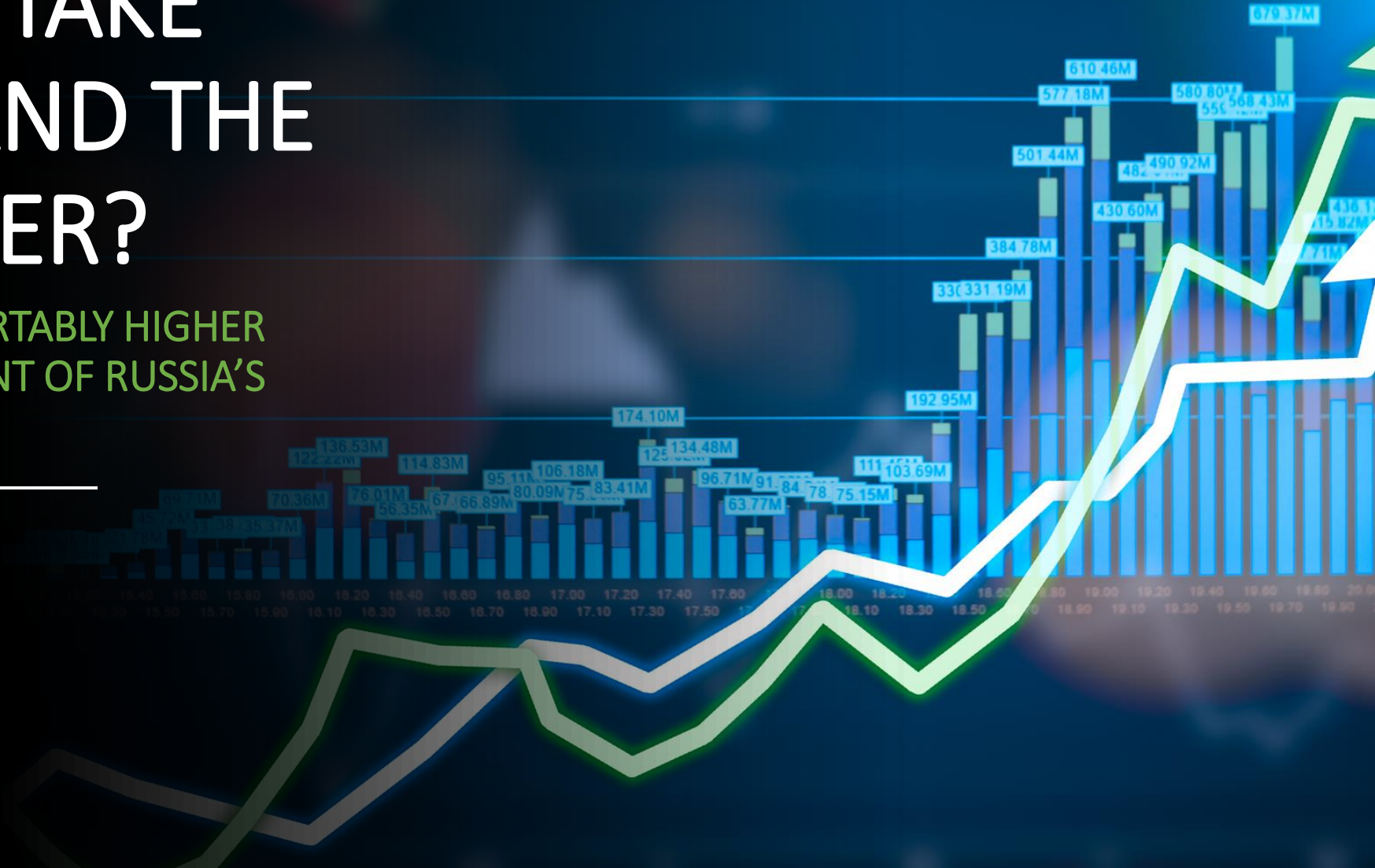




IS IT SAFE TO TAKE RISK AGAIN AND THE WORST IS OVER?

US STOCKS ARE NOW COMFORTABLY HIGHER THAN THEY WERE AT THE POINT OF RUSSIA'S INVASION OF UKRAINE



THE MARKET
SEEMS TO BE
CONFIDENT THAT
THERE WILL BE A
MARKET-FRIENDLY
RESOLUTION TO
THE CONFLICT

- ✓ We indicated last week that “big geopolitical shocks have tended to be buying opportunities because either they were resolved quickly or central banks were able to come to the rescue.” The (VIX) volatility index is now below the level it was in the days before the invasion of Ukraine.
- ✓ Outlook for interest rates is better understood following the FOMC increasing interest rates by 25bp and explaining that it expects to increase interest rates 6 more times in 2022.
- ✓ The commodity spike looks like it is over with both industrial metals and oil prices significantly below their recent highs. Inflation will still take time to fall over the coming months.
- ✓ Valuations (S&P 500, FAANG) are no longer excessive. But they are not completely cheap. What is the alternative?

