

Market Briefing

Content

US Economy	2
Housing & Construction	4
Power Tool Industry	5
Retail	6
Canada Snapshot	9
Market Trends	11

US ECONOMY

Consumer Confidence Rises to 125.9

Consumer Spending Rises 1.0%

Consumer Prices Rise 0.5%

Unemployment Drops to 4.1%

Durable Goods Orders Rise 2.2%

Chicago PMI Rises to 66.2

Wholesale Prices Rise 0.4%

Q3 GDP Rises 3.0%

HOUSING & CONSTRUCTION

Housing Starts Fall 4.7%

- ▶ Single-family starts -4.6%

Building Permits Fall 4.5%

- ▶ Single-family permits 2.4%

New-Home Sales Rise 18.9%

Existing Home Sales Rise 0.7%

- ▶ Single-family sales 1.1%

Builder Confidence Rises to 68

Mortgage Rates Rise

POWER TOOL INDUSTRY

Robert Bosch

- ▶ Hosts energy symposium

Stanley Black & Decker

- ▶ Q3 sales rise 14.6%
- ▶ Tools & Storage segment sales rise 22%
- ▶ Awards Lowe's home channel rights to Craftsman
- ▶ From their Q3 conference call with analysts

TTI/Techtronic Industries

- ▶ Milwaukee Tools plant receives bomb threats

Trimble

- ▶ Q3 revenue grows 15%

RETAIL

Retail Sales Rise 1.6%

Holiday Sales Forecast

The Home Depot

- ▶ Cuts Halloween merchandise in some stores

Lowe's

- ▶ Partners with Stanley Black & Decker

Walmart

- ▶ From their investor's meeting

Sears

- ▶ Borrows more money
- ▶ Stops selling Whirlpool appliances

Ace Hardware

- ▶ Acquires majority stake in The Grommet
- ▶ Announces winners of Maker to Market contest

W.W. Grainger

- ▶ Q3 sales rise 3%

Amazon

- ▶ Q3 sales rise 34%
- ▶ Receives 238 proposals for second headquarters
- ▶ Introduces Amazon Business Prime

CANADA SNAPSHOT

Economy

Housing & Construction

Retail

MARKET TRENDS

PBS Series Encourages American Inventors

Prefab Homes Available on Amazon

Protecting Data a Top CEO Priority

Amazon Disrupting Business as Usual

Amazon Disrupting Business School Recruiting

Smart Speaker Home Market Growing Rapidly

Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

Robert Bosch Tool Corporation

1800 W Central Rd

Mount Prospect, IL 60056 USA

www.boschtools.com

PTNA.Marketing@us.bosch.com

© Robert Bosch Tool Corporation. All rights reserved.
No copying or reproducing is permitted without prior written approval.

US ECONOMY

Exchange Rates October 31, 2017

Euro	1 Euro = \$1.165	\$1.00 = 0.858 Euros
Canadian Dollar	1 CAD = \$0.778	\$1.00 = 1.290 CAD
Japanese Yen	1 Yen = \$0.009	\$1.00 = 113.625 Yen
Chinese Yuan	1 Yuan = \$0.151	\$1.00 = 6.633 Yuan
Mexican Peso	1 Peso = \$0.052	\$1.00 = 19.135 Pesos

Market Watch October 31, 2017

DOW	23,377	4.3%
NASDAQ	6,728	3.6%
S&P 500	2,575	2.2%

All three indexes posted gains for October on strong quarterly earnings. It was the seventh consecutive month of gains for the market. The DOW rose 4.3% to close at 23,377, the tech-heavy NASDAQ rose 3.6% to close at 6,728 and the S&P, the index most closely followed by economists, rose 2.2% to close at 2,575.

Consumer Confidence Rises to 125.9

The New York-based Conference Board's Consumer Confidence Index rose to 125.9 in October after being upwardly revised to 120.6 in September. It was the highest level of consumer confidence in almost 17 years. The Present Situation Index increased to 151.1 in October from 146.9 in September and the Expectations Index rose to 109.1 from 103. The Conference Board noted that confidence remains high among consumers, and their expectations suggest the economy will continue expanding at a solid pace for the remainder of the year. Wells Fargo noted that the 24.9% rise in the index over the past year means consumers are more broadly optimistic about the economy. Wells Fargo compared it to 1997, when consumer confidence surged despite an unusually slow economic recovery that eventually became the longest and one of the strongest expansions on record. Economists say a level of 90 indicates that the economy is on solid footing and a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

Consumer Spending Rises 1.0%

Consumer spending jumped 1.0% in September after rising 0.1% in August. It was the biggest increase in consumer spending in more than eight years and ahead of expectations of a 0.8% increase. Core consumer spending rose 0.6% in September after slipping 0.1% in August. Consumer spending got a boost from a 3.2% increase in spending on durable goods like automobiles, which was attributed in part to consumers in Texas and Florida replacing automobiles damaged by the hurricanes. The personal consumption expenditures index (PCE) rose 1.1% in September and 1.3% year over year after rising by the same percentage in August. The PCE has been under the Fed's target of 2.0% for more than five years. Personal incomes rose 0.4% in September after increasing 0.2% in August. Savings fell to \$441.9 billion, the lowest level since August 2008. The low savings rate could constrain consumer spending in the months ahead. Consumer spending is closely watched by economists because it accounts for 70% of U.S. economic activity.

