News from the Month of March 2020 | **EDITION 4**/ 2020

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

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US ECONOMY

Exchange Rates March 31, 2020

Euro	1 Euro = $1.102	$1.00 = 0.907 Euros
Canadian Dollar	1 CAD = $0.708	$1.00 = 1.412 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 107.497 Yen
Chinese Yuan	1 Yuan = $0.141	$1.00 = 7.080 Yuan
Mexican Peso	1 Peso = $0.043	$1.00 = 23.457 Pesos

Market Watch March 31, 2020

DOW	21,917	-13.7%
NASDAQ	7,700	-10.1%
S&P 500	2,585	-12.5%

Markets tumbled throughout much of the month as the world reeled from the growing impact of the coronavirus pandemic. Leveraged accounts and programmed trading triggered massive selloffs that continued to push markets down, wiping out virtually all of the big gains made over the past four years. The promise of a massive stimulus package towards the end of the month halted the plunge and the ensuing relief rally saw a rebound, with the DOW rising 17% and the S&P up 15.5%. Nevertheless, the DOW and the S&P turned in their worse first-quarter performances ever, losing 23.2% and 20% respectively. The DOW also had its worst overall quarter since 1987 and the S&P turned in its biggest quarterly loss since 2008.

Analysts are carefully watching the market for signs of a bottom, and indications of what shape the inevitable recovery will take and when it will begin. Bear markets of all types are often punctuated by sharp bounces on the way down. Analysts are hopeful we will have a U-shaped recovery once the market finds a true bottom. Recovery may begin when new cases start to flatten out and there are projections for when the country will be able to start getting back to a more normal life. On average, it takes markets about 24 months to fully recover from a major downturn; this is impacted by many factors, including what precipitated the losses and the shape and nature of the recovery.

Consumer Spending Rises 0.2%

Consumer spending rose 0.2% in February after rising 0.2% in January, in line with economists' expectations. It was the eleventh consecutive monthly increase for consumer spending. Core consumer spending rose 0.1% in February after rising 0.1% in January. Personal income jumped 0.6% for the second consecutive month, given a boost by higher wagers and government payments to farmers caught in the US-China trade war. Analysts are currently revising estimates on consumer spending, as booming spending on groceries and deliveries will not be able to offset coronavirus (CV19)-related drops in spending in many other sectors of the economy. Consumer spending accounts for more than two-thirds of US economic activity.

Consumer Confidence Falls to 120

- The New York-based Conference Board's Consumer Confidence Index fell 12.6 points in March to 120 after rising slightly to 130.7 in February.*
- The Present Situation Index, which is based on consumers' assessment of current business conditions, dropped to 167.7 from an upwardly revised 169.3 in February.
- Expectations fell sharply, falling from 108.1 to 88.2 in March.
- The overall decline was less than economists expected, but the report was compiled before the rise in jobless claims.
- Wells Fargo analysts commented that confidence will surely decline further in the months ahead before recovering.

*A level of 90 indicates that the economy is on solid footing; 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 Prices Rise 0.1%

The Consumer Price Index (CPI) rose 0.1% in February after rising 0.1% in January. The year-over-year increase in the CPI rose to 2.3% in February after rising to 2.5% in January. Analysts say that consumer prices may decline in the months ahead as the CV19 outbreak depresses demand for some goods and services, outweighing price increases related to shortages caused by disruptions to the supply chain. Excluding the volatile food and energy categories, core prices rose 0.2% in February after increasing by the same percentage in January. Core prices were up 2.4% from February 2019. Energy prices dropped; most of the increase in headline inflation came from increases in services and shelter costs. The PCE price index gained 0.2% in February after rising a downwardly revised 0.2% in January. The core PCE price index, the Fed's preferred measure of inflation, has been below the target of 2% for more than a year.

Unemployment Rises to 4.4%

- The unemployment rate rose to 4.4% in March after falling to 3.5% in February and the economy shed 701,000 jobs.
- Data for the unemployment report comes from two separate surveys, one of households and one of businesses, both done around the pay period that included March 12th.
- Since job losses mounted the second half of the month, the April report will most likely show a much steeper rise in unemployment. Jobless claims jumped by a record 6.6 million for the week of March 27, for a total of ten million jobless claims in just two weeks.

Note: The economy needs to create about 120,000 new jobs each month to keep up with growth in the working-age population.

Job Openings Rise in January

The number of job openings rose to 7.0 million in January after falling to 6.4 million in December, and hires and separations were little changed, according to the most recent Job Openings and Labor Turnover Survey (JOLTS) from the U.S. , which was done well before CV19 began to impact employment. Bureau of Labor Statistics. The rise in job openings came after three consecutive months of declines. Over the 12 months ending in January, hires totaled 70.0 million and separations totaled 67.9 million, yielding a net employment gain of 2.1 million. The quits rate was unchanged at 2.3% for the fifth consecutive month. The quits rate is viewed by policymakers and economists as a measure of job market confidence. Layoffs and discharges decreased in the private sector but were steady in government.

Chicago PMI Falls to 47.8

The Chicago Purchasing Managers Index (Chicago PMI) fell to 47.8 in March after rising to 49.0 in February. It was the ninth consecutive sub-50 reading for the index. Among the five indicators, Production and New Orders declined; the remaining components all posted gains. Some companies reported a big increase in orders from customers who were stockpiling. Many reported that there were still delivery delays from China and other countries. The survey ran from March 2 to March 16, so answers did not reflect the full impact of CV19. Nevertheless, analysts said the barometer did not fall as much as they had anticipated. Since 2014 the index has ranged from a low of 42.0 in December 2015 to a high of 67.3 in October 2017. Looking all the way back to when the series began in 1967, the range has been from 20.7 in June 1980 to 81.0 in November 1973.

