BOSCH

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US ECONOMY

Exchange Rates December 31, 2019

Euro	1 Euro = $1.123	$1.00 = 0.891 Euros
Canadian Dollar	1 CAD = $0.771	$1.00 = 1.296 CAD
Japanese Yen	1 Yen = $0.008	$1.00 = 108.680 Yen
Chinese Yuan	1 Yuan = $0.144	$1.00 = 7.033 Yuan
Mexican Peso	1 Peso = $0.053	$1.00 = 18.858 Pesos

Market Watch December 31, 2019

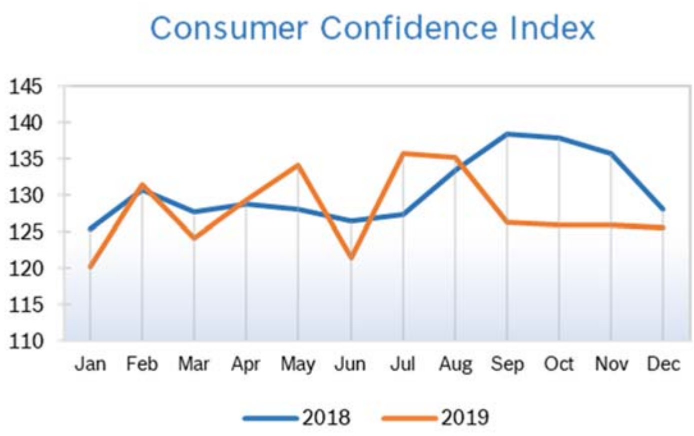
DOW	28,538	1.7%
NASDAQ	8,973	3.6%
S&P 500	3,231	2.9%

The major indexes all posted strong gains for the month of December, the fourth quarter, the fiscal year and the decade. The DOW was up 1.7% for December, 6% for the quarter, 22% for the year and 174% for the decade. The NASDAQ rose 3.6% for the month, 12% for the quarter, 35% for the year and 295% for the decade. And the S&P, the index most followed by analysts and economists, rose 2.9% in December, 8.6% for the quarter, 29% for the year and 190% for the decade. The current market is now the longest bull market run in history.

Consumer Spending Rises 0.4%

Consumer spending rose 0.4% in November after rising 0.3% in October, matching economists' expectations. It was the eighth consecutive monthly increase for consumer spending. Spending rose on both goods and services, and household income rose a strong 0.5% after inching up just 0.1% in October. Wells Fargo expects consumer spending to moderate but not decline in 2020. Consumer spending accounts for more than two-thirds of US economic activity.

Consumer Confidence Falls to 126.5



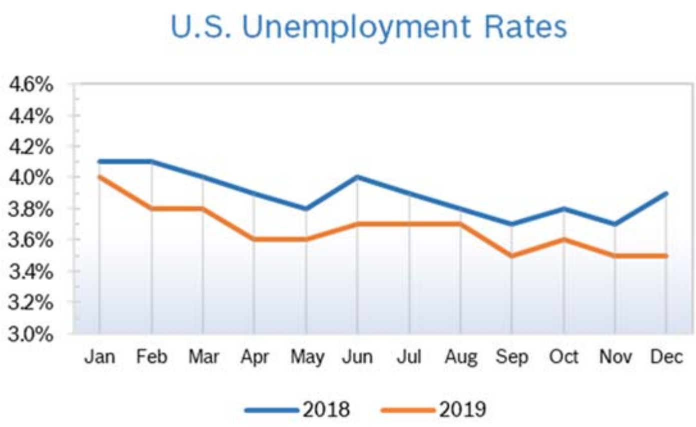
- The New York-based Conference Board's Consumer Confidence Index fell to 126.5 in December from an upwardly revised 126.8* in November.
- The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, rose to 170 in December after falling to an upwardly revised 166.6 in November.
- Consumers assessment of current conditions improved but their expectations for the future declined. The Conference Board says there is little to indicate growth in 2020.

*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 0.3%

The Consumer Price Index (CPI) rose 0.3% in November after rising 0.4% in October. The year-over-year CPI increase rose 2.1% in November after being up to 1.8% in October. Excluding the volatile food and energy categories, core prices rose 0.2% for the second consecutive month and were up 2.3% from a year ago. Gains were widespread, with no single category accounting for the majority of the increase. The PCE deflator shows year-over-year inflation of roughly 1.5% on both the headline and the core measure. According to Wells Fargo, the headline figure will rise this year due to the timing of the slide in oil prices, but on balance the inflation picture should remain supportive of the Federal Reserve remaining on hold. PCE is the Fed's preferred measure of inflation.

