

Wentz Weekly

January 27, 2020

The Coronavirus Adds Economic Uncertainty



Investment management for your lifetime

- A respiratory virus known as Coronavirus has been blamed for over 80 deaths in China as of Sunday evening. The virus began in Central China and has spread throughout Asia with five cases reported in the U.S. so far. In China several cities are on lockdown, with travel restrictions through most of the country. This couldn't come at a worse time as China just began celebrating the Chinese New Year on January 25. China expects over 3 billion travelers during the week long holiday. If the virus continues to spread the impact could negatively affect economic growth, with more consumers deciding to stay home rather than traveling, going to the movies, or going out to eat for example. Expect increased market volatility as a result due to the uncertainty.
- Existing home sales finished 2019 on a solid note, with the National Association of Realtors reporting the annual sales rate rising 3.6% in December to 5.540 million homes finishing 2019 at the highest sales pace of the year. Compared to a year earlier December sales of existing homes were up 10.8%. The total amount of existing homes sold in 2019 was 5.340 million, mostly driven by strength in the housing market in the second half of the year. Inventory continues to be a concern, and even worsened in the month with only 3 months of supply currently on the market. December's inventory was the lowest ever for the history of this report. Limited inventory is driving home prices higher with the median home price up 7.8% compared to a year ago to \$274,500.
- The amount of people filing for first time unemployment benefits totaled 211,000 last week, an increase of just 6,000 off historical low levels. The four-week average of jobless claims fell to 213,250. The number of people already collecting unemployment benefits declined 37,000 in the week to 1.731 million with the four-week average at 1.758 million. These figures remain near historical lows and point to a continued tight labor market.



Company News

- Netflix reported fourth quarter results that beat analysts' expectations, and added more global subscribers than expected in the quarter, although U.S. subscribers were lower than expected. Netflix now has a total of 167.09 million subscribers. For the current quarter management forecast earnings above analyst consensus but revenues below consensus with a conservative forecast on net subscriber growth of 7 million net new subscribers compared to the consensus expectation of 8.5 million.
- Intel reported fourth quarter results that beat analysts' expectations, with revenues \$1 billion more than expected driven by a 20% increase in its data center business. Management increased forecast for 2020 expecting revenues of \$73.5 billion compared to \$72.3 billion consensus and EPS of \$5.00 compared to \$4.68 consensus. Management noted the chip demand recovery while announcing a boost in capacity for making PC chips.

The Week Ahead

- This week will be the busiest stretch of fourth quarter earnings reports with 132 S&P500 companies reporting. The Federal Open Market Committee's monetary policy decision will be announced on Wednesday afternoon where the Fed is expected to keep interest rates unchanged, but the press conference by Chairman Powell will be in focus with the market looking for clues on future policy moves. It will also be a busy week on the economic front, with the New Home Sales report for December released on Monday, followed by the first estimate on fourth quarter GDP Thursday and the BEA's personal income and spending data for December on Friday.

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