Wholesale Prices Fall 0.6%

The Producer Price Index (PPI) fell 0.6% in February after jumping 0.5% in January. It was the biggest decline since January 2015. In the 12 months through February the PPI was up 1.3% after being up 2.1% year over year in January. Core producer prices, which exclude food, energy and retail trade margins, dropped 0.1% in February after climbing 0.4% in January. It was the first drop in core prices since last June. Core prices were up 1.4% year over year, down slightly from a 1.5% year-over-year increase in January.

BOSCH
Invented for life

Q4 GDP Growth Remains at 2.1%

Q4 GDP was unrevised at 2.1%, according to the third estimate from the Commerce Department. Q4 was the third consecutive quarter GDP grew between 2% and 2.1%. There were only minor upward revisions to data. Data confirms that GDP growth in the fourth quarter was driven primarily by growth in real personal consumption expenditures (PCE), which rose 1.8%. Nonresidential fixed investment slid 2.4% and destocking sliced 1% off overall GDP growth.

Stimulus Program Enacted

Congress came together in late March to pass an unprecedented $2.2 trillion bipartisan stimulus package after days of intense negotiations, and President Trump signed the CARES Act into law the end of March. It will provide immediate relief for millions of Americans, businesses and hospitals dealing with the fallout from the coronavirus pandemic.

The CARES Act, the biggest economic stimulus package in United States history, includes direct $1,200 cash payments to many Americans; $150 billion to help the healthcare industry; $500 billion for state and local governments and companies; and $350 billion in loans and assistance for small businesses. The Treasury will also make $46 billion in direct financial assistance available, including $25 billion to airlines, $17 billion for national security and $4 billion for cargo.

Unemployment insurance benefits were expanded, increasing the maximum benefit by $600 per week for up to four months and extending eligibility to part-time workers, the self-employed and independent contractors. The eight weeks of assistance would be retroactive to Feb. 15, 2020 to help workers who had already been laid off.

The bill also includes aid for businesses. It gives small businesses access to a nearly $350 billion loan program to cover monthly expenses like payroll, rent and utilities. The loans would not have to be repaid if businesses maintained their workforce. There's also a financial life-line for hard-hit industries. Companies receiving assistance are prohibited from raising the pay of certain execs or buying back stock. There are also other tax relief provisions for businesses.

Fed Programs to Help Economy

The Federal Reserve surprised economists and slashed rates by 100 basis points on Sunday, March 15, returning rates to 0.00% to 0.25%, the interest rate that prevailed from December 2008 until December 2015. The Fed had cut rates by 50 basis points in early March.

The Fed called on banks to draw on Fed facilities and use their capital and liquidity buffers to lend to households and businesses and slashed the discount rate that banks pay to a historic low of 0.25%. Banks that use the Fed's discount window are often viewed negatively; by slashing the rate to the top of the new range for the Fed funds rate, the FOMC is removing the stigma and encouraging banks to use this facility so banks can continue to lend to households and businesses.

The Fed action also lets banks know that they will not incur the wrath of regulators if they use the capital and liquidity they've built up over the past several years. Banking regulations and liquidity requirements were tightened after the financial crisis and downturn that began in 2007 that was eventually dubbed The Great Recession, which is why banks have more capital now.

The Fed reinstated their quantitative easing program, with renewed purchases of Treasury and mortgage-backed securities.

Acting in concert with other major central banks, the Fed cut the interest rate that it charges on swap lines, which foreign central banks use to borrow dollars from the Fed.

HOUSING & CONSTRUCTION

Builder Confidence Falls to 72

Builder confidence dropped two points to 72 in March after dropping one point to 74 in February, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The HMI index charting current sales conditions fell two points to 79, the index gauging sales expectations in the next six months fell four points to 75 and the index measuring traffic of prospective buyers dropped one point to 56. NAHB cautioned that half of the builder responses in the March HMI were collected prior to March 4, so the recent stock market declines and the rising economic impact of CV19 will be reflected more in the April report. Overall, 21% of builders in the survey reported some disruption in supply due to CV19 concerns in other countries such as China. However, the incidence is higher (33%) among builders who responded to the survey after March 6, which NAHB says indicates that it is a growing issue. The three-month moving average for builder confidence rose in all regions except the West, where it fell one point.

Building Permits Fall 5.5%

Building permits fell 5.5% in February to a seasonally adjusted annual rate of 1.46 million units after rising to 1.55 million units in January, which had been the highest level since March 2007. **Single-family permits rose 1.7%** to one million annual units after rising to 987,000 annual units in January. Multifamily permits dropped 18.3% to 460,000 units after rising to 564,000 units in January. Year-to-date permits dropped in all regions.

Housing Starts Fall 1.5%

Housing starts fell 1.5% in February to a seasonally adjusted annual rate of 1.60 million units after rising to an upwardly revised number in January. **Single-family starts rose 6.7%** to 1.07 million units after dropping to 1.01 million units in January. Multifamily starts fell 14.9% to 527,000 units after rising to 557,000 units in January. Regional housing starts were mixed. The NAHB cautioned that housing numbers are backward-looking indicators and CV19 will certainly impact the housing market going forward.

New-Home Sales Fall 4.4%

New-home sales fell 4.4% in February to a seasonally adjusted annual rate of 765,000 new homes after January sales were revised sharply upwards. Sales were up 14.3% from February 2019. The inventory of new homes for sale fell to 319,000, a 5-months' supply at the current sales pace, down from 5.1 months in January. Supplies were down 6.7% from February 2019. The median sales price fell to $345,900 in February after rising to $348,200 and was up from $320,800 in February 2019. **Regional new home sales year to date were mixed.** 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 Jump 6.5%

Existing home sales jumped 6.5% in February to a seasonally adjusted annual rate of 5.77 million homes after falling to 5.46 million homes in January. Existing home sales were up 7.2% from February 2019. It was the strongest pace of sales since 2007. NAR said the surging sales were due to incredibly low mortgage rates and pent-up demand. The median home price rose 8% from February 2019 to $270,100, marking 96 consecutive months of year-over-year gains. Total housing inventory at the end of February rose 5.0% to 1.47 million units, but was down 9.8% from February 2019. Unsold inventory remained at a 3.1-months' supply at the current sales pace, down from 3.6 months in February 2019. Regional existing homes sales year over year were up in all regions; regional sales compared to February 2019 were mixed.

