First Trust Portfolios Canada
Monday Morning OUTLOOK

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Thankful, But Watchful

As Americans gather among family and friends to celebrate Thanksgiving, we all have much to be thankful for.

Twenty-one months after COVID-19 led to massive lockdowns across the US, vaccines are now widely available thanks to the private enterprise system. In addition, new highly effective treatments are coming to market, which could minimize the risks associated with COVID-19 for both the highly-vulnerable as well as those who'd prefer not to take the vaccine.

Meanwhile, entrepreneurs and businesses of all sizes had to squeeze about a decade's worth of innovation into a year to overcome both COVID itself as well as draconian measures taken to (supposedly) limit the spread of the disease. So much so that the number of workers on payrolls is still down 4.2 million versus February 2020 (the last month pre-COVID). But this reflects worker decisions, more than worker demand. Total employment plus total job openings are just 1.3 million below pre-COVID levels.

Meanwhile 232 years after the Constitution was ratified we continue to enjoy the blessings of the American Founders' wisdom. The separation of powers means no president is a dictator, neither the ones you vote for or against, even in the face of a health threat that many still perceive as severe. Witness the recent suspension of extremely burdensome OSHA rules that would have required private companies to impose vaccine mandates on their workers or, in the alternative, authoritarian-style mask and testing requirements, even as every adult who wants a vaccine can get one and young people face very little risk.

Then there's the federal system of overlapping jurisdiction between the federal government and the states that allows for some variety in public policy, in part responsible for the movement of people between the states toward places where people are more free, both in general, as well as with respect to COVID.

But all of the things we should be thankful for don't add up to a reason to be complacent. Inflation is obviously a bigger problem than it's been in decades and no one should be confident that they know exactly the course of treatment the Federal Reserve will ultimately apply. Near the end of next year, we will all have a clearer picture of how persistent and high inflation really is, and whether tapering does anything to bring it down.

Our belief is that inflation is not temporary. The only question is whether the Fed chooses to bring policy back to normal quickly or slowly. We expect the Fed to kick the inflation can down the road for some period of time. Whether that is just until 2023, or until a new administration in 2025, is still debatable. Either way, the US will end up with a period of slower growth at some point in the years ahead.

So for now, be thankful. We remain bullish on equities and the economy. A bear market or recession in 2022 is very unlikely. But don't be complacent. Be watchful and be ready to shift, as always, if circumstances change. .

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-22 / 9:00 am	Existing Home Sales – Oct	6.200 Mil	**6.300 Mil**	6.340 Mil	6.290 Mil
11-24 / 7:30 am	Initial Claims – Nov 20	260K	**262K**		268K
7:30 am	Q3 GDP Second Report	2.2%	**2.3%**		2.0%
7:30 am	Q3 GDP Chain Price Index	5.7%	**5.7%**		5.7%
7:30 am	Durable Goods – Oct	+0.2%	**-0.4%**		-0.3%
7:30 am	Durable Goods (Ex-Trans) – Oct	+0.5%	**+0.4%**		+0.5%
7:30 am	Personal Income – Oct	+0.2%	**+0.3%**		-1.0%
7:30 am	Personal Spending – Oct	+1.0%	**+1.0%**		+0.6%
9:00 am	New Home Sales – Oct	0.800 Mil	**0.800 Mil**		0.800 Mil
9:00 am	U. Mich Consumer Sentiment- Nov	66.9	**67.0**		66.8