

Macro Bits

A Few interesting tidbits on the macro front this week. Core CPI was still weak, and it appears to be rolling over. The market interpreted this “bad news as good news” as the S&P rallied to ATHs.

Retail Sales also came in weak. Estimates were calling for 20 bps of growth m/m, instead retail sales contracted by 20 bps.

Things to Consider

I came across the chart below in a daily email blast. The short position in 2-year treasuries has reached the highest level since mid-2007. The yield curve has been steepening since late June. The spread between 10s and 2s is currently 91 bps – the cycle low is 77 bps & the cycle average is ~180 bps (levels we have not seen since 2014).



Jamie Dimon spiced things up a little bit today on the JPM earnings call. See some highlights from his earnings call below.

...since the great recession which is now eight years old we've been growing at 1.5 to 2% despite the stupidity and political gridlock. Because the American business sector is powerful and strong and is going to grow regardless.....

...what I'm saying is it would be much stronger growth had we made intelligent decisions....

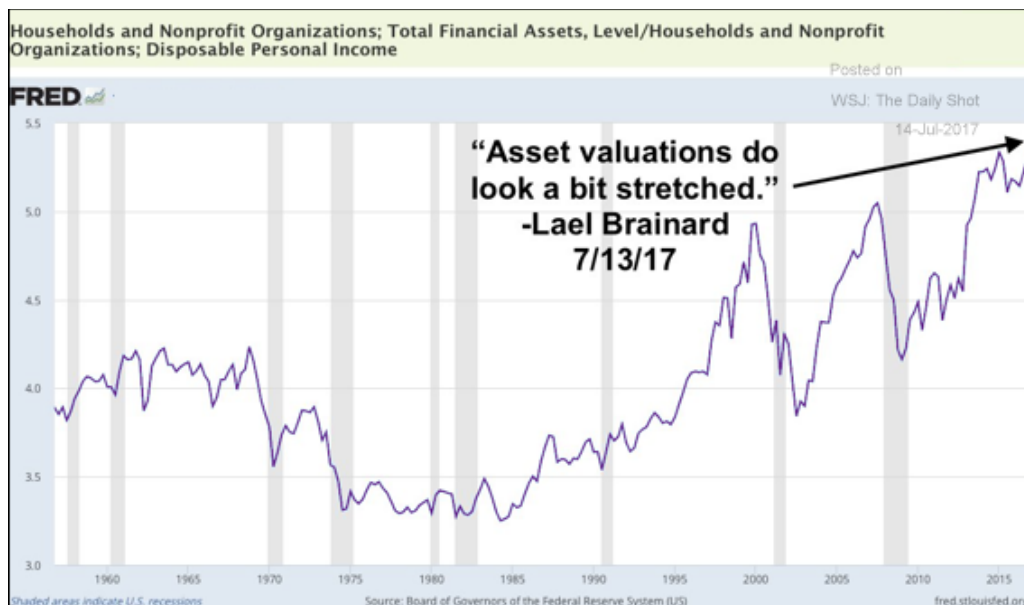
... I was just in France in Argentina Israel Ireland we met with the Prime Minister of India and China it's amazing to me that every single one of those countries understands that practical policies to promote business growth is good for the average citizens of those countries for jobs and wages and somehow this great American free enterprise system we no longer get it.....

...we have become one of the most bureaucratic confusing litigious societies on the planet it's almost an embarrassment be an American citizen traveling around the world and listening to the stupid shit we have to deal with in this country

To be honest though, it is getting a little ridiculous at how little our politicians are doing. The Repubs have campaigning for 7 years about how awful Obamacare is and how they need to repeal it. Now they have a chance to do it, and they can't quit bickering to figure out how to get it done. It's a truly incredible display of ineptitude. Billy – I think I am about to adopt your political views – not caring.

Came across two interesting charts in the WSJ today... It's just an interesting spin on markets being expensive.

7. Finally, how many hours of work does it take to buy a unit of the S&P 500? Here is the answer assuming median wages in the US.



Portfolio News

July 9, 2017

- **Cerner** CEO and Chairman, Neal Patterson, passed away on the 9th due to unexpected complications from a previously disclosed cancer – Cerner has had a succession plan in place and the search for a new CEO is nearing its conclusion.

