

GOOD MORNING: 07/27/17 Farm Direction - VanTrump Report

1 message

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"The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and behavioral discipline that are likely to get you where you want to go. In the end, what matters isn't crossing the finish line before anybody else but just making sure that you do cross it." - **Ben Graham**

THURSDAY, JULY 27, 2017
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Morning Summary: U.S. stocks set new record high as the Federal Reserve opts to leave interest rates "unchanged" and Q2 corporate earnings continue to top expectations. As expected, the U.S. Federal Reserve made "no change" to current monetary policy. The vote was a unanimous 9-0. In the policy announcement, core inflation was described as "declining", a change from the June description of "declining somewhat", signaling that this element has become perhaps a greater concern. As for the rest of the economy, the committee made no changes, reporting that job gains have been solid while household spending and business investment have continued to expand. They also again stated that near-term risks to the economy appear roughly balanced. As for specifics on starting balance-sheet reductions, the statement says it will begin "relatively soon", which many insiders believe will be September. The next Fed rate hike is being forecast by most inside the trade as coming in December. Today's economic data includes Durable Goods Orders, International Trade In Goods, Chicago Fed National Activity and Kansas City Fed Manufacturing. Once again, investors will have a lot of earnings information to digest. In fact, it will be the busiest day of second quarter earnings season so far with results scheduled for Aflac, Amazon, Anheuser-Busch, Bayer AG, Bristol-Myers Squibb, Celgene, Comcast, ConocoPhillips, Deutsche Bank, Dow Chemical, Dr. Pepper Snapple, Starbucks, Intel, Johnson Controls, Mastercard, Nissan, Procter & Gamble, Raytheon, Royal Dutch Shell, Southwest Airlines, Starbucks, Twitter, UPS, Valero, and Verizon. Turning to Washington, the Senate yesterday voted down a repeal-only healthcare plan. They will now try to focus their efforts on a scaled down version of the previous repeal-and-replace bill that could do away with the ACA's individual and employer coverage mandates as well as the medical device tax. Republican leaders in the House are hopeful they will be able to pass a "Minibus" defense spending bill in the last days before the August recess. Meanwhile, President Trump was joined by electronics manufacturer Foxconn at a press conference yesterday, where they announced the company will be building a new U.S. plant in Wisconsin to produce LCD screens and are expected to create between 3,000 and 13,000 new jobs.

Facebook Blows Away Earnings Expectations: Facebook beat Wall Street's expectations across the board for its second quarter earnings on Wednesday with \$9.32 billion in revenue, up +45% compared to last year. The gains represent Facebook's ninth straight quarterly revenue beat, buoyed by mobile video ads sales, including those on Instagram. Mobile ad revenue represented about 87% of total ad sales in the latest quarter. The company posted a profit of \$3.89 billion, up 71% from a year-earlier profit of \$2.28 billion, with earnings per share of \$1.32, up 69% from 78 cents in the same period a year earlier. The world's largest social network maintained its steady 17% year-over-year growth in users, with 66% of its 2.01 billion users visiting the service every day. Facebook-owned messaging apps WhatsApp and Messenger both have more than 1.2 billion monthly active users, and Instagram has more than 700 million monthly active users. More than 70 million businesses have Facebook pages, a key gateway to converting small and medium sized businesses into advertisers on the social

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network. Some of the other interesting stats revealed: There are more than 5 million active monthly advertisers on Facebook, up from 2.5 million at the end of 2015. More than 1 million of these advertisers are in emerging markets. (Source: Forbes)

North Korea Issues New Warnings Following Regime Change Talk: *Fresh warnings have been issued from North Korea after CIA chief Mike Pompeo hinted last week that Washington was open to the possibility of regime change. "Should the U.S. dare to show even the slightest sign of attempt to remove our supreme leadership... we will strike a merciless blow at the heart of the U.S. with our powerful nuclear hammer, honed and hardened over time." Speaking at the Aspen Security Forum in Colorado last Thursday, Pompeo called Kim Jong Un's leadership the "most dangerous" element to the North Korean threat. While Pompeo avoided explicitly declaring Washington's view over regime change, he hinted that the administration was looking into "separate capacity and someone who might well have intent and break those two apart", meaning Kim Jong Un and the country's Presidency. The fiery response from North Korea comes amid rumors of a new nuclear test scheduled for this week. According to a U.S. defense official quoted by CNN, ballistic missile launching equipment was detected arriving in Kusong, North Korea, last Friday. This week, U.S. intelligence officials delivered a frightening update of North Korea's nuclear threat, reporting they now believe North Korea could have a reliable intercontinental ballistic missile (ICBM) capable of carrying a nuclear warhead by sometime next year. The new assessment shortens the predicted timescale of dictator Kim Jong Un's quest for a nuclear weapon capable of reaching the United States by two years. (Sources: CNN, CBS News, The Guardian)*

Americans Are Pouring Record Sums Into Home Improvements: *A shortage of new single-family homes across the U.S. is pushing up prices and locking many buyers out of the market. The silver lining: a boom in renovations of existing homes. Americans are expected to pour a record \$316 billion into home remodeling this year, up from \$296 billion a year earlier, according to Harvard University's Joint Center for Housing Studies. The burst of renovations has been a boon for contractors as well as big home-improvement companies, which have enjoyed strong revenue growth even as most other retailers are struggling. It also reflects rising home prices and growing consumer confidence, as people are once again willing to invest in their homes, either through savings or by tapping home equity. Analysts polled by FactSet expect Lowe's Co. to post adjusted earnings on a per-share basis of \$4.62 in its current fiscal year, up from \$3.99 a year earlier. Home Depot Inc. is forecast to post earnings of \$7.24 in its fiscal year, up from \$6.45 a year prior. The earnings results would be the highest level recorded in data tracing back to 2004, according to FactSet. (Source: The Wall Street Journal)*

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