

# SCALPING STRATEGY

## No Small Feat: Retail Troubles

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- [·DOW](#) - 45 = 20,550
- [·SPX](#) - 2 = 2341
- [·NAS](#) + 11 = 5840
- [·RUT](#) + 2 = 1357
- [·10 Y](#) - .03 = 2.37%
- [·OIL](#) - .12 = 47.85
- [·GOLD](#) + 10.90 = 1254.80

Stocks pared losses, and recovered from session lows; enough to push the NASDAQ into positive territory; enough to turn a 184-point loss on the Dow into just a 45-point loss at the close.

The [Dow Jones industrial average](#) is now down for 8 straight sessions – the longest losing streak since August 2011; you may recall that the instigation for that loss was concern about the credit worthiness of some of the largest economies in Europe.

Additionally, the only other times since 1990 that we have seen 8 down days for the Dow were in October 2008 and September 2001. Prior to 1990, it happened three times in the 1980s and much more frequently in the 1960s and 1970s. Still, the current losing streak only saw the Dow drop 400 points or 1.9%.

The overall trend is still up and the recent weakness doesn't look like anything more than the markets taking a pause after a sharp and fast run-up, but it bears watching.

After a week that began with the FBI disclosing that it's investigating President Donald Trump's campaign team for possibly colluding with Russia to tilt the 2016 election, and ended with a failure to rustle up enough votes to repeal the Affordable Care Act, the president is moving on. The administration plans to take a lead role in crafting major legislation to cut taxes with an eye toward meeting an August target date.

Getting a broad tax bill passed by Congress and on Trump's desk for signature into law looks to be no easy feat, especially after intra-party differences last week torpedoed the healthcare legislation he had backed. And before tax reform, there is the issue of passing a budget, and dealing with the pending national debt ceiling. Analysts at Bank of America Merrill Lynch said in a research note that a tax bill, "if passed at all, could be a very watered-down version of current proposals."

**It's tough all over. US states are reducing their tax revenue forecasts due to concerns over a projected slump in economic growth, low oil prices, possible federal tax cuts and other factors. The Rockefeller Institute of Government, the public policy research arm of the State University of New York, said while the revised forecasts varied, states generally anticipate continued sluggish growth for their two biggest revenue sources: income and sales taxes. That will squeeze already-tight state budgets.**

For fiscal 2017, which in most states began on July 1, the median income tax growth rate slipped to 3.6 percent from 4 percent, while the rate for sales taxes fell to 3.1 percent from 4.2

percent. In fiscal 2018, states forecasted slight increases over fiscal 2017 with the median growth rate for income taxes at 4.1 percent and sales taxes at 3.5 percent.

Jared Kushner, Trump's 36-year-old son-in-law, will oversee a new "SWAT team". Its goal is to reinvent the federal government. The entire federal government. Trump has already tasked Kushner with bringing peace to the Middle East, plus several other significant domestic and foreign policy assignments.

Kushner's new Office of American Innovation will reportedly showcase several corporate titans, including Apple's (NASDAQ: [AAPL](#)) Tim Cook and Microsoft's (NASDAQ: [MSFT](#)) Bill Gates, to "modernize the technology and data infrastructure of every federal department and agency." So, good luck with all that.

And in his spare time, Kushner has been called to testify before a Senate committee investigating whether Russia tried to interfere in the election. Earlier today, a Russian bank under US economic sanctions over Russia's incursion into Ukraine disclosed that its executives had met Jared Kushner during the 2016 election campaign.

The Trump administration is attempting to crack down on sanctuary cities, announcing that local governments will have to certify they aren't impeding communication between their police and federal immigration authorities in order to continue receiving Justice Department grants. Attorney General Jeff Sessions said that in one week, about 200 states and localities refused to honor federal requests to turn over undocumented immigrants. He didn't specify the time period.

Sessions reiterated a policy announced in an executive order Trump signed in his first week in office. That document authorized the Attorney General and Secretary of Homeland Security to withhold federal grants from sanctuary cities that don't help the US government deport immigrants. Sessions said the federal government could also "claw back" grants to jurisdictions refusing to work with the federal government, in addition to refusing to approve new grants.

Chicago Federal Reserve President Charles [Evans](#) says inflation looks "well on its way" to reaching US economic objectives. Yet many uncertainties remain, particularly with the latest failure of the GOP's proposal to repeal and replace Obamacare. At a speech in Madrid, Spain, Evans said he still worries long-term inflation expectations are running below the Fed's 2 percent inflation objective.

