BOSCH

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US ECONOMY

Exchange Rates July 31, 2018

Euro	1 Euro = $1.171	$1.00 = 0.854 Euros
Canadian Dollar	1 CAD = $0.768	$1.00 = 1.301 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 111.885 Yen
Chinese Yuan	1 Yuan = $0.146	$1.00 = 6.815 Yuan
Mexican Peso	1 Peso = $0.054	$1.00 = 18.601 Pesos

Market Watch July 31, 2018

DOW	25,415	4.7%
NASDAQ	7,672	2.2%
S&P 500	2,816	3.6%

The major indexes all advanced in July, with the DOW posting the largest monthly gain since January, and the NASDAQ and S&P 500 turning in the fourth consecutive monthly gain. Markets were boosted by solid economic news, good corporate earnings and news that the US and China were exploring ways to cool off the impending trade war between the two countries.

Consumer Confidence Rises to 127.4

The New York-based Conference Board's Consumer Confidence Index rose to 127.4 in July after dropping to 127.1 in June. The Present Situation Index rose to 165.9 from its June reading of 161.1. The Expectations Index continued to drop, falling to 101.7 after falling to an upwardly revised 104.0 in June. Consumers' views of the short-term outlook over the next six months dropped again, and the outlook for job prospects was mixed. 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 rose 0.4% in June and data for May was revised up to 0.5% growth from the 0.2% first reported. The increase was in line with economists' expectations. Spending was supported by a 0.4% increase in personal income. Savings edged up to $1.050 trillion from $1.047 trillion in May. The personal consumption expenditures (PCE) price index excluding food and energy rose 0.1% in June after rising 0.2% in May. That kept the annual increase in the core PCE price index at 1.9% for the third consecutive month. The core PCE index is the Fed's preferred measure of inflation. The core PCE hit the Fed's target of 2% inflation in March for the first time since December 2011 before falling back slightly.

Consumer Prices Rise 0.1%

The Consumer Price Index (CPI) rose 0.1% in June after rising 0.2% in both May and April. The CPI was up 2.9% over the past twelve months, the largest annual gain since February 2012. Core inflation, which excludes food and energy, rose 0.2% in June after rising 0.3% in May and was up 2.3% from June 2017. Gasoline prices rose 0.5% in June and have soared 24.3% over the past 12 months. Fuel oil has surged nearly 31% over the past year. Overall housing cost have increased 3.4%. Gasoline prices typically rise as the summer driving season gets underway.

Unemployment Falls to 3.9%

The unemployment rate fell to 3.9% in July after rising to 4.0% in June and the economy added 157,000 new jobs, below expectations of 193,000 jobs. However, job gains for June were revised up to 248,000 new jobs from the initial 213,000 reported and gains for May were revised up by an additional 24,000 jobs. Wage gains were in line with expectations, rising 0.3% in July and up 2.7% over the past year. Manufacturing was the most robust sector, adding 37,000 new jobs, many of them in durable goods manufacturing. Construction added 19,000 new jobs in July; construction has increased by 308,000 over the year. Employment in retail inched up, with the sector adding an additional 7,000 jobs.

Durable Goods Orders Rise 1.0%

Durable goods orders rose 1.0% in June after falling 0.6% in May. Although results were below expectations of a 3.8% increase, it was still the first rise in durable goods orders in three months. Excluding the very volatile transportation category, orders rose 0.4% in June after falling 0.3% in May. Nondefense capital goods orders excluding aircraft, widely regarded as a proxy for business spending plans, rose 0.6% after rising an upwardly revised 0.7% in May. Nondefense capital goods shipments, which factor into GDP, rose 1.0%, more than twice the rate expected. The durable goods report is volatile and often subject to sharp revisions.

Chicago PMI Rises to 65.5

The Chicago Purchasing Managers' Index (PMI) rose to 65.5 in July after rising to 64.1 in June and was up 10.1% year over year. It was the highest level for the index in the past six months. Four of the five components rose for the month, with New Orders and Production recording six-month highs, leaving them up 8.0% and 10.6% for the year, respectively. Somewhat offsetting the growth was a decline in Supplier Deliveries. Order Backlogs continue to grow, with the indicator hitting a nine-month high and lead times on key materials remaining elevated, creating longer wait times for finished goods. Price pressures continue to impact operations, with Prices Paid rising to its highest level since September 2008. Higher prices were widespread across a range of key inputs. More than half of the firms surveyed expect demand to pick up even more in the third quarter.