IT APPEARS IT IS
SAFE TO TAKE RISK
AGAIN AND THE
WORST IS OVER?
US STOCKS ARE
HIGHER THAN
BEFORE THE
INVASION

U.S Stocks Have Recovered

Risk Is Back On?

Stocks and bond yields are now higher than before the invasion



Source: Bloomberg

Bloomberg

VIX VOLATILITY
HAS FALLEN WELL
BELOW ITS LEVEL
IT WAS IN THE
DAYS BEFORE THE
WAR

War Intensifies, Volatility Falls

The Vix index has dropped well below its pre-invasion level



Source: Bloomberg

Bloomberg

The Haven Trade Is Fading.

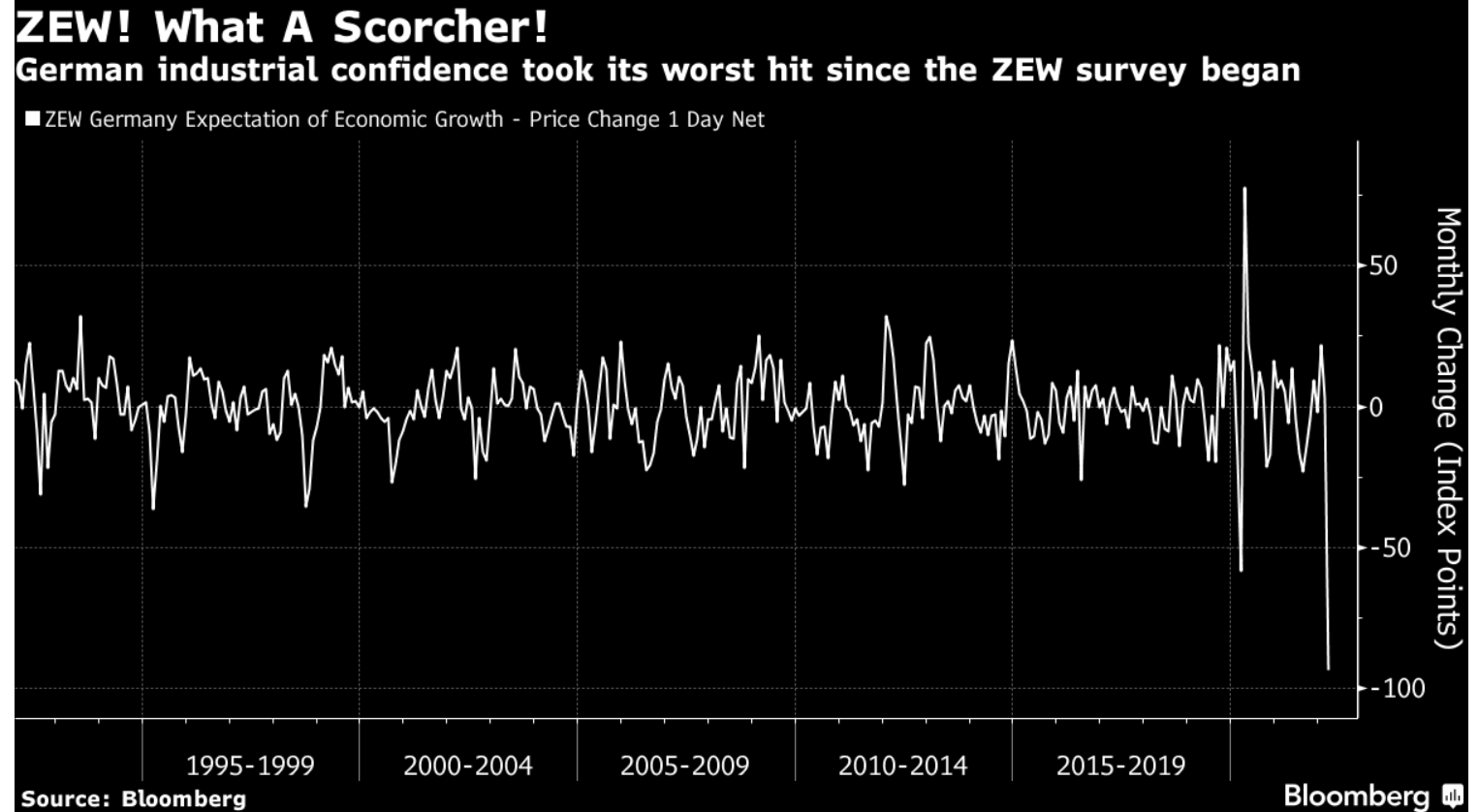
THE S&P 500 IS NOW FAR HIGHER IN TERMS OF ITS RATIO TO GOLD PRICES (SAFETY) THAN WHEN RUSSIA STARTED THE INVASION INTO UKRAINE



- ✓ Stock to gold price ratio has rebounded since the invasion selloff.
- ✓ Buyers are returning to risk assets.

