

# AAII Houston Retire SIG

March 10, 2022



Russia's Ukraine conflict, big inflation report will keep the stock market volatile in...

5 hours ago



Reuters

Russia supply angst fuels hefty weekly gains for Oil, gas and metals

13 hours ago



THE WALL STREET JOURNAL

Commodity Funds Draw Bets Ukraine Invasion, Russia Sanctions Will Stoke Rally

9 hours ago



CNBC

Russia's Ukraine war could lead to the largest disruption ever in commodities supply...

17 hours ago



Stock market still in a down trend, very choppy action

Putin's invasion of Ukraine has confirmed a new cold war, and some argue the start of WWIII ( cyber incl satellites, fiber cut)

Ending the peace dividend and increasing defense budgets, while accelerating deglobalization

Heavy sanctions on Russia will be a shock throughout the world with soaring commodity prices

- Russian companies delisted from US exchanges
- Western companies largely stopping business with Russia, including shutting down businesses and writing off assets located in Russia

Russian production of oil and gas will likely plummet without western companies' expertise and technology

Russia and Ukraine are major exporters of numerous important metals like nickel, uranium, palladium; oil and gas; ag products like wheat, corn, potatoes, seed oils; fertilizers; neon gas

Commodity demand vs supply was already strong because of many years of underinvestment as well as the push for energy transition increasing demand for numerous commodities

Europe starting to admit their “green” energy policy was insane after finding their energy transition cannot happen anywhere near the rate they were planning. Having to reverse on nat gas and nuclear, and I expect will be burning a lot more coal.

Europe & other countries that have to import a lot of their energy are going to struggle to grow their GDP along with increased trade deficits and debt. Oil and gas prices already exceeding all time highs. Companies in those countries that have to import LNG will have a much harder time being cost competitive with the US or other countries with mfgr that don't highly depend on imported LNG.

In addition to increasing their defense budgets, European countries are likely to significantly increase their fiscal spending. Shortages and very high commodity prices could cause global recession while famine is likely in many parts of the world.

Increasing US oil production challenged: labor shortage, equipment shortage (incl replacement parts) and shortage of sand and sand transport trucks

Biden administration desperate to reduce oil prices so really wants to approve Iran nuclear deal, even though I think the additional oil production will be significantly lower than most think.

Even met with Venezuela – likely to get as much oil in the near term from a turnip!

How will the Fed raising rates increase the supply of oil, food, fertilizer, etc.?

Feb 2022 CPI 7.9% (pre-invasion) >> Stagflation environment

China carefully watching what happens with Putin - implications for China aggression toward Taiwan

