



Tom McIntyre's Weekly Commentary & Outlook

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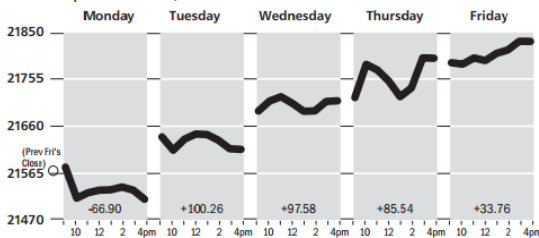


This is Tom McIntyre with another client update as of Monday, July 31st, 2017.

Last week's earnings reports, which were fine, combined with an increasingly muted Federal Reserve Board resulted in a pretty quiet week given the many earnings reports and updates on the economy.

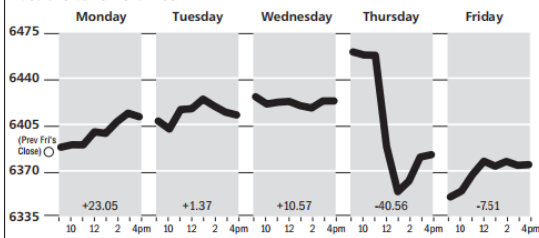
FIVE-DAY DOW COMPOSITE

Rip-Roaring Good: The Dow rose 1.2% as earnings captured everyone's attention last week. Boeing gained 14% after reporting better-than-expected results, while 3M tumbled 5.4%.



FIVE-DAY NASDAQ COMPOSITE

Slip, No Slide: The Nasdaq Composite snapped a three-week winning streak after dropping 0.2% this week to 6374.68. Apple's earnings will set the tone next week.



As the charts above illustrate, the **Dow Jones Industrial Average** gained over one percent while the **NASDAQ Composite** fell fractionally given the disappointment with Amazon's numbers.

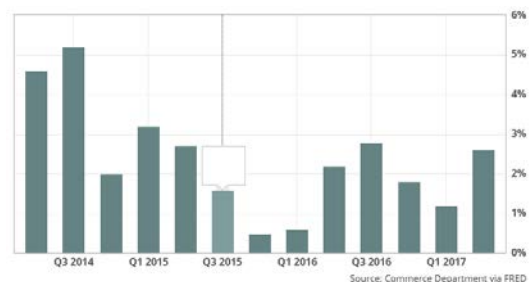
The Market & Economy

As predicted, not only did the Fed do nothing at their meeting last week but they reinforced the notion that they may be missing something when it comes to

their forecasts of the future, given how incorrect they have been in the past. To be sure, they are still discussing timing for reversing their policy of quantitative easing but that's for the future. Furthermore, they are perplexed at why the yield curve is flattening as they have been raising rates. Their hope now is that selling back their bond holdings will raise rates further out and give them a steeper curve.

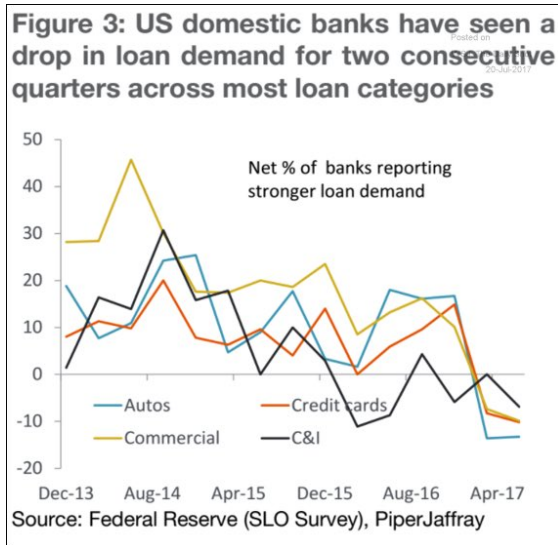
This, of course, is silly since the market will simply run them over once they are done selling. The yield curve is going to go where economic fundamentals put it. Attempts to manipulate it by the **Fed** will fail. These egg heads in DC just cannot admit that they lack the ability to centrally control interest rates or stock prices etc. They will learn.

Meanwhile back at the economy, the 2nd quarter GDP report (shown below) was estimated to have grown by 2.6% at an annual rate. Since the recovery began in 2009 the growth rate has averaged just 2% per year. The current year is on a similar pace. So, nothing to really notice here except that the decline in the US dollar and increase in government deficit spending is still not providing a spring board to higher growth.



