



INCISIVE INVESTOR

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WEEK IN REVIEW

TRUMP BACKTRACKS TARIFF TRUCE



U.S. stocks inched up to close at fresh record highs on Friday, even though President Trump cast doubt on progress in concluding a U.S. trade deal with China after optimism that the long running dispute would be resolved had powered the week's rally.

The Dow gained for a third straight week while the benchmark S&P 500 index notched a fifth week of gains as the U.S. third quarter earnings reporting season wound down.

The Dow Jones Industrial Average DJIA added 6.44 points, or 0.02% to close at a new record of 27,681.20, the S&P 500 index SPX advanced 7.90 basis points, or 0.26%, to seize a fresh closing high of 3,093.08. The

Nasdaq Composite Index COMP rose 40.80 points, or 0.48%, at 8,475.31, another record.

On Thursday, the Dow and S&P 500 each posted a record close, while the Nasdaq Composite saw its second-highest close in history, according to Dow Jones Market Data.

For the week, the Dow added 1.2% while the S&P 500 gained 0.8% and the Nasdaq advanced 1%.



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Hopeful for an early-December US-China trade deal

Progress toward a phase-one trade agreement between the US and China was reported this week, with comments by Chinese officials that some existing tariffs may be rolled back by each side as part of the agreement, though the US has yet to confirm that statement. While details have yet to be finalized, there is talk that an agreement could be signed by US President Donald Trump and Chinese President Xi Jinping on the sidelines of a NATO summit in London to happen December 3rd and 4th. Also on the trade front, signs are growing that the US Department of Commerce will abstain from placing tariffs on European automobiles next week. A decision on whether European auto imports present a threat to US national security is due by November 14th.

Diminishing recession fears boost risk assets, impede safe havens

In addition to positivity over a potential trade deal, signs that the global economy may avoid recession helped reinforce risk assets while interfering with safe havens. Major US equity indices reached record levels this week while developed-market government bond yields rose sharply and the US Treasury yield curve steepened further. At the same time, safe havens such as the Japanese yen and gold fell. Several signs appeared this week that the

global slowdown that investors have dealt with for much of the last year is starting to subside, building on last Friday's strong US employment report. This week saw a rebound in the ISM non-manufacturing purchasing managers' index to 54.7 in October from 52.6 in September. In Europe, tentative signs of steadying were seen in the manufacturing PMI, which edged up to 45.9 from 45.7. The services sector rebounded more strongly, to 52.2 from 51.6. Also, German factory orders rose for the first time in three months while Eurozone September retail sales rose 3.1% year over year.

EARNINGS NEWS



With nearly 90% of the constituents of the S&P 500 Index having reported for Q3 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 -2.4% year-over-year pace while revenues are seen rising a bit over 3% compared with the same quarter a year ago, according to FactSet Research. Recall that analysts had expected a 4% EPS decline at the start of the reporting period.

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HEADLINERS

China lowered its medium-term lending facility rate for the first time since 2016, from 3.30% to 3.25%, a tentative step, but an unforeseen one.

Lipper reported this week that money market fund assets have risen to \$3.4 trillion, up \$1 trillion over the past three years. This hints at a remaining significant amount of cash on the sidelines that could eventually make its way into risk asset markets.

It seems that no matter which party wins the December 12th UK general election, government spending is set to rise. The Conservatives, Labor and the Liberal Democrats are all calling for increased public spending in their campaign platforms. Although part of the backup in gilt yields lately is because of retreating no-deal Brexit fears, it has come amid anticipation of greater public outlays.



MAJOR STOCK MOVES

Shares of Dow component Walt Disney Co. DIS were in focus after the media and entertainment giant late Thursday said it earned \$1.05 billion, or \$1.07 a share, compared with \$2.32 billion, or \$1.55 a share, in the year-ago period, while revenue rose 34% to \$19.1 billion, from \$14.3 billion a year ago. Shares rose 3.7% Friday.

Gap Inc. GPS shares fell 7% after the retailer said Chief Executive Art Peck will step down and guided that fiscal year-end earnings will come in weaker than expected.

Shares of Chesapeake Energy Corp. CHK were being watched after the oil and natural gas company's top executives bought a total of 125,000 shares on the dip below \$1 a share.

Duke Energy Corp. DUK shares closed 2% lower after the utility reported third-quarter earnings that beat expectations, but revenue that fell shy.

Zillow Group Inc. Z reported Thursday evening sales that more than doubled in the third quarter from last year and a better-than-expected loss. Shares were added 12% Friday.

Shares of Take-Two Interactive Software Inc. TTWO closed nearly flat Friday after the videogame publisher missed analysts forecasts for profits and revenue in the third quarter.

Shares of Slack Technologies, Inc. WORK briefly fell to a new low in early trade Friday at \$19.70 per share, or about half the stock's debut price of \$38.50 per share on the New York Stock Exchange in June, but closed up.

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THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Nov 11	Japan	Machinery orders, trade balance
Mon, Nov 11	China	Money supply, new loans, foreign investment
Tue, Nov 12	Eurozone	Economic sentiment
Wed, Nov 13	United States	Consumer price index, Fed chair testifies
Thu, Nov 14	China	Industrial production, retail sales
Thu, Nov 14	Eurozone	Employment, gross domestic product
Thu, Nov 14	United States	Producer price index, jobless claims
Fri, Nov 15	United States	Retail sales, industrial production



“DIRTY DOZEN” TAX SCAMS TO WATCH FOR

Every year the IRS releases its list of tax scams, spotlighting some ways that people try to separate you from your money. [Click to read more.](#)

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