Regional Housing Data February 2020

	Northeast	South	Midwest	West
Builder Confidence	64 (+2)	77 (-1)	66 (-2)	82 (-1)
Building Permits	-25.1%	-1.6%	-8.2%	-2.5%
Housing Starts	-41.4%	+15.2%	+16.7%	-18.2%
New Home Sales	+38.9%	+1.0%	-7.3%	-17.2%
Existing Home Sales	-4.1%	+7.2%	+0.8%	+18.9%

Mortgage Rates Rise to 3.5%

- A 30-year fixed-rate mortgage (FRM) rose slightly to 3.5% at the end of March after falling to 3.45% at the end of February. Mortgage rates were 4.1% at the end of February 2019.
- Rates had risen during March but fell back after the Fed's actions to stabilize the market.
- Freddie Mac notes that real estate demand is softening, but the Fed's actions and the stimulus plan will provide substantial support to mortgage markets.

FHFA Boosts Mortgage Liquidity

The Federal Housing Finance Agency (FHFA) authorized Fannie Mae and Freddie Mac to enter into additional dollar roll transactions to boost liquidity in the mortgage market. Dollar roll transactions provide mortgage-backed securities investors with short-term financing of their positions, providing liquidity to these investors.

POWER TOOL INDUSTRY

Robert Bosch

Robert Bosch GmbH announced that its healthcare unit, Bosch Healthcare Solutions, has developed a rapid test for CV19 that can produce reliable results within a few hours. Bosch worked with molecular diagnostics group Randox Laboratories to develop one of the first fully automated molecular diagnostic tests in the world. The kit is in accordance with World Health Organization requirements (WHO), which requires results be available within two and a half hours. It took Bosch and Randox just six weeks to develop the test, which is expected to be available in Germany and other countries shortly.

Stanley Black & Decker

In early April SB&D provided an update on their current business and financial condition in light of the expanding impact of CV19. They also pulled the guidance previously issued for the year and promised to present a better picture at their first quarter earnings conference April 30.

Actions currently being taken include adjusting the supply chain and manufacturing labor base to match the current demand environment, substantially reducing indirect spending, currently $1.7B annualized and reducing non-essential staffing while remaining prepared for a demand recovery.

Raymond James Investors Conference:

At this conference in early March, CFO Don Allen reviewed SB&Ds revenue goals, affirming that their vision remains $22 billion in revenue by 2022. For them to continue to be successful, Allen said they need to continue to attract top talent, invest in technology and be highly innovative.

Allen acknowledged the environment has been extremely volatile over the past three years, with tariffs, commodity inflation, currency pressure and now CV19.

They have ten major plants in China, six of them Tools plants and four of them Industrial. Their existing local business in China produces about $250 million in annual revenue, with about 80% of that Industrial; the rest is Global Tools & Storage revenue.

China has not generated much local business in the first quarter. The supply chain in China serves 40% of their capacity across the company, with about $2.5 billion in sourcing happening from China, including vendors that provide parts and components to the US and Europe and actual manufacturing of products. About $2 billion in sourcing is manufactured in China and shipped out of the country; the remaining $0.5 billion is parts and components sent to manufacturing plants around the world.

They have had a strategy in place to localize their manufacturing and get closer to their customers. About 40% of what they sell in the US is made in the US; in Europe, it's about 30%. Their objective over the next three years is to move that number closer to 75% to 80% in both markets.

In China, ten plants were shut down as usual for two weeks for Chinese New Year; the following week they opened up and currently those plants are up to about 50% to 60% of average production. One of the challenges they face is getting enough workers. Employees are wearing masks and being checked for symptoms. They estimate it will be early April before the plants are running at full capacity, assuming that the situation in China does not get any worse.

The current situation is going to impact revenues in March and April but they have a process in place to deal with these types of situations.

They are going after additional opportunities throughout their supply chain to help their vendors become more efficient and also to capture deflationary opportunities around commodities.

Their rollout of Craftsman into Lowe's, NAPA Auto Parts and on Amazon has been very successful and they see that as a $1 billion annual program by 2021.

Stanley and Stanley FatMax has been very successful within Home Depot, as has FlexVolt. They are still planning on rolling out three to five new products each year for these brands.

DeWalt Xtreme and DeWalt Atomic will be growth catalysts in 2020 and 2021.

Tools & Storage is still an area where they are looking for appropriate mergers and acquisitions.

Typically in February there is a dramatic increase in production, and in March, April and early May they really start selling into major customers around the globe for the spring selling season. There are some delays being created by the CV19 situation; they are looking at alternatives, including doing some things in Mexico.

Their Security business is not affected by any of the factors impacting Tools & Storage, and is very stable in times of volatility. Even so, it has not performed financially as needed but has been making good progress over the past two quarters.

CEO James Loree's total 2019 compensation package was $18.7 million, up from $13.6 million in FY2018.

TTI/Techtronic Industries

FY 2019 Conference Call Mid-March:

Chairman Horst Pudwill announced that 2019 was a record year, and that while CV19 is a global concern, they believe they are in good position to still deliver a solid performance this year.

CFO Frank Chan stated that organic sales for 2019 increased 9.2% to USD 7.7 billion and were up 10.7% excluding currency impact. It was the 10th consecutive year of record revenue.