July 10, 2017

- **Dominion** is moving forward with their offshore wind project off the coast of Va. Beach. It is the first such project in the Mid-Atlantic and it will take place in a federal lease area. The project should be completed by 2020 and they have entered into an agreement with Dong Energy to help with the engineering and development work.
- **PayPal** sold x.com back to Elon Musk for unreported terms
 - X.com was an online bank that later became PayPal – their deposits were FDIC insured and was started by Musk. Peter Thiel eventually took over and x.com became PayPal in 2001. Musk, in a tweet, said that he currently has no plans but that the name/company has “great sentimental value”

July 11, 2017

- **Microsoft** is reported to be in the process of proposing a \$10b project to bring broadband internet to rural US
 - Brad Smith, President, said that through MSFT investment and matching state and federal grants they should be able to expand coverage and grant broadband access to 2 million people by 2022. (That’s \$5k/person for all you math whizzes keeping score)

July 12, 2017

- Apple has allowed **PayPal** to become a payment option in the App Store, iTunes, and other Apple platforms
 - Note, this has been rolled out in Canada and Mexico, and it should roll out in the US soon.
- **Accenture** has acquired a digital optimization company, Clearhead. Terms were not disclosed.
- **Walgreens** increased their quarterly dividend by 6.7% to \$0.40.

- **Abbot** and Bigfoot Biomedical have announced an agreement to develop a diabetic management system.
 - The system will integrate Abbot's FreeStyle Libre glucose sensing technology with Bigfoot's insulin delivery solutions
 - Abbot will supply the sensors, as the exclusive sensors, in the US
 - The trial should happen in 2018
- **T. Rowe Price** reported their preliminary month-end AUM numbers of \$904b for June 30th – they were ~5% off this news
- **Ozark** reported numbers in line with expectations and warned that loan growth would be on the low end of their previous guidance for the FY
 - Analysts were generally pleased, according to FactSet, largely due to the increase in NIM this quarter. Some analysts believe their NIM will quickly reverse course due to normalizing purchase loan yields & lower yielding government backed securities that were purchased at the end of Q2.

Upgrades/Downgrades:

- **Ross Stores** has been upgraded to outperform from market perform at Telsey Advisory Group, though their price target remains unchanged
- **PayPal** had their price target increased to \$70, from \$54, at Monness, Crespi, Hardt, & Co.
 - They were also upgraded to outperform at Bernstein, with their target increased by \$15 to \$61
- **ICE** has been upgraded to outperform, from sector perform, at RBC – their price target was increased to \$70 (from \$65).
 - Citi initiated **ICE** with a neutral outlook and price target of \$67
- **Wabtec** was downgraded to hold from buy at Deutsche, citing valuation, though their target (\$90) remains unchanged.
- **Costco** was downgraded to market perform, from outperform, by BMO Capital Markets. They also lowered their target to \$160, down from \$185 – they cited negative market sentiment

Portfolio Performance

We were fairly in portfolio activity, though we did take a little off the table. We trimmed our positions in **Nextera** and **ResMed**. Other than that, we were didn't have a whole lot of action.

