Market Review March 2022

A Brewing Global Food Crisis

In a world recovering from covid-19 and its associated supply chain after-shocks, the war in Ukraine is leading to an alarming increase globally in government controls on the export of food products. It's critical for policymakers to halt this trend, which is making a global food crisis increasingly likely. In the space of a few weeks, the number of countries enacting restrictions on food exports has jumped by 25%, bringing the total number of countries to 35. History shows that such restrictions are counterproductive in the most tragic ways whereby almost a decade ago, they exacerbated the global food crisis, driving up wheat prices by a whopping 30%. The graphs below show the number of trade policies have risen since Russia's invasion in Ukraine resulting in sky rocketing wheat prices.

Wheat Price Chart	Number of Trade Policies

A food crisis would have repercussions for everyone and particularly devastating for the poorest countries who are generally food importing countries. Additionally, food accounts for at least half of total expenditures of households in low-income countries and thus such potential food shortage can have a devastating impact on the low-income countries and adversely impact world economy as well.

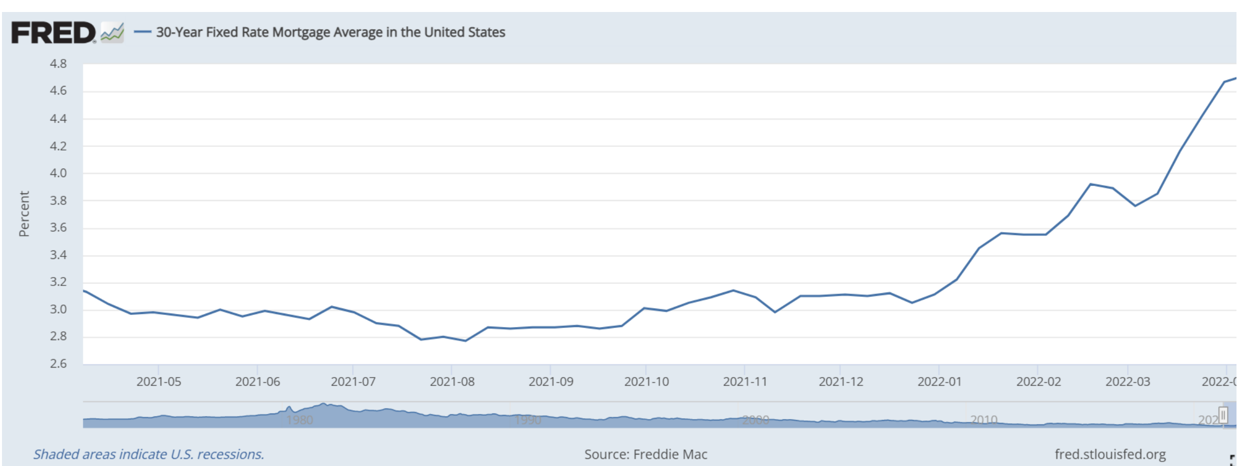
US Housing Market Faces Its Moment of Reckoning After Removal of Covid Support Packages

Throughout the covid-19 pandemic, federal and private programs have allowed home owning borrowers to stay current in their mortgage loans as covid support initiatives stopped mortgage payments for up to 18 months with no negative impact on the borrowers' credit scores. It is pertinent to note that more than 8.5 Million borrowers entered forbearance at some point during the Covid-19 pandemic representing 15% of the total mortgage market. However, as a result of the covid support packages, the number of loans in forbearance now stands at around 680,000 mortgages which is far less then the peaks witnessed during the covid-19 pandemic. Now as the U.S. Government is curtailing the pandemic assistance programs associated with covid-19, the housing market is expected to undergo significant stress testing.

It is pertinent to note that American housing market remains exceptionally strong currently. While this has had undeniably negative impacts on those buyers seeking to enter the housing market, it does ensure that as a result of elevated real estate prices, most past-due borrowers can avoid losing their homes and that banks won't suffer losses large enough to meaningfully affect their capital positions. Homeowners are sitting on more than US$10 Trillion of tappable equity. Other borrowers who are coming off forbearance and are unable to resume their payments likely have the option to extract equity from their properties.

However, buyers are sweating because the average rate on the 30-year fixed mortgage, which has been rising since January 2022, really took off in the past few weeks. It surpassed 5% earlier this week, according to Mortgage News Daily. Consumers are more pessimistic about the housing market, according to a monthly survey from Fannie Mae, and especially about mortgage rates.

USA - 30 Year Fixed Mortgage Rate



Supply Chain Challenges Continue to Impact Retail in 2022

Post-covid, worldwide supply chain problems have continued to persist in 2022 and retailers have carried on with business despite shortages and delays in the delivery of goods and inventory for their warehouses. As a result, retailers have needed to identify ways around these challenges to ensure they can remain competitive and prevent sales and revenue loss as customers wait longer to receive their orders.

