



# INCISIVE INVESTOR

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January 31, 2020

## WEEK IN REVIEW

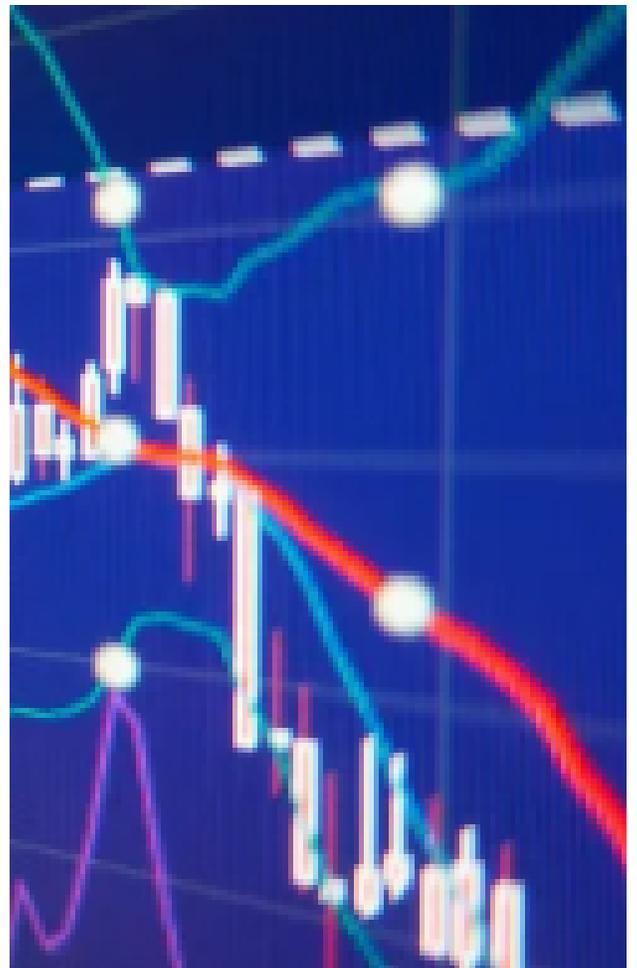
# MARKET RETREATS FROM RECORDS



The Dow Jones Industrial Average DJIA fell 277.26 points, or 0.9%, to end at 29,102.51, while the S&P 500 index SPX lost 18.07 points, or 0.5%, to finish at 3,327.71. The Nasdaq Composite Index COMP lost 51.64 points, or 0.5%, to close at 9,520.51.

Equity benchmarks still notched sizable weekly gains, with the Dow up 3% for the week, the S&P 500 index advancing 3.2%, and the Nasdaq gaining 4%.

The U.S. economy added 225,000 jobs in January, well above the 165,000 jobs expected by economists polled by MarketWatch, while the unemployment rate ticked up slightly to 3.6% as the share of Americans in the labor force rose by 0.2 percentage point.



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## **Strong start for US labor market**

The US economy surpassed expectations by adding 225,000 new jobs in January, though a rise in labor market participation pushed the nation's unemployment rate slightly higher, to 3.6%. Wages rose 3.1%, beating December's 3% pace. A warmer-than-expected January saw a jump in hiring in the construction industry, and this was the main cause of the upside surprise to economists' forecasts that 161,000 new jobs would be added last month.

## **Coronavirus slows**

Statistics released by the Chinese government this week show that outside of the province of Hubei, the center of the Coronavirus outbreak, the pace of new infections has slowed. The news comes amid reports that progress toward creating a vaccine to prevent the disease was being made and that a combination of two drugs may treat it. With a significant percentage of industrial production in China shut down to prevent the spread of the virus, ripple effects are being felt by global supply chains. One prominent example was this week's move by Hyundai to shut down automobile production in South Korea due to a lack of parts usually sourced from China. To offset the economic drag from the outbreak, China's central bank this week injected record amounts of liquidity into local money markets and cut repo rates by five basis points. A

further cut to the benchmark loan prime rate is expected later in the month, as is a cut in the reserve requirement ratio after an official said the central bank has more room to support growth than other economies.

