News from the Month of October 2018 | **EDITION 11** / 2018

BOSCH

Market Briefing

Content

US Economy	2
Housing & Construction	4
Power Tool Industry	5
Retail	7
Canada Snapshot	10
Market Trends	12

US ECONOMY

Consumer Confidence Rises to 137.9
Consumer Spending Increases 0.4%
Consumer Prices Rise 0.1%
Unemployment Remains at 3.7%
Durable Goods Orders Rise 0.8%
Chicago PMI Drops to 58.4
Wholesale Prices Rise 0.2%
Q3 GDP Rises 3.5%

HOUSING & CONSTRUCTION

Housing Starts Fall 5.3%
- Single-family starts fall 0.9%

Building Permits Fall 0.6%
- Single-family permits rise 2.9%

New-Home Sales Fall 5.5%
Existing Home Sales Fall 3.4%
Builder Confidence Rises to 68
Mortgage Rates Rise to 4.86%

POWER TOOL INDUSTRY

Stanley Black & Decker
- Q3 net sales rise 4%
- Tools & Storage net sales rise 3%
- Q3 conference call

TTI/Techtronic Industries
- Milwaukee acquires Imperial Blades

Trimble
- Acquires Veltec

RETAIL

Retail Sales Rise 0.1%
Holiday Updates
The Home Depot
- Annual supplier awards

Lowe's
- Pledges millions for hurricane relief

Walmart
- Lowers earnings forecast
- Offers free 2-day shipping

Sears
- Files for Chapter 11

Ace Hardware
- Introduces new positioning

W.W. Grainger
- Q3 sales rise 7.4%

Amazon
- Q3 revenue rises 29%
- Raises minimum wage
- New Business Prime benefits

CANADA SNAPSHOT

Economy
Housing & Construction
Retail

MARKET TRENDS

Virtual Design and Construction
Generational Differences
Integrating Technology into Life
Shipper Supply Chains High Priority
Multistory Warehouses and Robots
Amazon Wage Hikes Impact Retail
Tech Changes Shopping
Amazon's Best Products Store
Retailers Push to Reject Rewards Cards
Malvertisers Target Internet Users
Death of an American Icon

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

US ECONOMY

Exchange Rates October 31, 2018

Euro	1 Euro = $1.133	$1.00 = 0.882 Euros
Canadian Dollar	1 CAD = $0.761	$1.00 = 1.314 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 112.893 Yen
Chinese Yuan	1 Yuan = $0.143	$1.00 = 6.975 Yuan
Mexican Peso	1 Peso = $0.049	$1.00 = 20.271 Pesos

Market Watch October 31, 2018

DOW	25,116	-5.1%
NASDAQ	7,306	-9.2%
S&P 500	2,712	-6.9%

The month of October was extremely volatile, with the markets reacting badly to corporate earnings and continued worries about an escalating trade war with China. All three indexes finished the month in the red, with the S&P posting the biggest monthly lost since 2011 and the NASDAQ turning in the worst monthly performance since November 2008. The DOW fell 5.1% to 25,116, the tech-heavy NASDAQ dropped 9.2% to 7,306 and the S&P, the index most watched by economists, fell 6.9% to 2,712. Analysts noted that there is not a real long-term reason for the markets decline; in actuality, earnings are generally good or there is some optimism that there could be a breakthrough on trade. Market experts note that a sharp drop that comes out of the blue is generally a sign of a market correction; a bear market usually rolls out more slowly.

Consumer Confidence Rises to 137.9

The New York-based Conference Board's Consumer Confidence Index rose to 137.9 in October after rising to a downwardly revised 135.3 in September, according to the Conference Board's latest survey. It was the highest level of confidence since October 2000, and close to the index' all-time high of 144.7 reached in October 2000. The Present Situation Index rose to 172.8 from a downwardly revised 169.4 and the Expectations Index rose to 114.6 from a downwardly revised 112.5. Economists note that 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 Increases 0.4%

Consumer spending rose 0.4% in September after rising 0.3% in August. It was the seventh consecutive month that consumer spending increased. Core consumer spending rose 0.3% after rising 0.2% in August. Higher interest rates and falling household wealth after the sharp pullback in the stock market are casting doubts on the resiliency of consumer spending going forward. Spending on goods surged 0.6% in September after rising 0.3% in August. Spending on services rose 0.3% after rising 0.4% for the previous two months. Personal incomes rose 0.2% in September after rising 0.3% in August. Wages rose 0.2% after jumping 0.5% in August. The savings rate fell to the lowest level since December 2017. The personal consumption expenditures (PCE) price index excluding food and energy rose 0.2% in September after being unchanged in August, leaving the annual core PCE price index at the Fed's inflation target of 2.0% for the fifth time this year.

Consumer Prices Rise 0.1%

The Consumer Price Index (CPI) rose just 0.1% in September after rising 0.2% in both August and July. The CPI was up 2.3% over the past 12 months, after being up 2.7% in August and 2.9% year over year in June and July. The modest price increases were due to rents rising more slowly and energy prices falling. Core inflation, which excludes food and energy, rose 0.1% in September after rising 0.1% in August and was up 2.2% from September 2017. Inflation is close to the Fed's target of 2.0%, and the slowdown in acceleration relieved fears that the Fed would move to increase interest rates more quickly than expected. Wages adjusted for inflation rose just 0.1% in August and were up 0.2% over the past twelve months. Analysts believe the current expansion still has room to run, but no one is sure why the very hot labor market has not spurred income growth. Slow income growth has a tendency to dampen consumer spending.