Key challenges to the retail sector include a nationwide shortage of truck drivers, a lack of availability of warehouse space, and rising consumer demand that will continue to impact retail operations throughout 2022. According to recent data, there is currently a shortage of approximately 80,000 truck drivers in the United States and it's projected to double by 2030 if current trends continue. The issues with the global supply chain will not come to an end overnight. But, in order to remain competitive and efficient in 2022, retailers need to continue leveraging technology and automation within their operations to ensure they have the optimal distribution of goods in their warehouse to reach their selling channels promptly. Automating the inventory management process, allowing room for flexibility with available resources, and investing in a platform that provides a centralized view into their business may also be ways retailers can prepare their businesses for the ongoing supply chain challenges expected in 2022.

A silver lining remains in the form of improving demand from consumers whereby despite global pandemic and endless supply chain challenges, consumers are shopping more often and in more places than ever. In addition, since the onset of the pandemic, online shopping trends have increased and continue to trend upwards.

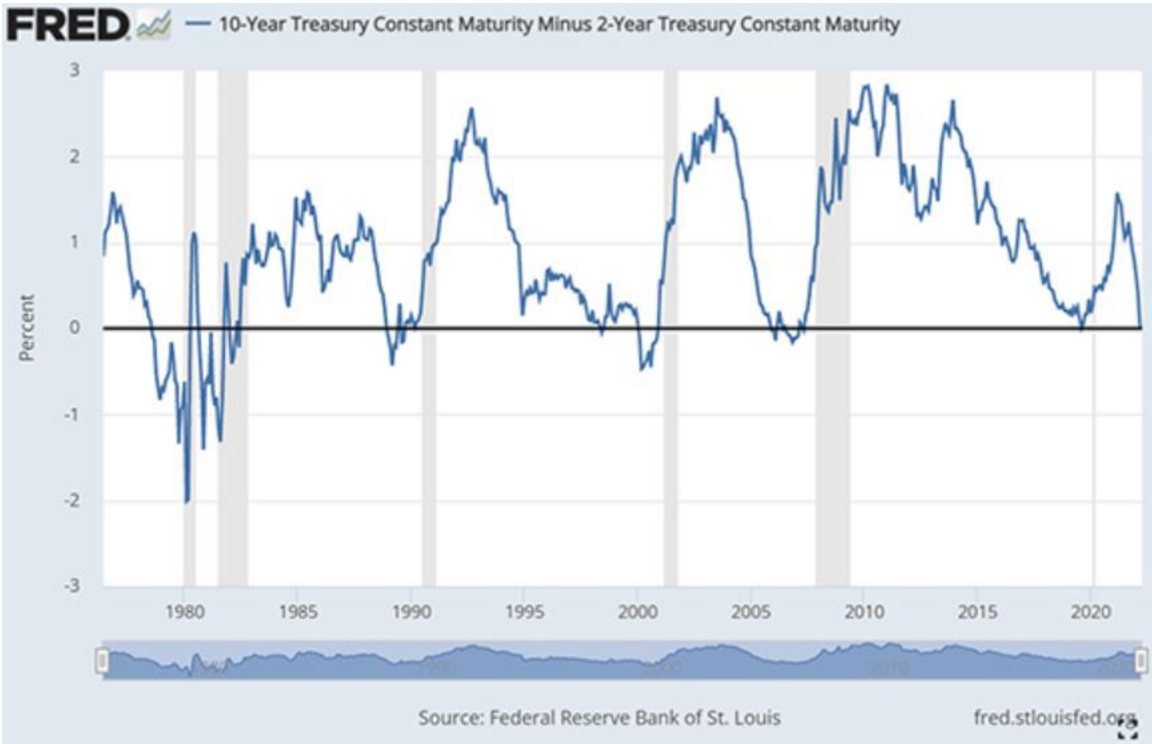
Economic Numbers & Wall Street Predictions Of A 2023 Recession Amidst Increasing Red Flags

Although, the U.S. economy added nearly half a Million jobs in March 2022 and the Dow Jones industrial average remained within 6% of its record highs and U.S. households accumulated roughly US$2.5 Trillion in excess savings throughout the pandemic, early signals of recession are surfacing.

It is pertinent to note that historically, over the past 75 years, every time inflation has exceeded 4% and unemployment has gone below 5%, the U.S. economy has gone into a recession within two years. Today, the U.S. inflation rate is nearing 8%, and the unemployment rate fell to just 3.6% in March 2022. Investment Bank, Deutsche Bank's economists are predicting a recession by the end of 2023 as inflation becomes more broad-based.

In addition, a boom in commodity prices; the Federal Reserve's decision to raise interest rates, and the war in Ukraine's effects on global economic growth have acted to flatten the yield curve recently. And when the yield curve inverted recently, it ignited fears of a recession. The yield curve inversions have preceded every recession since 1970, as can be seen from the chart below with recessions shaded in gray:

U.S. Yield Curve



Recent GDP forecasts from the Conference Board in the U.S. have also led to fears that a recession could be on the horizon. U.S. real GDP growth is now expected to slow to an annual rate of just 1.7% in the first quarter of 2022, compared with 7% annual growth seen in the fourth quarter of 2020; a rapidly declining trend pointing to relatively tough years ahead.