Tom McIntyre's

Weekly Commentary & Outlook

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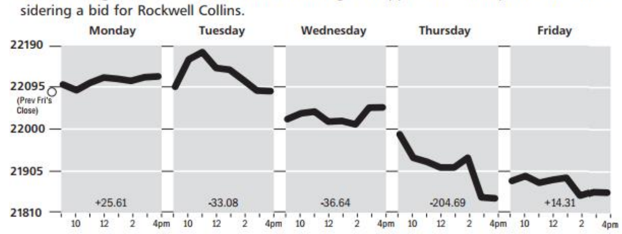
This is Tom McIntyre with another client update as of Monday, August 14th, 2017.

Stocks suffered a down week as global concerns about North Korea combined with the usual worries about the long rally in stocks created a pause.

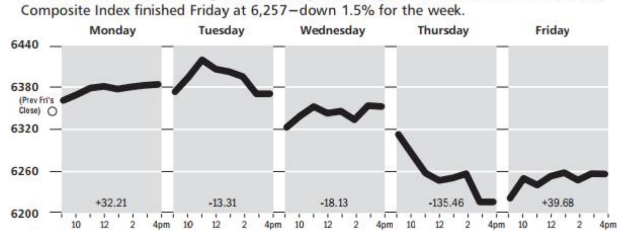
FIVE-DAY DOW COMPOSITE

Dowwwwn: The Dow dropped 1.1% last week, its largest weekly loss since March. McDonald's gained 2.3%, while United Technologies dropped 3.8% on reports it was considering a bid for Rockwell Collins.



FIVE-DAY NASDAQ COMPOSITE

Streamers: Disney will pull its product from Netflix, and launch a competing streaming service. Nvidia's quarter was good, but not great enough for some investors. The Nasdaq Composite Index finished Friday at 6,257–down 1.5% for the week.



As the charts above illustrate, both the **Dow Jones Industrial Average** as well as the **NASDAQ Composite** fell 1% and 1.5 % respectively.

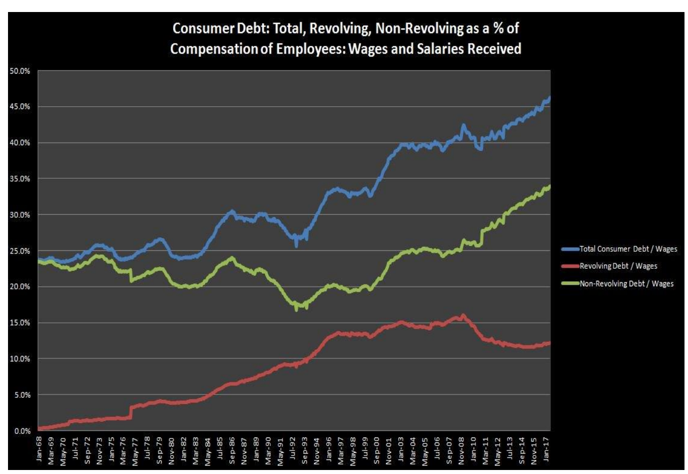
The Markets & Economy

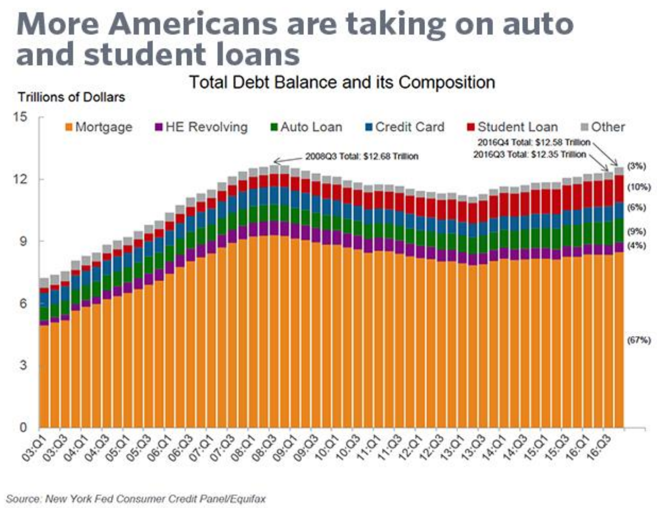
Itôs August and earnings season is over. Congress is out of session so markets are just watching and waiting for something to happen. In addition, many are just relaxing for the rest of summer.

As far as the economy is concerned we did learn a bit last week. We learned that labor productivity has increased nicely and this is helping the strong surge in corporate profitability which fuels stock prices in the long run.

We also learned that debt accumulation in this country has now reached record levels. Not government debt which breaks records every single day but private sector debt.

Look at the chart below. This chart shows the total consumer debt as a percentage of wages. This has now grown to over 46%. Thus, the level of debt that requires servicing is higher than ever. Now that the Federal Reserve is hiking rates this need to service the debt will work to slow down an already mediocre economy.





The chart above shows the composition of the debt pile. Growth in automobile and student debt is leading the charge but credit card debt is moving up as well. Again, this might explain the problems the auto industry is having trying to sell this year. There is a mountain of debt out there and used car prices are in the dumpster. Thus, the ability to purchase new vehicles is under pressure.

