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Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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US ECONOMY

Exchange Rates April 30, 2020

Euro	1 Euro = $1.093	$1.00 = 0.915 Euros
Canadian Dollar	1 CAD = $0.721	$1.00 = 1.391 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 107.004 Yen
Chinese Yuan	1 Yuan = $0.142	$1.00 = 7.064 Yuan
Mexican Peso	1 Peso = $0.042	$1.00 = 23.981 Pesos

Market Watch April 30, 2020

DOW	24,346	11.1%
NASDAQ	8,890	15.5%
S&P 500	2,912	10.9%

The markets regained a lot of lost ground during April, with the S&P, the index most watched by professionals, up more than 30% from its bottom March 23. All three indexes posted their best months in decades on optimism that lockdowns will ease and the belief that the fiscal and monetary stimulus will put a floor on the recession and aid a fast recovery. The market is building in a second-half recovery that will begin after a dismal second quarter, but analysts warn that the markets may have gotten ahead of themselves, and another decline could lie ahead before a true recovery begins. Wild cards remain, including finding a vaccine and an effective treatment and avoiding a second round of serious infections as the country begins to relax restrictions. 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 Falls 7.5%

Consumer spending fell a record 7.5% in March after rising 0.2% in February, ending eleven consecutive monthly gains. Core consumer spending fell 7.3% after rising 0.1% in February. Personal income tumbled 2.0% in March, the biggest drop since January 2013. One of the reasons for the big slump was a large drop in outlays on healthcare as dental offices closed and hospitals postponed elective surgeries and non-emergency visits. Consumer spending accounts for 70% of US economic activity.

Consumer Confidence Falls to 86.9

- The New York-based Conference Board's Consumer Confidence Index plummeted to 86.9 in April from a downwardly revised 118 points in March.*
- The Present Situation Index, which is based on consumers' assessment of current business conditions, plunged to 76.4 from 167.7 in March. It was the largest point drop on record.
- Expectations rose to 93.8 after falling to 88.2 in March.
- Other forward-looking measures improved as well, with Wells Fargo noting that expiring stay home orders and progress on other fronts has consumers more hopeful about the future.

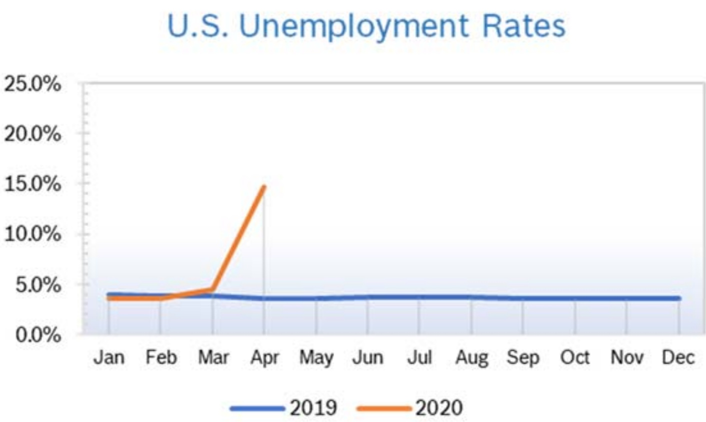
*A level of 90 indicates that the economy is on solid footing; a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

Consumer Prices Fall 0.4%

The Consumer Price Index (CPI) fell 0.4% in March, the fastest pace in more than five years. The CPI was pushed lower by a sharp decline in energy prices resulting from the oil war raging between Russia and Saudi Arabia and low demand. The CPI rose 2.3% year over year in February after rising 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 fell 0.1%

in March after rising 0.2% in both January and February. Monthly inflation was subdued in March, with the core personal consumption expenditures (PCE) price index dropping 0.1%, the weakest reading since March 2017. The core PCE was up 1.7% year over year. Core PCE index is the Fed's preferred measure of inflation, and has consistently undershot the central bank's target of 2.0%.

Unemployment Rises to 14.7%



- The unemployment rate rose to 14.7% in April after rising to 4.4% in March and the economy shed a record-setting 20.5 million jobs after losing 701,000 jobs in March.*
- The previous record was 10.8% in 1948 based on the way data is collected now. Nearly 2 million jobs were lost in one month in 1945 at the end of World War II.
- In April, 88% of Americans who lost their jobs reported being on temporary layoff, which economists say bodes well for recovery.
- Employment fell sharply in all broad business sectors with losses particularly heavy Retail shed more than 2 million jobs. in leisure and hospitality.
- 26 million people filed for unemployment between the March survey and the April report. There will be additional job losses in May, but some people may also return to work as states begin to reopen.

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 Edge Down in February

The number of job openings dropped by 130,000 to 6.9 million in February after rising to an upwardly revised 7.5 million in January, according to the most recent Job Openings and Labor Turnover Survey (JOLTS) from the US Bureau of Labor Statistics. The survey was completed before CV19 began to seriously impact employment. The quits rate held at 2.3% for the sixth consecutive month and the number of worker voluntarily quitting their jobs fell to 3.5 million in February from 3.6 million in January. Layoffs rose to 1.8 million in February from 1.7 million in January. The decline in job openings was led by real estate and rental and leasing, as well as leisure and hospitality. Retailers had more than 700,000 job openings in February. Hiring was little changed at 5.9 million. The CV19 outbreak has subsequently thrown tens of millions of people out of work. Moody's noted that there is no way yet to know how much hiring has been frozen in industries that are still operating because people are able to work from home.

