Market Briefing

Content

US ECONOMY

Consumer Spending Rises 0.2%
Consumer Confidence Falls to 125.9
Consumer Prices Flat
Unemployment Rises to 3.6%
Chicago PMI Falls to 43.2
Wholesale Prices Fall 0.3%
Q3 GDP Growth Falls to 1.9%
Fed Cuts Interest Rates 0.25%

HOUSING & CONSTRUCTION

Builder Confidence Rises to 71
Building Permits Fall 2.7%
- Single-family permits rise 0.8%

Housing Starts Fall 9.4%
- Single-family starts rise 0.3%

New-Home Sales Fall 0.7%
Existing Home Sales Fall 2.2%
Regional Housing Results Mixed
Mortgage Rates Rise to 3.75%

POWER TOOL INDUSTRY

Robert Bosch
- Prepares for connected manufacturing and logistics
- Executive changes

Stanley Black & Decker
- Q3 revenue rises 4%; Tools & Storage revenue rises 4%
- Plans cost cuts
- Q3 conference call with analysts
- Second annual Maker Month

TTI/Techtronic Industries
- Milwaukee Tool introduces MX Fuel
- Milwaukee Tool builds new factory

Makita
- Extends “Rule the Outdoors”

Trimble
- Q3 revenue falls 1%
- Executive changes
- Enhances supply chain connectivity

RETAIL

Retail Sales Fall 0.3%
Holiday Retail Sales Forecasts
The Home Depot
- Innovation Awards

Lowe’s
- Vendor Partners of the Year

Walmart
- Launches InHome Delivery
- Head of US operations resigns
- Vendor subsidies

Ace Hardware
- New VP Distribution & Supply Chain
- Ranked top five franchise

Amazon
- Q3 sales grow 24%
- Partners with Nationwide Insurance
- Introduces smart glasses

CANADA SNAPSHOT

Economy
Housing & Construction
Retail

MARKET TRENDS

Nobel Prize for Lithium-Ion Batteries
Construction Industry Tech Gap
Adapting to an Aging Workforce
Sweeping Changes in Concrete Construction
Autonomous Digital Reality
First Nationwide Drone Airline
Return Options Grow
Walmart and Amazon Compete Over Speedy Shipping
Consumer Spending on Technology

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

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US ECONOMY

Exchange Rates October 31, 2019

Euro	1 Euro = $1.120	$1.00 = 0.893 Euros
Canadian Dollar	1 CAD = $0.756	$1.00 = 1.322 CAD
Japanese Yen	1 Yen = $0.008	$1.00 = 121.233 Yen
Chinese Yuan	1 Yuan = $0.157	$1.00 = 6.376 Yuan
Mexican Peso	1 Peso = $0.060	$1.00 = 16.735 Pesos

Market Watch October 31, 2019

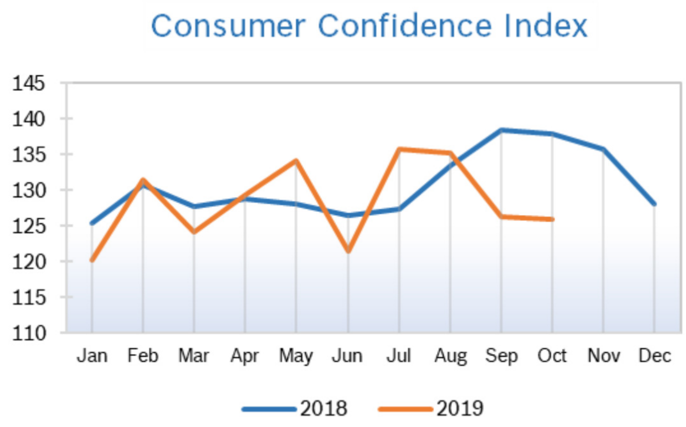
DOW	27,046	0.5%
NASDAQ	8,296	1.4%
S&P 500	3,038	3.7%

October is traditionally a rough month for the stock market, but the major indexes closed out the month in the black. Despite the Fed's third rate cut of the year and good news on corporate earnings a lack of resolution and forward progress on trade with China kept the markets from delivering more robust gains.

Consumer Spending Rises 0.2%

Consumer spending rose 0.2% in September after rising an upwardly revised 0.2% in August, double the 0.1% increase first reported. The increase was in line with economists' expectations. Much of the increase in spending was driven by big ticket purchases such as automobiles and rising healthcare costs. The Commerce Department data showed personal income rose 0.3% in September, driven by government subsidies to farmers caught in trade war between the US and China. Consumer wages were unchanged in September, causing analysts to question whether or not consumers will drive spending upwards during the holidays. With hiring slowing, wage growth is also stalling, which could significantly curb future consumer spending. Consumer spending slowed to a 2.9% annualized rate during the third quarter after jumping 4.6% in the second quarter; quarterly consumer spending is included in GDP reports. Consumer spending accounts for more than two-thirds of US economic activity.

Consumer Confidence Falls to 125.9



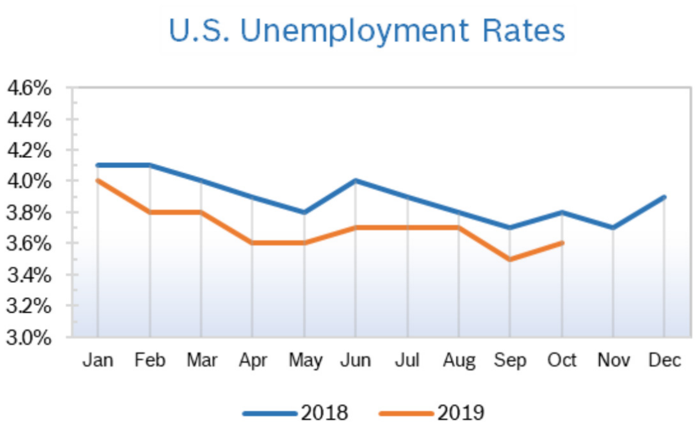
- The New York-based Conference Board's Consumer Confidence Index fell to 125.9 in October from an upwardly revised 126.3 in September.
- The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, rose to 172.3 from an upwardly revised 170.6.
- Consumers were less optimistic about both the short-term outlook and the labor market.

