

Wentz Weekly

January 13, 2020

Tensions on the Rise in the Middle East



Investment management for your lifetime

- Tuesday night Iran launched over a dozen missiles at an Iraqi airbase where U.S. troops are housed in retaliation for the killing of Qassem Soleimani. That night market futures were initially down as much as 1.5% but the loss was short lived as the markets recovered and finished the next day positive. Iran's foreign minister described the missiles as "proportionate measures in self-defense". The U.S. responded with more economic sanctions against Iran.



- The U.S. trade deficit shrank to \$43.1 billion in November from \$46.9 billion in October for the smallest monthly deficit in over three years. Exports rose 0.7% in the month, driven by aircraft engines and equipment for oil production. Imports declined 1.0%, with the U.S. importing less electronic devices and drugs compared to the prior month. The deficit with China fell another \$2.2 billion in the month to total \$-25.6 billion, and through the first 11 months of the year the deficit with China has fallen \$61.3 billion from a year ago to \$319.8 billion.

- The Bureau of Labor Statistics reported an increase of 145,000 non-farm payrolls in December, a little below expectations of 158,000. Most of the job gains were in the service sector including 41,000 from retailers, 40,000 from hotels/restaurants, and 28,000 in health care, while construction added 20,000 and manufacturing lost 12,000. For all of 2019 the economy created 2.1 million jobs for the 9th consecutive year of at least 2 million. The unemployment rate remained at 3.5% while the U-6 rate, which includes part time workers and those that have left the labor force from being discouraged, fell to 6.7% and is now the lowest on record. Wages disappointed, rising just 0.1% in the month versus the expected gain of 0.3%. Compared to a year ago the average wage is up 2.9%, a smaller gain than the 3.1% rate in November.

- The Consumer Electronic Show kicked off in Las Vegas last Tuesday. Quoting from Barron's: "it's become an event for companies that can hardly be classified as tech firms to show off whatever they're doing; Coca-Cola is making a push for Coca-Cola Energy (it has guarana extracts). Impossible Foods is unveiling a new fake pork product. Deere is talking cutting edge tractors. Brunswick is pushing connected boats. Procter & Gamble is showing off connected toothbrushes and a concept robot that delivers a spare roll of toilet paper when you need it most. Maybe that's hardly a surprise. It's 2020 and every company wants to be a tech company."



Company News

- A couple retailers issuing downside guidance or sales data over the week. Kohl's announced its 2019 earnings results will be at the low end of its previously announced guidance, L Brands cut earnings forecasts for the year after announcing comparable store sales fell 3.0% during the holiday season, and Bed Bath & Beyond reported quarterly results well below expectations while suspending forward guidance and saying the quarter was "unsatisfactory and underscores the imperative for change".

The Week Ahead

- The unofficial start to Q4 earnings season kicks off this week with several of the big banks reporting quarterly results. The JPMorgan Healthcare Conference, the largest healthcare conference of the year, will take place this week in San Francisco. Expect many presentations and announcements from biotech and pharmaceutical firms. Investors will also be focused on the retailer sector when the ICR conference in Orlando begins on the 13th where we are expected to receive more data on holiday sales from individual companies. On the economic calendar we will see inflation data with the Consumer Price Index and Producer Price Index, followed by December's retail sales Thursday and Housing Starts on Friday.

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