

10/14/21

Good Afternoon,

Stocks are seeing a sharp rebound today based on a strong start to Q3 corporate earnings season. The next few weeks will be filled with earnings reports and commentary on what corporation's project going forward. It is clear the American consumer is alive and well as demand remains strong for most goods and services. The troubles remain on the supply side with materials, labor and transportation bogs threatening the recovery and accelerated inflation. As we enter the Q3 earnings season, there has been a notable shift in the dominant economic narrative. Most clearly, the notion that inflationary pressures will prove to be "transient" is starting to be replaced by a much longer timeframe.

A major concern for continued economic growth is the shortage of semiconductor microchips. These tiny components are part of nearly everything we buy, or they run the machines that produce what we buy. While the US invented the semiconductor and used to manufacture most of them, they are now primarily made overseas and imported. This is contributing to the backlog in production of autos, cell phones, refrigerators, etc., etc. It seems like a good opportunity to crank up semiconductor manufacturing on US soil.

Where did the workers go? Despite having more people unemployed now than prior to the pandemic, companies are struggling to hire the workers needed to operate at full capacity. Businesses are forced to offer higher wages to attract employees and this wage pressure will be passed on to consumers through higher prices. Many industries are also facing near crisis-level concerns in transportation of goods. Our major seaports are backed up with cargo ships waiting to unload and the trucking industry is desperate for more drivers. How we unwind these supply, labor, and transportation issues over the next several months will determine the direction of our economy for 2022 and beyond.

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Hope you have a great weekend!

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

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