Note: 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 Flat

The Consumer Price Index (CPI) was flat in September after rising a seasonally adjusted 0.1% in August. The year-over-year CPI increase remained at 1.7% in September. Excluding the volatile food and energy categories, core prices rose 0.1% in September after climbing 0.3% in each of the previous three months and were up 2.4% from a year ago. Consumer prices as measured by the personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, were unchanged in September after gaining 0.1% in August. That lowered the annual increase in the core PCE price index to 1.7% in September from 1.8% in August. The core PCE index is the Fed's preferred inflation measure. It has consistently undershot the U.S. central bank's 2% target this year.

Unemployment Rises to 3.6%



- The economy added 128,000 new jobs in October, well ahead of expectations of 85,000 new jobs and the unemployment rate rose to 3.6% after dropping to 3.5% in September.
- Job gains for August and September were revised up by a total of 95,000 new jobs.
- Average hourly earnings rose 0.2% for the month and were up 3.0% year over year. Despite the tight job market, demand for workers has eased over the past year.
- Employment rose in services, retail and construction and fell in government services and manufacturing. The 40-day strike by 46,000 GM workers and a reduction in federal hiring due to the completion of temporary work being done ahead of next year's census temporarily distorted data.

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 Fall to 7.05 Million

The number of job openings fell to 7.05 million on the last business day of August after being unchanged at 7.2 million in July, according to the most recent Job Openings and Labor Turnover Survey (JOLTS) from the U.S. Bureau of Labor Statistics. Over the month, hires dropped to 5.8 million after rising to 6.0 million in July and separations increased to 5.8 million. Within separations, the quits rate and the layoffs and discharges rate were little changed at 2.4% and 1.2%, respectively. The quits rate is viewed by policymakers and economists as a measure of job market confidence.

Chicago PMI Falls to 43.2

The Chicago Purchasing Managers' Index (PMI) fell to 43.2 in October after dropping to 47.1 in September. It was the lowest level for the index since December 2015 and the second consecutive month the index was below 50. New Orders declined to 37.0, the lowest level since March 2009 and Order Backlogs fell 13.6 points to 33.1. Production rose to 46.8, Inventories rose to 47.1 and Prices Paid fell to 54.8. October's special question asked respondents what impact the latest interest rate cuts by the Federal Reserve would have on their business. A majority (51%) expect no impact, while 31% expect a positive impact. A second question about how the government's tariffs will affect business revealed that 56% of respondents expect little negative impact while 26% expect a major negative impact. The strong dollar, slowing global economy and trade disputes have curbed demand for goods made in America. Stable although softer growth in the much larger service side has been keeping the economy growing.

Wholesale Prices Fall 0.3%

The Producer Price Index (PPI) fell 0.3% in September after rising 0.1% in August and was up 1.4% year over year, the smallest increase since November 2016. Core producer prices, which exclude food, energy and trade services, were unchanged in September after rising 0.4% in August and were up 1.7% year over year after being up 1.8% year over year in August. The wholesale cost of services fell 0.2% after climbing 0.3% in August but the wholesale cost of goods fell 0.5%.

Q3 GDP Growth Falls to 1.9%

GDP growth was revised down to 1.9% but was still ahead of expectations for 1.6% growth, according to the third and final reading from the Commerce Department. Year-over-year growth slowed to 2.0% in the third quarter from 2.3% in the second quarter. Consumer spending moderated to a 2.9% annual rate in the third quarter from 4.6% in the second. Business (nonresidential) fixed investment fell 3.0%, driven by a sharp 15.3% decline in spending on structures. Residential investment rose at a 5.1% annual pace following six consecutive quarters of declines, likely reflecting lower short-term interest rates fueling construction and improvements. The price index for personal consumption expenditures (PCE), the Fed's preferred measure of inflation, rose at a 1.5% pace in the third quarter, well below the 2.0% pace the Fed prefers. Core prices, which exclude food and energy, rose 2.2% for the quarter. The uncertain outlook for trade and tariffs is weighing on business investment in new equipment and plants, which declined at an unrevised 0.6% rate, the first contraction since the beginning of 2016. Trade during the quarter was broadly neutral. Heavy industry has been hurt by the ongoing trade dispute with China, a strong US dollar and a faltering global economy. Corporate profits rose a solid 2.7% year over year.

Fed Cuts Rates 0.25%

The Fed issued its third rate cut of the year in October, dropping the benchmark rate by another 25 basis points to a target range between 1.50 % and 1.75%, apparently in reaction to data showing that the economy is slowing. Fed watchers are divided over whether there will be another rate cut at the Fed's final meeting in December. Two voting members dissented. The Fed painted a relatively positive picture of the US economy in their statement, pointing to solid job gains and strong household spending but noted that business investment and exports remain weak. The committee left the door open to another cut, stating that they will continue to monitor the economic situation and respond accordingly. The Fed first began raising rates in 2015 after keeping them near zero for eight years.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 71

Builder confidence rose three points to 71 in October after rising to 68 in September, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Builder confidence had been in the 60s since May. October's reading was the highest level in 20 months. Lower mortgage rates and a shift to more affordable homes by many builders appear to be bringing buyers back into the market. All the HMI indices posted gains in October. The index gauging current sales conditions rose three points to 78, the component measuring sales expectations in the next six months jumped six points to 76 and traffic of prospective buyers rose four points to 54. Builder Confidence rose in all regions.

