



September 2022

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Life Alert: The way to right wrongs is to continually turn the light of truth upon them.

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. **Floor & Décor** to add 32 new stores this year.
3. **Shaw Ind.** Has been recognized as Best-In-State Georgia employer for the year 2022.
4. 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.
5. 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.

6. TICKET LINK: <https://www.eventbrite.com/e/calibu-vineyard-celebrity-showhome-wine-design-experience-tickets-388099464947>
7. 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. **Lowes** reported decreased sales of 0.3% for their 2nd quarter based on comp sales being down 0.3%. For the six-month period sales were down 1.6%. Comp sales were also down for the six-month period 2.1%. In addition, net income for both periods were flat with a year ago. Net income as a percentage of sales for both periods were slightly over 10%. My estimate, based on their reporting, is that flooring sales were either flat or slightly negative for both periods. They now have 1969 locations compared to 1973 a year ago.
2. **Home Depot** reported a sales increase of 6.5% for their 2nd quarter. Comp sales in the U.S. were up 5.4%. Net income for the 2nd quarter increased 7.6%. For their six-month period sales increased 5.2%. Comp sales were up 5.4%. Net income for six months was up 5%. At the end of six months sales per square foot were at \$661.27.
3. **Dixie** reported sales drops of 7% and 2% for their 2nd quarter and six-month periods. Net income was a loss of \$4.5M for the 2nd quarter versus a profit of \$3.3 million last year. For the six-month period net income was a loss of \$7.8M compared to a gain a year earlier of \$1.3M.
4. **Toll Brothers** reported sales gain for their 3rd quarter and nine-month periods of 10.6% and 14%. Net income for both periods increased 16.4% and 40%. Their backlog in units were down 7% and in dollars were up 18.5%. Their average price was up 8.6%.

Positives Observations:

1. The economy added 528,000 jobs in July and the unemployment rate dropped to 3.5% a continual record low. **See Exhibit III.**
2. Payrolls in July have fully recovered the jobs lost during the pandemic.
3. The U.S. economy added 315,000 jobs in August. The jobless rate edged up slightly to a very low 3.7%.
4. Jobless claims at the week ending 8/12/22 fell to the lowest level since 1969, 53 years ago.
5. The average price of a gallon of gasoline fell 21% in August from June's peak. Prices have fallen for 11 consecutive weeks and are now below \$4 a gallon.
6. More than 95% of S&P companies, in the 2nd quarter, will have profits that will be 6.2% better than last year.
7. The average new number of new covid cases has dropped 7% as of September 1.

Neutral Observations:

1. 60 years ago, Motel 6 opened and charged \$6 a night. Today they charge 70 times that amount.
2. Women who get promoted to the ten top executive rolls at Fortune 100 companies tend to get there faster than men.
3. It is estimated that close to \$10 billion will be spent on political ads for this coming November elections.
4. Chinese student visas to the U.S. in the first half of 2022 were down more than 50% from pre-pandemic levels.
5. Mississippi ranks last in the U.S. when it comes to quality of education. Massachusetts ranks as number one.

6. Phoenix is the largest metropolitan area with the highest inflation jump.
 7. The average daily hotel rate in the first 7 months of this year was \$147 compared to \$119 in 2019.
 8. It now costs more than \$300,000 to raise a child.
 9. This year \$5.1 billion has been raised in IPO's. Typically, at this point in the year the figure would be \$33 billion. Last year it was over \$100 billion.
- Serena Williams has an estimated net worth of \$260 million.
 - Lululemon's men's stretch pants have become a revolutionary "hot" item.
 - On August 26 1920, women were granted the right to vote.
 - Hawaii is the U.S. state with the highest life expectancy.
 - You can buy a tailored suit on London's Saville Row for \$8,000.

Negative Observations:

1. 30-year fixed mortgage rates rose to a two-month high at 5.55%. This rate is nearly double what it was a year ago. However, in 1962 when I bought a house my 30-year fixed mortgage rate was 5.78%.
2. The stock market indexes had a terrible August. The DJIA was down over 4% and is down YTD over 13%. The S&P was also down over 4% and YTD is down over 17%. The NASDAQ was also down over 4% and YTD is down over 24%. **See Exhibit IV.**
3. In the year 2021 the IRS answered fewer than one in ten calls for help. The difference between taxes owed and taxes paid is about 15% of all taxes or close to \$500 billion!
4. Life expectancy for Americans has sharply dropped. In the years 2020 and 2021 life expectancy dropped from 79 to 76, the sharpest two-year decline in 100 years. The pandemic has driven most of the decline and accidental deaths and drug overdoses also contributed.

