News from the Month of April 2018 | **EDITION 5** / 2018

BOSCH

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Home Improvement Competition
Voice Activated Coupon Test
Same Day Delivery Programs

Bosch | Dremel
RotoZip | Vermont American
CST/berger | freud | Sia

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US ECONOMY

Exchange Rates April 30, 2018

Euro	1 Euro = $1.208	$1.00 = 0.828 Euros
Canadian Dollar	1 CAD = $0.780	$1.00 = 1.282 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 109.272 Yen
Chinese Yuan	1 Yuan = $0.158	$1.00 = 6.333 Yuan
Mexican Peso	1 Peso = $0.053	$1.00 = 18.776 Pesos

Market Watch April 30, 2018

DOW	24,163	0.3%
NASDAQ	7,066	0.1%
S&P 500	2,648	0.3%

All three indexes finished the month of April little changed despite big gains and losses during the month. Corporate earnings have been good but worries about an international trade war and uneasy foreign relations took their toll, with the DOW and S&P remaining in negative territory for the year; the NASDAQ is up 2.4%. For the month of April, the DOW gained 0.3% to close at 24,163, the NASDAQ gained 0.1% to close at 7,066 and the S&P, the index most closely followed by economists, gained 0.3% to close at 2,648.

Consumer Confidence Rises to 128.7

The New York-based Conference Board's Consumer Confidence Index rose to 128.7 in April after falling to 127.7 in March. The Present Situation Index rose to 159.6 in April after falling to a downwardly revised 158.1 in March. The Expectations Index rose to 108.1 after dropping to 106.2 in March. Consumers' expectations improved in April, and consumers remain generally confident that the economy will continue to expand over the coming months. Much of the improvement in the index came from improving outlooks on labor and business conditions. 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 Rises 0.4%

Consumer spending grew 0.4% in March after rising 0.2% in February and was up 1.8% year over year. Personal incomes rose 0.3% after rising 0.4% for each of the previous three months. The savings rate slipped to 3.1% in March, after rising to 3.4% in February. A key inflation gauge rose to a 12-month high of 2%, hitting the Fed's target for the first time in a year, and the core PCE price index rose to 1.9% from 1.6% in February. It was the biggest yearly gain in the core rate since April 2012. The fact that inflation is rising could signal that the Fed might step up the pace of interest rate increases.

Consumer Prices Fall 0.1%

The Consumer Price Index (CPI) fell 0.1% in March after rising 0.2% in February. It was the first drop in the CPI in 10 months, but the decline was entirely due to the lower cost of gasoline, which is expected to rise over the summer. The CPI was up 2.2% over the past twelve months. Core inflation, which excludes food and energy, rose 0.2% in March after rising 0.2% in February and was up 2.1% from March 2017, the first time year-over-year core inflation has hit the Fed's target of 2%.

Unemployment Falls to 3.9%

The unemployment rate fell to 3.9% and the economy added 164,000 new jobs in April. The unemployment rate was the lowest recorded since 2000. The number of jobs created was below expectations of 193,000. Job increases for March were revised down slightly but increases for February were revised up sharply, resulting in a net addition of 30,000 jobs compared to previous estimates. The late 1960s was the last period during which the unemployment rate consistently remained below 4%. Wages rose by 2.6% after having risen by 2.7% in in March. The largest job gains took place in professional and business services. Construction added 17,000 new jobs and construction employment is up an average of 25,000 over the past three months. Employment in retail was little changed in April.

Durable Goods Orders Rise 2.6%

Durable goods orders rose 2.6% in March after rising an upwardly revised 3.5% in February. It was the biggest gain in durable goods orders since last summer, and well ahead of economists' expectations. Excluding the volatile transportation category, orders would have been flat after advancing 0.9% in February. Orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, dropped 0.1% in March after rising 0.9% in February. Orders for primary metals such as steel rose 1.4%. Shipments of core capital goods, which factor into GDP, fell 0.7% in March after rising 1.4% in February. The durable goods report is volatile and often subject to sharp revisions.