US threatening sanctions on China and other countries that trade with Russia

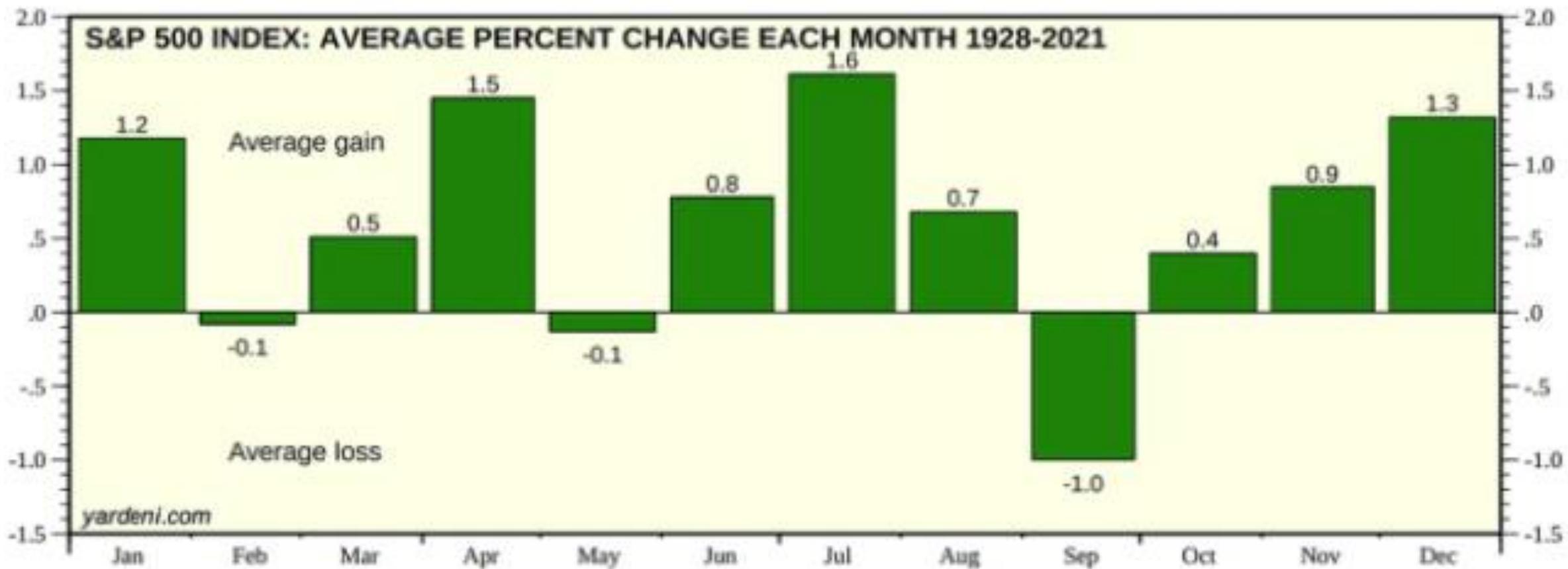
What are the unintended 2<sup>nd</sup> and 3<sup>rd</sup> order effects of these rapidly implemented, unprecedented sanctions?

**Advertised: ESG means Environmental, Social and Governance**

**Reality: ESG means Energy Shortage Guaranteed!**

**Sell in May and Go Away???**  
**(or Wait for mid-July and a Higher High???)**

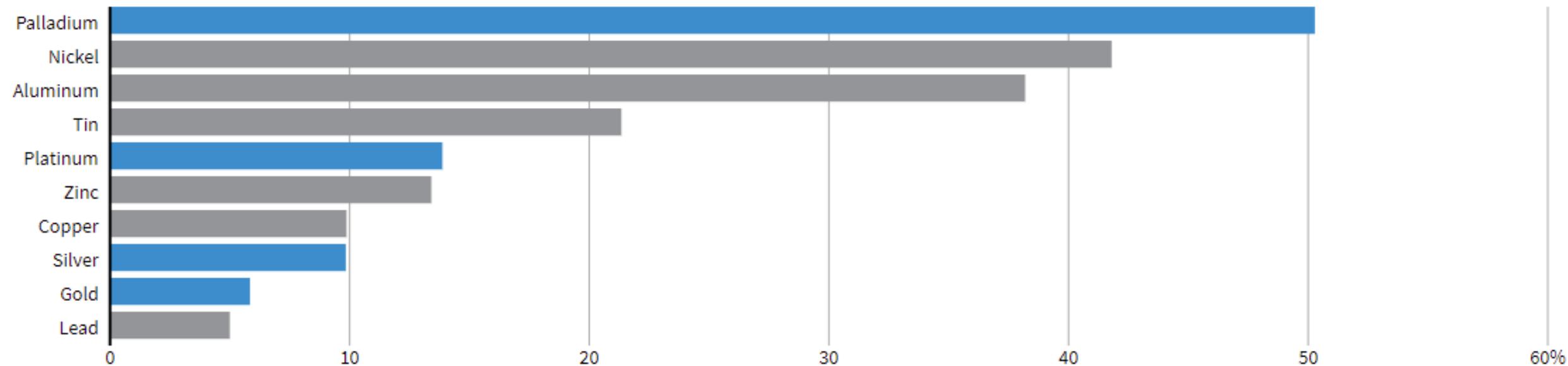
2021	-1.11	2.61	4.24	5.24	0.55	2.22	2.28	2.90	-4.66	7.01	-0.83	4.4
2022	-5.26	-3.14										



\*No change (0.00%) month of September 1979. Data are through February 2021.  
Source: Standard & Poor's and Haver Analytics.

