

Good morning readers,

I hope those of you north of the border were able to enjoy your Canada Day, and I imagine many of you kept the holiday going through the weekend! With the early, warm spring this year (in Ontario anyways), it feels to me like we are already half way through summer, so Canada day came as a nice reminder that there is plenty of nice weather left! With the vaccine rollout progressing strongly in Canada, borders opening up, this summer should be one for the ages!

A strong week in marketland capped off with US unemployment numbers coming in below expectations, and at the lowest level since the start of the pandemic. This type of signal that things are indeed returning to normal is much appreciated by financial markets.

This week's article (well infographic from our friends at Visual Capitalist) takes a look at something many of you have likely noticed as you wanted to rebuild a deck, or renovate your house – the price of lumber. The price of lumber increased 377% from May 2020, to May 2021 (place “why didn't we invest heavily in lumber comment” here). The chart shows that in 2020 \$50,000 of lumber could build over 10 homes. In 2021, \$50,000 of lumber could only build two homes – quite a big difference! Supply and demand of lumber has often been in the news over the year, as it is one of the most contentious trade issues between Canada and the US. The US always wanting to heavily tariff Canadian lumber. US consumers (homebuilders) have pressured the US to reduce tariffs (which they have), and the US is also appealing a World Trade Organization (WTO) ruling that their 2017 tariff increase was a breach of global trade rules.

The pandemic caused a perfect storm of supply vs demand. Labour shortages decreased supply of lumber at the same time as consumers were saving more money than ever (no travel, limited discretionary spending), and spending more time than ever at home. Enter a housing boom of people wanting bigger, newer houses, as well as the demand of people wanting to renovate/ add on to their current houses. Supply and demand moving in opposite ways like this is the recipe for higher prices!

A quick and interesting infographic on the situation here:

<https://www.visualcapitalist.com/visualizing-explosion-lumber-prices-50k/>

Enjoy your (potentially long) weekend!

Sincerely,

Penned by Kale Wild

Kale Wild, CFP, CIM, FCSI

Raymond James | Financial Advisor & Portfolio Manager |

Contego Wealth Management

750-45 O'Connor Street | Ottawa, ON | K1P 1A4



613.369.4625 | Toll Free: 1.866.552.0889 | Fax: 613.369.4699

kale.wild@raymondjames.ca | www.raymondjames.ca/contegowealthmanagement



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