Growth was mainly driven by the launch of new cordless products across all categories, verticals and geographies.

Milwaukee was the major growth driver, with sales increasing 21.7% globally in local currencies. The Ryobi cordless platforms generated double-digit growth.

The Power Equipment division accounted for 88.6% of the group's total revenue, delivering sales growth of 13% or 14.6% in local currency. The Ryobi outdoor business also increased 14.5%.

Geographically, all regions delivered double-digit growth in local currency. North America remained their major market, growing 10.2% in local currency and accounting for 77.1% of the group's revenue.

They are confident that the strong sales momentum can continue, with the launch of their new Milwaukee MX Fuel Equipment System and their established battery platform.

CEO Joe Galli said they remain hyper-focused on research and development, new development and expanding their end-user conversion programs globally. They are expanding their in-store reps in key customers such as Home Depot.

Galli said their Leadership Development Program continues to be a major investment focus. Last year they hired more than 1,000 new college graduates worldwide that they hand-selected from campuses in the US and around the globe.

For this year, they expect to grow the top line in high single digits and expand gross margins. They are planning for the Milwaukee business to grow at a rate of 20% or more.

They believe they are doing an excellent job of working very closely with the Chinese authorities on the new requirements that have been put in place due to CV19 and thus far have seen few disruptions in their supply chain.

Their M18 full-sized, 18-volt cordless platform for Milwaukee is the fastest growing cordless platform in the world, and they plan to continue to expand it by introducing a myriad of new cordless products. They are also the global leaders in sub-compact M12 global products.

This year they will roll out a third platform of Milwaukee, MX Fuel. MX Fuel is a high-voltage, high performance product aimed at the global equipment market. The products they are introducing are all designed to replace either gas-powered or pneumatic products or AC products. There is currently no cordless in this class of products.

Their global storage system called Packout has been amazingly successful. It allows users to organize and easily transport tools as well as store tools back in the workshop. They will be expanding the system with a series of additional products this year.

Their safety equipment includes respirators, so short-term sales have been crazy; they feel this will also help them introduce Milwaukee safety equipment to the world.

Their fast-growing hand tools business has been very well received and they believe they have incredible potential.

RETAIL

Retail Sales Fall 0.5%

Retail sales fell 0.5% in February after rising an upwardly revised 0.6% in January. Control group retail sales, which exclude automobiles, gasoline and sales at building and supply stores and factor into calculations for GDP were little changed in February, well below expectations of a 0.4% increase. March retail numbers will likely plummet as travel was curtailed and conferences, restaurants, retail stores and sports were shut down across the country. However, online sales, grocery and home store sales may jump.

Retailers Respond to CV19

Retailers across the country have implemented many new plans and procedures to help them continue to serve their communities and keep employees and customers safe. Many chains in what economists consider non-essential sectors such as clothing and décor, have closed their retail stores, but remain open for online business. Others carrying goods essential to sheltering in place or staying safe remain open, many with reduced hours. Many stores are opening later and closing earlier, as well as offering special hours designated for seniors and others at risk. Retailers are extending sick leave and paid time off and urging employees who are feeling ill to stay home.

Chief execs of Target, Walmart, Walgreens and CVS pledged to open their parking lots for CV19 testing early during the pandemic, but the logistics of setting up these drive-through sites has fallen largely to the states. The four retailers have a combined total of 26,400 US stores, but as of the end of March only five sites were open.

The State of Vermont's Stay Home Order directed home improvement and other "big box" stores to restrict sales to only essential goods and stop selling "non-essentials," including home and garden, paint, carpet and flooring and lots more. Stores must close aisles, restrict access or remove items from the floor. They are permitted to make non-essentials available via telephone and online ordering, and may offer curbside pickup or delivery. The restriction is intended to reduce traffic in the stores and prevent overcrowding.

Retailers Hiring

In the midst of wide-spread shutdown, many businesses scrambling to meet demand created by CV19 are hiring. By the end of the month, Amazon had hired 80,000 of the 100,000 new employees it wants for fulfillment centers and distribution warehouses. Walmart is hiring 150,000 workers, Instacart wants to hire 300,000 more employees, CVS Health is adding 50,000 and Lowe's is hiring 30,000. In addition, many companies that provide deliveries that are now in more demand, such as pizza chains, are hiring.

The Home Depot

THD announced they will be postponing planned spring promotions in order to avoid creating traffic jams in the stores, and they will be limiting the number of customers allowed in the store at any one time to 100.

To help manage stores and stay open, safe and stocked during the pandemic, THD adjusted store hours to close daily at 6 p.m. in order to give employees more opportunity to stock shelves and deep clean. They noted that many items across their stores are in high demand and their teams are working hard to keep the supply chain moving smoothly and keep stores stocked and cleaned.

THD also extended their paid time off program, issuing all full-time associates an additional 80 hours of paid sick leave or personal time and part-time hourly associates an additional 40 hours. The time can be taken anytime before the end of the year. Any associate diagnosed with CV19 or advised by health or government officials to quarantine will continue to be paid. They are also issuing thermometers to all associates in stores and distribution centers and asking them to perform health checks before reporting to work.

Raymond James Investors Conference:

THD was represented by Ted Decker, EVP Merchandising at this conference March 4, 2020.

They had an excellent Q4, with positive comps in all 19 geographies in the US as well as in Mexico and Canada, and in each of their 14 product categories. Both their Pro business and consumer business was strong.

They updated their formal guidance for 2020 to 3.5% to 4.0% comp sales growth. They are feeling excited about 2020, which is the third year of their three-year, $11 billion investment initiative as well as their 40-year anniversary.

They will be investing about $5 billion in their stores to improve the in-store environment with LED lighting, painting, buffing floors, and installing new breakrooms, restrooms, front-end checkouts and signage packages. They are also making many other investments that will make the stores clean, safe, friendly and well-lit places. It will be the first time that all the stores will look and feel the same across the US.