Chicago PMI Falls to 35.4

The Chicago Purchasing Managers Index (Chicago PMI) fell to 35.4 in April after dropping to 47.8 in March. It was the tenth consecutive sub-50 reading for the index and the lowest reading since March 2009. Among the five indicators, Production and New Orders posted the steepest declines. Production dropped by 19 points to the lowest level since June 1980 and the drop in New Orders was record-setting. Inventories rose substantially but remain below 50 and the demand for labor dropped. Prices Paid slipped below 50, dropping to the lowest level since March 2016. A majority of responders reported that they had not taken any action to alleviate the supply crisis due to CV19, while 43.1% reported they had implemented major changes. The survey ran from April 1 to April 20. The index hit 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 0.2%

The Producer Price Index (PPI) fell 0.2% in March after dropping 0.6% in February. In the 12 months through March the PPI was up 0.7% after being up 1.3% year over year in February. Much of the decline was due to the third consecutive monthly decline in gasoline prices. Core producer prices, which exclude food, energy and retail trade margins, also dropped 0.2% in March after falling 0.1% in February. Core prices were up 1.0%

year over year after being up 1.4% in February. The pricing date for the survey was March 10, just prior to states enforcing social-distancing orders and widespread Stay Home orders.

Q1 GDP Falls 4.8%

As expected, CV19 brought the decade-long U.S. economic expansion to an end. Q1 GDP fell 4.8%, according to the first reading from the Commerce Department, a mere foreshadowing of the drop in GDP expected for the second quarter. There were broad-based declines across most spending categories. Real personal consumption expenditures (PCE) dropped 7.6% in the first quarter, the steepest rate of decline in forty years. The big jump in non-durable goods spending reflects the late-March surge in spending at grocery stores. Spending on services usually grows even during a recession, but it slumped more than 10%, most likely because travel ground to a halt, sporting arenas and restaurants closed and non-essential medical and dental procedures stopped. The last time spending on services took a big dive was back in the fourth quarter of 1953, when it fell 3.0%. Non-residential fixed investment spending plunged 8.6% as business spending on equipment tumbled. Residential investment spending jumped 21%, most likely reflecting strength in the housing market in the first two months of the year. Much of the lockdown of the economy did not really start to take effect until the last two weeks of the quarter. Wells Fargo looks for real GDP to contract at a record-breaking pace in excess of 20% during the second quarter; other analysts predict an even steeper decline.

Second Paycheck Protection Program

A $484 billion relief package sailed through Congress and was signed into law in late April. Most of the funds will be available through the Paycheck Protection Program (PPP), designed to provide additional funding for America's 30 million small businesses. The initial PPP, which was passed in late March as part of the CARES act, quickly reached its lending limit after approving nearly 1.7 million loans, which fell far short of helping all the small businesses in need. This round of funding contains provisions that close loopholes that allowed big chains and other well-capitalized businesses to apply in the last round. The bill also contains funding for hospitals. Analysts say further types of relief will be coming in the weeks and months ahead, including ways to give more relief to individuals, extend jobless benefits into the fall and help those who are laid off afford health insurance.

HOUSING & CONSTRUCTION

Builder Confidence Plunges to 30

Builder confidence dropped 42 points to 30 in April after sliding just two points to 72 in March, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the largest single-month decline in the index on record, and marks the lowest level of confidence since June 2012, when tax breaks for first-time homebuyers ended. It was the first time builder confidence has been below 50 since June 2014. The HMI index charting current sales conditions dropped 43 points to 36, the index gauging sales expectations in the next six months fell 39 points to 36 and the index measuring traffic of prospective buyers fell 43 points to 13. The drop was due exclusively to the CV19 outbreak, as unemployment has skyrocketed and gaps in the supply chain are hampering construction activities, according to NAHB. In addition, there is some confusion over builder eligibility for the Paycheck Protection Program (PPP) as some builders have successfully applied for these loans that can ultimately be forgiven, while others have been denied. The three-month moving average for builder confidence fell in all regions.

Building Permits Fall 6.8%

Building permits fell 6.8% in March to a seasonally adjusted annual rate of 1.35 million after falling to 1.46 million units in February. Single-family permits fell 12% to 884,000 units in March after rising to one million annual units in February. Multifamily permits rose 4.9% to 469,000 after dropping to 460,000 units in February. Year-to-date permits rose in all regions.

Housing Starts Fall 22.3%

Housing starts fell 22.3% in March to a seasonally adjusted annual rate of 1.22 million units after falling to 1.60 million units in February. **Single-family starts fell 17.5%** to 856,000 annual units after rising to 1.07 million units in February. Multifamily starts fell 31.7% to 360,000 units after falling to 527,000 units in February. Housing starts fell in all regions. The declines were largely in line with expectations, as builders know demand will be impacted by the spike in unemployment and the big drop in economic activity. NAHB expects April starts to decline further based on the dizzying drops in builder and consumer confidence. NAHB Chief Economist Robert Dietz said, "It is worth noting that there are currently 534,000 single-family homes currently under construction and 684,000 apartments. Approximately 90% of these single-family units are located in states where home building is deemed as an ‘essential service,’ while 80% of apartments are located in such states.” Builders are also bracing for a wave of contract cancellations due to people being unexpectedly out of work.

New-Home Sales Fall 15.4%

New-home sales fell 15.4% in March to a seasonally adjusted annual rate of 627,000 units from downwardly revised February numbers. Sales were 9.5% below March 2019. Sales for the first quarter as a whole were up 6.7% from Q1 2019. The biggest declines in sales were in the hard-hit Northeast and West. NAHB expects the pace to slow further in April before stabilizing later this year. The inventory of new homes for sale rose to 333,000, a 6.4 months’ supply at the current sales pace, 1.2% lower than March 2019. However, only 76,000 of those homes were completed and ready to occupy in March; the rest are under construction. The median sales price was $321,400, up from $310,600 in March 2019. New home sales were down in all regions. 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 8.5%

Existing home sales fell 8.5% in March to a seasonally adjusted annual rate of 5.27 million after rising to 5.77 million homes in February. Existing home sales were up 0.8% from March 2019. The median home price rose 8% from March 2019 to $280,600, marking 97 consecutive months of year-over-year gains. Total housing inventory at the end of March rose 2.7% to 1.50 million units but was down 10.2% from March 2019. Unsold inventory inched up to a 3.4-months’ supply from 3.1-months in February but was down from a 3.8-months’ supply in March 2019. Regional existing homes sales year over year fell in all regions. NAR noted that 25% of realtors with clients writing contracts had at least one who purchased sight unseen, relying on virtual tours, familiarity with the area and their realtors recommendation.

