

## Market Update: Russia Invades Ukraine

The recent market volatility due to the Federal Reserve's communication of raising interest rates due to inflation has been amplified by recent geopolitical events in the Ukraine. Markets do not like uncertainty, and volatility, while normal, is not comfortable for most investors.

It can help to put recent events into perspective. Below is a chart from Raymond James that shows the size of Russia and the Ukraine in relation to U.S. companies in terms of their economies.

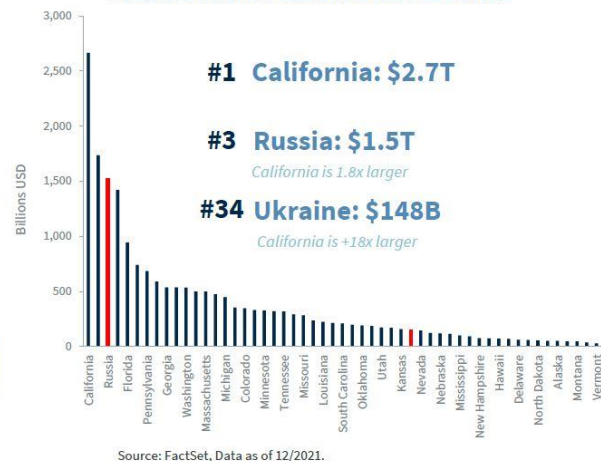
### PUTTING INTO PERSPECTIVE

#### PUTTING RUSSIA AND UKRAINE'S ECONOMY AND EQUITY MARKETS INTO PERSPECTIVE

If Russia & Ukraine's Equity Markets Were S&P 500 Companies...



If Russia & Ukraine's Economies Were US States...



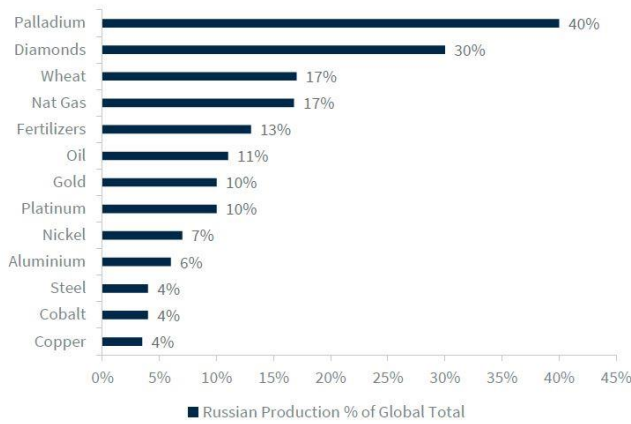
They do matter, however, in terms of global trade, and the world market for oil.

**WHY IT MATTERS? THE IMPACT ON GLOBAL TRADE**

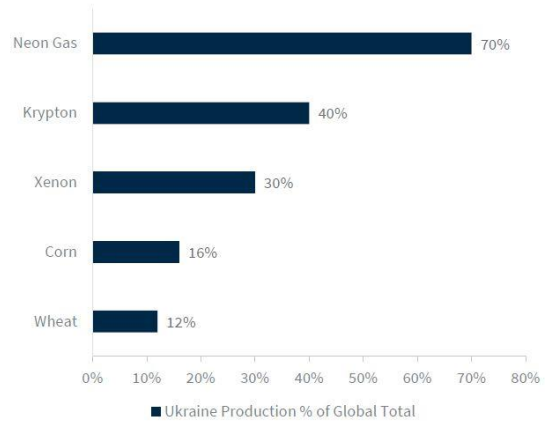
THERE ARE RIGHTFUL CONCERNS THAT AN ESCALATION OF TENSIONS WOULD FURTHER EXACERBATE SUPPLY CHAIN DISRUPTIONS, AS A NUMBER OF KEY COMMODITIES ARE EXPORTED FROM THESE TWO COUNTRIES

- For example, Russia and Ukraine combine for nearly a third of the world’s wheat supply.

