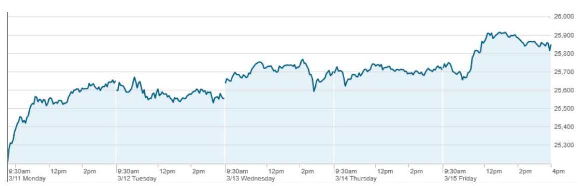
Tom McIntyre's
Weekly Commentary & Outlook

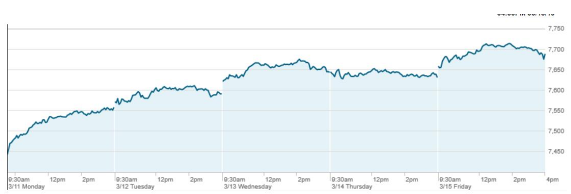
McIntyre, Freedman & Flynn, Investment Advisers, Inc. · 4 Main Street · P.O.Box 1689 · Orleans, MA 02653 · (508)255.1651

This is Tom McIntyre with another client update as of Monday March 18, 2019.

The stock market rebounded last week, despite growing concerns about global growth. Offsetting this, of course, was the recognition by monetary officials of their counter productive policy of raising interest rates into a global slowdown. They won't say it, but that is what happened.



Dow 5-day



Nasdaq 5-day

As the charts above illustrate, the **Dow Jones Industrial Average** gained 1.6% last week while the ***NASDAQ Composite*** led by the semiconductor sector jumped 3.8%.

Markets & Economy

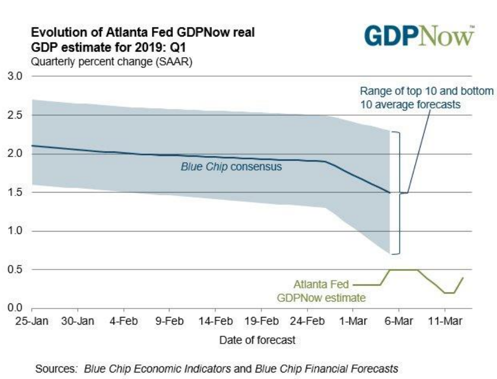
It may seem counter intuitive, but markets love a slow down because it means low interest rates and central banks are ready to correct their errors. Of course, any slow down that results in a recession would cause markets problems and certain sectors would experience huge issues. It does not appear domestically that we have that problem. Even global demand for oil was noted last week to be doing much better than had been expected. This is a very good proxy for global growth. In fact, the demand for oil is such that the price is still too low. The incentives to explore and develop reserves economically are not currently present. Remember, ten years ago the price of oil was $140 per barrel. Now todayôs price in the $58 range just cannot generate the investment needed to keep up enough supply. In fact, just last week the IEA reduced their 2019 estimate of US production. Last yearôs swoon in oil prices has produced less oil which a bad thing for both the economy and the longer-term price of oil.

The US, being the largest global producer of oil, would be a huge beneficiary of a higher price of oil in the long run. Not back to $140 but enough to incentivize the industry to its maximum potential.

The US economy over all though, is currently wrestling with the policy mistakes of last yearôs FOUR increases in interest rates which drove (there have been 9 total hikes in the since Trump was elected) the growth rate lower as last year progressed. It also drove oil and commodity prices lower which produced last weekôs tame report on Consumer Prices (see chart on next page). The Fed has, for a decade now, been unable to meet its inflation target. This notwithstanding they continue to forecast that they will soon do so and often cite this as a reason to tighten policy. This thinking is right out of the 1980ôs which is where their analysis stems. I guess they are too busy congratulating themselves to review their past forecasts with actual results and consider what they are missing.

Central planning doesnôt work in socialist countries and it doesnôt work anywhere else either. Markets always are a better barometer of where things are heading, and the bond market last year told the Fed to stop. It was only when the President and the stock market tanked in December (along with retail sales) that the Fed took notice and basically said they were wrong. Since then the stock market has gone straight up in the belief that the switch in policy came soon enough to avoid a recession. So far that looks correct.

While there isnôt a recession in the cards, the slowdown in the 1st quarter of 2019 will be dramatic. The Atlanta Fed now estimates (see chart below) that the US economy grew at just .4% annualized in the opening quarter of the year. I assume this will be the worst quarter but other issues such as trade disputes will govern the fate for this year.

