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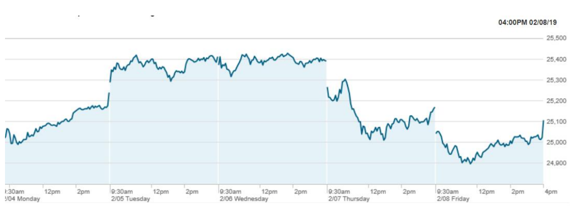
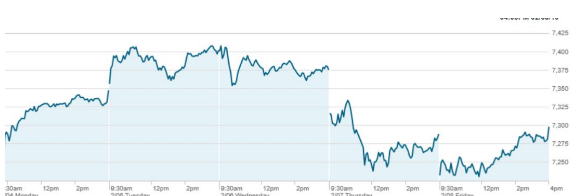
This is Tom McIntyre with another client update as of Monday February 11th, 2019.

Stocks finished green for the 7th consecutive week albeit by a very modest amount. All the global concerns of recession, trade wars and coup attempts worldwide have failed to knock the markets down, at least here at home.



Dow 5-day



Nasdaq 5-day

As the charts above illustrate, ***the Dow Jones Industrial Average*** gained fractionally last week while the ***NASDAQ Composite*** moved higher by .5%

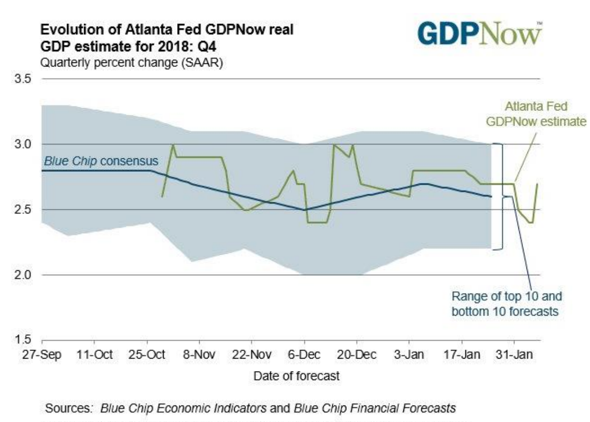
Markets & Economy

Last Tuesday, the President gave his State of the Union speech which was well received by the country but had few if any significant announcements for the markets to digest. As a result, markets quickly moved on. Of course, the government could still face a partial shut down as of this Friday but as we have seen, this is more interesting to the national media. For investors and the economy, it is not that significant.

As a result, the marketõs focus has come down to a daily attempt to read the prospects of the China trade deal negotiations. I find that to be a foolõs game, so I wonõt do it. Suffice to say that China needs this deal so ultimately Trumpõs hardball tactics are likely to achieve something akin to a break through. This wonõt happen, of course, until the last possible second. Thus, everything between here and there is just noise to justify the daily swings in market indices.

As a result, let me point out a couple of longer-term economic themes which are investable (and so we are). First, the economy continues to grow but is slowing down. This is being accompanied with falling inflation. Thus, the Fed, as previously detailed, has suddenly with President Trumpõs help found religion. They have basically stepped to the sidelines. I doubt there will be another rate hike in this cycle.

The Atlanta Fed still estimates a 2.7% growth rate for the last quarter of 2018 (see chart below). This is quite an achievement and 2018 growth was nearly 3%. The new year will not be so robust.



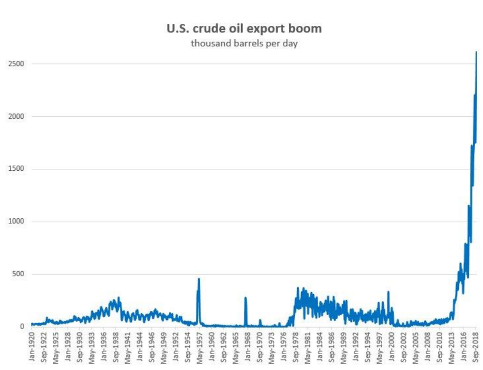
Europe is in recession, Japan never exited recession and Britain is mired in how to enact something they voted for nearly three years ago (in case you think our politics are crazy just watch the clown show in the UK). Emerging markets are teetering on the brink. Venezuela, anyone?

Therefore, global interest rates continue to fall and never followed the Fed’s misbegotten attempt to return to normalcy. The problem is that the debt issues of ten years have never been solved, only the levels of debt have risen to act as a depressant the moment a central bank tries to move rates higher.

Just this weekend, the Italian government basically said their central bank and by implication the ECB, has totally blown the past decade of policy since the crisis of ten years ago. They are correct. Whether it be Greece or Italy or Japan, the can is simply being kicked down the road. The notion that global monetary policy can return to what passed as normal before 2008 is false and cannot be pursued without risk of a global meltdown.

There are some good things going on out there. Notably in this country our ability to become energy independent is crucial not only economically but also in terms of our international standing in the world. OPEC is breaking apart and oil prices can no longer be set by fiat from dictators. Perhaps the day will come when our various adventures in the middle east could be curtailed as our need for foreign oil is less and less.

Having said this, look at the chart below. It shows the recent trend of the US becoming an exporter of oil recently. This is huge. It means jobs, national security and options for our country into the future. Of course, it means investment opportunities as well. At the same time, our oil production is based upon economics not government fiat. Thus, as in every other line of business the energy industry needs to be able to make a profit, reinvest in the future and be free from burdensome regulations. Thus, gone are the days when we should wish for a super low price for something which we have in abundance and for which other nations covet.