Consumer Prices Rise 0.5%

The Consumer Price Index (CPI) rose 0.5% in September after rising 0.4% in August. The CPI was up 2.2% from September 2016. Core inflation, which excludes food and energy, rose just 0.1% in September after rising 0.2% in August and was up 1.7% year over year. Core inflation has consistently been below the Fed's target of 2%. Most of the rise in prices came from a 6.1% increase in energy prices, led by a big 13.1% jump in the cost of gasoline, most likely due to supply shortages and delivery problems caused by Hurricanes Harvey and Irma. Analysts believe that the Fed will hold off increasing interest rates for now, and will want to see what impact the hurricanes as well as the wildfires in California have on the overall economy before considering raising rates.

Unemployment Drops to 4.1%

The unemployment rate dropped to 4.1% in October and the economy added 261,000 new jobs. Unemployment was at the lowest rate since December 2000. Jobs for September were revised from a loss of 33,000 to a gain of 18,000. With the revisions, the economy has now added jobs for 85 consecutive months, the longest streak on record. Wages grew only 2.4% in October compared with a year earlier, behind September's number. The absence of better wage growth and inflation is one of the biggest mysteries in the economy. The job gains for October were across the board, although employment in retail

dropped by 8,000. More than 700,000 Americans left the labor market in October. Although the Labor Department didn't give a reason, analysts say it could be because Baby Boomers keep retiring. That would mean that the unemployment rate dropped for what economists think of as the wrong reason - a shrinking labor force, not just more hiring. The economy needs to create just under 100,000 jobs each month to keep up with growth in the working-age population, according to Fed Chair Janet Yellen.

Durable Goods Orders Rise 2.2%

Durable goods orders rose 2.2% in September after rising an upwardly revised 2.0% in August. The biggest gain in three months was due to a big surge in orders for commercial aircraft and was double the increase analysts were expecting. Excluding the volatile transportation category durable goods orders increased by 0.7% in September, matching the August increase. Orders for non-defense capital goods excluding aircraft, a closely watched indicator of business spending, rose by 1.3% in September after rising an upwardly revised 1.3% in August. Shipments in the same category, which factor into GDP, rose 0.7% in September after jumping an upwardly revised 1.2% in August. Shipments of core capital goods have now risen for eight consecutive months. Orders for machinery, primary metals, computers, electronic products and transportation equipment all increased. The durable goods report is often both volatile and subject to sharp revisions.

Chicago PMI Climbs to 66.2

The Chicago Purchasing Managers' Index (PMI) rose to 66.2 in October after rising to 65.2 in September. It was the highest level for the index since March 2011. The New Orders component rose to the highest level since June and Production reached the highest level since August 2014. Order Backlogs have been trending up since the start of the second quarter, and reached a level not seen in more than 43 years in October. Both Supplier Deliveries and Inventories softened as storms disrupted deliveries. For the fourth time this year the Employment Indicator slipped below 50 into contraction territory. Firms have repeatedly reported a shortage of skilled and trained workers and are paying overtime or hiring temps. There was also some evidence that firms were losing skilled workers to other firms offering higher wages. Prices Paid softened, giving back more than half of last month's sizable gain. This reflected a partial stabilization in material prices and a lessening of input shortages, although plastic and metal prices remained high.

Wholesale Prices Rise 0.4%

The Producer Price Index (PPI) rose 0.4% in September after rising 0.2% in August and was up 2.6% over the past twelve months, the biggest annual increase since 2012. Core inflation, which excludes volatile food, energy and trade services prices, rose 0.2% in September after rising 0.1% in August. The PCE index, the Fed's preferred inflation gauge, rose 1.4% in August, well below the Fed's target of 2%. The PPI for inputs to construction was up 3.8% year over year.

Q3 GDP Rises 3.0%

GDP grew 3.0% in the third quarter, down slightly from 3.1% growth in the second quarter. Growth exceeded economists' expectations of 2.5%. Growth in consumer spending slowed to 2.4% for the quarter, but is expected to rebound. Rising business inventories accounted for 0.7% of growth, which could be a sign that companies think consumer demand will strengthen. Business investment rose a very healthy 3.9% and exports increased by 2.3%, adding to growth. The price index for personal consumption expenditures (PCE), which is the Fed's preferred measure of inflation, rose at a 1.5% annual rate in the third quarter, up from the second quarter increase of 0.3%. The Commerce Department said that hurricanes likely suppressed business activities such as oil and gas extraction and agricultural production but likely boosted other types of activities, such as emergency services and repair efforts. Repairs and rebuilding could boost economic growth in coming quarters, particularly in building sectors.

