BOSCH

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CST/berger | **freud** | **Sia**

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US ECONOMY

Exchange Rates April 30, 2019

Euro	1 Euro = $1.120	$1.00 = 0.893 Euros
Canadian Dollar	1 CAD = $0.745	$1.00 = 1.343 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 111.430 Yen
Chinese Yuan	1 Yuan = $0.148	$1.00 = 6.735 Yuan
Mexican Peso	1 Peso = $0.053	$1.00 = 18.999 Pesos

Market Watch April 30, 2019

DOW	26,593	2.6%
NASDAQ	8,108	4.9%
S&P 500	2,946	3.9%

The markets all turned in strong performances in April, with the Dow up 14% for the year, the S&P, the index most followed by financial analysts, up 17% and the tech-heavy NASDAQ up 21%. The markets performed well on solid economic and job news, hopes for a resolution to the trade wars with China and expectations that the Fed will not raise interest rates any time soon. Market analysts disagree over where the markets will go next, but they are off to the best start to the year in decades.

Consumer Confidence Rises to 129.2

The New York-based Conference Board's Consumer Confidence Index rose to 129.2 in April after dropping to 124.2 in March, according to the Conference Board's latest survey. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, rose to 168.3 in April after dropping sharply to an upwardly revised 163.0 in March. The Expectations Index, which is based on consumers' short-term outlook for income, climbed to 103.0 in April, recovering most of February's decline. The Conference Board noted that consumers expect the economy to continue growing at a solid pace into the summer months, which should support consumer spending in the near-term. Economists note that a level of 90 indicates that the economy is on solid footing and a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

Consumer Spending Rises 0.9%

Consumer spending jumped 0.9% in March after edging up just 0.1% in February. Spending for January was revised up to 0.3% rather than the 0.1% first reported. Core consumer spending rose 0.7% in March after being unchanged in February. Spending on goods rose 1.7% and spending on services rose 0.5%. Inflation pressures remained low, with the personal consumption expenditures (PCE) price index excluding the volatile food and energy components remaining unchanged after edging up 0.1% in February. The PCE was up 1.6% year over year, the smallest increase since January 2018 and still well below the Fed's preferred inflation reading of 2.0%. Personal income rose 0.1% after rising 0.2% in February and wages rose 0.4% after rising 0.3% in February. Savings fell to $1.03 trillion in March from $1.16 trillion in February and the savings rate dipped to 6.5% from 7.3% in February.

Consumer Prices Rise 0.4%

The Consumer Price Index (CPI) rose 0.4% in March after rising 0.2% in February. The CPI was up 1.9% in March over the past twelve months, up from a 1.5% increase in February. Core inflation, which excludes food and energy, rose 0.1% for the sixth consecutive month. Core CPI was up 2.0% year over year, up slightly from February's annual increase. Rising gas prices accounted for 60% of the increase in the CPI in March. The strengthening dollar is also depressing inflation. The Fed expects inflation to be tame for what they described as "a time" due to declining energy prices.

Unemployment Drops to 3.6%

The unemployment rate dropped to 3.6% in April from 3.8% in March and the economy added 263,000 new jobs. It was the lowest level of unemployment since December 1969, and stemmed from a drop in labor force participation. Job gains for February and March were revised up by a total of 16,000 jobs. Job gains were much greater than economists expected. Average hourly wages for private-sector workers grew 3.2% from a year earlier, matching the increase in March. Through the first four months of the year employers added an average of 205,000 jobs each month, a slowdown from the 223,000 jobs added each month in 2018, but well above the job gains needed to keep the economy growing. Payrolls increased in construction by 33,000 jobs, the second consecutive month construction payrolls have increased. Retail payrolls declined by 12,000 jobs. It was the third consecutive month retail payrolls fell. The economy needs to create about 120,000 new jobs each month to keep up with growth in the working-age population.

Durable Goods Orders Rise 2.7%

Durable goods orders rose 2.7% in March after falling 1.6% in February. Orders ex transportation rose 0.4% after rising in February. Core durable goods orders for non-defense capital goods excluding aircraft, widely regarded as a key indicator of business spending, rose 1.3% in March after falling 0.1% in February. Nondefense capital goods shipments, which factor into GDP, fell 0.2% after being flat in February and rising 0.8% in January. The durable goods report is volatile and often subject to sharp revisions.

Chicago PMI Drops to 52.6

The Chicago Purchasing Managers' Index (PMI) dropped 6.1 points to 52.6 in April after falling 6 points to 58.7 in March. Despite two consecutive months of substantial declines, the index remained above 50, the level that indicates growth. Four of the five components of the index fell in April, with only Order Backlogs increasing. New Orders fell for the second consecutive month, dipping below both the three-month and 12-month averages. Production dropped to the lowest level since May 2016. However, more than half of firms surveyed said they plan to hire more workers over the next three months, while one-third thought their current staff was sufficient. MNI Indicators said that the overall drop points to greater business uncertainty amid softer domestic demand and a global slowdown. The PMI averaged 60.1 in the first quarter, down 3.5% from the fourth quarter and 3.3% from the first quarter of 2018.