Chicago PMI Rises to 57.6

The Chicago Purchasing Managers' Index (PMI) inched up to 57.6 in April after falling to 57.4 in March. The increase snapped a three-month downward trend, but analysts had expected more of a rebound. Three of the five components fell for the month, with only Production and Supplier Deliveries expanding. The New Orders indicator continued its downward trend, hitting a 15-month low. Production and New Orders account for 60% of the index and are now 2.2% and 10.4% below their respective year-ago levels. Input materials' prices continued to rise in April and are near a seven-year high. Prices Paid surpassed the 70-mark for only the third time since 2012 and is up 22.8% year over year. Supply constraints, longer delivery times and rising materials costs are eating into margins. Most firms expect orders to grow in the second quarter.

Wholesale Prices Rise 0.3%

The Producer Price Index (PPI) rose 0.3% in March after rising 0.2% in February, continuing the upward climb in producer prices that has been going on since August 2016. Core producer prices, which exclude food, energy and trade services, rose 0.3% in March after rising 0.4% in February. Core prices were up 2.7% compared to March 2017. The PPI for inputs to construction was up 4.3% year over year. While inflation has definitely picked up, analysts say it is doing so at a manageable pace.

Q1 GDP Grows 2.3%

GDP grew 2.3% in the first quarter after growing 2.9% in the fourth quarter. The reading was better than expected. Consumer spending rose at an annual pace of 1.1%, well below recent trends. The slowdown reflected a decline in spending on durable goods, including motor vehicles. Wells Fargo expects consumer spending to rise 2.5% for the year. Residential construction was flat, but government spending on the local, state and federal levels contributed to growth. Trade was a net addition for the first quarter, but is expected to subtract from GDP for the full year. Business fixed investment rose 2.7% and structure investment rose 12.3%; both were up year over year. Core PCE, the Fed's benchmark for inflation, was up 2.5% compared to just 1.8% a year ago, with the biggest increases in the costs of services, which have outpaced the costs of goods since 2015.

Job Openings Little Changed

The number of job openings was little changed at 6.1 million on the last business day of February, according to the Job Openings and Labor Turnover Survey, or JOLTS. The job openings rate was 3.9%. Over the month, hires and separations were little changed at 5.5 million and 5.2 million, respectively. Within separations, the quits rate was unchanged at 2.2% and the layoffs and discharges rate was little changed at 1.1%. The quits rate is considered a measure of confidence in the job market, and has been steadily rising since hitting a low of 1.3% in late 2009. The number of unfilled jobs in the construction sector declined in February but remains higher than a year ago. According to NAHB analysis of JOLTS data, there were 196,000 open construction sector jobs in February. The post-recession high of open, unfilled construction jobs was 255,000, reached in July of last year. On a smoothed, twelve-month moving average basis, the open position rate for the construction sector remained at 2.9%, a post-recession high. Rising job turnover should eventually lead to accelerated wage growth, which economists say will help push inflation towards the Fed's target of 2%.The JOLTS report is one of the Fed's preferred economic indicators.

Fed Raises Interest Rates

The Fed raised rates by 25 basis points to 1.5% to 1.75% in April. The increase was widely expected. The Fed's statement pointed to strong job gains and low unemployment, along with moderating consumer spending and business fixed investment. Another two to three rate hikes are expected this year. Analysts say that rates will climb gradually and expect mortgage rates to be up by at least a half a percentage point at this time next year. Borrowing costs are still relatively low, and analysts also expect CD and savings rates to rise.

HOUSING & CONSTRUCTION

Housing Starts Rise 1.9%

Housing starts rose 1.9% in March to a seasonally adjusted annual rate of 1.32 million units after falling to 1.24 million units in February. **Single-family starts fell 3.7%** to 867,000 units after rising to 902,000 units in February. Multifamily starts rose 14.4% to 452,000 units, the highest level for multifamily starts since December 2016. Multifamily data tends to be particularly volatile on a month-to-month basis. NAHB expects single-family starts to rise 5% this year; multifamily starts are expected to fall slightly. **Regional starts were mixed.** Starts jumped 22.4% in the Midwest and inched up 0.8% in the Northeast. Starts declined 0.6% in the South and 1.5% in the West.