Job Openings Fall Slightly

The number of job openings fell slightly in August from July's record high of 6.2 million, according to the latest Jobs Openings and Labor Turnover Survey (JOLTS). Hires dropped slightly to 5.4 million. Total separations in August was relatively unchanged at 5.2 million. Total quits for August was 3.1 million with a quits rate of 2.1%. There were 1.7 million layoffs and discharges in August, little changed from July. The ratio of available workers per available job remains low, with managers now having about 1.1 candidates per job opening, making competition fierce for talent. Economists warn that the record level of job openings could negatively impact economic growth. The JOLTS report is one of Fed Chair Janet Yellen's preferred economic indicators.

HOUSING & CONSTRUCTION

Housing Starts Fall 4.7%

Housing starts fell 4.7% in September to a seasonally adjusted annual rate of 1.13 million units after falling to 1.18 million units in August. Starts are up 9.1% from September 2016. **Single-family starts fell 4.6%** to a seasonally adjusted annual rate of 829,000 units after rising to 851,000 units in August. The decline in single-family starts was due to a 15.3% drop in the hurricane-ravaged South. All other regions saw an increase in single-family starts. **Regional starts were mixed.** Starts rose 15.7% in the West. Starts fell 9.2% in the Northeast, 9.3% in the South and 20.2% in the Midwest.

Building Permits Fall 4.5%

Building permits fell 4.5% in September to a seasonally adjusted annual rate of 1.22 million units after rising to 1.30 million units in August. **Single-family permits rose 2.4%** to 819,000 units after falling to 800,000 units in August. Multifamily permits fell 16.1% to 396,000 units after rising to 500,000 units in August. **Regional permit issuance was mixed.** Permits rose 9.2% in the Northeast and 0.5% in the Midwest. Permits fell 5.6% in the South and 9.2% in the West.

New-Home Sales Rise 18.9%

Sales of newly built, single-family homes rose 18.9% in September to a seasonally adjusted annual rate of 667,000 units from an upwardly revised August reading. New home sales were up 8.6% from September 2016. The inventory of new homes for sale fell to 279,000 units in September from 284,000 in August, a 5.0-month supply at the current sales pace, down sharply from a 6.1-month supply in August. **Sales were up in all regions.** Sales rose 33.3% in the Northeast, 25.8% in the South, 10.6% in the Midwest and 2.9% in the West. One of the reasons there have been such dramatic swings in the percentages of increases and losses is that the overall number of sales remains relatively low. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

Existing Home Sales Rise 0.7%

Existing home sales rose 0.7% in September to a seasonally adjusted annual rate of 5.39 million from an upwardly revised 5.35 million in August but were 1.5% below the pace of August 2016. It was the first increase in existing home sales in four months. **Single-family home sales rose 1.1%** to a seasonally adjusted annual rate of 4.79 million in September from 4.74 million in August but were 1.2% below the pace of September 2016. Total housing inventory at the end of September rose 1.5% to 1.90 million existing homes, still 6.4% below inventory a year ago. Inventory has fallen year-over-year for 28 consecutive months. Unsold inventory was at a 4.2-month supply at the current sales pace, down from 4.5 months a year ago. **Regional sales were mixed.** Sales were unchanged in the Northeast and fell 0.9% in the South. Sales rose 1.6% in the Midwest and 3.3% in the West. Demand for housing is still strong, but low inventory, price appreciation and tight credit continue to depress sales.

Builder Confidence Rises to 68

Builder confidence rose four points to 68 in October after falling to 64 in September, according to the HMI (National Association of Home Builders/Wells Fargo Housing Market Index). It was the highest reading since May, and according to NAHB, shows that builders are rebounding from the initial shock of Hurricanes Harvey and Irma. All three HMI components posted gains in October. The component gauging current sales conditions rose five points to 75, the index charting sales expectations in the next six months rose five points to 78 and the component measuring buyer traffic rose one point to 48. The three-month moving averages for regional HMI scores were mixed. The South rose two points to 68 and the Northeast rose one point to 50. Both the West and Midwest were unchanged at 77 and 63, respectively.

Remodeling Index Rises

The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) rose two points to 57 in the third quarter. The RMI has been at or above 50 for 18 consecutive quarters. Fifty is the level that indicates that a majority of remodelers report market activity is higher compared to the prior quarter. Remodelers are finding it more difficult to find skilled labor, with more than 90% of respondents saying there is a shortage of finish carpenters. In the third quarter of 2013 just 44% of respondents reported a shortage of finish contractors.

Mortgage Rates Rise to 3.94%

A 30-year fixed-rate mortgage (FRM) rose to 3.94% at the end of October after being virtually unchanged at 3.83% at the end of September. In October last year 30-year rates averaged 3.47%.

POWER TOOL INDUSTRY

Robert Bosch

Robert Bosch recently hosted the first symposium of energy researchers supported by the Bosch Energy Research Network (BERN). BERN also awarded six energy research grants to researchers at five leading U.S. universities and awarded energy internships to 18 students. Six partner institutions included California Institute of Technology, Carnegie Mellon University, Massachusetts Institute of Technology, Stanford University, University of California, Berkeley and the University of Michigan. The BERN program is managed by the Bosch Research and Technology Center in North America.