Ticker	52 Wk High	52 Wk Low	1 Yr.	YTD	QTD	MTD	WTD
EBAY	-0.1%	46.0%	31.6%	13.6%	5.1%	4.9%	8.3%
ORLY	-37.1%	8.7%	-46.9%	-43.0%	-35.2%	-25.2%	6.6%
TROW	0.2%	27.4%	-6.6%	-4.1%	12.6%	10.9%	5.3%
MSFT	-0.2%	37.5%	20.4%	6.2%	5.4%	1.3%	4.8%
SYK	-0.2%	36.6%	3.2%	10.2%	5.2%	-1.3%	3.0%
CTSH	0.7%	51.5%	2.4%	11.8%	10.5%	0.0%	2.8%
ABBV	-0.8%	32.8%	-1.6%	6.7%	7.9%	8.5%	2.4%
NNN	-26.6%	7.9%	-39.6%	-22.1%	-15.2%	-0.9%	2.3%
VRSK	-2.2%	13.0%	-14.1%	-5.4%	0.4%	2.8%	2.1%
ACN	-1.4%	16.4%	-6.1%	-2.0%	1.3%	-0.5%	2.0%
TMO	0.1%	30.1%	2.6%	18.3%	13.6%	2.7%	1.9%
WBA	-10.3%	5.0%	-18.3%	-15.1%	-9.7%	-5.2%	1.9%
ITT	-6.1%	33.0%	11.5%	-2.1%	-2.7%	7.3%	1.8%
DLTR	-30.8%	5.3%	-41.1%	-20.5%	-16.2%	-13.2%	1.7%
ABT	-1.4%	30.8%	0.8%	15.8%	4.7%	3.8%	1.5%
ATR	0.1%	27.2%	-3.3%	11.3%	11.5%	2.8%	1.5%
BDX	0.7%	24.4%	-1.2%	10.2%	4.3%	3.1%	1.4%
OZRK	-15.5%	36.9%	2.8%	-20.6%	-13.9%	4.0%	1.4%
SJM	-25.8%	2.1%	-37.5%	-18.5%	-14.8%	-10.5%	1.2%
D	-6.2%	10.1%	-15.9%	-10.0%	-5.5%	-7.3%	1.0%
RMD	-2.3%	37.1%	6.0%	15.0%	3.6%	7.0%	1.0%
TSCO	-45.3%	3.3%	-59.8%	-42.9%	-30.6%	-10.2%	0.9%
SNI	-18.8%	14.2%	-12.1%	-15.2%	-17.9%	0.0%	0.9%
NEE	-2.2%	28.2%	-4.0%	8.3%	5.9%	-2.1%	0.8%
FDS	-11.0%	8.2%	-14.7%	-8.7%	-3.9%	-2.3%	0.8%
FISV	-2.7%	33.2%	-2.2%	6.7%	3.3%	-3.1%	0.7%
KO	-3.0%	12.0%	-16.6%	-2.2%	1.1%	-3.8%	0.7%
UTX	-1.1%	26.4%	3.4%	2.9%	6.1%	0.0%	0.7%
EXPD	-1.2%	21.3%	0.1%	-1.5%	-2.5%	5.5%	0.6%
RSG	-1.4%	31.0%	8.8%	3.4%	-1.2%	-0.4%	0.6%

YUM	-20.0%	23.6%	5.4%	6.6%	11.3%	-0.4%	0.6%
BRO	-5.4%	20.9%	4.2%	-13.3%	-0.3%	-2.3%	0.3%
MD	-23.9%	8.8%	-37.7%	-22.5%	-20.1%	5.1%	0.2%
CERN	-5.0%	40.0%	-5.7%	28.3%	7.2%	-1.7%	0.1%
ECL	-1.6%	19.9%	-4.2%	3.3%	1.8%	-2.1%	0.1%
NKE	-3.9%	18.3%	-13.8%	4.7%	0.4%	7.8%	0.0%
ICE	-2.7%	25.8%	15.1%	9.2%	8.1%	9.6%	-0.6%
HRL	-17.9%	1.8%	-24.3%	-15.4%	-9.1%	-4.2%	-0.6%
COST	-16.5%	7.7%	-21.6%	-13.4%	-12.0%	-16.4%	-0.7%
WCN	-3.7%	35.0%	18.6%	13.9%	6.2%	0.3%	-0.8%
TJX	-16.5%	2.3%	-24.2%	-16.2%	-15.1%	-8.4%	-0.8%
WAB	-4.2%	37.1%	12.0%	-0.6%	12.1%	8.9%	-1.3%
BF.B	-20.6%	8.4%	-17.2%	-4.1%	-1.2%	-10.5%	-1.6%
SBNY	-15.0%	22.9%	-5.0%	-16.4%	-9.5%	-3.9%	-1.7%
ROST	-21.6%	1.6%	-20.0%	-26.4%	-21.0%	-16.4%	-2.5%
SCG	-16.6%	0.1%	-28.2%	-22.7%	-6.5%	-8.4%	-2.6%
GWW	-34.6%	2.7%	-40.0%	-36.1%	-30.6%	-2.8%	-4.1%