Building Permits Rise 2.5%

Overall building permit issuance rose 2.5% in March to a seasonally adjusted annual rate of 1.35 million units. Multifamily permits accounted for all of the increase, jumping 19% to 514,000**. Single-family permits dropped 5.5%** to a seasonally adjusted annual rate of 840,000. **Regional permit issuance was mixed.** Permits rose 9.0% in the Midwest, 3.0% in the West and 2.1% in the South. Permits declined 5.5% in the Northeast.

New-Home Sales Rise 4.0%

Sales of newly built, single-family homes rose 4.0% in March to a seasonally adjusted annual rate of 694,000 units and starts for February were adjusted up. The increase reversed three consecutive months of declines and was well ahead of expectations. The inventory of homes for sale at the end of March fell to 301,000, a 5.2-month supply at the current sales pace, down from a 5.9-months supply in February. Inventories of completed homes remain exceptionally lean. **Regional sales were mixed.** Sales jumped 28.3% in the West and rose 0.8% in the South. Sales plunged 54.8% in the Northeast and fell 2.4% in the Midwest. The big drop in the Northeast was blamed on adverse weather. 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 1.1%

Total existing home sales rose 1.1% in March to a seasonally adjusted annual rate of 5.6 million units from 5.4 million in February. Sales were down 1.2% from March 2017. Total housing inventory fell to a 3.6-month supply from a 3.8-month supply in March 2017. Homes stayed on the market an average of just 30 days in March. **Regional sales were mixed.** Sales rose 6.3% in the Northeast and 5.7% in the Midwest. Sales dropped 0.4% in the South and 3.1% in the West. The NAR had expected March sales to decline overall based on severe weather in much of the country.

Builder Confidence Falls to 69

Builder confidence fell one point to 69 in April after slipping one point to 70 in March, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The component scores were mixed, with the index measuring current sales conditions falling two points to 75, the component measuring sales expectations over the next six months dropping one point to 77 and the index gauging buyer traffic holding steady at 51. Looking at the three-month moving averages for regional HMI scores, the South remained unchanged at 73, the Northeast fell one point to 55, the Midwest dropped two points to 66 and the West fell three points to 76. NAHB Chief Economist Robert Dietz said that they attributed the slight drop in confidence to lingering winter weather slowing housing activity in some parts of the country.

Remodeling Confidence Falls to 57

The Remodeling Market Index (RMI) fell three points to 57 in the first quarter, according to the National Association of Home Builders (NAHB). The RMI has been above 50, the level that indicates more remodelers report market activity is higher compared to the prior quarter than say it is lower, since the second quarter of 2013. NAHB points out that higher prices for labor and materials like lumber continue to cause delays in project starts and higher overall project costs. The scores for the major additions and alterations component fell four points to 56, minor additions and alterations rose one point to 60 and home maintenance and repair fell four points to 57. The future market indicators index fell four points to 55.

Mortgage Rates Rise to 4.58%

A 30-year fixed-rate mortgage (FRM) rose to 4.58% at the

end of April after remaining at 4.4% at the end of March. Rates are now at their highest level since the week of August 22, 2013. Higher Treasury yields, driven by rising commodity prices, more Treasury issuances and the steady stream of solid economic news, are behind the uptick in rates during April. Last year at the end of April rates averaged 4.03%.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Robert Bosch GmbH confirmed their 2018 revenue outlook. The company expects sales revenue to grow between 2% and 3% over the year, despite economic and geopolitical risks and uncertainties. Revenue for the first quarter was up 5% adjusted for currency effects. Robert Bosch GmbH confirmed 2017 revenue at $95.42 billion.

Stanley Black & Decker

Q1 net sales rose to $3.2 billion, which included organic growth of 4% and nominal growth of 12%. Tools & Storage net sales of $2.2 billion included organic growth of 6% and nominal growth of 17%.

From their Q1 Conference Call with Analysts:

Tools & Storage had organic growth of 6%, with all major geographies and business units contributing to growth. They also had 8 points of growth due to acquisitions and 3 points from currency; in addition, price was slightly positive. Organic growth for 2018 is expected to be mid-single-digits.

On a geographic basis, North America was up 3% organically, with growth across all channels. Organic growth was up 7% in Canada.

The Power Tools & Equipment group was up 5% organically, led by Professional Power Tools, which was up in the low double-digits. Growth was partially offset by a drop from the consumer power tool group, with expenses from the Craftsman transition impacting that portion of the business, along with a weak start to the Outdoor market caused by cold weather.