Wholesale Prices Rise 0.3%

The Producer Price Index (PPI) rose 0.3% in June after jumping 0.5% in May, continuing the upward climb in producer prices that has been going on since August 2016. The increase was greater than expected and primarily due to increases in the cost of services and motor vehicles. The PPI was up 3.4% from June 2017. Core producer prices, which exclude food, energy and trade services, rose 0.3% in June after rising by a downwardly revised 0.1% in May. The core PPI was up 2.7% from June 2017. There were increases in the costs of materials used in manufacturing and construction, including softwood lumber, iron and steel mill products as well as nonferrous metal products. Construction materials and components were up 10.4% on a 3-month annualized basis, the second-fastest pace since September 2008.

Q2 GDP Rises 4.1%

GDP grew a robust 4.1% in the second quarter and first quarter GDP was revised up to 2.2% from the previously reported 2.0% due to new source information and methodology. It was the fastest pace in nearly four years. Strong 4.0% growth consumer spending boosted results; consumer spending inched up just 0.5% in the first quarter. Spending on durable goods contributed 0.64% to growth. Many analysts believe that growth peaked in the second quarter, and overall growth for the year will come in between 2.5% and 3.0% as global growth moderates and the Fed continues to raise interest rates. In addition, the potential impact of new tariffs is yet to be seen. In fact, a rush by exporters of soybeans and other products scheduled for tariff increases to move product to other countries before tariffs take effect sent exports surging 9.3% after growing just 0.5% in the second quarter. Business investment grew at a solid 7.3% and government spending rose 2.1%. But housing, which has struggled all year, shrank at a 1.1% annual rate after dropping 3.4% in the first quarter.

Job Openings Edge Down

The number of job openings edged down to 6.6 million in May from an upwardly revised April level of 6.8 million, according to the Job Openings and Labor Turnover Survey (JOLTS). Over the month, hires and separations were little changed at 5.8 million and 5.5 million, respectively. Within separations, the quits rate and the layoffs and discharges rate were little changed at 2.4% and 1.1%, respectively. The number of job openings decreased in the private sector and were little changed in government. Hires have outpaced separations in every month since August 2010. The JOLTS report is one of the Fed's preferred economic indicators.

Fed Holds Rates Steady

The Federal Reserve held interest rates steady in a range of 1.7% and 2.0% during their policy meeting at the end of July but indicated there was a high probability they would raise rates at the next meeting in September. The Fed noted that economic activity has been increasing "at a strong pace" and that the labor market continues to strengthen. Markets widely anticipate a total of two additional rate hikes of .025% each this calendar year.

Impact of New Tariffs

White House trade advisor Peter Navarro said that the current trade strategy with China is not as disruptive as it might appear. The two countries have a combined GDP of $30 trillion. The amount of trade that is being affected by new tariffs is about 4% of total trade between the two countries, so a very small percentage of both GDP and overall trade.

HOUSING & CONSTRUCTION

Housing Starts Fall 12.3%

Housing starts fell 12.3% in June to a seasonally adjusted annual rate of 1.17 million units after rising to 1.35 million units in May. **Single-family starts fell 9.1%** to 858,000 units after rising to 936,000 in May. Multifamily starts dropped 19.8% to 315,000 units in June after rising to 414,000 units in May. Multi-family 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 fell** 3.0% in the West, 9.1% in the South, 35.8% in the Midwest and 40% in the Northeast.

Building Permits Fall 2.2%

Overall building permit issuance fell 2.2% in June to a seasonally adjusted annual rate of 1.27 million units after rising to 1.3 million units in May. **Single-family permits edged up 0.8%** to 850,000 units, the second lowest reading of the year. Multi-family permits fell 7.6% to 423,000 units after falling to 457,000 units in May. **Regional permit issuance was mixed.** Permits rose 6.2% in the South. Permits fell 1.8% in the West, 16.4% in the Northeast and 18.7% in the Midwest.

New-Home Sales Fall 5.3%

Sales of newly built, single-family homes fell 5.3% in June to a seasonally adjusted annual rate of 631,000 units and May sales were revised down. It was the lowest pace of monthly sales since October 2017, but sales were up 6.9% over the first half of the year. The inventory of new homes for sale ticked up to 301,000 in June from 299,000 in May, a 5.7-month supply at the current sales pace. The median sales price was $302,100. **Regional sales were mixed.** New home sales rose 36.8% in the Northeast. Sales fell 13.4% in the Midwest, 7.7% in the South and 5.2% in the West. 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 Fall 0.6%

Existing home sales dropped 0.6% in June to a seasonally adjusted annual rate of 5.38 million after falling to a downwardly revised 5.41 million in May. It was the fourth consecutive month that year-over-year existing home sales declined and left sales 2.2% below a year ago. Total housing inventory at the end of June climbed 4.3% to 1.95 million existing homes available for sale, 0.5% above a year ago and a 4.3-month supply at the current sales pace. It was the first year-over-year increase in inventory levels since June 2015. **Regional home sales were mixed.** Sales fell 5.9% in the Northeast and 2.2% in the South where inventory is in particularly short supply. Sales rose 5.9% in the Northeast and 0.8% in the Midwest. The NAR says the culprit is the extremely low level of inventory available; there are nowhere near enough listings to meet demand, which also means prices keep climbing, putting the home they want out of reach for many people.