Evans said he doesn't have confidence there will be four rate increases in 2017, and three increases are "plausible," but two rate hikes are "also possible." This week, eleven speeches are scheduled to take place from nine of the Federal Reserve's Open Market Committee's twelve members. Fed Chair Janet Yellen will hold her keynote speech to a conference in D.C. on Thursday morning.

It's a busy week for competition authorities in Brussels. The \$140 billion merger between Dow Chemical (NYSE: [DOW](#)) and Dupont is expected to win Euro Union approval, while a veto is anticipated for the €29 billion-euro tie-up of LSE and Deutsche Boerse (DE: [DB1Gn](#)). Antitrust officials are also expected to bless a second agrichemical megamerger - ChemChina's purchase of Syngenta (NYSE: [SYT](#)) - next week.

A joint committee of ministers from OPEC and non-OPEC oil producers meeting over the weekend has agreed to review whether a global pact to limit supplies should be extended by six months. Nothing concrete just yet; but they will look revisit production cuts in April.

OPEC and 11 other leading producers including Russia agreed in December to cut their combined output by almost 1.8 million barrels per day in the first half of the year. The original deal was to last six months, with the possibility of a six-month extension. The meeting of energy ministers found generally good compliance with the production cuts so far, although there is little to indicate that it has eased the global oil glut.

Last week, Credit Suisse (SIX: [CSGN](#)) downgraded the retail sector, saying the outlook had become bleaker than it had anticipated in large part because of events in Washington and through discussion of

“whether we think the risks of the border adjustment provision in the House corporate tax reform proposal are fully reflected in apparel and retailing stocks”. Other analysts have shown similar pessimism.

In the past several months, Macy’s (NYSE: [M](#)) has announced it will close 63 stores; Sears (NASDAQ: [SHLD](#)), 150; The Limited, 250; Guess? (NYSE: [GES](#)), 60; American Apparel, 104; Abercrombie & Fitch (NYSE: [ANF](#)), 60; JC Penney (NYSE: [JCP](#)), up to 140. The cost in jobs is stark, with Macy’s saying it expects to see 10,000 workers laid off, including 6,200 managers, or 17% of executives.

A recent Synchrony Financial report entitled The Future of Retail predicted that instant gratification coupled with a higher degree of tech-driven personalization would drive consumer behavior and retail industry through to 2030. The report said that the future of bricks-and-mortar will center on authentic brand experiences: more than half of consumers polled said they looked forward to an amalgam of in-store and entertainment experiences.

If you were looking for top performing stocks of the past decade, you would expect to hear about the FANG stocks, Facebook (NASDAQ: [FB](#)), Apple (NASDAQ: [AAPL](#)), Amazon (NASDAQ: [AMZN](#)), Netflix (NASDAQ: [NFLX](#)), and Google (NASDAQ: [GOOGL](#)). Don’t forget Domino’s (NYSE: [DPZ](#)); the pizza company is up some 2,200% in the past decade. Not as good as Netflix, but better than the others.

Bill Gross, who was fired from Pimco four decades after he co-founded the investment firm, has settled his lawsuit against the company for just over \$81 million. Gross sued Pimco in 2015, claiming his dismissal from the company was a breach of contract, and a breach of covenant of good faith and fair dealing. Gross

said at the time that he suffered damages in excess of \$200 million.

A lawyer representing the Pimco co-founder filed a request in California state court to dismiss the fund manager’s suit over his 2014 departure from the company. All proceeds from the settlement will go to charity – to the Sue and Bill Gross foundation.

UPS’s legal fight with New York has gone up in smoke. A federal judge said United Parcel Service (NYSE: [UPS](#)) ignored “red flags” that its brown trucks were being used to transport millions of untaxed cigarettes from Indian reservations. A similar suit is also pending against UPS rival FedEx (NYSE: [FDX](#)).

The US district judge ruled that UPS failed to comply with a 2005 deal it struck with the state to fix the problem without going to court. She said she’d decide on damages later. The state seeks more than \$800 million in damages for lost tax revenue.

Following a high-impact crash in Tempe, Arizona, Friday night, Uber suspended its self-driving car program. The accident occurred when the driver of a second vehicle “failed to yield” to the Uber car while making a turn. After checking things out, Uber said it is putting self-driving cars back on the road for passengers to hail in Tempe

NFL owners approved the Oakland Raiders’ move to Las Vegas at the league meetings. Raiders were not satisfied with Oakland’s proposals for a new stadium, and Las Vegas stepped up with \$750 million in public money. Bank of America (NYSE: [BAC](#)) also is giving Raiders owner Mark Davis a \$650 million loan. The Raiders likely will play two or three more years in the Bay Area before their \$1.7 billion stadium near the Las Vegas strip is ready.