Stanley Black & Decker

Net sales for the third quarter rose 14.6% to \$3.3 billion, as acquisitions (+9%), volume (+7%) and currency (+1%) more than offset the negative impact of divestitures (-3%).

Organic growth was 7%, with the Tools & Storage segment leading the way with 9% organic growth. They increased their 2017 guidance and now believe they will achieve organic growth between 6% and 13%.

Tools & Storage net sales increased 22% versus the third quarter of 2016 to \$2.3 billion as acquisitions (+13%), volume (+9%) and currency (+1%) more than offset divestitures (-1%). The impact of price was relatively neutral compared to the third quarter of 2016. Organic growth was strong across all regions with emerging markets up 16%, North America up 9% and Europe up 5%. Tools & Storage accounted for 70% of net sales overall.

North America share gains were fueled by strong commercial execution along with market-leading innovation, including expanded adoption and new product launches within the DeWalt FlexVolt system.

The Tools segment continues to benefit from a series of growth catalysts including DC brushless, FlexVolt and the Newell Tools acquisition. The Craftsman brand acquisition will impact growth beginning in mid-2018.

From their Q3 Conference Call with Analysts:

Lowe's will begin selling Craftsman tools in the U.S. and Canada sometime next year. However, they are still working through the details of the launch, including both timing and the details of what products will be available to Lowe's shoppers in the U.S., Canada and online. They expect it to impact financials by mid-2018.

They have a dedicated team of more than 100 people working on what they are calling the re-Americanization of the iconic Craftsman brand. They began with what they called "a brand, a history and three people." When they begin executing their strategy, it will probably result in margins that will initially be below average and have a modest negative impact in 2018 and the first half or even the full year of 2019.

They will continue to fully support Craftsman sales by Ace Hardware's 2,800 stores.

Tools & Storage delivered organic growth in every region and business unit and with all top customers.

The Newell Tools integration is going well and they are confident they will capture \$80 to \$90 million in cost synergies.

Actions to improve customer service levels across the Lenox and Irwin product lines have been successful and they are now experiencing fill rates equal to their legacy brands.

They believe the impact of cannibalization by FlexVolt on their corded products has been minimal and the program has carried positive benefits across the DeWalt brand.

They have seen 3% growth in what they referred to as the declining corded power tool market, which they attributed to their Made in the USA strategy.

Hand Tools, Accessories and Storage organization grew 7% on new product introductions. This is the team leading the integration activity for Lenox, Irwin and Craftsman brands.

They raised their EPS guidance for the year by \$0.10 primarily due to higher organic growth, which is now approaching 6% for the full year.

Looking into next year they see more commodity inflation than they originally planned for. They were initially planning on \$100 million, now they are looking at closer to \$150 million. They are looking at what pricing actions they can take in response. They traditionally get 60% to 70% of price recovery in year one, but they would like to get closer to 100%.

They would like to commercialize their connected jobsite initiative and are looking at ways to partner with organizations with different skillsets that can bring the full impact of the Internet of Things to construction job sites. They have had successful tests but need to find ways to commercialize the connected job site.

Other News:

SB&D was selected as a component of the Dow Jones Sustainability Index (DJSI) for North America for the seventh consecutive year. SB&D's overall score placed the company in the 86th percentile of the DJSI, up from 83rd last year. The DJSI measures performance on more than 600 different data points in 22 different categories, including environmental stewardship and human rights.

SB&D has partnered with Sunflower Labs, a San Francisco-based startup focused on home security products. The two companies will work together on new and innovative security solutions. Sunflower Labs manufactures home security drone camera systems, including the Sunflower Home Awareness System, which combines outdoor sensors with an aerial camera for a full view of what is going on around the home and property. About 18% of SB&D's revenue last year came from security products.

TTI/Techtronic Industries

Milwaukee Tool's plant in Greenwood, Wisconsin received a series of bomb threats in late September. The police were called each time, and the building was evacuated. Bomb-sniffing dogs did not turn up any explosives. Authorities have no leads, and do not know if the calls were a hoax.

Trimble

Q3 revenue rose 15% to \$670 million. Organic revenue growth was more than 10%. During the third quarter, Trimble completed the acquisitions of Muller-Electronic and 10-4 Systems. CEO Steve Berglund said that there was strength across all segments and all regions. Trimble expects revenue between \$655 million and \$685 million for the fourth quarter.

RETAIL

Retail Sales Rise 1.6%

Retail sales rose 1.6% in September after falling 0.1% in August. Sales were up 3.2% from September 2016. Sales rose less than expected. Gas sales jumped 5.8%, the most in four and a half years, most likely reflecting price spikes before and during Hurricanes Harvey and Irma. Sales at home and garden supply stores rose 2.1%, most likely due to preparations for the hurricanes and then the beginning of cleanup and recovery. Grocery store sales were up 0.8%, attributed to both stocking up before the storms and replenishing supplies lost due to lengthy power outages. Online and non-store sales were up 0.5%. Core retail sales, which exclude auto sales, gas and building materials, and factor into GDP, rose 0.5% in September after rising an upwardly revised 0.1% in August. Nonstore retail sales, which include internet and catalog sales, rose 0.5% in September after dropping 1.1% in August and were up 9.2% from September 2016. Retail sales account for one-third of all consumer spending, with services accounting for the other two-thirds.

