



OCTOBER 2019

©2019 N.L. Nagle, Inc.

This Newsletter cannot be forwarded to anyone without the explicit consent of N.L. Nagle.

Life Alert: Your beliefs do not make you a better person; your behavior does.

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. Ceramic imports from all countries year-to-date thru August are down 1.5% to 2%.
3. LVT imports thru August in units are up 34.5% and in dollars 33.1%.
4. LVT is the only flooring product that will have a dollar increase in 2019.
5. Carpet unit sales could have been down as much as 7% in the first half of 2019. I suspect the 2nd half may not be much better.

Corporate Results-Flooring Manufacturers & Retailers

1. **Lumber Liquidators** announced in an SEC filing that it entered into a definitive settlement agreement to pay \$30M in a class-action lawsuit over its Morning Star Strand Bamboo flooring. Their stock is selling at 33% below their 52 week high.

Corporate Results/Builders, Home Centers:

1. **KB Home** reported sales drops for their 3rd quarter and 9 month sales period of 5.3% and 6.4% respectively. Net income was down for the 3rd quarter 22.9% and for the nine month period was up 98%. At the end of the nine month period backlog in dollars and units were up 25% and 24% respectively. Their average selling price dropped 7%.
2. **Lennar**, the largest home builder, reported sales increases for their 3rd quarter and nine month period of 3.3% and 31% respectively. Net income for both periods increased 13.3% and 30.6% respectively. Backlog in units and dollars were down at the end of the nine month period 2% and 9%.
3. **Beazer Homes** announced preliminary results for the first two months of their 4th quarter. Sales were up 12.5% year-over-year.

Positives Observations:

1. New home sales were up in August 18% compared to last year and 7.1% compared to July. **See Exhibit II.**
2. Existing home sales were up 2.6% in August compared to last year and up 1.3% compared to July. **See Exhibit I.**
3. The DJIA was up 1.9% in September, the S&P was up 1.7% and the NASDAQ was up 0.4%. **See Exhibit IV** for year-to-date results.
4. The S&P had the best first three quarters since 1997.
5. Employer's added 136,000 jobs in September. The unemployment rate fell to 3.5%, a 50-year low. **See Exhibit III.**
6. Median household income increased 0.9% in 2018 to \$63,179.
7. A leading gun manufacturer (Colt), said it would stop producing semi-automatic rifles for civilians.
- 8.

Neutral Observations:

1. The Federal Reserve cut its benchmark interest rates by a quarter-percentage point, for the 2nd time in two months. I expect a third cut at the end of October.
2. The American Heart Association reports that if you own a dog you will live longer. I agree.
3. Unmarried partners living together has tripled in the past 20 years due to social acceptance. The number living together at the end of 2018 was 19 million compared to 6 million in in 1996.
4. In September 1955 President Eisenhower suffered a heart attack, which resulted in a 6.7% drop in the stock market, one of the worst daily losses of the past 100 years.
5. The happiest countries in the world are: Austria, Canada, New Zealand, Sweden and Switzerland. Israel is number 11, and the U.S. is 18th.

Negative Observations:

1. U.S. factory activity contracted for the 2nd straight month in September, hitting a 10-year low.
2. Retail sales in September were 0.3% lower than in August.
3. Housing starts fell 9.4% in September compared to August.
4. Estimates are that the 3rd quarter GDP will only be 1.6%.

5. There are already 11,000 retail store closures this year, exceeding the annual number of the past several years.
6. Forever 21 a California retailer will close 350 stores in the U.S. and 350 worldwide.
7. In recent months home prices have risen at the slowest pace in 7 years.
8. Consumer confidence fell sharply in September, a likely indication that growing economic uncertainty are taking a toll on American households.
9. Our trade deficit widened in August to \$55 billion. The increase was the first in three months. Year-to-date thru August the trade deficit is up 7%.
10. A year after Sears filed its bankruptcy, the retailer is [still struggling](#) with many of the same problems it faced before it sought court protection.
11. Barney's will be closing all their stores. However, owners of SAK's has bought the name and will use it in their stores. This reminds me a bit of the Sears Kmart merger.
12. The average total cost of employer provided health coverage exceeded \$20,000 for a family plan this year.
13. There are 25 countries that Americans are not welcomed in. The top ten are: Egypt, Jordan, Turkey, Russia, Belarus, Greece, Iran, Lebanon, Argentina and Austria.

PREDICTION

American shoppers pulled back on spending in September, signaling a key support for the U.S. economy this year could be softening. 11,000 retail stores have already closed this year, which is much more than in previous years. The flooring industry continues to struggle and latest estimates are that flooring sales in total, at best will be flat for the year.

SUMMARY

Business spending and consumer spending has begun to slow. The service sector activity expanded in September at its slowest pace in three years. However, the employment numbers are very good. As are the stock index performances. This can be very confusing for the FRB, however, I feel that at the end of October they will once again reduce interest rates. If this indeed, does occur, then the market indexes most likely will receive another positive jolt. However, retirees living on fixed income will receive a negative financial jolt.

**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
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
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	

**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
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	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
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	3.6
May	4.3	3.8	3.6
June	4.4	4.0	3.7
July	4.4	3.9	3.7
August	4.2	3.7	3.7
September	4.2	3.7	3.5
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
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

EXHIBIT VI As of 10/21/19
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$100.23	54.34-104.50
Armstrong	AFI	\$6.59	5.82-17.54
Dixie	DXYN	\$1.20	.034-1.77
Ethan Allen	ETH	\$19.27	16.63-23.11
QEP	QEPC	\$19.26	11.00-28.00
Interface	Tile	\$15.10	10.37-19.88
Lumber Liquidators	LL	\$9.63	6.59-14.44
Mohawk	MHK	\$125.87	108.93-156.60
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	\$3.35	2.24-7.99
Floor & Decor	FND	\$44.61	23.30-53.00

*Approx.-changes daily

EXHIBIT VII As of 10/21/19
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$16.39	8.16-16.30
DR Horton	DHI	\$51.17	32.39-54.41
Home Depot	HD	\$236.70	158.09-238.73
Hovnanian	HOV	\$26.99	5.15-38.25
KB	KBH	\$36.24	16.82-36.63
Lennar	LEN	\$61.02	37.29-61.75
Lowe's	LOW	\$111.85	84.75-118.23
NVR	NVR	\$3820	2096-3895
Pulte	PHM	\$38.19	20.64-38.78
Toll Bros	TOL	\$40.38	28.68-41.70

*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

STATEMENTS USED ABOVE ON OCCASION ARE QUOTED EXACTLY FROM THE SOURCE- NUMBERS USED IN THIS NEWSLETTER ON OCCASION HAVE BEEN ROUNDED TO THE NEAREST DOLLAR-OPINIONS, PREDICTIONS AND SUMMARY WHEN LISTED ARE THE THOUGHTS OF N.L. Nagle, Inc.

Published monthly by N.L. Nagle, Inc.
7378 Floranada Way, Delray Beach, FL 33446
(561) 637-5052 OFFICE - (561) 637-5097 FAX – Cell# (561) 699-3555
Laurencenagle@gmail.com

