



JULY 2022-2

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Life Alert: Hardship often prepares an ordinary person for an extraordinary destiny.

Flooring Flashes:

1. Leading flooring manufacturers have announced an approximate 10% to 12% increase on all flooring products. Increases will be effective with orders on July 18 and with shipments on August 1.
2. I am guessing that flooring sales for the first six months of 2022 are up between 7% and 10%. However, I believe 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. **KB Home** reported sales increases of 19.4% and 20.8% for their 2nd quarter and six-month period. Net income for both periods were up 47% and 43%. Total backlog in dollars was up 43% and selling price was up 21%.
2. **Lennar** reported sales increases of 33% and 26% for their 2nd quarter and six-month period. Net income for the 2nd quarter was up 95% and flat for the six-month period. Their backlog in units was up 15.7% and in dollars 33%. Selling price was up 15%.

Positives Observations:

1. In June 1997 the DJIA was 7500. Today it is over 31,000.
2. The federal budget deficit during May was 50% lower than a year ago.
3. The unemployment rate continues to be close to a fifty-year low. 1.3 million people are collecting unemployment benefits compared to 1.7 million a year ago.
4. There are over 11 million job openings in the U.S., which is double the number of unemployed workers.
5. Total U.S. home equity increased almost 20% in the first quarter of 2022. It is now at \$27.8 trillion a record high.
6. The median existing-home sale price in the U.S. in May hit a record high of \$407,600.
7. U.S. inflation eased slightly in April to an 8.3% annual rate, declining for the first time in eight months.
8. Raw material prices, corn, wheat, copper, etc., have recently declined in price, which will help to avoid a recession.

Neutral Observations:

1. The FRB raised the overnight interest rate charged by banks by 0.75 percentage. The largest increase since 1994.
2. A 30-story office building in Manhattan's financial district is being turned into residential apartments.
3. The Bank of England raised its key interest rate by a quarter percentage point for the 5th consecutive time. Inflation also hit a 40-year high in England.
4. Over the past year, the Covid death rate for white Americans has been 14% higher than the rate for black Americans and 72% higher than the Latino rate. The vaccination rate for both groups is now slightly higher than it is for white Americans.
5. New York's last public pay phone was removed in June.
6. Pandemic tests for travelers to return to the U.S. have been dropped.
7. The F.D.A. panel recommends Pfizer and Moderna vaccines for the youngest children.
8. Elon Musk is now the richest man in the world with a net worth of \$219 billion.
9. There are now 2,668 billionaires in the world.
10. Beachgoers in Nantucket can now be topless.
11. Four of the five hottest summers have occurred in the past 10 years.

Negative Observations:

1. The stock market indexes had a horrendous June and YTD are in poor shape. The DJIA was down 6.7%, the S&P was down 8.4% and NASDAQ was down 8.7%. The first half results were the worse in over 50 years. **See Exhibit IV.**
2. The S&P, in June, was trading in bear territory-10% down
3. There are still approximately 100,000 new Coronavirus cases every day in the U.S. One in four people in the U.S. have been infected (me included) and one in 328 have died.

4. According to the University of Michigan, consumer sentiment fell to its lowest point in 70 years, a record low.
5. In late June a 30-year fixed mortgage rate hit 5.81%, the highest level since 2008.
6. The monthly payment on the typical home in May, assuming a 30-year fixed rate mortgage with a 20% down payment is now \$2,031 compared to \$1,378 a year ago.
7. Retail spending fell in May amid high inflation, rising interest rates and weaker consumer confidence.
8. Sales of **existing** homes dropped 3.4% in May compared to April for the 4th consecutive month. Compared to last year sales were down 8.6%. It was the 10th consecutive month that sales were less than a year ago. Sales fell to their weakest pace in nearly two years. **See Exhibit I.**
9. **New** home sales were down in May compared to last year by 5.9% however, were up compared to April were up 10.7%. This was the 12th consecutive month that sales were down compared to last year. **See Exhibit II.**
10. Inflation reached a 40-year high of 8.6% in May. In England the inflation is at 9.1%.
11. Technology stocks are facing their biggest rout in ten years.
12. Gasoline prices reach \$5 a gallon nationwide in June.
13. The increase in the average price for an electric car has increased 22% since May.
14. Commercial real estate sales were down 16% in April compared to a year ago.
15. 44 New York City hotels have closed due to the pandemic.
16. The American West has been having more wildfires than it has experienced in 10 years.
17. More than 60% of CEO's expect a recession within 12 to 18 months.
18. Flight cancellations in June were 34% higher than in May.
19. In 2005 there were 8,891 newspapers in the U.S. We now have 360 less. Those closed were mostly weeklies serving small communities.

SUMMARY

The Corona Virus continues to rage in the U.S. I know, I have just recovered from this dreaded virus. The pandemic is still here. Inflation is still here, political unrest is still here, the Ukraine war is still here, stock market volatility is still here, all challenges to the world economies. Hopefully, politicians world-wide begin to do what's best for the citizens of the world rather than just fight to be reelected.

PREDICTION/OPINION

It is possible, according to leading economists, and Federal Reserve Board members, that continued interest rate increases could cause a recession. Inflation has become a world-wide threat to most economies and so far, the only tool to fight inflation is to raise interest rates that has other side-effects. In addition, the political unrest, which now seems to be world-wide will continue to harm and affect daily activity and feelings in the immediate future.

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

Exhibit I-*will now include all existing home sales condos, etc.-numbers are approx..Existing Single Family Home Sales
Annual 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
For 2019	5540	3.7	
For 2020	6760	22.2	
For 2021	6180	-7.1	

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	NA
July	10.2	5.4	
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	

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

	<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

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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