



**October 2022**

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**Life Alert: Forgiveness does not change the past, but it sure enlarges the future.**

**Flooring Flashes:**

- 1. The annual Alan Greenberg golf tournament raised \$130,000 this year. This tournament, which started 20 years ago has raised approximately \$3 million since its inception. A wonderful testimonial for Alan, his family, CCA, and the industry.**
2. Lumber prices have fallen to around their pre-pandemic levels. A price drop of about 33%.
3. Registration for **TISE 2023** in Las Vegas is now open. **Surfaces (StonExpo)** invites you to register for the upcoming event, taking place January 31 to February 2 at the Mandalay Convention Center. Registration is now officially open and you have first opportunity to choose from the newest industry education sessions, specialty events and certifications.
4. You can begin registration for Surfaces with <https://www.intlsurfaceevent.com/en/register.html>.
5. I continue to feel that flooring sales for the first six months of 2022 were 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. **KB Home reported** a 3<sup>rd</sup> quarter sales increase of 26%. And for the nine-month period sales were up 23%. Net income increased for both periods by 70% and 53%. At the end of the nine month period selling price was up 21%, backlog in dollars and units were up 8.6% and 1% respectively.
2. **Lennar reported** 3<sup>rd</sup> quarter and nine-month sales increases of 29% and 26% respectively. Net income for both periods increased 4% and 2%. Their backlog in dollars were up 7.6% and unit backlog was flat. Average selling price was up 8%.

## Positives Observations:

1. A strong U.S. dollar has lifted Americans' purchase power on imported goods.
2. The U.S. dollar has gained 17% against the pound so far this year.
3. Consumer spending rose in August 0.4% compared to July.
4. More retail stores opened than closed last year for the first time in 27 years.
5. U.S. inflation declined to 8.3% in August. Still, very high.
6. New home sales in August were better than July by 28.8% and were flat with last year. **See Exhibit I.**
7. The U.S. trade deficit shrank significantly in July due to a weaker demand for imports.
8. Child poverty in the U.S. has fallen by more than half since 1990.
9. The murder rate in major cities has dropped 4% so far this year compared to a year ago.

### **Neutral Observations:**

1. More self-checkout is coming to many retail stores-no matter how much consumers hate it.
2. The Fed raised interest rates for the 3<sup>rd</sup> time by 0.75 percentage. This new increase lifts the borrowing fund to 3% and 3.25%.
3. The Bank of England also raised interest rates-for the 7<sup>th</sup> consecutive time.
4. More Americans are opting to buy luxury vehicles than ever before. Luxury vehicles represent 17.3% of the overall U.S. car market. Lamborghini, Bentley, and Ferrari sales are up over 35% this year.
5. The Bank of Canada raised interest rates to a 14-year high.
6. In 2021, 27.6 million people worked primarily from their home, compared to 9 million in 2019. This trend is continuing this year.
7. A Penthouse in Central Park New York is for sale at \$250 million.
8. Visa and Master card handle roughly 77% of all general-purpose credit card spending.
9. The line of people waiting to say farewell to Queen Elizabeth stretched more than 7 miles and was expected to reach 10 miles. The expected wait time was roughly nine hours.
10. Amazon, Hilton, Marriott and Pfizer have pledged to hire 20,000 Ukrainian and Afghan refugees who have arrived in the U.S. this year.
11. 1/3<sup>rd</sup> of Americans now have a tattoo. Surprisingly, more can be found on parents and grandparents.
12. More electric cars will be sold in China this year than in the rest of the world combined.
13. Tesla sales had a record 3<sup>rd</sup> quarter. Sales increased to 343,000 vehicles an increase of over 40% compared to a year ago.

### **Negative Observations:**

1. 30-year fixed mortgage rates rose to a 14 year high of 6.7% in late September. This increase was the 6th week in a row and is the highest since 2007.

2. The DJIA entered a bear market territory on September 26<sup>th</sup>. On the same day the S&P fell to a new low for 2022. A bear market is a drop of 20% or more for two consecutive months.
3. The stock market indexes had a terrible August and had another terrible month in September. In September the DJIA was down 8.8% and is down YTD over 20%. The S&P was also down over 9% and YTD is down over 24%. The NASDAQ was also down over 10%% and YTD is down over 32%. **See Exhibit IV.**
4. The S&P 500 is trading at 16.6 times projected earnings compared to 21.5 at the end of 2021 and below the ten- year average.
5. Southwest Florida faced areas of destruction and flooding due to Hurricane Ian. Close to 100 have died.
6. The U.S. is running short of land for housing.
7. American families have experienced two consecutive years of flat or declining income. Currently, median family income is \$70,800.
8. The European Central Bank raised its key interest rate by 0.75 percentage point, moving aggressively to combat record inflation. Eurozone, (19 countries) inflation set a record of 10% in September.
9. U.S. stock funds are down 17.3% for this year.
10. Covid-19 keeps at least 500,000 from the workforce.
11. Cinemark, owner of Regal Cinema has filed for bankruptcy.
12. Electric bills are forecast to soar this winter.
13. Britain's inflation rate is facing rising prices at the fastest pace in 40 years.
14. In New York city pandemic job losses linger. The rest of the country has recovered the jobs lost during the pandemic however, New York is still missing 176,000 jobs.
15. Sales of **existing** homes dropped 0.4% in August compared to July for the 7th consecutive month. Compared to last year

sales were down 19.9%. It was the 12<sup>th</sup> consecutive month that sales were less than a year ago. **See Exhibit I.**

16. In the period June, July and August luxury home sales fell over 28%. Luxury home sales represent 5% of the market.
17. 87% of companies that went public in 2021 are trading at 49% below their original offering price.
18. New Orleans now leads the nation in homicides.
19. 1/2 of schools in the U.S. are struggling to find teachers.

### **SUMMARY**

Inflation is bad, but the job market is strong. On September 13, the stock market suffered a severe drop, the largest drop in over two years. Then on October 1, the indexes had a great day to start the 4<sup>th</sup> quarter. The S&P is down 18% year-to-date. However, retail sales in August rose 0.3% compared to July showing the resilience of U.S. consumers amid high inflation. Now the dollar is very strong and getting stronger which will threaten global growth. Electricity will become more expensive and natural-gas prices will continue to climb. And to add to all this confusion the U.S. is running short of land for housing.

### **PREDICTION/OPINION**

The cooling housing market has reduced home sales, new and existing. This will hurt sales of furniture, appliances, flooring products and other home goods. In addition, the continual increase of interest rates is a continuing risk that could lead to a U.S. recession or even a global one. The Russian-Ukrainian war will also continue to rattle the global economies. The immediate economic future is in a bit of a calamity, and therefore, difficult to forecast.

**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              |
| Aug 22   | 4800            | -19.9              | -0.4               | Aug 22   | 685             | Flat               | 28.8               |
| 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&amp;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.-0         | -20.8         |
| Aug 22 | -20.9       | -24.8          | =32.4         |

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**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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