5. Business activity in the U.S., Europe and Japan fell in August.
6. At the end of July inflation was still high at 8.7%, but down from June, which was 9.1%.
7. England's inflation rate has topped 10% and is projected to rise further.
8. More than 1,400 people have been shot in Philadelphia this year, hundreds of them fatally, a number that is much higher than New York or Los Angeles.
9. U.S. housing affordability in June was the worst since 1989.
10. Sales of **existing** homes dropped 5.9% in July compared to June for the 6th consecutive month. Compared to last year sales were down 20.2%. It was the 11th consecutive month that sales were less than a year ago. **See Exhibit I.**
11. **New** home sales were down in July compared to last year by 29,6%. This was the 14th consecutive month that sales were down compared to last year. They were down 12.6% compared to June. **See Exhibit II.**
12. Car fatalities have hit a 20-year high.
13. The market for initial public offerings is on pace for its worst year in 20 years.
14. America is faced with an office glut problem. This issue started decades ago. 19% of office space was vacant in the 2nd quarter.

SUMMARY

Consumers are paying more for less. 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. Gas prices and mortgage rates seem to be dropping. And with all the heavy and constant talk about inflation we could be talking ourselves into a serious recession. In addition we are facing double-digit losses from the three major stock indexes.

PREDICTION/OPINION

On August 26, the DJIA dropped over 1000 points, which was a major 3% drop in one day-In addition, on the same day the S&P dropped 3%, as did the NASDAQ. This was, as a result, of a presentation by the head of the FRB, that the government was going to be very aggressive fighting inflation, by using the only tool they have, which is aggressively increasing interest rates. This posture will most likely slow down overall business and, consumers spending less. We have just experienced two consecutive quarters with a negative GDP, which usually is an indication that we are in a recession or at the beginning of one. This latest message from the FRB will most likely produce another negative GDP for the 3rd quarter of 2022.

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.- numbers are approx..Annual Averages Based on Monthly Sales

	Adjusted Number	Year/Year % Change	Month/Mon % Change		Adjusted Number	Year/Year % Change	Month/Mon % Change
						Flat	7.9
Jan 21	6690	23.7	0.6	Jan 21	948	19.3	Flat
Feb 21	6220	9.1	-6.6	Feb 21	775	8.2	4.3
Mar 21	5300	12.3	-3.7	Mar 21	818	66.8	-18.2
Apr 21	5850	33.9	-2.7	Apr 21	863	48.3	20.7
May 21	5730	46.9	--0.9	May 21	734	12.8	-5.9
Jun 21	5860	22.9	1.4	Jun 21	701	-19.4	-5.9
Jul 21	5900	1.5	2.0	Jul 21	729	-27.2	-6.6
Aug 21	5880	-2.1	-2.0	Aug 21	740	-24.3	1.1
Sep 21	6290	-2.3	7.0	Sep 21	800	-17.6	1.5
Oct 21	6340	-5.8	0.8	Oct 21	745	-23.1	14
Nov 21	7440	-14	12.4	Nov 21	646	-2.0	0,4
Dec 21	6180	-7.1	-4.6	Dec 21	811	-14	1.9
Jan 22	6500	-2.3	6.7	Jan 22	801	-19	-4.5
Feb 22	6021	-2.4	-7,2	Feb 22	772	-6.2	-2.0
Mar 22	5770	-4.5	-2.7	Mar 22	763	-12.6	-8.6
Apr 22	5610	-5.9	-2.4	Apr 22	591	-26.9	-16.6
May 22	5410	-8.6	-3.4	May 22	696	-5.9	10.7
Jun 22	5120	-14.2	-5.4	Jun 22	590	-17.4	-8.1
Jul 22	4810	-20.2	-5.9	Jul 22	511	-29.6	-12.6
For 2019	5540	3.7		For 2019	681		10.3
For 2020	6760	22.2		For 2020	923		9.6
For 2021	6180	-7.1		For 2021	801		-1.9

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	3.7
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
May 21	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.-	-20.8
Aug 22	-13.3	17.0	-24.5

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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