

Wentz Weekly

November 25, 2019

The Strengthening Housing Market, Improving Manufacturing Conditions and More...



Investment management for your lifetime

- Last week we received data on the housing sector, which confirms the sector is trending in a positive direction. The Census Bureau reported new residential construction, which represents the construction start of a new home, increased 3.8% in October to an annualized pace of 1.314 million housing starts. This is the strongest pace in 20 months. Most of the gains are from the important single-family units where the 3-month average in starts here is at the highest pace since 2007.
- Existing homes sales were strong as well, with an annualized pace of 5.460 million existing homes sold in October, according to the National Association of Realtors. Strength here is seen again in the sales of single-family units. The downside is there remains a lack of supply of homes on the market. In a healthy housing market it is typical to see a 6 month supply of homes on the market, currently we are at just 3.9 months supply. These reports are positives for the residential investment portion of the GDP report, which has been a weak spot over the last several quarters.
- After several months of weakness over the summer, manufacturing conditions in the Philadelphia and New York region appear to be expanding at a moderate pace, according to a survey taken by manufacturers. New orders continue to expand, with backlogs building and delivery times lengthening, according to the survey results.
- The House and the Senate have passed the Hong Kong Human Rights and Democracy Act with an overwhelming majority, sending the bill to President Trump's desk to sign. It is unknown whether or not Trump will sign the bill into law at this point. The bill would allow the U.S. to impose economic sanctions against Chinese and Hong Kong and those responsible for human rights violations, and it would also require an annual review of Hong Kong's political status and the favorable trade status the U.S. grants Hong Kong.
- The last several weeks have seen both positive and negative developments on the trade front, but the overall feeling of a final phase one deal and signing remain optimistic. Last week ended with an invitation by China to continue face-to-face negotiations in Beijing, which may increase the chances of a December 15th tariff delay. If this round of planned tariffs are imposed, it is expected to be more impactful to the consumer as this would hit mostly consumer goods.



Company News

- Earnings reports last week were largely mixed. We saw reports from several key retailers. Home Depot reported mixed results and lowered its forecast for the full year, while Lowe's beat expectations and raised its full year forecast.
- Target posted results that beat expectations with a strong 4.5% increase in comparable store sales. Forecast for the full year were increased as well.
- Kohl's results were lower than expected and more disappointing was a cut to its full year earnings forecast. Macy's and L Brands reported mixed results.

The Week Ahead

- It will be a holiday shortened week with the markets closed on Thursday for Thanksgiving followed by a half day on Friday, but important data will be released in the first half of the week. Look for durable goods orders, the second revision to third quarter GDP, and the monthly personal income and spending reports to be released Wednesday.
- The earnings calendar will be lighter this week, with reports from Dell, Best Buy, HP and Dollar Tree.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Information contained herein was received from sources believed to be reliable, but accuracy is not guaranteed. Information provided is general in nature and is not a complete statement of all information necessary for making an investment decision and is not a recommendation or a solicitation to buy or sell any security. Investing always involves risk and you may incur a profit or loss. No investment strategy can guarantee success. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Any opinions are those of the author and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. Investments mentioned may not be suitable for all investors. There is no assurance these trends will continue, or forecasts will occur. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.