They have more than 1,000 new products in development for the Craftsman rollout in the second half of the year. They will complete the rollout in the first half of 2019, as planned. They will begin to promote a portfolio of 30 Craftsman relaunch products, including mechanic's tool sets, portable storage, metal storage, flashlights and more. Lowe's is already promoting the first items online, and there will be in-store promotions for Father's Day. The 30 products that are currently in manufacturing include hand tools and metal and plastic storage products, all being manufactured in the US.

Ace will continue to support legacy Craftsman until the second half of the year, when they will begin to transition to the new Craftsman. They will also participate in Father's Day promotions.

Their original expectation for Craftsman was $100 million in incremental sales annually, but the distribution through Ace Hardware has already achieved that number. CEO James Loree declined to give specifics but said that analysts could draw their own conclusions about whether or not it would take 10 years as originally projected to turn Craftsman into a billion-dollar deal.

Craftsman margins are below line average, and in the beginning they will pressure overall margins. They believe over time they will be able to grow margins regardless.

Craftsman metal storage products are scheduled to roll out later in 2018 on Amazon, with the line expanded during 2019.

Their Hand Tools, Accessories & Storage SBU generated 8% organic growth due to new product introductions, strong performances within the construction and industrial end markets and the contribution from Lenox and Irwin revenue synergies. Hand Tools and Storage was up 6% while Accessories delivered 13% growth.

The Irwin and Lenox integration is progressing smoothly with cost and revenue synergies on track. They are seeing great traction globally with the brands. Their Lenox band saw blade business is up double-digits.

They continue to see commodity inflation and expect headwinds of approximately $180 million this year, up $30 million from previous estimates. Steel, batteries and base metals are the most significant commodities contributing to this inflation.

They expect to recover about 90% of the commodity inflation through pricing over two to three years.

They expect an annual impact of steel and aluminum tariffs of less than $3 million, as the country exclusions for Canada and Europe mitigated the potential impact.
They adjusted their earnings guidelines for the year down to a range of $7.40 to $7.60 from previous estimates of $8.30 to $8.50.

They closed their deal for Nelson Fasteners in early April. They were interested in Greenlee tools, but passed, because the $810 million price tag was more than they wanted to spend based on Greenlee's potential contribution.

2018 marks Stanley's 175th anniversary. Frederick Stanley opened the Stanley Bolt Manufactory in New Britain, Connecticut in 1843. Today SB&D has 58,000 employees across the globe.

Other News:

DeWalt has entered a new market for them, sledge hammers and axes. All the products feature carbon fiber composite handles and are light-weight with rubber over-mold grips.

Trimble

Trimble acquired Williamsburg, Virginia-based FabSuite, a North American supplier of Management Information System (MIS) solutions for steel fabrication. With the acquisition of FabSuite software, Trimble's portfolio now includes the complete structural steel workflow for planning, managing, designing, modeling and automating the fabrication processes to maximize constructability. Financial terms were not disclosed.

Trimble bought Viewpoint Construction Software for $1.2 billion in cash. Viewpoint said that their Portland office will remain the center of operations, and that Trimble views the acquisition as the foundation for them to become the world's leading construction technology company. Privately held Viewpoint employs more than 700 people. Viewpoint's software helps construction companies and contractors plan and manage large projects, and has long been Portland's largest tech business.

RETAIL

Retail Sales Rise 0.6%

Retail sales jumped 0.6% in March after falling 0.1% in February. Sales were up 4.5% from March 2017. Core retail sales, which exclude autos, gasoline, building materials and food sales, rose 0.4% in March after being downwardly revised to being flat in February. Sales at building material stores fell 0.6% and gasoline sales were down 0.3%, due to falling prices at the pump in March. Many economists continue to expect that the higher take-home pay that resulted from President Trump's tax cuts will cause consumer spending to rise in the coming months.

The Home Depot

THD plans to hire about 1,000 technology employees this year, the biggest expansion in company history. The new hires will ultimately report to CIO Matt Carey and will focus on supporting an $11.1 billion, three-year strategic investment, which includes building new software and digital solutions for areas ranging from self-checkout to supply chain and website-focused personalization. About 90% of the software THD runs is already written by in-house engineers.