Holiday Sales Forecast

Retail sales for November and December are expected to increase between 3.6% and 4% to approximately \$682 billion, up from \$655.8 billion in 2016, according to the National Retail Federation (NRF). The NRF says this is the first time they've used a range for a percentage impact, and noted that the recent hurricanes in the South would most likely impact results. Christmas is 32 days after Thanksgiving this year, one day later than last year, and since Christmas is on a Monday, people have an extra weekend to complete their shopping. NRF expects online sales to grow 11% to 16% this year and reach about \$114 billion. Retail employment is already up this year, so retailers are reportedly hiring fewer seasonal employees. NRF expects retailers to hire 500,000 to 550,000 temporary workers this year, down from 575,000 last year. Also, this year NRF will

release spending data on Tuesday, November 28, the day after Cyber Monday, rather than on the Sunday after Thanksgiving as has been typical.

The Home Depot

THD cut down on Halloween inventory in stores in hurricane-ravaged Texas and Florida, choosing to focus on storm recovery products that will help homeowners with rebuilding. THD typically sells about 1.5 million pumpkins every season. THD also leased an additional 300,000 square feet of warehouse space in Houston that will store needed inventory such as electrical supplies, drywall and flooring repair materials.

Lowe's

Lowe's has formed a working partnership with Stanley Black & Decker to be the exclusive retailer for Craftsman Tools in the home store channel. Lowe's will begin selling Craftsman power tools and wrenches during the second half of next year. More on this story in the Power Tools section.

Lowe's leased an additional 250,000 square feet of space in Houston from New Jersey-based NFI, a supply chain provider that works with Fortune 500 companies. NFI will work exclusively with Lowe's to keep shelves stocked.

Walmart

From Walmart's Investor's Meeting:

Walmart will open just 15 supercenters and 10 Neighborhood Markets in the U.S. next year. They opened 40 this year, down from 60 in the last fiscal. It would be the fewest number of store openings in 25 years. Walmart plans to open 255 new stores outside the U.S., with a focus on Mexico and China, during the 2019 fiscal year.

Walmart will remodel existing buildings and invest in their ecommerce infrastructure and services like home grocery delivery.

Walmart wants to lower expenses as a percentage of sales from 21%, although they did not give a target range for expenses. WM expects to save \$20 million this year by using slightly smaller plastic shopping bags.

WM will institute zero-based budgeting, which means each business expense must be justified. Zero-based budgeting is used more widely in the consumer products and packaged foods sectors.

WM expects online sales will rise 40% in the next fiscal year. WM will double the number of U.S. curbside locations for online grocery shoppers at Walmart stores.

Other News:

Walmart acquired Brooklyn, New York-based delivery service Parcel Inc. Walmart plans to use Parcel to offer same-day deliveries from Walmart and Jet.com to customers in New York City. Walmart says Parcel has developed unique expertise and the acquisition will allow Walmart to continue to test ways to offer fast delivery while also lowering operating costs. Financial terms were not disclosed, but Walmart said it was a smaller purchase than online retailer Shoes.com (\$70 million), Moosejaw (\$51 million) and Bonobos (\$310 million). Walmart paid \$3.3 billion to acquire Jet.com last year. Walmart also unveiled a partnership with August Home and Deliv for a test in Silicon Valley that allows people with smart locks to have groceries delivered and put away inside their homes.

U.S. ecommerce chief Marc Lore is said to be trying to position Jet.com as an upscale online retailer that offers specialty goods that can't be bought elsewhere and also to separate and differentiate Jet.com from parent Walmart. They are also expected to introduce a line of private-label brand products called Uniquely J designed for the "metro millennial consumer."

Walmart is rolling out Mobile Express Returns in November. The program will let customers get a refund for online orders in just 30 seconds by scanning auto-generated QR codes in any Walmart store. Walmart says the average return takes five minutes. Walmart plans to expand the program to allow returns of merchandise bought in stores next year.

Walmart is reportedly nearing a deal that would give department store chain Lord & Taylor dedicated space on Walmart.com, according to the *Wall Street Journal*. Retailers including Amazon.com and Alibaba Group offer dedicated space to brands on their website. These arrangements allow companies to increase traffic to their ecommerce platforms and allow retailers to boost their online assortment. Lord & Taylor will reportedly continue to operate their own website, but shop-

pers at lordantaylor.com will be able to pick up and return items at Walmart's 4,700 U.S. retail stores.

Sears

Chairman Eddie Lampert's hedge fund, ESL Investments, has lent Sears another \$100 million. Over the last two years, Lampert and his hedge fund have loaned Sears close to \$2 billion to help keep the struggling retailer afloat. Sears announced plans to close more than 300 Kmart and Sears stores this year. The closings will bring Sears' store count down to fewer than 1,140 from 2,073 just five years ago.