Wholesale Prices Rise 0.6%

The Producer Price Index (PPI) jumped 0.6% in March after rising just 0.1% in February. The PPI was up 2.2% from March 2018. Core producer prices, which exclude food, energy and trade services, were flat for March after rising 0.1% in February and were up 2.0% from March 2018 after being up 2.5% year over year in February. Analysts noted that tame inflation reinforced the Fed's decision to put off increasing interest rates.

Q1 GDP Grows 3.2%

GDP growth came in a strong 3.2% in the first quarter, according to the first reading from the Commerce Department. Consumer spending increased 1.2%, the slowest quarterly gain in a year. GDP growth was well above even the most optimistic forecasts; some models had predicted first quarter growth of 0.5%. One of the factors behind the unexpected increase was a big surge in spending by state and local governments, which likely picked up due to the partial shutdown of the federal government. Stronger inventory and trade building also fueled the strong growth, adding 0.7% to the topline. Business fixed investment decelerated to a relatively slow 2.7% gain after rising 5.4% in the first quarter. Residential fixed investment in new housing was another weak spot, with residential investment dropping 2.8%, the fifth consecutive quarterly decline. Consumer spending decelerated to a 1.2% gain, the slowest increase in a year. Inflation, as measured by the personal consumptions expenditure index (PCE) fell to a 1.4% annual rate in the first quarter from 1.9% in the fourth quarter of 2018. Core PCE slipped to 1.7% from 1.9%, below the Fed's target of 2.0%. Consumer spending accounts for more than two-thirds of US economic activity. The strong GDP report is not expected to affect the Fed's wait and see attitude toward interest rates, although it will probably quiet speculation that the next move might be a rate cut.

Job Openings Fall to 7.09 Million

The number of job openings decreased in February by 538,000 to 7.09 million jobs after rising to 7.6 million in January, according to the most recent Job Openings and Labor Turnover Survey (JOLTS). It was the biggest decrease in job openings since 2015, but the number of open positions still exceeds the number of people looking for employment. The labor market has enjoyed a record 102 consecutive months of job gains, but the growing shortage of workers is expected to slow job growth down to about 150,000 jobs per month. The quits rate held at 2.3% for the ninth consecutive month, with 3.5 million people quitting their jobs, a good indication that people feel confident they'll be able to find a new job. Hiring eased to 5.7 million from 5.83 million in January.

Fed Leaves Rates Unchanged

As widely expected, the Fed left interest rates unchanged at 2.25% to 2.5% when the Fed Open Market Committee met at the end of April. However, Fed Chairman Jerome Powell said in a news conference that recent low inflationary pressures may be transitory and dashed speculation that the central bank was considering a rate cut. President Trump has been urging the Fed to cut rates because of benign inflation but economists agree that the economy is on strong fundamental footing and does not need the stimulus of a rate cut at this time.

HOUSING & CONSTRUCTION

Housing Starts Fall 0.3%

Housing starts fell 0.3% in March to a seasonally adjusted annual pace of 1.14 million units and starts for February were revised lower. **Single-family starts fell 0.4% in March** to 785,000 units and multifamily starts remained steady at 354,000 units. Single-family starts are 5% below the level they were at during the first quarter of 2018. Regional starts were mixed. Combined single-family and multifamily starts year to date were down 4.2% in the Northeast, 10.9% in the Midwest and 27.1% in the West. Starts were up 1.5% in the South.

Building Permits Fall 1.7%

Building permits fell 1.7% in March to a seasonally adjusted annual level of 1.27 million units. **Single-family permits fell 1.1%** to 808,000 units, the lowest level in more than two years. Multifamily permits fell 2.7% to 461,000 units. **Regional permits were mixed.** Year to date, permits were down 3.7% in the Midwest, 0.4% in the South and 16.9% in the West. The level of permits in the Northeast was unchanged.

New-Home Sales Rise 4.5%

New-home sales rose 4.5% in March to a seasonally adjusted annual rate of 692,000 units and February sales were adjusted slightly. It was the highest pace of sales since February 2017. There were large gains at lower price points where demand is strong. In March of 2019, 50% of new home sales were priced below $300,000, compared to 39% in March of 2018. The inventory of new homes for sale was 344,000, a 6-months' supply at the current sales pace, a number that has remained fairly steady since December. The median sales price dropped to $302,700 in March from $315,300 in February, and has been dropping since December as more activity has been occurring in the $200,000 to $400,000 price range. Median prices are down 9.7% year over year. **Regional new home sales were mixed.** New home sales fell 17.6% in the Northeast, 8.1% in the Midwest and 5.9% in the West. Sales rose 9.6% in the South, which accounted for 58% of all new home sales in March. 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 4.9%

Existing home sales fell 4.9% in March to a seasonally adjusted annual pace of 5.21 million after jumping a downwardly revised 11.2% in February. Sales were down 5.4% from March 2018. **Sales declined in all regions**, falling 2.9% in the Northeast, 7.9% in the Midwest, 3.4% in the South and 6.0% in the West. Unsold inventory is at a 3.9-month supply at the current sales pace, up from 3.6 months in February and 3.6 months in March 2018. The median existing home price in March was $259,400, up 3.8% from March 2018. It was the 85th consecutive month of year-over-year increases in home prices, but the pace of home appreciation has definitely moderated and homes are remaining on the market longer.

