

Ryan Chook

From: Ermes Monaco
Sent: Wednesday, September 29, 2021 2:10 PM
To: Ryan Chook
Subject: FW: VALUED CLIENT MAIL LIST: Economic Outlook - Summer 2021

Importance: High

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From: Ermes Monaco <e.monaco@iaprivatewealth.ca>
Sent: June 17, 2021 1:41 PM
To: Ermes Monaco <e.monaco@iaprivatewealth.ca>
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Source: Google Images

HANG ON HERE COMES THE RECOVERY

It's time to start thinking about life after Covid restrictions are lifted. A common belief is that we are going to roar back into good times everywhere. Yet, others think that's already been built into the value of things now.

General medical opinion is that the Covid-19 strain is going to likely continue to be with us. But consensus amongst epidemiologists is that the extent of vaccination occurring coupled with a continued annual program of vaccination will help control the severity and spread of the virus to permit a "normalization" of life.

The question is "What is normal?" A global pandemic this severe is undoubtedly going to leave damage in its wake with the likelihood that some participants will have given up and not returned to business as usual. Therefore, a consideration of potential outcomes will be useful in assessing what the net economic landscape might become post-Covid.

OVERALL THE LIKELIHOOD IS FOR RECOVERY AND RETURN TO GROWTH ALTHOUGH VARIANCES ACROSS BUSINESS SECTORS AND TIMING WILL CREATE MIXED SIGNALS AND UNCERTAINTY AT TIMES. ONCE PENT UP DEMAND IS EXHAUSTED AND ECONOMIC CYCLES STABILIZE WE SHOULD EXPECT GREATER NORMALIZATION. HOWEVER, CONTINUED VOLATILITY SHOULD PERSIST AT LEAST INTO THE END OF THIS YEAR. THEREFORE, *WHAT THE MARKET GIVETH, IT MAY TAKETH BACK A BIT ALTHOUGH WE WILL STILL BE AHEAD FROM WHENCE WE CAME.*

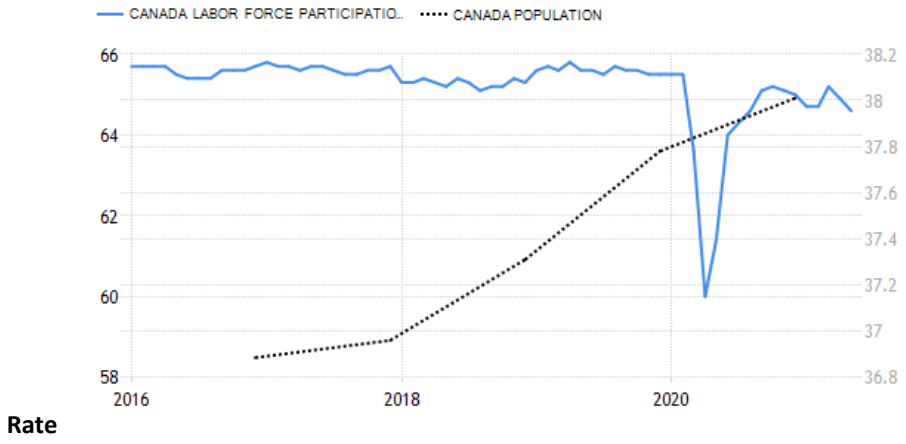
ECONOMIC SECTORS

Positive Expectations	Potential Risks
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Increasing employment

- Reluctance to return to previous job.
- Previous job may no longer be available due to company closures especially among small businesses.
- Large companies may continue to adopt digital services versus re-hiring.
- *Some evidence points to flat labour participation despite population growth.*