Building Permits Fall 2.7%

Building permits fell 2.7% in September to a seasonally adjusted annual rate of 1.39 million units after rising to 1.42 million units in August. Single-family permits increased 0.8% to 882,000 units and multifamily permits fell 8.2% to 505,000 units. Regional permits were mixed.

Housing Starts Fall 9.4%

Housing starts fell 9.4% in September to a seasonally adjusted annual rate of 1.26 million units after rising to 1.36 million units in August. Single-family starts increased 0.3% to 918,000 units from a downwardly revised August reading. Multifamily starts fell 28.2% to 338,000 units after jumping to 445,000 units in August. Regional starts were mixed. The single-family market appears to be gaining momentum, according to analysis from Wells Fargo. While single-family permits are running below single-family starts, Wells Fargo predicts that both starts and permits will be heading higher.

New-Home Sales Fall 0.7%

New-home sales fell 0.7% in September to a seasonally adjusted annual rate of 701,000 units after rising to a downwardly revised reading in August. New home sales were up 7.2% from September 2018. The inventory of new homes for sale fell to 321,000 homes in September, a 5-months' supply at the current sales pace, down from a 5.5-months' supply in August. The median sales price fell to $321,000 in September after rising to $328,400 in August. The median sales price in September 2018 was $328,300. Regional new home sales year to date were mixed. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

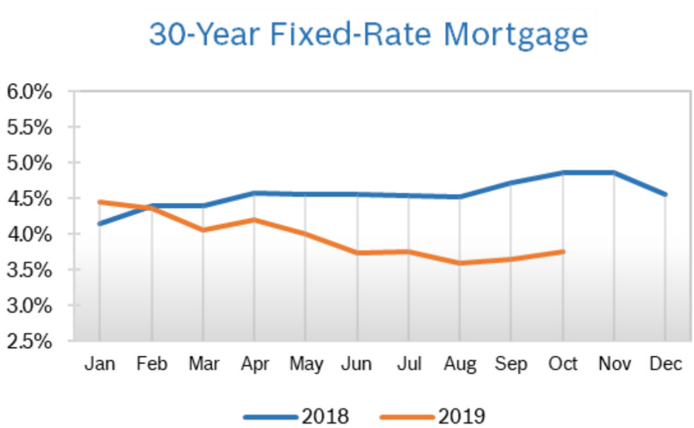
Existing Home Sales Fall 2.2%

Existing home sales fell 2.2% in September to a seasonally adjusted annual rate of 5.38 million homes after rising to 5.49 million homes in August. Sales were up 3.9% from September 2018. Sales fell in all regions. Current mortgage rates make buying a home very appealing, but a shortage of inventory has driven up price points. Total housing inventory rose slightly to 1.83 million homes and was up 5.9% from September 2018. Unsold inventory is at 4.1-months' supply at the current sale pace, up from a 4-month supply in August and up from 4.4 months in September 2018. The median existing home price for all housing types in September was $280,800, up 5.9% from September 2018. September was the 91st consecutive month that home prices increased.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	60 (+1)	73 (+3)	58 (+1)	78 (+3)
Building Permits	+8.1%	+3.4%	-4.9%	-3.5%
Housing Starts	-0.6%	+6.0%	-6.2%	-12.2%
New Home Sales	-10.3%	+12.8%	-10.6%	+7.3%
Existing Home Sales	-2.8%	-2.1%	-3.1%	-0.9%

Mortgage Rates Rise to 3.75%



- A 30-year fixed-rate mortgage (FRM) rose to 3.75% at the end of October from 3.64% at the end of September. Mortgage rates were 4.86% at the end of October 2018.
- Freddie Mac expects rates to average 4.8% next year.
- Low mortgage rates have caused a corresponding increase in applications for mortgages and refinancing.

POWER TOOL INDUSTRY

Bosch

Bosch is systematically preparing for connected manufacturing and logistics. Sven Hamann is the new head of the Bosch Connected Industry business unit and Dr. Heiner Lang joined the executive board and will assume responsibility for engineering and the Factory Automation business field that will impact both Bosch customers and 280 Bosch plants worldwide. The former head of the Connected Industry business unit, Dr. Stefan Assmann, will now assume the position of business chief digital officer in the Industrial Technology business sector and act as a link between the various business units and divisions. Bosch research shows that connected solutions can boost productivity at individual sites by up to 25% and reduce inventories by as much as 30%.

Stanley Black & Decker

Q3 revenue rose 4% to $3.6 billion. Contributions from volume (+3%), acquisitions (+3%) and price (+1%) offset currency and divestitures, which each declined (-1%.)

Tools & Storage net sales increased 4% versus 3Q'18 as volume (+4%) and price (+1%) were partially offset by –1% from currency. The 5% organic growth for the quarter was led by North America (+7%) and Europe (+4%), more than offsetting a modest decline in emerging markets (-1%). North American organic growth was driven by the rollout of the Craftsman brand and new product innovations, including DeWalt FlexVolt, Atomic and Xtreme. The North American retail segment delivered low double-digit growth for the quarter and commercial channels grew in the low single-digits. Gains were partially offset by continued declines in industrial-focused businesses.