Unemployment Remains at 3.7%

The unemployment rate remained at 3.7% in October and the economy added 250,000 new jobs, well ahead of expectations. However, job gains for September were revised down from 134,000 to 118,000. The unemployment rate remained unchanged at the lowest level since 1969 despite strong job creation because the labor force rose by 771,000 during the month. Job gains were broad-based, with construction adding 30,000 new jobs, manufacturing adding 32,000 and retailers adding 2,400 following a steep decline of 32,400 in September. Both private and government payrolls increased. Average hourly earnings rose by 0.2%, bringing the year-over-year increase to 3.1%. Most analysts expect the Fed to raise rates by 0.25% at their last meeting of the year in December and continue to gradually raise rates in 2019. The economy needs to create about 120,000 new jobs each month to keep up growth in the working-age population.

Durable Goods Orders Rise 0.8%

Durable goods orders rose 0.8% in September after rising an upwardly revised 4.6% in August. Economists had forecast a 1.9% decrease in orders. Headline orders were boosted by a 119.1% surge in defense aircraft. Over the past year, durable goods orders are up 6.5%, reaching the second-highest level on record. Core durable goods orders for non-defense capital goods excluding aircraft, widely regarded as a key indicator of business spending, fell 0.1% in September after falling 0.5% in August but are up 6.6% over 2017. Despite the overall growth, core capital goods orders have been essentially flat for the past two months. Concerns over trade policy and global economic growth may be causing some companies to defer investment. Nondefense capital goods shipments, which factor into GDP, stalled out after rising 3.0% in August. The durable goods report is volatile and often subject to sharp revisions.

Chicago PMI Drops to 58.4

The Chicago Purchasing Managers' Index (PMI) fell to 58.4 in October after falling to 60.4 in September. It was the lowest level for the index in the past six months and the third consecutive monthly decline. The decline left the PMI down 10.7% from October 2017, the biggest year-over-year fall since December 2015. However, the PMI is still above its five-year average, and analysts pointed out that the decline may simply be a reversion to more normal levels after 12 months of very strong performance. New Orders fell for the sixth time this year, settling at the lowest level since January 2017. Output rose slightly and Order Backlogs dropped. Prices Paid remained elevated, indicating continuing input pressure. Shortages and tariffs are expected to continue to push some prices higher.

Wholesale Prices Rise 0.2%

The Producer Price Index (PPI) rose 0.2% in September after falling 0.1% in August. The PPI was up 2.7% from September 2017, the smallest increase since January. Core producer prices, which exclude food, energy and trade services, also rose 0.2% in September and were up 2.5% from September 2017. There were some signs of rising costs; transportation and warehousing prices rose 1.8%, the largest monthly gain in nearly nine years. However, the increase was primarily driven by higher prices for airline tickets, which jumped 5.5%.

Q3 GDP Rises 3.5%

GDP growth slowed to 3.5% in the third quarter after growing 4.2% in the second quarter. Results exceeded economists' expectations of 3.2% growth. A surge in inventory investment and solid government and consumer spending balanced a tariff-related drop in soybean exports, declining residential investment and stagnant business spending. Farmers front-loaded shipments to China before the first round of tariffs took effect in early July, which boosted second quarter growth. Since then, petroleum, nonautomotive capital goods and soybean exports have dropped every month. The widening trade gap trimmed 1.78% from GDP growth in the third quarter. Inventories increased $76.3 billion after declining $36.8 billion in the second quarter, so inventory investment added 2.1% to GDP growth after subtracting 1.1% in the second quarter. The GDP report also showed that the Fed's preferred inflation gauge, the personal consumption expenditures price index excluding food and energy, (PCE) rose 1.6% in the third quarter after climbing 2.1% in the second quarter. Consumer spending, which accounts for more than two-thirds of US economic activity, rose 4.0% in the third quarter after rising 3.8% in the second quarter. Economists warned that headwinds for the economy are growing, with business spending on equipment falling to 0.4% after rising at a 4.6% pace in the second quarter. Businesses are struggling to find workers and import tariffs are increasing manufacturing costs, which will eventually result in higher costs for consumers on everything from televisions and major appliances to luggage. Higher interest rates are also pressuring the housing market, which contracted in the third quarter.

Job Openings Hit Record High

The number of job openings increased 4.6% to a record-high 7.14 million in August after climbing to 6.9 million in July, according to the Job Openings and Labor Turnover Survey

(JOLTS). Hiring increased to a record high 5.78 million in August from 5.71 million in July. The quits rate was unchanged at 2.4%; 3.58 million Americans quit their jobs, down slightly from 3.61 million in July. Job postings exceeded the number of unemployed people by 902,000 in August and there were 0.9 unemployed persons per job opening, compared with 1.9 people when the recession began at the end of 2007. Openings increased in many sectors, including construction and business services, but fell in state and local government. In the 12 months through August the economy created a net 2.4 million jobs. Hires have outpaced separations every month since August 2010. The JOLTS report is one of the Fed's preferred economic indicators.

GDP Forecasts

GDP in 2019 will be slightly lower than this year's, according to the 51 economists and business professionals surveyed by the National Association for Business Economics (NABE). The forecasters predict 3.1% growth for the full year of 2018 and 2.5% growth next year. The expectation for lower growth is based on worries about trade and moderately increased inflation forecasts. The survey was completed in mid-September and did not reflect the trade accord reached between the US and Canada at the end of September. S&P Global Ratings also trimmed forecasts for US growth, and now expects GDP to expand 2.9% this year and 2.3% in 2019, down from the respective 3.0% and 2.5% growth forecast in June. S&P ranked trade and investment interruption as the top global risk and said the possibility of an all-out trade war between the US and China weighed on projections.

Fed Striving for Interest Rate Neutral

The Federal Reserve has a "little bit more to go" before interest rates will reach a level where they will neither stimulate nor restrain economic growth, according to Chicago Fed President Charles Evans. Evans believes "neutral" rates to be between 2.7% to 3.0%. He said the economy is doing "extremely well," and inflation is only expected to rise a few tenths of a percent above its current 2.0% level.

