



WEEKLY MARKET UPDATE

August 28, 2017



Organic Avocados Just Got a Whole Lot Cheaper

I saw a Facebook post the other day in which the author quipped a quick thanks to Millennials for creating a world where putting avocado on anything is acceptable. Well, that author and his Millennial friends just got a whole lot happier today as Amazon took control of Whole Foods. One of their first moves was to cut the price of organic avocados by ~29% - one of many dramatic price drops found by shoppers entering this morning into what used to be known as "Whole Paycheck."

Why are we talking about avocados this morning? Because what we are witnessing is a tremendous disruption in an area that affects us all. Look at your credit or debit card statements over the course of a year, and I can almost assure you that more transactions will be food related than anything else you see. Amazon, in buying Whole Foods, has announced to the world that they are serious about dominating this space, just as they have dominated so many areas of commerce in their short lifetime.

This is disruption - and investors have taken notice. According to our friends at First Trust, Kroger Co. fell -4.9% for the week last week and has fallen -11.0% since Amazon agreed to buy Whole Foods. Costco Inc. - a local favorite - had

a -2.9% weekly return and -15.1% since the deal was announced. Super Value Inc. had a -10.0% weekly return and -23.2% since the deal was announced. Not only are stock prices impacted, but the downward pressure on inflation that these price wars may create could have ripple effects across the broader economy.

Will Kroger, Albertsons, Wal-Mart, and the like be able to compete? They certainly will try, and consumers will benefit. Lower costs and enhanced shopping experiences likely await consumers as this competition plays out (you need only look at the competition between Delta and Alaska Airlines at Sea-Tac to see how this works). Consumers will be the ultimate judge and jury in deciding who wins, and investors are simply staking their bets as they bid up and down these stock prices.

So with these big names seeing red in their stock prices, is this pulling down the greater market? Turns out it didn't keep the broader market from gaining for the week, breaking a two-week losing streak. For last week, the S&P 500 climbed 0.75%, while mid cap (+0.99%) and small cap (+1.15%) stocks fared even better. As you might expect, consumer staples was the worst performing sector (-0.97%), while

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telecom (+1.98%) and materials (+1.28%) led the way. On a global level, emerging markets equities were the clear winner, returning +2.46% for the week, bringing their YTD gains to an astounding 28.23%.

With a long weekend on the horizon, trading volumes this week could be light. Because Washington D.C. has an inherent inability to not draw attention, investors will all be closely monitoring the discussions (and rancor) around the possibility of a government shutdown at the

end of September. Congress needs to raise the debt ceiling to avoid this, and all sides will be digging in their heels to feed from this political trough in the coming days and weeks. We'll save a discussion around the debt ceiling for another post! Until then, have a great week – and please join us in sending your thoughts and prayers to those in Texas impacted by Hurricane Harvey.

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