Thackray Newsletter

— Know Your Buy & Sells a Month in Advance —

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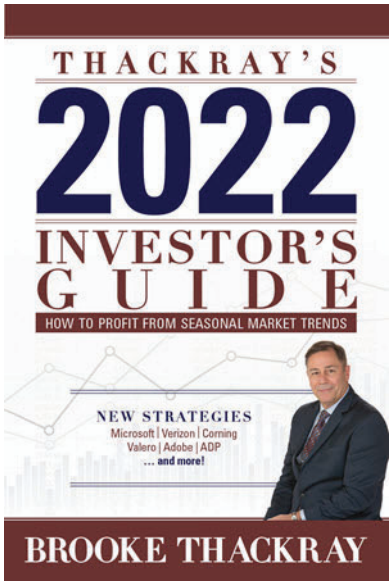

Available in bookstores

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Market Update

The Great Rotation- Is it Going to Happen in 2022?

For many years there has been a group of investors that have been predicting the demise of the growth sector and the rise of the value sector. It hasn't happened so far. There have been spurts where the value sector has out-

S&P 500 Technical Status

At this time the S&P 500 has not broken any key levels of support, which is a good thing. The key level of support is currently 4250 for the S&P 500, which is approximately the September low. This level is also below the 200 day moving average that many investors follow. If the S&P 500 were to break below 4,250 on strong volume, the probability of further downside would increase.

There is a concerning development in regards to price momentum. Since October, the S&P 500 has moved higher at the same time the RSI has been moving lower. This does not necessarily mean that the stock market is going to have correction, but it increases the probability of downside action.

The S&P 500 is currently in its six-month strong seasonal period. Although it is possible to see increased volatility, a favorable seasonal tailwind increases the probability that a positive resolution will occur.

Horizons Seasonal Rotation ETF (HAC : TSX)
Portfolio Exposure as of **December 31, 2021**

Symbol	Holdings	% of NAV
	Canadian Dollar Exposed Assets	
	Commodities	
HUZ	Horizons Silver ETF	4.0%
	Equities	
HEWB	Horizons Equal Weight Canada Banks Index ETF	14.8%
HXCN	Horizons S&P/TSX Capped Composite Index ETF	24.4%
	United States Dollar Exposed Assets	
	Commodities	
GLD	SPDR Gold Shares ETF	7.0%
	Equities	
HXS	Horizons S&P 500 Index ETF	26.1%
HXQ	Horizons NASDAQ-100 Index ETF	5.1%
XLB	Materials Select Sector SPDR Fund	4.1%
XLI	Industrial Select Sector SPDR Fund	6.9%
XHB	SPDR S&P Homebuilders ETF	3.2%
GDX	VanEck Gold Miners ETF	3.0%
	US Dollar Forwards (January 2022) - Currency Hedge **	0.8%
	Cash, Cash Equivalents, Margin & Other	0.7%

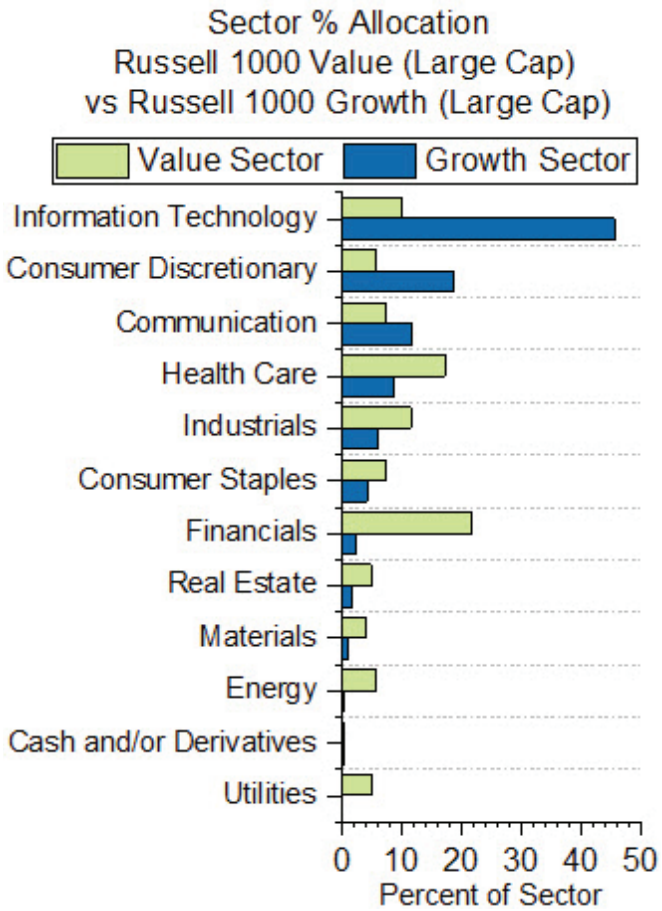
*** Reflects gain / loss on currency hedge (Notional exposure equals 55.42% of current NAV)*