Regional Housing Data March 2020

	Northeast	South	Midwest	West
Builder Confidence	19 (-45)	34 (-42)	25 (-42)	32 (-47)
Building Permits YTD	+9.6%	+11.3%	+8%	+17%
Housing Starts Y/Y	+31.9%	+18.9%	+23%	+27.1%
New Home Sales	-41.5%	-0.8%	-8.1%	-38.5%
Existing Home Sales	-7.1%	-9.1%	-3.1%	-13.6%

Mortgage Rates Fall to 3.23%

- A 30-year fixed-rate mortgage (FRM) fell to an all-time low of 3.23% after rising slightly to 3.5% at the end of March Mortgage rates were 4.1% at the end of April 2019.
- Freddie Mac notes that the size and depth of the secondary market is keeping rates low and driving higher refinancing activity as well as modestly improving mortgage demand.
- It is important to remember many people will be unable to take advantage of these record-low rates because they are out of work or otherwise impacted by the pandemic.

NAHB Debuts New Remodeling Index

The first reading of NAHB's newly redesigned Remodeling Market Index (RMI) was 48. The redesign is intended to make response easier and better track and interpret industry trends.

The new RMI survey asks remodelers to rate five components of the remodeling market as "good," "fair" or "poor." Each question is measured on a scale from 0 to 100, where an index number above 50 indicates that a higher share view conditions as good than do as poor. Overall, remodelers are being impacted by CV19, as even homeowners who have not lost their jobs are often working from home, trying to home school their children and wary about having crews of people working in their homes.

The Current Conditions Index is an average of three of the five components: the current market for large remodeling projects, moderately-sized projects and small projects. The Future Indicator Index is an average of the other two components: the current rate at which leads and inquiries are coming in and the current backlog of remodeling projects. The overall RMI is calculated by averaging the Current Conditions Index and the Future Indicator Index. Any number over 50 indicates that more remodelers view remodeling market conditions as good than view conditions as poor.

The Current Conditions Index averaged 58, with large remodeling projects ($50,000 or more) yielding a reading of 53, moderately-sized remodeling projects (at least $20,000 but less than $50,000) at 59 and small remodeling projects (under $20,000) with a reading of 62.

The Future Indicator Index averaged 39, with the rate at which leads and inquiries are coming in at 30 and the backlog of remodeling jobs at 47.

Because the previous RMI series can no longer be used to compare with this quarter's results, the redesigned tool asked remodelers to compare market conditions in their areas to three months earlier, using a "better," "about the same" or "worse" scale. This index posted a reading of 24, indicating that many more remodelers thought conditions had become worse in the first quarter than thought they had become better. This low reading can be attributed directly to CV19.

POWER TOOL INDUSTRY

Robert Bosch

Bosch announced they will be capable of producing half a million facemasks each day after converting their special purpose machinery unit to build a production line for facemasks.

Stanley Black & Decker

Q1 sales fell 6% to $3.1 billion and organic sales fell 7%, all primarily due to impacts from CV19. Acquisitions (+2%) and price (+1%) were more than offset by declines in volume (-8%) and currency (-1%).

Margin resiliency and other cost controls SB&D enacted in late March were more than offset by lower volumes and higher manufacturing costs related to the virus as well as currency and tariff headwinds. Higher manufacturing costs resulted from significant increases in PPE and freight costs.

Tools & Storage net sales declined 10% versus Q1 last year from the impacts of lower volume (-9%) and currency (-2%) partially offset by price (+1%). Revenue across all regions declined due to the impact from the global pandemic with North America (-8%), Europe (-7%) and emerging markets (-13%.) all down considerably. However, Canada was relatively flat. The North America organic decline was driven by the expected difficult comparison to the prior year's Craftsman rollout along with unexpected pandemic-related impacts.

Power tools and equipment declined 3% and the less cyclical hand tools, accessories and storage SBU declined 14%, primarily because this SBU had a larger benefit in 2019 from the Craftsman rollout.

Their recently announced cost reduction program is expected to deliver $500 million in annualized savings in 2020 and $1 billion overall.

They have the financial flexibility to weather the current crisis, with more than $3 billion in cash and more than $3 billion in revolving credit.

They declined to give guidance for the full year, but expect significant declines in Q2, which they expect to be the trough.

Conference Call with Analysts:

CEO James Loree and CFO Don Allen were thanked repeatedly by analysts for providing a tremendous amount of detail during their first quarter conference call.

Allen termed the years ahead as the "New World Disorder of the 2020s." He said it would be an exciting world full of disruptive risks and opportunities, with the accelerating pace of technological change pushing the limits.

They took extreme measures to protect their 8,000 workers in their 10 plants in China, and to date have had only one worker contract the virus, and she has recovered.

They applied the early learnings from China to all their global operations, and among 25,000 manufacturing and distribution workers globally they had fewer than 50 test positive to date. And for the total company, with more than 58,000 associates, they've had fewer than 100 test positive. They did have to shut down one plant due to an outbreak.

Overall demand in January and February was consistent with their previously provided guidance. As the shutdowns rolled out, sell-in fell into deeply negative territory, even more severe than in the 2008/2009 Great Recession.

North American retail was a bright spot as homebound DIYers flocked to home centers and shopped online to stock up on tools and other project supplies, driving positive POS, with ecommerce sales up in double digits.