Sears will no longer sell Whirlpool appliances. A dispute over pricing ended a partnership that stretched back more than a century. Whirlpool brands include Maytag, KitchenAid, Whirlpool and Jenn-Air. Hundreds of Whirlpool listings disappeared almost immediately from the Sears website. As recently as 2002, Sears sold four out of every 10 major appliances in the U.S., far more than their nearest rivals. But Sears share of the market fell 22% in the 12 months that ended in March, according to market research firm TraQline. Sears said that Whirlpool's demands would have made it impossible for them to offer Whirlpool appliances at reasonable prices.

Ace Hardware

Ace Hardware acquired a majority stake in The Grommet, an ecommerce startup that brings products from independent entrepreneurs and emerging companies to market. Since its launching in 2008 The Grommet has worked with more than 2,500 inventors, entrepreneurs and small businesses. FitBit, IdeaPaint, OtterBox and SodaStream are among the products launched. Ace will not alter the company's strategic direction, and terms of the deal were not disclosed. Ace CEO John Venhuizen says that he believes The Grommet can offer their customers more creative products from local entrepreneurs. The Grommet evaluates and selects products called Grommets across 16 categories and promotes them on its network by telling the stories behind each product. Only 3% of all products submitted and evaluated are actually launched. In 2016 The Grommet partnered with Ace for a pilot program called Innovation Incubators, a freestanding Grommet display in Ace's stores that hold about 40 different products they test each quarter.

The winners of Ace's Maker to Market contest were the

Casus Grill, a portable biodegradable BBQ grill that retails for \$12.99, and a 3D-printed phone case that holds four tools stored within the phone case. The grill weighs 2.2 pounds, and can be burned in a bonfire after use, leaving no trace. Both winners will present and market their products at the Ace Hardware 2018 Spring Convention in Dallas.

W. W. Grainger

Q3 sales rose 3% to \$2.6 billion, beating analysts' expectations. Sales for Grainger U.S. fell 1% but were up 1% on a daily basis compared to the third quarter of 2016. Segment volume rose 7%, which was partially offset by declines of 5% from price and 1% from the divestiture of specialty businesses. Sales got a 1% boost from intercompany sales and 1% from hurricane-related sales, which were offset by declines of 1% from the timing of the July 4 holiday and 1% from seasonal sales.

Grainger reported solid response from digital marketing, particularly from mid-sized customers. They are continuing to streamline their portfolio, divesting themselves of noncore U.S. specialty businesses, which affects sales but positions them more favorably for future growth.

Grainger is focused on improving gross margins and reducing their cost structure in Canada, where they find higher expenses challenging. In addition, Grainger's oil and gas and energy exposure in Canada is very high.

Grainger lowered their sales guidance for the year and now expects 2017 sales growth of 1.5% to 2.5% compared to initial guidance of growth between 1% and 4%.

Amazon

Amazon's net sales rose 34% to \$43.7 billion in the third quarter. The results included \$1.3 billion from Whole Foods Market, which Amazon acquired in August. Results also included Amazon's cloud computing division (AWS), where revenue rose 42% to \$4.58 billion from \$3.2 billion last year, exceeding expectations. Excluding Whole Foods Market and the \$124 million favorable impact from year-over-year changes in foreign exchange rates throughout the quarter, net sales increased 29% compared to third quarter 2016. Results greatly exceeded analysts' expectations.

Amazon is projecting that holiday sales will rise 28% to 38% compared to last year. Holiday revenue grew 22% year over year in both 2015 and 2016.

Amazon received 238 proposals from 54 states, provinces, districts and territories asking to be considered as the site of Amazon's second U.S. headquarters, which the media refers to as HQ2. A decision is not expected until next year. Some applicants are reportedly offering up to \$7 billion in tax and other incentives. But some cities expected to submit proposals eventually declined, or decided to submit proposals without big incentives. Many analysts are speculating that one of the reasons behind these decisions is the fact that some locations are already home to big and powerful corporate headquarters, whose CEOs are not enthused about competing with Amazon for top talent. Amazon has already said that the new headquarters will create 50,000 jobs, many highly skilled and technology-driven.

Amazon is reportedly testing a new delivery service they're calling Seller Flex. The test is on the West Coast, with a potentially broader rollout in 2018. As part of the service, Amazon will oversee the pickup of packages from warehouses of third-party merchants and delivery to customers that is currently handled by UPS and FedEx. While both UPS and FedEx will still be used, Amazon will decide how a package is sent rather than leave that to the merchant.

Amazon is planning on hiring 120,000 people in the U.S. to fill holiday jobs, some of which could turn into full time jobs next year. The jobs include a full range of benefits, and are available at fulfillment centers, sort centers and customer service sites throughout the country.

Amazon is reportedly considering buying luxury retailer Nordstrom, according to Financial Deals Tracker.

Amazon's digital voice assistant Alexa will finally be able to tell voices apart and offer a personalized experience based on who is speaking. Features include playing messages, personalized music playlists, flash briefings and personalized shopping.