Builder Confidence Rises to 63

Builder confidence rose one point to 63 in April, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Builders report solid demand for new single-family homes but are dealing with affordability problems stemming from what has become a chronic shortage of construction workers and buildable lots, according to NAHB. Scores for the HMI components were mixed. The index measuring current sales conditions rose one point to 69, the component gauging expectations in the next six months fell one point to 71 and the component measuring buyer traffic rose three points to 47. **The three-month moving averages for regional HMI scores were mixed.** The Northeast rose three points to 51, the South was up one point to 67 and the Midwest increased two points to 53. The West remained unchanged at 69.

Mortgage Rates Inch Up to 4.20%

A 30-year fixed-rate mortgage (FRM) rose to 4.20% at the end of April after falling to 4.06% at the end of March, ending a streak of four consecutive months of falling rates. Freddie Mac expects rates to average 4.5% this year and 4.8% next year.

Remodeling Index Falls to 54

The National Association of Home Builders' Remodeling Market Index (RMI) fell three points to 54 in the first quarter. The RMI has been above 50 since the second quarter of 2013.

A reading of 50 or higher indicates that the majority of remodelers report that market activity is higher compared to the previous quarter. Current market conditions fell four points to 53. Among the major components, major additions and alterations fell seven points to 49, minor additions and alterations dropped a point to 55 and home maintenance and repairs fell three points to 56. Future market indicators fell two points to 54, calls for bids fell three points to 54, work committed for the next three months rose two points to 54, the backlog of jobs fell five points to 54 and appointments for proposals held steady at 55. NAHB says that demand is still strong in many parts of the country, due to insufficient home construction and aging housing stock, but it can be difficult to find skilled labor for remodeling projects. NAHB call for slowing growth due to declining home appreciation and existing home sales combined with rising construction costs.

POWER TOOL INDUSTRY

Stanley Black & Decker

Q1 sales rose 4% to $3.3 billion. Organic growth rose 5%, acquisitions contributed 3% and price added 2%, while negative currency subtracted 4%.

Tools & Storage revenues increased 3%, with 7% organic growth offset by 4 points of currency pressure. Organic growth included 5% from volume and 2% from price. All regions and business units contributed to growth. They raised their full-year adjusted EPS guidance by a nickel to a range of $8.50 to $8.70, with organic growth of 4%. They expect Tools & Storage to deliver mid-single digit organic growth this year.

From their Q1 Conference Call with Analysts:

The operating margin for Tools & Storage fell to 12.1% as positive benefits were more than offset by $160 million in 2018 carryover impacts from currency, commodity inflation and tariffs. They continue to see the benefits from the price actions they took in the second half of 2018 and the additional price increases implemented this year in response to the List 3 tariffs.

Power Tools and Equipment delivered 6% organic growth, with solid contribution from new products launched under the Craftsman, DeWalt and FlexVolt brands. Hand tools, accessories and storage delivered 9% organic growth, with contributions from Craftsman as well as synergies from Lenox and Irwin.

Tools & Storage continues to carry high levels of inventory to support the Craftsman rollout and other brand transitions.

North America led the way, with 11% growth driven by the US retail channel, which posted growth in the high teens. North America's growth continues to be fueled by the Craftsman brand rollout, new product innovations and price realization. Lowe's and Ace Hardware are seeing great momentum from the Craftsman rollout, with strong positive response from their customers as products roll out in stores.

There was growth across all categories in Craftsman, and their expansion plan remains on track. They are well on their way to delivering their target of $1 billion in incremental sales by 2021.

They think Craftsman will contribute about 3% to Tools & Storage growth this year. They will have a better sense of Craftsman's overall contribution for the year after they complete the rollout at Lowe's stores during the second quarter. The market is more stable than they had expected given the choppiness in the housing market. They have moved the rollout of new customers for Craftsman, which would include Amazon, to the beginning of the second half of the year to make sure they can accommodate the stronger-than-anticipated demand from current customers.

About one-third of Craftsman products sold in the US are currently being manufactured domestically. When they took over the brand, virtually all of the manufacturing was done outside the US. They plan to double the percentage of Craftsman products being made in the US going forward and will provide more detail in May.

They have just begun to roll out Stanley and Stanley FatMax products and they are now flowing through the supply chain and out into the stores They should begin to appear on store shelves in May.

The DeWalt FlexVolt platform was up double-digits for the quarter as they grew core products and expanded into the outdoor category.

There was a slow start to the outdoor season in the first

quarter, with much of the country experiencing very wet or snowy weather.

They expect customers will be able to choose between gas or electric at the same price point in categories like string trimmers, hedge trimmers, blowers, chainsaws and other outdoor products that have traditionally been gas-powered. It's the first time in history there has not been a price differential between the two categories. With products like walk-behind and ride-on mowers there is still a gap between gas and electric, and they have more work to do before they will be able to close that gap.

They launched the 20-volt Atomic series globally. Atomic augments the existing DeWalt 20 volt line, which is now the largest professional cordless system in the world with well over 200 products. Atomic is just beginning to ship and they expect to see incremental growth in Pro power tools within the year. They will detail this innovation during their investor day on May 16.

They refer to their actions to get their margins back up into their historic range as their margin resiliency initiative. There will be some modest impact this year and next year but the real impact will be in 2021.