The objective of HAC is long-term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. The Thackray Market Letter is for educational purposes and is meant to demonstrate the advantages of seasonal investing by describing many of the trades and strategies in HAC.

performed, but not for a significantly long period. A lot of investors are calling for the great rotation, from growth to value, to happen in 2022.

> There are many methods of classifying growth stocks and value stocks and as a result there are different growth and value indexes and ETF's in the market. In general, growth stocks have higher valuations such as P/E ratios and Price/Book ratios etc. In general, most investors equate growth stocks with technology stocks. Although this is not necessarily true, in general the technology sector can be used as an approximate measure of the growth sector, due to the large percentage of technology stocks being classified as growth stocks.

The graph below (data from ishares.com, January 7, 2022), shows the sector allocation in the Russell 1000 (Large Cap) Growth and Value Indexes. When the blue bars are greater than the green bars for a sector, the sector is skewed to growth and when the green bars are greater, the sector is skewed to value. According to methodology being used for growth and value, there are only three growth sectors of the stock market: information technology, consumer discretionary and communication. The rest of the sectors have a greater weight of value stocks.



Below are the percent weights of the large cap Russell 1000 Growth and Value Indexes (ishares.com as January 7, 2022). In order to see the differences between the growth and value indexes of the different sectors, relative percentages of each market sector needs to be compared. The information technology sector has a huge difference in weights in the growth and value sectors of the Russell 1000 large cap index. In the growth sector, technology represents 45.54%, versus 9.87% in the value sector. In other words, the technology sector has a 4.6 times weight in the growth sector versus the value sector. At the other extreme, the utilities sector represents 5.01% of the value sector and 0.02% of the growth sector. In this case, the utilities sector has a 250 times weight in the value sector compared to the growth sector.

Russell 1000 Growth / Value % Sector Weights

	Growth	*Value*
Information Technology	*45.54*	*9.87*
Consumer Discretionary	*18.59*	*5.68*
Communication	*11.56*	*7.27*
Health Care	*8.47*	*17.15*
Industrials	*6.03*	*11.43*
Consumer Staples	*4.11*	*7.38*
Financials	*2.40*	*21.66*
Real Estate	*1.72*	*4.89*
Materials	*1.03*	*3.79*
Energy	*0.35*	*5.55*
Cash and/or Derivatives	*0.17*	*0.32*
Utilities	*0.02*	*5.01*

There is no question that growth stocks have outperformed value stocks significantly since 2017 (see graph below). The value sector managed to rally relative to growth starting in September 2020 into March 2021. This rally was premised largely upon the economy expanding at a faster rate than generally expected as concerns over Covid-19 receded. This outperformance did not last long as weaker economic numbers than expected were reported and the growth sector once again dominated from June 2020 to the end of the year.

The outperformance of the value sector lasted a few months. Since March 2021, the value sector has had brief spurts of outperformance, but has failed to launch a sustained rally.

The bottom panel of the graph above shows the relative performance of small cap growth to value. What is interesting about this graph is that small cap growth has been underperforming since the beginning of 2021. This has not been the case for the large caps (Russell 1000). This divergence illustrates that it is a relatively few large cap stocks that have been driving the large cap growth sector. Watch for large cap growth versus value to follow the trend line down for small cap growth versus value.

Changing Horses Is Not Easy!

There may be a great rotation taking place from growth to value, but it will probably not be an easy seamless transition.