Unemployment Steady at 3.5%



- The economy added just 145,000 new jobs in December, below expectations, and job gains for November were revised down by 10,000 jobs. The unemployment rate held steady at a 50-year low of 3.5%.
- Average hourly earnings rose 2.9%, also below expectations and the first time the increase in hourly earnings has been below 3% since mid-2018.
- Although job gains grew at a more robust pace during the second half of 2019, hiring during the year was the slowest since 2011, at 2.11 million. Economists expect job gains to moderate further this year, slipping to a 127,000 monthly pace compared to 176,000 in 2019.

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

The number of job openings rose to 7.27 million in October after falling to 7.0 million in September, according to the most recent Job Openings and Labor Turnover Survey (JOLTS) from the U.S. Bureau of Labor Statistics. Job openings were ahead of expectations for 7 million. Job openings reached a peak of 7.6 million in November 2018. Job openings in October were led by the retail trade sector, which saw an increase of 125,000 unfilled jobs. The job openings rate increased to 4.6% in October from 4.4% in September. Hiring decreased by 187,000 jobs to 5.76 million in October, concentrated in the private sector and the hiring rate dipped to 3.8% from 3.9% in September. The number of workers voluntarily quitting increased by 41,000 jobs to 3.51 million in October. The quits rate was unchanged at 2.3%. The quits rate is viewed by policymakers and economists as a measure of job market confidence.

Chicago PMI Rises to 48.9

The Chicago Purchasing Managers Index (Chicago PMI), rose 2.6 points to 48.9 in December after rising to 46.3 in November. It was the highest level for the PMI since September. Among the major components, supplier deliveries and production led the increase, rising to 55.4 and 47.2, respectively. Production rose 4.9 points to 47.2, hitting the highest level since August. However, demand slowed and new orders fell slightly to 49.1. After dropping to an almost four-year low in October, order backlogs picked up in November and increased further in December, leaving the index at a three-month high of 46.2. Inventories remained in contraction for the fifth consecutive month in December but strengthened by 4.4 points to 47.4.

Wholesale Prices Flat

The Producer Price Index (PPI) was flat in November after rising 0.4% in October and was up 1.1% year over year. Core producer prices, which exclude food and energy, were also flat in November after inching up 0.1% in October and fell to just 1.3% year over year. The wholesale cost of services dropped 0.3%, the biggest decline in the price of services since 2017, which offset a 0.3% increase in prices of goods. Analysts commented that the November PPI confirms that price pressures in the inflation pipeline are still easing and that means the Fed will most likely leave interest rates unchanged for the foreseeable future.

Q3 GDP Grows 2.1%

Q3 GDP grew 2.1%, according to the third and final estimate from the Commerce Department. Consumer spending was upwardly revised to a 3.2% annual rate from 2.9% first reported. Business investment dropped less than first reported, contracting 2.3% rather than 2.7%. Growth in residential investment was lowered to 4.6% from the 5.1% pace estimated in October. Inventory building was less than estimated, so inventories were neutral to GDP growth rather than adding 0.17% as previously reported.

Tariffs Rolled Back in Phase One Deal

President Trump suspended a planned increase in US tariffs on $156 billion of Chinese exports that was scheduled to take effect in mid-December as the US and China reached a phase one agreement. The news cheered both markets and the international community, which expects the deal to be good for the global economy. The US also agreed to halve the tariff rate, to 7.5%, on $120 billion worth of Chinese goods and China agreed to buy more farm goods from the US. US agricultural exports to China have plunged more than $10 billion since 2018. However, many manufacturers are still saddled with a 25% tariff on $250 billion in Chinese goods that remains in place.

Fed Forecast for 2020

The Federal Reserve sees no interest rate cuts or hikes in 2020 after holding rates steady at their last meeting of the year in mid-December. The decision was based on a healthy job market and inflation that is solidly under control.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 76

Builder confidence rose five points to 76 in December after dropping to 70 in November, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the highest reading since June 1999. The strong labor market, low mortgage rates and a shortage of existing homes are all fueling the housing rebound. All three HMI components registered gains in December. The HMI index gauging current sales conditions rose seven points to 84, the component measuring sales expectations in the next six months edged up one point to 79 and buyer traffic rose four points to 58. Builder Confidence rose in all regions except the Northeast.

