Tom McIntyre's Weekly Commentary & Outlook

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This is Tom McIntyre with another client update as of Monday, February 10th, 2020.

Stocks shrugged off fears of the unknown concerning the Coronavirus epidemic and moved strongly higher last week. As the charts below illustrate, the *Dow Jones Industrial Average* gained some 3% while the *NASDAQ Composite* fared better at a gain of 4%.

Dow 5-day

Nasdaq 5-day

The Market & Economy

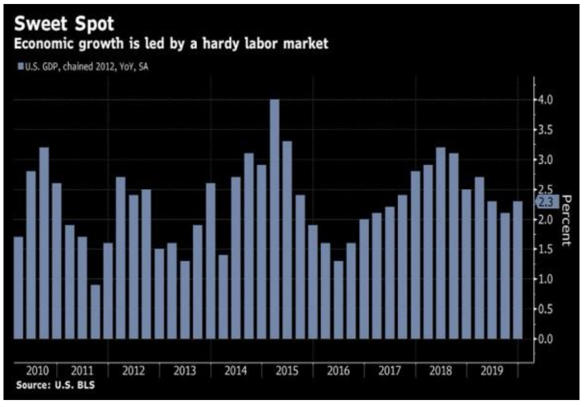
Earnings and higher dividends (see our comments on holdings below) are serving, as always, to support the bull market in stocks even with the threats posed by the slowdown in China and elsewhere in the world.

This slowdown has reinforced the expectation that Central bankers (planners) will once again retreat from their inflation rhetoric, face reality and either lower rates or keep them at historically low levels. The US, last week, announced its plans to issue twenty-year bonds for the 1st time in decades. About time. Given our huge deficits, the interest rate burden is crucial to be minimized. Of course, in this world of negative sovereign yields elsewhere the demand for US longer-term paper is very strong.

The Federal Reserve Board met last week, and they have become virtually a sideshow. All their years of talking about inflation is just so wrong they don't even try it anymore. With the slowdown brewing, causing commodity prices to collapse and the US dollar to skyrocket, the FED can only do what is required. They will lower rates this year further to spur growth. Even more significantly, they will continue to expand their balance sheet. They simply have no choice. There is a global shortage of US dollars. The demand for dollars remains a persistent sign of a monetary policy that is too tight relative to the rest of the world and the slowing global economy.

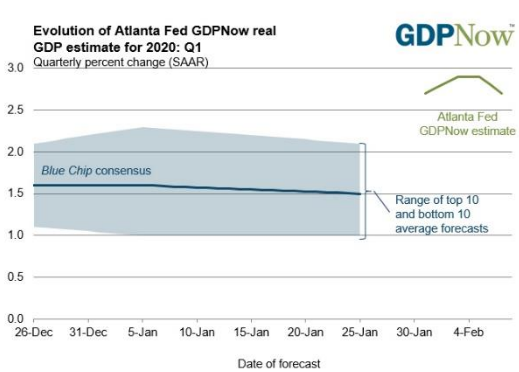
Here in the good old USA, things are much different. Our economy is the envy of the world. Each passing week indicates as much. While the media wish to portray our country as in disarray, the country knows otherwise. Last week, Gallup reported that 90% of the people here in the states are satisfied with their economic status. Gallup is not some right-wing organization. This result is by far the best in many decades. So, what is all the doom and gloom about?

Evidence of this satisfaction came again in last week's employment report for January. As the chart below shows, a gain of 225K non-farm payroll jobs topped the forecasts once again. More importantly, a look at the second chart (next page) shows the consistency of the gains on a monthly basis despite whatever the crisis of the day has been over the past few years.



Additionally, and supporting the Gallup results, is a long-term chart of employment versus population here in America. This explains the contentment in the US. The ratio is the highest in twenty years, at least. As our population has risen, so has the percentage of that larger population employed risen. That is an economic twofer. President Trump doesn't get enough credit for what every other president in our history would have loved to produce.

Even better, while the global economy is slipping for what I hope will be a short-term epidemic, here at home we remain on track for a better 2020. The Atlanta Fed currently estimates that Q1 of this year will show a growth rate of 2.7% (see chart below). I expect that number to come down. Though, if the US grows during the challenges brought by the problems overseas, then the rest of the year should be better. At this point, the stock market is clearly of this view.



Remember, a steadily growing economy with low inflation and very low-interest rates remain the force powering this bull market. Some sectors are having difficulty but overall this is a great backdrop for equity markets. Something our trading partners could take a few lessons from.

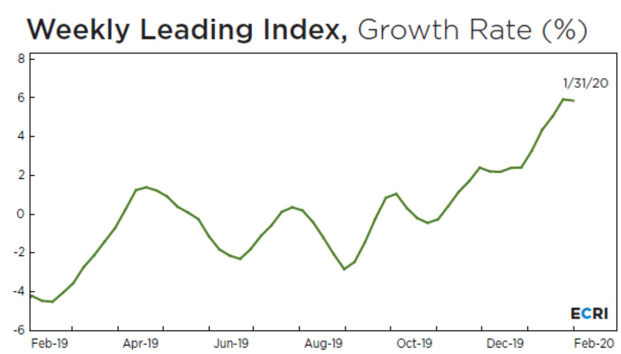
What to Expect This Week

On the macro side, this is a quiet week. While the FED chairman is due to testify this week to Congress, he is boxed in as to what he can say. I don't expect any headlines and that would be good.

Tuesday is the New Hampshire primary. I really cannot imagine any market-moving developments coming out of this, although the media focus will be huge.

