



**June 2020**  
**Special Edition**  
**©2020 N.L. Nagle, Inc.**

**This is the third edition that will list all the harm that the Coronavirus has brought to the doorsteps of all Americans. It is an effort for all of us to be better prepared for the continued uncertainty that our country faces in the very near future. This virus has changed our world in a matter of weeks, and possibly forever.**

**Life Alert: Each of us can look back upon someone who made a great difference in our lives, someone whose wisdom or simple acts of caring made an impression upon us. In all likelihood, it was someone who sought no recognition for their deed, other than the joy of knowing that, by their involvement, another's life had been made better.**

**Flooring Flashes:**

1. **Global Partners** kicked off a month-long experience for members of Carpet One Floor & Home, ProSource, Flooring America/Flooring Canada, The Floor Trader, and International Design Guild. The experience, named LIFT 2020, is an evolution of the cooperative's traditional live Convention, which was slated for August.
2. **LIFT** addresses a challenging time for retailers and specifically the small businesses that make up **CCA Global Partners'** largest cooperative and franchise groups, but also the resilience of the cooperative group. The theme highlights a need to come together, lean forward, and rise up to the challenges of doing business during a global pandemic.
3. The kick-off held on June 3, 2020, is just the beginning. The call reviewed the robust agenda that will take place throughout June.

Eight informative product sessions – "the **Product Runway**" will take place June 4 – June 22. The CCA product team has partnered with key suppliers to provide product information, trends, and deals similar to those usually offered at a Convention Exhibit Hall. Members will have access to these sessions and the deals for a limited time.

4. A two-day live event on June 23 and 24, will engage members with keynote speakers and updates from the corporate team. CCA leadership is excited to have secured **Marcus Lemonis**, a successful businessman, speaker, and star of CNBC's The Profit, as a speaker.
5. The month will close out with education. A four-day line-up of on-demand educational sessions will engage owners and sales professionals with information and guidance on a wide range of Vinyl Tile topics, from business operations to marketing and technology. Throughout the entire month, a dedicated event website will house all the resources relating to the event as well as news, member best practices, and additional speaker insight.
6. The **International Surface Event** will be held January 25-28 January 2021.
7. Total **Luxury Vinyl Tile** sales should be between \$4.5 and \$5B in 2020.
8. Soft flooring continues to lose market share and could drop to about 40% of total dollar sales in the flooring industry this year.
9. Wood flooring, mostly due to LVT sales, will have a double-digit drop in sales in 2020.
10. Total flooring retail sales could drop double-digit numbers in 2020.

### Corporate Results-Flooring Manufacturers & Retailers

1. **Interface** reported a first quarter sales drop of 3%. They posted a net income loss of \$102M compared to a \$7M profit last year.
2. **Mohawk** reported a first quarter sales drop of 6.4%. Net income was \$111M (4.9% of sales) compared to last year's \$122M (5% of sales). \***Dixie** reported a first quarter sales drop of 9%. Net loss for the quarter was \$2.7M compared to last year's drop of \$6.7M.
3. **Armstrong Flooring** reported a first quarter sales decline of 2.1%. Their net loss was \$13M compared to a loss last year of \$17M.

## Corporate Results/Builders, Home Centers:

4. **Home Depot** reported a first quarter sales gain of 7.1%. Comp sales increased in the U.S. 7.5%. Net income was down 10.7%. Their e-commerce sales increased about 80%
5. **Lowe's** reported a first quarter sales gain of 11.3%. Their comp sales for U.S. stores was 12.3%. Net income increased 27.8%. Like Home Depot their e-commerce sales increased about 80%.
6. **Hovnanian** reported 2<sup>nd</sup> quarter and six month sales gains of 22% and 26% respectively. Net income for the quarter was plus \$4M compared to a loss a year earlier. For the six month period the loss was only \$5M compared to last year's loss of \$33M. Their backlog in units and dollars were up 3.3% and down 3.3% respectively.

## Positives Observations:

1. The PPI dropped 1.3% in April compared to March.
2. The CPI dropped 0.8% in April compared to March.
3. The unemployment rate for May, although high at 13.3%, was lower than the April figure of 14.7%. **See Exhibit III.**
4. In April, the average hourly earnings compared to March increased 4.7%. Compared to last year the increase was 7.9%.
5. Retailers that had a decent first quarter in sales and profits were Home Depot, Lowe's, Walmart and Target.
6. Mortgage rates may now be the lowest in 50 years. Because of this, mortgage applications are up 18% compared to April.
7. The May stock market results were very good. The DJIA was up 3%, the S&P was up 4% and the NASDAQ was up 6.5%. **See Exhibit IV** for year to date results.
8. The three major auto manufacturers in the U.S., Ford, GM and Fiat Chrysler restarted production in May.