## **PMIs rebound in January**

Purchasing managers' indices bounced back in January after headwinds from the US-China trade war and Brexit subsided at the end of last year. The surveys were completed largely before the impact of the coronavirus began to affect markets. The global manufacturing PMI rose to 50.4, the highest level in nine months, while the Institute for Supply Management's manufacturing measure rose into expansion territory, hitting 50.9. Germany's measure continued to contract but reached an 11-month high of 47.9.

## **US primary election off to shaky start**

The beginning of the Democratic Party's US presidential primary process was disrupted this week as a technical hitch and administrative problems prevented party officials in Iowa from formulating caucus votes promptly. As of noon on Friday, Mayor Pete Buttigieg led Vermont Senator Bernie Sanders by a razor-thin margin. Former Vice President Joe Biden, the frontrunner in national opinion polls, appears to have come in a disappointing fourth in the caucuses and trails Sanders by double digits in polls as Tuesday's New Hampshire primary approaches.

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## EARNINGS NEWS

With around 65% of the voters of the S&P 500 Index having reported for Q4 2019, blended earnings per share (which combines reported data with estimates for those who have yet to report) shows that earnings growth is running at a 0.7% year-over-year pace while revenues are seen rising 3.4% compared with the same quarter a year ago, according to FactSet Research. At the beginning of earnings season, analysts expected a 2% drop in EPS for the quarter, so recent reports have been trending stronger than anticipated, setting the stage for a more significant 2020 earnings rebound.

## HEADLINERS

Chinese President Xi Jinping and President Trump each repeated their commitment to a phase one trade deal in a phone call on Friday. China announced this week it will fulfill a pledge by cutting tariffs on \$75 billion of imports from the US beginning on 14 February. At the same time, the US will reduce

tariffs on imports from China. Before stabilizing late in the week, oil prices dropped more than 20% from recent peaks in response to the coronavirus outbreak. The price drop has generated discussion of a further 600,000-barrels-per-day production cut from OPEC+. Chinese oil demand is expected to decline by 25% as a result of the spread of the coronavirus.

The US Department of Commerce is implementing rules that will allow the government to apply tariffs on countries it believes have undervalued currencies. US companies would be able to file complaints with the Commerce Department over specific products that they view as receiving an unfair subsidy as a result of an undervalued currency.

The S&P 500 Index, the Dow Jones Industrial Average, the Nasdaq Composite and Europe's Stoxx 600 all reached new all-time highs during the week.

## MAJOR STOCK MOVES

Canada Goose Holdings Inc.'s U.S. listed shares GOOS were down sharply after it said coronavirus has had a "material negative impact."

Shares of AbbVie Inc. ABBV jumped nearly 6% after the drugmaker beat earnings expectations.

Vans parent VF Corp. shares VFC traded lower Friday, after the company said it has closed about 60% of its stores in China.

Fidelity National Financial FNF shares dipped after it announced Friday a deal to buy

insurer FGL Holdings FG in a deal valued at \$2.7 billion.

Shares of Credit Suisse CSGN CS fell in the wake of the resignation of CEO Tidjane Thiam.

EBay Inc. shares EBAY tumbled nearly 5% after Intercontinental Exchange Inc. ICE said that it was no longer looking to acquire the company.

Madison Square Garden MSG saw its shares decline even after beating fourth-quarter earnings estimates.

Shares of Skechers SKX jumped more than 4% after the company reported earnings.

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## THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Feb 10	China	Consumer and producer prices
Mon, Feb 10	Eurozone	Sentix investor confidence
Tue, Feb 11	United Kingdom	Q4 gross domestic product
Wed, Feb 12	Eurozone	Industrial production
Thu, Feb 13	United States	Consumer price index
Fri, Feb 14	China	Retail sales, industrial production
Fri, Feb 14	Eurozone	Q4 gross domestic product
Fri, Feb 14	United States	Retail sales, industrial production



## THE SECURE ACT

[This article](#) may help you understand the most recent changes to your IRA and your RMD implemented with the SECURE Act.

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