German Economic Confidence Is Falling.

GERMAN BUSINESS EXPECTATIONS FOR ECONOMIC GROWTH SAW THE GREATEST DROP IN SENTIMENT IN 30 YEARS



- ✓ Energy shortages, caused by the war, have slowed the German economy.
- ✓ A slowing economy will slow inflation.

BOTH INDUSTRIAL
METALS AND OIL
PRICES HAVE
SIGNIFICANTLY
RETREATED

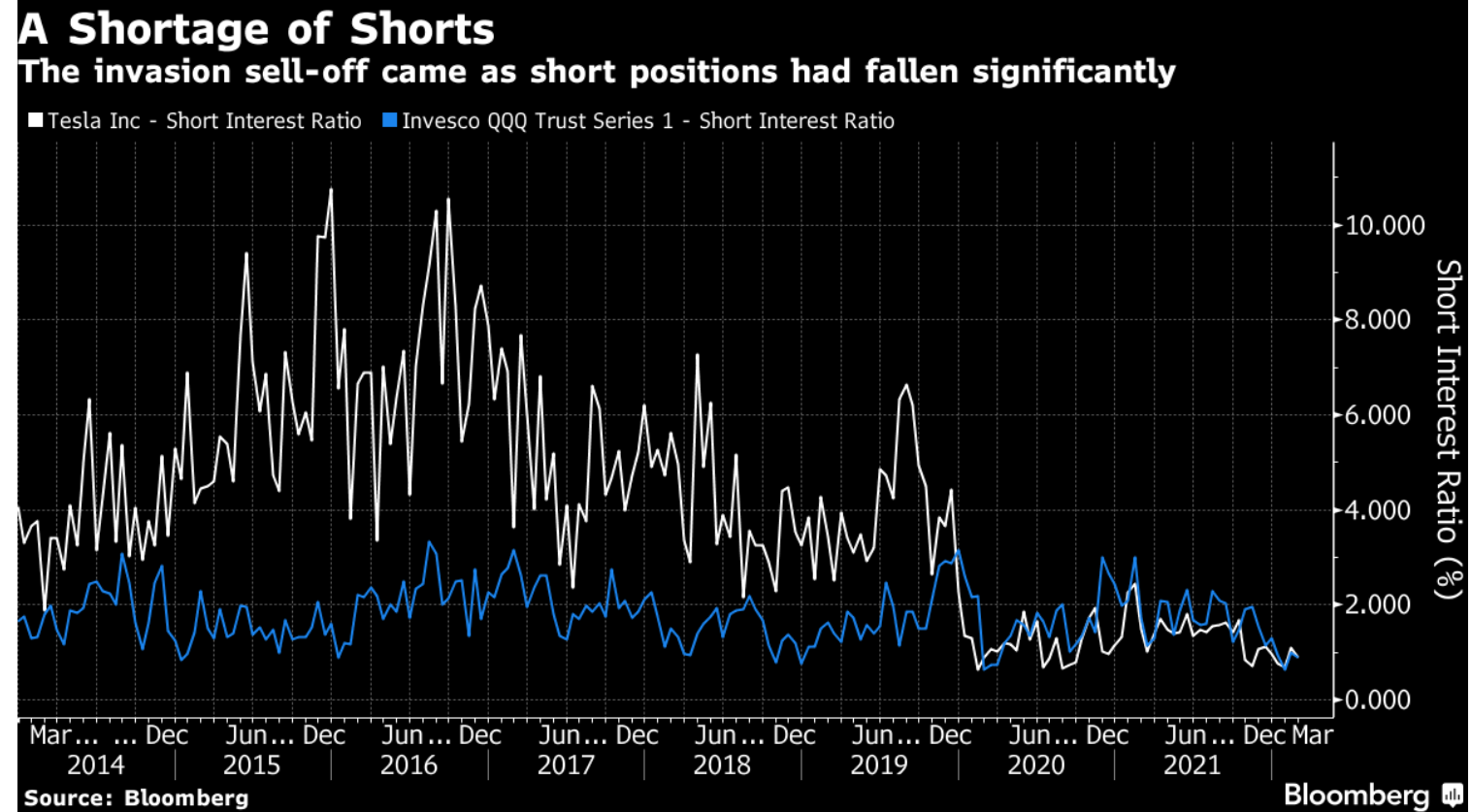
Oil Price Remains Volatile

Oil Yet To Find a Level

Energy price volatility since the invasion remains exceptional



SHORT INTEREST
HAS BEEN
REDUCED AND
THERE IS NO ONE
LEFT TO SELL



QUOTE FROM
BLOOMBERG,
JOHN AUTHERS

“You’ve heard this one before, but it continues to be a reason to give ballast to stocks. Cash might give flexibility, but it doesn’t yet provide any kind of an attractive return. Bond yields are rising, meaning that people are selling bonds, and if the Fed is telling the truth about its intentions, it makes sense to expect them to fall further.”

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