Builder Confidence Steady at 68

Builder confidence held steady in July after falling to 68 in June, according to the National Association of Home Builders/ Wells Fargo Housing Market Index (HMI). Component scores were mixed. Current sales conditions remained unchanged at 74, expectations in the next six months dropped two points to 73 and buyer traffic rose two points to 52. According to NAHB, builders are increasingly concerned that tariffs placed on Canadian lumber and other imported products are hurting housing affordability. Record-high lumber prices continue to be a real issue, and have added nearly $9,000 to the price of a new single-family home since January 2017. Looking at the three-month moving averages for regional HMI scores, the Northeast rose one point to 57, the Midwest remained unchanged at 65, the West fell one point to 75 and the South fell one point to 70.

Remodeling Confidence Rises to 58

The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) rose one point to 58 in the second quarter. The RMI has been consistently above 50 for the past five years. Fifty is the level that indicates that more remodelers report that market activity is higher compared to the prior quarter than report it is lower. However, NAHB says that increasing costs for materials are holding back growth, and the current labor shortage is contributing to a backlog of jobs. Current market conditions decreased one point from the first quarter of 2018 to 57. Among its three major components, major additions and alterations fell one point to 55, minor additions and alterations decreased two points to 58, and the home maintenance and repair component rose two points to 59. The future market indicators gained four points from the previous quarter to 59. Calls for bids fell two points to 55, amount of work committed for the next three months increased two points to 56, the backlog of remodeling jobs jumped nine points to 66 and appointments for proposals rose seven points to 61.

Mortgage Rates Steady

A 30-year fixed-rate mortgage (FRM) was virtually flat at the end of July compared to June at 4.54%, dropping slightly from 4.55% in June. Last year at the end of July rates averaged 3.92%.

POWER TOOL INDUSTRY

Stanley Black & Decker

Q2 revenues rose 11% to $3.6 billion with 7% organic growth. Positive volume (+6%), acquisitions (+3%), price (+1%) and currency (+1%) all contributed to results and offset the negative impact of commodity inflation.

From their Q2 Conference Call with Analysts:

Tools and Storage had 11% revenue growth and organic growth of 10%, exceeding expectations. The other 1% was positive currency. The initial impact of their pricing actions contributed 1% to organic growth. Operating margins in Tools & Storage slipped to 16.2% from 17.6% in the second quarter last year.

The vast majority of the $50 million of commodity inflation and the $20 million of currency that they experienced in the second quarter was absorbed by Tools & Storage. Strong organic growth and share gains were realized across each Tools & Storage region and SBU.

Geographically, North America was up 10% organically with growth across all channels. The US retail channel generated low double-digit growth, US commercial markets posted high single-digit growth. Canada contributed exceptional organic growth of 13%.

Both Tools & Storage SBUs showed 10% growth for the quarter. Professional Power Tools were up in the low double digits. The Consumer Power Tools group rebounded from the first quarter impacts created by the slow start to the outdoor selling season and the Craftsman transition and posted mid-single-digit growth.

Working capital turns for the quarter were 6.6, down 0.7 turns from Q2 2017. The decline was primarily due to requirements needed to support growth and new product launches, including Craftsman.

They continue to see elevated commodity prices and now expect inflation headwinds to be about $205 million in 2018, with about $100 million already realized. That's up $25 million from previous estimates. Steel, batteries and base metals are the most significant commodities contributing to the headwinds.

During the last eight weeks of the quarter they saw significant currency impacts as the US dollar strengthened. They now estimate that impact to be about $80 million this year.

They are currently estimating the impact of tariffs for this year at $35 million. That reflects the impact of Section 232 tariffs on steel and aluminum as well as the initial $34 billion of Section 301 tariffs on componentry and some finished goods. No one really knows if all of the tariffs will actually be implemented, and if they are, what the lifespan will be.

They have taken a series of recovery actions, including implementing price increases that should yield $190 million this year, an increase of $70 million from the $120 million in actions discussed in April. In addition, they'll execute $36 million in other cost and productivity actions.