Finally, we learned last week that inflation in this country is still falling. Someone tell the economists at the Fed that this trend is not transitory but instead looks to be very strong and persistent. The debt bomb overhang is reducing spending everywhere and the required servicing of the debt overhang is a very disinflationary process. The Fed must stop not only its policy errors but also its public position statements which are at odds with the economic data.

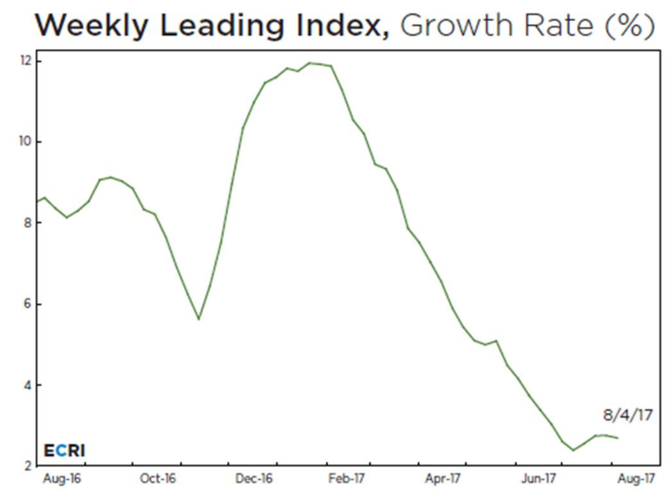
Part time jobs in bars and restaurants will not be sufficient to move the economy into a higher and sustained growth path. While the outlook is still for a pretty good Q3, the trend always moves lower as data comes in. The year 2017 will still end up as a 2% plus or minus year just like the previous 8 years under Obama.

What to Expect This Week

Markets are off to a strong start this week as tensions appear to have receded over North Korea but obviously, that is a day to day issue.

There will be few earnings to look at and the biggest economic data point comes tomorrow with the Retail Sales number for July. Look for it to disappoint again but with many pundits doing their best to paint a happy picture. There just isn't enough money to service debt, pay Obamacare premiums and engage in strong spending. The retail sector names tell you all you need to know in that regard.

Finally, the weekly look at the ECRI's chart of leading economic indicators shows a lackluster outlook at best. There just isn't anything out there to convince me that the economy is ready to boom. The risks remain to the downside and the Fed needs to move to the sidelines before it is too late.



The next update will be after the end of summer. In this case September 11th.

Enjoy the rest of summer everyone.

Symbol: VOD

Symbol: R

Mobile operator VODAFONE beat expectations when reporting a 2.2 percent increase in revenue growth during its most recent earnings quarter. Strong performances in Italy and Spain and higher demand in Turkey for its services keyed the growth. VOD revenues slipped slightly as compared to the previous yearôs quarter, but the figures in the current quarter exclude the sale from VODAFONE INDIA following its merger with IDEA CELLULAR earlier this year.

VOD reiterated its full year outlook and expects to grow core earnings by 4 to 8 percent for the rest of 2017. CEO Vittorio Colao expects cash flow to jump this year, enabling VODAFONE to increase dividends. Shares of VOD have moved 19 percent higher this year while offering investors a 5.7 percent annual dividend yield. The report prompted several analysts to upgrade their opinion of VODôs stock.

Truck leasing giant RYDER SYSTEM easily exceeded its earnings estimates during the second quarter and raised guidance for the rest of 2017. Ryder reported adjusted earnings of $50.8 million, or $1 per share. Street estimates were for 93 cents. The Company posted revenues of $1.79 billion in the period, also surpassing forecasts.

RYDER increased revenue across three major segments, Fleet Management Solutions (up 1% year-over-year), Dedicated Transportation Solutions (up 6% from the year-ago-quarter) and Supply Chain Solutions (up 17% year-over-year). The Company now expects 2017 adjusted earnings to come in between $4.38 and $4.58 per share compared with the previous range of $4.25 to $4.55. Shares of RYDER SYSTEM have gained 13 percent over the past 12 months. Ryder raised its dividend 2 cents in July.

Symbol: QCOM

Wireless chip maker QUALCOMM reported strong financial results during its third quarter of fiscal 2017. QCOM earned 70 cents per share, beating estimates by 3 cents. Quarterly total revenue of $5.3 billion was down year-over-year but still surpassed Street estimates.

The largest manufacturer of wireless chipsets in the USA shipped approximately 187 million Mobile Station Modem chipsets to customers. This quarter, the Company is expected to increase its shipments to between 205 and 225 million. QCOM returned nearly $1.1 billion to stockholders during the quarter and bought back some 5.2 million shares. The current annual yield for QUALCOMM is 4.32 percent.

Symbol: MO

ALTRIA GROUP relied on higher tobacco prices and a gain from its AB InBev/SABMiller investment to help drive profits in the second quarter. The Company earned 85 cents per share, mostly in line with Street expectations. MO boosted revenue by 2.2 percent, to $6.66 billion in the period. This exceeded analyst forecasts.

Shares of MO declined after the FDA announced a plan to consider lowering nicotine levels in cigarettes, to make them less or non-addictive. Reactions to the plan have been mixed as some say potential regulation won't come into play for at least a few years, if at all. ALTRIA has overcome these types of challenges in the past by raising prices, buying back shares, and investing in e-cigarettes and other growth markets. MO is guiding full-year EPS growth in the 7.5 to 9.5 percent range. ALTRIA has raised its dividend 48 years in a row and we expect the Company will raise it again in the near future.