In response to a decline in earnings, they have begun implementing new cost and pricing actions and are accelerating their $300 to $500 million multi-year margin resiliency initiative, according to CEO Jim Loree.

SB&D plans to cut staff as part of their goal to cut $200 million in annual costs. The cuts will come from reductions in headcount across the company as well as some manufacturing consolidation.

SB&D lowered their profit forecast for the year and dropped expected earnings from $7.50 to $7.70 per share to somewhere between $6.50 and $6.60. They now expect 3.5% to 4% organic growth for 2019 and anticipate having to overcome $445 million in commodity, currency and tariff-related headwinds.

Q3 Conference Call with Analysts:

Within the Tools & Storage segment, power tools and equipment delivered 6% organic growth. Hand tools, accessories and storage grew 5% organically.

Their investments in digital talent and ability to rapidly commercialize new technology-based solutions are paying off and their activities in the small and medium-sized business segments are starting to gain momentum.

Over the past three years they have achieved impressive growth while simultaneously absorbing $900 million in commodity, tariff and currency-related costs. The Tools & Storage segment absorbed 95% of the impact.

The Craftsman program is outperforming expectations and they forecast that by the end of 2020 they will have more than 10,000 retail outlets with $1 billion in revenue, six years ahead of the original plan. They've added $500 million of organic growth since acquiring the Craftsman brand.

FlexVolt is nearing $400 million in annual revenue and continues to grow in double-digits.

DeWalt Atomic and Xtreme power tools are quickly adding hundreds of millions of dollars in growth and getting very positive end user reception.

They are well on their way to broadening the distribution of the Irwin and Lenox brands around the world; by next year they expect to generate a cumulative $100 to $150 million in revenue synergies.

Their margin resiliency program will be "transformative" and will provide $300 million to $500 million of cumulative operating margin benefit by 2022.

Lowe's is now fully set with Craftsman across all locations and has successfully launched 1,200 new Craftsman products.

The broader rollout for ecommerce and other retail partners is well underway. They have more than 2,500 Craftsman products globally across all segments.

Their expansion of Stanley and Stanley FatMax will exceed 100 products this year.

Emerging markets have become more volatile and offer lower growth potential overall.

The tariff headwinds that are in place today are due to list 1 through 3 and list 4A, with a carryover effect of about $100 million. If the second list of tariffs (4B) goes into effect in December that will have another $25 million in carryover impact. If tariffs on the first lists increase from 25% to 30%, which has been discussed, that would add another $55 million in headwinds.

In the past they've averaged about 40% price recovery on tariffs; the various actions they are taking would cover 100% of the tariff exposure. They anticipate that if the tariffs are rolled back, customers will want some money back and they plan to give back "at least some of it" but in reality there is a significant chunk that would not be given back and that they would like to see drop to the bottom line.

Don Allen stated that they believe that SB&D was unfairly hit with tariffs on componentry for products that they make in the US and that their competitors are not feeling the same impact, and therefore have not taken as significant pricing actions as they have. Nevertheless, their volume is holding up well.

The double-digit POS has been positive all year and has accelerated over the past 22 weeks but has been in balance with inventory, and they don't see any excess inventory across the home center channel.

They had not really looked at layers across the organization for a long time. When they did, they discovered that there were pockets within the organization that had more layers than necessary. Reducing them streamlines the organization and makes them more agile.

Other News:

SB&D kicked off their second annual Maker Month, a celebration of the makers and creators sharing the world around us, according to the company. Throughout the month of October SB&D encouraged students, parents, educators and makers of all ages to participate in activities and challenges that spark curiosity and build excitement for the power of making.

According to *Contify Retail News,* there are about 10 million manufacturing jobs around the world that remain unfilled due to the skills gap. Last year SB&D engaged more than 17,000 students and 3,000 schools from more than 40 countries through STEAM projects. This year they are hoping to reach 45,000 creators and makers. In the US, SB&D invited aspiring makers to participate in the Making for Good Challenge. The top team will receive $15,000 and a virtual mentorship from SB&D. Additionally, the DeWalt Trades Scholarship program will award five students $10,000 scholarships to pursue secondary or post-secondary education at a trade school, vocational school or career center in the US. Throughout the month SB&D employees around the world will partner with local schools and organizations.

TTI/Techtronic Industries

Milwaukee Tool introduced MX Fuel, labeled the first battery-powered cordless machinery and tools for light construction needs. Milwaukee unveiled plans for MX Fuel in June at their annual New Products Symposium for the media. They insisted attendees disconnect all streaming services and promise that there would be no leaks until Milwaukee was ready to unveil the system, which happened some five months later on the last day of October.

The MX Fuel system targets light equipment, a category that has primarily been occupied by gas powered and corded tools with few battery-operated options. Their system will use two batteries: the compact CP battery pack, weighing in at 5.9 pounds, and a larger XC pack, weighing in at 10.6 pounds, both much larger in size and weight than anything Milwaukee has previously offered. The battery will operate at 72V, but Milwaukee stated that voltage was only part of the story, and that while the construction industry has traditionally used voltage to communicate power and capability, voltage alone is not a good indicator for light equipment. MX Fuel will launch with six products. Reporters note that as of now run time is largely unknown.

Milwaukee Tool is building a new $86 million factory in Torreon, Mexico. They plan to start operations in April 2020, and have promised the new factory will employ 2,600 people. Torreon is in the state of Coahuila, about two hundred miles east of Monterrey, Mexico.

Makita

Makita USA is extending their national "Rule the Outdoors" campaign and will introduce new commercials this fall that promote the benefits of battery-powered outdoor power equipment. Makita noted that response to the campaign has exceeded their expectations.