However, most retailers trimmed inventories, which created a large gap between sell-out and sell-in that continued into April. That's why they withdrew their guidance for the year and now expect a 34% to 45% decline in organic revenue for the second quarter and a 15% to 30% organic revenue decline for the full year, with the extent of the decline depending on the shape of the recovery. They are currently planning on a U-shaped recovery, but can adjust to either a more extended L-shaped recovery or a faster V-shaped one.

Approximately 85% of tools are construction oriented, with the remaining 15% serving industrial customers and the automotive aftermarket. The impact on North American independent construction channels and industrial customers, as well as geographies outside North America, has been very significant.

They believe there is a significant opportunity to capture incremental raw material deflation across their roughly $6 billion of annual spend in finished goods, components, commodities and transportation. That will help offset some of the remaining tariff and currency pressure.

They have adjusted their manufacturing and supply chain to align with the current demand environment, but are protecting inventory of their highest volume SKUs until they get a sense of demand progression across the coming months.

They cautioned it is easy to lose sight of all the opportunities that arise in moments like this and they will continue to execute a number of outstanding growth catalysts. Craftsman continues to have strong response and growth and they are well on their path toward their goal of $1 billion in incremental sales.

Their recent DeWalt breakthroughs, including FlexVolt, Atomic and Xtreme, have been well received and now account for more than $0.5 billion of revenue, with a healthy pre-CV19 growth rate.

They are the tools industry leader in ecommerce with 2019 online revenues of $1.3 billion, and believe this channel has tremendous growth potential.

About 98% of their salaried employees are working out of their homes, which makes many projects very challenging to execute. In addition, there is a travel ban in place, so there will be delays in actually implementing some programs.

The tools side is complex, especially in North America, because they have several major retail customers that are continuing to perform. Therefore they did not reduce production to match their projected second quarter decline in revenue. They will therefore probably carry a little higher level of inventory. They have a very keen grasp of the opportunity cost of not being prepared for demand from home centers.

They suspect that the Pro business is down considerably, as job sites have been closed down in several states. That is causing them to believe that the DIY phenomenon is actually bigger than they think, because they would estimate that Pro business is down in the low to mid-single digits.

In the current environment promotional activity does not make sense.

Other News:

CEO James Loree said they will be reducing indirect spending and non-essential staffing and plan to capture the raw material deflation opportunity that has emerged. CFO Don Allen noted that they will be able to maintain a strong foundation and balance sheet and will be in a position to capitalize on the recovery.

SB&D announced a $10+ million comprehensive CV19 philanthropic outreach program to help communities and employees around the world combat the effects of the pandemic. Approximately $4 million will go to CV19-focused nonprofits, $5 million to an employee emergency relief fund that is administered by an independent organization. They also enhanced the company's matching program for charitable organizations and donated 3 million face masks and large quantities of other personal protective equipment (PPE). The global, companywide CV19 Community Response Task Force is under the leadership of Mark Maybury, the company's chief technology officer.

SB&D will supply battery systems to Ford and 3M for the Powered Air-Purifying Respirators they are producing, which will be used to help protect healthcare professionals on the front lines.

Graham Robinson is the new president of Industrial, which currently includes Stanley Engineered Fastening, Infrastructure and Oil & Gas. Previous president John Wyatt will take responsibility for creating a strategic roadmap for SB&D's outdoor power equipment business.

SB&D's annual meeting April 17 was a virtual meeting only, with no shareholders attending in person.

TTI/Techtronic Industries

TTI provided an update on performance the end of April. They noted that after "minimal disruption" their supply chain is functioning superbly and their product development system is now fully operational again.

Demand has resurged for DIY tools, outdoor products and floor care. In addition, the Milwaukee Pro business is gaining traction worldwide.

Their global ecommerce business is growing rapidly, and they have worked closely with their ecommerce customers to capitalize on the boom in online and curbside pickup sales. **New product launches are proceeding on schedule**, including the Milwaukee MX FUEL Cordless Equipment System.

Makita

Makita Factory Service Centers are offering free labor and free round trip shipping for tool repairs through May 31, 2020 in order to help users get their tools repaired without having to go to a service center. Makita will email users pre-paid COVID-19 shipping labels; tools can be dropped off at a FedEx shipping location. When repairs are complete, Makita will mail tools back to customers. The option is available for any tool weighing less than 70 pounds.

RETAIL

Retail Sales Fall 8.7%

Retail sales fell 8.7% in March after falling 0.5% in February and were down 6.2% from March 2019. Control group retail sales, which exclude automobiles, gasoline and sales at building and supply stores and factor into calculations for GDP, actually posted a modest 1.7% gain. Sales at building and supply stores rose 1.3%. It was the best monthly gain on record for grocery stores (+26.9%) and general merchandise stores. In addition, online sale rose 3.1%. April retail numbers will likely plummet further with panic buying subsiding and millions of American out of work.

The CV19 Retail Landscape

Several states took steps down the road to the new normal in late April, with some allowing non-essential retailers to reopen with social distancing guidelines that limit the number of customers allowed in a store to 25% to 50% of capacity. Some retailers reported that everyone who came in bought something, perhaps an indication of pent-up demand. In other states restrictions continued and in some cases became more strict, limiting the number of customers per square foot and further restricting hours. Bankruptcy filings are soaring, with retailers large and small filing for protection.

The Home Depot

THD updated their CV19 response guidelines in mid-April, announcing that all stores would close at 6 p.m. daily in order to give associates enough time to clean and restock. Opening hours remain the same.

They have installed social distancing captains in the stores to reinforce social distancing and continue to limit the number of customers allowed in the store at any one time to 100. Floor distancing markers and additional signage have been added to encourage customers to follow guidelines. They've also posted hand washing and social distancing information in stores and warehouses.

THD expanded benefits for all hourly employees, and created a special time off policy for associates who are 65 years of age or older or at special risk.