The additional $200 billion in tariffs under Section 301 that were announced in early July have not yet been accounted for. They estimate the annual impact on them to be about $70 to $80 million. However, they will not be implemented until September 1, so about $25 million this year, which they believe can be managed on current guidance. These tariffs are aimed primarily at finished goods such as hand tools and power tool accessories.

Approximately 50% of their North American tool revenue is supported by their North American manufacturing facilities.

They've raised their organic growth expectations by one point. Organic growth within Tools & Storage is now expected to be high single digits this year, reflecting strong volume and incremental pricing actions.

Their introduction of Craftsman is on track. Lowe's and Ace will begin to transition to the new Craftsman offerings in the second half of the year with completion in 2019. Irwin, Lenox and Waterloo had high single-digit organic growth for the quarter.

The acquisition pipeline is strong, and there are some deals that are right in their heartland that would immensely strengthen some of their key franchises.

They are exploring partnerships and acquisitions in Lawn & Garden in order to take advantage of Craftsman's heritage. CEO Jim Loree said "stay tuned, it won't be long before you see something that will make sense."

From the UBS Industrials Conference:

They're calling their introduction of the Craftsman brand at Lowe's "Painting the Store Red."

Irwin and Lenox account for about $800 million in revenue. They are beginning to recognize global revenue synergies that could be an additional $100 to $150 million in revenue over time.

They have $1 billion of activity in ecommerce that is growing in excess of 20% each year.

About $4 billion of their annual revenue is outside the tools business.

The toughest channel to raise prices and recover costs is the home center channel; the key to pricing power in that marketplace is making sure that you have a value proposition and a brand that resonates with the end user. There were some price increases in the second quarter and price increases will be fully implemented in the third and fourth quarters. They believe that as the leader in the marketplace they will set the table for pricing and competitors will follow.

The market research they did prior to acquiring Craftsman showed that people would be twice as likely to buy Craftsman if the brand was available outside of Sears. Initial research with Lowe's shows that Craftsman is bringing in new customers, and that one out of four people purchasing Craftsman had not actually been in a Lowe's store in recent history.

Craftsman will start off diluting margins because they do not manufacture all of the product and the brand was only delivering 3% margins. The goal is to get them to the line average over time, which is the high teens. In order to do that they need to change the manufacturing footprint. They are going to add new facilities in the US to manufacture Craftsman, which will support higher margins.

40% of the Craftsman volume was Lawn and Garden, so the acquisition has basically put them in the business. They feel they are close to being able to transform the gas lawn and garden market into an electric-powered market. However, even the best players in lawn and garden make margins in the low double-digits; they want margins in the 10% to 15% range.

Cordless tools will be more expensive than corded tools for the foreseeable future, but the advantages of cordless are overwhelming. Their market research with customers shows that people using FlexVolt tools for the first time are "completely blown away" by the performance of the tools. They believe the FlexVolt halo effect has given the 20-volt tool category a boost, and now professional cordless tools are growing in the teens. Since the FlexVolt system allows people to interchange the battery with other FlexVolt tools, the initial purchase ensures customer loyalty.

Other News:

CEO James Loree told *Forbes Magazine* that a defensive strategy was one of the reasons Stanley aggressively pursued Craftsman. They were very concerned that if a retailer or a competitor got the brand it would pose a huge threat to SB&D from a volume point of view.

Stanley's advanced manufacturing center that will test new technologies, including a 3D metal printing process that might someday allow a tool company to print out products in retail outlets, will open in Hartford, Connecticut in August.

SB&D Emhart Industries Inc. and Black & Decker Inc., both subsidiaries of Stanley Black & Decker, have agreed to pay about $100 million for the cleanup of contaminated land in

Rhode Island, according to the US Department of Justice, the Environmental Protection Agency (EPA), and the Rhode Island Department of Environmental Management. The settlement includes cleanup work in the Woonasquatucket River and bordering residential and commercial properties along the river.

The Stanley + Techstars Additive Manufacturing Accelerator opened with 10 startups on board. Businesses chosen are from Canada, Ireland, Israel and the US. Additive manufacturing makes products by adding layers. It's being used because it allows companies, engineers and designers to make products more quickly and easily. This so-called 3D manufacturing could change the function of factories, according to SB&D CEO James Loree.

TTI/Techtronic Industries

Milwaukee Tool broke ground on the third phase of the expansion of the company's headquarters in Brookfield, Wisconsin. Wisconsin Governor Scott Walker wore a shirt in Milwaukee's signature red color to the groundbreaking. The construction of the $32 million research and development facility that will add 350 jobs is slated to begin in the third quarter of this year and be completed in the fourth quarter of 2019. The completion will increase the headquarters campus to more than 500,000 square feet. The Wisconsin Economic Development Corp. awarded Milwaukee up to $18 million in performance-based state income tax credits when the expansion was announced and has now sweetened the deal with another $8 million in credits. In return, TTI has agreed to create 942 new jobs, retain existing jobs and make $67 million in capital investments through 2022.