USPS Announces Rate Increases

The US Postal Service (USPS) wants to broadly increase the price of sending mail and packages, with requested price changes expected to take effect January 27, 2019. The Postal Regulatory Commission (PRC) is expected to approve the increases, which will raise the price of a Forever stamp from the current fifty cents to fifty-five cents. Flat rate package prices will also go up, as will the price of metered mail.

HOUSING & CONSTRUCTION

Housing Starts Fall 5.3%

Housing starts fell 5.3% in September to a seasonally adjusted annual rate of 1.2 million units after rising to 1.28 million units in August. **Single-family starts fell 0.9%** to 871,000 units after rising to 876,000 units in August. Multifamily starts fell 15.2% to 330,000 annual units after rising to 408,000 units in August. Multifamily data tends to be particularly volatile on a month-to-month basis. NAHB Chief Economist Robert Dietz warned that housing affordability was becoming an increasing issue. Although lumber prices have declined and the new trade deal with Canada and Mexico is expected to be approved soon by each country, builders remain concerned about labor shortages, and the number of open construction jobs has reached a post-recession high. **Regional starts were mixed.** Starts rose 29% in the Northeast and 6.6% in the West. Starts fell 13.7% in the South and 14% in the Midwest.

Building Permits Fall 0.6%

Overall building permit issuance fell 0.6% in September after falling 5.7% in August. **Single-family permits rose 2.9%** to an annualized rate of 851,000 while multifamily permits dropped 7.6% to 390,000 units. Permit issuance rose 11.1% in the West and 0.6% in the South. Permits were down 9.8% in the Northeast and 18.9% in the Midwest.

New-Home Sales Fall 5.5%

Sales of newly built, single-family homes fell 5.5% to a seasonally adjusted annual rate of 553,000 units in September and sales for August, July and June were revised down, leaving sales up 3.5% from September 2017. It was the lowest sales pace since December 2016. The inventory of new homes for sale rose to 327,000 in September after rising to 318,000 in August. The median sales price was $331,500. **Regional sales were mixed.** New home sales rose 6.9% in the Midwest. Sales fell 1.5% in the South, 12% in the West and 40.6% in the Northeast. On a year-to-date basis, home sales are higher in all regions except the Northeast, which has registered a 16.5% decrease in sales volume. 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 Drop 3.4%

Existing home sales dropped 3.4% to a seasonally adjusted annual rate of 5.15 million units in September after stabilizing at 5.34 million homes in August. Sales were 4.1% below September 2017. It was the lowest level for existing home sales since November 2015. The median existing home price has risen for 79 consecutive months and was $258,100 in September. Total housing inventory dropped to 1.9 million homes in September but is up from 1.86 million in September 2017. Inventory was at a 4.4-months supply, up from 4.1 months in August and 4.2 months a year ago. **Regional home sales were mixed.** Existing sales were flat in the Midwest, but fell 2.9% in the Northeast, 3.6% in the West and 5.4% in the South. The combination of rising interest rates, high home prices and lack of inventory continues to push entry-level and first-time buyers out of the market.

Builder Confidence Rises to 68

Builder confidence rose one point to 68 in October after being stable in September, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Component scores were mixed. Current sales conditions rose one point to 74, expectations rose one point to 75 and buyer traffic rose four points to 53. The recent decline in lumber prices from record-high levels over the summer was a welcome relief, but builders still face many challenges producing competitively priced homes, especially in the face of rising wages and labor shortages. Looking at the three-month moving averages for regional HMI scores, the Northeast rose three points to 57 and the South rose one point to 71. The West held steady at 74 and the Midwest fell two points to 57.

Mortgage Rates Rise to 4.86%

A 30-year fixed-rate mortgage (FRM) rose to 4.86% at the end of October after rising to 4.72% at the end of September and 3.94% at the end of October last year. Freddie Mac expects rates to continue to rise gradually, which will continue to put downward pressure on homebuying.

POWER TOOL INDUSTRY

Stanley Black & Decker

Q3 sales rose 5.9% to $3.49 billion, short of expectations of $3.59 billion. Profits dropped by 10% from Q3 last year. Net sales rose 4%, with organic growth of 4% and acquisitions adding 2%, which was offset by a 2% decline from currency.

Q3 Conference Call with Analysts:

Tools & Storage contributed 3% revenue growth and 6% organic growth, with price contributing 1% and currency subtracting 3%.

On a geographic basis, North America was up 6% organically with growth across all channels. US retail generated mid-single-digit growth and US commercial markets were up in the high-single digits.

North America's growth continued to be fueled by new product innovations including FlexVolt, the Craftsman brand rollout and price realizations.

They saw higher-than-expected cannibalization of their legacy brands due to the Craftsman brand transition, Despite that, Craftsman was still a major growth driver for the quarter. They believe the peak of cannibalization occurred in the third quarter; they expect it to lessen in the fourth quarter and next year.

The Power Tools & Equipment SBU delivered 8% organic growth, benefiting from new product introductions and FlexVolt. FlexVolt is now tracking at mid-teens growth year to-date, with growth being led by increased penetration of the system and the new product launches within the category.

Hand Tools, Accessories & Storage delivered 4% organic growth as new product introductions, solid performances and Lenox and Irwin revenue synergies all contributed to growth.

The impact of the Sears bankruptcy will be negligible as far as their actual product sales to Sears, which amount to about $50 million annually. Sears also currently owes them $5.9 million in unsecured debt. As it relates to the Craftsman brand transaction, their future payment obligations remain the same as agreed to, which means they will owe Sears a one-time payment of $250 million in March of 2020 and will begin making quarterly royalty payments related to Craftsman sales. They will continue to honor valid warranty claims for Craftsman products.

They believe the potential impacts from a smaller Sears will clearly be a positive for their Craftsman launch. Should Sears enter liquidation, the deferred revenue liability for the royalty-free license would be reversed into the P&L**,** partially offset by an increase to their warranty reserve.