Building Permits Rise 1.4%

Building permits rose 1.4% in November to a seasonally adjusted annual rate of 1.48 million units after rising to 1.46 million in October. Single-family permits rose 0.8% to 918,000 annual units and multifamily permits rose 2.5% to 564,000 annual units. Regional permits were mixed.

Housing Starts Rise 3.2%

Housing starts rose 3.2% in November to a seasonally adjusted annual rate of 1.37 million units after rising to 1.31 million units in October. **Single-family starts increased 2.4%** to 938,000 units after starts for October were downwardly revised. Multifamily starts rose 4.9% to 427,000 units after rising to 378,000 units in October. The single-family market has been improving all year, with starts just 0.4% below the level for November 2018, and on track to end the year about on par with 2018.

New-Home Sales Rise 1.3%

New-home sales rose 1.3% in November to a seasonally adjusted annual rate of 719,000 units from a downwardly revised reading in October. It was the fourth consecutive month new home sales have exceeded 700,000 units. New home sales have been running 10% higher than in 2018. The inventory of new homes for sale rose slightly to 323,000 in November, a 5.4-months' supply at the current sales pace, up slightly from October. Of that number, 76,000 homes are completed and ready to occupy; the remainder are in various stages of completion. The median sales price rose to $330,800 in November after falling to $316,200 in October and was up from $308,500 in November 2018. 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 Fall 1.7%

Existing home sales fell 1.7% in November to a seasonally adjusted annual rate of 5.35 million homes after rising to 5.46 million in October. Existing home sales were up 2.7% from November 2019. The median existing-home price was up 5.4% from November 2018. November's price increase marks 93 consecutive months of year-over-year gains. Total housing inventory at the end of November fell 7.3% to 1.64 million units and was down 5.7% from November 2018. Unsold inventory was at a 3.7-month supply at the current sales pace, down from 3.9 months in October and from 4.0-months in November 2018. Unsold inventory totals have declined for five consecutive months. Low levels of inventory depress sales. Regional existing homes sales were mixed.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	61 (-2)	76 (+1)	63 (+5)	84 (+3)
Building Permits	+11.6%	+4.8%	-3.3%	-0.6%
Housing Starts	+0.9%	+7.4%	-5.8%	-8.7%
New Home Sales	-10.4%	+14.5%	-7.6%	+12.0%
Existing Home Sales	+1.4%	-3.9%	+2.3%	-3.5%

Mortgage Rates Rise to 3.74%

- A 30-year fixed-rate mortgage (FRM) rose slightly to 3.74% at the end of December after falling slightly to 3.68% at the end of November. Mortgage rates were 4.55% at the end of December 2018.
- Freddie Mac expects rates to average 4.8% in 2020.
- Low mortgage rates have caused a corresponding increase in applications for mortgages and refinancing.
- Worsening housing affordability is no longer a coastal phenomenon. Affordability problems are spreading to many interior markets and threaten the continued economic and housing recovery.

POWER TOOL INDUSTRY

Bosch

Bosch unveiled cutting edge tech that turns normal glasses into smart glasses, according to several news reports. The Bosch Smartglasses Light Drive uses a light beam which scans a holographic element and directs it to the retina, allowing wearers to see notifications and alerts without having to use a device. The system can be fitted to the frame of any glasses; the key technology weighs less than ten grams. Bosch will launch the Light Drive at the Consumer Electronics Show (CES) in Las Vegas in January. The Light Drive will eliminate the need for people to check their phones while driving or doing other tasks. Google Glass launched in 2013 but was discontinued for the public in 2015 after a range of problems, including weight and battery life.

Stanley Black & Decker

SB&D inked a safe battery licensing deal with Amionx. Amionx is a spinout of American Lithium Energy, which has designed and manufactured batteries for the Department of Defense for more than a decade. It is the first publicly announced license for Amionx's SafeCore technology, which acts as a circuit breaker to prevent lithium-ion batteries from igniting from an internal short, overcharging or overheating in high temperatures. Terms of the deal were not released. Amionx also has a license with a well-known consumer electronics company that wishes to remain confidential. According to Amionx, adding SafeCore in the manufacturing line does not require new equipment and adds only a small amount to the cost of the materials needed for the battery. Rather than licensing to battery makers, Amionx targets end customers who can then sub-license the tech to their battery suppliers.