Trimble

Q3 revenue dropped 1% to $783.9 million. Building and Infrastructure revenue rose 5% to $309.8 million. Geospatial revenue fell sharply, dropping 16% to $155.1 million. CEO Steven Berglund noted that the disappointing revenue reflected prevailing market uncertainties which they expect to persist for the remainder of the year. Nevertheless, he stated they've shown an ability to control costs while continuing to transform their business model toward recurring revenue.

Robert G. Painter will succeed Steven W. Berglund as president and CEO of Trimble effective January 4, 2020, the first day of Trimble's 2020 fiscal year. Berglund, who has been president and CEO since 1999, will become executive chairman of the Board of Directors. Painter joined Trimble in 2006 and has been CFO since 2016. Current chairman Ulf Johansson will retire in January.

Trimble beefed up their Visibility platform with two enhancements that expand supply chain connectivity by allowing carriers to track and update loads directly into their shippers' network. Carriers will also be able to track and manage the status of their loads directly. Shippers will be able to review performance indicators and identify areas that could be improved, made more efficient or where costs could be reduced.

RETAIL

Retail Sales Fall 0.3%

Retail sales fell 0.3% in September after rising an upwardly revised 0.6% in August, according to the latest figures from the Commerce Department. It was the first decline in retail sales in seven months. Core retail sales, which exclude food services, car dealers, gasoline stations and building materials stores, were down 0.1%; analysts had expected a 0.3% increase. Excluding auto sales, retail sales were down 0.1%. Core retail sales correspond most closely with the consumer spending component of GDP.

Holiday Retail Sales Forecast

The National Retail Federation (NRF) forecasts that holiday sales will grow between 3.8% and 4.2% this year to a total of $727.9 billion to $730.7 billion. The NRF excludes automobile dealers, gasoline stations and restaurants from their numbers. The NRF expects online and other non-store purchases, which are included in the total, to increase between 11% and 14% to between $162.6 and $166.9 billion, up from $146.5 billion last year. Holiday sales have increased an average of 3.7% over the previous five years. However, holiday sales during 2018 rose just 2.1%. The unusually small increase was attributed to the government shutdown, stock market volatility, tariffs and other issues. NRF also expects retailers to hire between 530,000 and 590,000 temporary workers, compared to 554,000 in 2018. In September, Deloitte forecast that holiday sales will increase between 4.5% and 5% and online and non-store sales will grow between 14% and 18%.

Retailers Plan for Shorter Season

Thanksgiving is very late this year, leaving the time between Thanksgiving and Christmas six days shorter than it is in most years. Target and Walmart are focusing on making in-store holiday shopping easier this year. Target is investing $50 million in holiday payroll in order to have more employees on the floor during critical shopping times. Target also recently revamped their loyalty program, Target Circle, which already has 25 million customers enrolled. Walmart is leaning on technology as the way to make shopping easier. They debuted a digital gift finder that allows customers to search for presents by gift receiver, a scannable toy catalog and kiosks to place online orders within retail stores. Both Walmart and Target are highlighting, fast, free shipping with no membership fee.

Holiday Spending Plans

Deloitte's annual global survey found that US consumers plan to spend about $1,496 per household this holiday season, down slightly from $1,536 in 2018. Since 2012, projected holiday spending has grown an average of 5.4% annually and overall retail sales have grown just over 4%. For the third consecutive year, about 20% of consumers plan to spend less than they did the year before.

Their research shows that two-thirds of respondents plan to begin their holiday shopping at online retailers with no physical stores and 58% intend to use online search engines as their main source of research. Half also plan on doing in-store research and then buying online, a process that's been dubbed "showrooming." Product (76%) and price (75%) are virtually tied for important in consumers' minds.

A whopping 85% prefer free shipping to fast shipping, with 80% of those responding willing to wait three days for their order to arrive. "Experience" spending has grown to account for 40% of holiday spending plans, as people intend to spend more time and money traveling, dining out, socializing and attending events this holiday season.

The Home Depot

THD announced their 2019 Innovation Awards. Ryobi was named Marketing Innovation Partner of the Year for their line of lithium battery products. Apex Tool Group was the Supplier of the Year in the tool category. The DeWalt Atomic 20V compact series and the Milwaukee Packout Tool Storage system were finalists in the category of product innovation.

Lowe's

Lowe's named John Deere, Pergo floors and Pella windows as their 2019 Vendor Partners of the Year. Best-in-class for hardlines was Spyder's power tool accessories system for Pros and their new Stinger wood boring program. Google was recognized with an Innovation award for Google Nest Hub Max and their interactive demonstrations and in-store merchandising experiences.

Walmart

Walmart officially launched their InHome Delivery service, which will initially be available to about one million customers in Pittsburgh, Kansas City, Missouri and Kansas City, Kansas, and Vero Beach, Florida. Customers who want to use the service that will deliver groceries directly to their refrigerators will need to pay $49.95 upfront and have Walmart install either the Level Home smart lock or the Norteck Smart Garage Door kit. Once the lock is installed, with a minimum order of $30, customers can get an unlimited number of deliveries for a $19.95 monthly fee. Walmart associates will use a proprietary, wearable camera to gain one-time access to the customer's home. Customers will control access and will be able to watch their delivery from their smart device. Deliveries will be made by trained and vetted employees who have been with Walmart at least one year.