Investors generally believe that the stock market will rotate from growth to value in a fairly seamless manner. They envision the value sector picking up the momentum from the growth sector as the growth sector becomes overvalued. A good example of the mind-set for the transfer process is changing horses in a long tiring ride. Western movies often portrayed this act with a rider that had a multi day ride switching horses on the "go" with another rider in order to get a "fresh" horse to complete the journey. This process allowed for a much quicker trip rather than having the rider wait for the original horse to rest up.

Unfortunately, switching horses or leading sectors in the stock market is often not an easy transition. It is not like the movies. In the stock market, typically, something has to take place for investors to shift their perspective of which sector of the stock market should lead the market higher. Some sort of catalyst typically needs to occur that shifts the investor mind-set.

There are four possible scenarios where growth stocks start to underperform value stocks on a sustained trend.

Scenario I - Growth has anti-trust or fundamental problems

First, the growth sector can run into some fundamental problems and as a result the sector is disliked by investors. A good example of this situation would be increased anti-trust by the government to reduce monopoly positions in the technology sector. In the past when governments have stepped up their actions, large technology companies have suffered in the stock market.

Scenario I is very unlikely to play out in the near term. At this point, it is hard to see governments increasing their actions against the large technology companies as they have been very compliant in helping to control and maintain the government narrative of the COVID-19 pandemic.

Scenario II - Stronger than expected economic growth

The second scenario for growth stocks to falter relative to value is if investors believe that stronger economic growth lies ahead. Value stocks generally benefit from stronger economic conditions, as they generally have the most to gain from a revenue and profit standpoint. Growth stocks tend to outperform value stocks when growth is scarce (low) and investors are willing to "pay up" for growth. Value stocks benefit from a rapidly rising economy.

The best possible scenario for value stocks to outperform is a rapid expansion of the economy. This would

probably "seal the deal" for value stocks to outperform for an extended period of time. It should be noted that in 2020 when the economy was rapidly recovering as it was reopening, growth stocks outperformed. This was a unique scenario where work-from-home stocks benefited from the lockdowns. This time around, if the economy is rapidly expanding, there is a lower probability that work-from-home stocks will be the outperformers.

Scenario II is a possibility to help value stocks outperform, especially if Omicron cases start to decline rapidly in the near future. Omicron has shown itself to be much milder than Delta. If cases around the world follow the trajectory of cases in South Africa (ground zero for Omicron), which have recently been declining rapidly, this could support a case for stronger economic growth rates in the near future. The passing of the Omicron wave does not necessarily mean that the economy will rapidly expand, but it will provide the environment to help businesses get back to normal operations.

In 2022, economic growth is expected to expand, but at a moderate rate. It was easy for the economy to grow from the depths of the pandemic back in 2020. Now that growth is getting back to pre-pandemic levels, it is going to be much harder for the economy to grow at rapid rates. This is especially true, given the high level of government, business and personal debt, which impinges the ability of the economy to grow. Another $2 trillion of additional government spending was expected to be approved in early 2022, but now looks like it is in jeopardy. The short-term spending portion of this amount was expected to give the economy a temporary boost.

Scenario III - Rapidly rising interest rates

The third scenario for growth stocks to falter relative to value stocks is rapidly rising interest rates. Growth stocks tend to have higher valuations such as P/E ratios. On a discounted cash flow basis, growth stocks are long duration assets that are dependent on rapid growth rates to justify their valuations. When interest rates rise, the opportunity cost of owning growth stocks increases and hurts their valuations.

Interest rates have been rising as investors are expecting the Federal Reserve to ramp up its tapering program, raise rates soon and start running down its balance sheet. If interest rates increase because of Federal Reserve action, this action will slow economic growth expectations. Rising rates due to Federal Reserve action and not economic growth expectations is a trade off between the affects of slower economic growth helping to boost economic growth stocks and higher interest rates having a relatively larger negative impact on growth stocks compared to value stocks.

Scenario III is also a possibility to help value stocks outperform. If high inflation is persistent, bond holders are going to push interest rates higher as they demand higher interest payments to compensate for higher inflation. In addition, the central bank removing liquidity out of the markets is going to put upward pressure on interest rates.