When they are considering new merchandising programs, they do a "proof of concept" test in ten stores, then do a actual test in about 30 stores. They use the learnings to finalize the concept and then roll it out.

At Home Depot, product is king; people generally don't come in just to browse. They are constantly collaborating with their suppliers to make sure they offer their customers innovative products. Innovation gives people a reason to trade up.

Their global supply chain is in good shape for the first quarter, as products are largely already in the stores. The first two quarters are very big for them, with the spring and outdoor project business.

Q2 is a very fluid situation. They have strong relationships with their supplier partners and for direct imports they are working very closely with their Asia factories. The good news is the ports are open and functioning; there have been issues getting workers back to factories after the Chinese New Year's break.

They continue to work on reducing shrink in their stores. One of the things they are doing is locking up high-value items like power tools. For a longer-term fix, they are working with suppliers to develop technology so the tools would not actually work until they were paid for and activated at checkout. That would make them much less attractive to thieves.

Lowe's

Lowe's CEO Marvin Ellison outlined the measures the chain was taking to protect customers and employees from CV19, including working closely with the CDC, health authorities and stores across the country to be sure they are taking all necessary preventative measures.

Lowe's has developed a new app that allows store managers to monitor foot traffic and limit the number of customers allowed in the store at any one time. Lowe's will close stores at 7 p.m., one hour later than rival The Home Depot.

Lowe's has pledged $170 million in response to the CV19 pandemic, including $25 million that goes directly to support the need of Lowe's employees, customers and communities, including critical products for medical personnel.

Lowe's has several programs in place for employees during the pandemic. Hourly associates received a special bonus at the end of March to recognize the long hours and help with unplanned expenses. They've extended emergency paid leave for up to four weeks for those at higher risk and will give people up to two weeks additional time off if employees have to deal with situations at home. Employees who are ill are being encouraged to stay home.

At the end of March, CEO Marvin Ellison declined to share specific sales information with the media, but said they have not seen a sharp move in the overall business, either positive or negative.

Ellison said two-thirds of what they sell is not discretionary. In addition they are seeing that as people have more individuals in their households around the clock, hot water heaters are being stressed, and many are being replaced. There is also more maintenance that is needed as things are used more frequently.

Ellison feels that working on home projects is a great way for people to do something productive that also allows them to follow stay home orders.

They have some products on allocation, so as soon as they are manufactured, they are shipped to them. Certain cleaning products and other high-demand items do sell out pretty quickly when they are stocked. But the investment they've made in their supply chain is helping them do a better job of keeping in stock.

Lowe's has limited the number of items per purchase on things such as cleaning supplies and masks to try and keep these items widely available.

They are trying to plan for what they'll do when America goes back to work again. Ellison has consulted with many health care and government officials, but they all agree what lies ahead is nothing anyone has ever experienced or navigated through. However, they are committed to being there for their customers and their employees. They have a command center and crisis management team helping them navigate.

Walmart

WM is limiting the number of customers in a store at any one time, allowing just five customers per 1,000 square feet of selling floor space, which results in an occupancy rate of about 20% of capacity.

WM temporarily raised hourly wages by $2 per hour for entry level workers in ecommerce, matching similar moves to attract workers by Amazon and Target.

Menards

Menards apologized for mistakenly pricing face masks too high and blamed a placeholder price and rebate offer in their ad that was never changed to reflect reality. Attorney General Dana Nessel issued the chain a warning letter after her office received 18 complaints from consumers about overpriced bleach, face masks and other items. Investigators discovered that the store significantly increased the price of these products in the wake of intense demand from consumers. Price gouging was defined by executive order as raising the price of a product by more than 20%. Menards will offer customers who bought the overpriced masks a rebate.

Ace Hardware

Ace Hardware cancelled their Spring Convention in Chicago that was scheduled for mid-March due to CV19. Ace said the potential downside risk to bringing people from all fifty states and as many as 68 countries to the third-largest city in the US was just too great.

Ace intends to ramp up a digital-convention experience to facilitate dealer buying needs and pay for any cancellation fees incurred by attendees.

The International Housewares Show scheduled to take place in Chicago's McCormick Place right after the Spring Convention was also canceled.

Ace honored their 2019 Vendors of the Year. These vendor partners were recognized for helping retailers differentiate themselves through service, convenience and quality. Ace does business with more than 5,000 vendors. The 2019 winners delivered record-breaking 48% collective growth and provided Ace retailers with product and channel differentiation, unique and dynamic promotions, training and in-store support, high service levels and outstanding support for Ace's Children's Miracle Network. Milwaukee Power Tools was one of the vendors recognized.

Ace Hardware won the right to use the name Ace Hardware Handyman Services to promote Ace's fledgling home repair, maintenance and improvement services businesses. San Antonio handyman John Allen, who owns Ace Handyman Services, which he founded in 2015, sued Ace for trademark infringement. However, Allen was granted a temporary injunction that prohibits Ace from using the name in Bexar county, Texas, as well as the seven counties surrounding it, which means that the Ace franchisees in those counties can't currently be listed on Ace's website or receive referrals.

Ace is expanding their partnership with Epicor Software Corp; more than 3,400 of Ace's 5,300+ locally owned and operated hardware stores in approximately 70 countries currently run Epicor's Eagle POS system. Epicor has been an Ace partner for more than three decades.

True Value

True Value will be manufacturing hand sanitizer during the CV19 pandemic. They are registered with the FDA as an over-the-counter drug manufacturer and have one of the largest paint manufacturing facilities in the country. They are converting part of their paint manufacturing capacity to the production of hand sanitizer and cleaning products. The plant, located in Cary, Illinois, will ramp up production of tens of thousands of gallons; the first several thousand will be donated to True Value stores across the country to arm their employees while they serve customers. They estimate that product will start shipping to stores in early to mid-April. They are sourcing raw materials so they can quickly increase production. Hardware stores are deemed essential businesses, and they intend to do their part to supply their customers and care for their employees.