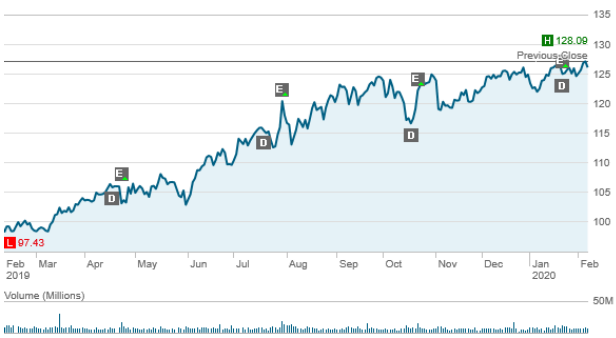
This is the last big week for earnings reports for last year's fourth quarter as we head into the President's Day holiday weekend. Later in the week, the data on retail sales will get some attention but it will be the news flow from China concerning the Coronavirus which pretty much dominates the sentiment on Wall Street, especially heading into a three-day weekend.

Below is our updated weekly report from the ECRI leading economic indicators. They still show their data having improved recently and holding on to those gains. The inflation measures and inverted yield curves are not telling you a pretty picture concerning investor's concerns about global growth. That is the worry of the month. We shall see.



PROCTOR & GAMBLE reported better-than-expected earnings for its second quarter and raised guidance for the entirety of its fiscal 2020 year. Overall sales at ***PG*** were $18.2 billion, an increase of five percent versus the prior year. Net earnings came in at $1.41 a share, up 16 percent from the prior year. The best performing segments at ***PROCTOR & GAMBLE*** included Skin and Personal Care products (up 11 percent), Beauty (up 8 percent versus a year ago) and Health Care (up 7 percent).

PG raised its outlook for fiscal 2020 all-in sales growth from a range of three to five percent to a range of four to five percent growth versus the prior fiscal year. ***PROCTOR & GAMBLE*** now expects to pay over $7.5 billion in dividends and repurchase $7 to $8 billion of common stock in Fiscal 2020. Shares of ***PROCTOR & GAMBLE*** have risen an impressive 31 percent over the past 12 months, quite a move for the world's largest household products company.



PG one year

Thanks to strong pharmaceutical sales, ***JOHNSON & JOHNSON*** beat earnings expectations for its fiscal fourth quarter. ***JNJ*** reported overall sales of $20.75 during the past three months, mostly in line with Wall Street's estimates and 1.75 percent higher than sales in the same period last year. Net income rose to $4.01 billion, or $1.50 a share, far better than the $3.04 billion, or $1.12 a share reported in the year-ago period.

As mentioned, the pharmaceuticals division was the leader, recording sales of $10.55 billion, a 3.5 percent quarterly increase. Sales of consumer products, which include Neutrogena beauty products and Tylenol pain medications rose 0.9 percent to $3.57 billion. ***JOHNSON & JOHNSON*** expects operational sales of $85.8 to 86.6 billion for fiscal 2020. ***JNJ*** expects adjusted operational sales to grow 5 to 6 percent from the year earlier. Shares at ***JNJ*** have risen 16 percent over the past year and are **TRADING AT ALL-TIME HIGHS** while paying an annual dividend of $3.80 per share which we expect the Company to increase this spring.

JNJ one year

DOMINION ENERGY is among a slew of our holdings raising dividends for shareholders. The energy giant is upping the quarterly payout from .9175 cents to .94 cents, which works out to a 2.5% increase. The new dividend will be payable on March 20th to shareholders of record as of the close of business February 28th. This marks the **368th CONSECUTIVE DIVIDEND** which ***DOMINION ENERGY*** has paid holders of common stock. Shares of ***D*** have risen 20 percent over the past 12 months.

D one year

ENTERPRISE PRODUCTS PARTNERS is, once again, upping its quarterly payout. ***EPD*** announced that the board of directors of its general partner declared an increase in the quarterly cash distribution paid to limited partners to 44.5 cents per common unit, or $1.78 per unit on an annualized basis. The new quarterly distribution will be paid Wednesday, February 12th to unitholders of record. This distribution represents a 2.3 percent increase over the 4th quarter of 2018. ***ENTERPRISE*** has raised its payout for ***62 CONSECUTIVE QUARTERS*** and yields over 6.5 percent for unitholders. Also, ***EPD*** bought back 2.2 million common units during the last three months of 2019.

EPD one year

North of the border, ***SUNCOR ENERGY*** is raising its quarterly dividend by 11 percent. The new dividend will be $0.465 per share, payable on March 25th to shareholders of record March 4th. This makes it 18 years of **CONSECUTIVE ANNUALIZED DIVIDEND INCREASES.** The Board of Directors at ***SUNCOR*** also approved an increase to their existing share repurchase program from $2 billion to $2.5 billion through the end of this month and a new share repurchase program of up to $2 billion beginning in March. ***SUNCOR*** reported operating earnings of $782 million, or 51 cents a share during their recently completed fourth quarter, an improvement over the $580 million (36 cents) earned in the prior-year quarter.

SU one year

Not to be outdone, the Bell of Canada, ***BCE*** is raising its dividend. ***BCE*** is upping its annual payout by 5 percent (16 cents) to $3.33 annually. This makes it **12 CONSECUTIVE YEARS** of 5 percent or higher increases in the common share dividend. ***BCE*** welcomed more than 181,000 net new wireless, Internet and IPTV subscribers to their business in the fourth quarter, some 743,000 new customers for all of 2019.

BCE one year