

AOTW: Jackson Hole and Ferret Chargers?

August 27, 2021

Good morning loyal readers,

Hard to believe, but the next time you hear from us will be in September, and the kids will be getting ready to go back to school. I am talking about Contego in a way, as we are planning to be in the office more permanently come September, depending on if our suits still fit! I don't think I am alone in saying this summer flew by, after life in "captivity", the newfound freedoms this summer were certainly enjoyable, and were indeed enjoyed!

It feels a little strange to be feeling so "normal" here in Ottawa, while watching the evening news. The Delta variant is causing some concern, the situation in Afghanistan, from an outsiders perspective is quite hard to believe after the past 20 years, and we as Canadians are heading to the polls in a matter of weeks. All important matters indeed, which likely overshadowed the big news dropped Friday morning at the Jackson Hole meeting.

US Federal Reserve Chairman; Jerome Powell, reaffirmed that the Fed could start reducing the size of its bond purchasing program in 2021. As part of their monetary stimulus, to help the economy recover from the pandemic, the Federal Reserve was buying bonds from the market (\$120 billion worth of bonds each month) to help inject money into the economy (\$120 billion into the economy for people to spend, create jobs etc.). This has helped tremendously, but is one of the causes behind the inflation we have been hearing so much about. The "tapering" of this bond buying is necessary to avoid the economy overheating (which is unsustainable and indeed a bad thing), and is a very delicate act by the Federal Reserve. Taper too little, and the economy overheats. Taper too much, and you reverse the benefits of the monetary policy, and inject fear into the equity markets. This tapering is usually the first step, before increasing interest rates, and Powell did say that this does not mean they will increase rates anytime soon.

All in all, a positive outcome from this speech as summarized below:

The Jackson Hole Speech

Federal Reserve Chairman Jay Powell has achieved an amazing outcome. His highly anticipated speech this morning was a masterpiece of optimism and calmness.

- Tapering is expected later this year, with the exact timing dependent on the impact of delta. No panic in bonds and equities make new highs.
- Hiking is not on the table for now.
- Jobs remain the focus.

Inflation.

- ‘Substantial progress’ has been made, but he still believes the recent spike in CPI is temporary and will return to pre-pandemic levels without the need to raise rates.

Employment.

- More progress is needed, but he is optimistic that ‘substantial’ gains will be made in coming months, as the job recovery has been faster than expected.

Tapering.

- The timing for tapering remains the Fed’s focus with Chairman Powell believing that purchases will be scaled back later this year.

Hiking.

- He clearly indicated that a decision to taper did not affect the timing for rate hikes, and the bar for ‘lift off’ was much higher than it is for reducing asset purchases.

The Bottom Line.

- High inflation numbers over the next couple of months won’t impact the Fed’s thinking. The focus is on jobs: payroll numbers, the unemployment rate, and participation rate.
- Yields should be anchored in a fairly narrow range with a bias to drifting higher once tapering begins.
- It doesn’t appear that a tantrum is on the horizon for stocks and bonds once the tapering announcement is made.

As an end of summer treat, this “article” includes no reading, but a quick video of Powell discussing his plans: <https://www.bloomberg.com/news/articles/2021-08-27/powell-says-fed-could-begin-tapering-bond-purchases-this-year>

Editor’s note: I am not sure where the stereotype came from that economists are boring, but this video may or may not substantiate that stereotype...

For fear of backlash for ending the summer with a less than exciting topic, below is an article which is quite remarkable. A German company is making a concrete that can charge electric vehicles from the road (wireless charging). This is supposedly no more expensive than building a regular road. Given the high price of copper, they instead are using recycled ferrite (don’t believe is the same material as fur jackets) for the coils, which they claim to be 95% efficient, at a fraction of the cost. Electric/autonomous cars are already mind-blowing, but cars that are charged without stopping is a whole new level!

You can read the full article here: <https://www.goodnewsnetwork.org/german-firm-looks-to-build-wireless-ev-charging-road-in-indiana/>

Enjoy your 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



View my LinkedIn profile



Follow me on Twitter

This may provide links to other Internet sites for the convenience of users. Raymond James Ltd. is not responsible for the availability or content of these external sites, nor does Raymond James Ltd endorse, warrant or guarantee the products, services or information described or offered at these other Internet sites. Users cannot assume that the external sites will abide by the same Privacy Policy which Raymond James Ltd adheres to.

This newsletter has been prepared by Greg Roscoe and expresses the opinions of the author and not necessarily those of Raymond James Ltd. (RJL). Statistics and factual data and other information in this newsletter are from sources RJL believes to be reliable but their accuracy cannot be guaranteed. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. This newsletter is intended for distribution only in those jurisdictions where RJL and the author are registered.

Securities-related products and services are offered through Raymond James Ltd., Member-Canadian Investor Protection Fund. Insurance products and services are offered through Raymond James Financial Planning Ltd., which is not a Member-Canadian Investor Protection Fund. This email newsletter may provide links to other Internet sites for the convenience of users. Raymond James Ltd. is not responsible for the availability or content of these external sites, nor does Raymond James Ltd endorse, warrant or guarantee the products, services or information described or offered at these other Internet sites. Users cannot assume that the external sites will abide by the same Privacy Policy which Raymond James Ltd adheres to. Not intended to solicit clients currently working with a Raymond James Financial Advisor. If you would prefer not to be on our e-mailing list, please reply to this email with UNSUBSCRIBE in the subject line.