CANADA SNAPSHOT

GDP Falls 0.1%

The Canadian economy shrank 0.1% in August to 1.74 trillion Canadian dollars, according to Statistics Canada. It was the first monthly decline in GDP since October of last year. GDP was up 3.5% year over year. Market expectations were for GDP growth of 0.1%, according to economists at Royal Bank of Canada. GDP fell due to a slump in manufacturing and lower energy production. The surprise drop underscores the belief that the economy slowed markedly after a remarkable performance in the first half of the year, and could keep the Bank of Canada on hold with rate policy for the immediate future.

Bank of Canada Holds Rates at 1%

The Bank of Canada held its target interest rate steady at 1% at the end of October after surprising markets by raising rates to 1% in early September. Analysts said that the pause in rate increases came amid uncertainty over North American Free Trade Agreement (NAFTA) negotiations and the potential impact of increases on home owners who are "buried" in debt. The bank noted they are still optimistic about Canada's economy but growth is slowing from the strong pace set earlier this year. Many observers are now ruling out another rate hike from the central bank this year, rather than predicting another increase in December, and say it may be March or April before the bank raises rates again. The Canadian dollar has been drifting down against the U.S. dollar, and has lost ground since peaking in early September.

Unemployment Rises to 6.3%

The unemployment rate rose 0.1% to 6.3% in October and the Canadian economy added 35,000 new jobs. Total employment rose by 308,000 year over year, with the number of people working full time increasing by 2.7%. The unemployment rate has fallen 0.7% in the 12 months through October. The largest employment increase was in Quebec, followed by Alberta, Manitoba, Newfoundland and Labrador and New Brunswick. Employment in Saskatchewan declined. Employment rose in several industries, including construction. Employment declined in wholesale and retail trade.

spread, with confidence in all regions slipping. However, national confidence remains significantly above the level at the beginning of the year. The monthly Index of Consumer Confidence is constructed from responses to four attitudinal questions posed to a random sample of Canadian households.

Consumer Prices Rise

The year-over-year increase in Canada's overall Consumer Price Index (CPI) rose to 1.6% in September from 1.4% in August. Much of the increase in headline inflation reflected higher energy prices as hurricane-related refinery shutdowns in the US put upward pressure on gasoline prices. Rising food prices were also a factor with that component continuing to rebound from multi-decade lows earlier this year. Year-over-year core inflation, which excludes volatile food and energy prices, fell to 1.2%, its lowest level since 2014, as clothing and footwear price deflation intensified.

NAFTA Talks Bog Down

North American Free Trade Agreement (NAFTA) talks have bogged down, and will be extended in 2018, according to sources from the U.S., Canada and Mexico. While no one talked about walking away, sharp differences have surfaced and negotiators agreed to what amounts to a "time out" to regroup. Top trade officials from the three nations were openly critical of each other's positions. Some issues include proposals from the U.S. that weaken Canada's and Mexico's access to U.S. government procurement contracts and to eliminate a NAFTA chapter that has allowed Mexico and Canada to contest U.S. anti-dumping and government-subsidy tariff decisions by turning to a special panel of judges. The U.S. also is seeking to weaken the right of foreign investors to sue governments where they are operating. Mexico and Canada view the proposals as protectionist. The U.S. says the current terms of NAFTA are unfavorable and says the proposed terms will reduce the U.S. trade deficit and create jobs at home.

Housing and Construction News

Housing starts slipped in September to a still-strong 217,000 annualized units after rising to 226,000 in August. The year-to-date average of 217,000 units is well above the 198,000 average for last year. The decline was primarily due to a fall in multifamily starts even though that component still posted its strongest quarterly pace on record in Q3. Single-family starts rose to a six month high in September. On a regional

basis, Ontario accounted for almost all of the monthly decline with starts pulling back following three consecutive monthly gains. In a separate report, building permits fell to 214,000 annualized units in August from 235,000 in July. Five-year fixed rate mortgages averaged 3.51% at the end of October.

Retail Sales Fall 0.3%

Retail sales unexpectedly dropped 0.3% in August after rising 0.4% in July. The drop in sales was widespread, led by a big 2.5% plunge in grocery sales. StatsCanada commented on the weakness shown in housing-related sales components, as building materials sales fell 1.9% and furniture store sales were down 2.4%. Eliminating the impact of overall price changes the volume of retail sales dropped 0.7% after dropping 0.1% in July, which analysts termed disappointing. Retail sales rose an average of 0.5% per month throughout the second quarter. In Canada, retail sales account for about half of all consumer spending, and are considered a proxy for overall consumer spending.

Canada Retail Notes

Grainger's Canadian business posted a \$15 million operating loss in the third quarter, up 1% from Q3 last year. Sales in Grainger's Canadian segment rose 5% and were up 7% on a daily basis compared to the third quarter of 2016. Daily sales for the Canada segment increased 2% in local currency, due to volume. W.W. Grainger is restructuring their Canadian business and reducing branches and headcount.

Rona and Lowe's Canadian stores will begin selling Craftsman products sometime next year. Stanley Black & Decker declined to comment on details, saying the information was being released because Lowe's might report information that could have financial impact.