Chief Technology Officer Mark Maybury shared the secret to being an innovator with 250 attendees at the American Innovation Conference. He said that to achieve breakthrough innovation, you must "observe carefully, listen deeply, think outside the box and experiment with purpose." The conference was held at Fordham University's Gabelli School of Business in New York, in partnership with the Norwegian School of Economics and market research firm Rockbridge Associates. The conference was focused on how important it is for companies to share and collaborate, and emphasized the need to understand how customer-focused innovation impacts a company's success. In addition to Stanley Black & Decker, speakers included representatives from Aflac, IKEA, John Deere and Toyota.

TTI/Techtronic Industries

Milwaukee Tool confirmed that they plan to build a $100 million new campus in Menomonee Falls by 2025 that will create 870 new jobs in Wisconsin. Milwaukee has added more than 1,000 employees since 2011. The campus will be built on more than 65 acres that the Village of Menomonee Falls is selling to Milwaukee for $1. The campus will have 2.5 million square feet of building space. Global headquarters will remain in Brookfield, Wisconsin, but Menomonee Falls will have enough space to continue to expand product research facilities and potentially add manufacturing. The total project was announced in mid-December by Milwaukee Tool, Governor Tony Evers and the Milwaukee 7 development organization. Milwaukee Tool would be eligible for an additional $20 million in state tax credits in addition to the $26 million awarded for previously announced expansions in Brookfield. As Milwaukee develops the property, 70% of the property tax revenue generated by the facilities will be given to Milwaukee, with annual payments running until 2037. Separately, Milwaukee also pledged to create 1,812 new jobs and invest $174.5 million in capital expenditures in Wisconsin over a five-year period.

RETAIL

Retail Sales Rise 0.2%

Retail sales rose 0.2% in November, well below economists' expectations of a 0.5% increase. Analysts noted that the results were partially impacted by the fact that the late Thanksgiving pushed the first big weekend of holiday spending into December. Despite the fact that Cyber Monday was December 2, non-store retail sales, which are largely internet sales, rose 0.8% and were up 14% from November 2018. Core retail sales, which exclude food services, car dealers, gasoline stations and building materials stores, were basically flat after rising 0.3% in October. Core retail sales correspond most closely with the consumer spending component of GDP.

Holiday Retail Sales Rise 3.4%

Retail sales excluding automobiles rose 3.4% between November 1 and December 24, according to Mastercard SpendingPulse. The National Retail Federation had forecast holiday retail sales would increase between 3.8% and 4.2% and Wells Fargo had projected a 5% increase. The average annual increase over the past five years is 3.7%. Online sales rose 18.8% from holiday 2018 and accounted for 14.6% of total retail sales. It was the shortest holiday shopping season since 2013, which meant that retailers got the season off to an early start, with some publicizing deals before Halloween. The Saturday before Christmas was the busiest shopping day in US history, surpassing Black Friday, according to research firm Customer Growth Partners. Amazon expanded their free return policy and promised Prime members one-day shipping.

The Home Depot

Investors and Analysts Conference Call:

CEO Craig Menear gave an update on the company's progress transforming THD and creating a One Home Depot experience for customers. He noted they are now in year two of their journey and know they are on the right long-term path, but creating the One Home Depot experience is requiring them to spend about twice as much on the customer experience as they would normally.

Home Depot competes in hundreds of different categories. In many categories, independents, regionals and specialty players command the majority of market share. This means they have a big opportunity to increase their market share even if overall retail growth is slow.

Power tools is a category in which they've held a leadership position with a large share for a very long time, yet they are growing at an accelerated rate because of all the ways they are making it easier and more seamless to do business with them. Part of the investment they've made in the stores includes about $100 million on tool corrals to do the setting by brand and by battery platform. In total they have more than 900 bays in the store. In addition to exclusive brands and products, they also have exclusive lines, such as DeWalt's new compact Atomic platform, or if they do not get an exclusive, they often get a launch exclusive and will have product six to nine months before anyone else.

They are investing to position themselves as the low-cost provider and to grow faster moving forward. Their strategic investments are largely on track, but their timeline was overly ambitious and realizing the benefits may take longer than they planned.

They have already implemented many improvements for Pros, and as soon as they are able to offer larger Pros more features and functions, they will be able to increase their share of that important category. They want to grow their Pro business but do not want to leave their DIY customers behind. They know that key buying factors for Pros vary by size, the type of business they are in and the purchase occasion driving their visit.