RETAIL

Retail Sales Rise 0.5%

Retail sales rose 0.5% in June after rising a sharply upwardly revised 1.3% in May. Sales were up 6.6% from June 2017. The increase was twice what analysts were expecting. Core retail sales, which exclude autos, gasoline, building materials and food sales, were flat in June after rising an upwardly revised 0.8% in May. Sales at building material stores rose 2.8% after rising 2.4% in May and were up 2.8% year over year. Home and garden store sales rose 0.8%, with some of the lift due to rising lumber prices. Many economists are unsure about how the trade wars and new tariffs will impact retail sales.

The Home Depot

THD reached their 2020 sustainability target three years ahead of schedule. THD had set a target of reducing energy consumption by 20% by 2020 against a 2010 baseline. At the end of 2017 they had cut their energy use by 23.5%. They linked the reduction to installing low-carbon energy generation in 216 stores and fuel cells in 178 stores.

Lowe's

Lowe's will be eliminating four senior positions, including chief operating officer, chief customer officer, corporate administration executive and chief development officer. New CEO Marvin Ellison, who took over July 1, says he is taking a fresh look at their organizational structure and realigning the leadership team. Ellison is determined to control margin pressure and improve same-store sales growth, which has trailed Home Depot's growth for many years. COO Richard Maltsbarger left the company immediately, while chief customer officer Michael McDermott will leave on November 6, after ensuring a smooth transition. As previously announced, CFO Marshall Croom will retire in October. William Boltz, from Chervon Tools, will be the new executive VP of merchandising.

Lowe's also created two new executive vice president positions, one for stores and another for supply chain.

Joseph McFarland is the new EVP of stores and will also be in charge of Lowe's north, south and west divisions, along with Orchard Supply Hardware. McFarland joins Lowe's from J.C. Penney, where he was EVP and chief customer officer. Prior to his stint at Penney's, he spent more than two decades at The Home Depot, where he oversaw the company's largest division in terms of sales volume as president of the northern and western divisions. New CEO Marvin Ellison is also a Home Depot and J.C. Penney alumnae.

Lowe's is expected to miss both their sales and earnings guidance when they report second quarter sales in August, but CEO Marvin Ellison has the full support of activist investors and analysts, who believe he is on the right track. Lowe's also missed expectations in each of the two previous quarters.

Walmart

Walmart is automating more store tasks, adding automatic conveyor belts to backrooms that sort products to speed the process of unloading the nine trucks that arrive at a typical store each week. The conveyor belts cut the number of workers needed to unload trucks in half, from eight to four. WM says that will allow them to spend more labor dollars on pickers, the workers who roam the store to compile online orders that are picked up by customers in the store. Walmart also plans to use autonomous robots in more stores by next year to scan shelf inventory and detect products that are out of stock. The robots will also direct both shoppers and workers to precise product locations, enabling people to find what they are looking for much more quickly.

Sam's Club opened their first ecommerce fulfillment facility in Memphis, Tennessee. When Sam's announced 63 store closures in January they stated they would turn up to a dozen of the closed locations into fulfillment facilities. The 135,000-square-foot Memphis location is the first one converted.

ACE Hardware

Ace appointed Kim Lefko to the position of senior VP, chief marketing officer. She will report directly to CEO John Venhuizen. She was most recently CMO of Weber Stephen Products. She also has experience with Newell Rubbermaid, and began her career at Black & Decker.

Several Ace Hardware locations are now using the Deputy workforce management system that provides software that streamlines operations and optimizes practices. Deputy says that its cloud-based system is ideally suited to manage hourly workforces and greatly reduces the management time needed to schedule staff.

W. W. Grainger

Q2 sales rose 9.4% to $2.9 billion, driven by a 9% increase from volume and 1% from foreign exchange, partially offset by a 1% decline from the divestiture of a specialty business. The company raised their 2018 sales and earnings per share guidance for the year and now expects sales growth of 5.5% to 8.5%. It was the fourth consecutive quarter Grainger beat their earnings and sales expectations. Results were due to strong growth from large and medium customers in the US, gross profit that was better than anticipated and meaningful operating expense leverage. Grainger reports that they are also gaining share across both large and medium customers and acquiring medium customers in the strong economy. Their single channel and international businesses also improved operating performance. In Canada, Grainger is on schedule with their business turnaround.

