FIRST CAPITAL FINANCIAL

WORLDSOURCE FINANCIAL MANAGEMENT INC.
Sponsoring Mutual Fund Dealer

The pandemic caused a fearsome economic slump, but now a weird, exhilarating boom is in full swing. Oil prices have soared, while restaurants and trucking firms are so busy they are having difficulties recruiting and keeping staff. Publicly listed companies signal that profits will hit an all-time high this year and stock markets are performing well. An index produced by JPMorgan Chase suggest that global growth is at its highest since the exuberant days of 2006.

"No plans set in stone yet, but I'll probably spend some time getting on my wife's last nerve, maybe hyperfocus on the lawn."

Any escape from Covid-19 is a cause for celebration, but there are fault lines that lie beneath the surface. Together they will determine who prospers and whether the most unusual recovery in living memory can be sustained.

The first fault line divides the jabs from the jab-nots. Only those countries getting vaccinations into arms will be able to tame Covid-19. That is the condition for shops, bars and office to reopen permanently, and customers and workers to have the confidence to leave their homes. But only one is four people around the world has had a first dose of vaccine and only one in eight is fully protected. Even in America, some under-vaccinated States are vulnerable to the infectious Delta variant.

The second fault line runs between supply and demand.Shortages off microchips have disrupted the manufacture of electrons and cars just when consumers want to binge on them. More, the cost of shipping good from China to North America has quadrupled from its pre-pandemic leave. Signs of structural labour shortages in service industries are emerging, where it has been observed that people seem keener to go for a drink than they do work behind the bar. Housing prices have surged, suggesting that rents will soon start to rise too, sustaining inflation.

The third fault line is over the withdrawal of stimulus. At some point, the state interventions that began last year must be reversed. Rich-world central banks have bought assets worth over USD $10 trillion since the pandemic began, and are nervously considering how to extricate themselves without causing the economy and capital markets to fall.

When managing client portfolios we look at best and worst case scenarios and position capital accordingly. Identifying three areas of risk is not the same though as making the case for any of these eventualities. Rather, it is a matter of tabling the risks as we see them and weighing the probabilities as can best be determined. Our position remains unchanged from the end of both Q1 and Q2 -that is, we remain confident that the positives in the economy -low interest rates, strong consumer demand, government support programs and high business and consumer confidence outweighs the fault lines under the surface. We believe that our higher-end range equity positions with **Dimensional**, **EdgePoint**, **Guardian Capital** and **Mackenzie Investments** coupled with short duration corporate bonds and sector-specific allocations in US small-cap and sustainable energy, are the right building blocks of a retirement portfolio for the next 6-12 months.

Hope your summer is going well and look forward to speaking with you soon.

Be safe, be well!

Martin
1-519-546-5088