Discussing tariffs, they noted that the annual impact of the section 301 tariffs, currently 15%, will increase to 25% in January 2019, with an impact of approximately $250 million, up $200 million from this year.

Items carrying a tariff now represent approximately two-thirds of their imports from China. About 90% of the impact is from finished goods, including mechanics tools, power tool accessories, vacuums and some hand tools. They expect to continue to recoup the impact of the tariffs through pricing, which will be implemented in January.

Should all the remaining imported products be affected by an increase to a 25% tariff, that would represent another $125 to $150 million of additional annualized risk before price mitigation. If it does occur, they believe they are favorably positioned versus competition because about 50% of their North American sales are supported by tools production from North American facilities.

As far as tariff mitigation goes, they are acting first with price increases as well as using the exclusion process when available, and have had success through leveraging their supply chain and receiving exemptions from the US government.

Tools & Storage operates with a dual objective of delivering above-market share volume growth while also protecting margins. Operating margins dropped to 16.6% in the third quarter from 17.3% in the third quarter of 2017.

Looking ahead to 2019, they now believe there will be a significant carryover impact from external headwinds, including commodity inflation, currency and tariffs, as well as somewhat slower US residential housing and automotive markets, primarily related to continuing upward pressure on US short-term interest rates. In response, they will be executing a cost reduction program that will deliver about $250 million in pre-tax savings in 2019.

They now expect to achieve their $1 billion Craftsman growth target by 2021, six years ahead of their prior expectations. So in essence, the Craftsman brand is about 60% ahead of schedule.

Lowe's and Ace have begun rolling out Craftsman; the rollout will continue in the fourth quarter and be completed in 2019. Amazon will launch metal storage products in the fourth quarter with a broader rollout continuing throughout 2019.

Initial feedback from the Craftsman rollout shows that they are converting new users to the brand, which represents a share gain opportunity for both SB&D and their retail partners. End user feedback has been exceptionally positive.

Ecommerce remains a key commercial driver across both emerging and developing markets, and represents a $1 billion high-growth business this year, up from "almost nothing" in 2010.

As far as the Newell Tools acquisition goes, they expect to deliver $100 to $150 million of organic growth from revenue synergies as they broaden the distribution of these products around the world.

Other News:

SB&D announced an exclusive instore and online partnership for the Stanley and Stanley Fatmax brands with the Home Depot. This program will begin next year.

SB&D launched their inaugural Maker Month, which they termed a celebration of the makers and creators shaping the world around us. Throughout the month of October SB&D encouraged students, parents, school communities and makers of all ages to participate in activities and challenges that build excitement for the power of making. SB&D ran several social media sweepstakes open to makers in the US and Canada (excluding Quebec) and contests for schools throughout the month.

SB&Ds investment in MTD Products gives them access to MTD's private label manufacturing for Craftsman, as well as MTD brands, including Cub Cadet and Troy-Bilt. Both companies also hope the investment will provide access to expanded sourcing opportunities and shared technology.

TTI/Techtronic Industries

Milwaukee Tool acquired Imperial Blades. Imperial makes blades for oscillating multi-tools and is the inventor of the universal shank. The company was founded in 2008. Milwaukee plans to keep the Imperial Blades brand. Milwaukee CEO Joe Galli said that the acquisition will expand and strengthen their American manufacturing footprint and expand their portfolio of professional brands. Milwaukee plans to grow and develop the brand and jointly develop new products in the oscillating tool category.

Trimble

Trimble acquired privately-held Veltec, a fleet management provider that delivers transportation solutions that improve safety and reduce operational costs. Financial terms were not disclosed.

RETAIL

Retail Sales Rise 0.1%

Retail sales rose 0.1% in September after inching up 0.1% in August and were up 4.4% from September 2017. Sales were well below expectations of a 0.7% increase. Ten of thirteen categories showed increases. Core retail sales, which exclude autos, gasoline, building materials and food sales, rose 0.5% in September after rising 0.1% in August and were above expectations. Online and other non-store sales were up 8.9% year over year and 0.9% seasonally adjusted from August. Sales at building materials and supplies stores were down 0.3% year over year and up 0.1% seasonally adjusted from August. Hurricanes Florence and Michael may have affected sales in affected areas. Most of the negative impact from disasters is temporary and eventually recouped by recovery efforts. Many economists are unsure about how the trade wars and new tariffs will impact retail sales.

Holiday Updates

A number of factors are prompting experts to predict good growth this holiday season, including better financial conditions and increased consumer confidence. The National Retail Federation expects holiday sales in November and December to increase between 4.3% and 4.8%, to around $720 billion. Many retailers are trying to attract seasonal workers, with Amazon adding 100,000 workers and Target trying to hire 120,000 seasonal employees, 20% more workers than last year, partially in response to Sears exiting the holiday arena and leaving a void, particularly in toys. Walmart is taking a different tactic, saying that they have found it more effective to offer additional hours to current employees, and intend to continue doing so.

Thanksgiving and Black Friday Shopping

The National Retail Federation reports that 174 million people shopped instore and online during last year's five-day Thanksgiving weekend, which officially concludes on Cyber Monday. Last year, a BestBlackFriday.com survey found that 57% of Americans responding were against Thanksgiving openings, with only 16% favoring them. However, this year nearly 25% of respondents said they were OK with stores opening on Thanksgiving.

About 60 retailers have already confirmed that their stores will remain closed on Thanksgiving Day in order to give employees time to spend the holiday with their families. Stores that will be closed include The Home Depot, Lowe's, Sam's Club, Costco, Ace Hardware and Menards.

