

July Advanced Retail Sales

	JULY		JUNE	
	SURVEY	ACTUAL	PRIOR	REVISED
Advance Retail Sales Month-over-Month change	0.3%	0.7%	0.4%	0.3%
Retail Sales ex-Auto	0.4%	1.0%	0.4%	0.3%
Retail Sales ex-Auto and Gas	0.5%	0.9%	0.7%	0.6%

HEADLINES

Retail sales rose 0.7% in July, exceeding market expectations of a 0.3% increase and starting the third quarter on very solid footing. June was revised lower to 0.3% from 0.4%. The numbers in this report are strong.

WHY DO I CARE?

Retail sales are an early indicator of strength in consumer demand. Consumer demand is the largest component of GDP, accounting for two-thirds of total economic activity in the US. This report gives a clue as to what the Personal Consumption Expenditures figure, which includes the purchase of services, will look like when we see it later in the month. The only sector that had a concerning performance was motor vehicle sales, which fell 0.6%

In the current economic environment, this may seem uneventful, but car sales are a fundamental element of the strength of the economy. Despite this, the third quarter is off to a strong start.

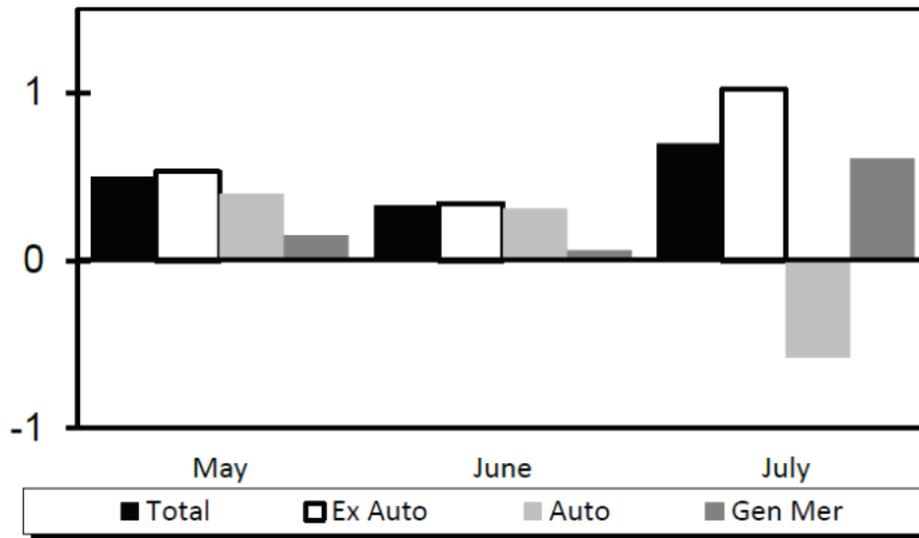
WAS THERE A BIG SURPRISE?

The numbers show a surprising strength in the economy. Demand remains solid along with employment and wages. The downward revisions to June are relatively minor. As we noted in our GDP economic update, the 2nd Quarter GDP figure was stronger than the 2.1% indicated from a demand standpoint, and the July report shows that strength is carrying forward into the third quarter.

Details: The report shows relatively broad strength. Besides auto sales, other areas of weakness were hobby stores (including sporting goods) and drugstores. Meanwhile, nonstore (i.e., online) sales were up 2.8%, and even department stores were up 1.2%.

Percent Change in Retail and Food Services Sales from Previous Month

Data adjusted for seasonal variation and holiday and trading-day differences but not for price changes.



Source: U.S. Census Bureau, Advanced Monthly Retail Trade Survey, August 15, 2019

Source: US Census Bureau

An interesting point about auto sales is that the US auto sales report, which comes out on the first or second day of the month, showed an increase in vehicle sales between June and July of over 7%, yet the retail sales report shows a decline in auto sales. This is due to the auto sales report being measured in number of vehicles and the retail sales report being measured in dollars. It's also important to note that this report is not adjusted for inflation, so when we see a 0.7% increase, the "real" (inflation-adjusted) increase is closer to 0.5%. Still, this is a good report and bodes well for the third quarter.

Erik Olsen is Co-Founder and Managing Partner of CataMetrics Management, LLC. CataMetrics provides portfolio-construction methodologies, strategic marketing and investment-management expertise to investment advisers and their clients.

Disclaimer

The above is the opinion of the author and should not be relied upon as investment advice or a forecast of the future. It is not a recommendation, offer or solicitation to buy or sell any securities or implement any investment strategy. It is for informational purposes only. The above statistics, data, anecdotes and opinions are assumed to be true and accurate however 3D Asset Management does not warrant the accuracy of any of these. There is also no assurance that any of the above is all inclusive or complete.

3D does not approve or otherwise endorse the information contained in links to third-party sources. 3D is not affiliated with the providers of third-party information and is not responsible for the accuracy of the information contained therein.

Past performance is no guarantee of future results. None of the services offered by 3D Asset Management are insured by the FDIC and the reader is reminded that all investments contain risk. The opinions offered above are as of August 15, 2019 and are subject to change as influencing factors change.

More detail regarding 3D Asset Management, its products, services, personnel, fees and investment methodologies are available in the firm's Form ADV Part 2A which is available upon request by calling (860) 291-1998, option 2 or emailing sales@3dadvisor.com or visiting 3D's website at www.3dadvisor.com



From the desk of Erik L. Olsen