Russian Supplies As A Percentage Of Total Production



Ukraine Supplies As A Percentage Of Total Production

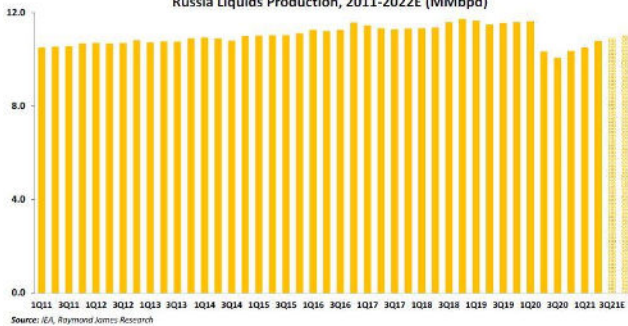


Source: Bloomberg

**WHY RUSSIA MATTERS FOR OIL**

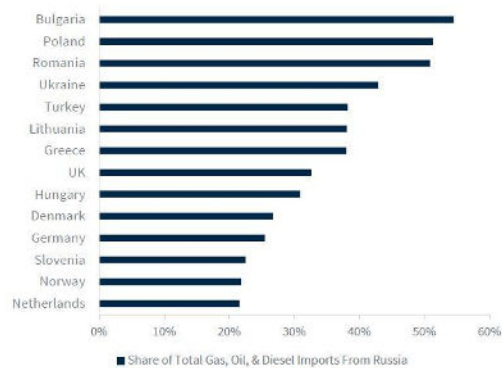
- Russia produces 10% of the world’s oil supply: 10 million barrels per day, on par with the US and Saudi Arabia.
- Half of Russia’s oil exports – 3.5 out of 7 million bpd – and three-quarters of its natural gas exports are sold into the European market; for example, Germany gets one-third of its oil from Russia.

Russia Liquids Production, 2011-2022E (MMbpd)



Source: IEA, Raymond James Research

20%+ Of Imports For More Than A Dozen Countries



Source: FactSet

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According to Raymond James, additional perspective:

4	RUSSIA MOBILIZES AGAINST UKRAINE: WHAT'S NEXT?		
WHAT WE KNOW	WHAT WE DON'T KNOW	WHAT WE'RE WATCHING	
<ul style="list-style-type: none"><li>• <b>Ukraine under attack:</b> Ukraine is facing a full-scale invasion scenario following Putin's declaration of a "special military operation" to "demilitarize" the nation.</li><li>• <b>Regime change signaled:</b> Putin's stated goal is to avoid occupation, setting up a regime change scenario as most likely outcome.</li><li>• <b>Severe sanctions incoming:</b> Escalation meets criteria presented by the West for full weight of sanctions: restrictions on banks, export controls, and hitting Russia's material exports.</li></ul>	<ul style="list-style-type: none"><li>• <b>Putin's endgame:</b> showing a willingness to absorb the brunt of severe sanctions, it is not clear how far Putin will take the current military mobilization.</li><li>• <b>Scope of response from the West:</b> While sanctions are an initial step, concerns may grow that Russia poses a broader security threat, raising prospects of further measures to boost EU/NATO defenses.</li><li>• <b>Russia's response:</b> How/if Russia responds to sanctions from the West.</li></ul>	<ul style="list-style-type: none"><li>• <b>US political impact:</b> Whether lawmakers call for additional measures further than sanctions.</li><li>• <b>Potential for broader impact:</b> Lawmakers are urging preparation for potential cyber incidents targeting U.S. critical infrastructure.</li><li>• <b>Impact to NATO members:</b> Commitments under Article 4 (enhanced action in the event of elevated threats) and Article 5 (common defense) could be triggered if NATO nations are threatened/impacted.</li></ul>	

In terms of the markets, two things to keep in mind:

1. Geopolitical events are not new
2. Typically, it is a buying opportunity

## Crisis events since 1929

Event	Reaction dates	Gain/loss*	1 mo.	3 mos.	6 mos.	12 mos.
Market Crash of 1929	10/11/1929-11/13/1929	-43.7	27.3	34.1	46.0	11.8
Germany invades France	05/09/1940-06/22/1940	-17.1	-0.5	8.4	7.0	-5.2
Pearl Harbor	12/06/1941-12/10/1941	-6.5	3.8	-2.9	-9.6	5.4
Korean War	06/23/1950-07/13/1950	-12.0	9.1	15.3	19.2	26.3
JFK assassinated	11/21/1963-11/22/1963	-2.9	7.2	12.4	15.1	24.0
U.S. bombs Cambodia	04/29/1970-05/14/1970	-7.1	0.4	3.8	13.5	36.7
Nixon resigns	08/07/1974-08/29/1974	-17.6	-7.9	-5.7	12.5	27.2
U.S.S.R. invades Afghanistan	12/24/1979-01/03/1980	-2.2	6.7	-4.0	6.8	21.0
Financial Panic 1987	10/02/1987-10/19/1987	-34.2	11.5	11.4	15.0	24.2
Iraq invades Kuwait	08/02/1990-08/23/1990	-13.3	0.1	2.3	16.3	22.4
Asian stock market crisis	10/07/1997-10/27/1997	-12.4	8.8	10.5	25.0	16.9
WTC and Pentagon terrorist attacks	09/10/2001-09/21/2001	-14.3	13.4	21.2	24.8	-6.7
Madrid terrorist attacks	03/10/2004-03/24/2004	-2.4	3.9	3.9	-0.1	4.4
India, Israel and Lebanon bombings	07/11/2006-07/18/2006	-3.0	5.0	10.9	16.4	28.3
Lehman Brothers collapse	09/15/2008-09/16/2008	1.3	-18.8	-22.6	-32.3	-11.5
Israel invades Gaza	12/27/2008-01/21/2009	-3.0	-13.5	-4.2	7.9	23.6
Boston Marathon bombing	04/12/2013-04/15/2013	-1.8	4.6	6.1	4.4	11.4
Chinese market turmoil	08/21/2015-08/25/2015	-4.8	4.1	13.6	6.6	17.8
U.K. votes to leave E.U.	06/23/2016-06/27/2016	-4.8	7.7	5.6	N/A	N/A
	<b>Average</b>	<b>-10.6</b>	<b>3.8</b>	<b>6.3</b>	<b>10.8</b>	<b>15.4</b>