Given the lack of progress in DC on the Trump domestic agenda of repealing Obamacare and cutting taxes, it remains doubtful that the economy can accelerate any time soon. In fact, evidence mounts that just the opposite is more likely.

Notice the chart below which shows a falling off in all types of loans by the banking sector over the past two quarters. Quite simply, an economy which is not growing its loan book is not growing at all. This bears watching.



Of course, stocks love a 2% economy. It keeps interest rates low and continues to make the equity market attractive versus other investment opportunities.

What to Expect This Week

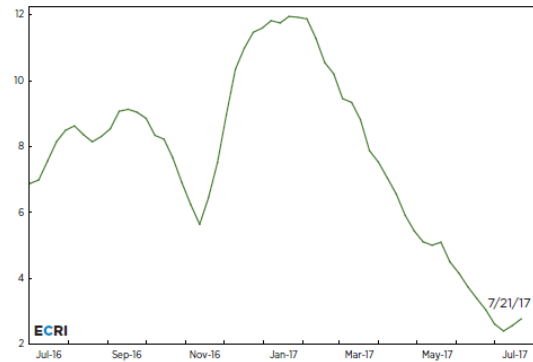
Earnings season will march on. There will be more drama from DC. Global threats will continue to rear their ugly heads but markets have seemingly learned to put this stuff to the side.

Friday's employment report for July will be the big number to anticipate this week. Once again, I expect headline numbers to be encouraging as they are manipulated while the details continue to disappoint. There simply hasn't been a change to the fundamentals of wage growth etc.

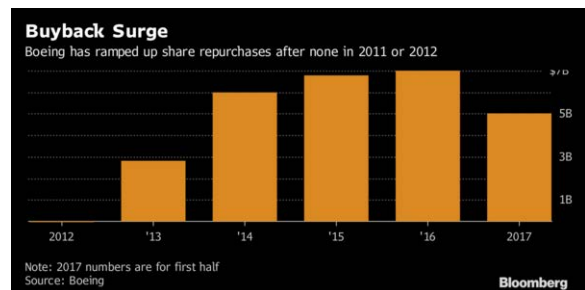
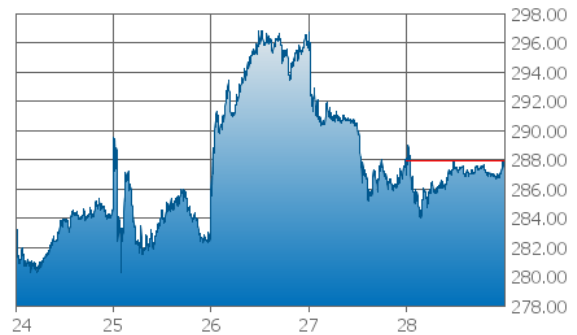
Finally, the weekly chart of the ECRI's leading economic indicators shows a slight continued bounce. Perhaps that means something, but remember this index counts as one of its constituents, the stock market, which remains quite

happy with the current 2% growth rate and stalemate in DC.

Weekly Leading Index, Growth Rate (%)



Symbol: BA



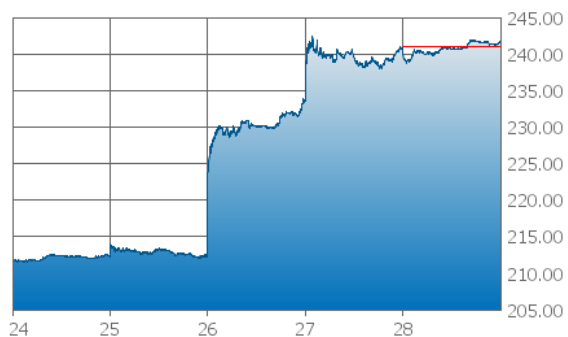
Shares of **BOEING** took off after the Company released an explosively positive second quarter earnings report and raised guidance for the rest of 2017. The world's #1 producer of commercial aircraft posted earnings of \$2.89 per share, a full 30 cents better than expectations. Revenue came in at

\$22.7 billion. **BA** sold 226 commercial and defense aircraft units during the period.