They've voluntarily frozen prices of high-demand products nationwide, redirected shipments of N95 masks to be donated to essential workers and donated millions of dollars worth of PPE to hospitals, health care providers and first responders.

They are limiting installed services to those that are essential for maintenance or repairs.

Lowe's

Lowe's closed all their stores and distribution centers in the US and Canada on Easter Sunday in order to give their 300,000 associates a much needed day off. They also assured employees that no one would lose any scheduled hours or pay as a result. Lowe's increased wages throughout the month of April, provided a special payment for hourly associates and made sure there were masks and gloves available for associates who wanted to wear them.

Jennifer Weber resigned from her post as EVP human resources in early April. She'd been EVP since March 2016. Janice Little, Lowe's SVP talent management and diversity, is assuming Weber's role while Lowe's searches for a permanent successor. Weber was responsible for several initiatives, including the Tracks to the Trades program, which helps employees work toward certification in a range of trades. She will remain in her position of chair of the Charlotte Regional Business Alliance. She's getting more than $2.5 million in severance over 24 months and has an 18-month non-compete agreement.

Lowe's CEO Marvin Ellison's compensation fell 19% to $11.6 million in 2019. His 2019 package included a base amount of $1.45 million, plus stock and options awards and compensation tied to performance goals.

Walmart

Walmart named former Target senior vice president William White as chief marketing officer, concluding an eight-month search. White spent seven years at Target, and is replacing Walmart's previous CMO, Barbara Messing, who left the company last August.

Menards

Menards banned children under 16 and pets other than service animals from stores in order to help prevent the spread of CV19. Menards also changed their hours to allow extra time for cleaning and sanitizing.

Ace Hardware

Ace Hardware and their independent retailers plan to hire a total of more than 30,000 people to better serve their communities during the CV19 crisis.

An Ace Hardware store in Winston-Salem, North Carolina is offering virtual home maintenance assistance to customers. They are partnering with North Carolina based home repair technology startup Patch. Customers can share details about their project with an Ace associate at the location or a remote home assistant. Homeowners can then use the app's chat or video function to get assistance in making repairs, recommendations on the types of tools and supplies they need and connect with a professional if they want a contractor to handle the job.

True Value

CEO John Hartmann left True Value in mid-April. He took True Value through their dramatic transition from a hardware co-op to a privately held distributor. Former Grainger exec Chris Kempa, who recently joined True Value in the newly created role of chief commercial officer, will move up into the CEO spot. Current CFO Deborah O'Connor will become president and CFO. Hartmann will remain into May to aid with the transition, and will continue to serve on the board. Hartmann and Kempa appeared together in a video, with both men observing six-feet of social distancing, to announce the news. Hartmann stated that he knew he was leaving True Value in a position to thrive. Kempa said he was very excited to lead the business into the next phase of growth.

Former CEO John Hartmann accepted a job as the new COO of Bed Bath & Beyond; he was also named president of the company's buybuyBaby unit. He'll report to CEO Mark Tritton.

True Value stores across the country are participating in the co-op's Shine-A-Light campaign by hanging decorative lights in their store fronts to show goodwill, hope and solidarity. True Value says Shine-A-Light tells communities True Value stores are open and ready to help however they can.

True Value will defer making principal payments to former members as they focus on supporting current True Value retailers. They will continue to pay interest to former members. However, some of the retailers entitled to receive payments noted that they were owed payments on December 31, 2019, and instead received a letter in January saying they would be paid in Spring 2020.

W.W. Grainger

Q1 sales increased 7.2% to $3.0 billion. On a daily basis, sales were up 5.5%. The first quarter had one more selling day than the prior year period. Sales were composed of volume increases of approximately 7% and price and mix headwinds of around 2%. Foreign exchange contributed a 0.2% unfavorable impact. Grainger suspended their previously issued guidance for the year and paused share repurchases due to uncertainty surrounding the pandemic.

Amazon

Q1 Revenue rose 26.5% to $75.5 billion. Total revenue for North America was $46.1 billion. AWS revenue rose to $10.2 billion.

They plan a major investment in Q2. They expect to invest their entire anticipated operating profit of $4 billion, and possibly more, on COVID-related expenses getting products to customers and keeping employees safe. That will include investments in personal protective equipment, enhanced cleaning of facilities, less efficient process paths that better allow for effective social distancing, higher wages for hourly teams and hundreds of millions to develop their own COVID-19 testing capabilities.

Amazon will halt their Amazon shipping program in June in order to move workers towards fulfilling Amazon orders. Amazon Shipping was launched in 2018 to compete with FedEx and UPS, delivering non-Amazon products across several major US cities.

Amazon is extending their higher hourly pay and double overtime pay, and offering warehouse employees in the US and Canada an extra $2 per hour through mid-May. However, Amazon asked warehouse employees who have stayed away from work during the pandemic to return to scheduled shifts beginning May 1, or request a leave of absence.

Amazon is looking for an additional 75,000 workers on top of the 100,000 warehouse and delivery workers they began hiring in March. As of the end of March they'd hired 80,000 new workers. Amazon has had to change how they operate, with CV19 panic buying causing many items to run low and delivery slots to take longer than allotted. They have also had to close several facilities after workers tested positive.

Amazon is developing their own lab to screen workers, saying that being able to tell who is infected is essential to return to some sort of normal business model. Amazon acknowledged that they might not be ready before the current outbreak subsides, but they believe it is worth the investment, and are willing to share everything they learn with others. They are working on antigen testing, which is a diagnostic test to determine whether a person is infected. Amazon stated that regular testing on a global scale across all industries would both help keep people safe and help the economy get back up and running.

Amazon lifted the ban imposed in March that prevented sellers on the Amazon marketplace from shipping nonessential items to Amazon warehouses. While delivery demand has continued to soar, Amazon now has more workers to pick up the slack. Amazon also announced they'd expand their temporary $2 hourly raise to more workers. They reached out and invited people who have lost their jobs or been temporarily furloughed to come work for Amazon until things return to normal and they can go back to their former jobs.

