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WEEK IN REVIEW TRUMP BREAKS TRADITION

Review of the week ended July 20, 2018

- **Trump responds to rate hikes, dollar**
- **China allows currency to decline**
- **EU's Juncker to discuss trade with Trump**
- **US '19 budget deficit anticipated to top \$1 trillion**

The technology-laden Nasdaq Composite Index COMP which has an outsize exposure to large tech stocks, finished the session down 5.10 points, or less than 0.1%, at 7,820.20.

For the week, the Dow eked out a gain of 0.2%, while the S&P rose less than 0.1%. The Nasdaq notched a decline of less than 0.1%, enough to halt a string of two straight weekly gains.

Trump worries over rate hikes, stronger dollar

US president Donald Trump broke with decades of tradition by commenting on monetary policy, saying he is not thrilled with the US Federal Reserve's interest rate hikes, though he acknowledged the Fed's independence. Earlier in the week, Fed chairman Jerome Powell told lawmakers that the economy is strong and additional rate hikes are likely. The president also commented on the value of the dollar, a subject US

presidents rarely address publicly, saying the greenback's strength is putting the United States at a disadvantage. Additionally, Trump said that he is prepared to levy tariffs on the entire value of US imports from China, which reached \$505 billion last year.

China's currency plunges

The Chinese yuan's losses accelerated this week as trade discord between US and China intensified. Markets regard the willingness of Chinese officials to allow the currency to decline as a measure taken to partially offset the impact of US tariffs. Markets are somewhat on edge, mindful that volatility spiked globally after China devalued its currency in the summer of 2015. The yuan has lost about 7.5% of its value versus the dollar since the end of the first quarter. Economic growth in China has slowed, with official GDP figures downshifting to a 6.7% annual growth rate in Q2 from 6.8% in Q1. Private estimates

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slowed more significantly amid tighter credit and growing trade strains.



Trump and Juncker talks trade, security

European Commission president Jean-Claude Juncker will travel to Washington next Wednesday to discuss a number of matters with President Trump, with trade undoubtedly the most pressing. Trump recently referred to the European Union as a foe, at least in an economic sense.

White House projects \$1 trillion 2019 budget deficit

Federal spending increases and rising debt service will push the US budget deficit above \$1 trillion over the next three years, or roughly 5% of GDP. Deficits have exceeded 5% of GDP only twice, in 1983 when the US was recovering from a recession and unemployment exceeded 10%. Similarly, the deficit exceeded 5% from 2009 to 2012, in the

wake of the global financial crisis.

No proposal for US-China G20 talks

Finance ministers and central bankers of the 20 largest world economies are gathering in Buenos Aires this weekend, with trade issues at the top of the agenda. Ahead of the meeting, the US is said to be trying to marshal support from the European Union and Japan to take on anticompetitive Chinese trade practices. At present, there is no plan for bilateral meetings between US and Chinese officials on the sidelines of the summit.



Jobless claims drop to lowest level in almost 50 years

Weekly claims for unemployment insurance fell to 207,000, their lowest level since December 1969. Adjusted for the size of the labor force, claims are at their lowest levels in modern history. So far, trade tensions have not manifested themselves in US labor market data.

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EARNINGS NEWS

With 17% of the constituents of the S&P 500 Index having reported for the second quarter, blended earnings — combining analysts estimates with reported earnings — are running at a 20.9% year-over-year pace while revenue growth is running at 8.5%, approximately twice nominal US GDP growth.

MAJOR STOCK MOVES

Credit-card provider Capital One Financial Corp. COF advanced 2% following its results late Thursday, while chip company Skyworks Solutions Inc. SWKS lost 5.4% following its own. Medical robots pioneer Intuitive Surgical Inc. ISRG fell 0.9% even after its earnings topped forecasts late Thursday.

Facebook Inc. FB rose 0.9% after analysts at Stifel and Piper Jaffray raised their price targets ahead of the company's July 25 earnings report.

Skechers USA Inc.'s stock SKX plunged 21% after the shoemaker's results and outlook disappointed.

VF Corp. VFC reported adjusted first-quarter earnings that beat expectations, along with revenue that came in ahead of forecasts. The stock gained 4.2%.

Schlumberger NV SLB reported second-quarter earnings that beat expectations, but revenue that was slightly below forecasts. Shares lost 1.2%.

Honeywell Inc. HON gained 3.8% after it topped analyst expectations and raised its outlook.

Shares in FTD Cos. FTD dropped about 19.5% after the beleaguered florist said late Thursday that its chief executive, chief operating officer and chief marketing officer are departing, and it's restructuring and reviewing strategic alternatives.





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THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Jul 23	United States	Existing home sales
Tue, Jul 24	Global	Flash purchasing managers' indices
Thu, Jul 26	Eurozone	ECB press conference
Thu, Jul 26	United States	Durable goods orders
Fri, Jul 26	United States	Preliminary Q2 GDP



IT MAY BE TIME FOR A FINANCIAL CHECKUP

It's never a bad time to speak with your financial advisor about plans for the future and/or changes in your situation. [Click to learn more.](#)

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