Tariffs remain a strategic wild card for everyone, with no one sure whether or not the US will make a deal with China, and if we do, what that will mean for tariffs. SB&D also thinks there could be a bit more currency pressure as they move through the year.

They closed two strategic transactions during the quarter, completing their acquisition of the Pengo and Paladin businesses from IES as well as their 20% equity investment in MTD, a large supplier of Craftsman outdoor power equipment as well as the owner of the Cub Cadet and Troy-Bilt brands. They described their investment in MTD as a strategic bet on the long-term growth potential of the $20 billion lawn and garden market.

They are very confident they will get MTD's profitability up to a point where they will be able to add it to their portfolio in 2021 or 2022 in a way that will be very good additional growth for them and also very good for MTD.

Other News:

SB&D opened a new high-tech manufacturing facility in Elyria, Ohio that will produce stud welding equipment and fasteners for construction, industrial and defense sectors. The facility is expected to add industrial Internet of Things capability to its machines by the third quarter. When it starts up, there will be about 70 employees at the facility.

SB&D opened Manufactory 4.0 in Hartford, Connecticut. The state of the art facility, which employs about 50 industry experts, is designed to build solutions to help digitalize plant operations. Part of the goal is to replace old factory equipment with new technologies. The center will enable SB&D to rapidly test and deploy technologies and engage with a wide range of public and private partners. CEO Jim Loree says they see the center becoming the hub of the next industrial revolution. SB&D currently has three locations in the US they've designated as "Lighthouse Factories" that have partially implemented Industry 4.0 across their facilities. They plan to update an additional 25 facilities this year.

SB&D has agreed to a $1.9 million settlement with the Treasury Department (OFAC) for violating the Iranian Transactions and Sanctions Regulations through their Chinese subsidiary Jiangsu Guoqiang Tools Company (GTC) between June 2013 and December 2014. Apparently GTC failed to comply with SB&Ds procedures and kept exporting products to Iran during the sanctions. When SB&D discovered their error, they reported it to OFAC, and eventually agreed to the settlement.

SB&D was named one of the 100 Most Reputable Companies in the United States by the Reputation Institute. The Institute surveys 167,000 respondents from the general public and evaluates companies across seven dimensions, including Products & Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance. SB&D ranked number 28 on the list.

CEO Jim Loree was tapped for Connecticut Governor Ned Lamont's revamped economic development team after he played a key role on a state commission seeking to improve Connecticut's competitiveness and fiscal condition.

Trimble

The Department of Construction Management at Colorado State University is expanding their leadership program in training and research for 3D building design, construction management, digital fabrication, civil infrastructure, geomatics and the sustainable built environment. An in-kind grant from Trimble will enable CSU to integrate Trimble solutions that are transforming how building and living environments are designed and constructed. The program will be recognized as "Technologies by Trimble." The department's labs will include RalWorks scanning software, Trimble Business Center, Vico Office Suite, Tekla Structures and 3D modeling software SketchUp Pro, among others.

RETAIL

Retail Sales Rise 1.6%

Retail sales rose 1.6% in March to $514.1 billion after dropping 0.2% in February. It was the largest monthly increase in retail sales since September 2017, and well ahead of expectations. Sales were up 3.6% from March 2018. Core retail sales, which exclude food services, car dealers, building-materials stores and gasoline, rose 1.0% in March and were up 0.8% from March 2018. In March, online and other non-store sales were up 1.2% from February and 9.2% year over year, and building materials and garden supply stores were up 0.3% from February but down 0.7% year over year. The National Retail Federation commented that underlying fundamentals including job and wage growth continue to support spending.

Lowe's

Lowe's is moving 600 employees to their Mooresville headquarters in the first of a two-part shift announced in early April. Lowe's will also be cutting 200 jobs from their Charlotte shipping facility; employees will have a chance to take another job at Lowe's elsewhere. The shift is designed to bring teams that perform similar functions together, which should support greater collaboration throughout the business. The 600 employees being relocated work in corporate function jobs.

Lowe's is teaming up with FedEx to test same-day deliveries that would be made by boxy-shaped robots starting in a few markets this summer. Lowe's thinks that Pros could save time and money if they could get the critical tools and supplies they need delivered right to the jobsite as needed.

Lowe's is being sued by former employees over pay for managers that allegedly violates the Fair Labor Standards Act. Managers are allegedly expected to read and respond to work-related smartphone communications during their off hours.

CEO Marvin Ellison earned a total of $14.3 million in 2018, with more than half of his compensation coming from stock awards. According to the filling with the SEC, the median compensation of Lowe's employees was $22,921.

The Home Depot

CFO Carol Tome will retire at the end of August after 24 years with the retailer. She became CFO in May of 2001. In announcing her retirement, CEO Craig Menear said that the retailer has delivered more than a 450% increase in value to shareholders, due in part to her many contributions and he was "deeply appreciative of her partnership over the past five years." Richard McPhail, currently senior vice president of finance control and administration, will be promoted to executive vie president and CFO following Tome's retirement. He has been with the company in a variety of executive roles since 2005.