The 2018 Online Holiday Shopping Forecast by CPC Strategy shows that 80% of holiday shoppers will start their hunt for gifts on Amazon this year, with many consumers noting they will start shopping before Thanksgiving. Last year 72% of shoppers reported that they would start their holiday shopping search on Amazon. Several retailers also fared well, with 57% of shoppers expecting to shop on Walmart.com. Gender and age influenced patterns, with 70% of women between the ages of 45 and 50 planning to shop at Walmart; the survey showed that the likelihood of shopping at Walmart increased along with the age of the shopper. Other key findings include the fact that 46% of shoppers plan to shop both online and in stores, 43% plan to do their shopping on a mobile device and 40% plan to buy their gifts before Thanksgiving. In addition, despite high consumer confidence and a strong economy, 20% of people plan to spend less than they did last year.

Digital Holiday Advertising

Retailers plan to spend more of their digital advertising budget on Black Friday than on any other day during the holiday season, including Cyber Monday. Nanigans surveyed 100 senior digital advertising execs from companies with a minimum of $100 million in annual online sales who indicated that a quarter of their annual ad budget is used to target shoppers during the Black Friday/Cyber Monday holiday weekend. Total US digital ad spend by retailers is expected to exceed $23 billion this year, so that would mean retailers plan to spend nearly $6 billion dollars in media over the four-day weekend. Google Search and Display and Facebook dominated planned channels, with Amazon running third. Just 5% target last-minute shoppers, which may be a missed opportunity.

The Home Depot

THD announced the winners of their most innovative products for 2018. The overall winner was Makita's Sub Compact program with 18v battery system. Milwaukee Tools was named their Supplier Partner of the Year for tools.

Lowe's

Lowe's pledged $2 million for Hurricane Michael relief efforts. That pledge brings Lowe's total relief support to $4 million for Hurricanes Florence and Michael, which both made landfall within a 30-day period. In addition to deploying needed supplies to stores in areas affected before the storms, Lowe's also mobilized Employee Relief Teams who volunteer to be deployed to the hardest-hit areas so that Lowe's associates who were personally affected can focus on their families' needs. Lowe's has also doubled their commitment to the Lowe's Employee Relief Fund, which has so far delivered $35 million in financial aid to more than 30,000 employees since it was established in 1999.

Walmart

Walmart lowered their earnings forecast for the year and said ecommerce growth next year would be slower than in the current fiscal year, which ends in January. Earnings next year will be negatively impacted by Walmart's $16 billion acquisition of Indian ecommerce firm Flipkart Walmart now expects comp store sales in the US to grow 2.5% to 3% in fiscal 2020 following expected growth of 3% this year, which will be the fastest growth in a decade. WM expects sales growth in fiscal 2020 to be negatively impacted by the deconsolidation of operations in Brazil and the planned reduction of tobacco sales at Sam's Club. Online sales growth in fiscal 2020 is expected to slow to 35% from 40% this year. Walmart will open fewer than 10 stores in the US in fiscal 2020, but will unveil more than 300 units in Mexico and China.

Walmart is offering free 2-day shipping on millions more items by partnering with hundreds of the top sellers on Walmart.com's third-party marketplace. Free two-day shipping is already available on eligible orders of Walmart merchandise of $35 or more. Walmart is also improving the return policy for orders from third-party sellers. Walmart will soon allow customers to print return slips from their website to send items back to sellers, and in mid-November Walmart will allow people to drop off returns at Service desks in any Walmart store.

Walmart entered into a strategic joint venture with Eko, a developer of interactive video technology. Through the project, dubbed W*E Interactive Ventures, the two companies plan to develop original, interactive content that will enable Walmart to connect with customers in new ways. Content could include everything from cooking shows to interactive toy catalogs. It will also allow viewers to participate in and shape stories as they develop. Analysts say that the deal positions WM to compete with on-demand video subscriptions like Netflix and Amazon Prime's video service.

Sears

As widely expected, Sears filed for Chapter 11 bankruptcy and announced they would be closing 142 stores before the end of the year. CEO Eddie Lampert is stepping down; employees got the news via email. Many analysts say that Lampert's decision to cut costs while competitors updated their stores and built up their digital business doomed Sears to failure. Sears has not turned a profit since 2010, but in its heyday Sears was both America's largest retailer and largest employer. In fact, many journalists noted that Sears was the Amazon of its day, bringing the world to people through their famous Sears catalog. Over the past 13 years, Sears closed 2,800 Sears and Kmart stores, sold off properties and slashed investment in the remaining stores.

Stanley Black & Decker has a $5.9 million unsecured claim against Sears. Apex Tool Group also has an unsecured

claim of $6.6 million. Apex is a privately held supplier of hand tools and power tools owned by Boston private equity giant Bain Capital. Unsecured creditors are the last ones to be paid; secured creditors like banks will be taken care of first. Sears listed $6.9 billion in assets and $11.3 billion in liabilities in their bankruptcy filing.

Analysts believe Walmart will be the biggest beneficiary from Sears' death spiral, as data shows that 92% of Sears' shoppers also shop at Walmart and there is a lot of demographic overlap. Data also reveals that TJMaxx and sister store Marshalls have more stores closer to Sears' current locations. According to Cowen data, 740 Walmart stores, 583 Targets and 1,381 TJX stores are within five miles of a Sears. The biggest players in the appliance arena, including Lowe's, Home Depot and Best Buy, stand to gain share and scale.

Ace Hardware

Ace's new chief marketing officer (CMO) Kim Lefko and ad agency of record O'Keefe, Reinhard & Paul Chicago (OKRP) have developed what *American City Business Journal* calls a smart and differentiating campaign to separate Ace from Amazon and big box retailers. Ace's new tagline, "the home convenience store," positions Ace as the easy fix, replace and repair solution and builds on Ace's heritage of helping customers with both convenience and high-touch service. It also is meant to point out that Ace is not the place for huge home renovation projects, with a copy line that trades on big box customers' frustration with finding what they are looking for and finding someone to help: "If it's not a huge project, why turn it into one?" A positioning TV campaign will be complemented by an array of social and digital media that will also help put the Ace brand in front of more new millennial homeowners.

