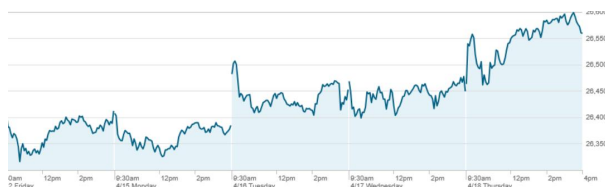


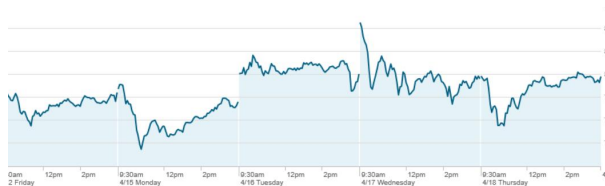


This is Tom McIntyre with another client update as of Monday April 22nd, 2019.

The stock market has continued to make progress although, sectors are key and rotation happens quickly.



DOW 4-day



Nasdaq 4-day

In last week's holiday-shortened trading the **Dow Jones Industrial Average** gained just .6% while the **NASDAQ Composite** barely moved higher by .2% (see charts above).

Energy stocks came alive as a major merger was announced and this morning the price of oil has moved above \$65 per barrel for WTI. We are recovering from the harrowing and self-defeating price decline of last year's Fed inspired collapse in the stock market.

Markets & Economy

Friday the stock market was closed in observance of Good Friday. The rest of the week saw some initial reactions to the first quarter earnings reports which started to be released. So far, the reports have been acceptable but the

early ones (led by the major banks) usually are. So, the fireworks didn't come from either their announcements or their forecasts.

Instead, last week was dominated by the settlement between Apple and our portfolio holding, Qualcomm (see our comments below). Suffice it to say, Apple folded its tent in court to try and change the terms of their contractual obligations. This was always a business dispute and to my mind a signed deal was always going to bring a victory to Qualcomm. It's too bad it went on for over two years but last week's pop in the stock price of Qualcomm of over 40% sure seems like it was worth waiting for.

In addition, the oil sector received a boost when Chevron announced it is buying Anadarko for a large premium. In many cases, the price of the oil companies has not recovered from last fall's oil price plunge even though the price of oil has pretty much done so. The misconception about the oil market today still exists. Only a global recession, which would kill off demand, could really dent the price of oil at this point.

This morning's news that the US would not extend waivers on exports of Iranian oil will take another one million barrels a day off the market eventually. While this can be replaced by other nations and a continued ramp up here at home, the reality is the oil market is tight. The last thing that anyone should want is for the price of oil to fall back to where companies no longer want to produce. That means they need to make profits.

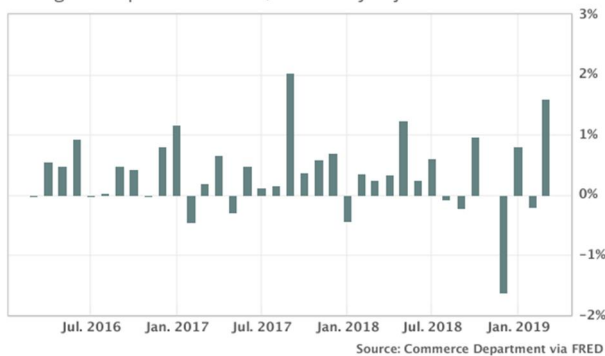
In the case of Chevron, they determined it was cheaper to buy oil on the stock market rather than explore for it through the traditional manner. This tells me two things: oil shares are inexpensive at the current price of oil and

this move by Chevron will not be the last deal in the sector. Shares of Marathon Oil represent one of the best values out there and the Company is positioned well to execute. Their share price either goes up or it gets bought out. Take your pick.