That same work is now underway for their DIY customers as they invest to streamline order management for associates.

They have now introduced Order Up which is merging multiple systems into one that is much simpler and more intuitive for associates to work with.

They will invest more than one million hours per year over the next five years in training and development opportunities for associates.

Approximately 60% of US stores already have a new look and feel, and they have addressed their customers' number one concern, navigating the store and finding what they are looking for. They have improved the checkout experience and implemented pickup lockers for online orders. They have grown online sales by approximately one billion dollars over each of the last 6 years, making them the fifth largest ecommerce operation in the US.

They are committed to creating the most efficient and fastest supply chain and delivery network for both Pros and DIY customers. They are investing in approximately 150 new facilities to improve speed and fulfillment.

By the end of 2020, they will have invested $5 billion in their stores, $2.5 billion in technology and $1.2 billion in their supply chain network.

They are building flatbed distribution facilities so that they can increase their share in lumber and building materials categories. These bigger, bulkier items deliver much higher tickets and operating profits.

They will be investing more dollars than originally anticipated in high volume stores because the stores they have already invested in are seeing a significant lift in sales.

For fiscal 2020, they estimate that sales will grow 3.5% to 4% to between $114 and $114.5 billion but profits will drop 14% due to the level of investment needed to meet objectives and the higher than anticipated levels of shrink, which they are now targeting with programs. They believe that after 2020 their level of investment will decrease and benefits from their investments will increase. They build their outlook on GDP, which for fiscal 2020 is around 1.8%, lower than this year.

Other News:

THD has missed comp sales expectations for the last four fiscal quarters, but has not reported annual comp sales below 4% since fiscal 2012. THD expects fiscal 2019 sales to rise about 1.8%, with comp sales on a 52-week basis up about 3.5%.

THD is planning to bring their design center concept to Montrose Crossing in Rockville, Washington, which will be the only location outside of California. The design center is a kitchen and bath showroom where customers can redesign their own space. It will occupy a two-story, 36,000-square-foot former retail space in the center.

Walmart

Walmart is working at growing not only more quickly, but more profitably. They plan to add ecommerce warehouse capacity in order to have more products available for next day delivery. They also plan to invest in more capacity so they can expand fulfillment services and warehousing for third-party merchants.

Menards

Menards has purchased Mall of the Bluffs in Council Bluffs, Iowa, and plans to tear down the mall and build a "bigger and better store." Menards has had a store in Council Bluffs for more than 25 years, but described it as small and dated. Menards promises to revitalize the area. According to some of the current tenants who received notices telling them to vacate by the end of the year, Menards plans to start demolition this winter.

True Value

True Value named Chris Kempa their first chief commercial officer. He will report directly to CEO John Hartmann. Hartmann said that Chris is an exceptional addition to the senior leadership team and has more than 25 years of experience in the product distribution sector. In his newly created position, Kempa will be responsible for the development and execution of an integrated merchandising, sales and pricing go-to-market strategy. He joins True Value from Essendant Inc., where he was most recently group president, industrial, but also spent more than 20 years with W.W. Grainger in several roles, including VP and general manager, global business.

W.W. Grainger

Grainger reported Q3 sales rose 4% to $2.9 billion. On a daily basis, sales were up 2.5%. The increase in sales was primarily due to volume. Foreign exchange had no impact on total company sales. The third quarter had one more selling day than the prior year period.

Amazon

Amazon said customers shopped at "record levels," ordering billions of items worldwide during the holidays. Amazon said third-party sellers also did well, with unit sales worldwide growing in the double-digits and more than one billion items sold. Alexa-enabled devices such as the Echo Dot smart speaker, the Fire TV stick and the video-enabled Echo Show 5 were among the best sellers. The number of items delivered via Prime Free One-Day and Prime Free Same-Day delivery nearly quadrupled from last year. The estimated cost of making good on their promise of one-day delivery was about $1.5 billion over the holiday season.

Amazon added 250,000 employees worldwide in order to handle holiday sales, bringing the company's total workforce to 750,000. Amazon did not say how many temporary holiday workers would be kept on after the holiday season. Amazon's employee figure excludes about 800 contractors from private delivery firms, which employ about 75,000 drivers in the US.