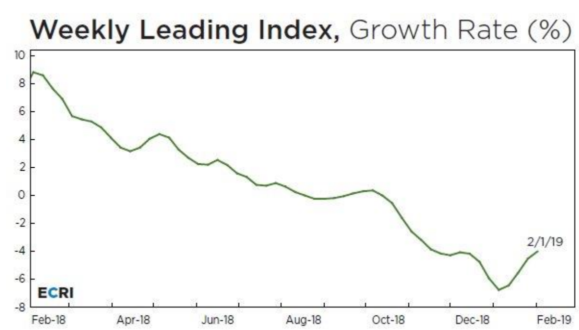
The price of oil needs to rise to levels to accomplish the goals stated above or companies will not take the risk, the oil won’t be discovered, and the US will be back in the control of foreign suppliers who don’t have our strategic interests at heart. Thus, while markets should always set the price, higher prices for oil today will be better for the US than another collapse as happened in 2014.

The growth in the global economy will be key to how this develops. Of course, politics here in this country and many states seek to do all kinds of crazy things to make the discovery of oil and natural gas expensive. This is bad policy whether you are talking economic or geopolitics.

What to Expect This Week

Earnings season rolls on. At the same time the daily attempt to read the tea leaves about China or the partial government shutdown will fill the airwaves. As stated above, neither I nor anyone else can predict mood swings in advance so I won’t even try.

Finally, the weekly look at the ECRI’s graph of weekly leading economic indicators shows the bounce from the beginning of the year continues. This is encouraging as far as it goes but the rally in stocks is one of the major components it looks at, so the upward trend may just be reflecting that.



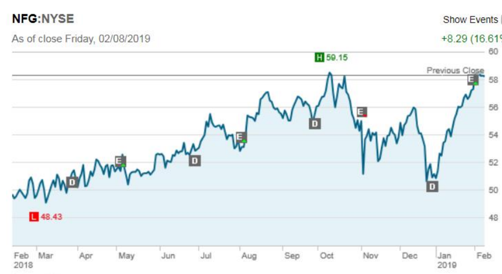
Canadian telecom services provider, ***BCE,*** beat analystsô estimates with its end-of-year quarter and RAISED ITS QUARTERLY DIVIDEND 5 PERCENT. The key to the quarter was 4.6 percent growth in ***BCE's*** wireless segment which includes its high-speed internet service. ***BCE*** has been ramping up its investments in wireless technology to attract more individual customers as well as corporates. ***BCE*** has the top fibre network in Canada and grew that segment of its business by 66,000 new subscribers.

The dividend increase of 5 percent rounds out to about 15 cents per share per year. It will be payable on April 15th to shareholders of record at the close on March 15th. This marks ***BCE's*** 15TH INCREASE TO ITS COMMON SHARE DIVIDEND SINCE THE 4th QUARTER OF 2008.

BCE one-year

Strong demand powered ***NATIONAL FUEL GAS*** to quarterly earnings of $1.12 per share, a full 5 cents above analystsôpredictions and 10 cents better than earnings during the same quarter of 2017. ***NFG*** posted revenues of $490.25 million during their fiscal 1st quarter, also topping estimates.

NFG ramped up exploration and production during the quarter and benefited in these areas as revenues improved 16.7 percent from the prior-year quarter to $163.9 million. The Company reiterated its fiscal 2019 energy production goals in the range of 210 to 230 billion cubic feet equivalent. Shares of ***NATIONAL FUEL GAS*** have gained 16 percent over the past year, and rewards investors with a nearly 3 percent annual dividend yield.



NFG one-year

Shares of ***GLAXOSMITHKLINE*** moved higher last week after reporting a better-than-expected fourth quarter earnings report and the announcement of a new strategic alliance to boost its oncology pipeline. ***GSK*** reported fourth-quarter profit WHICH MORE THAN TRIPLED from the previous 4th quarter. The Company had sales of $10.62 billion during the quarter, much higher than Wall Streetôs estimates.

Sales of SHINGRIX, which is ***GLAXO's*** new Shingles vaccine more than doubled in the quarter. This helped to offset slight declining sales of ADVAIR, which still accounted for 647 million pounds and beat estimates. ***GSK*** has been streamlining operations and spinning off or selling units, including its consumer health division, to focus on expanding its drug pipeline and developing vaccines.

GLAXO will be partnering with Germany-Based MERCK KGaA to develop and commercialize a therapy for patients with advanced non-small cell lung cancer in a deal worth up to $4.23 billion. Both companies will be involved in development and commercialization, and all profits and costs will be shared equally. The partnership is another arrow in the quiver of ***GLAXO's*** oncology pipeline group. Shares of ***GSK*** have gained more than 12 percent over the past 12 months.

GSK one-year

JOHNSON & JOHNSON continued its long streak of earnings beats and outpaced Wall Streetôs estimates on the revenue front. The worldôs largest maker of health care products earned $1.97 per share, a couple of cents higher than consensus. Revenues inched up 1 percent year over year to $20.39 billion. The solid quarter was driven by double-digit growth in sales of JNJôs Crohnôs disease treatment STELARA, and cancer drugs DARZALEX and IMBRUVICA.

For the 35th consecutive year, The Company delivered operational sales growth. Worldwide sales of ***JNJ's*** products were $81.6 billion in 2018, which is an increase of 6.7 percent over company sales in 2017. Domestically, sales increased 5.1 percent during the year, while international sales increased 8.5 percent. ***JNJ*** currently has a $5 billion share repurchase program in progress and a dividend yield for investors of 2.72 percent. We expect ***JNJ*** to increase their dividend in the next few months.

JNJ one-year