Tom McIntyre's
Weekly Commentary & Outlook
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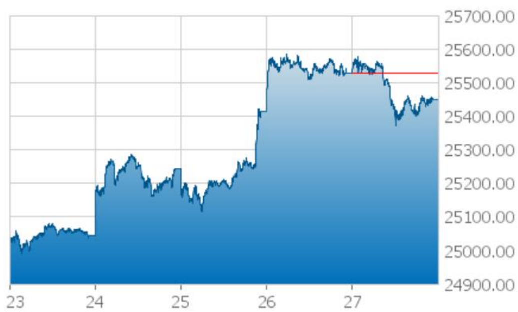
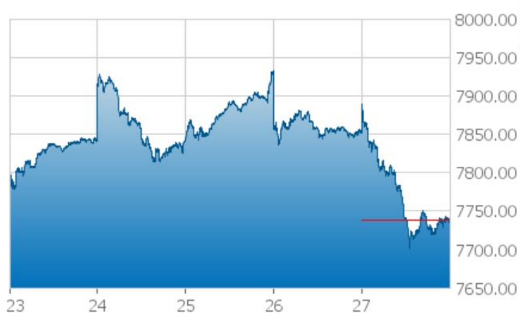
This is Tom McIntyre with another client update as of Monday July 30th, 2018.

Stocks continued to work higher as earnings reports were for the most part quite positive.



Dow 5-day



Nasdaq 5-day

The charts above illustrate the weekôs trading with the ***Dow Jones Industrial Average*** ahead 1.6% led by shares in Microsoft while the ***NASDAQ*** slumped over 1% as Facebook shocked investors with an admission that things are slowing down. Meanwhile, Twitter announced that indeed they are in the business of censoring certain points of view (conservative of course). As a result, the darling social media stocks turned to dogs quickly last week.

Markets & Economy

The much-anticipated GDP report for the 2nd quarter was announced on Friday. As you can see below, it came in at over 4% which was very good. Sadly, the media tried to shrug it off as due to one-time events and quickly forecasted that it wouldnôt last. Of course, the economy will not grow at this pace, but it does represent a significant jump shift from where we have been since the great recession of 2009.

Importantly, the jump in growth occurred for all the right reasons. There was an improvement in the trade deficit numbers, there was a jump in personal consumption and there was a decline in inventory accumulation indicating that we were not stealing from the future on this measure. In short there was very little to carp about but carp the media did. Luckily this administration is not shy about tooting their own horn and toot they did.

The 1st quarterôs growth rate was also revised higher which resulted in the year-over-year growth rate of nearly 3%. Again, these are great numbers but while the tax cuts, regulation reform and renegotiating trade deals can improve things the impact of jacking up interest rates does represent a potential stumbling block to future growth rates. In fact, last weekôs report ironically will serve to be proof positive to the Fed that they must continue to raise rates or inflation will get out of control. These people should refresh their understanding of the global economy. This is not the 1970ôs where either cost/push or demand/pull worked on pushing inflation higher. In most parts of the world today the concern remains slow growth and deflation. Just visit Japan or most of the emerging markets.

The other major piece of bullish news last week was the sudden deal with the EU concerning tariffs and a possible trade war. Well, scratch another much predicted fiasco as a deal was announced that a framework to settle this dispute has been agreed to. Even the new and socialist President of Mexico has worked quickly to pave the way for a trade deal here. Again, the much-predicted end of the world by the usual suspects in the media concerning these trade disputes is not looking nearly as menacing today.

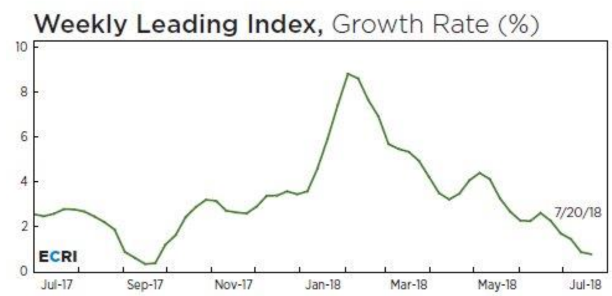
The big one, which remains, is China. The US has the upper hand and really has no choice but to pursue our long term financial, strategic and security interests here. I feel quite confident that China will find a face-saving way to extricate itself from this predicament and that resolution will be greeted with much enthusiasm on Wall Street when it happens.

While the markets have seen through this trade war nonsense, most pundits either cannot or hope a resolution will not happen and that a global recession or worse will happen. Sad to say that the political differences in this country have now created a category of people hoping for bad news to take political advantage of.