Walmart

Walmart is experimenting with AI to monitor store shelves in real time, using cameras and sensors to report when it's time to open a new cashier line or replace bruised bananas with fresh ones. Thousands of cameras are suspended from the ceiling, combined with other technology like sensors on shelves, in order to instantly notify employees of anything that needs to be done. Walmart hopes to start scaling some of the new tech at stores outside of the test store on Long Island in the next six months, with the goal of eventually lowering costs and thus prices. As the shopping experience improves, Walmart expects to see higher sales. Cameras focus primarily on products and shelves and do not recognize faces, determine ethnicity or track the movement of shoppers. Last year Sam's Club opened a 32,000 square foot lab store that is testing new features surrounding the Scan & Go app.

Walmart CEO Doug McMillon has been checking out Israel's technological innovations and weighing investment options. He has been quietly visiting the country for more than a decade. His latest visit came just a month after Walmart acquired Israeli AI startup Aspectiva, which uses artificial intelligence to analyze consumer opinions and produce valuable insights for retailers. Walmart has also made a strategic investment in Team*, an Israeli think tank and tech incubator, and recently joined The Bridge, a tech accelerator connecting global companies with the tech startup community in Israel. Walmart is also involved in Unilever's Israeli incubator Earthbound Technologies, which also serves as Walmart's official innovation center.

Walmart is partnering with Google to bring "Walmart Voice Order" to the public. Voice Order will let anyone who uses Google Assistant in any form purchase products directly from Walmart's online shopping portal by telling the voice assistant what they want to order. Unlike Alexa, the Google Assistant is not linked directly to Walmart as a first-party shopping platform; so users have to tell Google Assistant to open up Voice Order before they can use it. It should be available for use sometime in May.

Walmart is now accepting applications for their 2019 Open Call for American Products. The 6th annual Open Call is scheduled for June 18 and 19 at Walmart headquarters in Bentonville, Arkansas. Last year nearly 600 meetings with product pitches from suppliers in 46 states, D.C. and Puerto Rico produced quite a line-up of new products for stores and the website. In January 2013 Walmart announced they were committed to buying an additional $250 billion in products supporting American jobs by 2023.

Walmart is acquiring Polymorph Labs as part of their quest to build their own advertising division. Financial details were not disclosed. Polymorph's product developers and engineers will become part of Walmart Media Group in Walmart's California and India offices.

Walmart responded to Amazon CEO Jeff Bezos' challenge to retailers to match Amazon's minimum wage of $15 and employee benefits package by tweeting out a challenge to Amazon to pay their taxes. Amazon paid no federal taxes on more than $11 billion in profits last year. Amazon responded by saying they have paid $2.6 billion in corporate tax while reporting $3.4 billion in tax expense over the past three years, and their profits are "modest" given retail's highly competitive and low-margin environment.

Sears

Sears is integrating more of their Kenmore smart appliances with Amazon Dash replenishment. Customers can set up select smart models of Kenmore appliances to reorder supplies as soon as they are needed. The Amazon Dash program has transitioned from physical buttons to an electronic-based reorder program.

The Sears Shop Your Way loyalty program is one of the most rewarding in retail despite the fact that Sears has gone bankrupt. Shoppers don't have to pay with a Sears card and are frequently offered free cash and other incentives to shop and get cash back from Uber, Expedia and Ulta beauty. A Sears Mastercard sweetens the payouts even more. Sears says the loyalty program is great for customers and also helps Sears learn about customer shopping preference and needs. About 15 million members have redeemed rewards in the past 15 months. Sears hopes the data it is collecting will help them stay competitive.

Sears is suing former chairman Eddie Lampert, as well as former board members, including Treasury Secretary Steven Mnuchin, for allegedly stripping the retailer of billions of dollars as Sears collapsed into bankruptcy. The ties between Sears and Lampert's various businesses have long been of concern to shareholders. The most recent lawsuit accuses Lampert of directing employees to create misleading documents suggesting that Sears was on the verge of reporting huge profits and mounting a big turnaround. Mnuchin and Lampert were roommates at Yale and worked together at Goldman Sachs in the 1980s. Mnuchin was an investor in Lampert's hedge fund.

Ace Hardware

Ace has rolled out Buy Online, Deliver from Store as a key new feature of their enhanced website. The service is available at participating locations around the country. According to Ace's research, 72% of US households are within 15 minutes of an Ace store. Ace locations participating offer same day, next day and standard delivery options from the local store. Ace Reward members can receive next day and standard delivery for free on in-stock orders of $50 or more. Delivery radius and pricing is determined by each participating store. Ace Reward members can now earn and redeem points online and receive instant online savings, as well as check product availability and services offered at participating Ace stores.

Ace was named one of America's Most Reputable Companies for 2019 by *Forbes*. Ace came it at number 35 on the list for their balance of corporate responsibility and product innovations. CEO John Venhuizen says they are blessed to be in the business of serving others. The report is compiled by the Reputations Institute, which surveyed more than 167,000 individuals to determine the rankings. Companies included typically had revenues in excess of $1 billion and brand familiarity with at least 30% of the US general population.

W.W. Grainger

Q1 revenue rose 1.0% to $2.8 billion. Daily sales rose 3.0%. Less the effects of currency, sales were up 4.0%, and normalized for a change in accounting methods they were up 4.5%. The increase was due to a 3.0% increase in volume and a 1.5% increase in price. CEO DG Macpherson said sales were softer than expected due to weaker demand, but they still expect sales growth of 4.0% to 8.5% this year and operating margins of 12.2% to 13%.