Amazon

Amazon revenues rose 39% in the second quarter to $52.89 billion, but missed analysts' expectations of $53.37 billion. Physical stores, mostly Whole Foods, brought in $4.3 billion. Amazon's Web Services unit posted strong results, growing 49% to $6.1 billion in sales. Advertising and services that report under "other" on the balance sheet saw revenues more than double from a year ago to $2.19 billion. Amazon's Sponsored Products, which uses the pay-per-click ad model to show products to shoppers, accounts for the majority of ad revenue. Amazon is working directly with many brands rather than working through the brands' ad agencies. However, Amazon's rapidly growing private label business makes some brands nervous about letting them into their business.

Amazon Prime Day set records despite getting off to a very rocky start when shoppers crashed the website at the beginning of the 36-hour event. Shoppers spent $4.2 billion, up 33% from last year, according to retail analysts. Amazon acknowledged that they shipped more than 100 million products worldwide and that small and medium-sized businesses sold more than $1 billion worth of goods in the first 24 hours, with sales up 28% compared to the first 30 hours of last year, when Prime Day only lasted 30 hours.

About one in four people who encountered problems abandoned their carts or bought less than they were planning to on Prime Day, according to a survey of 1,000 shoppers by JDA Software, a consulting company that focuses on the retail sector. Half of the people responding to the survey had encountered technical issues. Amazon's heavy promotion plus the fact that they raised prices for Prime heightened consumers' expectations, not just for deals, but for a frictionless experience. Four in ten made impulse purchases they had not planned on, and only one in five said everything they bought was a Prime Day special.

Amazon is launching a start-up delivery program designed to compete with delivery giants FedEx, UPS and DHL in the all-important last-mile segment. Amazon is offering incentives to entice people to start their own small business delivering Amazon packages from their network of more than 100 warehouses in the US. Incentives include discounts on Amazon-branded delivery vans, uniforms, fuel and comprehensive insurance coverage. The minimum investment is $10,000. Couriers will not be Amazon employees but will have access to technology and operational support. In addition, shoppers will be able to track packages on a map, contact the driver or change where a package should be left. Amazon says they have great partners in their traditional carriers, but need all the help they can get to fill orders from online shoppers. Amazon has committed $1 million to cover startup costs for military veterans.

Amazon Logistics is buying a fleet of 100 all-electric vans from Mercedes-Benz. The eVitos vans will initially be put to work in Europe at Amazon's Bochum and Dusseldorf facilities. The two companies are reportedly working with other partners on concepts for more efficiently running the two facilities. Electric vehicles are considered to be one of the new frontiers for the transportation industry.

CANADA SNAPSHOT

Interest Rates Rise to 1.5%

The Bank of Canada (BoC) raised benchmark rates a quarter point to 1.5% in July, and reiterated more rate hikes would be needed to keep inflation in check. Despite concerns about the impact of new tariffs, many Canadian companies are dealing with a surge in orders and growing exports. Rates are seen rising to 1.8% this year and 1.9% next year.

Unemployment Falls to 5.8%

Canada's unemployment rate fell 0.2% in July to 5.8% and the economy added 54,000 jobs, driven by gains in part-time work. The economy has added 246,000 new jobs since July 2017, with most of the gains due to a growth in full-time jobs. Ontario, British Columbia and Newfoundland and Labrador added jobs in July. The number of workers declined in Saskatchewan and Manitoba and was little changed in the other provinces. Employment rose in many services-producing industries, but fell in most goods-producing industries, including manufacturing, construction and natural resources. The employment increase was driven by public sector employees, while there was little change in the number of private sector employees and the self-employed.

Consumer Confidence Drops to 54.21

Consumer Confidence in Canada decreased to 54.21 Index Points in July after rising to 55.83 in June. Consumer Confidence in Canada averaged 53.34 Index Points from 2010 until 2018, reaching an all-time high of 56.43 Index Points in April of 2018 and a record low of 46.80 Index Points 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

The consumer price index (CPI) rose at an annual pace of 2.5% in June, according to Statistics Canada. It was the fastest pace of acceleration since 2012, and about twice the median forecast from economists. The CPI rose 0.1% in May.

GDP

Canada's GDP rose 0.5% in May after rising 0.1% in April, marking the fourth consecutive month that Canada's economy has expanded. Economic growth was up 2.6% from May 2017, ahead of expectations of 2.3% annual growth. Statistics Canada said the mining, quarrying and oil and gas extraction sector was the biggest driver of the gain in output. Retail and construction also got a boost from the return to more normal weather.