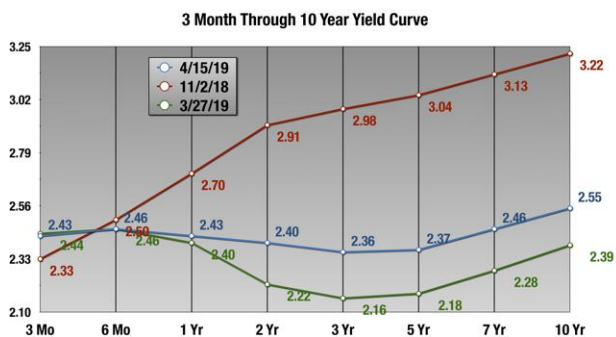
As far as the economy is concerned, the news is mixed. Last week saw a rebound in retail sales (see chart below) but these monthly swings show some uncertainty in this important sector and it is showing up in many retailer reports. At the same time, important sectors such as housing and auto are just not doing very well. Even the debt metrics are starting to deteriorate in looking at the bank's earnings reports. Higher write offs and estimates of future bad loans is not what you want to see.

Retail sales

Change from previous month, seasonally adjusted

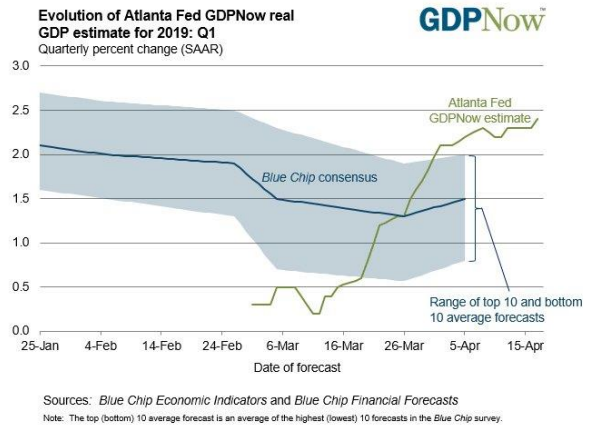


It is for this reason there is so much commentary about the US facing a recession soon. The inverted yield curve, which the Fed induced, has not helped that concern. Below is a chart showing the yield curve for three different dates.



One can see just how inverted things were back in March after the Fed made its policy error of raising rates late last year and forecasted many more for this year. Subsequently, they have relented and the curve, while still inverted, is improving. The economic data remains mixed here at home and quite simply negative abroad.

The slowdown around the world has produced a lower trade deficit which will produce a higher GDP growth rate for the 1st quarter. This is not how we want to produce growth, but it is simply a function of the calculation. The Atlanta Fed now estimates Q1 will come in at a positive of 2.4% (see chart below). That will make for some good headlines, but questions remain about final US demand.

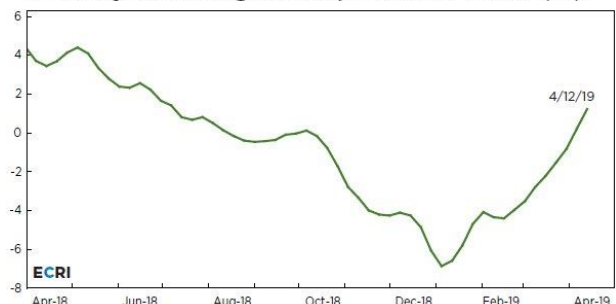


What to Expect This Week

This being a full week will see the largest number of firms reporting their earnings, including many of our names. That will be the focus for us now.

Finally, the weekly report from the ECRI on their index of leading economic indicators shows a continued mild upturn from where it was at the beginning of the year. At this point with unemployment so steady and low it is hard to imagine a recession anytime soon. Having said that, certain sectors are clearly in a slowdown while others such as semiconductors suffered through their slowdown late last year and earlier this year.

Weekly Leading Index, Growth Rate (%)





Shares of **QUALCOMM** have SOARED since its long-running dispute with APPLE, over royalty payments for **QCOM's** smartphone equipment, came to an abrupt conclusion. The settlement ends two years of royalty litigation and includes an unspecified, but no doubt substantial, payment from APPLE to **QUALCOMM**. AAPL had publicly dismissed **QCOM's** technology during their dispute BUT PRIVATELY PRAISED THE CHIPMAKER AS HAVING THE BEST PRODUCTS AVAILABLE for their iPhones. AAPL and **QCOM** reached a six-year license agreement, effective as of April 1st including a two-year option to extend, as well as a multi-year chipset supply agreement. This means APPLE could resume using **QUALCOMM** as its supplier for modem chips after having switched to INTEL when the dispute with **QUALCOMM** began.