Amazon will raise the fees they charge merchants for warehousing and shipping their goods an average 3% in 2020 as they deal with higher costs from infrastructure and programs like one-day delivery. Amazon handles a majority of US orders through their in-house logistics arm.

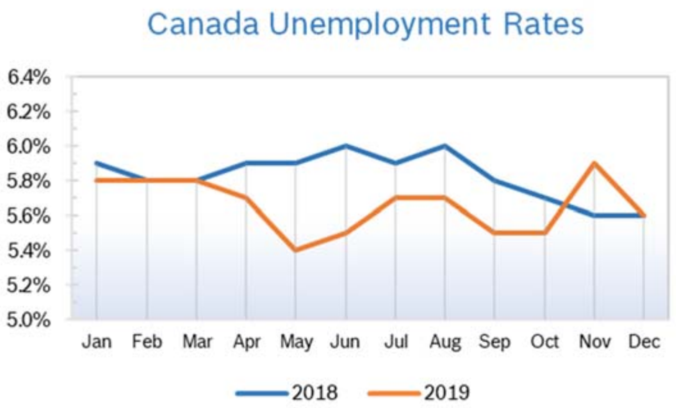
Amazon is continuing to aggressively expand their presence in the brick-and-mortar market, and opened five more 4-Star stores in the last half of 2019, bringing the total number of 4-Star locations to eight. Not including Whole Foods, which Amazon bought for $13.7 billion in 2017, Amazon has dozens of physical stores open or planned nationwide, including Amazon Go stores. The 4-star stores specialize in products that have garnered four stars on their website, and is merchandised in specialized sections, including "Most-Wished for" on Amazon.com, boutiques that would reflect local preferences, such as "Trending Around Los Angeles" and "This Season's Top Toys." Shoppers can also test Amazon devices and accessories in the stores.

It would appear that Amazon is getting ready to open yet another grocery store chain, as analysts note that they are prepping an old Toys 'R Us store in California's Woodland Hills for a traditional grocery store that will feature conventional checkout rather than Amazon Go's cashierless technology. The US grocery market is estimated at about $800 billion annually.

Amazon's third-party sellers can no longer use FedEx's ground delivery to ship Prime packages, a change that could affect small businesses and pricing for consumers. The announcement came at the height of the holiday shipping season, and followed Amazon's decision to stop using FedEx for their own deliveries. The two companies have launched rival initiatives in recent years, and in June FedEx declined to renew their contract with Amazon, saying it was unprofitable. Amazon insisted that the move was due to substandard performance by FedEx for third party shippers.

CANADA SNAPSHOT

Unemployment Falls to 5.6%



- Canada's unemployment rate fell to 5.6% in December after rising to 5.9% in November. Employment rose by 35,000 jobs.
- For the 12 months to December, the economy added 320,000 new jobs, an increase of 1.7%. Most job gains have been in full-time employment.
- Employment in December increased in Quebec, Manitoba, Ontario and Prince Edward Island and dropped in Newfoundland and Labrador. Employment was little changed in other provinces.

Consumer Confidence Falls to 102.1

The Index of Consumer Confidence fell 9.9 points in December to 102.1 after rising to 112.0 in November, according to the Conference Board of Canada. It was the lowest level for consumer confidence in 36 months. 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 2.2% year over year in November after rising 1.9% in each of the previous three months, according to Statistics Canada. Excluding gasoline, the index was up 2.3% year over year for the second consecutive month. On a seasonally adjusted annual basis the index rose 0.1% in November after rising 0.3% in October. In every province except British Columbia, prices rose more in November on a year-over-year basis compared to October. Higher year-over-year gasoline prices were the largest contributor to the increase everywhere but in British Columbia, where gasoline prices declined due to a surplus of fuel in the Pacific Northwest.

GDP Falls 0.1%

Canadian GDP fell 0.1% in October after rising 0.1% in September, according to Statistics Canada. Economists had expected GDP to grow 0.1%. The slowdown included a 1.1% drop for retail sales, the largest month-to-month decline in retail sales since March 2016, as well as significant declines in wholesale sales and manufacturing. Eight of 10 subsectors reported lower output in October.

GDP Forecast

The Bank of Canada (BoC) forecasts that real GDP will grow by 1.5% in 2019, 1.7% in 2020 and 1.8% in 2021. Measures of inflation are all around 2%, with CPI inflation dipping temporarily in 2020 as the effects of a spike in energy prices fade.