Business Confidence

Business confidence hit the second-highest level on record in the first quarter, with more companies expecting to hire, invest and sell more this year, although the survey was administered before the US imposed tariffs on steel and aluminum in early June. The percentage of companies reporting labour shortages reached the highest level in a decade at 57% and the percentage of companies expecting to face higher input costs rose sharply.

Canada/ US Trade Updates

Mexican and Canadian officials said that talks on the North

American Free Trade Agreement (NAFTA) will remain a three-way negotiation, despite suggestions by the US that it might pursue separate trade deals with both countries. The US administration has indicated that NAFTA will have to wait until after the November elections.

Housing and Construction News

Canada's housing starts totaled 248,138 units in June, up 4.1% from a downwardly revised 193,902 units in May. The six-month moving average of the monthly seasonally adjusted annual rate rose to 222,041 in June from 216,701 in May. Sales were down 10.7% from June 2017. The increase reflected a jump in multi-unit dwellings in urban centers, as demand for this type of housing has consistently exceeded supply. Solid gains were posted in most provinces, with Ontario leading with 104,371 starts. Homebuilding in Western Canada faltered, with starts dropping substantially. Housing inventories are below their long-term average as demand absorbs supply. Building permits for residential properties have been trending higher, and analysts say the forecast for 208,000 units for the year will likely be revised up in August.

Retail Sales Increase 2.0%

Retail sales increased 2.0% in May to $50.8 billion after dropping 0.9% in April. Sales rose in 8 of 11 subsectors, representing 70% of retail trade. Higher sales at motor vehicle and parts dealers and at gasoline stations were the main contributors to the gain in May. Excluding these two subsectors, retail sales were up 0.9%. After removing the effects of price changes, retail sales in volume terms increased 2.0%. General merchandise stores were up 3.2% and sales at building material and garden equipment and supplies dealers were up 5.4%. Retail sales rose in seven provinces, led by Ontario and Quebec, where results more than offset declines in April. On an unadjusted basis, retail ecommerce sales totaled $1.4 billion, accounting for 2.5% of total retail trade. On a year-over-year basis, retail ecommerce sales were up 16.9%, while total unadjusted sales rose 5.5%. In Canada, retail sales account for about half of all consumer spending, and are considered a proxy for overall consumer spending.

Retail Notes

Amazon is expanding their footprint in Canada with a fulfilment centre in Ottawa that will create 600 full-time jobs. The new warehouse in the capital city's eastern suburb of Orleans will pick, pack and ship large items such as household decor, sporting equipment and gardening tools. The warehouse will be Amazon's eighth in Canada, joining others in Ontario, British Columbia and Alberta. Amazon also has a technology hub in Vancouver that is undergoing an expansion.

Canada contributed exceptional organic growth of 13% to Stanley Black & Decker's second quarter results.

Sylvain Prud'homme will remain CEO of Lowe's Canada. Lowe's new US CEO Marvin Ellison recently made several changes in Lowe's C-suite.

W.W. Grainger reports that they are on schedule with their business turnaround in Canada.

Canadian Tire's Duncan store surprised kids and parents in the Chemainus neighbourhood in British Columbia when they rolled up with a truck full of toys, games and inflatable pools for neighbourhood kids. The board of the subdivision they live in had voted to ban kids from playing in the street, including biking, chalk art and other activities, for safety reasons.

MARKET TRENDS

Home Improvement Motivations

A recent survey by Wakefield showed that more than half of the respondents felt the urge to improve their home when they saw a neighbor's project. According to the survey, which was sponsored by The Home Depot, gardening, yard work and painting were the top outdoor projects with painting, redecorating, house renovations and replacing flooring the top indoor projects. Millennials are particularly home-conscious and competitive, with 70% admitting to feeling pressured to keep up with the neighbors and nearly 50% responding to that pressure by taking on a project of their own. Parents feel the urge to improve more than non-parents. Millennials are also more likely than boomers to buy new furniture or refresh their décor.

Popular Home Trends

A recent Houzz report looked into five trends impacting building, remodeling and decorating this year. Among the highlights:

Open floor plans built around the kitchen continue to be very popular; people are willing to tear down walls and make major changes in order to have the ability for everyone to talk and interact in the entertaining space.
Styles that are super popular this year include Modern Farmhouse, with accents like lap siding, shaker cabinets and apron front sinks. The National Kitchen and Bath Associations reports that contemporary style has passed traditional in popularity for the first time.

Lighting choices are becoming more sophisticated and people are looking for both function and fashion, along with smart technology that allows lights to be turned on and off with voice commands or from an app. Bathroom and vanity lighting that is more flattering is becoming more important.

Quartz is gaining popularity for countertops and is being used more than granite. Some new choices contain antimicrobial properties.

