



AUGUST 2022

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Life Alert: It has been a bad day for sports. Bill Russell a titan of sports and society has died. He may be the greatest sports athlete of all time. He was a leader of the Boston Celtics as a player and coach when they won 11 world championships. An unbelievable record that may never be broken. He was the first black coach in a major American sports league. I have been a Celtic fan (grew up and went to college in Boston)) for over 80 years.

Flooring Flashes:

1. The 20th annual Alan Greenberg golf tournament, sponsored by CCA for the benefit of the Floor Covering Industry Foundation, will be held September 21 at the Barnsley Gardens Resort in Adairsville, Georgia.
2. SURFACES announces celebrity show-home tours. Step inside the one-of-a-kind Surfaces Calibu Vineyard Celebrity Showhome and experience incredible architecture and design first-hand. This 7,300 square foot Malibu Hills estate will feed your appetite for contemporary interiors and offer an up-close and personal look into design at its finest. Calibu Vineyard presents the ultimate experience in relaxed luxury, embodied by the magical vineyard lifestyle at Calibu.
3. To add to your showhome tour, SURFACES has created the Wine & Design Experience for you combining the ultimate in luxury design, product discovery, and inspiring destinations with tasting flights of

Malibu Coast wines. Luxury shuttles will tour you through the beautiful Malibu Hills on this multi-stop experience.

4. TICKET LINK: <https://www.eventbrite.com/e/calibu-vineyard-celebrity-showhome-wine-design-experience-tickets-388099464947>
5. I continue to feel that flooring sales for the first six months of 2022 are up between 7% and 10%. However, I continue to feel that the year will be up only 5% to 7%. I expect that carpet market share will once again slip in 2022 with hard surface products, especially LVT gaining.

Corporate Results Builders, Flooring, Home Centers:

1. **D.R. Horton** reported a 3rd quarter sales increase of 20.6%. For their nine-month period the increase was 21.2%. Net income for both periods increased 48% and 49%. Their backlog in dollars were up 8%, but down in units 9%.
2. **Beazer Homes** reported a sales decrease for their 3rd quarter and nine-month-periods of 7.8% and 3.9%. Net income for both periods increased 46% and 78%. Backlog orders in dollars is up 17.2% but units were down 3.9%.
3. **Pulte** reported sales increases for their 2nd quarter and six-month periods of 16.9% and 16.8%. Net income was up for both periods 29.6% and 37%. Their average selling price was up over 18%, their backlog in dollars was up 18% but in units were down 4.4%.
4. **Mohawk** reported sales increases for their 2nd quarter and six-month period of 6.7% and 9.5%. Net income was down for both periods 16.6% and 8.3%. Net income as a percentage of sales in the 2nd quarter was 8.9% and for the six-month period it was 8.5%.
5. **Interface** reported a sales increase for their 2nd quarter and six-month periods of 17.6% and 15.8%. Net income for both periods increased 8.4% and 34%.
6. **Floor & Décor** reported 2nd quarter and six-month sales increases of 26.7% and 29%. Net income for the 2nd quarter was basically flat and for the six-month period was down 2.2%.

7. **Lumber Liquidators** reported basically flat sales for their 2nd quarter and six-month sales periods. However, comp sales in the 2nd quarter were down 3.1% Net income dropped significantly also in both periods. For the 2nd quarter net income was \$2.7 million compared to \$12 million last year. And for the six-month period net income was \$6.8 million compared to \$22.6 million a year ago.

Positives Observations:

1. The stock market indexes had a great July. DJIA was up 7%, the S&P was up 9% and NASDAQ was up 12%. **See Exhibit IV.**
2. The economy added 528,000 jobs in July and the unemployment rate dropped to 3.5% a continual record low. **See Exhibit III.**
3. The median existing home price hit another record in June, rising to \$416,000.
4. The S&P 500 companies will pay out in dividends in the latest quarter a record high of \$140.6 billion compared to \$137.6 billion in 2020.
5. The average price of regular gasoline dipped to \$3.65 a gallon down about 27% since a high of \$5.02 in June. Gas prices have fallen for seven straight weeks.
6. Total retail sales in June were 1% better than May.
7. Fixed income, currency and commodity trading revenue was [up more than 35%](#) on average across the big five Wall Street investment banks in the second quarter from a year ago.
8. The U.S. dollar has become stronger versus all other currencies.
9. Mortgage rates have begun to fall. At the end of July 30-year fixed rate fell to 5.3%. They are now at 4.99%.
10. In the 2nd quarter worker pay and benefits rose 1.3%.

Neutral Observations:

1. The dollar is the world's most important currency and represents about 90% of all foreign exchange transactions.
2. The Italian Prime Minister has resigned.
3. The FRB raised interest rates by 0.75 percentage point. I suspect more to come. This activity is to defeat inflation.
4. The European Central Bank raised interest rates by one-half of a percent. The largest increase in 27 years.
5. Jersey City has become the priciest city in the nation for renters.
6. 80% of 26-year olds moved fewer than 100 miles from where they grew up.
7. Deaths have outpaced births in Florida.
8. Exxon and Chevron reported record profits during the relatively poor economic forecasts for most other major companies.
9. A developer built a home in Los Angeles that would sell for \$500 million. It finally sold at auction for \$126 million. The developer lost \$44 million on the project.

Negative Observations:

1. The GDP for the 2nd quarter was -0.6%. The first quarter was down 1.6%.
2. As many as 50 million people in 45 countries are on the brink of famine due to the Russia-Ukraine war.
3. Inflation, in June, hit a new 41-year high of 9.1%.
4. At the end of June the 30 year fixed mortgage rate was 5.8%. A year ago the rate was 2.8%. 30-year fixed rate mortgage fell in early July to 5.5%. The current rate is now at 4.99%.