Amazon

Amazon's Q1 revenue rose 17% to $59.7 billion, beating expectations. Amazon's cloud computing unit and growing advertising business helped to offset sluggish growth from the core online retail business. After years of plowing nearly every dollar made back into the business, Amazon has of late aimed for more modest revenue growth and consistent profits. Amazon's head count fell by nearly 17,000 employees during the quarter, a total of 630,600 people. Amazon does expect spending to pick up again for the rest of this year.

Amazon Web Services (AWS) sales rose 41% to $7.7 billion and Amazon's advertising business grew 34% after nearly doubling year over year in the prior quarter. In terms of overall dollars, the advertising business is still relatively small at $2.72 billion. Amazon is predicting revenue will grow between 13% and 20% during the second quarter.

Amazon will invest $800 million to make one-day free shipping the standard for Prime members instead of the current two days. Amazon has more than 100 million Prime members. Analysts say the move to one-day shipping clearly reflects the increasingly competitive retail environment. Analysts say that Amazon will have to work hard to make sure customer expectations reflect the realities of shipping. The delivery promise of one-day or two-day shipping actually refers to the number of days the product is in transit, so the shipping time begins when the carrier receives the package, not when the customer places the order. Cutting the delivery promise in half will be tough and will require Amazon to build out infrastructure that can deliver. Shortly after Amazon's announcement Walmart CEO Doug McMillon tweeted out "One-day free shipping without a membership fee would be groundbreaking. Stay tuned."

Kohl's will begin accepting free, unpackaged returns of Amazon purchases in all of their 1,150 stores in the continental US starting in July. Amazon is investing in Kohl's through an Amazon affiliate, Amazon NV Investment Holdings, and has received a warrant from the SEC allowing Amazon to buy up to 1,747,441 Kohl's shares, about 1.1% of the company.

According to Jeff Bezos' annual letter to shareholders, Amazon sold nearly $300 billion worth of goods last year. It was the first time Amazon has disclosed data that enabled analysts to calculate their gross merchandise volume. eBay, the number two US player in ecommerce, sold about $95 billion in goods last year. Walmart sells more than $500 billion in merchandise each year, and China's Alibaba Group sells more than $700 billion in goods. However, calculations show that Amazon's growth has slowed considerably, with gross merchandise volume up about 17% last year, noticeably slower than the 24% rise in 2017 and 27% in 2016. Total ecommerce sales in the US rose 14% last year, according to figures released by the US Census Bureau. Analysts point out that it is unrealistic to expect Amazon to continue to grow like a start-up, and the larger your base volume, the more you need to increase sales in order to maintain or grow the percentage that sales increase.

Amazon has acquired warehouse robotics startup Canvas Technology as part of their program to automate Amazon fulfillment centers. Canvas, based in Boulder, Colorado, builds an autonomous system that can move mobile vehicles through factories and warehouses. The startup is valued at $55 million. Amazon has said that more than 100,000 robots operate in their fulfillment centers now. Market researcher CB Insights estimates that robotic systems have allowed Amazon to cut fulfillment center operating expenses by 20%. Amazon first got into robots when they bought Kiva Systems in 2012 for $775 million.

Amazon Go stores will start accepting cash after coming under increasing criticism that failing to do so discriminates against low-income shoppers who do not have smartphones and access to credit lines. In March, Philadelphia became the first city in the US to ban cashless retail stores, with the law taking effect in July. New Jersey has also enacted a similar ban. Amazon is planning to aggressively roll out more Amazon Go stores. A recent survey by the FDIC found that 6.5% of households in the US were "unbanked" in 2017, meaning they had no checking or savings accounts.

After his much-publicized divorce from McKenzie Bezos, Amazon founder Jeff Bezos remains the richest man on earth, with a net worth of more than $110 billion. Analysts say that the divorce and settlement, which granted McKenzie $36 billion in Amazon stock, or about 4%, is unlikely to have any material affect on Amazon's business or prospects.

Amazon retained the top spot on a list no one wants to be on, the most dangerous workplaces in the US. The "award" came after Amazon recorded six worker deaths across a seven-month span. It was the second consecutive year Amazon took the top spot on the list compiled by The National Council for Occupational Safety and Health (COSH). The majority of firms on the list are there because of workplace injuries, assaults, harassment and fatalities within working hours. For the first time, Facebook made the list as well.

CANADA SNAPSHOT

Interest Rates Steady

The Bank of Canada (BoC) once again left interest rates unchanged at 1.75% at its meeting in April, bringing the bank in line with the Federal Reserve and other major industrial central banks. Policymakers dropped a reference to future increases that had been in every rate statement since the end of 2017. The slowdown in the global economy and the sluggish housing and oil sectors contributed to the weaker outlook. Canada's economy slowed from 3% growth in 2017 to 2% in 2018 and is expected to slow even further this year. The BoC also quieted rumours that a rate cut might be in the works, and says the bank remains confident that Canada's exports and business investment will return to positive growth later this year. The bank is not forecasting a recession. The BoC echoed US financial analysts' comments that the recent inversion in the yield curve is not an indicator of recession, but instead is caused in part by the fact that rates are so low throughout the economy.

