



**DECEMBER 2019**

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**Life Alert: I wish all a very Healthy, Happy and Safe New Year. And to acknowledge during this period in our lives that it's not what we have in our life, but who we have in our life that counts.**

**Flooring Flashes:**

1. **Mannington Mills** will acquire **Phenix Flooring and Pharr Fibers and Yarns.**
2. **Lumber Liquidators** settled a legal dispute with Cabinets To Go, a company owned by the founder of Lumber Liquidators.
3. The **WFCA** is committing \$1M toward solving the floor industry's lack of qualified installers.
4. **Armstrong Flooring Industries** is facing a class action lawsuit. According to the complaint, Armstrong made false and misleading statements to the market.
5. The **Floor Covering Industry Foundation (FCIF)** will be sponsoring their 40<sup>th</sup> anniversary with a gala on May 2, 2020 at the Rainbow Room at the top of Rockefeller Plaza. The honorees for the event will be Howard Brodsky, Chairman & CEO of CCA Global Partners, Jeanne Matson Retiring President and CEO of Starnet, and Liquidators Dana Teague, VP of Informa Markets.
6. **The International Surface Event (TISE) 2020** will be held at the Mandalay Bay Convention Center in Las Vegas from 1/27/2020 to 1/30/2020. This event is the largest North American event serving the

floorcovering industry as well as the stone and tile industries. A must see event.

### **Corporate Results-Flooring Manufacturers & Retailers**

1. **Lumber Liquidators** announced new full year forecasts, based on updated tariff regulations with China. They expect sales to be flat or slightly positive. Comp sales should be down 2%, and new store openings will be 11.

### **Corporate Results/Builders, Home Centers:**

1. **Toll Brothers** reported 4<sup>th</sup> quarter sales down 3% and full year sales up 1%. Net income for both periods was down 35% and 21% respectively. Their backlog in dollars was down 5% and in units up 3%.
2. **Hovnanian** reported sales increases for their 4<sup>th</sup> quarter and year of 16% and 1.3%. They had net income losses for both periods. Their backlog in dollars at the end of the year were down 4.7%.
3. **Home Depot** reported sales increases for their 3<sup>rd</sup> quarter and 9 month period of 3.5% and 3.3%. Comp sales in the U.S. for the 3<sup>rd</sup> quarter were up 3.8%. They expect comp sales for the year to be up 4%. Net income was down for both periods 3.4% and 0.2%.
4. **Lowe's** reported flat sales for their 3<sup>rd</sup> quarter and comp sales up 2.2%. Sales for the 9 month period were up 1%, comp sales were up 2.7%. Net income was up for both periods 67% and 27% respectively. They plan to close 34 underperforming stores in Canada. They now operate 2,004 stores in the U.S. and Canada. They expect comp sales for 2019 will be 3%.in the U.S

## **Positives Observations:**

1. Existing home sales increased 1.9% in October compared to September. They also increased 4.6% compared to September a year ago. **See Exhibit I.**
2. New home sales were up compared to a year ago by 31.6%. **See Exhibit II.**
3. The stock market continues to soar. The DJIA was up in November 3.6%, the S&P was up 3.4% and the NASDAQ was up 4.7%. See **Exhibit IV** for year-to-date results.
4. Employers added 266,000 jobs in November. Unemployment matched a 50-year low of 3.5%. **See Exhibit III.**
5. Housing starts increased in November by 3.2% compared to October. Compared to last year the increase was 13.5%.
6. Wages advanced for the year 3.1% in November compared to last year.
7. U.S. retail sales were up modestly 0.2% in November compared to October. Compared to last year sales were up 3.3%.
8. The GDP rose 2.1% in the 3<sup>rd</sup> quarter.
9. Inflation readings remain subdued. CPI in November was only 2.1%, with apparel increasing only 0.1%. **Neutral**

## **Observations:**

1. If you want to live 8 to 10 years longer than the average American then you must move to Loma Linda in California. Check it out!
2. November 2019 is likely to be the second warmest month in history, as will the full year of 2019..
3. According to Forbes. Based on Nobel prizes, IQ rankings, School Tests, Japan is the smartest country in the world. China is number 3, U.S. number 4, Russia number 6, Canada number 9 and Israel number 22.
4. Atherton, California, is the richest town in America, with an average annual income of \$450,696!
5. Richard Jewel is a good movie, good story, excellent acting.
6. The following countries have leaders who are under 40: Finland, North Korea, El Salvador, New Zealand, and Qatar.