Canadian Population vs Labour Participation

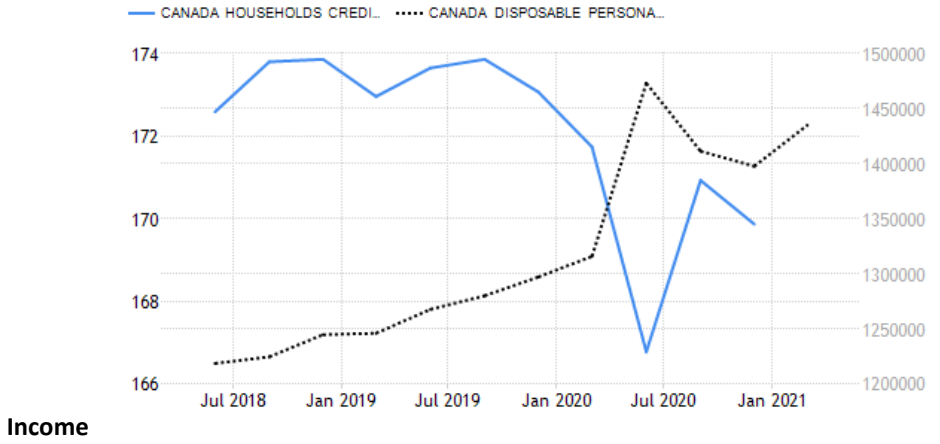


Source: Tradingeconomics.com

Increase in consumer demand and spending

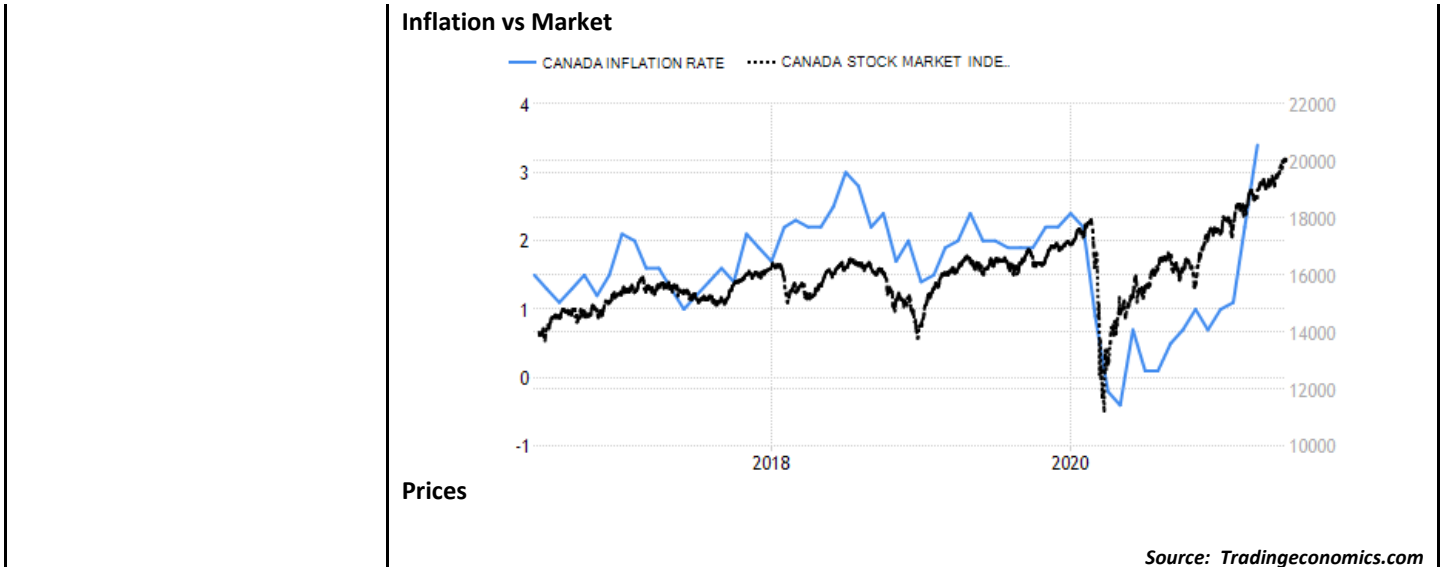
- **Post-Covid pent up demand** will likely transition into a moderation of on-going spending once outstanding goods and service needs are satisfied.
- Areas such as travel which declined due to the pandemic will rebound at the expense of other spending.
- *Some of the household income not spent during the pandemic will have been used for debt reduction leaving less disposable income.*

Household Debt to Disposable



Source: Tradingeconomics.com

<p>E-commerce activity</p>	<ul style="list-style-type: none"> • A resumption of in-store shopping habits will moderate on-line shopping activity. • Vendors with both brick and mortar and on-line will continue to benefit from the transition but e-commerce service providers including “gig” delivery will reflect the reduction in on-line activity. Food delivery service demand will moderate as consumers return to restaurant dining.
<p>Expanding Supply Chain</p>	<ul style="list-style-type: none"> • Availability of materials will improve although resumption for the consumer will likely occur gradually as some global regions where products originate lag in the vaccination process; this will impede the rate of recovery and production. • Back orders will claim much of the increased availability before new demand is filled. <div data-bbox="732 684 1268 1062" data-label="Image"> </div> <p data-bbox="1300 1100 1511 1125" style="text-align: right;"><i>Source: Google Images</i></p>
<p>Increase in domestic and global GDP</p>	<ul style="list-style-type: none"> • The recovery in GDP will trigger eventual interest rate increases particularly as the rate of inflation surpasses market price trends. This will favour some areas such as banks and financials but create uncertainty and weakness in areas that prospered during the pandemic cycle, ie.: <ul style="list-style-type: none"> ○ Financial market valuations. ○ Purchases of cottages and trading up of homes.



Central bank accommodation

- **Government and central bank support provided during the pandemic will be unwound to avoid fueling inflation as recovery occurs. Because of this, the pace of recovery will be largely dependent on the consumer.**

Growth in Money Supply Through Government

Support

Source: Tradingeconomics.com

WHAT'S THE TAKEAWAY?

BETTER TIMES ARE COMING BUT WE SHOULD MANAGE OUR EXPECTATIONS AS TO HOW MUCH AND HOW FAST.

SHORT TERM NEWS MAY CREATE AN OVERSTATED REPORTING OF EVENTS WHICH COULD LIKELY INCREASE INVESTOR ANXIETY AND MARKET VOLATILITY. HOWEVER, CONDITIONS FOR CONTINUED GROWTH WILL PERSIST.

IN THE MEANTIME, SOME WORK WILL BE REQUIRED TO SYSTEMATICALLY RE-BALANCE SOME OF THE DEFENSIVE AND HEDGING POSITIONS AS WELL AS BUSINESS SECTORS BASED ON DEMONSTRATED TRENDS AND THE EVENTUAL SHIFT IN GOVERNMENT POSITION OUT OF PANDEMIC MODE. THIS WILL BE NECESSARY TO ENSURE WE ARE SUITABLY POSITIONED FOR THE NEXT ECONOMIC ENVIRONMENT.

Regards

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