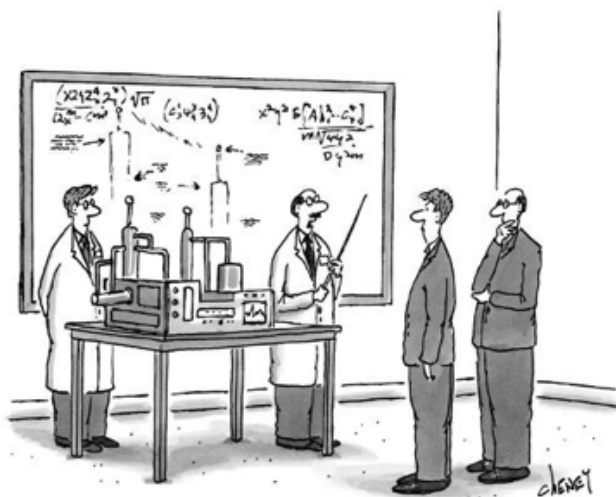


After years of stagnation, industrial companies look poised for a boom. Consensus estimates are for America's capital-goods sector to see sales rise 5% in 2021, led by automobile sales which look to top 17 million -an all-time high. This explains why industrial groups have outperformed the benchmark S&P 500 this year. The National Association of Manufactures reports that nearly 90% of members surveyed were bullish about their businesses' outlook for the next twelve months, a positive outlook that augers well for the near term.

Chief executives are putting their money where their mouths are. On March 23rd, Intel's CEO Pat Gelsinger said the chipmaker would spend \$20 Billion on two factories in Arizona. Leading American industrial companies including Caterpillar and Stanley Black & Decker are set to increase their capital spending by 20% on average this year, and all told, industrial firms are forecast to spend in 2021 a total of roughly three-quarters of a *trillion* dollars. This is a significant vote of confidence in the outlook for the U.S. economy and for a renaissance in American manufacturing capacity.



The pulse of the heartland

Total returns

January 4th 2021=100



United States, manufacturing purchasing managers' index*

↑ Expanding



*Based on a survey of purchasing executives, over 50=improvement on previous month
Sources: S&P Global; IHS Markit

Having sunk amid Covid-19, America's factory output was perhaps inevitably due for a sharp rebound. Vaccines are boosting consumer confidence and revising hopes that the economy may fully reopen and soon. Positive structural forces are also at play. One is a change in industrial policy under the previous Trump administration that disrupted supply chains, raising costs for American manufacturers producing overseas. This caused industrial companies to reconsider manufacturing within the U.S. itself, and may herald a revitalization of the American heartland. President Biden's Build Back Better represents the continuation of this, with proposed additional infrastructure spending of almost \$3 Trillion. Bringing manufacturing back to America would reduce the supply-chain risk of making almost nearly everything in far-away low-wage countries. This includes vulnerabilities in computer chips, critical minerals used in electronics (called rare Earths), large-capacity batteries for electric cars and vital medical equipment.

Many industry-watchers agree that current policies and the larger market environment represent the greatest convergence of pro-industry forces in decades. Some industrial concerns will fail to take advantage of it. General Electric is shedding assets to stay afloat, while the fate of Boeing is uncertain as its airplanes continue to face safety concerns and the pandemic clouds the future of air travel. Still, whatever manufacturing companies survive Covid-19 will be set to mint money. Ultimately we have confidence in our wealth management partners at **Dimensional, Edgepoint, Guardian and Mackenzie** to capitalize on this seismic shift in the on-shoring of American manufacturing. I have to admit, it's been a while since I looked at a product and saw the words Made in the U.S.A. Kind of a nostalgic thought, but one that looks more likely to become more common in the years ahead.



Be safe, be well!

Martin
519-546-5088