### Negative Observations:

1. U.S. troops have now been in Afghanistan for 18 years. During this period there have been 2,440 military deaths and expenditures of over a trillion dollars.
2. Corporations paid the lowest tax rate since 1984, in 2018. This occurred because of the new tax law, loopholes, deductions and other tax breaks. Under the new law corporations paid \$84B less in 2018 compared to 2019.
3. **Macy's** sales dropped 3.5% in the 3<sup>rd</sup> quarter and comp sales were down 3.9%. Macy's stock price is down over 55% for this year.
4. Birthrate in the U.S. reached its lowest point in more than 30 years in 2018!
5. I would not be a passenger on Boeing's 737 MAX. Latest reports are that Boeing will curtail production of the 737.

## PREDICTION

The FRB has signaled a pause in interest rate reductions. This declaration should ease the unpredictability, for a while at least, to uncertainty in forecasting future economic activity. It should also relieve fears of seniors living on fixed incomes. Also, I am still predicting that the flooring industry will grow only in dollars between 1% and 1.5%, with luxury vinyl tile and ceramic being the only categories to show growth over 2018. Most likely we will see a repeat of 2019 in 2020.

## SUMMARY

I am repeating last month's "SUMMARY" because it continues to represent the current environment. **Even though the stock market is doing great, and unemployment is at a record low, the U.S. has spent \$1 trillion more in fiscal 2019 than it took in. This is the highest deficit in seven years. Government deficits have now increased for four years in a row, which is the longest stretch since the early 1980's, when the jobless rate was 11%. Annual deficits have increased 68% since 2016 and is forecasted to exceed \$1 trillion a year in the foreseeable future. Not a good forecast!**

**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**

	<b>Adjusted Number</b>	<b>Year/Year % Change</b>	<b>Month/Month % Change</b>
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
Jun 19	5270	-2.2	-1.7
Jul 19	5420	0.6	2.5
Aug 19	5490	2.6	1.3
Sep 19	5380	3.9	-2.2
Oct 19	5460	4.6	1.9
<b>For 2017</b>	<b>5510</b>		<b>1.2</b>
<b>For 2018</b>	<b>5340</b>		<b>-3.1</b>

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

	<b>Adjusted Number</b>	<b>Year/Year % Change</b>	<b>Month/Month % Change</b>
		<b>Flat</b>	<b>-4.8</b>
Jan 19	644	-3.3	1.5
Feb19	669	0.6	4.9
Mar 19	693	3.2	4.5
Apr 19	658	1.6	-6.7
May 19	604	3.5	6.7
Jun 19	728	7.0	20.5
Jul 19	635	4.3	-12.8
Aug 19	713	18	12.3
Sep 19	738	7.2	-0.7
Oct 19	733	31.6	-0.7
<b>For 2017</b>	<b>613</b>		<b>8.3</b>
<b>For 2018</b>	<b>622</b>		<b>1.5</b>

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

**EXHIBIT III**

***Unemployment Percentages-Month End***

	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	4.1	4.0	
February	4.1	3.8	
March	4.1	3.8	
April	3.9	3.6	
May	3.8	3.6	
June	4.0	3.7	
July	3.9	3.7	
August	3.7	3.7	
September	3.7	3.5	
October	3.7	3.6	
November	3.7	3.5	
December	3.9		

	<u>DJIA</u>	<u>S&amp;P</u>	<u>NASDAQ</u>
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
Jun 19	14.0	17.4	20.1
Jul 19	15.2	18.9	23.2
Aug 19	13.1	16.7	20.0
Sep 19	15.3	18.7	20.5
Oct 19	15.9	21.2	25.0
Nov 19	20.2	25.3	30.6

**EXHIBIT VI As of 12/19/19**  
**Flooring-Furniture Public Companies**

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$94.06	54.34-104.50
Armstrong	AFI	\$4.24	3.56-15.14
Dixie	DXYN	\$1.20	.034-2.09
Ethan Allen	ETH	\$18.61	16.63-23.11
QEP	QEPC	\$16.15	11.00-28.00
Interface	Tile	\$16.93	10.37-19.40
Lumber Liquidators	LL	\$9.86	6.59-14.44
Mohawk	MHK	\$136.02	108.93-156.60
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	\$1.46	1.00-7.99
Floor & Decor	FND	\$44.54	23.30-53.00

\*Approx.-changes daily

**EXHIBIT VII As of 12/19/19**  
**Builders-Retailers-Public Companies**

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$14.19	8.89-16.70
DR Horton	DHI	\$52.15	32.39-56.12
Home Depot	HD	\$220.22	158.09-239.31
Hovnanian	HOV	\$20.74	5.15-30.35
KB	KBH	\$32.69	18.24-37.40
Lennar	LEN	\$55.24	37.29-62.63
Lowes	LOW	\$120.21	85.90-121.46
NVR	NVR	\$37.05	2285-3947
Pulte	PHM	\$38.60	24.45-41.22
Toll Bros	TOL	\$39.01	30.51-41.70

\*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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