THD was defrauded out of more than $300,000 in a ticket-switching scam perpetrated by four Atlanta residents. The quartet allegedly switched or altered the prices of merchandise by changing the UPC so items could be purchased at a lower price and then returning the item for the actual higher retail price. The scheme targeted stores in Georgia, Florida, North Carolina and South Carolina. The four allegedly either covered the UPC labels with ones they removed from lower-price merchandise or used labels they had created themselves, a practice known as ticket switching.

Walmart

Walmart is giving their website a modern makeover. The new site will reportedly be open for shopping in May. According to blog posts, the redesign will feature a new look and feel, with additional fonts and expanded colors. The site will also include more human elements, such as photography that focuses on real-life moments. There will also be more local and personalized elements. Marc Lore, CEO of Walmart US ecommerce, said WM will introduce additional specialty shopping experiences, including a fashion destination with department store Lord & Taylor, which will offer premium brands.

Walmart is reportedly looking at a closer relationship or even a merger with health insurer Humana. Walmart would be able to steer Humana's millions of customers to Walmart stores and create new medical and wellness services in their millions of square feet of retail space and Humana would get access to thousands of brick-and-mortar locations to provide low-cost health services.

Walmart is teaming up with product delivery service Postmates as part of their plans to expand their delivery options. The service expansion will begin in Charlotte, North Carolina, with plans to expand in the near future. Postmates currently has a fleet of 160,000 couriers. Walmart teamed up with Uber and Lyft in 2016.

Sears

Sears CEO Eddie Lampert proposed that his hedge fund purchase the Kenmore appliance brand, Sears Home Services' home improvement business and Sears Parts Direct Business after the company was unable to find other buyers. Sears has been exploring strategic options for the units for nearly two years. The sale of Kenmore alone could bring at least $500 million, according to analysts. Some experts say that Lampert is keeping the best parts of Sears and leaving the retail stores "doomed." The agreement would require the approval of minority shareholders. In the past year Sears sold Craftsman to Stanley Black & Decker for about $900 million and struck a deal to sell Kenmore products and DieHard batteries on Amazon.

ACE Hardware

Ace tied for the top position in the retail category and ranked No. 7 overall across all industries, according to the 2018 Temkin Experience Ratings. Ace received an overall score of 82%, handily exceeding the retail industry average of 74%. This is the eighth consecutive year Temkin Group has been doing these ratings.

Westlake Ace Hardware named Joe Jeffries their new CEO. He's succeeding Tom Knox, who retired at the end of March. Knox joined Westlake in 2014, shortly after Ace Hardware acquired the company, and held several leadership positions during his 22-year career with Ace. Jeffries was previously president and CEO of Westlake.

Giant Eagle will add Ace Hardware departments in five stores in Pennsylvania this summer. Giant Eagle operates more than 200 supermarkets in Pennsylvania, Ohio, West Virginia, Indiana and Maryland.

True Value

True Value members voted 85% to pass the deal that will turn over 70% of equity in True Value Company to ACON Investments. True Value members will keep 30% equity and receive a $196 million cash payout. True Value will cease to exist as a co-op and will begin to become a nationally branded wholesale distributor. Despite the dramatic change in structure, CEO John Hartmann said that the dealer-distributor relationship will remain the same for the near future.

W.W. Grainger

Q1 sales rose 9% to $2.8 billion. Sales were driven by an 8% increase in volume, 2% from foreign exchange and 1% from higher sales of seasonal products, partially offset by a 1% decline in price and a 1% decline from the divestiture of a specialty business.

Sales in the US were up 8%, driven by 9% from volume, 1% from intercompany sales and 1% from higher sales of seasonal products, partially offset by a 2% decline in price and a 1% decline from the divestiture of a specialty business. Sales to customers in the Retail and Contractors end markets led the sales performance for the quarter.

First quarter sales for Canada dropped 2% in US dollars and 6% in Canadian dollars. The decrease consisted of a 13% decline in volume, partially offset by a 7% contribution from higher price.

Results were led by increased volume in their US business with both large and medium customers, with strong demand. Performance in Canada has improved, although they described the turnaround as "still in the early stages."

Grainger raised their 2018 sales and earnings guidance,

and now expects sales growth of 5% to 8%, compared to previous guidance of 3% to 7%.