John Furner, head of Sam's Club US, was promoted to President and CEO of Walmart US in mid-October after WM's current US head, John Foran, resigned to become CEO of Air New Zealand. Foran, who has been with WM since 1993 when he took a part-time job in the garden center, said the move is bittersweet for him and he is very proud of what he's been able to accomplish at Walmart. Walmart heaped praise on both Foran and Furner, and said that a replacement for Furner at Sam's Club will be named at a later date.

Walmart is reportedly subsidizing some vendors in what the media describes as a "price war" with Amazon. Walmart introduced a program to temporarily lower the price consumers pay for some items on their marketplace site, where third-party vendors pay Walmart a fee to list their goods. The merchants selling on the site will still be paid the same amount they would have received prior to the price reduction. The price reduction will not affect shipping fees. The move appears to be in response to a program Amazon rolled out over the summer that gave Amazon the ability to set prices of third-party products sold on its marketplace in return for guaranteeing a minimum payout. Amazon has also come under scrutiny for reportedly leaning on vendors to ensure their products are not offered for a lower price on any rival's website, including Walmart's. Walmart's new strategy has been dubbed Walmart's Competitive Price Adjustment Program. Walmart says that the program will only be applied to selected sellers and selected items. Walmart reports selling about 75 million unique items on their website, most of which are third-party marketplace items.

Ace Hardware

Ace hired Kirk Armstrong as their new Vice President of Distribution and Supply Chain Innovation. He'll report to EVP Lori Bossmann. He joins Ace from Owens & Minor, a leading Healthcare distributor and solutions provider, and previously spent 13 years at W.W. Grainger.

Ace was recently ranked in the top five in the 2019 Franchise Times Top 200. The move up the rankings comes after four successive years ranked at No. 6. Ace is the only non-food brand in the top five. The rankings are based on global system-wide sales, based on the previous year's performance.

Amazon

Amazon Q3 sales grew 24% to $70 billion, but their forecast of $80 billion to $86.5 billion in Q4 sales fell short of the $87.4 billion analysts were expecting.

Analysts noted that Amazon is now dealing with the true costs of accelerating free shipping for Prime customers from two days to just one day, a benefit they pledged to deliver for the holidays back in April. They are reconfiguring warehouses to store more inventory closer to population centers and adding new shifts and schedules to ship goods more frequently. They are also spending more on their own already massive transportation network as well as third-party contractors. CFO Brian Olsasky said that they are still learning about the true costs and economies of one-day shipping. Amazon stock took a beating as investors were disappointed in results.

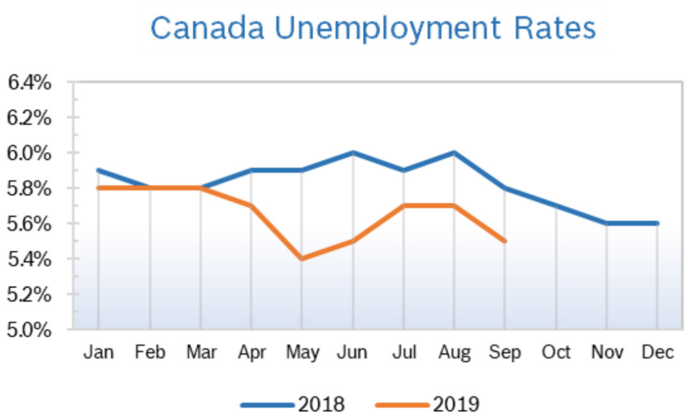
Amazon Web Services revenue grew 35% year over year, disappointing analysts who had expected AWS to beat Microsoft's Azure cloud business growth of 36%.

Amazon has partnered with Nationwide Insurance and Financial Services to give away one million Echo Auto devices to qualifying Nationwide new and existing auto insurance policy holders in select states. Nationwide is introducing new features for its Alexa skill, including a New Driver Safety Checklist and Roadside Assistance and Road Conditions.

Amazon is releasing a pair of smart glasses, Echo Frames. The $180 glasses have Amazon's Alexa voice assistant built in, which allows wearers to talk to Alexa anywhere and anytime. Some privacy advocates are concerned that encouraging people to wear listening devices all day is a disturbing invasion of privacy. Amazon says that wearers can instruct Alexa to make a call, set reminders on their phone or play a podcast, among many other things. Users will hear Alexa's responses through four micro speakers built into the frames and pointed directly at their ears to avoid others eavesdropping on their conversations. In addition, the microphone can be turned off at any time. Amazon also introduced earbuds, a ring and a tiny device for spaces like bathrooms and garages. There's even a new dog collar that tracks a pet's location so the owner can easily find it with a smartphone.

CANADA SNAPSHOT

Unemployment Falls to 5.5%



- Canada's unemployment rate fell to a four-decade low of 5.5% in September and the Canadian economy added 54,000 new jobs.
- Since last September the economy has added 456,000 new jobs, an increase of 2.4%. Most job gains have been in the services sector.
- Average hourly earnings have risen 4.3% since September 2018, helping to bolster consumer spending.

Consumer Confidence Rises to 53.02

Consumer Confidence in Canada increased to 53.02 in October from 53.00 in September of 2019. Consumer Confidence in Canada averaged 53.49 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% year over year in September after rising 1.9% in August, according to Statistics Canada. Excluding gasoline, the index was up 2.4% year over year for the third consecutive month. On a seasonally adjusted annual basis the index edged down 0.1% in September, matching the decline in August. Gas prices fell as refineries switched to winter blends and consumer demand slowed. The upward pressure on consumer prices is not great enough to spur the BoC to consider an increase in interest rates, although the BoC did not cut rates at the end of October as many had predicted. The eight components of the CPI were mixed in September, with some rising and some falling.

