

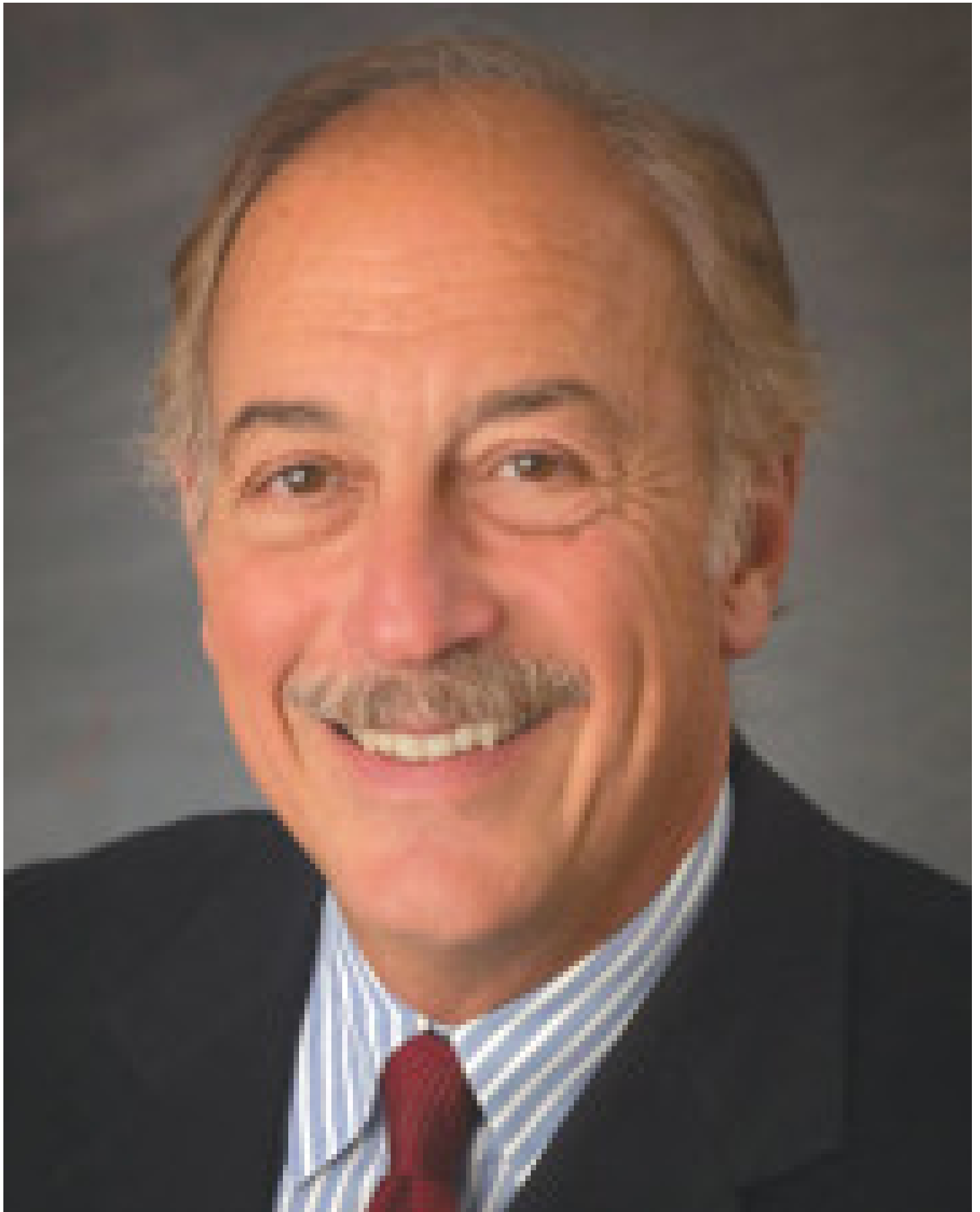


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Confused, complex world? Time to parse the pieces - by Daniel Calano

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At the moment, there are so many relevant unknowns regarding the world and its economies, it boggles the mind. The only part that has just been fixed is a playbook for interest rate hikes. Among the many remaining unknowns are supply chain issues, inflation, Covid variants, energy imbalances, geopolitical issues with China...and the worst, a horrible unprecedented and unpredictable war.

Any combination on the downside could potentially cause a recession or Black Swan event. Yet, any combination of solutions could cause global peace, a strong economy, improved globalization. The pundits discuss and argue the outcome every day, but, really, nobody knows. Let's summarize the issues, and the more positive possibilities for solutions. As most see it, here they are:

Inflation: Chairman Powell has laid out a game plan for four interest rate hikes this year and potentially 5-7 more next year, an aggressive but decisive move, but already having a positive impact to cool inflation.

Interest rate increases: The necessary "evil" brought by Powell to bring inflation down. That said, long-term rates such as real estate mortgages will probably increase less than feared. A recent 4+ % mortgage is barely different than the top rate last year.

Supply chain logistics and costs: Already improving with more supply, better transportation and more sophisticated tracking and management.

Labor shortages: Will self-correct some with increased workforce , better wages, and automization of some jobs, and growth in the overall economy.

Covid Variants: We need to learn to live with them, but between inoculations and therapeutics, the US and its communities will not shut down as before.

Tensions with China: Will improve with further recognition of trade inter-dependence. China and US economies together are too big to fail.

Globalization stressed by recent Regionalization: Improving with US/EU cooperation, Post- Covid International travel , but needs an end of war and improvement with China

European war with Russia: Most important, and the biggest wildcard, causing such chaos, destruction, suffering, only fixed by an end to war, and even then, years of re-building.

Slowdown or Recession: Slowdown likely, recession not due to solutions above, inflation curbs, job growth, strong consumer spending, predictable Fed interest rate management.

Concluding and FYI: Keep in mind, while recession, or merely slowdown, is an ugly and fearful concept, there have been only 50 recessions since the beginning of our country, only 14 since the Depression. Their origins range from wars, to financial crises, to excessive debt, inflation, deflation,

stagflation, to unfounded panic.

Recessions are usually short-lived, lasting on average about a year or slightly more. The time between recessions is normally about 3-8 years. In other words, slowdowns or recessions, while scary, are normal. Most believe that a current recession is unlikely. Modest growth during 2022 is more likely. While all real estate transactions, are routinely impacted by such movements, they are rarely stopped in their tracks. As you listen to some potentially discouraging news over the next couple of months, keep those thoughts in mind.

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