



**Peck | Kula Investment Management Group**

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Financial Advisors with D.A. Davidson & Co.

## Lemonade

**P**op star, international icon, aka “The Queen ‘B’”, Beyoncé recently released a new album, titled Lemonade, all of which was shown via an extended music video of sorts on HBO. The title of the album depicts certain things in her life that didn’t go as intended...‘when life gives you lemons’ .....get it? We are by no means music critics, in fact to be honest, we have yet to listen to her latest piece of work. However, what this album did do, is make us think about the current markets we have been living through over the past 6-12 months. Low priced oil, extended low to no interest rates, slowdown in China’s economy, and the increase of the U.S. dollar. We are going to spend some time, following Beyoncé’s lead, and explain how two of these world events actually look more like opportunities (short lived), than obstacles.

## The Egg McMuffin Effect

Tuesday, October 6th of 2015, McDonalds announced that it would be introducing a limited breakfast menu all day. They have since introduced more of the traditional breakfast menu to most locations. At that time, McDonald’s stock price was hovering around \$100/share and the company was under much scrutiny, in fact, CEO Don Thompson had stepped down just 7 months prior. Fast forward some 7 months after all day breakfast was introduced, and things in ‘McDonaldland’ look quite different. The stock price currently sits around the \$125 mark, sales and revenue are up, and much of the success, the company states, is due in large part to all day breakfast. We mention this case study, because it looks a lot like another story: crude oil.

We discussed the low price of oil in great detail in our last newsletter and how this is a net positive for not only the U.S. consumer, but for the majority of the rest of the world as well, businesses especially. The United States is once again exporting oil which will not only help the companies producing and exporting, but also help the countries and companies that are importing it. They now have additional options, which drives competition, ultimately driving prices down throughout the globe. As we’ve mentioned in the past, the media has turned the low price of oil into one of the biggest lemons of all time. Again, low priced goods, oil in this case, is a positive which takes some time to move through the economic system (remember that Egg McMuffin?). We have begun to see this already. Take Delta Airlines for

example; during it's first quarter earnings release, they reported a fuel expense decline of \$1.45 billion compared to the same period in 2015, which helped Delta increase their income for the quarter by \$966 million versus the same period in 2015<sup>1</sup>. Is it Texas tea or lemonade?

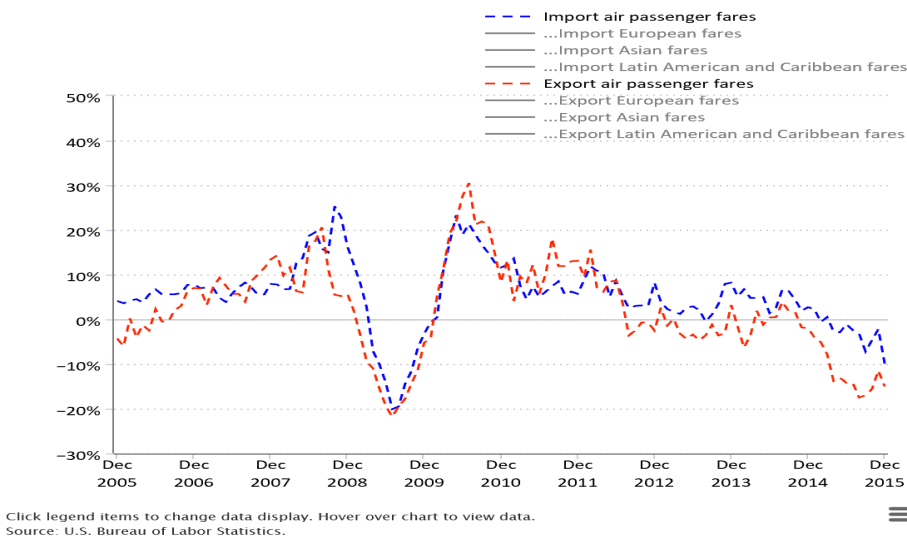
## No worries....Eh?

The U.S. Dollar over the course of the past 12-18 months has increased against nearly every other currency in the world. It has, over the past couple of months, come off of it's highs for the most part, but still remains at levels we have not seen for quite some time. There are positive and negative impacts of this when we look at importing/exporting, manufacturing, etc. However, instead of focusing on that, we are going to focus on an opportunity to make some lemonade. With the increase in the U.S. dollar, travel to foreign countries becomes less expensive.

Figure A

12-month percent change in import and export air passenger fares

Don't forget about low priced oil as well. The U.S. federal government releases data each year on international travel, with the latest report showing a 15% drop, the biggest calendar year decline in fares, since the index was first establish in 1987. (figure A)<sup>2</sup>.



With the fair amount of unrest due to recent terrorist attacks in Europe, we thought we would focus on two travel options that may be of interest...one near, one far.

As we write this newsletter, one U.S. dollar equals 1.26 Canadian dollars or 1.31 Australian dollars. Approximately 2 to 3 years ago, each of these were near parity to the U.S. Dollar. Do you hear the lemons being squeezed?

***“There are no limits to the majestic future which lies before the mighty expanse of Canada with its virile, aspiring, cultured, and generous-hearted people”***

***- Sir Winston Churchill***

Our neighbors to the North have many options available to us for exploration, but we thought we should highlight two, for the outdoor enthusiast and the city dweller.

### **Banff National Park:**

Located in the province of Alberta, the Banff National Park is not only Canada’s first national park, but also one of the nation’s largest and most visited. The park’s scenery and wildlife draw many tourists every year along the Trans-Canada Highway, which passes through the park.<sup>3</sup>



### **Vancouver British Columbia:**

Situated between the Coast Mountains and the Pacific Ocean, Vancouver is favored for its majestic landscapes that present a natural playground. The third largest metropolitan area in the country, Vancouver is one of the most popular places to visit in Canada. Vancouver’s main attraction is Stanley Park, which covers a huge area of woodlands, gardens and green spaces. Some of the city’s other top sites include Granville Island’s remarkable food market and Chinatown’s vibrant array of shops.<sup>4</sup>



***“Don’t worry about the world coming to and end today. It is already tomorrow in Australia.”***

***-Charles M. Shultz***

If you are up for the adventure (and the flight) now presents an opportune time to go down under. Here are a couple spots to consider:

### **Great Barrier Reef**

One of the top destinations for underwater explorers and scuba divers, the Great Barrier Reef is the world’s largest barrier reef system. Located in the Coral Sea off the coast of Australia’s state of Queensland, the reef encompasses a huge area of more than 2,900 coral reefs and hundreds of islands and cays. Formed by millions of living organisms over a period of millions of years, the Reef is now one of the most diverse ecosystems in the world.<sup>5</sup>



### **Sydney**

Australia’s oldest, largest and most urbane city. From the broad sandy beaches to first class dining, shopping and cultural institutions, like the iconic Sydney Opera House; there is truly something for everyone in Sydney.<sup>6</sup>



***“Instead of complaining that the rose bush is full of thorns, be happy the thorn bush has roses.”***

***-Proverb***

Have a wonderful spring.

Randy and Trevor

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