Amazon

Amazon suspended inbound shipments of non-essential products from third-party sellers on Amazon Marketplace. Amazon will still fill and ship orders for these products, but new stock will not be added until April 5 at the earliest. High-priority categories such as health products and household goods will continue to ship as normal.

Amazon Prime deliveries of non-essential items are taking longer than promised as Amazon prioritizes the delivery of in-demand essentials. Amazon cautioned Prime customers that deliveries were likely to take longer than promised before the pandemic.

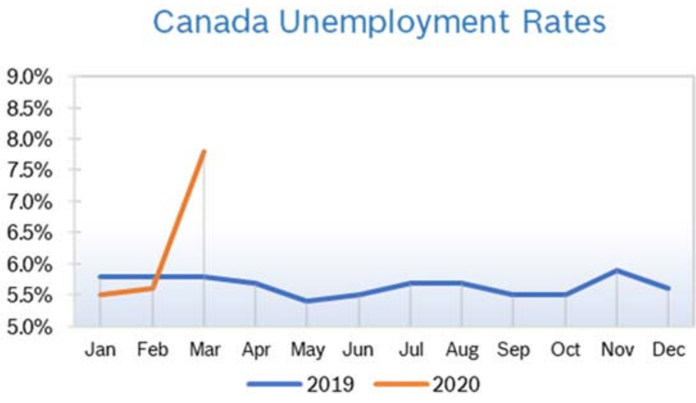
Amazon workers in at least 10 US warehouses tested positive for CV19, with the first cases reported in a fulfilment facility in hard-hit Queens, New York. There were subsequently positive tests across the country. An Amazon spokesperson said they are following all guidelines and taking extreme measures to ensure the safety of all employees. An Amazon employee in Illinois told reporters that as late as mid-March employees were still sitting together in lunch and break rooms. Among other tactics, Amazon has told employees who have CV19 or have come in contact with anyone with CV19 to stay home with two weeks of additional paid time off. Workers who are unable to come into work, or prefer not to, have been given unlimited unpaid time off. CEO Jeff Bezos says they are committed to keeping the goods flowing because they provide a vital service to people everywhere, particularly the vulnerable sheltering at home.

Amazon's Alexa can now give users in the US a basic CV19 diagnosis. Alexa will ask them a series of questions and then offer basic advice based on guidelines from the CDC. In many countries Alexa will sing a song for 20 seconds as people wash their hands.

The Pentagon asked a federal court to give it 120 days to reconsider "certain aspects" of its decision to award an important cloud computing contract known as JEDI to Microsoft instead of to supposed front-runner Amazon. Amazon is suing the DOD over the decision, saying it was politically influenced and improper, because President Trump has openly criticized Amazon many times. Reportedly newly-installed Defense Secretary Esper was directed to review the Pentagon's approach to the contract due to President Trump's feelings about Amazon, although Esper denies any pressure.

CANADA SNAPSHOT

Unemployment Rises to 7.8%



- Canada's unemployment rate rose to 7.8% in March after rising to 5.6% in February and the economy lost more than one million jobs.
- It was the largest one-month increase in unemployment since comparable data became available in 1976.
- Employment in February fell in all provinces, with Ontario, British Columbia and Alberta reporting the largest declines. i
- Retail employment fell by 7.7%, but construction employment was little changed.

Statistics Canada Limits Data

Statistics Canada announced they will cut back on the number of reports they produce so they can focus on critical data in light of the CV19 outbreak. They will continue to publish the monthly Labour Force Survey, GDP, merchandise trade and inflation, among others. Some analysts pointed out that many of the economic reports come with a lag of several weeks or even months, and that experts trying to deal with the impact of CV19 are looking for real-time information.

Consumer Confidence Falls to 88.6

The Index of Consumer Confidence fell 32 points in March to 89 after rising to 121 in February, according to the Conference Board of Canada. The reading came out March 19, with attitudes heavily impacted by fears surrounding the CV19 pandemic, as well as the sharp drop in oil prices. Canadians are worried about their jobs, their health and their economic future. 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% in February after rising 2.4% in January, according to Statistics Canada. Excluding gasoline, the index was up 2.0% year over year for the second consecutive month. On a seasonally adjusted monthly basis the index rose 0.1% in February, matching January's increase. Year-over-year price growth for consumer goods slowed to 2.1% in February from 3.1% in January, while consumers paid more for services in February (+2.2%) than in January (+1.8%).

January GDP Rises 0.1%

Real GDP edged up 0.1% in January, as inclement weather in many parts of the country, automotive plant closures and labour unrest in the Ontario education sector partly offset growth in many sectors. Overall, 12 out of 20 sectors increased in January. Retail trade decreased 0.4% in January as 8 of 12 subsectors declined. A number of significant and record-breaking snowstorms affecting Newfoundland and Labrador, Southern Ontario and British Columbia's Lower Mainland played a part in the lower retailing activity in January. Construction was up 0.2% in January. Non-residential construction increased 1.7%, while residential construction edged up 0.1%.

Statistics Canada posted this in the GDP release, which came out on March 31: "While the landscape of the Canadian and world economy has shifted since January, data from the beginning of the year are important in monitoring when and where changes occur over the following months. As such, this release and the detailed industry summary serves as a baseline of the Canadian economy for measuring the impact of the CO-COVID-19 outbreak on various industries in the coming months."