Scenario IV - Severe market correction

The fourth scenario for value stocks to outperform growth stocks is not an attractive scenario for investors. If the stock market were to correct sharply, there is an increased probability that value stocks will outperform growth stocks. Unfortunately, under this scenario, the broad stock market corrects, growth stocks correct and value stocks correct. Value stocks just tend to decrease less. The reason that value stocks decrease less than growth stocks is that they have lower valuation metrics such as P/E ratios to compress. In addition, value stocks tend to pay higher dividends than growth stocks. This has an effect of shortening the duration of the discounted cash flow and also providing a rational for investors to get paid to wait for stocks to "come back."

It should be noted that growth stocks over the last few years have outperformed in minor pullbacks as investors have rushed back into large cap growth stocks that have been perceived as a safe place to hide in turbulent times. The large cap growth stocks, such as Apple and Microsoft have lots of cash and pay a dividend, have performed well in minor pull backs. In minor pull backs, investors want to stay invested and are attracted to large cap growth stocks. However, if there were a sharp correction in the stock market, investors would be expected to start looking at valuations and favor value stocks over growth stocks.

Is 2022 the year for value stocks to outperform growth stocks?

Value stocks are undervalued compared to growth stocks. They are primed to outperform growth stocks, but that does not mean that they will outperform.

On a seasonal basis, value stocks tend to outperform growth stocks from late February to mid-April. Growth stocks tend to outperform value stocks from mid-December to mid-January. Given that growth stocks are currently underperforming value stocks in a seasonal period that favors growth stocks, this is a signal that value stocks could be the preferred sector for the next few months.

At this time, value stocks are preferred to growth stocks. Starting in mid-April, the preference could shift back to growth sectors, particularly if the stock market is in tur-

bulent times.

The big caveat is that if the market does enter into a major correction, this will increase the odds of value stocks outperforming growth stocks.

Defensives outperforming?

The defensive sectors typically do not outperform the S&P 500 in the month of December, but yet that is what happened. When the defensive sectors outperform when they should not, according to seasonal trends, it often indicates softness in the stock market ahead. It does not mean that there will necessarily be a correction in the stock market, but investors should be on the lookout for weakness ahead.

Fed Surprise !

The Federal Reserve's meeting minutes are not usually a big deal for the markets. The minutes tend to add some clarity to the Federal Reserve's meeting announcement or sometimes offer minor dissenting views.

On Wednesday January 5, the Federal Reserve released its minutes from its December meeting. Surprise! The minutes were a shocker, revealing that the Federal Reserve is intent on launching a more hawkish policy. The minutes indicated that the Federal Reserve could start raising interest rates in March of 2022 as it finishes its tapering program of quantitative easing program. The minutes also revealed that the Federal Reserve was looking to start reducing its balance sheet when it finishes its taper program in March.

The Federal Reserve minutes were a complete surprise to investors who are accustomed to being coddled by the Federal Reserve. There is a general feeling in the investment community that the Federal Reserve will step in if the stock markets start heading south. The Federal Reserve is largely to blame for this belief. In the past it has taken action to support the markets when they have stumbled.

Will the Federal Reserve follow through on the initiatives discussed in the meeting? Investors should note that the minutes are not policy. The meetings reveal the discussions that took place in the meeting. There are no definitive decisions made in the minutes that were not announced at the end of the meeting.

The reality is that the minutes are choreographed to help influence investor perspective. So, what do the minutes reveal? They reveal that the Federal Reserve is moving to a more hawkish policy and is trying to nudge investor expectations in that direction. It is also flying some trial balloons to see how the investment community react.

The Federal Reserve knows that they have caused a huge problem by pumping too much liquidity into the markets

for too long. They are now trying to embark on a journey to mitigate the damage that they have caused. They are currently way behind the curve.

Seasonal Opportunities

Materials–

The materials sector has a strong seasonal period from October 28 to January 6 and then from January 23 to May 5.

The materials sector broke above its resistance line on an absolute basis in late December and is now poised to breakout above its relative trend line compared to the S&P 500. If the rotation to the value sector continues, the materials sector will be a beneficiary.

The materials sector tends to be one of the top performing sectors over the next three months.