Amazon notified sellers on the marketplace that N95 masks, face shields, surgical gowns and some other items would be made available exclusively to hospitals and government organizations. Amazon has also stepped up safety precautions at warehouses and sites around the world.

Amazon stopped accepting new online grocery customers. Instead, new customers will be added to a wait list as Amazon adds capacity. They plan to launch a feature that will help customers secure a virtual place in line to distribute delivery windows on a first come, first served basis. Amazon also offered higher pay to encourage warehouse workers to work for the grocery delivery window.

CANADA SNAPSHOT

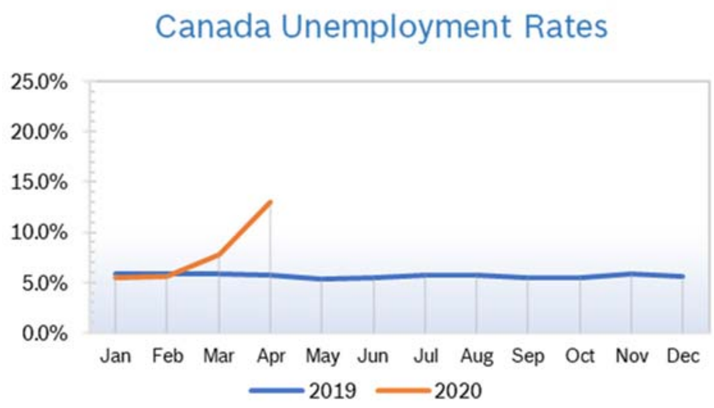
Consumer Confidence Falls to 47.6

The Index of Consumer Confidence fell 41 points in April to 47.6 after dropping 32 points in March to 89, according to the Conference Board of Canada. It was the lowest level of confidence on record. The Conference Board stated that the sharp back-to-back declines were due to anxiety about the future and the realities of adjusting to social distancing and other impacts of the CV19 pandemic. Thousands of Canadians have lost their jobs, and the outlook for the next six months is bleak. Nationally, 36.1% of Canadians expect their financial situation to worsen over the next six 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 Drop 0.9%

The Consumer Price Index (CPI) dropped 0.9% in March after rising 2.2% in February, according to Statistics Canada. Year-over-year inflation dropped to 0.9% in March from 2.2% in February, the sharpest slowdown since September 2006. Excluding food and energy, consumer prices rose 1.7% year over year in March and were up 0.1% on a monthly basis. Energy prices fell 11.6%, driven by the biggest one-month price decline since November 2008. Gasoline prices sank 21.2%, while prices of services rose 2.0%. For the year, the Conference Board now expects consumer prices to rise just 1.1%.

Unemployment Rises to 13.0%



- Canada's unemployment rate rose to 13.0% in April after rising to 7.8% in March and the economy lost more than two million jobs after shedding one million in March.
- The April unemployment rate would be 17.8%, when adjusted to reflect those who were not counted as unemployed for reasons specific to the COVID-19 economic shutdown.
- As in the US, the jump in unemployment was driven by temporary job losses.
- Employment declined in all provinces for the second consecutive month. The impact was especially great in Canada's three largest metropolitan areas.
- Employment in the construction sector declined by 314,000 or 21.1% in April, after being virtually unchanged in March Employment in wholesale and retail trade fell by 582,000 or 20.2% in the two months to April.

March GDP Falls 9.0%

The Canadian economy had its worst month on record in March as GDP shrank 9.0%, according to what was called an "unprecedented flash estimate" published by Statistics Canada in mid-April. The plunge was brought on by the combination of an economic shutdown and historically low oil prices. The March plunge dragged Q1 GDP down to –2.6%. Both the monthly and the quarterly readings were significantly below expectations. Some analysts expect GDP to decline as much as 32% in the second quarter. While every province has fallen into recession, the Conference Board of Canada expects Alberta to fare the worst, due to low oil prices. Statistics Canada noted that some sectors, including food distribution, health, and online retailing and streaming, demonstrated their potential for growth.

Conference Board Trims Outlook

The Conference Board revised economic projections for the year in light of the continually changing impact of both coronavirus and the global oil wars. They now expect real GDP to contract 4.0% this year, down from 0.3% growth projected in March. They now expect GDP to grow an upwardly revised 4.9% in 2021 as the impact of CV19 hopefully fades. Both consumer and business spending have dropped dramatically. The federal government is virtually the only sector where spending is growing. A combination of tumbling global demand and the decision by Saudi Arabia and Russia to gain market share by ramping up production dragged oil prices down to the $20 per barrel range. While the major oil-producing countries recently reached an agreement on production cuts, oil prices have remained unnaturally low because of the sharp plunge in demand from every corner of the world economy.

Bank of Canada Holds Rates

The Bank of Canada held key overnight interest rates at 0.25% in mid-April after cutting rates by 0.50% at the end of March. BoC announced a new provincial bond purchase program of up to C$50 billion to supplement their money market purchase program and is temporarily increasing the amount of Treasury Bills they acquire at auctions to as much as 40%.

Banks Cut Credit Card and Loan Rates

Several Canadian banks lowered interest rates on their credit cards for those in financial hardship due to the pandemic. Vancity, Canada's largest community credit union, temporarily cut credit card interest rates to zero and is deferring minimum payments for those facing financial difficulties due to CV19.

Canada's six largest lenders have announced major relief programs, including payment deferrals on mortgages and other loans and interest-free loans for small business. At the beginning of April, banks had granted or begun processing nearly 500,000 requests to defer or skip mortgage payments, which amounts to more than 10% of the mortgages they hold.