5. Adjusted for inflation, workers hourly wages fell 1% during June and are down 3.6% compared to June of 2021. *As the virus BA.5 spreads scientific experts warn that Covid is not over.
6. In late July 275 million Americans were facing temperatures that were between 90 and 100 degrees. Climate control???
7. There are still approximately 100,000 new Coronavirus cases every day in the U.S. On July 12th there were 130,000 new cases. One in four people in the U.S. have been infected (me included) and one in 326 have died.
8. Covid-19 has killed more than one million people in the U.S.
9. Monkeypox has been declared a public-health emergency concern.
10. The U.S. leads globally in known Monkeypox cases.
11. The Ukraine war has pushed millions of the world's poorest toward starvation.
12. Sales of **existing** homes dropped 5.4% in June compared to May for the 5th consecutive month. Compared to last year sales were down 14.2%. It was the 10th consecutive month that sales were less than a year ago. **See Exhibit I.**
13. **New** home sales were down in June compared to last year by 17.4%. This was the 13th consecutive month that sales were down compared to last year. They were down 8.1% compared to June. **See Exhibit II.**
14. General Motors had a second quarter income fall of 40%.
15. Europe's heat wave has been shattering records and creating wildfires.
16. U.S. job openings fell in June to their lowest level in nine months.

SUMMARY

Inflation is a world-wide problem. In June inflation in the U.S. was 9.1%, and across Europe the increase was 9.6%. Soaring demand for goods, Russia invasion of Ukraine, disruption of supply chains and the pandemic are the major contributors to inflation. Plus conflicting signs regarding a recession are common. The jobless rate is at a record low. The stock market is strong again. Gas prices and mortgage rates are dropping. And with all the heavy and constant talk about inflation we could be talking ourselves into a serious recession.

PREDICTION/OPINION

We have just had two consecutive quarters with a negative GDP, which usually is an indication that we are in a recession or at the beginning of one. However, the economy is showing conflicting signals. Consumers continue to spend more and the stock market indexes are showing some real increases. However, wage growth has failed to keep up with rising prices and the only real tool that the government has to battle inflation is raising interest rates which, could in turn, contribute to slowing down the economy and, therefore, causing a serious recession.

Exhibit I- *will now include all existing home sales condos, etc.- numbers are approx..Annual Averages Based on Monthly Sales

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

	Adjusted Number	Year/Year % Change	Month/Mon % Change
Jan 21	6690	23.7	0.6
Feb 21	6220	9.1	-6.6
Mar 21	5300	12.3	-3.7
Apr 21	5850	33.9	-2.7
May 21	5730	46.9	--0.9
Jun 21	5860	22.9	1.4
Jul 21	5900	1.5	2.0
Aug 21	5880	-2.1	-2.0
Sep 21	6290	-2.3	7.0
Oct 21	6340	-5.8	0.8
Nov 21	7440	-14	12.4
Dec 21	6180	-7.1	-4.6
Jan22	6500	-2.3	6.7
Feb 22	6021	-2.4	-7.2
Mar 22	5770	-4.5	-2.7
Apr 22	5610	-5.9	-2.4
May 22	5410	-8.6	-3.4
Jun 22	5120	-14.2	-5.4
For 2019	5540	3.7	
For 2020	6760	22.2	
For 2021	6180	-7.1	

	Adjusted Number	Year/Year % Change	Month/Month % Change
Jan 21	948	Flat	7.9
Feb 21	775	19.3	Flat
Mar 21	818	8.2	4.3
Apr 21	863	66.8	-18.2
May 21	863	48.3	20.7
Jun 21	734	12.8	-5.9
Jul 21	701	-19.4	-5.9
Aug 21	729	-27.2	-6.6
Sep 21	740	-24.3	1.1
Oct 21	800	-17.6	1.5
Nov 21	745	-23.1	14
Dec 21	646	-2.0	0,4
Jan 22	811	-14	1.9
Feb 22	801	-19	-4.5
Mar 22	772	-6.2	-2.0
Apr 22	763	-12.6	-8.6
May 22	591	-26.9	-16.6
Jun 22	696	-5.9	10.7
Jun 22	590	-17.4	-8.1
For 2019	681		10.3
For 2020	923		9.6
For 2021	801		-1.9

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

EXHIBIT III

***Unemployment* Percentages-Month End**

	<u>2020</u>	<u>2021</u>	<u>2022</u>
January	3.6	6.3	4.0
February	4.5	6.2	3.8
March	4.4	6.0	3.6
April	14.7	6.1	3.6
May	13.3	5.8	3.6
June	11.1	5.9	3.6
July	10.2	5.4	3.5
August	8.4	5.2	
September	7.9	4.8	
October	6.9	4.6	
November	6.7	4.3	
December	6.7	3.9	

	<u>DJIA</u>	<u>S&P</u>	<u>NASDAQ</u>
Jan 21	-2	-1	1
Feb 21	1.1	1.5	2.4
Mar 21	8.3	7.0	4.6
Apr 21	10.7	9.7	8.3
May21	13.0	12.0	7.0
Jun 21	13.8	15.2	13.3
Jul 21	14.2	17.0	13.9
Aug 21	15.5	20.4	18.4
Sep 21	10.6	14.7	12.
Oct 21	17	23	20
Nov 21	12.7	21.6	20
Dec 21	18.9	27.0	27.0
Jan 22	-3.32	-5.2	-8.98
Feb 22	-6.8	-8.4	-12.4
Mar 22	-4.6	-4.9	-9.1
Apr 22	-4.9	-8.8	-13.3
May 22	-9.2	-13.3	-22.8
Jun 22	-15.3	-20.6	-29.5
Jul 22	-9.6	-13.3	-20.8

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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