My Call: The materials sector will probably breakout relative to the S&P 500 and outperform the S&P 500 into April.

Industrials –

The industrial sector has a strong seasonal period from October 28 to December 31 and then from January 23 to May 5

The industrials sector started to underperform the S&P 500 in June of 2021. Recently, the sector has started to outperform the S&P 500 as investors have started to shift to the value sector. A lot of the stocks in the industrial sector are considered to be value stocks. A possible bonus for the industrial sector is a stronger economy than expected. If the omicron variant starts to recede, the industrial sector would be expected to perform well.

My Call: The industrials sector will probably continue to outperform the S&P 500 into early May.

Technology–

The technology sector has a strong seasonal period from October 10 to December 6 and then from December 15 to January 17

The technology sector performed at market from September 2020 to October 2021. In October, the technology sector once again started to outperform the S&P 500. In December 2021, investors started to shift away from the technology sector. At this point, watch for the technology sector to slip into its consolidation box relative to the S&P 500 (see graph below).

At the beginning of the year, investors often reflect on their portfolios and reallocate to the sectors of the stock market that they expect to be the better performers for the entire year. The fact that the technology sector's weaker performance has spilled into 2022 does not bode well for the sector over the next couple of months.

The "judge of character" for the technology sector will later this month when some of the larger tech companies release their earnings.

My Call: The technology sector will probably underperform the S&P 500 into mid-April.

My Call: The financials sector will probably continue to outperform the S&P 500 into mid-April.

Financials –

The financial sector has a strong seasonal period from December 15 to April 13

The strong seasonal period for the financial sector started in mid-December. At the time, the sector was at the bottom of its trading channel relative to the S&P 500 and was consolidating. Towards the end of 2021, the financial sector started to rally hard versus the S&P 500 and has continued to do so into 2022.

The financial sector benefitted from rising yields and also the rotation from growth to value. Recently, the financial sector has broken above its resistance level.

Investors should expect volatility, either to the upside or downside, this week in the financial sector. First, the CPI number is expected to be released on Wednesday January 12 and is expected to be at 7%. This is a huge number and could shift investor expectations for the Federal Reserve to become even more hawkish. If this were to happen, this would help to force interest rates up and be beneficial to the financial sector. Second, JP Morgan Chase, Citigroup and Wells Fargo are expected to release their earnings on Friday. The earnings reports will be closely watched. Strong earnings could help the banks to maintain their strong momentum.

Uranium –

The uranium sector has a strong seasonal period from October 4 to January 24

The uranium sector has been volatile. Recently, the sector has had a bounce off the bottom of its trading channel on an absolute basis. Relative to the S&P 500, the sector has been showing stabilization.

There is a strong fundamental case for uranium to perform well in the medium to long-term as more countries start to commit to nuclear power as a green solution.

The risk with the sector is if the stock market does correct, a lot of the "hot money" that has moved into the uranium companies could exit. On a seasonal basis, the period of seasonal strength finishes later this month: however; commodities as a group tend to perform well into the end of April. If commodities rally and the stock market remains strong, the uranium sector could participate in the move.

My Call: The uranium sector will probably trade at market over the next few months.

Gold Bullion –

Gold bullion has a strong seasonal period from December 27 to January 26

Gold has been in a consolidation pattern for most of 2021 and into 2022. This is a good thing when it leads into a strong seasonal period. Gold has been holding up relatively well given that the yield on the 10-Year Treasury Note has been rising. Normally, this would have had a large negative impact on the price of gold.

If interest rates stabilize, this would be a huge benefit to gold. Technically, gold is set to break out of its consolidation pattern. Initially strength in gold on the breakout could help it attract buying interest.

My Call: Gold will probably perform well into March.

Gold Miners –

Gold miners have a strong seasonal period from December 23 to February 14

Gold miners have been performing poorly since August 2020. They are currently at the bottom of their trading channel. Strength in gold and the stock market could help the gold miners to move higher to the top end of the trading channel or higher.

My Call: Gold miners will probably perform well into March.