W.W. Grainger

Grainger's Q3 sales rose 7.4% to $2.6 billion. Sales were driven by a 7% increase from volume and 1% from price, partially offset by a 1% decline from foreign exchange and the impact of hurricanes. Sales adjusted for foreign exchange and the impact of hurricanes were up 8.2% compared to the third quarter of 2017. Grainger lapped their 2017 pricing changes during the quarter, but still saw continued strong momentum and share gains from large and medium customers. Adjusted for the new revenue recognition standard, gross profit margin in the US was up modestly.

Amazon

Revenue rose 29% to $56.6 billion, missing forecasts of $57.1 billion. Amazon posted their second consecutive quarter of record profitability but warned that growth could slow in the current quarter. Amazon projected sales for the current quarter, which includes the holiday season, of $66.5 to $72.5 billion, below estimates of $73.89 billion. Amazon is still projecting a strong holiday season but said that holiday sales for them come in a tight window and are extremely difficult to accurately forecast.

Amazon Web Services (AWS) saw sales jump 46% from 2017 to $6.7 billion. Amazon's other reporting segment, which is largely made up of their advertising business, saw sales more than double to $2.5 billion.

Amazon now accounts for nearly half of all US ecommerce sales, with annual growth to date of 29%, well ahead of 16% for ecommerce sales overall in the US. Third-party marketplace sellers are driving both Amazon's sales and ad revenues.

Amazon added 37,600 employees over the quarter, and now has 613,300 employees, a big jump from the 382,400 employees they had during the same quarter last year. Part of that big jump is due to their acquisition of Whole Foods. Amazon is also expected to create 50,000 jobs at their $5 billion second headquarters, the location of which has yet to be announced.

Amazon raised the minimum wage to $15 per hour for all employees, including full-time, part-time, temporary, seasonal and contract employees. The November 1 increase will benefit more than 250,000 current employees as well as the 100,000 seasonal employees the company plans to hire for the holidays. Amazon CEO Jeff Bezos said they listened to their critics, and decided they wanted to do something for employees that would lead the way. Bezos also said Amazon's public policy team will begin advocating for an increase in the federal minimum wage, currently $7.25 an hour. Target increased their minimum wage to $12 this past spring, with a goal of $15 by 2020. Walmart lags $1 behind, having raised their minimum wage to $11 an hour in January.

Amazon launched a new menu of Amazon Business Prime benefits available to companies of all sizes in the US, Germany and Japan. In addition to several operational benefits, Amazon is now offering companies the opportunity to request extended terms for payment and is expanding shipping options for US members. In addition to offering free two-day shipping on more than 100 million items, US Business Prime members can now get free same-day delivery or free one-day shipping on more than one million items on eligible orders over $35 in more than 8,000 cities and towns. They are also eligible for consolidated shipping on some bulk orders. In addition, Amazon partnered with American Express to offer the Amazon Business American Express Card, with no annual fee and an enhanced checkout experience on Amazon Business and Amazon. The cost of Business Prime is based on the number of users and starts at $179 per year for up to three users.

Amazon will open their fourth Amazon Go location in Chicago early next year in the Illinois Center Complex. This will be the first Amazon Go close to North Michigan Avenue, a heavy tourist and shopping district. Amazon also opened their first Amazon Go in San Francisco.

Amazon CEO Jeff Bezos took over the top spot on the Forbes 400 for the first time this year, as his net worth, now valued at $160 billion, knocked Microsoft's Bill Gates ($97 billion) off as the leader just one year short of a quarter-century on top. The lowest net worth of the top 400 is $2.1 billion. There were more than 200 American billionaires who did not make the 400 this year.

CANADA SNAPSHOT

Interest Rates Rise to 1.75%

As expected, the Bank of Canada (BoC) raised interest rates to 1.75% from 1.5% at its meeting in late October and signaled that further rate increases could be on the way sooner than expected due to the resilience of the Canadian economy and an unemployment rate that is hovering near four-decade lows. The increase was the fifth since the summer of 2017 and left rates at their highest level in nearly ten years. The latest increase followed the first policy meeting since Canada reached a new trade agreement with the US and Mexico. The BoC has pegged the neutral rate at between 2.5% and 3.5%, so several more increases will be on the way in order to prevent the economy from overheating.

Unemployment Falls to 5.8%

The unemployment rate fell to 5.8% in October after dropping to 5.9% in September as fewer people searched for work, according to the latest labour force survey. Since November 2017, the unemployment rate has ranged from 5.8% to 6.0%. In the 12 months to October, the number of employed people grew by 206,000 or 1.1%, with the bulk of the gains in full-time work (+173,000). Over the same period, total hours worked rose by 0.7%. Employment rose slightly in Saskatchewan, but there was little change in other provinces.

Consumer Confidence Declines

The Index of Consumer Confidence in Canada decreased to 55.25 in October after dropping to 55.77 in September. Consumer Confidence in Canada averaged 53.41 from 2010 until 2018, reaching an all time high of 56.43 in April of 2018 and a record low of 46.80 in February of 2016.Throughout the first half of the year, strong wage growth was able to offset the higher debt costs that came with rising interest rates. However, with wage growth beginning to weaken and the expectation that interest rates will continue to rise, Canadian households are becoming less confident. 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 2.2%

The Consumer Price Index (CPI) rose 2.2% on a year-over-year basis in September, following a 2.8% increase in August, according to Statistics Canada. The increase was below expectations of a 2.7% gain. On a seasonally-adjusted monthly basis, the CPI declined 0.1% in September. The Bank of Canada's preferred gauges measuring underlying inflation also weakened in September, with core-inflation prices rising an average of 2.0%, down from 2.1% in August. Gasoline prices climbed 12% in September after jumping nearly 20% in August; commentary noted that surging prices were due to supply disruptions caused by Hurricane Harvey.

