

US and Canada Data

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Retirement Income Planning
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Talk about fatigue (as I did in my last e-newsletter from December 2020), and it is still rampant. Yes, I have not written an e-newsletter since December, and that is surprising for me. Perhaps the fatigue hit me as well! We get the occasional boost, and then, of course, the stomping down on one's desires and feelings occurs again. Yes, it is hard to maintain a positive outlook when we sit thru yet another lock-down.

In December, I commented on the equity markets move upward being real, which has borne some fruit. I asked clients at the start of February to take some profit in positions and raise some cash. I wanted to protect portfolios against what feels like the late 80's bubble in everything, just missing the higher interest rate.

I wanted you to stay invested but also add some protection. Two months later and I still feel the same way.

Is there a US/Canada difference that is getting stretched further than it has been in some time? As you know, I have been biasing our investments to companies with a significant presence beyond our borders, especially to the south, for some ten years. Do I feel a need to change this bias?

"Jobs are booming" is what we are hearing!

Canada from February

We heard that at the end of February, Canada saw employment up some 259,000. Retail saw an increase of 112,000 in employment as Ontario and Alberta opened up...oops, that just got squashed in April. Most of the younger age employment came in Retail, accommodations and food services. I have to feel that many of these are back home wondering what is next. Public sector employment was up 46,000, and I am sure most are still at their new jobs. (note: have you had to call into CRA of late, well get ready for 1 to 3 hours of waiting...)

Canada sits naturally with accommodation, food, recreation and culture well below pre-pandemic employment. Many of these folks are not feeling overly optimistic for sure. Manufacturing remains flat with no growth. The only sectors above pre-Covid levels are Utilities, finance, public admin and education and professional services.

In summary, Canada remains well behind in the vaccine war to provide the struggling sectors hope. Combining this with high taxation rates in Canada is holding back on companies growing their businesses here; thus, manufacturing is stagnant.

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Let's turn our attention to March's US Job Report

March saw an increase of 916,000 south of our border. Ahead of expectations, just like February's number in Canada. Leisure and hospitality were up 280,000, and manufacturing was up 53,000. Government jobs rose 136,000.

If one multiplies Canada's number by 10 (the US is 10 times our size by population), it sure makes our February number seem to be dramatically more for sure. Sustainability becomes the big question mark. With the US sticking a needle in every one of their citizens' arms by July and reaching herd immunity by then as well, it supports US sustainability, not Canada's.

It would appear that the US economy will exceed that of Canada in the final half of 2021.

Staying with it

If there is a course to stay, I suggest it is in our overemphasis on US investments. I am watching for many indicators, and inflation is undoubtedly one of them. Inflation is everywhere and in every sector as all raw materials have seen their prices rise dramatically. The US FED has stated they will keep interest rates artificially low thru 2023. I am not convinced they can accomplish such a lofty agenda against inflation and consumption rates. I anticipate a US interest rate rise in the 1st half of 2022. This will cause a minor correction to equity values that will occur before the rates are moved higher.

I remain concerned for a bubble to burst in equities and housing and why I wish to maintain extra cash in your accounts for protection. As always, I remain diligent in analyzing my data sources (not news) to assist in directing our course.

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