Prime Minister Justin Trudeau sent a personal two-page letter to Amazon CEO Jeff Bezos making the case for Amazon to open their second headquarters somewhere in Canada. Trudeau marketed Canada's cities as "progressive and confident," cited Canada's multiculturalism and diversity and promised Amazon a highly skilled and motivated workforce. Trudeau also noted that Canada's universal health care system and robust public pension plan reduces costs for employers. Some Canadian cities are said to be submitting proposals but

declining to offer publicly funded incentives for Amazon to choose them. Amazon's second headquarters in North America is projected to cost \$5 billion (US) and employ as many as 50,000 people. Canadian cities submitting proposals included Toronto, Ottawa, Vancouver, Edmonton and Calgary. Analysts say that Canada's chances may depend in some part on how Amazon CEO Jeff Bezos feels about angering President Trump and dealing a blow to his push for more American jobs. Amazon's business in Canada is growing about 50% a year.

MARKET TRENDS

PBS Inventors' Competition

Stanley Black & Decker, Amazon Launchpad and Ace Hardware are among the companies underwriting Make48, a new invention competition series on PBS that is aimed at encouraging American ingenuity. The eight-episode Make48 series debuted this fall, and production on Season Two has already begun. In addition, they are taking applications for Season Three. Three winners, picked by judges, will get help creating prototypes and producing marketing videos, and get the chance to pitch their products to major retailers. The producers describe the series as reality TV that really works. More than 207 public television stations are airing the show, reaching more than 90 million households.

Pre-Fab Homes for Sale on Amazon

Amazon Prime members can now have a tiny home delivered to their doorstep. Priced at \$36,000 plus \$3,754 for shipping, the 320-square-foot pre-fabricated homes are shipped in containers. They're manufactured by MODS International, and include a bedroom, shower, toilet, sink, kitchenette and living area, along with double patio door, connections for sewer, water and electric and heat and air conditioning. Before you order one check with your municipality, as they are too small to meet required home sizes for some areas. While being compared to the Sears home kits of the early to mid-1900s, these little homes are constructed out of shipping containers. Some journalists are calling Amazon the Sears Catalog of this generation.

Protecting Data a Top Priority

Cyberthreats are now on the top of CEOs' worry lists for fear a data breach could cost them their jobs and take down their businesses. The fallout from big breaches at Tar-

get, Yahoo and Equifax weighs on executives. The number of U.S. data breaches jumped to a record 791 in the first six months of 2017, according to the nonprofit Identity Theft Resource Center and data-security firm CyberScout. That's a 29% jump from the same time period in 2016. *The Wall Street Journal* reported that CEOs said that five years ago cyber security was "someone else's job," but now it's a top concern of the top executives in every major company. One of the threats comes from the fact that there is a lot of information available to the public about most CEOs and top executives, particularly those who run publicly held companies. That makes it easy for scammers to construct phishing emails that appear to have come from the boss instructing recipients to click on links or refresh their personal information.

Amazon Disrupting Business as Usual

Amazon has already spearheaded what is generally regarded as an omnichannel retail revolution that is trying to understand the shifting consumption patterns and changing needs and priorities of consumers today. Amazon is making forays into businesses that are far afield from their retail roots, from pharmaceuticals to groceries to iconic brands like Nike that ten years ago would have never considered being sold on Amazon. According to internet marketing service BloomReach, 55% of product searches start on Amazon, far more than the 28% that start on search engines. Amazon captures an estimated 40% of every shopping dollar spent online and is already the second-largest apparel seller in the US, right behind Walmart.

Smart Speaker Home Market Growing Rapidly

The number of households with voice-activated wireless speakers such as Amazon's Echo and Google Home has more than tripled in just the past year, according to market research firm NPD Group. About 15% of households with internet now own a home automation device, up from 10% in April 2016. Security and monitoring systems have the largest dollar share, but categories such as smart lighting and video doorbells are growing rapidly. Google is reportedly building a tabletop smart screen named "Manhattan" which would compete with Amazon's Echo Show. Manhattan would offer YouTube, Google Assistant, Google Photos and support video calling. It will also act as a smart hub for Nest and other smart home devices. Google abruptly stopped making YouTube available on Amazon's Echo Show the end of September. Homebuilder Lennar

Homes is now offering residences in South Florida with home-automation voice control by Alexa built in. Using an Amazon Echo screen, homeowners can control home appliances, answer video calls, view security cameras, check the weather and control their lights and locks. The townhomes are priced from the high \$300s; single-family homes start around \$572,000.

Business Messaging Market Grows

Walmart is the latest, and undeniably the largest, company that is adopting the enterprise version of Facebook's social networking tool across its workforce of 2.3 million employees. The tool is known as Workplace, and enables co-workers to communicate, collaborate and share content through a web interface mobile app with built-in enterprise-grade security and administration features. Workplace was launched in 2015 as a pilot project and to date has been deployed by more than 14,000 companies, including Stanley Black & Decker and the Royal Bank of Scotland. Facebook's rivals in the business-messaging market include Slack Technologies, Jive and Microsoft's Yammer, which is offered through Office 365. Microsoft recently announced that their instant-messaging tool called Teams will be replacing Skype for Business as their primary workplace collaboration software.