

TRANSITIONS

THE FALLOUT FROM PUTIN'S WAR

For someone who was once described as a deep thinker, Putin rapidly moved from being seen as a world leader, to just a thug who likes to kill people. His miscalculations have changed the world order, and that will impact investing. A few thoughts to share with you:

- 1) Technology matters. Despite a superior war machine, Putin lost the information war early on to Ukraine, insuring world opinion went against him.
- 2) Weaponizing of global supply chain and trade. Much faster than politicians could react, businesses collectively stopped their business dealings with Russia. We witnessed the historic event of an immediate trade embargo across almost every industry sector, re-creating the Iron Curtain within a week. No business will invest more money in Russia for what at best was a marginal revenue stream from a developing country. The Russian economy is being crushed and their people will face shortages of many essentials.
- 3) Brain Drain. Russians with access to information seem horrified by Putin's War. As the younger population does not want to live behind an Iron Curtain, they are leaving. This brain drain of talent will leave Russia with an aging population, moving the Russian economy backward for generations to come.
- 4) There will be worldwide famines this winter. Ukraine was a large supplier of wheat. Both the wheat and fertilizer shortages of today guarantee starvation to ordinary Russians, along with many other third world countries. Without the crops being planted, this problem no longer can be fixed. We see increased commodity costs of energy and food in every country.



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5) Europe needs new energy solutions without reliance on Russian energy. This will be achieved through lower energy demand through deindustrialization, which means shutting down parts of their economy. On the supply side, there needs to be large capital expenditures to secure a supply of energy to run their economies. These projects may take years, while there is a critical need for energy right now. A disruption of Russian energy supply could trigger a large European or NATO involvement in Putin's War, solely to secure a stable supply of energy.

6) We discovered a world leader. President Zelensky exudes the passion of an engaged leader who deeply connects with his audiences. What is different? First, notice his age. He is a strong 45 year old. Second, his training was not as a politician. Third, he has aspirations and deep convictions for his country, and he is able to articulate this without a teleprompter. Fourth, with natural charisma, he is a hero and an inspiration to all who watch him. This raises a question about US politics. Why are our two political parties unable to produce candidates with the positive characteristics of Mr. Zelensky?

7) The worldwide outpouring of support for Ukrainians will resonate with them for generations. What makes this war so bizarre is they are close to the Russian people. For Ukraine, a win will mean securing its borders. This will bring closer ties to NATO and the European Union, high ongoing defense spending, and perhaps a Marshall type plan to rebuild Ukraine's economy to ensure energy and food to Europe.

Russia will have to come to the table, as sanctions from the rest of the world will suffocate their economy. The longer the war lasts, the less likely the economic Iron Curtain will be lifted.



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