**Unfortunately, the negatives continue to far exceed the positives. Due, of course, to the Corona Virus epidemic.**

### Negative Observations:

1. New home sales dropped 6% in April compared to last year. However, they were better than March by 0.6% **See Exhibit II.**
2. Existing home sales in April dropped 17.2% compared to the same month last year. Compared to March they dropped 17.8%. It was the weakest sales month since 2011. **See Exhibit I.**
3. Over 40 million workers have applied for benefits since this pandemic started.
4. It is estimated that 27,000,000 people in the U.S. have lost their employer based health insurance.
5. U.S. consumer spending fell by a record 13.6% in April. The worse decline in 61 years.
6. In April alone the United States recorded a larger budget deficit in a single month than it did for all of the 2017 fiscal year, a total of \$738B. The budget deficit thru April reached \$1.935 trillion.
7. The U.S. trade deficit widened in April as imports and exports dropped sharply, due to the coronavirus.
8. Retail sales fell a record 16.4% in April compared to March.
9. Industrial production dropped a record 11.2% in April compared to March.
10. Major retailers like **Macy's, Kohl's, TJX, Victoria's Secret, Best Buy**, had significant sales and profit drops in the first quarter.
11. **Hertz**, one of the nation's largest car rental companies, filed for bankruptcy protection.
12. **Brooks Brothers**, an American retail institution, may become a casualty of this pandemic.
13. Roughly 100,000 retail stores are expected to close in the next five years, which is triple the number that shut during the previous recession.
14. Housing starts in April plunged more than 30% compared to March.
15. The German and Japan economies fell into a recession in the first quarter.
16. J.C. Penney officially filed for Chapter 11 bankruptcy protection. 85,000 employees were affected.
17. Global coronavirus infections passed five million on May 21.

## **PREDICTION**

According to the Congressional Budget Office, the U.S. economy could take 10 years to fully recover from the pandemic that has changed the life of everyone. Retail stores are closing, malls are closing, major retailers are filing for bankruptcy, and consumers are spending less. Not a pretty picture. Hopefully, by the 4<sup>th</sup> quarter we will begin to see normal economic activity.

## **SUMMARY**

We continue to live in unprecedented times. It is hard to put a positive spin on the stock market's continued gyrations. The second quarter earnings by most major companies will certainly be negative or down compared to a year ago, yet the market indexes continue to climb. The political and cultural divisiveness also continues to strain any understanding of the stock market's performance. Hopefully, the near future will alter everyone's confusion and America, once again, can be recognized for its greatness.

**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/Month % Change
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	-1.5
Nov 19	5350	2.7	-1.7
Dec 19	5460	10.8	3.6
Jan 20	5389	9.6	-1.3
Feb 20	5777	7.2	6.5
Mar 20	5270	0.8	-8.5
Apr 20	4333	-17.2	-17.8

For 2017	5510	1.2
For 2018	5340	-3.1
For 2019	5540	3.7

**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	-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
Sep 19	738	7.2	-0.7
Oct 19	710	31.6	-3.8
Nov 19	697	16.9	1.3
Dec 19	694	23.0	-0.4
Jan 20	764	18.6	7.9
Feb 20	765	14.0	Flat
Mar 20	615	-9.5	-15.4
Apr 20	619	-6.0	0.6

For 2017	613	8.3
For 2018	622	1.5
For 2019	681	10.3

**EXHIBIT III**

***Unemployment Percentages-Month End***

	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	4.1	4.0	3.6
February	4.1	3.8	3.5
March	4.1	3.8	4.4
April	3.9	3.6	14.7
May	3.8	3.6	13.3
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	3.5	

**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 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
Dec 19	22.3	28.9	35.2
Jan 20	0.99	0.16	1.99
Feb 20	-11.0	-8.6	-4.5
Mar 20	-23.2	-20.0	-14.2
Apr 20	-14.7	-9.9	-0.9
May 20	-11.1	-5.8	5.7

Tile Stores	TTS	NA	NA
Floor & Decor	FND	\$56.00	24.36-62.62

\*Approx.-changes daily

**EXHIBIT VI As of 6/5/20**  
**Flooring-Furniture Public Companies**

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$85.74	62.03-111.46
Armstrong	AFI	\$3.67	1.12-11.63
Dixie	DXYN	\$0.85	.034-2.09
Ethan Allen	ETH	\$13.51	8.38-21.65
QEP	QEPC	\$12.00	5.03-23.75
Interface	Tile	\$10.53	5.06-17.68
Lumber Liquidators	LL	\$11.23	3.77-13.46
Mohawk	MHK	\$108.65	56.62-156.60
Stanley Furn.	STLY	NA	NA

**Exhibit VII As of 6/5/20**  
**Builders-Retailers-Public Companies**

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$11.21	4.39-17.23
DR Horton	DHI	\$56.48	25.51-62.54
Home Depot	HD	\$254.90	140.63-255.85
Hovnanian	HOV	\$25.81	5.12-32.90
KB	KBH	\$36.32	9.82-40.51
Lennar	LEN	\$63.71	25.42-71.38
Lowes	LOW	\$130.97	60.00-133.39
NVR	NVR	\$3491	2043-4071
Pulte	PHM	\$36.72	17.12-47.37
Toll Bros	TOL	\$36.33	13.28-49.31

\*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**

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