Mortgage Applications Continue to Rise

The number of mortgage refinancing applications has skyrocketed since the Bank of Canada's (BoC) most recent rate cut, which brought the key interest rate down to just 0.25%. The record-low rates prompted many Canadians to refinance their mortgages, with applications going up 389% from February to March 2020, according to LowestRates.ca mortgage quoter. Mortgage applications doubled over the same time frame.

Housing and Construction News

The six-month trend for housing starts fell in March to a seasonally adjusted annual rate of 204,717 units compared to 209,109 units in February, according to Canada Mortgage and Housing Corporation (CMHC). Despite the overall decline, starts were up in Vancouver, Alberta and Manitoba. The standalone monthly measure of housing starts for all areas in Canada was 195,174 units in March, a decrease of 7.3% from 210,574 units in February. Single-detached urban starts increased by 8.8% to 58,480 units. Rural starts were estimated at a seasonally adjusted annual rate of 12,621 units.

Canada's home sales fell 14.3% in March compared to February, on a seasonally adjusted basis. Restrictions on physical distancing and the closure of non-essential businesses began in the middle of March as part of the effort to stop the spread of CV19, according to the Canadian Real Estate Association (CREA). Home sales for March were up 7.8% compared to a slow March in 2019, but CREA noted that figure was in sharp contrast to year-over-year gains of close to 30% in February. The national average price for a home sold in March was just over $540,000, up 12.5% from a year ago. Excluding pricey Greater Vancouver and Toronto, the average price was about $410,000.

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.

Home Sales Could Fall 30%

Canada could see sales of existing homes plunge 30% and home prices drop for the first time since 2009, according to the Royal Bank of Canada (RBC), with CV19 ending a spring season that got off to a roaring start. Real estate and residential building construction accounted for almost 15% of Canada's output last year. The value of real estate assets owned by households has risen by $2.5 trillion over the past decade, an increase of 80% from the previous decade. However, industry experts expect the market to rebound quickly once the virus is under control. They believe the pandemic will be a tough but temporary blow to Canada's housing market, with resales jumping more than 40% next year on low interest rates, strengthening job markets and bounce-back immigration. However, they note a deeper recession could dampen prospects, and say that some of that depends on what happens in the US, "the elephant south of the border."

February Retail Sales Rise 0.4%

Retail sales rose 0.3% to $52.2 billion in February. This marked the first time retail sales increased for four consecutive months since the period ending in October 2018. Higher sales at motor vehicle and parts dealers and general merchandise stores were partially offset by lower sales at food and beverage stores. Sales were up in 6 of 11 subsectors, representing 62.5% of retail trade. Retail sales in volume terms increased 0.2%. Approximately 25% of Canadian retailers reported that their business in February had been affected by the rail blockades and/or COVID-19. While a number of retailers reported impacts on their business activities, less than 0.5% of Canadian retailers were shut down for any period of time in February. Some retailers reported positive impact. Retail sales rose in five provinces, but declined in Alberta and Quebec. On an unadjusted basis, retail ecommerce sales were $1.6 billion in February, accounting for 3.6% of total retail trade. On a year-over-year basis, retail ecommerce increased 17.8%, while total unadjusted retail sales rose 7.0%. March numbers will be substantially different, with overall retail sales falling. However, grocery sales rose a historic 38% in March and Canadian retailers opened or expanded ecommerce platforms in response to social distancing measures and physical store closures.

Retail Notes

Canadian Tire Corporation launched a $5 million CV19 Response Fund to help Canadians and communities respond to the current pandemic. The fund is comprised of two donations of $1 million each to the Canadian Red Cross and United Way Centraide Canada, as well as up to $3 million in personal protective equipment (PPE) and essential products from across the Canadian Tire family of companies that will be used to support frontline medical workers and community organizations in need. In addition, Canadian Tire Associate Dealers independently donated 160,000 masks, 164,000 pairs of gloves and 20,000 litres of hand sanitizer to local hospitals, nursing homes and community organizations. They also stopped replenishing N95 masks in their stores and online and donated remaining supplies to frontline healthcare workers.

MARKET TRENDS

US Home Price Growth to Slow

Post-CV19 home price growth is expected to be about half what was projected before the virus. Veros Real Estate Solutions expects a 1.9% average appreciation rate in the 100 largest housing markets compared to projections of a 3.9% bump made in early March. The markets with the strongest forecasts are all in the western half of the US, and include Boise, Idaho, Spokane, Washington, Idaho Falls, Idaho and Sierra Vista, Arizona. Veros expects home prices to fall in Chicago, Baton Rouge and Bridgeport, Connecticut. Veros expects a significant rebound when the pandemic subsides.

PPP and Construction

Out of 20 sectors approved for the first Payroll Protection Program (PPP) forgivable loans, construction firms received the largest amount ($44.9 billion), closely followed by professional, scientific and technical services ($43.3 billion). There were more than 700,000 construction establishments with 500 or fewer employees (the size limit for PPP loans) in 2017, according to the Census Bureau, which according to Associated General Contractors (AGC) means that about one-fourth of eligible firms received loans. AGC's survey in early April found that 74% of 830 respondents had either applied (64%) or intended to apply (10%) for PPP loans.

Project Cancellations and Delays

More contractors are reporting cancellations of upcoming projects and shortages of equipment or materials, forcing nearly 40% of firms to lay off employees, according to an online survey released by AGC. Seasonally adjusted construction employment increased from March 2019 to March 2020 in 41 states, declined in seven states and the District of Columbia, and held steady in Delaware and Alaska.

Construction Stand Down for Safety

On April 16 thousands of construction sites across the country stopped work for ten minutes in order to educate workers on how to keep themselves safe during the CV19 crisis, and help flatten the curve. Residential and multifamily construction was declared an essential business by DHS, although individual states have the authority to impose their own restrictions. NAHB and construction industry partners developed a comprehensive preparedness plan with guidelines such as maintaining a distance of no less than six feet with others at all times, cleaning and sanitizing frequently used tools, equipment, and frequently touched surfaces on a regular basis and ensuring the proper sanitation of common surfaces and equipment.

