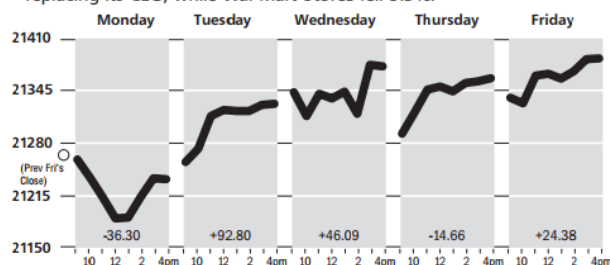


This is Tom McIntyre with another client update as of Monday, June 19th, 2017.

Another week highlighted with disappointing weakness reported in the economy and a hike in interest rates by the FED. Neither impacted the overall markets but individual names were a different story.

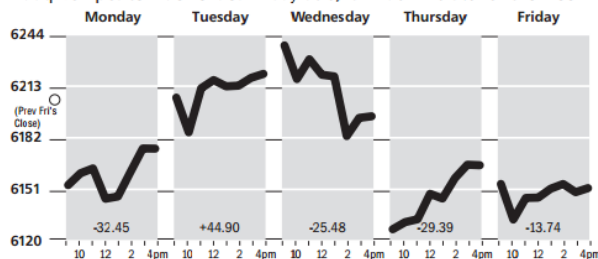
FIVE-DAY DOW COMPOSITE

Record Setter: The Dow rose 0.5% last week to a new all-time high after the Fed hiked interest rates. General Electric gained 3.8% after replacing its CEO, while Wal-Mart Stores fell 5.3%.



FIVE-DAY NASDAQ COMPOSITE

Super Market: Amazon will swallow Whole Foods. Finisar is bringing 3-D sensors to the iPhone. Microsoft showed its next Xbox. The Nasdaq Composite Index ended Friday at 6,152—down 0.9% for the week.



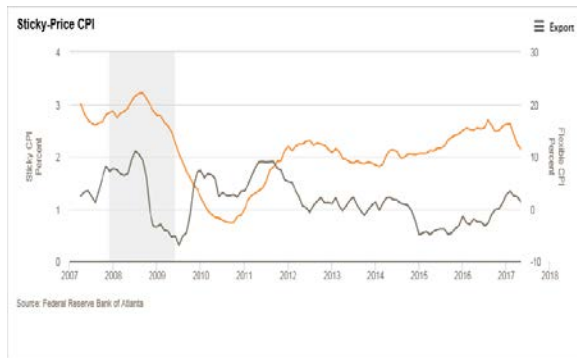
As the charts above illustrate, the **Dow Jones Industrial Average**, led by Boeing, hit an all-time high last week while the **NASDAQ Composite** fell back somewhat

on continued worries about economic growth.

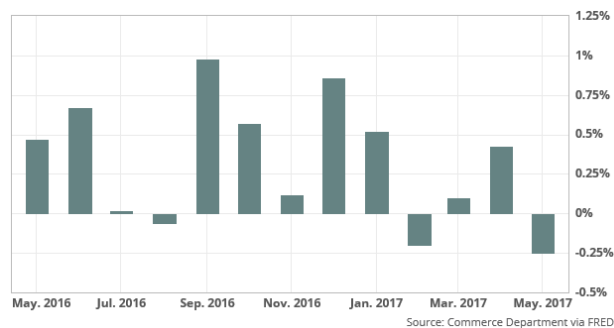
Markets & Economy

Well the **FED** did as they promised last week. They raised rates and threatened to raise them further in the future. They no longer attempt to suggest the economy is booming, they simply think that after 8 years of extraordinary stimulus it's time to "normalize" policy. Now, as I have often said, this would be ok if the economy wasn't already in a decline with signs of deflation abounding. As it is, this represents a further policy error which some have even started to speculate is being done to engineer an economic slow-down to harm the new Trump economy. Who knows? But it is very hard to explain monetary policy in the face of unremitting economic evidence of an economy which rolled over quite some time ago.

Last week the **FED** could see, before its decision, the latest inflation data and results of retail sales. If you look at the two charts on the next page, you can see the dismal results. As you can see in the Consumer Price Chart, it has now fallen to just a 1.7% gain on a year-over-year basis and is falling. This is below the **FED**'s stated goal of 2% which it never seems to attain, just continues to forecast will happen.



In addition, retail sales had an awful month of May showing an actual decline of .3%; the worst showing in a year and a half. You can add to this the weakness in housing starts and sales during the prime spring season and you just scratch your head trying to figure out what the **FED** is doing and why?



I'm not the only one, by the way. Many economists, who have been on record for a long time calling for the **FED** to move, have changed their minds as the data has worsened. They have even pointed out the downward trend of economic data versus expectations which has occurred as the **FED** has tightened policy three times since last November's election (see chart below).

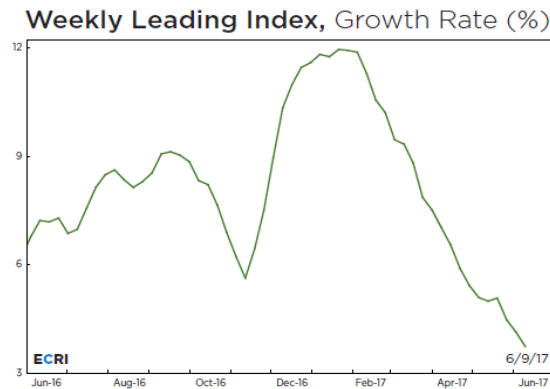


Thus, markets have rationally acted like it's the wrong policy move. The US dollar has weakened; the Treasury bond market has rallied (a certain deflationary sign of concern) and commodities, especially gold and oil, have fallen dramatically. This is the classic background one would expect that would cause the **FED** to loosen policy. Something is very wrong about their moves and their timing. Thus, the yield curve between the 2-year note and 30-year bond is shrinking which is another signal from the markets of slower growth, if not recession, ahead. It doesn't help that the Trump agenda of tax cuts etc. has been pushed aside due to confusion which is dominating Washington DC even though Republicans control the White House and Congress. One would never know it listening to the debate on the news.

