



SEPTEMBER 2019

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Life Alert: The greater the Power the more dangerous the abuse.

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. A substantial duty has been placed on ceramic tile from China.
3. Armstrong Flooring announced the appointment of Michael Vermette to the position of President, CEO, and Director, effective September 11. He formally was President of residential Carpeting for Mohawk Industries.

Corporate Results-Flooring Manufacturers & Retailers

1. **Lumber Liquidators** had an investor presentation in September. They stated, that they have a market cap of \$315M, they have 415 stores in 47 states and Canada, and that 47% of their merchandise comes from China. Information is floating that their original owner, Tom Sullivan, is wanting to take control of the company.
2. **Lumber Liquidators** reported a 2nd quarter sales gain of 1.8%. Comp sales were down 0.1%. Total sales for the six month period were up 1%. Comp sales were down 0.4%. Net loss for the quarter was \$2.9M compared to last year's loss of \$1.5M. For the six month period the loss was \$7.8M compared to \$3.4M last year. They have 415 locations at the end of their six month period. Their stock is currently selling at 63% below their 52 week high.

Corporate Results/Builders, Home Centers:

1. **Home Depot** reported 2nd quarter and six month sales increases of 1.2% and 3.3%. Comp sales for the 2nd quarter were up 3%. Net income for the 2nd quarter was down 0.8% and for six months was up 1.4%. The company forecasts that sales in 2019 will be up 2.3% and comp sales will be up 4%. They currently operate 2,291 stores, and employ more than 400,000 associates.
2. **Lowes** reported 2nd quarter and six month sales basically flat. Comp sales for the quarter were up 3.2% in the U.S. Net income for the quarter was up 13.3%, and 8.5% for the six month period. They forecast that sales for the year will be up 2% and that comp sales will be up 3%. They are pulling out of the Mexico market and will close 20 locations in the U.S., and 31 in Canada. They will also exit its Orchard Supply Hardware operations.

Positives Observations:

1. New home sales were up in July 4.3% compared to last year and down 12.8% compared to June. **See Exhibit II.**
2. Existing home sales were up for the first time in 17 months in July. Compared to last year sales were up 0.6% and to June sales were up 2.5%. **See Exhibit I.**
3. Employer's added 130,000 jobs in August. The unemployment rate held steady at 3.7%. **See Exhibit III.**
4. Median household income increased 0.9% in 2018 to \$63,179.

Neutral Observations:

- 1.** The wealthiest universities in the world are: Harvard (\$36B), Yale (\$29B), University of Texas (\$27B), Stanford (\$27B), Princeton (\$24B), MIT (\$15B), Notre Dame (\$13B), Penn (\$12B), Michigan (\$11B), Columbia (\$11B).
- 2.** The WSJ rated Harvard as the best university in the U.S. Followed by MIT, Yale, University of Pennsylvania, California Institute of Technology and Princeton.
- 3.** The FRB seems to be gearing up to reduce interest rates again at their meeting later this month.
- 4.** American workers under 35 report being happier with their paychecks than people over 55. This is the first time this has happened since 2011.
- 5.** The U.S. has 55 million dogs as pets and 44 million pet cats. Cats are being cloned in China!

Negative Observations:

1. The stock indexes were on a roller coaster ride in August contributing to a dizzying month. The DJIA and the S&P were down 2.9%. Likewise, the NASDAQ was down 3.7%. **See Exhibit IV** for year to date results.
2. Factory activity in August declined in the U.S., Japan, Germany, and the Eurozone. First time since August 2016. Trade tensions between the U.S. and China are contributing to this problem.
3. The Federal deficit is expected to reach \$1 trillion this year. In fact, it did reach \$1 trillion at the end of August. Unfortunately, the forecast is for future increases in the next ten years.
4. The CPI rose 0.3% in June and July. This was the biggest two month gain in ten years.
5. The PPI rose 0.2% in July, after rising only 0.1% in June.
6. U.S. mortgage debt rose to a record level in the 2nd quarter. It hit the same level that was experienced during the 2008 financial crisis.
7. Germany is selling 30 year debt at a negative yield! However, they are not selling well. Germany is expected to hit a recession soon.
8. Investors are becoming very concerned that the U.S. may be sliding into subzero rates. This would mean investors would be paying government to store their money.
9. July 2019 was the Earth's hottest month ever recorded.
10. Macy's comp sales in July were up only 0.2%. Macy's stock price is down 58% in the last 12 months. The group, Macy's Bloomingdale's, have too many stores in the same locations, as well as oversized stores.
11. Both Uber and Lyft reported large 2nd quarter losses. Uber lost \$5.2B and Lyft lost \$622M.
12. The GDP cooled to 2% in the 2nd quarter.
13. There are 27.5M Americans without health insurance.

PREDICTION

The U.S. fiscal deficit is already at \$867B for this year. It is expected to hit \$1 trillion by years end, AND IT HAS. This is due according to news reports, tax cuts, increased federal spending and an aging population. Based on this we are facing, according to economic forecasters, a recession. However, sometimes with so many negative forecasts we end up with the result forecasted. **Hopefully, we will dodge the “bullet”.**

SUMMARY

If a recession hits, the government has few options left to deal with it. What complicates matters is, interest rates are already low, the federal debt is exploding, and the politics in Washington are in disarray. There is little government can do to stall or limit a recession. We can only hope and pray that we have a government that preaches and practices that revenue comes close to equaling expenses.

**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

**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	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
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	

	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
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	
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

EXHIBIT VI As of 9/13/19
Flooring-Furniture Public Companies

	Symbol	*Current Price	52 week range
Armstrong	AWI	\$95.95	54.34-104.50
Armstrong	AFI	\$7.26	6.32-20.46
Dixie	DXYN	\$1.40	.034-2.00
Ethan Allen	ETH	\$19.35	16.63-23.11
QEP	QEPC	\$19.00	11.00-29.40
Interface	Tile	\$13.30	10.37-23.70
Lumber Liquidators	LL	\$9.77	6.59-18.16
Mohawk	MHK	\$125.65	108.93-189.20
Stanley Furn.	STLY	NA	NA
Tile Stores	TTS	\$2.86	2.24-8.23
Floor & Decor	FND	\$48.87	23.30-50.00

*Approx.-changes daily

EXHIBIT VII As of 9/13/19
Builders-Retailers-Public Companies

	Symbol	*Current Price	52 Week Range
Beazer	BZH	\$14.09	8.16-14.43
DR Horton	DHI	\$49.49	32.39-50.89
Home Depot	HD	\$233.98	158.09-235.49
Hovnanian	HOV	\$15.31	5.15-43.25
KB	KBH	\$30.22	16.82-30.88
Lennar	LEN	\$53.62	37.29-55.00
Lowe's	LOW	\$113.36	84.75-118.23
NVR	NVR	\$3625	2041-3770
Pulte	PHM	\$35.25	20.64-35.55
Toll Bros	TOL	\$38.74	28.68-39.58

*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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