Thomas Okray will become Grainger's new CFO when Ron Jadin retires in May. Okray joined the company from Advance Auto Parts, where he was also CFO. He also has held multiple positions with Amazon, including in the global customer fulfillment business. Grainger has been trying to keep competitors from stealing away smaller customers with lower prices on maintenance and operations supplies. Grainger typically reserved their best deals for large, high volume industrial and institutional customers on long-term contracts, but online competition has forced Grainger to cut prices by up to 25% to retain customers.

Amazon

Sales rose 43% to $51.0 billion in the first quarter, beating analysts' expectations. Sales from Amazon Prime fees and other subscriptions grew 60% to $3.1 billion. Revenue from third-party sellers jumped 139% to $2.03 billion. Sales for Amazon Web Services rose 49% to $5.44 billion. Amazon's global headcount is up 60% from a year ago to 563,100 full-time and part-time employees, thanks in part to a big influx of workers from Whole Foods. Net income rose to $1.6 billion, greatly exceeding expectations.

Amazon CEO Jeff Bezos writes an annual letter to shareholders. This year's letter focused on many of the milestones Amazon has achieved, including the fact that Prime membership has surpassed 100 million globally, two-hour Prime Now delivery is now available in more than 50 cities and nine countries and Prime Free Same-Day or One-Day delivery is now in more than 8,000 cities and towns. Cyber Monday and Prime Day in 2017 were Amazon's No.1 and No.2 biggest shopping events ever. In 2017, 5 million packages were shipped using Amazon Prime.

Amazon is acquiring Ring, a popular video doorbell company based in Santa Monica, California. Ring's wifi enabled doorbells use motion detectors to know when someone approaches a door, then sends video and sound to the homeowner's smartphone. The service potentially could potentially be combined with Amazon's Key service, which gives Amazon Logistics delivery personnel permission to unlock a customer's door for five minutes. Founder Jamie Siminoff created the original Ring product in his garage and launched it at the Consumer Electronics Show in 2011.

Amazon will be raising the annual price of Prime membership from $99 to $119 in mid-May, an increase of 20%. It was the first increase in the price of an annual subscription in three years. Amazon Prime members spend significantly more than non-Prime members. Amazon said they're raising the price due to the rising costs of delivering the services Prime members expect.

CANADA SNAPSHOT

GDP Falls 0.1%

The Canadian economy shrank in January, with GDP falling 0.1%, according to Statistics Canada. Results were below economists' expectations of 0.1% growth. It was the largest decline since May 2016. The drop was driven by a 3.6% decline in oil and gas extraction as well as falling real estate activity as new mortgage qualification rules kicked in. Construction spending rose 0.5% as builders continued to ramp up home construction; wholesale and retail trade also rose in January. A sharp drop off in Canadian economic growth is expected this year as households with high debt levels trim spending. The federal budget for 2018 projects 2.2% growth this year and 1.6% growth in 2019. Economists say there are a host of downside risks to the Canadian economy from abroad, particularly US trade and tax policy.

Unemployment Steady at 5.8%

Employment in Canada was essentially unchanged in April and the unemployment rate held steady at 5.8%. On a year-over-year basis, employment grew by 278,000 (+1.5%). The increase was due to gains in full-time employment, which rose 2.6%; part-time work declined. Among the provinces, employment rose in Manitoba and Nova Scotia, while it declined in Saskatchewan. Employment increased in professional, scientific and technical services, as well as in accommodation and food services. Employment declined in wholesale and retail trade and in construction.

Canada's unemployment rate inched down to 5.8% in February, and the Canadian economy added about 15,000 new jobs after losing 88,000 jobs in January. Health-care and social assistance sectors added jobs, while wholesale and retail trade and manufacturing shrank. By province, New Brunswick and Nova Scotia added jobs, while Saskatchewan lost some. There was little change everywhere else. Economists said that despite the decline in the unemployment rate, the overall report was neutral, as part-time jobs accounted for all of the gains, and full-time jobs declined by 40,000, the first decline in six months. Most of the gains were driven by public-sector employment, which increased by 50,000 jobs. Most economists agree that public-sector job growth is not sustainable, and private-sector job gains are needed to maintain growth. But the economy only added 8,000 private-sector jobs in February, while losing 43,000 self-employed positions.