What to Expect This Week

Frankly, this is not earnings season and there are no economic issues to be announced which could possibly change the background discussed above. I would expect a quiet week dominated, unfortunately, by the usual headlines of confusion from DC on policy moves. In addition, while the country is off to a relatively cool start for summer, it is now the vacation season with markets less active until earnings start up in the middle of July.

The chart on the next page updates the ECRI's index of leading economic indicators. It continues to roll over and now shows its lowest growth rate in nearly a year. This is consistent with an economy which is not likely to be doing better some six months from now. The year 2017 could very well show growth which is less than last year, which was less than in 2015. How policy makers at the **FED** could be confident they are not doing harm absolutely eludes me.



Due to my travel plans, the next update will be in two weeks.



SYMBOL: BA



Worldwide orders are flying in for **BOEING** as its shares are hitting all-time highs at nearly \$200. Wednesday **BA** agreed to sell 36 F-15 fighter jets to QATAR for \$12 billion, despite tough talk from the White House about that country funding terrorist groups. United States Secretary of Defense, James Mattis, signed off on the deal. QATARI officials say the F-15 sales show that the U.S. is still an ally in the Middle East region.

Also, last week **BOEING** won a \$5.8 billion order for 50 single-aisle 737 MAX aircraft for delivery to CHINA AIRCRAFT LEASING GROUP, an aircraft operating lessor. This marks the Chinese company's

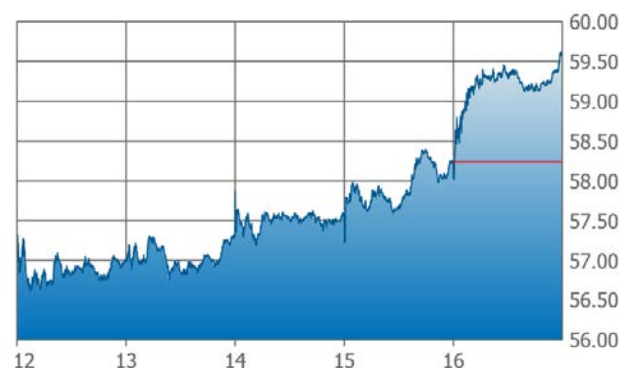
first transaction with **BOEING** with deliveries scheduled thru 2023.

This morning, aircraft leasing giant AERCAP placed an order worth \$8.1 billion for 30 **BOEING** 787-9 DREAMLINERS at the Paris Airshow. INDIAN low-cost carrier SPICEJET signed a provisional deal to pay **BA** \$4.7 billion to buy 40 newly launched 737 MAX 10 Jets.

The MAX is the fastest-selling plane in **BA**'s history. **BOEING** announced they will be expanding the size of the MAX 10, which will allow it to carry up to 230 passengers. This a direct challenge to the AIRBUS A321. Shares of the stock are, quite frankly, airborne this year. **BOEING** shareholders have enjoyed a 27 PERCENT GAIN in less than 6 months while paying out a 3 percent annual dividend.



SYMBOL: NFG



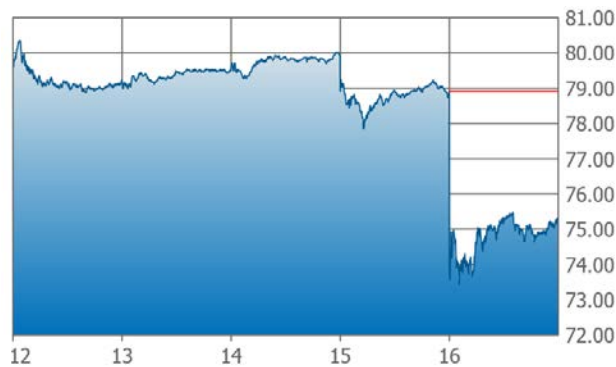
Shares of **NATIONAL FUEL GAS** rallied 2 percent higher Friday after the Board of Directors approved a 2.5 percent increase in the dividend of the Company's common stock. This raises the quarterly rate from

40.5 cents per share to 41.5 cents per share for an annual rate of \$1.66 per share.

NFG has paid dividends for 115 CONSECUTIVE YEARS and has increased its annual dividend for 47 STRAIGHT YEARS. The new payout will be available on July 14th to shareholders of record on June 30th.



SYMBOL: WMT



Shares of **WAL-MART**, the largest retailer and grocer in America, along with other chain stores were impacted since Friday after AMAZON announced they were paying almost \$14 billion to acquire WHOLE FOODS MARKET in an all-cash deal. **WAL-MART** shares were lower on the session Friday, as some view AMAZON's entry into grocery space as a threat to them and others. Several analysts view this as an opportunity to acquire more shares of the largest retailer on the planet, since **WAL-MART** has over 4,500 points of distribution in food, while AMAZON just bought 461 locations by taking over WHOLE FOODS. We are monitoring the situation closely at this point.