Silver –

Silver have a strong seasonal period from December 27 to February 22

Silver has support at $21.75. Technically, the pattern of lower highs is not favorable; however, given that silver has just started its strong seasonal period, this could be negated fairly quickly. Support, just below the current level, goes back to 2020. If silver is able to break above its downward trending channel line, it could move rapidly

to $26 and higher.

My Call: Silver will probably outperform the S&P 500 into late March or early April.

Homebuilders –

Homebuilders have a strong seasonal period from October 28 to February 3

The homebuilders sector performed well from early October to mid-December. Recently, rising interest rates have taken a toll on the sector's performance relative to the S&P 500. The sector's strong seasonal period ends very shortly and given the sector's recent weak performance, it is not currently in an attractive position and could continue to underperform.

My Call: Homebuilders will probably underperform the S&P 500 over the next few months and potentially longer.

Canadian Banks –

The Canadian banking sector has a strong seasonal period from October 10 to December 31 and then from January 23 to April 13.

For most of 2021, the Canadian banking sector performed at market. In December, as interest rates started to turn higher, investors were attracted to the sector and the sector started to outperform.

Canadian banks can perform well at this time of the year. The sector is in a brief period between two strong seasonal periods. The first seasonal period finishes on December 31 and the next seasonal period starts on January 23. When the sector is performing well, positive momentum can help bridge the gap in between these two periods. That is what is happening at this time.

Canadian banks are attractive in this time period. Rising interest rates increase bank profits as the result of higher net interest margins. Given the oligopoly structure of the Canadian banking business the banks are fairly stable making them attractive in volatile stock market conditions. In addition, the Canadian banks pay a much higher dividend than the Canadian stock market. As a result of the above combination of factors, Canadians often move into the Canadian banking sector when the market is be-

coming volatile or is starting to correct.

The Canadian banking sector does have periods where it has a tendency to underperform, such as, a dramatically slowing economy or when real estate prices are softening. Currently, neither of these conditions exist.

My Call: The Canadian banks will probably outperform the Canadian stock market into mid-April.

Consumer Discretionary

The period of seasonal strength for the consumer discretionary sector ends mid-April.

The consumer discretionary sector outperformed the S&P 500 from August to November of 2021. Since November, the consumer discretionary sector has been underperforming. A lot of the outperformance and underperformance is being driven by the price action of Amazon and Tesla.

Using the Consumer Discretionary Select Sector SPDR Fund (XLY) as a proxy for the consumer discretionary sector, Amazon represents 23% of the sector and Tesla 14%. Amazon has been underperforming the S&P 500 since November. Tesla has had sharp cycles of outperformance and underperformance over the last few months, providing volatility in the consumer discretionary sector.

Recently, the rotation from growth to value has negatively impacted the consumer discretionary sector.

My Call: The consumer discretionary sector will probably perform at market or below market over next few months.

Metals and Mining –

The metals and mining sector has a strong seasonal period from November 19 to January 5 and then from January 23 to May 5

Since July of 2021, the metals and mining sector has been performing at market. The performance relative to the S&P 500 has been in bursts which have pulled back quickly. At this point, on an absolute basis and relative to the S&P 500, the metals and mining sector has not managed to break above resistance levels. It is possible that this could happen later in January when the next strong seasonal period starts for the sector, or shortly afterwards.

My Call: The metals and mining sector will probably outperform the S&P 500 into the end of April.

Small Caps

The small cap sector has a strong seasonal period from December 19 to March 7

The small cap sector had a strong rally from late March 2020 into March 2021 and then as its strong seasonal period finished in early March its performance faltered. Since March 2021, the small cap sector has gone "nowhere."

Technically, the small cap sector has formed a consolidation box on an absolute basis. In October, the sector managed to break higher out of the box and traders quickly pushed it sharply higher, but only for a short period of time. The small cap sector quickly returned into its consolidation box.

The strong seasonal period for the small cap sector started in mid-December. So far, the small cap sector has been performing at market. The fact that the small cap sector

is not outperforming the S&P 500 in its strong seasonal period, is not a good sign and probably indicates that any gains made in the market are probably muted at this point. If investors move to a risk-on mode, the small-cap sector should start to lead, if it does not, the rally will probably be short-lived.

My Call: The small cap sector will probably perform at market into the beginning of March.

