

DIVIDENDS

Investment Planning eNewsletter

It Used to be a Labour Holiday

Issue 2024-08 August 30, 2024



It has been a tremendously busy summer and looking forward to my Labour Day Weekend off. How about you? Both the bond and equity markets have kept me busy this summer, reviewing and analyzing, especially when the summer has been a pretty good one on both fronts. Not always the case.

Labour Statistics Massively Revised

The U.S Bureau of Labour Statistics provides what its title says. They publish the monthly changes to give an indication of labour growth or contraction. Are there new jobs or are jobs being reduced? Unfortunately, it is an estimate and not a very good one it appears. For they just reduced the annual labour growth from March 2023 thru March 2024 by a staggering -818,000 jobs. When the monthly gains reported was averaged at 242,000, this loss is like 3.4 months of no gains. A 30% miss like this is the worst reported since 2009.

So yes U.S. labour growth did occur, just over guessed it by every 3rd person hired. In this day and age of access to data they need to do a better and more accurate job.

Inflation Being Stated as Abating

Yes, it is still there and has been a major talking point for all as we see it everywhere. I don't hit A&W too often but a burger and onion rings sure taste good once and a while. My latest order, I had no coupon, so it was full fair at \$16. Ouch! I remember my days of working summers at a pool supply company in Winnipeg and we would hit the local A&W drive-in a couple times a week. Think it was like \$3. I shall be sure to have a coupon next go round when the A&W fix hits me.

So Does Controlling Prices Fix Inflation?

This has become another major talking point here in Canada and now in the U.S. The answer is No. It has never worked and will not work this time. However, this history of never working has never stopped governments from trying things again. Inflation is kryptonite to politicians, so price controls come up time and time again.

Anyone remember the Nixon era when wage and price controls were put in place during his election and inflation surged some 9% per year during 1973 thru 1975!

During the French revolution in 1793 they lopped off people's heads if they did not abide by the price controls.

Competition and free markets shall remain the best solution. Without them bread lines become the norm. Prices of goods and services and the cost of getting them to market has surged and that is the real cause of price increases. There is plenty of competition out there and many new entrants have tried to infiltrate not just the grocery game but many other industries. I have never liked owning grocery related companies for their operation margins are measured by only 5% and less. If Loblaws had not bought Shoppers their numbers would not be decent.

Human ingenuity is the single most powerful driver of asset prices over the long term. This is why large cap stocks have performed so well over time. The North American system of capitalism may have its flaws, like every other economic structure, but it does reward risk taking and innovation more than other countries and regions.

Ultimately, the best way to fight inflation is to have the Bank of Canada and the U.S. Fed focus on price stability while the governments minimize taxes and regulation to further encourage competition and risk-taking. Competition, not new regulations, is the way to keep prices down.

Happy to speak with you or your friends at 905-541-2012 or email vwarrington@alignedcp.com

Vaughn Warrington, CFP®, FMA

Investment Advisor and Certified Financial Planner

Binvested - Aligned Capital Partners Inc.
President - Binvested Management Inc.
www.binvested.ca



Disclaimer

Investment products are provided by Aligned Capital Partners Inc. ("ACPI"). Any advice which may be given in respect of non-securities services is given by your advisor solely, and no such advice is given in their capacity as an agent of ACPI. Accordingly, ACPI is not liable and/or responsible for any non-investment related business conducted by Binvested Management Inc. The Canadian Investor Protection Fund (CIPF) does not cover any non-securities related business conducted by Binvested Management Inc.

The information contained herein was obtained from sources believed to be reliable, however, we cannot represent that it is accurate or complete. This newsletter is provided as general source of information and should not be considered personal investment advice or solicitation to buy or sell securities. The views expressed are those of the author and not necessarily those of Aligned Capital Partners Inc., its employees or affiliates. All performance data represents past performance and is not indicative of future performance. Vaughn Warrington may hold positions in the securities mentioned.

Copyright © 2024 Binvested / Aligned Capital Partners Inc., All rights reserved.

Our mailing address is:
Binvested / Aligned Capital Partners
1001 Champlain Avenue, Suite 300, Burlington, ON. L7L 5Z4