## METALS PRICE PERFORMANCE IN 2022

■ Precious ■ Base



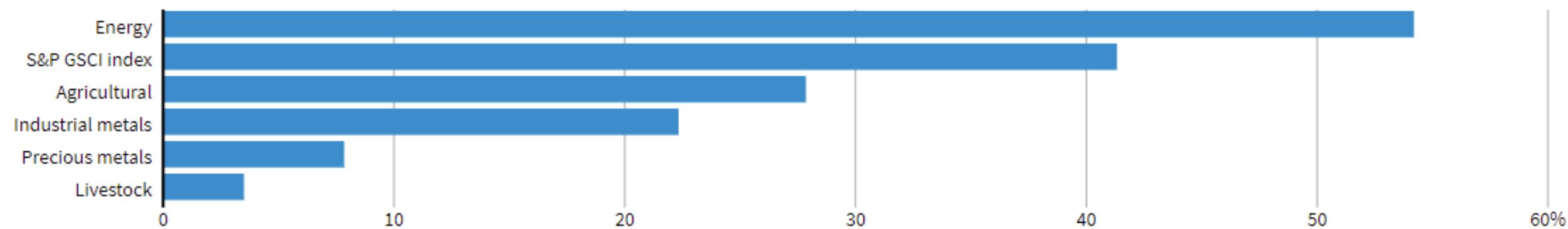
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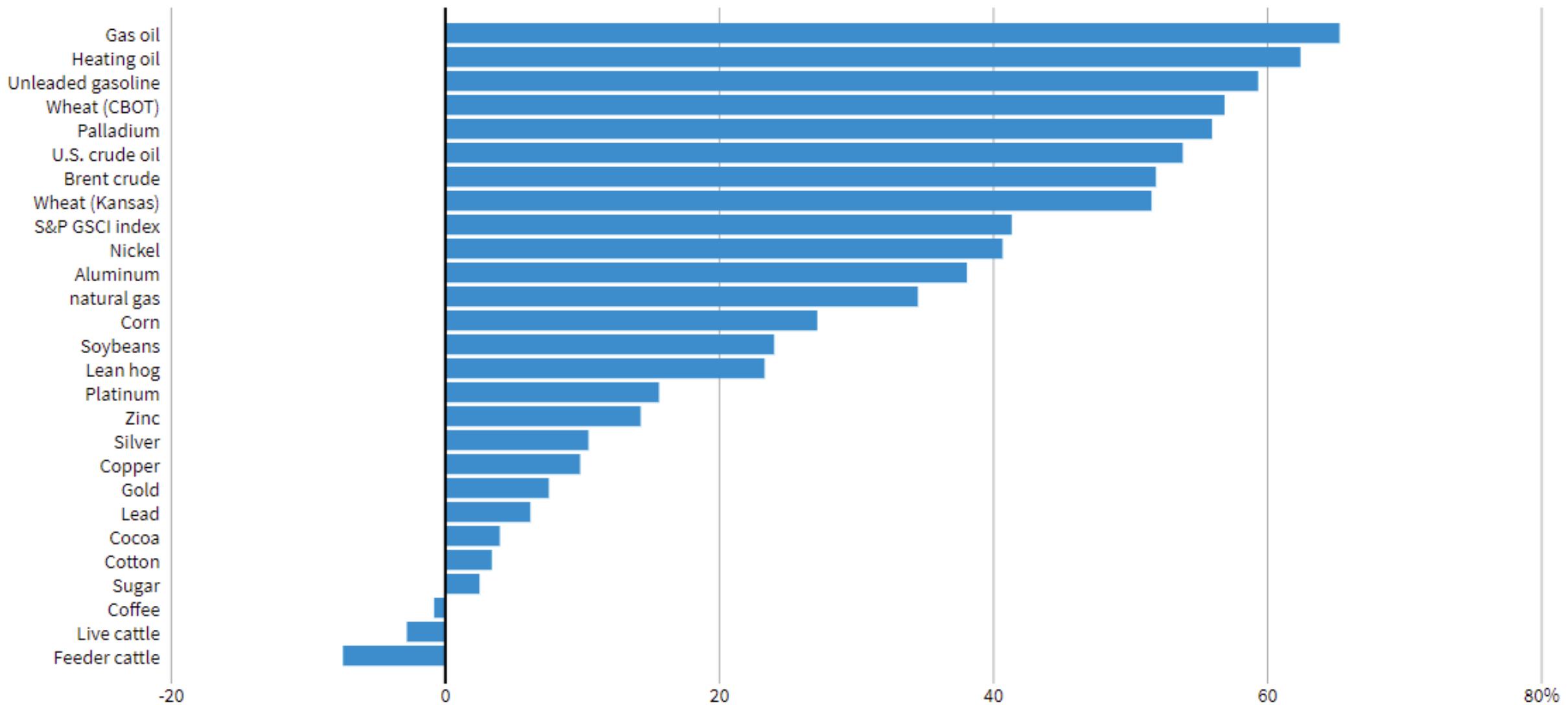
Source: Thomson Reuters Datastream