Unemployment Rate Drops to 5.7%

The unemployment rate dropped to 5.7% in April after **remaining at 5.8% in March, and the economy added 107,000 new jobs.** Employment was up 2.3% from April 2018, an increase of 426,000 jobs, with significant gains in both full-time and part-time work. Employment increased in Ontario, Quebec, Alberta and Prince Edward Island. Employment declined in New Brunswick and was little changed in the other provinces. Employment was up by 32,000 in wholesale and retail trade in April, driven by increases in Quebec and Alberta. Compared with 12 months earlier, retail and wholesale employment was up 2.7%, with all of the gains coming since the beginning of 2019. Following four months of little change, employment in construction increased by 29,000 in April. Gains were concentrated in Ontario and British Columbia. On a year-over-year basis, construction employment was up 2.2%, or 32,000 jobs.

Consumer Confidence Drops to 50.76

Consumer Confidence in Canada decreased to 50.76 in April from 55.08 in March of 2019. Consumer Confidence in Canada averaged 53.43 from 2010 until 2019, reaching an all-time high of 57.05 in November of 2018 and a record low of 46.80 in February of 2016. The monthly Index of Consumer Confidence is constructed from responses to four attitudinal questions posed to a random sample of Canadian households.

Consumer Prices Rise 1.9%

The Consumer Price Index (CPI) rose 1.9% in March after rising 1.5% in February, according to Statistics Canada. Prices increased year over year in all eight major components. Prices for durable goods rose 1.2% in the 12 months to March, led by a 3.0% increase in the purchase of passenger vehicles. Prices for services rose 2.2% year over year after being up 2.3% in February. On a seasonally adjusted monthly basis, the CPI rose 0.3% in March following an upwardly revised increase of 0.4% in February.

GDP Falls 0.1% in February

Real GDP fell 0.1% in February to a seasonally adjusted $1.946 trillion Canadian dollars after growing 0.3% in January, according to Statistics Canada. GDP was up 1.1% year over year. Market analysts had expected GDP to be flat. About half of the industrial sectors posted gains and construction expanded 0.2%. Retail trade edged up 0.2%, partly offsetting the previous month's decline, as 5 of 12 subsectors grew. The largest gains were in general merchandise stores (+3.6%) and motor vehicle and parts dealers (+0.8%) but building materials and garden equipment and supplies dealers fell 1.9%.

Housing and Construction News

The annual pace of housing starts rose to 192,527 units in March after slowing to 166,290 units in February. The increase was still below analysts' expectations. Single-detached urban starts rose 12.1% to 42,139 units and rural starts were estimated at a seasonally adjusted annual rate of 14,494 units. Statistics suggest that the downward trend in housing may be stabilizing. Analysts see starts hovering around or just above 200,000 this year. The six-month moving average was 202,279 in March, up slightly from 202,039 in February. Rising mortgage rates and tighter lending rules have weighed on home sales in recent months. Various programs are being explored that would make it easier for lower income households and first-time buyers to buy a home. However, a poll done for Royal Bank found that 56% of Canadians think it's better to wait until next year to buy a home; 45% of those respondents say they are prepared to wait two or more years.

Home sales rose 0.9% in March after falling 4.4% in February, according to the Canadian Real Estate Association (CREA). Nevertheless, sales remain below historical averages. Sales activity remains at some of the lowest levels recorded in the last six years. Prices were down 0.5% from March 2018. The CREA expects annual home sales to fall 1.6% this year to 450,400 units, which would be the weakest annual sales since 2010. British Columbia and Alberta will account for much of the decline.

RBC lowered five-year mortgage rates from 3.89% to 3.74%; other banks are expected to follow its lead. Alternative lenders who compete with the big banks have been offering lower rates for several weeks. The move comes as the yield on five-year Government of Canada bonds has fallen sharply since November.

Retail Sales Rise 0.8%

Following three consecutive months of decline, retail sales rose 0.8% in February to $50.6 billion. Sales were up in 5 of 11 subsectors, representing 73% of retail trade. Higher sales at general merchandise stores and motor vehicle and parts dealers were the main contributors to the increase. Sales were up in seven provinces, but dropped 1.9% in British Columbia, largely due to lower sales at new car dealers as well as lower sales at building material and garden equipment and supplies dealers. Retail ecommerce sales were $1.4 billion in February, 3.3% of total retail trade. Ecommerce sales were up 23.8% year over year, while total unadjusted retail sales were up 2.1%.

MARKET TRENDS

Digitalizing Construction Sites

Construction as an industry has lagged behind in productivity growth and technology until recently. Now a number of companies, including Bosch and Trimble, are focused on using smart devices and the Internet of Things (IoT) to make construction sites safer and more efficient. Fleet operators in the construction industry struggle with tracking and locating heavy equipment such as excavators and dump trucks on huge construction sites. Bosch's TRACI, the IoT-based connectivity program that tracks assets, provides all the relevant date needed using a sensor box, cloud-based evaluation software and a wide range of digital services. TRACI speeds up materials distribution, records operating hours and sends out maintenance reminders. Trimble offers a full suite of software solutions aimed at various sectors of the construction industry that allow companies to track people and equipment in real time and manage complex construction sites from the office instead of the field.