GDP Rises 0.1%

Canadian GDP rose 0.1% in August to a seasonally adjusted 1.973 trillion Canadian dollars after being unchanged in July, according to Statistics Canada. On a three-month rolling average basis, real GDP rose 0.5% in August, compared with a 0.8% increase in July. On an annual basis, the economy grew 1.3% in August. Factory production and the professional services sector, which includes software development, engineering and accounting, helped fuel growth. Fourteen of twenty components tracked showed monthly gains. The retail trade sector was up 0.3%, growing for the third consecutive month after showing little upward movement since the end of 2018. The construction sector was up 0.3% in August, the third increase in four months. Residential construction rose 0.6%, offsetting July's decline, as growth in single-unit and multi-unit dwellings more than offset a drop in home alterations and improvements. Non-residential construction (+0.2%) was up for the eighth time in nine months as activity in the commercial, industrial and public sectors increased. Engineering and other construction increased 0.2%, while repair construction edged down 0.1%.

GDP Forecast

S&P Global Ratings raised Canada's real GDP growth forecast for 2019 to 1.5% from 1.2% previously forecast. S&P noted that expansion could ease off in 2020, when they expect Canada's economy to grow 1.4%. An unsustainable surge in net exports helped mask an underlying weakness in domestic demand, according to S&P.

Housing and Construction News

Housing starts fell 2.5% in September to 221,202 units after rising 12% in August. Economists had expected an even sharper decline. The overall decrease came as urban starts fell 2.4%.

The value of building permits issued by Canadian municipalities rose 6.1% to nearly $90 billion in September. Ontario, the Prairies and Atlantic Canada are on the rebound and the trend in B.C. and Quebec remains strong despite slower starts in the past few months, according to the Royal Bank of Canada.

Canada's home sales jumped 15.5% to 41,819 annual units in September, according to the Canadian Real Estate Association (CREA), with much of the increase coming from 21% growth in the Toronto region and 45% in Vancouver. High housing prices were one of the issues in Canada's federal election in October.

Canada Mortgage and Housing Corp (CMHC) upwardly revised their annual forecast and now expects housing starts to increase 4% to 204,300 in 2020. They do not expect the rebound in starts to make housing more affordable in the most expensive cities of Toronto and Vancouver. CMHC expects average selling price overall to increase 7% next year to $531,000. Average selling price in Ontario is more than $100,000 higher and more than $200,000 higher in even pricier British Columbia. CMHC also expects that existing home sales will increase from between 453,000 and 467,800 this year to between 480,6000 and 497,700 in 2020. They also believe that Bank of Canada will increase the key lending interest rate of 1.75% gradually across the second half of 2020 and forecast a five-year fixed mortgage rate between 5.4% and 5.5%, compared to 5.2% and 5.3% this year.

Retail Sales

Retail sales edged down 0.1% in August but remained at $51.5 billion. Lower sales were reported in 6 of 11 subsectors representing 51% of retail trade. Adjusted for the effects of price changes, retail sales were up 0.2%. After increasing 5.0% in June, sales dropped 0.5% at building materials and garden equipment and supplies dealers for the second consecutive month. Provincially, retail sales were down in four provinces and all census metropolitan areas, but rebounded in British Columbia. On an unadjusted basis, retail ecommerce sales were $1.8 billion in August, accounting for 3.2% of total retail trade. On a year-over-year basis, retail ecommerce increased 25.0%, while total unadjusted retail sales were up 1.5%.

Retail Notes

Canadians expect to spend an average of $1,706 this holiday season, according to Deloitte's 2019 Holiday outlook. While 52% of survey respondents said they preferred to shop in a physical store, 60% noted their online research would start with Amazon and a full 58% plan to shop on Amazon.

Lowe's CEO in Canada, Sylvain Prud'homme, is retiring. Prud'homme shepherded Lowe's through the acquisition and integration of Rona. He was appointed head of the Canadian division in 2013, and has overseen Lowe's operations in Mexico since 2017. Lowe's is staging a comeback in the US, but the situation in Canada is different. Prud'homme has blamed the integration with Rona for the decline in comp store sales. Lowe's acquired Rona in 2016 for $3.2 billion. However, Lowe's took a $1.2-billion impairment charge earlier this year and has incurred restructuring costs after announcing the closure of 31 operations in Canada, including 24 Rona stores, two Lowe's locations and one Reno-Depot. Prud'homme has been in the retail industry for more than 35 years, and said he is retiring with mixed emotions.

MARKET TRENDS

Nobel Prize for Lithium-Ion Batteries

The scientists who developed lithium-ion batteries were honored with the Nobel Prize in Chemistry this year. The winners are John B. Goodenough, 97, an American Engineering professor at the University of Texas who still works every day; M. Stanley Whittingham, 77, a British-American chemistry professor at the State University of New York in Binghamton, and Akira Yoshino, 71, of chemicals company Asahi Kasei Corp and

Meijo University in Japan. The three scientists were honored for a truly transformational technology that has impacted billions of lives across the planet, including everyone who uses cellphones, computers, pacemakers, electric tools and many more inventions with rechargeable batteries that we now take for granted. Lithium-ion batteries took more than a decade to develop. Their discovery drew upon the work of multiple scientists in the US, Japan and around the world.