By Vincent Flasseur and Matthew Weber | REUTERS GRAPHICS

## COMMODITIES PERFORMANCE

S&P GCSI index spot change in 2022





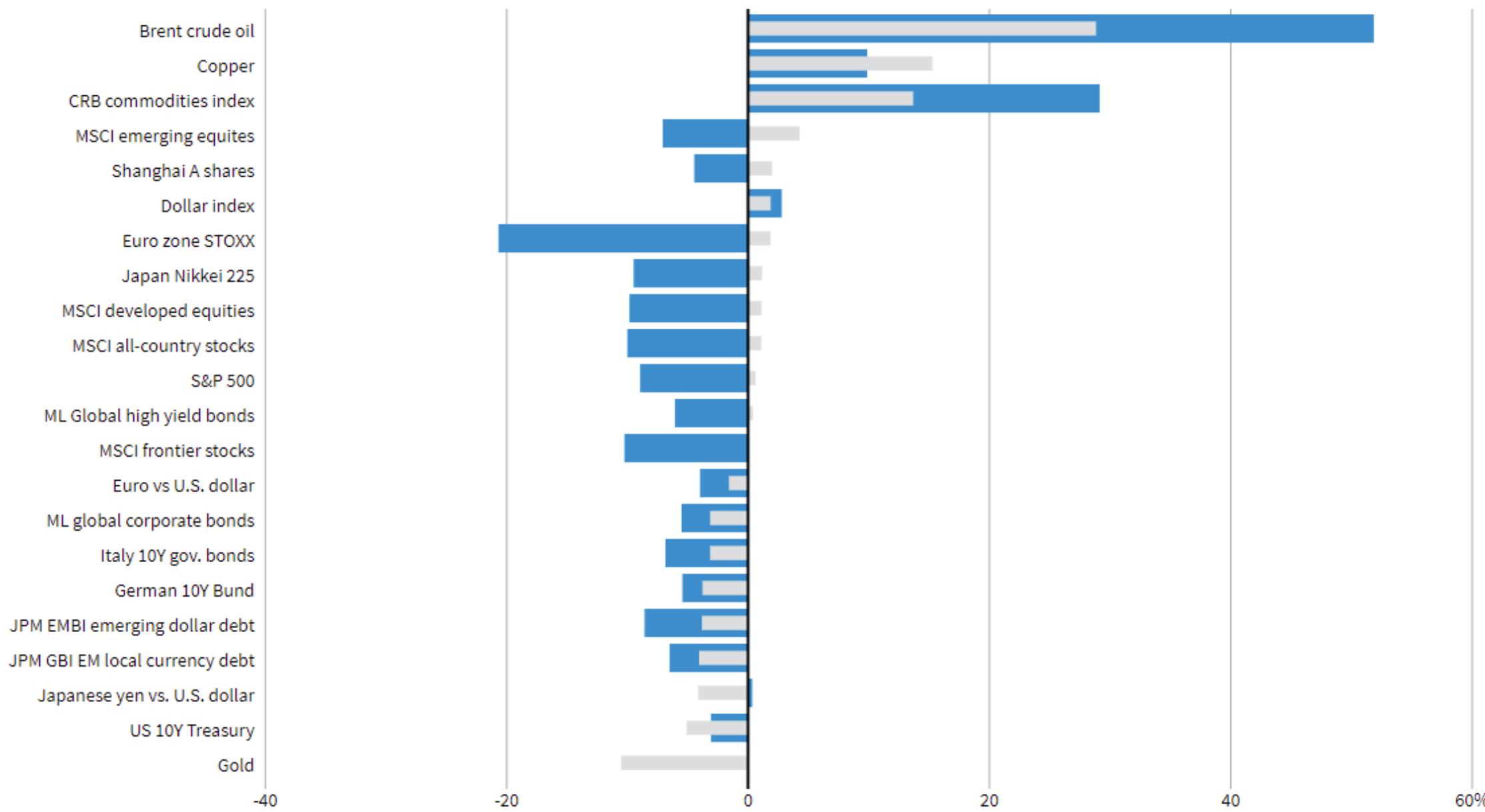
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## 2022 ASSET PERFORMANCE