Bank of Canada Leaves Interest Rates Unchanged at 1.75%

The Bank of Canada left its key interest rate unchanged at 1.75% at its last meeting of the year and gave no evidence that a cut in rates is being considered for the near-term future. According to BoC, trade conflicts remain the greatest risk, but the economy has been resilient and the slowdown in the third quarter was expected.

Housing and Construction News

The annual pace of housing starts rose 0.3% in November to 201,318 units, even though starts declined in Ontario, P.E.I., Quebec, Manitoba and Saskatchewan. Starts rose briskly in British Columbia and also increased in Alberta. The six-month moving average of monthly seasonally adjusted starts was 219,047, up from 218,253 units in October. The pace of urban starts rose 0.4% in November to 188,559 units.

Canada's home sales rose 11.3% in November to a total of 37,213 homes, thanks to a major rebound in sales in the Greater Vancouver area and continued growth in Greater Toronto and Montreal. Sales declined in the Prairie cities of Calgary, Edmonton and Regina, according to the Canadian Real Estate Association (CREA). Nationally there was 4.2 months of inventory, the lowest level since summer 2007 and well below the average of 5.3 months.

CREA expects home sales to rise 8.9% in 2020 to 530,000 units, and forecasts the average price will rise 6.2% to $531,000. They expect sales will benefit from job growth and population gains and also get a modest boost from government programs for first-time home buyers.

Home sales were almost 20% above the six-year low reached in February of this year but are still 7% below highs reached in 2016 and 2017 before mortgage regulations were tightened. Inventory was at a 4.4-months' supply, the lowest level since April 2017.

Retail Sales

Retail sales decreased 1.2% to $50.9 billion in October. The decline was primarily due to lower sales at motor vehicle and parts dealers and a 3.1% decline at building material and garden equipment and supplies dealers, the fourth consecutive month sales in this category have fallen. Lower sales were reported in 8 of 11 subsectors, representing 81% of retail trade. After removing the effects of price changes, retail sales in volume terms decreased 1.4%. On an unadjusted basis, retail ecommerce sales were $1.8 billion in October, accounting for 3.4% of total retail trade and were up 14.4% year over year, while total unadjusted retail sales were up 0.8%.

Retail Notes

Canadian Tire broke ground on a new state of the art distribution center in Brampton, Ontario that is scheduled to open in 2022.

Canadian Tire's 500 physical stores give them an advantage in Canada, according to an interview CFO Dean McCann gave BNN Bloomberg. According to McCann, Canadian Tire's store network makes it easier for them to compete in all channels, including ecommerce, get products to their customers and offer them options that include in-store pickup and delivery.

Lowe's Canada presented the Salvation Army with a total of 8,680 new toys for their Toys program. It was the first time since the program was launched in 2010 that 35 Rona stores joined forces with Lowe's stores in Canada to collect toys for underprivileged children of all ages in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

MARKET TRENDS

Homebuyers Aging

Homebuyers are getting older. The median age of a US home buyer is 47, according to research from Deutsche Bank. In 1981, the median age was 31. Deutsche Bank economist Torsten Slok says that the big change is being driven by affordability, an aging population, higher student debt levels and tighter mortgage lending standards for young people and individuals with lower credit scores. Those factors have all contributed to lower levels of residential mobility. The median age of a homebuyer has not been below 40 since the financial crisis began in 2008.

AI and Big Data Expo North America

Artificial Intelligence (AI) is transforming life at home. Conference keynote speaker Samuel Chang, CVP of LG's Silicon Valley Lab, told attendees at the Expo that the goal of smart products should be to elevate the quality of life at home and beyond, so users can stay focused on what matters. He noted that smart devices should be easy, intuitive and effortless; they should never be complicated, and they should integrate easily into people's lives and the technology they already have. One of the cornerstones of AI is learning, which theoretically means that the more someone uses their smart devices, the better they should operate. Devices use the data to learn your preferences and routines and create customized user experiences for you. The most intelligent devices on the market will actually alert people to issues before they turn into full-fledged problems. Some smart products now provide tips and alerts about keeping the product in top operating shape and send alerts when maintenance is needed.

