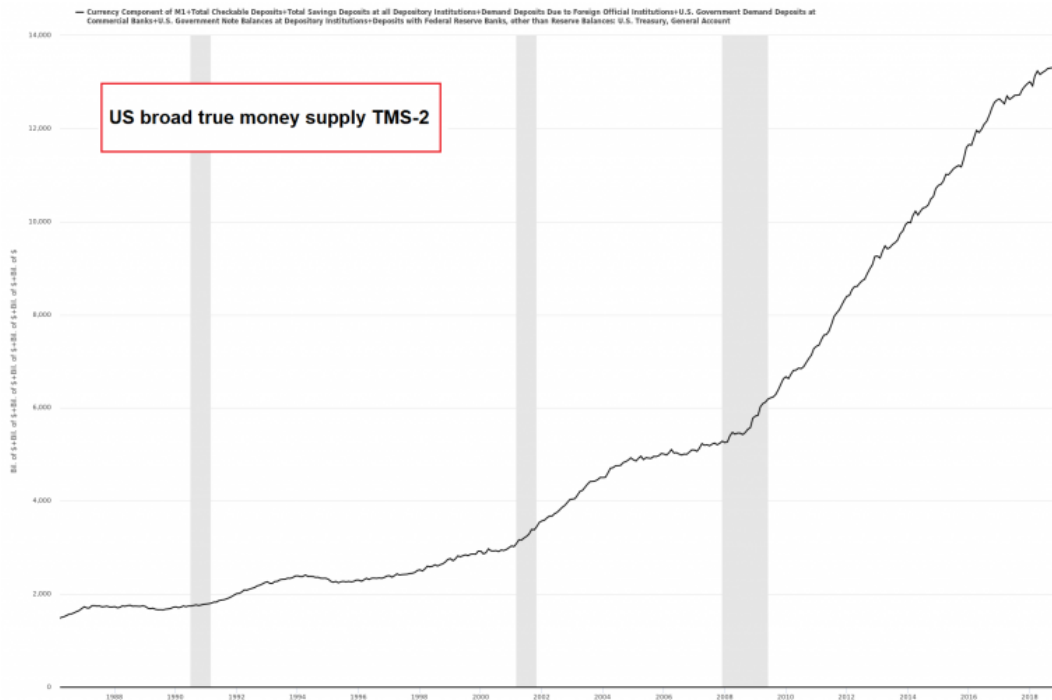


Hello Everyone,

Last week FedEx issued a report saying they see a global slowdown coming. I don't know about you, but I would think Fed Ex has a pretty good feel for the global economy.

Meanwhile, today's missive looks domestically at two very different firms—Dollar Tree and JP Morgan. Yet, their management teams are pursuing very similar strategies. We'll hypothesize why.

This then ties into why statistics (and your own eyeballs) tell us inflation is picking up. And yes, below is a **"look how much money we've printed"** chart.



I like how we have positioned your portfolios---and I hope you find today's report edifying.

Signed, Your Still-Really-Enjoys-March-Madness-Even-Though-The Aggies-Lost-And-The Lobos-Didn't-Make-It Financial Advisor,

Greg

KKOB 03.25.2019 Dollar Tree and JP Morgan

Bob: So, Greg, I think everyone in our audience knows the Internet and Amazon are making it tough on brick-and-mortar retail stores. But you want to come at it from another angle this morning, right?

Greg: I do. And, Bob, your listeners are right--- Amazon, and a host of other Internet retailers, can account for many of the vacancies we see at malls and strip-centers.

Still, only about 15% of retail sales occur online. That means 85% of retail is still done the old-fashioned way. So, there must be more to this store-closure story than just blaming Amazon.

Let's dig deeper.

A client of mine (named Gerry) recently sent me an article about the "retail apocalypse." This article listed the retailers who, so far, have announced 5000 store closures in the first quarter of 2019. And, Bob, you know the names, JC Penny, GAP, Abercrombie, Payless Shoes, and so on.

Anyway, a couple of firms jumped out at me. First, I saw Dollar Tree and Family Dollar are closing nearly 400 stores. Then, I saw JP Morgan announced it was closing hundreds of bank branches as well.

Bob: Wait. Wait. Stop there. Dollar Tree and JP Morgan? I can't think of two more opposite firms. I mean, Dollar Tree caters to the frugal---- and to lower-income consumers. I get that. But JP Morgan targets the wealthy. I thought the wealthy were doing well. Why would both be closing stores?

Greg: That was my question. So, I looked at where each was closing stores and branches. And, the answer is---they are quietly closing shop in low-income areas. And, they are not alone. In the past four years over 1900 banks and countless small businesses have given up on "relatively-poor neighborhoods."

Now, the banks say digital banking reduced the need for brick-and-mortar neighborhood branches, which I can understand. However, last year JP Morgan *opened* 187 new branches—with over 70% of those in wealthy neighborhoods.

So, my conclusion is this--- JP Morgan is doing exactly what Dollar Tree is doing--- and for the simple reason the branches aren't profitable. So, no conspiracies----or finger-wagging--here. Both firms are making by-the-numbers business decisions.

Bob: Well OK--- I can see that. And, I think I know where you're going

with this.

So, let's circle back to the Internet explanation.

Both the "*Amazon-is-killing-us*" and the "*online banking*" arguments don't necessarily explain Dollar Tree's or JP Morgan's actions.

I mean, people in low-income areas aren't buying more products from Amazon---- or using more online banking services----than other Americans. That means something else is going on. So, what's your theory?

Greg: For me, it's pretty simple. I believe, the lower-income brackets are tapped out. Consumer debt just hit a record of \$4 trillion. Meanwhile, over 37 million credit cards are now deemed "*seriously delinquent*".

Oh, and over seven million Americans are 90+ days delinquent on their auto loans. ***My belief is these statistics skew disproportionately toward the lower-income brackets.***

There is your deeper sub-story. A large group of lower-income Americans now don't have enough disposable income to support either a local Dollar Tree...or a local bank branch.

Bob: So, let's dig even deeper still. That would tell me the economy is throttling back. Because, my understanding is recessions show up at the lower end first.

Greg: Great insight. And, Bob, you and I have been talking about this for the past several months. Things are slowing down. And, that doesn't mean it's the end of the world.

Recessions are a natural part of any economy. Occasionally, businesses and economies need to exhale. And, as we exhale, some investments historically perform better than others. So, don't be afraid to adjust as the situation dictates.

Anyway, my message this morning is this-----instead of looking to Wall Street, or government statistics, to tell you about the economy----maybe you should look at companies like Dollar Tree and JP Morgan. As you said, these two totally opposite firms might be trying to tell us something.

Bob: Good report. Always enjoy it. How do people reach you?

Greg: My number is 508-5550, 508-triple-five-zero. Or, go to my website at zanettifinancial.com

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