Changing the Perception of Trade Jobs

Lowe's has partnered with 60 of their suppliers, agencies and others to change the perception that working in the construction and production trades equals hard work for low pay. The initiative is called Generation T (Gen T), and it's goal is to help fill three million jobs in skilled trades fields that could be open by 2028. Lowe's says that Gen T fits in well with their Track the Trades Program launched last year. Lowe's says they are committed to opening the path for people who relish the challenge of creating something out of raw materials and take pride and satisfaction in mastering the skills required to do it. Gen T relies heavily on social media as a way to change Gen Z's and millennials' perceptions about working with their hands.

They have also been conducting trade sessions at Charlotte-Mecklenburg schools since last October, where they teach kids how to perform useful skills, such as tiling a floor. Other elements include apprenticeship programs at Southwire company, which also donates products to apprentice schools around the country. Toolmaker MarshallTown is donating some of their profits to a children's book series, Marshall T. Trowel, which encourages high schoolers to pursue vocational and tech educations.

Building on Failure

Not being afraid to try something new and learning from mistakes is one of the hallmarks of innovative leaders. Few people remember Amazon's ill-fated Fire phone, which flopped in the mobile market. But that failure inspired the Echo smart speakers and their AI voice Alexa, now found in millions of households throughout North America. Starbucks' founder Howard Schulz told attendees at the Ace Hardware Convention that if you're not failing, you're not trying hard enough. The widespread adoption of voice assistants has jump-started the creation of an entire range of IoT products. To put some of this into perspective, in 2006 before the iPhone was introduced, the phone handset market in the US was about $10 billion. Today, the total market, including hardware makers and accessories, is close to $200 billion; Apple alone sells $110 billion worth of i-goods in the US. The wireless services market is close to $300 billion. Consumer income has not grown proportionately, but how consumers spend their money has. In 2006, only the elite had cell phones; today cell phones are regarded as a necessity of modern life and use starts in kindergarten. According to research, 29% of Americans talk to a voice assistant at least once a month, and six out 10 who own a voice assistant use it to connect with other smart devices. As an aside, most people refer to their voice assistant by gender; Alexa is of course "she," not "it." This year US consumers are expected to buy about 29.4 million smart-home products, a 23% increase over 2018.

Drones Away

UPS just beat out Amazon, FedEx and Uber to make America's first revenue-generating drone delivery. UPS is part of a public-private partnership with the US Department of Transportation's drone testing program rolled out in spring 2018. UPS collaborated with drone tech company Matternet, and made the first revenue-generating drone delivery when they delivered medical samples on WakeMed's sprawling medical campus in Raleigh, North Carolina. Moving medical samples around the campus took up to 30 minutes in traffic, which could be a real problem when the materials being moved are life-saving specimens like blood and organ samples. The drone program is cutting delivery time to three minutes and 15 seconds. Right now the drones will be used to make about ten critical deliveries per day, but those involved say this is only the beginning, and is the first time it's clear drones can generate more than publicity. Last year the DOT overhauled the rules for commercial use of drones, which helped to open the market.

Companies Search for Customer Relevancy

Telsey Advisory Group reported that recent executive letters from companies including Amazon and The Home Depot reveal strategies that illuminate how companies are tackling the topic of customer relevancy. One of the findings is that well-maintained and inviting stores play a key role in maintaining customer connections to retailers. This requires brands and retailers to continue to invest in stores as well as technologies that improve online shopping and fulfilment. Amazon said it is critical to ask customers what they want, listen carefully to their answers and figure out a plan to provide it thoughtfully and quickly. Home Depot said that now more than ever customers are viewing them as One Home Depot instead of a brick and mortar retailer with a website. Stores remain the hub of their business, but data shows that many in-store sales are influenced by an online visit.

What Motivates First Time Homebuyers

The American Housing Survey reports that nearly two-thirds of first-time buyers say finding a better home is the top reason for moving, followed by household formation at 61% and finding a better neighborhood at 49%. First-time home buyers made up 37% of all households buying homes in the two years before the 2017 AHS survey, which was down from 39% in the 2015 survey. The median price of all homes purchased by both first-time buyers and trade-up buyer rose 10% between 2015 and 2017. The demographics of first-time and trade-up buyers remained largely unchanged from 2015; the typical home buyer was 40 years old. First-time buyers had a median age of 32, while trade-up buyers averaged age 47. About the same percentage (27%) of recent home buyers were racial or ethnic minorities. The Fed's decision to delay increasing interest rates for the immediate future and historically low mortgage rates are encouraging buyers to keep looking. According to the National Association of Realtors' 2016 study of generational housing trends, millennials (or Generation Y), born between 1980 and 2000, comprise the largest segment of the buyer market (35%), ahead of Generation X (26%), which covers those born between 1965 and 1979. However, these two generations have quite a bit in common when it comes to housing wants. According to Bankrate, they generally break down into two groups: young professionals who want a turnkey, low-maintenance home that allows them to build equity and have a place of their own while focusing on their careers and people they refer to as "creative and romantic" who are willing to put in a lot of sweat equity over time to create a home that is uniquely theirs as well as a good investment. For both groups, the condition of the kitchen and baths is important; remodeling these rooms can be very expensive, and they'd rather sink their money into other improvements.