■ 2021 same period performance ■ Year-to-date 2022



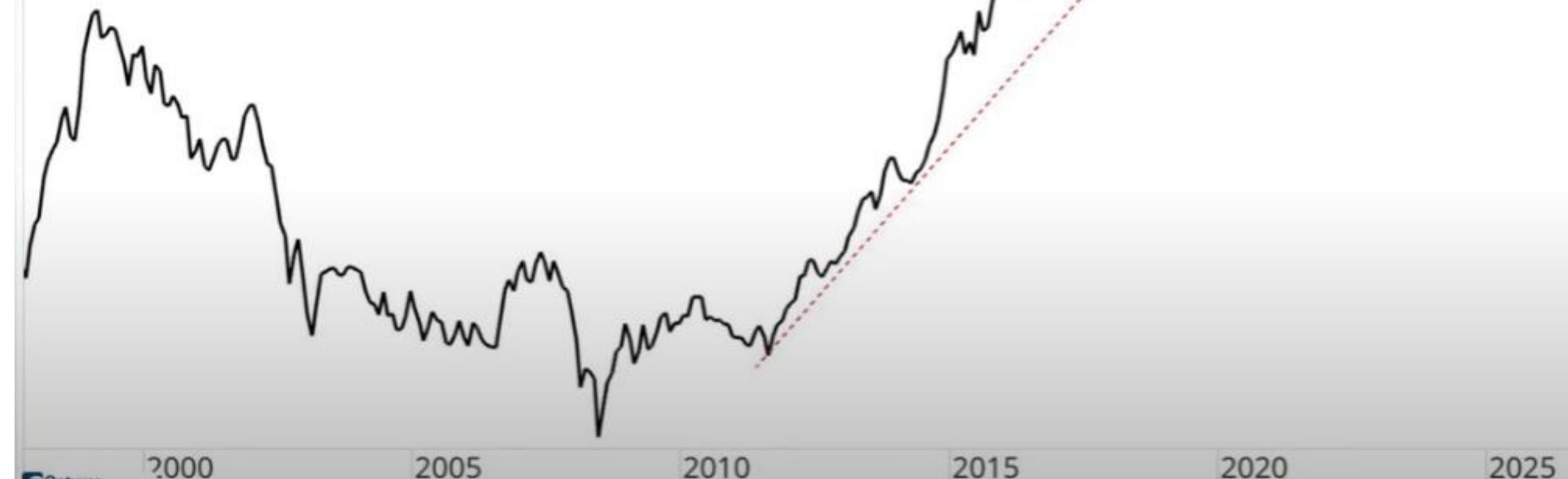
## CRB Index



## S&amp;P500 vs CRB Index

Crude Oil Futures Trade Below Zero

New Multi-year Lows

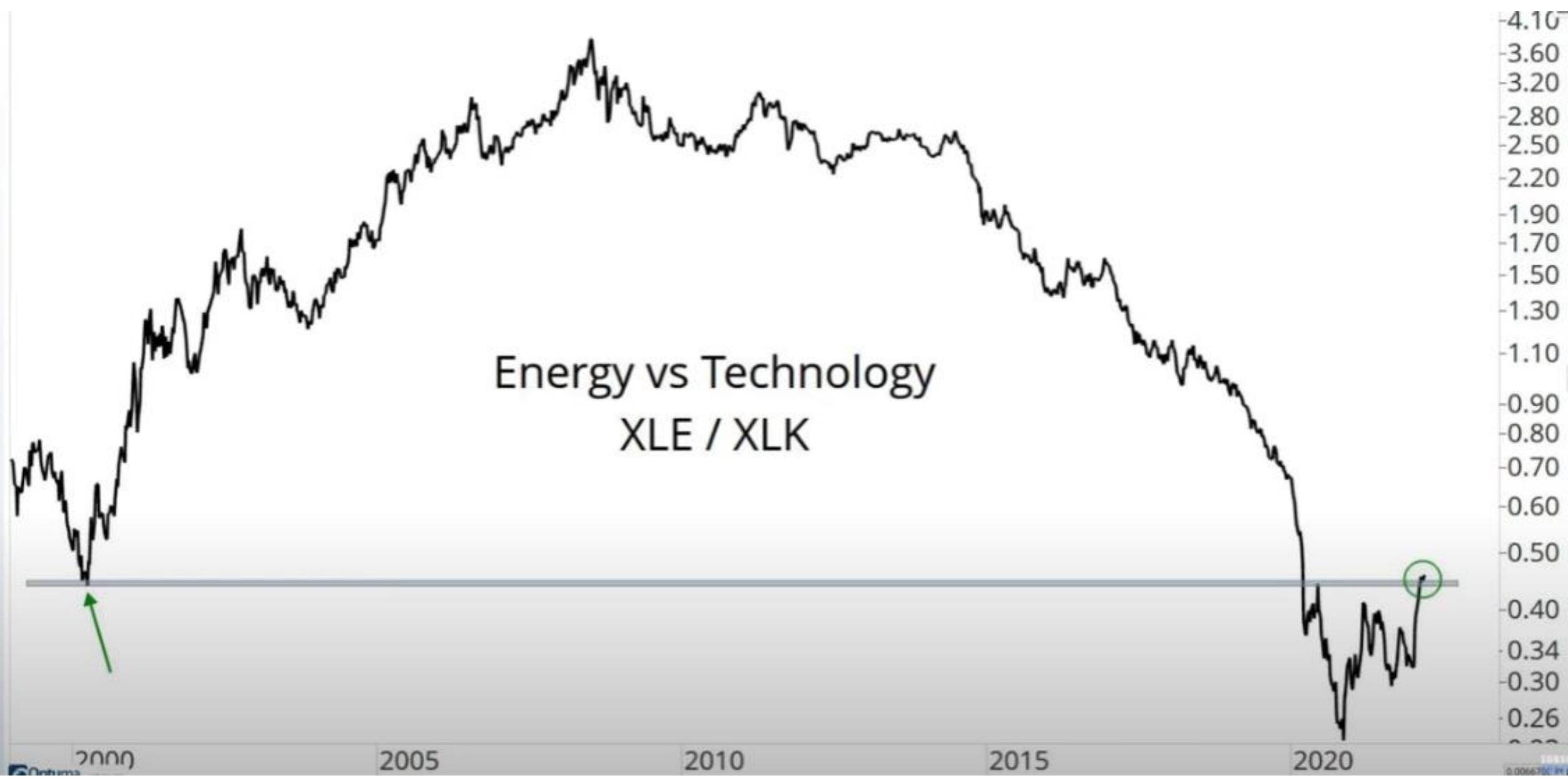


Weighting Breakdown by Groupings

Energy - 15%  
Industrial Metals - 24%  
Precious Metals - 12%  
Grains - 15%  
Softs - 24%  
Livestock - 9%

# ASC EW33 Commodity Index







## Peabody Energy \$BTU



















# End of Markets Summary