



April 28, 2021

FUSCO FINANCIAL ASSOCIATES

Market Commentary

Dear Valued Clients,

The COVID-19 pandemic, which is now more than one year old, has caused significant disruptions to both personal and business lives. Even as the world economies continue to recover from the economic recession caused by the pandemic, global trade has slowed as breaks in the global supply chain struggle to keep up with growing demand. The recent blockage of the Suez Canal by the cargo ship Ever Given has only added to global supply delays.

The Ever Given, which became unmoored from the Suez Canal on March 29th, created a massive backlog of ships attempting to enter or leave this vital global trade passageway. Approximately 12% of global trade moves through the Egyptian waterway, which is one of the world's busiest trade routes connecting the Mediterranean Sea to the Red Sea. The blockage of hundreds of ships came at a cost of nearly \$400 million for every hour the Suez Canal was blocked.¹ One week after the waterway was reopened, there were still more than 360 ships still waiting to pass through the canal. The closing of the Suez Canal, which was blocked for nearly a week, is likely to add a delay time of 2-4 weeks to global delivery dates.

The pandemic had already caused a chain reaction of delays and spiraling shipping costs. As global industry pushed to replenish volumes in the second half of 2020, port efficiency dropped as ships were stuck in port for longer than usual. Shipping lines responded by sending fewer ships, further compounding the problem of lengthening supply chains.² Trading patterns will normalize over time, helped by lifting of COVID-19 restrictions and a returning workforce. This will help to alleviate the backlog, but shipping difficulties may remain for the next 6-9 months.

One example of the supply chain disruption is the current global shortage of semiconductors. Both Ford (F) and General Motors (GM) have shuttered production

at some plants while they wait for parts. Both companies have reported that the current chip shortage would result in potential headwind of \$1 billion for 2021 profits. Taiwan Semiconductor (TSM) has noted that supply shortage for many types of chips could remain scarce until 2022³.

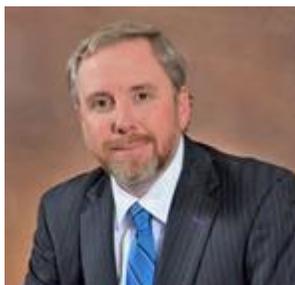
Please continue to stay safe, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With my best regards,



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¹ Source: Business Insider

² Source: Automotive Logistics

³ Source: Barron's

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