Most homeowners are opting for no tub and instead enlarging their shower areas. If a tub is wanted, free standing tubs are popular. Curbless and zero threshold showers are both sleek and allow for universal access if it is needed sometime in the future. They are easier to clean as well.

Target Techstars Chosen

A new batch of 10 companies will receive capital and mentorships from industry experts now that they've been chosen for the Target + Techstars global accelerator program. Many of the ten startups are targeting retail applications, including Clicktivated, which connects viewers to products and information inside videos by a click or touch, ProcessBolt, which makes technology for conducting vendor risk assessments, Satisfi Labs, which creates artificial intelligence solutions for brands looking to communicate the right information at the right place in real time and Type W., which is automating the collection of sell-through data for vendors.

Apple to Launch Online Subscription

Apple is reportedly launching an Amazon Prime-like subscription model that will let users access music, news and TV and will give users access to dozens of premium magazines as well as a Netflix-like streaming platform that will reportedly launch in March 2019. RBC Capital Markets noted that the subscription model that bundles services would make good business sense for Apple. The digital news subscription will apparently be the first component launched. Analysts estimate that Apple will spend about $1 billion this year producing content that will be launched next year. Analysts say the online subscription model is becoming more widespread as it insulates customers and ensures loyalty as well as provides massive amounts of customer profile information that can be used for targeting.

AmazonBasics Grabs Market Share

Amazon now has about 100 private-label brands, of which more than five dozen have been introduced in the past year. In 2009 Amazon entered the private-label business by offering a handful of decidedly unglamorous products like batteries under a brand dubbed AmazonBasics. In just a few years, Amazon had grabbed nearly a third of the online market for batteries, outselling Energizer and Duracell. Now instead of using the AmazonBasics brand, their private-label products are sold under a variety of brand names, including Rivet for home furnishings. Amazon said they took the same approach to launching private-label brands that they take to everything: start with the customer and work backwards. As consumers increasingly use voice technology and digital assistant Alexa to shop, the playing field becomes even more tilted, as the only options given in the categories in which Amazon participates are Amazon brands. Amazon also noted that about 70% of the word searches done on Amazon's search browser are generic, which allows Amazon to make sure their private-label brands appear prominently in results.

Walmart Takes on Amazon and Netflix

Walmart is reportedly thinking about getting into the streaming video business with a new platform, and intends to edge out Netflix and Amazon Prime Video with cheaper subscriptions that would start at less than $8 per month. However, Walmart has owned video streaming service Vudu for the past eight years and has been unable to capitalize on it while Netflix and Amazon are expanding worldwide and spending billions of dollars to produce original content. Meanwhile Facebook and Apple are reportedly considering entering the same market. Nearly one million new households subscribe to streaming video services each month, and the US market is expected to grow to $84 billion by 2022.

Walmart and Microsoft Team Up

Walmart and Microsoft deepened their tech partnership as Walmart inked a five-year deal to use Microsoft's cloud technology to power functions that could include algorithms for purchasing and sales-data sharing with vendors. Walmart plans to deploy Microsoft's machine-learning, artificial intelligence and other services to help employees, for example, pick products that go on shelves and optimize the performance of equipment. The Microsoft deal is the latest example of Walmart collaborating with Amazon's tech rivals. Industry insiders say that the Walmart-Microsoft partnership was fueled by the two companies desire to best a common enemy: Amazon.

Prime Day Not Just for Amazon

Amazon wasn't the only retailer racking up big sales on Amazon Prime Day in mid-July. According to data reported by *Chain Store Age,* large retailers (with more than $1 billion in annual revenue) reported a 54% increase in sales compared to an average Tuesday, according to data from Adobe Digital Insights. Increased conversions were the main drivers of retailers' increased revenue for Prime Day this year. Analysts say that savvy retailers took advantage of all the hype around Prime Day and offered plenty of deals, and shoppers who were looking for bargains took advantage of them. The combination created a mini holiday shopping season.

Voice Assistants Impact Shopping

According to a recent survey by Avionos, 77% of respondents said that voice assistants have a positive impact on their perception of ecommerce. The survey analyzed online shopping habits, preferences and expectations. When consumers are browsing with no specific intent to buy, 33% of respondents said they began their search on Amazon and 32% began on Google. When people are actually planning to buy something, 38% begin on Amazon and 22% begin on Google. About 15% of consumers with purchase intent and 17% of browsers began their search on a brand's website. Artificial intelligence got high marks, with 43% of consumers thinking it will make checkouts faster, 27% thinking it will bring faster consumer service responses and 26% believing it will provide a more personalized experience.