatal aviation accident for every 2,520,000 flights in 2018.

Neutral Observations:

1. *Median compensation for 132 chief executives of S&P 500 companies reached \$12.4M in 2018.
2. *Three companies control 80% of mobile telecoms. Three have 95% of credit cards. Four have 70% of airline flights.
3. *Based on a new Gallup poll, Hawaii, took the top spot for overall well-being and happiness for the 7th year in a row. West Virginia ranked last for the 10th consecutive year.
4. *In a ranking of 156 countries, Finland was ranked number 1 in global happiness for the 2nd straight year.
5. *The best airline, according to Point's Guy, in 2019 is Delta and the worse is Frontier. American was number 6, United 4, Southwest 3, and Alaska 2nd.
6. *Aramco, a Saudi Arabia oil company, is now the world's most profitable company, earning \$111 billion in 2018. Apple use to be number one. Amazon is number five, following Alphabet, Exxon Mobil and Shell.
7. *The most expensive cities in the world to live in are: Hong Kong, Sydney, Los Angeles, London, Toronto, New York and Miami.
8. *One in 10 counties in the U.S. grew in the fiscal year that ended last June because of immigration-a significant increase from 2011-, which shows how immigration is shaping the nation as the population ages and the birthrate slows.
9. *It takes physicians 90 minutes at the end of every day to perform on their electronic health record systems.

Negative Observations:

1. *Existing home sales in February were up compared to January by 11.8%, however, they were down compared to February 2018 by 1.8%. This was the 12th consecutive month that sales were less than a year ago. **See Exhibit I.**
2. *Major auto makers posted declines of 2% in U.S. sales in the first quarter.
3. *The U.S. budget gap widened 39% in the fiscal year's first five months as tax revenues held steady and federal spending increased.
4. *Retailers have closed 5,994 stores so far this year compared to 5,864 closures for all of 2018. Mall vacancy rates are rising.
5. *The middle class is shrinking. In 1985 the aggregate income of the middle class was four times that of the richest group. Now it is about three times of the richest group.
6. *Household debt to GDP is the largest in Canada, United Kingdom, United States, and France.
7. *Americans now owe \$1.3 trillion in higher education debt.
8. *Another Mattress retailer (Mattress1One) has filed for Chapter 11 bankruptcy protection. They had at one point 300 stores.
9. *New York City, Los Angeles, and Chicago are reporting population declines.
10. *Sears is suing Eddie Lampert, his hedge fund and others associated with Sears, alleging bad-faith financial protections.
11. *The measles illness in the first three months of 2019 equals the full year of 2018.

Larry 4/9/2019 10:29 AM

Comment [1]:

PREDICTION.

*The 4th quarter of 2018 was not a good one for the flooring industry. And the first quarter of 2019 was not much better. Not helping flooring sales is the fact that existing home sales have been down for 12 consecutive months compared to a year earlier. The year 2019 will be a challenge for flooring retailers and manufacturers. Luxury vinyl tile will continue to grow strongly, but it will cannibalize sales growth from other flooring products. I am still predicting a 3% to 4% increase in overall sales for the flooring industry in 2019, but it will not be easy. Most likely the 2nd half of 2019 will be better than the first half.

SUMMARY

*Even though many retail giants are closing stores (Macy's, Penney's Gap, Victoria's Secret, Payless Shoes, Tesla, etc.) the economists are predicting that overall retail business will increase 4.6% in 2019. I believe that will be a tough number to achieve. I see auto sales, department stores, and existing home sales struggling. And according to news reports the tax law change has not increased the cash flow in middle class hands that was originally hoped for. Hopefully, they are wrong.

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
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
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	
May	4.3	3.8	
June	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

EXHIBIT VI As of 4/19/19

Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$86.78	54.34-86.89
Armstrong	AFI	\$14.75	11.39-20.46
Dixie	DXYN	\$.80	.62-3.20
Ethan Allen	ETH	\$20.05	16.90-25.55
QEP	QEPC	\$24.85	22.10-36.00
Interface	Tile	\$16.93	13.45-26.05
Lumber Liquidators	LL	\$12.23	8.81-26.92
Mohawk	MHK	\$131.77	109.35-245.79
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	\$5.60	5.25-9.50
Floor & Decor	FND	\$46.42	23.30-57.85

*Approx.-changes daily

EXHIBIT VII As of 4/19/19

Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$13.10	8.16-17.23
DR Horton	DHI	\$46.42	32.39-46.91
Home Depot	HD	\$205.66	158.09-215.43
Hovnanian	HOV	\$15.37	14.75-15.49
KB	KBH	\$25.92	16.82-28.96
Lennar	LEN	\$52.91	37.29-57.57
Lowe's	LOW	\$113.74	81.16-118.23
NVR	NVR	\$3084	2041-3233
Pulte	PHM	\$30.39	20.64-33.04
Toll Bros	TOL	\$39.22	28.68-43.83

*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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