What helped shares rise more than 25 points by weeks' end to a new ALL-TIME HIGH was its guidance. **BA** is lifting its earnings forecast for the rest of 2017 by 75 cents a share to between \$11.10 and \$11.30 on improved performance. **BOEING'S** cash flow surged to \$4.5 billion which will fuel more share buybacks and increased dividends. The upbeat quarter was marked by solid execution of key product launches, including its first 737 MAX 8 delivery and the launch of the 737 MAX 10. At least 7 Wall Street analysts upgraded their ratings on **BOEING'S** stock after the quarterly report was released. Shares are up MORE THAN 54 PERCENT SO FAR IN 2017.



Symbol: BIIB



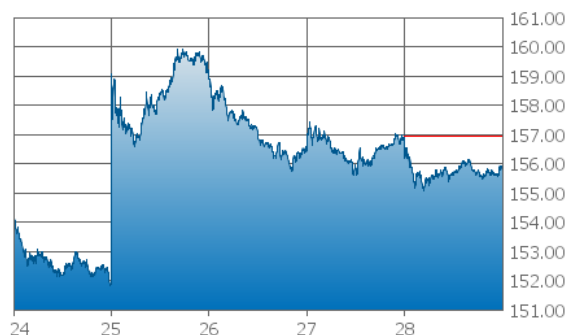
BIOGEN'S stock moved significantly higher as well, after the biotech's second-quarter profit smashed estimates, leading to the Company raising its full-year earnings forecast. **BIOGEN** earned \$5.04 per share, beating Wall Street's estimates of \$4.41. Total revenue rose 6.4 percent from the previous quarter to \$3.08 billion, also beating the Street.

BIIB was boosted by strong sales of its spinal muscular atrophy drug, SPINRAZA, which brought in \$203 million alone during the quarter. The FDA approved use of the drug last December.

SPINRAZA's success helped **BIIB** lift its full-year adjusted profit forecast to a range of \$20.80 per share to \$21.40 per share, and revenue between \$11.5 and \$11.8 billion. **BIIB** expects to reserve up to \$400 million a year for research and development of new therapies. Shares of **BIOGEN** have risen 12 percent over the past 6 months.



Symbol: MCD

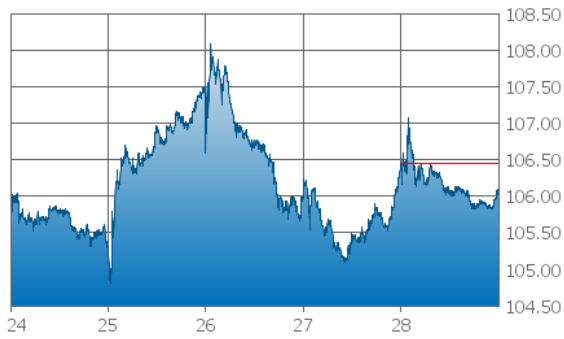


Shares of **McDONALD'S** hit a new ALL-TIME HIGH last week thanks to a stronger-than-expected second-quarter earnings report that got a boost from upscale burgers, chicken sandwiches, and discounted beverages. **MCD** earned \$1.70 a share, versus \$1.62 that was expected. Revenue at the golden arches around the world came in at \$6.05 billion versus Street expectations of \$5.96 billion.

McDONALDS' same-store sales grew 6.6 percent globally, with same-store sales in the U.S. jumping an impressive 3.9 percent. The Company is focused on CEO Steve Easterbrook's "experience of the future" which includes renovating locations, ordering kiosks, and table service. Currently, more than 1,800 **McDONALD'S** restaurants offer this service. Shares of **MCD** have risen an impressive 28 percent so far in 2017.



Symbol: HSY



Shares of **HERSHEY** got a little sweeter last week after the Company announced it is **RAISING ITS QUARTERLY DIVIDEND 6.1 PERCENT**. The new dividend will be \$0.656 per share quarterly, increased from the prior dividend of \$0.618. This works out to an annual dividend yield of 2.44 percent. It will be payable September 15th to shareholders of record August 25th. **HERSHEY** has paid quarterly dividends for 351 straight quarters.

For the quarter, **HERSHEY** reported a 1.8 percent increase in net sales, helped mostly by an increase in consumption of chocolate products in North America. Gross margins improved to 47.1 percent, driven by lower input costs, supply chain productivity and cost savings initiatives. **HERSHEY** reaffirmed their 2017 earnings guidance.