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Conference Board Trims Outlook

The Conference Board of Canada issued an update the end of March, and now expects business investment and exports to post substantial declines and consumer spending to ease. As a result, economic growth will contract by a projected 2.7% in the second quarter. However, growth should resume in the third quarter, allowing the economy to avoid a technical recession. The Conference Board said there were huge downside risks to their outlook due to the unpredictability of the pandemic. Overall, they expect growth of just 0.3% in 2020 followed by a rebound to 2.5% growth in 2021.

Bank of Canada Cuts Rates

The Bank of Canada cut its key interest rate by another half-percentage point to 0.25% at the end of March, matching its all-time low. The bank also announced two new programs: a guarantee that it will purchase a minimum of $5 billion of Government of Canada bonds every week to assure liquidity and shore up the debt market and a package of benefits for small business. In addition, Prime Minister Justin Trudeau has asked banks and credit card companies to lower interest rates so Canadians can rely on borrowing to cover their expenses.

Mortgage Applications Rise

After the Bank of Canada (BoC) first cut interest rates from 1.75% to 1.25% in early March, mortgage brokers were inundated with requests for new loans, refinancing, preapprovals, renewals and demands to break current mortgages. The most popular type of mortgage in Canada is the five-year fixed-rate loan, which fell to as low as 2.29%, very close to the record low of 2.09% offered in November 2016 after oil prices crashed. It is also becoming easier for borrowers to qualify for a mortgage, with the federal government tweaking mortgage rules to be more responsive to the mortgage rate.

Housing and Construction News

Housing starts fell 1.9% in February to a seasonally adjusted annual rate of 210,069 units after rising to 213,224 units in January, according to Canada Mortgage and Housing Corp. (CMHC). The downward trend was driven by a decline in multi-unit starts. Multiple urban starts decreased by 6.1% to 146,072 units in February while single-detached urban starts increased by 11.9% to 53,232 units. Rural starts were estimated at a seasonally adjusted annual rate of 10,765.

Canada's home sales rose 11.5% in January to the highest level in 12 years, according to the Canadian Real Estate Association (CREA). Seasonally adjusted sales fell to 2.9% from December 2019, due primarily to an 18% drop in sales in the Lower Mainland of British Columbia. The actual average price for homes sold in January was up 11.2% from January 2019 to $504,350. Removing the pricey areas of Greater Vancouver and Greater Toronto, the national average price was around $395,000.

Mortgage rates fell amid a sharp drop in bond yields with 5-year rates dropping to 4.99% from 5.34% and special rates, which are actually closer to what most buyers pay, falling to 3.1% from 3.2%. There is a lot of pressure on banks to cut rates even more based on current market conditions and sluggish growth prospects.

Canadian inventory was very short prior to the outbreak, so buyers are tempted to disregard stay home and social distancing orders and to go out and see what is available. Some realtors are only helping clients who are in extraordinary circumstances. In addition, a host of provisions have been implemented to keep realtors, buyers and homeowners safe.

Retail Sales Rise 0.4%

Retail sales rose 0.4% in January to $52.0 billion after being virtually unchanged at $51.6 billion in December. The increase in sales was primarily attributable to higher sales at motor vehicle and parts dealers and gasoline stations, both of which were down in December. The other nine subsectors, which comprise the core retail sector, collectively declined 0.3%. Sales were up in 4 of the 11 subsectors, representing 48% of retail trade. After removing the effects of price changes, retail sales in volume terms decreased 0.3%. Sales at building material and garden equipment and supplies dealer fell 1.6% in January after rising an upwardly revised 4.1% in December. Sales were up in eight provinces, but dropped in Ontario. On an unadjusted basis, retail ecommerce sales were $1.7 billion in January, accounting for 3.7% of total retail trade. On a year-over-year basis, retail ecommerce increased 9.8%, while total unadjusted retail sales rose 3.9%.

Retail Notes

Greg Hicks is the new CEO of Canadian Tire. He was most recently president of Canadian Tire Retail, the company's largest business, with more than $9 billion in revenue. Chairman Maureen Sabia said that Hicks' appointment followed a rigorous global search that considered a number of both internal and external candidates. She said that Hicks is a world-class leader with a very strategic mindset and a proven ability to build high-performing teams and deliver exceptional results. He is also currently the chair of the Retail Council of Canada, and was previously responsible for the management of the company's Pacific Rim offices in Asia. Current CEO Stephen Whetmore will serve as an advisor through the remainder of the year.

MARKET TRENDS

Do Numbers Matter Now?

Economists, financial analysts and private and government statisticians have repeatedly cautioned that many economic indicators are lagging, and thus don't accurately reflect current conditions. However, economists all agree that the snapshot of how the economy was doing before CV19 will provide important benchmarks that will help gauge the strength and direction of the eventual recovery.

The Road to Recovery

Jurrien Timmer, Director of Global Macro for Fidelity, put where we are and where we might be going into perspective in his weekly Viewpoints the end of March.

Timmer pointed out that extreme times call for extreme measures, and while the virus dealt a sudden shocking blow that plunged the global economy into an unprecedented decline, the US fiscal/monetary policy response was equally shocking, albeit in a good way. The coordinated fiscal/monetary response in the US was about 20% of GDP and he believes it will likely rise. This war-time response was needed, as the world is at war with an invisible enemy.

Timmer notes that swift action in Washington by Congress and the Fed shows that they are ready and willing to act decisively and use the tools developed during the Great Recession, as well as take actions to stabilize the economy and help people and businesses such as the CARES stimulus package that are virtually unprecedented. That willingness and ability to act was one of the things the market was looking for. Now with a policy response in place, the next indicator will be the growth rate of CV19 peaking and eventually declining. CV19 is expected to peak in much of the country in mid-April, although there are individual states where it will not peak until sometime in May.

