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Darren's take on things September 2022

What I am watching:

One of the unexpected financial consequences of Covid was a housing bubble, not anymore.

In the month of July, 16% or 63,000 real estate sales didn't close.

This is another bad news might be good news story. The fact that buyers aren't following through with their contractual obligation is certainly bad news if you are a builder or seller of a private home. Especially if the house you thought you sold is contingent to buy another house you signed a contract on. The cascade effect of these deals not closing paints a scary picture for the entire real-estate market which is just beginning to unfold now. It's also a sign that people are no longer in euphoric buy mode which is good news. Real estate became unaffordable for new home buyers and values became inflated by speculators who bought under the greater fool theory. That's a phenomenon where buyers know they are overpaying but are confident someone even more foolish than them will buy from them at a nice profit. Works till it doesn't work, and it's not working anymore.

The 2008 Financial crisis that wiped out many banks was due to a real estate market that went amok when bad deals were allowed to close and the banks were more than willing to finance the nonsense. Today's news is that bad deals are not being consummated and banks can't finance a deal that doesn't close, which is a good thing. Another positive spin is interest rate increases were meant to cool spending, speculation and inflation. This might be a sign that the central banks do not have to be quite so "Hawkish", in other words they may not need to raise interest rates as much as expected.

"If you worry, you don't have to worry"

I worry. A lot.

Hopefully that means I am able to identify trends and patterns that identify opportunities and avoid problems before they happen.

What I have been watching that concerns me currently are the fact that 1 in 6 people in the US cannot pay their utility bills. This was predictable, preventable and something I expected could happen when I started to wave the flag about pending inflation. It's the poorest on the socioeconomic ladder that inflation impacts the most and this is an early real world sign of that. The vast number of people are just getting by, and their incomes cannot keep pace with increases in their rent, gas, food and utilities. Something has to give. The history of economic cycles tell us that if prices don't abate and/ or incomes do not rise commensurate with inflation, this will lead to civil unrest, known as the fourth turning. Another aspect of the fourth turning is changes in global order. We are currently watching that unfold and markets are beginning to

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discount the consequences of tensions between China, Taiwan and the US. Implications are huge, stay tuned.

I study trends and patterns but can't predict the future. The good news is, I don't have to. My worry about market chaos is why I created the Income Accelerator all season investment strategy. The strategy has worked nicely during times of past turmoil and I am very confident will work through any condition the markets or economy wants to throw at us in the future as well.

If you have any question, comments or wish discuss anything outlined in this note please reach out.

We are here to help!

Sincerely,

Darren

Darren J Luck, CIM®, Senior Wealth Advisor, Portfolio Manager

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We understand that you've worked hard, saved and sacrificed. Which is why we have been committed to helping generations of families and business owners meet their goals since 1991.

Source: <https://www.cnn.com/video/2022/08/31/i-dont-know-that-homebuying-is-low-just-low-relative-to-all-time-highs-says-redfin-ceo.html>

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Darren Luck is an Investment Advisor with CIBC Wood Gundy in Windsor. The views of Darren Luck do not necessarily reflect those of CIBC World Markets Inc.

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