Construction Industry Tech Gap

The construction industry continues to lag well behind other industries in adopting digital tools, according to a recent feature in ENR. Presenters at the Construction Management Association of America repeatedly made that point at the association's annual conference in September in Orlando, Florida. According to a 2018 KPMG survey of construction/engineering industry CIOs, just 23% said there was a "clear digital business vision and strategy" across their enterprise, compared to 32% of all industries. Another 23% reported having a digital business strategy for certain business units. That left 54% of construction/engineering firms entirely lacking a clear digital business strategy. Despite the low adoption rate, that's a big improvement over years past. Presenters estimated that the industry's adoption of business intelligence tools will take several years. Steve Jones, the senior director of industry insights at Dodge Data & Analytics, said a recent survey conducted by Dodge showed that 34% of 187 contractors surveyed reported that their firm's data gathering and analytical capabilities had not improved over the past three years; 64% reported improvement. More than 90% of firms attempting to utilize data cited schedule and cost information as the most important to gather.

Adapting to an Aging Workforce

Workers aged 45 to 64 made up nearly 40% of the construction workforce in 2015, according to the most recent data from Center for Construction Research and Training. The average age of construction workers, now approaching 43, has risen at a faster pace than the age of the workforce as a whole. Older workers are frequently regarded as reliable and natural jobsite leaders, and research shows that older workers are less vulnerable to injuries, most likely because they are more experienced and careful. According to ENR, construction companies are working to reduce wear and tear on workers. They're trying to eliminate ladders, use more ergonomic tools and equipment and do away with the "brute force" mentality. Making greater use of off-site fabrication has helped as well, providing a more comfortable and less-strenuous jobsite environment.

Sweeping Changes in North American Concrete Construction

Canadian manufacturer of concrete admixtures and waterproofing materials Kryton acquired a 30% share in Danish technology company Sensohive Technologies. Sensohive makes a sensor system for concrete pressure and maturity testing that uses ultra narrow-band, low-power radio transmitters to communicate with a growing network of Internet of Things (IoT) receivers, which Sensohive uses to upload the data to their software interface in the cloud. The system, called Maturix, has only been on the market for a few months. It allows contractors and prestressed concrete manufacturers to monitor conditions inside their maturing concrete in real time, from any device with a browser. Kryton's exec for mergers and acquisitions, Sean Cote, said he'd been searching for the right concrete maturity technology for three years before settling on Maturix, because the tech was scalable and cost effective. The technology will take the guesswork out of timing sensitive procedures like stripping forms and post tensioning, as well as add a measure of safety.

Autonomous Digital Reality

Leica Geosystem's mission is connecting the digital and physical world. Their products take the information that comes from Building Information Modeling (BIM) or Computer Aided Design (CAD) and delivers it out to the field where elements of a build can be installed precisely. Leica products can run equipment such as bulldozers, drilling machines and motor graders and are able to capture what has been previously done in the field, along with existing conditions, and bring that into the digital space with solutions for tasks such as laser scanning, or what they call reality capture, which involves both scanning and mobile mapping. Leica is promoting a move towards autonomous solutions that bring efficiency and productivity and take as much of the work off users as is possible. Remote cameras constantly monitor the area around the laser scanners; when the scanner goes to a new location the application autonomously "stitches together" data from both locations and provides an overview. Leica Global Business Development Director Matt Wheelis says they are close to developing a three click process for the evaluation of a concrete pour; in addition to making it easy, it also makes it fast and accurate so customers can make adjustments on the fly. Wheelis says that there is a lot of demand for connecting site processes with captured reality, and contractors now expect to be able to manage requests for information, order changes and job cost information.

First Nationwide Drone Airline

UPS beat out Amazon and Google to become America's first nationwide drone airline when the US Department of Transportation granted its first full Part 135 certification. UPS currently conducts drone deliveries at a large hospital in Raleigh, North Carolina. Now they'll be able to operate drones anywhere in the country. There are some limitations, though; the weight limit for a drone delivery is currently about five pounds. Over the next few months UPS plans on expanding the program to other hospitals in the area.

Return Options Grow

A growing number of retailers are now accepting returns from other retailers. Nordstrom's new service hubs accept returns of online orders from any retailer. In July, Kohl's started accepting Amazon returns at all 1,100 of their stores. There's even a California Startup, Happy Returns, that currently works with about 30 online retailers and now has more than 700 drop-off locations. UPS is adding 12,000 pickup and return locations inside CVS, Michaels and Advance Auto Parts, which will give UPS a total of 21,000 pickup points in the US. UPS says it's a win for both UPS and participating retailers; UPS has a goal of being closer to the US population, and retailers see it as a way to generate revenue and walk-through traffic.

Walmart and Amazon Compete Over Speedy Shipping

Walmart began offering free one-day shipping in some cities at the end of August, weeks after Amazon said it would soon offer free, one-day shipping to Prime members. The two-day shipping model has been the industry standard for more than a decade, but Walmart says that going to one-day allows them to consolidate everything into one box and ship it ground instead of shipping from multiple places in multiple boxes. Last year Amazon spent $27.7 billion mailing their products around the world, a 27% increase over 2017.

Consumer Spending on Technology

Consumer spending on technology is forecast to reach $1.69 trillion this year, an increase of 5.3% over 2018, according to the latest Worldwide Semiannual Connected Consumer Spending Guide from International Data Corporation. Consumer purchases of traditional and emerging technologies will remain strong through 2023, reaching $2.06 trillion in 2023 with a five-year compound annual growth rate of 5.1%. Roughly three-quarters of the spend this year will be on traditional technologies, with mobile telecom services accounting for more than half of it. Emerging technologies, including AR/VR headsets, drones, on-demand services, robotic systems, smart home devices and wearables, will grow 13.2% over the five years and account for nearly a third of consumer spending on technology by 2023. Advances in technology continue to raise and redefine consumer expectations; the more technology can do, the more we expect of it.