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QUALITY FINANCIAL CONCEPTS

## QFC's Insights

Date: February 24, 2022

Category: U.S. & World Markets

# Russia's Aggression

*A Reshaping of the World's Borders*

By: Doug Horn, CFP®

Russia has finally acted against Ukraine, a follow up to their annexation of Crimea which occurred in 2014, just eight years ago. This is not the first military action to occur in recent years nor will it be the last.

Whether the content of negative news impacting the markets is covering a war, pandemic, US budget crisis, Government shutdown, or a possible Presidential impeachment, it is best for long term investors to stay their course focusing on two, five, and ten years into the future. Periods of downturns always create buying opportunities but are rarely seen as opportunities at the time. I realize it is unpleasant and sometimes painful to watch investment accounts decrease in value. Please remember, the recent high values were attained by staying the course through a pandemic, 'insurrection' and numerous other negative news and world events.

I obtained my investment licenses in 1987 and since that time, there have been *nineteen* military actions the United States has taken or participated; some were called *interventions*, others called *conflicts*, and several were classified as *wars*. All of these required our military, monetary expenditures, and many included injuries and battle related deaths by the sons and daughters of thousands of Americans. During each of these events, our markets reacted negatively but, in all cases, ended higher and continued to set new record highs. It is easy to forget many of these, but they include Persian Gulf, Panama, Iraq, Somalia, Bosnia & Herzegovinian, Serbia, Afghanistan, Pakistan, Iraq, Libya, Uganda, Iraq a second time, and Syria. There are *many* others the US did not participate in but impacted the world in some way.

In my research I found an agency which tracks conflicts and wars around the world. The Department of Peace and Conflict Research, part of Sweden's Uppsala University, has created the Uppsala Conflict Data Program, a forty-year history of every conflict and war which has occurred. A conflict is where there were twenty-five or more battle related deaths (BRD) within a year and is classified as a war when the BRD reach 1,000 within a year. While the US has been involved in nineteen actions since 1987, there are thousands of others which have occurred during this period which the US was not involved. Around the world in 2020, the last year data is posted, there were 56 state-based events, 72 non-state, and 41 one-sided events each counting as a conflict or a war. Each of these could escalate into more broad conflicts but most took place elsewhere in the world and outside of our daily lives and view.

We are watching the actions by all governments, markets, and evaluating the continued strength of the US economy. It is not known whether the action by Russia will last days, weeks, or months. In addition to the war, our

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*Insights Continued:*

inflation is an economic result which the Federal Reserve is focused on containing. Typically, increasing the Federal Funds Interest Rate is the expected action. In March, it was anticipated interest rates to be increased either  $\frac{1}{4}$  or  $\frac{1}{2}$  percent. Since the increase in oil prices also acts as a 'brake' on the economy, it is my view the March rate adjustment should be  $\frac{1}{4}$  percent. If it is higher, we will respond by adjusting our allocation.

Our US economy is still strong, interest rates remain very accommodative, unemployment is low, and reports of earnings mostly have been better than expected. While the actions taken by Russia are disconcerting, I doubt most Americans changed their plans for the day. We are monitoring the markets and will become defensive if needed and take advantage of opportunities when appropriate.

Please reach out to us if you have any questions.