Consumer Confidence Rises

Consumer Confidence in Canada increased to 55.72 in February from 55.12 in January, according to The Conference Board of Canada's Index of Consumer Confidence. Consumer confidence in Canada averaged 53.27 from 2010 until 2018, reaching an all-time high of 56.40 in August of 2014 and a record low of 46.80 in February of 2016. 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 2.3%

The consumer price index (CPI) rose 2.3% in March on a year-over-year basis after rising 2.2% in February, according to Statistics Canada. Prices were up 0.3% from February. On a seasonally adjusted basis, monthly prices rose 0.1%. Core inflation remained relatively unchanged, rising in a range from 1.9% to 2.1%, based on the three preferred gauges used by the Bank of Canada, for an average of 2.0%. Higher gasoline prices at the pump were a big contributor to rising prices.

Interest Rates Steady

The Bank of Canada (BOC) held rates at 1.25%, saying that slower first quarter growth of about 1.3% was largely a result of housing markets' responses to stricter mortgage rules and sluggish exports. The BOC is expecting the economy to rebound in the second quarter with 2.5% growth. Analysts expect the BOC to tolerate above-target inflation for a period of time rather than risk economic growth stalling by raising rates quickly. One more rate increase is expected this year, but not until July at the earliest. The BOC has raised rates three times over the past 12 months.

Canada U.S. Trade Updates

Members of the Trump administration have recently hinted that withdrawing from NAFTA is not in their current plans. A congressional gathering heard Treasury Secretary Steven Mnuchin express some optimism about getting a deal based on ongoing meetings. Mnuchin said "It is a major priority of ours to renegotiate the deal." Canadian minister Justin Trudeau also struck a cooperative tone during an address he made in mid-February in California, saying that both the US and Canada benefit greatly from NAFTA.

Housing and Construction News

The trend for housing starts in Canada was stable in March at 226,842 units, compared to 225,804 units in February 2018, according to Canada Mortgage and Housing Corporation (CMHC). This trend measure is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts. The standalone monthly SAAR of housing starts for all areas in Canada fell 2.5% to 225,213 units in March, down from 231,026 units in February. The SAAR of urban starts decreased by 2.8% in March to 208,237 units. Multiple urban starts decreased by 7.3% to 144,578 units in March while single-detached urban starts increased by 9.5% to 63,659 units. Rural starts were estimated at a seasonally adjusted annual rate of 16,976 units. Over the past six months multifamily starts have trended higher while single-family starts have declined.

Home sales plunged 23% in March and the national average price dropped 10% from March 2017, although home sales were up 1.3% from February 2018. The drop in sales was expected after several policy measures were implemented to cool Canada's hot housing market, including changes to regulations and increases in interest rates. Market activity was below year-ago levels in 80% of local markets and all major urban centers with the exception of Montreal and Ottawa.

The Royal Bank of Canada (RBC) joined Toronto-Dominion Bank (TDB) in raising posted rates for five year fixed mortgages. RBC's new rate will be 5.34% and TDB's new rate will be 5.59%. Canada's other major banks are reportedly considering pricing changes as well. At the same time, banks are reducing rates on variable-rate mortgages.

Retail Sales Rise 0.3%

Retail sales rose 0.4% month over month in February to a seasonally adjusted C$49.76 billion, according to Statistics Canada. Excluding sales at motor vehicle and parts dealers, retail sales were flat at C$36.44 billion. Four of the 11 retail subsectors recorded higher sales in February, with motor vehicle and parts dealers rising 1.4% and general merchandise store sales rising 2.0%. Seven Canadian provinces reported sales growth in February, with Ontario accounting for the majority of the gain with sales of C$18.33 billion. In Canada, retail sales account for about half of all consumer spending, and are considered a proxy for overall consumer spending.

Canada Retail Notes

Canadian Tire is revamping their loyalty program and expanding it into their other stores, including Sport Check and Marks. Triangle Rewards is the loyalty program's first major overhaul since Canadian Tire launched a digital app and loyalty card in 2014 to complement their paper Canadian Tire "money" program. Tire Money will continue to be handed out at stores to debit or cash-paying customers who do not have a loyalty card or app.