Just hours after the **QCOM** and APPLE agreement was made, INTEL announced that it was dropping out of the 5G modem business. **QUALCOMM** says the new deal with APPLE will add at least \$2 in incremental EPS and could add billions of dollars to its bottom line as its chip shipments ramp up. News of the settlement sent **QCOM** SHARES UP 43 PERCENT last week to multi-year highs, with several brokerages raising their price targets on the stock. Shares continue to move higher today, and we expect this upward trend to continue leading to much higher prices for **QCOM** in the foreseeable future.



QCOM one-year



BLACKSTONE GROUP's price surged 9 percent last Thursday, after the world's largest manager of alternative assets said it would convert from a publicly traded partnership structure to a corporation. **BX** is making the move to become a C-Corp on July 1st to boost its share price and make it more available for investors and institutions to own. **BLACKSTONE** will pay corporate taxes on all its revenue, in exchange for enabling investors such as mutual funds and index trackers to buy the stock. K-1

forms will be generated for the 2019 tax-year, but not after.

BX also announced strong first quarter earnings on Thursday which beat expectations. The Company's Q1 EPS came in at 71 cents, much better than the 57 cents expected. First quarter distributable earnings of \$538 million, or 44 cents per unit, rose from \$502 million in the year-ago quarter. Total assets at **BLACKSTONE** are now a staggering \$511.8 billion, up 14 percent from the year-ago figure of \$449 billion. **BX** declared a first quarter dividend of 37 cents, which will be payable May 6th.



BX one-year



Shares of **JOHNSON & JOHNSON** moved higher after the Company announced better-than-expected earnings and raised guidance for the rest of 2019. For the first quarter, **JNJ** earned \$2.10 per share, with revenue of \$20.02 billion. Both numbers were higher than Wall Street's estimates. Sales of prescription medicines were the bright spot, rising 4 percent and accounting for over half of the Company's total revenue.

For the full year, **JOHNSON & JOHNSON** edged up its forecast, as it expects EPS of \$8.53 to \$8.63 on revenue of \$80.4 billion to \$81.2 billion. The market was heartened that revenues from several individual businesses, including pharma and medical devices came in with robust numbers despite generic competition. Shares of **JNJ** moved 3 percent higher on the day of the earnings announcement and are 7 percent higher so far in 2019.



JNJ one-year



PROCTOR & GAMBLE is raising its dividend for the 63rd CONSECUTIVE YEAR. The board of directors for the consumer products maker declared an increase of their quarterly dividend to

\$0.7459 per share on **PG's** common stock. The new dividend will be payable on or after May 15th to shareholders of record April 19th. This represents a 4 percent increase when compared to the prior quarterly dividend.

Shareholders of **PROCTOR & GAMBLE** have enjoyed a very long history of dividends. In fact, the Company has paid a dividend for 129 consecutive years, dating back to 1890. Shares of **PG** have gained 43 percent over the past 12 months and will report quarterly earnings tomorrow, April 23rd.



PG one-year



ENTERPRISE PRODUCTS

PARTNERS is raising their quarterly distribution yet again. The board of directors at **EPD** increased the quarterly cash distribution paid to limited partners to 0.4375 per common unit, or \$1.75 per unit on an annualized basis.

The new quarterly distribution, which is a 2.3 percent increase when compared to the year-ago quarter, will be paid May 13th to unitholders of record as of April 30th. This increase makes it the Partnership's 59th CONSECUTIVE QUARTERLY DISTRIBUTION INCREASE. Shares of **EPD** have risen 16 percent over the past year. **ENTERPRISE** will release its first quarter earnings on May 1st.



EPD one-year