What to Expect This Week

Another big week for earnings is ahead and on Friday will come another important employment report for the month of July. This might give some indication of the 3rd quarter outlook which we know is being hurt by higher interest rates. Housing looks like it has topped out in all respects for instance. Maybe, just maybe the Fed will take some notice, but I doubt it. They are wedded to their shop-worn theories that more people working must produce inflation. Those economic text books from the 1970ôs should be burned.

Finally, the chart below showing the ECRIôs index of leading economic indicators continues to show weakness later this year. In fact, their leading spokesmanôs analysis of last quarterôs stellar report was that it wasnôt going to get any better. Well, I hope his analysis does because he has clearly been a broken record of pessimism for over a year and is reflective still of consensus economic opinion.



Our next update on these and other matters will be in TWO weeks.

QUALCOMM one-year

BIOGEN one-year

Symbol: QCOM

Last week was a big week for premier chip-maker **QUALCOMM**. First, the Company announced a much better than expected quarterly earnings report. **QCOM's** fiscal third-quarter earnings per share came in at 82 cents, topping Street expectations and a whopping 41 percent higher than one year ago. Revenues were 4 percent higher than 12 months ago, at $5.6 billion. Net income at **QUALCOMM** was $1.2 billion, also 41 percent higher year over year. During the third quarter, **QCOM** returned $1.9 billion to stockholders, between cash dividends and repurchases of common stock.

The same day, the Company announced the termination of its 2-year attempt to acquire NXP Semiconductors. Without CHINESE regulators giving final approval for the deal, **QUALCOMM** said enough is enough and has decided to move on. The Board of Directors then announced the authorization of a $30 billion stock repurchase program, which replaces the Companyôs existing $10 billion stock repurchase authorization. **QUALCOMM** expects to execute the majority of the repurchase program prior to the close of fiscal year 2019. News of the new buy-back helped drive the stock 7 percent higher Thursday. Shares of **QCOM** have gained 17 percent over the past year and pay shareholders an annual dividend yield of nearly 4 percent.

Symbol: BIIB

Shares of **BIOGEN** rallied to a new 52-week high after reporting better than expected quarterly profits and raising its forecast for 2018 earnings, driven by strong demand for its rare muscle disease treatment, SPINRAZA. **BIIB's** SPINRAZA is the first approved drug to treat spinal muscular atrophy. It could be a potential blockbuster for the Company and could also reduce dependence on its flagship multiple sclerosis drug, TECFIDERA, which faces increasing competition.

For the quarter, **BIOGEN** earned $5.80 per share, well above the average analyst estimate of $5.21. Revenue rose to $3.36 billion from $3.08 billion, also beating estimates. The Company raised its full-year adjusted profit forecast to a range of $24.90-$25.50 per share. The results came one day ahead of the release of a widely anticipated report from a trial of an experimental Alzheimerôs disease drug developed jointly by **BIOGEN** and EISAI CO.

Since late April, shares of **BIIB** have been on a tear, gaining nearly 100 points for shareholders. Over the past 12 months, the stock is up 16 percent.

RYDER one-year

Symbol: R

Shares of **RYDER SYSTEM** also rallied higher last week after the Company reported better than expected earnings and announced the raising of its 2018 profit projections. The logistics carrier earned $1.42 per share, easily topping Wall Streetôs estimates of $1.29. This was a 42 PERCENT INCREASE on a year-over year basis. **RYDER** recorded total revenues of $2.08 billion during the quarter, a 17 percent increase year-over-year. All major segments of the Company performed well in the quarter.

Thanks to the impressive quarter, **RYDER** is raising its earnings forecast for the rest of 2018. It now expects adjusted earnings in the band of $5.62 to $5.82, significantly higher than the consensus previous forecast. The Company is looking for third quarter earnings to come in between $1.55 and $1.65 per share, higher than a year ago period. Shares of **R** have been on the move lately, having increased 12 points since early June of this year.

HERSHEY one-year

Symbol: HSY

Things got a bit sweeter for shareholders of **HERSHEY** this past quarter. The chocolate maker ALSO topped Wall Streetôs estimates for sales and profit, and it wasnôt just sales of sweets that put the Company over the top. **HSY** completed its acquisition of SKINNYPOP-parent AMPLIFY BRANDS in January as part of an effort to tap into rising demand for healthier snack alternatives. With sales combined, **HERSHEY** earned $1.14 per share, beating analystsô estimates by 4 cents. The Company reported sales of $1.75 billion, also better than expectations. Net income rose to $226.9 million, or $1.08 per shares, higher than a year ago when **HERSHEY** reported income of 95 cents per share.

During the earnings call, **HERSHEY** announced they are INCREASING its quarterly dividend to 72 cents, an increase of 10 percent. The Board of Directors also authorized a $500 million share repurchase program. **HSY** pays investors an annual dividend yield of over 3 percent.