Rants

Rant #1
MMT Declared a failure in 2021

A few years ago I wrote a number of pieces on Modern-Monetary Theory (MMT) and labelled it a garbage theory. Since that time, the concept of MMT has been bantered about in the media. Basically, the theory of MMT posits that a government can spend as much money as they want and if inflation becomes problem then the government should fight inflation by raising taxes or reduce spending.

It almost seems comical to say that the government can cause inflation on purpose (which it did) and then solve the problem by reducing spending. Governments hate reducing their spending. They will always point out how they are helping people with their largesse. Governments prefer to blame other entities for inflation, which is what has been happening recently.

The other solution, according to MMT, to solve runaway inflation is to raise taxes. Raising taxes reduces consumption, which lowers demand and consumption. As a result pressure on inflation is reduced. Although governments love to raise taxes as it gives them more money, given the indebtedness of consumers, if taxes are raised in a meaningful manner the economy could tip into a recession.

The year 2020 and 2021 were trial years for MMT. It did not work. Unfortunately, I think the government and central bank are going to keep trying it again and again in the future. Like drugs for a drug addict, MMT works for a short-period, but causes longer-term problems.

Rant #2
Price Controls - They never work !

Price controls do not work. That is a basic axiom of free-market economics. They create shortages and market dislocations with wrong price signals. They have never worked and never will work.

Some economic writers talk about how price controls work after the second world war. They did not work back then they will not work going forward. Many countries have tried price controls and they have never worked. A lot of people point to Venezuela as an example of how things can goes badly with price controls. Obviously, Venezuela has been a total failure. But is not just Venezuela that is implemented price controls in the last few decades. Some European countries and Canada also implemented price controls back in the late 70s. They did not work back then they will not work going forward.

Recently, there have been some articles in the media discussing how price controls might be beneficial for today's inflationary environment. This is not the way to solve inflation. This is treating the symptom and not the cause of the disease. Inflation has been created by too much liquidity being introduced by central banks and too much spending by governments. Yes, there is a component of inflation that has been created by supply shortages but this is selective and is not the main cause. All you have to do is ask yourself how have supply shortages caused house prices to increase by 20 to 30% in the year? The answer: they didn't.

Rant #3
Nuclear - Green or not green?

It seems like lunacy, but in the first week of January, Germany shut down half of its nuclear power plants and is expecting to shut down the remaining power plants later this year. There is so much irony in the situation. Germany is considered a green power country. It led the world for a while in implementing solar panel solutions and contributing electricity to its electrical grid. Prices of electricity in Germany have been skyrocketing recently as temperatures have been called and natural gas supply has been limited. This should be a warning to Germany that they need to continue to have adequate supplies of electricity for the future.

Germany still produces a portion of its energy from burning coal. It plans on phasing out coal production by 2030. What, Germany wants to get rid of clean nuclear power and keep coal power for another eight years?

The European Union has declared nuclear power a key component of their green solution. Many countries around the world are following suit. Germany is doubling down on solar and wind power. I am not intricately familiar with Germany's power plan, but where is their base line power coming from? It is impossible to have all of Germany's power produced from solar and wind. On cloudy windless days Germany could be in big trouble. German manufacturing could be in a precarious position down the road. High power prices and the possibility of brownouts is not a good environment for manufacturing.

Rant #4
Merry Christmas !
Christmas goods getting delivered soon

Cargo ships have been sitting off the California coast for weeks and weeks, waiting to unload. If you reverse engineer the situation, it is soon realized that a lot of the goods that are on the ships were meant to be sold at Christmas time.

When the ships are unloaded a lot of the seasonal goods will no longer be needed. This is not only a problem for retailers, but also for businesses. Although there is a problem with inflation that has permeated throughout the economy, for some products, retailers are going to have too many products. Retailers will have to drop the prices of these products significantly in order to move them.

I'm not saying that inflation is no longer problem, but rather inflation will be a problem for some goods and prices will fall for other goods, particularly seasonal goods that are out of season. This is the collateral damage of not be able to manage the supply chain properly in

challenging times.

My heart goes out to the workers on the ships for many of them have been trapped on the ships for months at a time and have missed Christmas with their families.