Impact on Construction Starts

While GDP growth will plummet in the second quarter, the recession will be short lived, according to Dodge Data & Analytics most recent forecast, "The Potential Impact of Coronavirus (COVID-19) on Construction Starts"**,** released in early April. Dodge expects a 2.5% decrease in overall starts in the first quarter, followed by a much sharper decline of 18.3% in the second quarter of the year. Dodge believes the economy will begin to very slowly return to normal and then get a boost in the second half of the year. They are basing their assumptions on infections peaking in May, beginning to slow down in June and then abating by July.

On the residential side, the Dodge forecast predicts a 13% drop in all housing in 2020, with a 3% increase in 2021. Single-family housing, already expected to experience a downturn due to the lack of affordability and entry level homes, will see a 10% drop. Dodge estimates that second quarter home sales could decline by 50% from the first quarter of the year. They expect the single-family market to begin the road back in 2021, recovering about 5%.

Construction Firms Make Face Shields

Both companies and college programs are turning their production facilities and digital fabrication labs into face shield manufacturing plants, according to a report in *Engineering News Record* (ENR). Local hospitals are looking for help, and companies large and small are stepping up to the plate. General Electric is using 3D printing to produce an adapter that can quickly convert a standard hardhat and shield into a face shield to protect the masks worn by health professionals. Printing the adapter only takes about 15 minutes. John Deere is working with the United Auto Workers and hopes to produce more than 200,000 face shields. Some are using 3D printers and laser cutters to make shields; Cornell's College of Architecture turned their entire lab into a production facility.

Pandemic Accelerates Ecommerce

Amazon could see their share of the ecommerce marketplace jump from 40% prior to the pandemic to 50% or even more as Amazon becomes one of America's most vital supply chains. In general, ecommerce made up about 16% of retail sales prior to CV19. Analysts estimate that the pandemic accelerated the natural growth of ecommerce by at least three or four years. Once traditional retail is more accessible, that percentage will drop, but ecommerce may still account for 18% to 19% of retail; analysts had estimated ecommerce would not reach that share until the end of 2021. Grocery delivery will drop back as well, but may account for 5% to 6%, the level that was estimated for two years from now.

Hiring Boom

Although 30 million Americans filed for unemployment between mid-March and the end of April, some companies are adding to staff as quickly as they can find qualified people. Amazon expects to hire a total of 175,000 workers to keep up with demand, most in fulfillment, delivery and sorting operations that require people to be on-site. Walmart announced in March they needed to hire 150,000 new workers. They filled all those openings in less than a month, about six weeks ahead of schedule, and in mid-April announced they will hire another 50,000 additional associates across distribution centers and stores, filling roles such as cashiers and personal shoppers. Walmart said those jobs are likely to be temporary. Several other grocery stores are also hiring, along with drug stores, home centers and delivery services. Lowe's announced in late March they wanted to fill 30,000 permanent and temporary job openings at distribution centers and in stores.

Oil War Cease Fire

Saudi Arabia and Russia reached an agreement in late April that ended the oil price war. The agreement emerged from a virtual meeting that saw OPEC+ outline a deal to slash production by 10 million barrels a day, according to sources familiar with the proceedings. As part of the deal, Saudi Arabia will cut daily production by 4 million barrels, while Russia will lower its output by 2 million a day. Crude prices began to recover toward the end of the month as US stockpiles rose less than expected. Consumer demand is also expected to improve as some stay home orders expire or are modified and businesses begin to reopen.

Reshaping Retail

Jeff Bezos outlined Amazon's coronavirus response and plans for the future in his annual letter to shareholders, which was released in mid-April. He noted Amazon has attempted to prioritize high-demand, essential items for customers sheltering at home, including household staples, medical supplies and groceries. Amazon's Whole Foods Market stores have remained open, but Amazon's other physical retail formats that don't sell essential goods have been closed. Amazon has also removed up-selling and promotions meant to drive impulse purchases from their website, canceled promotions for Mother's Day and Father's Day and indefinitely postponed Amazon's famous Prime Day sale, typically held in July to commemorate Amazon's anniversary. Prime Day has become a big sales day for many retailers.

Postal Service Under Fire

President Trump said he will not approve a $10 billion loan for The Postal Service that was included in the government's $2 trillion rescue package unless the USPS raises prices to be more competitive. The President believes that the Post Office is losing money because they don't charge companies such as Amazon and other internet sellers enough for delivering their packages and wants the USPS to quadruple their rates. Analysts say that sharply raising charges for big shippers like Amazon could backfire and cause those companies to turn to competitors such as UPS and FedEx.

What Lies Ahead?

There is general agreement that the CV19 pandemic will change the way we live and do business not just for today, but for the foreseeable future. Social distancing is here to stay, handshakes may become a thing of the past, and big gatherings of all kinds, from corporate meetings to concerts, sports and theater, will have to find ways to re-invent themselves until there is a proven vaccine, effective treatments or enough countries have developed herd immunity. People's reluctance or inability to travel will have a ripple effect throughout both the US and global economy. Education at all levels will be impacted, with colleges facing big drops in enrollment. Small businesses are going bankrupt at a record rate, as are some struggling large retailers.

Many will adapt and survive; some will even prosper as the current crisis accelerates the inevitable and we invent new ways to move forward. Business in the virtual world will grow at an accelerated rate, while business in the physical world will change as physical retail adapts to social distancing, limited occupancy and fewer promotions that drive traffic and in-store sales. Many people have had to learn new ways to do things, from having a Zoom meeting to ordering groceries through InstaCart to going out to eat less and spending more time with your family. Some of these new ways of doing things may mainstream as people come to appreciate some of the unexpected advantages of being stuck at home.