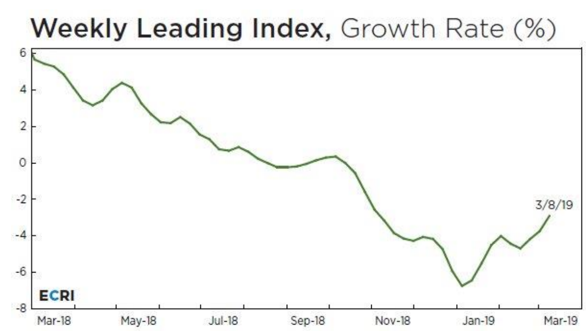


What to Expect This Week

There is a Fed Open Market meeting this week. No policy action is expected but of course the DC establishment and investor community will still hang on every word of explanation. Given the retreats evident in the Euro zone, Japan and elsewhere I would hope the Fed gives the markets no reason to dispute the notion that a coordinated easing move is in the works for the rest of this year. There are simply too many other things that the Fed cannot forecast for it to resume their lecturing tone of last year. Hope springs eternal.

We are in a quiet period otherwise as the 1st quarter winds down with little corporate news on the agenda.

Finally, the chart below of the ECRIôs index of leading economic indicators continues its slight improvement but as they would say (and do say) this is nothing to get excited about. But for markets the key thing to focus on is that the slow down is merely that. That will assure lower rates, reasonable earnings and less volatile markets. Hints of recessions will not.



DOWDUPONT announced it will separate into three independent publicly traded companies, due to be completed by June 2019. Its material science unit, which will be named DOW, will spin off on April 1st. ***DWDP*** stockholders will receive one share of DOW for every three shares of ***DOWDUPONT*** held as of this Thursday, March 21st. In addition, ***DWDP's*** board has declared a dividend for the second quarter of 2019.

DOWDUPONT was formed by the $130 billion merger of chemical giants DOW CHEMICAL and DuPONT back in 2017. Once this new split is finalized the three companies will be known as DOW, DUPONT and CORTEVA AGRISCIENCES. CORTEVA, the agriculture unit is set to separate from the group on June 1st. ***DWDP*** reiterated and earlier announcement that they plan to buy back $3 billion in stock after the separation and issue an annual dividend of $2.1 billion. The current annual dividend yield for ***DWDP*** is 2.75%.

DWDP one-year

Shares of Canadian energy provider ***ENBRIDGE*** has hit multiple 52-week highs in 2019 as The Company has delivered record results on the majority of its financial performance figures, while continuing to provide a healthy and sustainable dividend to shareholders. During ***ENB's*** 4th quarter The Company transported 2.7 million barrels per day (bpd) of crude oil on its Mainline system across Canada and the United States, which was up from the 2.6 million bpd in the year-ago quarter.

ENB is growing. The Company brought a full $7 billion worth of new projects online in 2018 including the $1.5 billion NEXUS/TEAL gas pipeline in Ohio and the $1.6 billion VALLEY CROSSING natural gas pipeline which is connecting Mexico and Texas. Earnings in the quarter of $1.089 billion were 426% better than the $207 million recorded in the prior year quarter.

ENBRIDGE has been working on replacement parts for its massive Line 3 pipeline, which runs from Alberta to Wisconsin. This pipeline, once back into service, will restore its capacity to 760,000 barrels per day. With timely approvals from regulators, ***ENB*** expects the pipeline to be operational before the end of this year. The annual dividend yield for ***ENBRIDGE*** is 6.01%, and the company anticipates a 10 percent increase to its dividend in 2020.

ENB one-year

SUNCOR ENERGY is raising its dividend. ***SU's*** board of Directors has approved a quarterly dividend of 42 cents per share on its common shares, payable March 25th. This new dividend represents a 17 PERCENT INCREASE over the prior quarter and marks 17 YEARS OF CONSECUTIVE ANNUALIZED DIVIDEND INCREASES. ***SU*** recently completed its most recent $3 billion stock buyback program, and its board has approved an additional buyback program of $2 billion. Shares of ***SUNCOR*** have rallied +20 percent so far in 2019.

SU one-year

MERCK's wonder drug KEYTRUDA has been approved by the EUROPEAN COMMISSION for the first-line treatment of adults with metastatic squamous non-small cell lung cancer. This approval is based on data from the Phase 3 Keynote-407 trial which demonstrated that KEYTRUDA in combination with chemotherapy significantly improved overall survival in adults with this type of lung cancer. The test data stated the risk of death was DECREASED BY 36 PERCENT, when compared to treating the patient with chemotherapy alone.

The approval allows marketing of the KEYTRUDA combination in all 28 EU member states plus Iceland, Lichtenstein and Norway. Shares of ***MERCK*** have gained over 47 percent in the past 12 months.

MRK one-year