

AOTW: Supply Chain Issues have Created the "Everything Shortage" October 8, 2021

Good morning,

Financial markets bounced back nicely this week after a soft finish to September, up 2-3% on the week in North America as a temporary agreement was reached to suspend the debt ceiling in the US. (Oct 18th is the deadline for a permanent agreement, but with the Democrats in control of all 3 houses of the US government, should a bi-partisan deal fail, the Dems can solve this issue in a different way...the markets are watching and could have some volatile days around that time, but risk of any serious issues appears to remain low.)

We have talked a lot about inflation, the supply chain and the shortages in the labour market quite a bit in these missives...all of us live with the consequences every day. No better example than the shortage of gasoline in the UK currently; nothing to do with lack of fuel supply and everything to do with a lack of truck drivers to move the goods around. This is not an exclusive UK problem.

“...there’s also a crucial lack of people to actually drive the rigs. The Minnesota Trucking Association estimates that the country has a shortage of about 60,000 drivers, due to longtime recruitment issues, early retirements, and COVID-canceled driving-school classes.”

Supply chain issues and lack of labour together are a powerful mix that is creating shortages and cost distortions. We are also seeing the pace of recovery affecting things...the western world is well on the path to post-Covid recovery, whereas East Asia (where many crucial goods are made such as resin for roof caps and vinyl for car seats) is way behind in vaccination rates and continues to deal with factory closures based on outbreaks of the Delta variant. The result? Really strange price distortions.

“With demand surging in the United States, shipping a parcel from Shanghai to Los Angeles is currently *six times* more expensive than shipping one from L.A. to Shanghai.”

“Finally, as if those slowdowns weren’t enough, there’s the mail. As of this month, the U.S. Postal Service is reducing its use of air transportation to save money. The USPS estimates that deliveries outside your local area will likely be delayed by one or two days. But as we’ve seen, relying on rail and truck means leaning on systems that are dealing with their own mess.”

Translation: you might want to in person shop for your Christmas gifts. How does all this resolve itself? Is it a permanent issue?

It does seem as though Covid has laid bare the vulnerabilities of the just in time supply chain that integrates low cost goods manufactured overseas. Will this onshore more manufacturing to North American plants? This would be good news for our economic future, but would obviously result in higher prices. This will all settle in time, one way or another.

This is the most thorough summary we have seen of the supply chain issues and their ultimate impact on good shortages and inflation. Enjoy the fodder, you will once again be the smartest at your Thanksgiving table.

https://www.theatlantic.com/ideas/archive/2021/10/america-is-choking-under-an-everything-shortage/620322/?utm_campaign=the-atlantic&utm_medium=social&utm_term=2021-10-07T10%3A30%3A58&utm_source=twitter&utm_content=edit-promo

Happy Thanksgiving from our family to yours.

-Penned by Trevor Johnson

Trevor M. Johnson, CIM, FMA

Financial Advisor & Portfolio Manager

Contego Wealth Management of Raymond James Ltd.


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

 613.369.4660 | Toll Free: 1.866.552.0889 | Fax: 613.369.4699

www.raymondjames.ca/contegowealthmanagement/

Personal Assistant:

Karol Phillips | Financial Advisor Associate |

 613.369.4662

karol.phillips@raymondjames.ca



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.

RAYMOND JAMES®



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.

Contego Wealth Management | Raymond James Ltd. 750-45 O'Connor Street | Ottawa, ON | K1P 1A4

 613.369.4600 | Toll Free: 1.866.552.0889 | Fax: 613.369.4699

www.raymondjames.ca/contego