

## SUPPLY CHAIN - This year's buzz phrase?

**Supply chain:** One definition is "*the network between a company and its suppliers to produce and distribute a specific product to the final buyer*". It is a term, I believe, you will hear increasingly more often from the Biden Administration. For decades, the desire to drive down prices in every aspect of consumer products has driven supply and manufacturing out of North America to countries where costs, especially labour, are substantially cheaper. Much of this migration has, of course, been to Asia. The shutdown of global economies and then the unprecedented flood of demand as government stimulus and vaccine rollouts took effect has left many needed products in short supply. Electronic chips have been getting the most press. America used to produce close to 40% of the output of the high demand **silicon wafers**, now it's only around 12%, and INTEL is the sole Made in America manufacturer. Automobiles, home appliances, toys, heavy equipment - what product today does not have an electronic chip component? It is not only chips, container ports are jammed with much needed parts and finished products, and prices to lease a container, if you can get one, are at record highs. It all leads to the word you have been hearing from me week after week - **inflation**.

Coinciding with the migration of manufacturing out of the USA was, not surprisingly, a decline in union membership from some 20% in the 1980's to 10% today. **However, this may be about to change.** Last week, President Biden ordered the creation of a task force, led by the Vice President, to explore ways to help labor and unions. Add this to his platform to bring manufacturing back to America, plus higher corporate and personal taxes, and **is a seismic shift in makeup of the American workforce on the horizon?** Stronger unions and more demand for skilled labour can only lead to higher wages. Will we see the ever widening household income inequality between lower and middle classes and the one-percenters start to narrow? If this strategy evolves successfully, one can foresee a more diversified economic boom across the country and, as a by-product, **that word again - inflation.**

Last week, despite some ginormous earning reports from companies such as Apple, Google, Microsoft, Caterpillar, and UPS, equity markets ended flat or slightly lower. Nevertheless, apart from India (no surprise) and Japan, **it was a month of generally impressive stock gains.** At 2.2%, our TSX was on the lower end of April's winners. Oil up 7.5% and copper's 12% monthly jump may have had some bearing on the loonie's 1.5% rise. It is now at its highest level since February 2018 - so it's a good time to start building up one's supply of US dollars for when the borders finally open. ☺

There is the old investment adage "**sell in May and go away**". So far most of my "most watched indicators" say higher US equity prices ahead; however, global markets and perhaps Canada's will be influenced very much, this May, by the status of Covid caseloads.