Smart Home Connectivity Standards

As the number and type of smart devices proliferates, it becomes more important for manufacturers to figure out how to make it easy for people to simplify their smart life and network all their devices. The Zigbee Alliance is spearheading a smart home working group along with Amazon, Apple and Google, with the goal of developing a royalty-free connectivity standard. There was no mention of the Z-Wave platform, which has an installed base of more than 100 million devices and 2,400 smart home products on the market. Security will be a fundamental design tenet. Reportedly Samsung, Silicon Labs and a host of other industry players are on board. The project aims to make it easier for device manufacturers to build devices compatible with smart home and voice services, including Alexa, Siri, Google's Assistant and others. The planned protocol will complement existing technologies. Conference organizers said that for the promise of the smart home to be realized, companies large and small must deliver a seamless, secure and ever-reliable experience for consumers.

Millennials OK with Holiday Debt

In a recent survey of millennials done by CreditCards.com, three in five respondents said they would be willing to go into debt to finance the holidays. Millennials are the first generation that has been saturated with targeted ads their entire lives. They entered the work force around the time the Great Recession began in 2008, when wages were stagnant and the demand for labor was weak, which led many millennials to take on debt to make everyday payments. In addition, analysts say that millennials are comfortable with debt and they are not as well financially educated as either the generation before them or Gen Z, the generation after them.

Worker Shortage Jeopardizes Expansion

In 39 states, there are more jobs available than there are people looking for jobs, according to a Stateline analysis of hiring and employment data from the Bureau of Labor Statistics. North Carolina had the highest jobs opening rate with 5.7% of all jobs unfilled. Missouri, North Dakota and Virginia were close behind, with 5.3%. In mid-2009, there were multiple people vying for jobs in every state. Some states are growing too quickly to keep up; others are hampered by slower population growth and a higher proportion of older residents. States are basically taking two approaches; one is making jobs more attractive by offering higher pay, and better benefits and perks. The other is aimed at creating a more skilled workforce. Tactics include teaching more job skills to students starting in middle school and making kids aware of good jobs available in fields like manufacturing, technology and healthcare and what they will need to do to qualify for them. Many companies are finding ways to retrain their existing work force so they can handle the technological aspects of job that used to be mostly manual or unskilled labor. Some states, including Missouri and North Dakota, are trying to find jobs for ex-prisoners by helping them prepare for the job market and handle interview questions.

Organized Retail Crime an Epidemic

During The Home Depot's investor's conference call CEO Craig Menear blamed the opioid epidemic for a surge in shoplifters who have stolen millions in goods from stores and warehouses. THD said the heavy losses impacted profitability for the third quarter. Menear said they feel as if the opioid crisis is to blame, but do not have hard research to support their belief. The National Retail Federation says that retailers lose about $51 billion in profits from shrink annually and more than two-thirds of retailers saw an increase in "organized retail crime activity" in 2019 and dealing with this type of crime presents a serious challenge for the industry. Menear noted that during one bust they participated in there was $16.5 million in goods stolen from multiple retailers in one warehouse location. THD estimated that their goods accounted for about $1.4 million of that total. THD's SVP Stores, Ann-Marie Campbell, said that THD is an attractive target because they have very strong, marketable brands and high-ticket products. However, if they make it much more difficult for people to steal from them, the thieves will go elsewhere. That's why they are investing in technology and operational procedures that will "harden" the stores and make them more theft-resistant.

Night Owl Remodeling

US retailers remodel thousands of stores each year, a process that can be highly disruptive. Walmart remodels about 500 locations annually. Over the past year, they've quietly rolled out SWAT teams, small groups of remodeling specialists who go from store to store in big markets. They work at night and tackle jobs such as building fixtures to display apparel and moving counters so that new floors can be installed. Walmart employs general contractors to do more specialized work such as electrical and plumbing. There are 1,000 SWAT team members now, and Walmart plans to increase the squad to 1,700 by the end of

2020. Both Best Buy and Target already maintain project teams for work like remodels, relocations and store repairs that work the night shift so the changes are less disruptive to customers.

Federal Government Testing Online Shopping

A new method for federal agencies to buy office supplies and other goods online is currently being tested. If the government decides to move forward with it, it would give Amazon and other online sellers a foothold in a market worth as much as $50 billion a year. The GSA is expected to contract with privately run “emarketplace platforms” as it calls them, making them available to other federal agencies as an alternative to existing government-run purchasing websites. In addition to Amazon, Walmart and eBay have also shown interest. Meanwhile, government contractors at industrial supply companies are up in arms, saying they will be the big losers if this moves forward. Federal workers can already use government-issued purchase cards on sites, including Amazon, for open market purchases under $10,000.