GDP Outlook

CV19 is now expected to curb global economic growth by 0.5% in 2020, up from forecasts of a 0.2% to 0.3% contraction made in February. Prior to the CV19 pandemic, global growth was expected to 2.1% this year. Moody's expects global GDP to rebound in 2021 and expand 3.2%.The forecast reflects the severe curtailment of economic activity as the world works to contain the spread of the deadly virus.

Goldman Sachs believes that GDP will shrink by 6.2% this year in the US, dropping 9% in the first quarter and plummeting 34% in the second quarter, up from initial forecasts of a 24% slide, and then surging 19% in the third quarter as the government's fiscal policies and monetary easing drive a bigger rebound than previously forecast.

Goldman's downward revisions reflect the massive job losses as well as the larger-than-expected stimulus package. In economists' view, the deeper trough will lead to a bigger and more sustained rebound. Goldman Sachs believes the jobless rate will hit 15% in the months ahead before America is able to go back to work.

Moody's expects US GDP to contract 2.0% in 2020 after contracting 4.3% over the first two quarters of the year. Despite the rebound, Moody's says it is doubtful that the output loss that will occur in the second quarter will be fully recovered.

CV19 and Residential Construction

Residential Construction of both single-family and multi-family housing was deemed an essential activity by the Department of Homeland Security and will therefore be permitted to continue during the CV19 pandemic. Construction must continue in ways that protects workers and the public from the virus. All in all, many sub-sectors of construction are included in the list of essentials, including hospital construction and most infrastructure construction.

The effort to have residential construction declared essential was spearheaded by NAHB. More than 90 companies and organizations lent their voices and support. Housing is currently 14.6% of GDP. The ruling means companies that supply construction companies with essential goods will also be permitted to stay in business. It is important to note the ruling from DHS is an advisory; it can be superseded by specific directives from the states. Some states have enacted orders that impact builders.

CV19 and Home Sales

Real estate has been declared an essential industry. However, both the National Association of Realtors (US) and the Canadian Realtors Association report that realtors are taking many precautions when showing listings in states and provinces where showings are still permitted, including prohibiting children, asking clients to open all the closets, drawers and doors so buyers do not have to touch anything, wiping everything down before and after and of course telling people who are experiencing any symptoms or are ill to stay home. Realtors are providing individually packaged beverages and treats instead of providing communal snacks. Virtual tours and virtual meetings are becoming much more common as people look for safe ways to move forward buying and selling homes. Many real estate boards have recommended against open houses and in-person sales activity, but even doing things remotely through video and virtual tours requires a team to go to the site in order to create the tour.

NAHB Chief Economist Robert Dietz:

The Federal Reserve's actions have stabilized credit markets, with the 10-year Treasury near 0.8%. Mortgage interest rates have stabilized at above 3.5%. However, the residential mortgage market needs additional support for mortgage servicers who are projecting large cash shortfalls.

Based on survey data from the last week of March, NAHB compiled the top recent challenges reported by builders in the current environment. Falling buyer traffic was cited by 80% of builders, with half of respondents noting a major decline. Material supply issues were also noted. NAHB plans to survey the potential for third-party and virtual construction inspections, and in the April HMI they will explore builder finance conditions.

CV19 and Construction Projects

The Associated General Contractors (AGC) said that many states and cities are allowing construction projects to proceed, but many are shutting down anyway as more shelter in place advisories are issued. Commercial projects are harder hit than residential building because these projects are planned many years in advance and truly rely on a robust global supply chain. However, many American builders have stockpiles on hand, especially for projects already in the works, and say they can continue operations for "quite a while" if allowed to.

Sourcing building materials will be challenging. Materials such as concrete and lumber can be domestically sourced, but countries like Italy and China, which have been profoundly impacted by the pandemic, are major players in this normally robust global supply chain. In addition to items like Italian marble, Chinese copper, and ceramic tile from Brazil, Turkey, Spain, and elsewhere, a slew of materials and equipment- sourced from across the globe—paving stones, lighting, electrical equipment, elevators, and so on—have become scarce or are at risk of becoming scarce stateside due to shipping delays, travel bans, shuttered factories, and decimated workforces. Imports from China coming into the Port of Los Angeles were down 23% in February.

Construct Connect Chief Economist Alex Carrick:

Companies will respond to CV19 differently. Those struggling to survive will scale back pay hikes and other incentives; companies experiencing surging demand will offer increased pay and many other perks.

The unprecedented numbers of people working from home will make the concept of telecommuting seem more feasible. The longer this lasts, the more entrenched it may become. However, it is more difficult for construction workers to work remotely than those in many other industries.

An increase in online shopping may eventually give a boost to the construction of more ultra-large warehouses and fulfilment centers and a hiring blitz as companies search for employees to staff them.

The trend towards the globalization of supply chains was undertaken to save costs, but now it is clear that it comes with unexpected risks. The concept may come under review as world trade takes a hit and projects like port expansions are shelved for a while.

When the world begins to get CV19 under control, there will be a considerable backlog of delayed economic and other activity which will create a big rebound.

In backward looking data, the January and February new home sales numbers were the best since the Great Recession, and inventory had fallen to a 5 months' supply. The demand is there, leading NAHB to forecast housing will play its traditional role of helping to lead the economy out of a recession later in 2020.

Big Tech May be a Big Winner

With more than three-quarters of the US sheltering in place, businesses shuttered and travel and entertainment severely restricted, more and more people are adopting technological solutions to their problems. People who would not have considered ordering groceries online are now counting their blessings they are able to do so. Tech giant Apple, which people initially thought might take a big hit because so many of their parts and products were manufactured in China, is on good footing, with many factories nearly back to normal and people spending more time and money on digital services. As customers try different services, there may be permanent shifts in buying habits, according to some consumer analysts. Digital platforms that bring people together, from Facebook to video conferencing company Zoom to streaming services are all experiencing record volume. Construction has notoriously lagged in adopting technology; CV19 may spur more rapid acceleration.