\* Change in DJIA during the period indicated in "Reaction dates" column. Past performance does not guarantee future results. It is not possible to invest in an index. Sources: Columbia Management Investment Advisers, LLC and Ned Davis Research, Inc., 02/2020.

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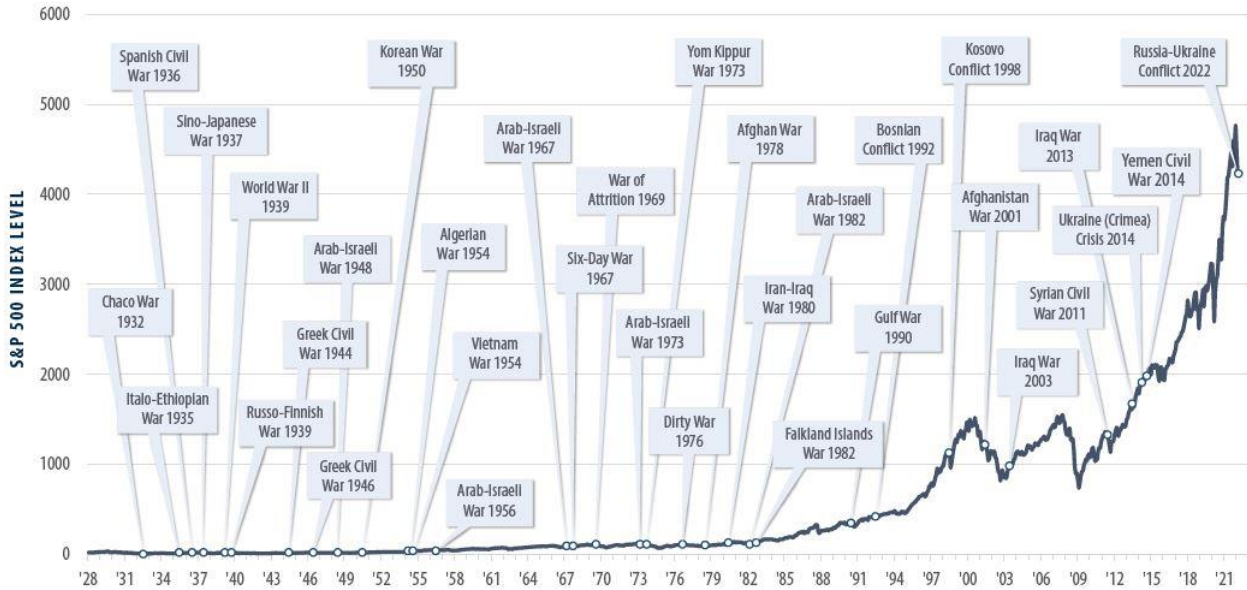
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## War Times & The Stock Market

S&P 500 Index



Wars and conflicts have been a constant throughout history, however recent events might cause us to look at how the stock market has performed during past times of war. The chart below shows the S&P 500 Index level since 1927 and several of the major wars and conflicts since then. Though uncertainty may temporarily shape the market, we believe seeing the market's overall resiliency can help maintain a long-term perspective.



Source: S&P CapIQ, Bloomberg. Monthly index levels from 12/31/1927 - 2/23/2022. Past performance is no guarantee of future results. This chart is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index.

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This is more geopolitical risk than market risk. U.S. businesses have strong earnings and the economy is growing. While these events can be unnerving, the ability to stay focused on the long term will serve you best.

Call us with any questions or concerns anytime.

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