GDP Rises 0.1%

Canada's GDP rose 0.1% in August after rising 0.2% in July and being essentially flat in June. The increase was concentrated in just eight sectors, including oil and gas extraction and finance and insurance; 12 out of 20 sectors declined. The output of services producing industries edged up 0.1%; output was essentially flat for goods producing industries. The construction sector fell 0.4% in August, making it the fourth time in five months construction has contracted. Following declines of 0.4% in June and 2.6% in July, residential construction decreased a further 1.6% in August as the construction of single, semi-detached and row houses declined. August's level of activity reflects the largest decline in residential construction over a three-month period since the beginning of 2009. Nonresidential construction was essentially unchanged as growth in industrial and commercial construction was offset by a decline in public construction. Repair construction declined 0.3% while engineering and other construction activities rose 0.5%. Retail trade dropped 0.2% in August after falling 0.1% in July as seven of twelve subsectors contracted.

GDP Projections

The Bank of Canada (BoC) expects Canada's GDP to expand 2.1% in 2019, down from its July projection of 2.2%. The BoC expects the economy to expand 1.9% in 2020. The growth projection for this year has been increased to 2.1% from 2.0%.

Housing and Construction News

Housing starts fell to 188,683 units in September from a downwardly revised 198,843 units in August, according to Canada Mortgage and Housing Corp. It was the lowest level of starts in two years, and the third consecutive month that starts declined. The pace of urban starts fell by 5.9% to 175,653 units, dragged down by an 8.9% drop in urban multiunit projects. Single detached urban starts rose by 2% to 52,997. Rural starts were estimated at a seasonally adjusted annual rate of 13,030 units, and the six-month moving average of the monthly seasonally adjusted annual rates was 207,768 for September, down from 213,966 in August. The slowdown comes amid rising interest rates and more restrictive mortgage rules. Demand is being supported by the fastest population growth in 27 years and new households being formed by millennials.

Home sales fell 0.4% in September compared to August and were down 8.9% compared to September 2017, according to the Canadian Real Estate Association (CREA). It was the first month-over-month decline since April. Home sales moved lower in more than half of all local markets.

Retail Sales Fall 0.1%

Retail sales dropped 0.1% in August to $50.8 billion after increasing 0.2% in July. Sales were down in 7 of 11 subsectors in August, representing 52% of retail trade. Sales at gasoline stations fell 2.0%, more than offsetting gains at motor vehicle and parts dealers. Excluding motor vehicle and parts dealers, retail sales declined 0.4%. In volume terms, retail sales decreased 0.3%. Sales at building material and garden equipment and supplies dealers dropped 1.1%, the second consecutive month of declines. Retail sales were down in four provinces in August. Quebec posted the largest decrease in dollar terms, followed by Saskatchewan and British Columbia. On an unadjusted basis, retail ecommerce sales totaled $1.4 billion, representing 2.6% of total retail trade. On a year-over-year basis, retail ecommerce rose 13.9%, while total unadjusted retail sales increased 3.7%. In Canada, retail sales account for about half of all consumer spending, and are considered a proxy for overall consumer spending.

Retail Notes

Amazon Canada kicked off the 2018 holiday shopping season with a Countdown to Black Friday Deals store which offers special deals across every category leading up to Black Friday.

Amazon says that Canadian French language support is coming soon for AI voice Alexa. Amazon introduced Alexa with French language support to France in early June, and plans to ask some of their customers to teach Alexa Canadian French.

Canadian Tire earned the number two spot on for corporate responsibility on the latest survey from the Reputation Institute, in partnership with Argyle Public Relationships. The CR RepTrak reflects public perceptions of corporate performance across three key dimensions: citizenship, workplace and governance. The results show which companies Canadians admire most. Argyle noted that social responsibility is becoming more important to consumers, and helps companies build bonds with their stakeholders. Corporate communication needs to speak to a company's purpose; those who lead with responsibility reap the greatest reputational benefits. The companies with the best CR reputations often have CEOs who are seen as activists and whose words and actions deliver positive social change.

MARKET TRENDS

Virtual Design and Construction

Virtual design and construction (VDC) is being used by companies around the world to improve business performance objectives like keeping projects on time and on schedule. VDC enables construction companies to build compelling three-dimensional virtual models and provide early costing and scheduling information, helping them demonstrate competence and win more project bids and proposals. VDC also allows construction companies to more accurately estimate the material quantities and costs associated with completing a project, and it facilitates increased communication and collaboration, which prevents task silos and helps avoid costly reworks. Once the project starts, the benefits of virtual design and construction become even more clear on the job site. The comprehensive planning approach inherent to an integrated virtual design and construction approach helps keep the project on schedule, and the design team can use the virtual model to detect and address safety concerns, communicating those risks to workers to help prevent accidental injuries.

Generational Outlooks Differ

About half of young Americans expect to be financially better off than their parents, according to a new poll by the Associated Press-NORC Center for Public Affairs Research and MTV. About 29% expect to be about as well off as their parents and about 20% don't expect to do as well as Mom and Dad. Parents surveyed were more optimistic, with 60% thinking their children will be better off and only 12% thinking they will be worse. About half of Americans born in 1984 earned more at age 30 than their parents, down from 92% in 1940.