Lowe's Canada is rolling out its ECO products program in all corporate RONA, Reno-Depot and Lowe's stores across the country. The program clearly identifies with the ECO seal more than 3,500 products that represent more environmentally friendly alternatives. To kick off the program, a tree will be planted for each ECO product that was sold on Earth Day, Sunday, April 22.

Amazon reportedly wants to add a million square feet of office and commercial space in downtown Vancouver, and is looking at renting the old Vancouver post office, a mammoth 686,000-square-feet structure that takes up an entire block. Amazon has stated that they plan to double the workforce in Vancouver to 2,000 people by 2020.

MARKET TRENDS

Robots Working with People

Amazon gave public officials and the press a sneak peek at their first warehouse in Illinois where robots work alongside humans to fill customers' orders. The facility has been in operation since last August. More than 2,000 full-time employees work alongside a fleet of squatty, 320-pound orange robots that stow newly arrived items and pick out products to be packed and shipped. Amazon says facilities with robots tend to employ more people than those without them because they're more efficient and process more orders. More than 25 of Amazon's 175 fulfillment centers worldwide feature the Amazon Robotics drive units, with at least 100,000 robots in use. The robots can cover about 5 feet per second, carry up to 750 pounds, and primarily handle what would typically be described as "grunt work." Amazon says that while it is true that without the robots they'd have to employ even more people at the facilities, there is a tremendous shortage of employees to work in warehouses.

Target and Kroger in Talks

Target and Kroger are reportedly in talks about a higher degree of cooperation or possibly a merger, according to tech focused magazine *Fast Company*, which cited inside sources. The companies first talked last summer about a partnership that could improve Target's grocery business and give Kroger customers more access to merchandise and ecommerce. Talks have picked up again with the companies reportedly trying to explore the best way to move forward.

Smart Speakers Grow

A recent Voicebot.ai report found 47.3 million people in the US, about 20% of the adult population, have access to a smart speaker, up from 1% two years ago. Amazon dominates the market, with Google Home the only meaningful competitor. The Amazon Prime program is helping to drive Alexa's penetration into the market. Voicebot.ai expects the number of homes using smart speakers to jump from 13% now to 55% by 2022, and for voice shopping to go from $2 billion today to $40 billion in 2022. Market research firm IDC expects shipments of smart home devices to grow at an 18.5% annual rate over the next five years, reaching 940 million devices shipped by 2022.

Home Improvement Competition

More than half of Americans try to outdo their neighbors' home improvement projects, according to a survey of 1,000 Americans conducted by Wakefield Research on behalf of The Home Depot. Millennials are particularly home-conscious and competitive, with 70% admitting to feeling pressured by their neighbors and nearly 50% saying that they completed a project of their own specifically to outshine their neighbors. Parents tend to be more competitive than non-parents. The most popular ways to "one-up" the neighbors involved projects visible from the outside, with 89% of those who admitted to being competitive going or an outdoor project and 62% focusing on indoor upgrades.

Voice Activated Coupon Test

Target partnered with Google to pilot Google's first-ever voice-activated coupon. *Adweek* reported that users of Google Assistant could say or type "spring into Target" and get a coupon code worth $15 for Target products on Google Express. The coupon offer was supposed to run through early April but was stopped early. Target said the promotion was very popular and they hit their goals early.

Same-Day Delivery Programs

Target is expanding two same-day delivery programs they've been testing. Drive Up allows customers to order on the Target app and have their items delivered to their car by a Target team member. The service was pilot tested in Minneapolis last fall, and is being expanded to nearly 270 stores in Florida, Texas, Alabama, Georgia, Louisiana, Mississippi, Oklahoma and South Carolina. Customers select Drive Up as the fulfillment option, and Target will notify them within two hours that the order is ready. Customers click the "I'm on My Way" button when they head to the store, and park in a Drive Up spot when they arrive. Target plans to expand Drive Up to 1,000 stores nationwide by the end of the year. Target is also expanding a service that lets customers shop select urban stores and have their order delivered within two hours for a flat fee. The service was pilot tested in New York City last year, and will now be available in nearly 60 Target stores in five major cities. The service fee is $7; oversized purchases are subject to a $25 handling fee.