Integrating Technology into Life

Amazon, Apple and Google all have one underlying goal: making technology essential to everyday life. Apple has turned the smart phone into a device that many people freely admit they would be lost without. Google has become a verb and established a top spot for searching for just about anything, and Amazon has revolutionized how we shop. Amazon Go Stores have already turned stores with no checkouts into a reality. Their next goal is prodding us to create smart homes that integrate technology in hundreds of ways large and small. Amazon recently announced a range of new home devices and services that can be operated through the Alexa virtual assistant tool, including a microwave, an amplifier and a clock. One recent demo showed someone pressing a button on their microwave, commanding Alexa to defrost a chicken or cook a potato. The clock will set alarms and timers through voice commands and automatically syncs the correct time; no more adjusting for daylight savings time. Everything is based on the Alexa Connect Kit, where a chip will be imbedded in all kinds of appliances to make them Alexa compatible. Some industry observers consider the tactic Amazon's message to manufacturers to incorporate Alexa into their products or risk Amazon entering the market. China's Xiaomi, a major global player in smart gadgets, has started to incorporate its own digital assistance into select products. With the deployment of 5G mobile networks, IoT will become broadly popular. One day people will be able to control all their appliances at home through a smartphone app or by voice commands.

Shipper's Supply Chains High Priority

Transportation has long been viewed as the stepchild of the supply chain, according to the *Journal of Commerce.* But now transportation has moved front and center and is getting lots of attention at the C-suite level. That's partly because double-digit cost increases this year have shocked corporations, dented balance sheets and trimmed profit margins. Today companies are beginning to view supply chains as opportunities, thanks to Amazon Prime's business model that delivers millions of types of products within two days, complete with tracking information. Companies are now looking at the supply chain as a very important part of the customer experience, which takes it from a support function to a business center. Today companies can't keep up with their customers or make them happy without an efficient and forward-thinking supply chain.

Multistory Warehouses and Robots

Multistory warehouses use less real estate and offer more options to build closer to customer bases and workforces. Amazon has plans for four-story, 2.5 million-square-foot warehouses. Industry observers say that the next generation of fulfillment centers will make more efficient use of space and of human resources as well. Amazon has been awarded a patent to automate the loading and unloading of cargo trucks at their massive fulfillment centers. In addition to speeding up fulfillment, robots could be used in supply chain distribution centers, airport luggage systems, mail order warehouses and custom-order manufacturing, according to the patent filing.

Amazon Wage Hike Impacts Retail

Roughly 23% of retailers were not able to hire all of the temporary seasonal workers they wanted to for the holidays in 2017, according to a report from global consulting group Korn Ferry. In July of this year, there were 757,000 open retail jobs across the country, about 100,000 more than in July 2017. Target is adding incentives, including a 10% discount in Target stores and online and an additional 20% off wellness products like produce and workout gear and clothing. In addition, one hourly employee from each Target store will be randomly chosen to receive a $500 holiday gift card and the opportunity to have $500 donated to the community organization of their choice. Kohl's and Penney's started hiring seasonal workers in June. FedEx is hoping to hire 55,000 seasonals this year, up from 50,000 last year. Generally, analysts say that Amazon's move may put pressure on other retailers to catch up and help even out the playing field.

Tech Changes Shopping

Both retailers and manufacturers are working at integrating technology into shopping. Tesco recently demonstrated a virtual reality (VR) headset that simulates a shopping experience at home. You walk the aisles from a first-person perspective and can even virtually touch and manipulate items with your hands before placing them in your virtual cart. Eventually you may be able to go virtual shopping with an online friend. Augmented reality glasses can superimpose information on top of items in a store, from star ratings by customers to price comparisons and nutritional information. High-tech personal assistants in the home will increasingly be used to purchase online items. People will add things to their lists as they think of them, and then eventually tell their assistant to order everything and have it delivered. And both Google and Amazon are testing delivery drones that can bring customers a parcel in 30 minutes or less.

Amazon's Best Products Store

Amazon is opening a new store concept called Amazon 4-Star. The first store will be in Manhattan's trendy SoHo neighborhood. The store will only feature items that customers have rated four stars and above as well as products that Amazon's data shows are trending and on customers' wishlists. The Manhattan store will also include items that are popular locally. Digital price tags will show both the full price and the Amazon.com price, which can frequently change based on Amazon's pricing algorithm.

Retailers Push to Reject Rewards Cards

Many large merchants, including Home Depot, Amazon and Target, are pushing for the right to reject some rewards credit cards, which typically carry higher fees for merchants. The retailers are trying to end the credit card networks "honor all cards" rule. If they succeed, cards with the highest merchant fees and most generous rewards would likely be rejected. Merchants typically pay credit card networks a processing fee of 1.2% to 1.7% of the purchase amount.

Malvertisers Target Internet Users

Amazon.com has sued a group of unidentified scammers they say are harming customers and damaging their brand through sophisticated and widespread "malvertising." The schemes are deceiving customers by putting up fake banner ads. When consumers click on the fake ad they are redirected to landing pages that look like official Amazon websites where they are asked to participate in surveys and provide personal information to win gifts cards or prizes like smart phones. Scammers monetize and use this hijacked traffic in a variety of illegal ways.

Death of an American Icon

Thousands of words have been written since Sears filed for bankruptcy in early October, but the general consensus of analysts is that Walmart and Amazon didn't kill Sears. The 132-year-old retailer played a huge role in its decline and impending demise. Decades of mismanagement and poor decisions turned what was once America's largest retailer into a "last resort" place to shop, and Sears exacerbated that by allowing the customer experience in their physical Sears and Kmart stores to decline into the unacceptable. At one point Sears accounted for more than 40% of global appliance sales; by last year that had shrunk to just 3%. Sears tried to shore up the business by cutting costs, and in 1993 shut down the iconic Sears catalogs, just about the same time Walmart began seriously eating into Sears' business. When financier Eddie Lampert scooped Kmart out of bankruptcy in 2005 and merged it with Sears the surprise deal was the talk of Wall Street. But Lampert's background as a successful hedge fund manager and his egocentric decision-making and management style did not provide the strategic vision or retail acumen that would have been needed in order to turn Sears around.