



WAR WHAT IS IT GOOD FOR - INFLATION

February monthly investment update

22 March 2022

IMPORTANT INFORMATION

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IMPACT OF UKRAINE INVASION

- Ukraine is the second largest nation in Europe and is known as it's breadbasket. Risk is crops don't get planted.
- Russia and Ukraine combined account for almost 30% of global wheat exports, almost 20% of corn exports and more than 80% of the world supply of sunflower oil.
- Oil prices have risen significantly as have commodities.
- This will increase and prolong the pressure on inflation.
- Inflation is being driven by supply issues rather than increased demand.
- Put simply, central banks cannot print nickel, wheat, oil or gas to mitigate the shock of Russian resources being taken offline, nor can governments procure a replacement for them easily.

WHAT ARE THE CENTRAL BANK RESPONSES

- Federal Reserve tightening cycle has started but still uncertainty around the pace and extent of the increases for 2022.
- ECB looks to be on hold due to Ukraine conflict.
- BOE raised rates for the third meeting in a row on 17th March with inflation expected to reach 8%.
- The market is predicting 5 rate rises by the RBA starting in the middle of the year.

THE LONG-TERM IMPLICATIONS

- Investing in energy and commodity supply security and resiliency may become an increasingly attractive strategy for governments around the world.
- This provides structural support for commodity prices.
- Australia is a beneficiary being a key supplier of both hard and soft commodities.

FEBRUARY INVESTMENT MARKETS

- Growth assets were a mixed bag in February with Australia equities and global infrastructure in positive territory whilst both international equities and global property generated negative returns.
- Defensive assets continued their poor start to the year with both global and domestic bonds in negative territory for a second month.
- The Aussie dollar had a strong month against all major and emerging currencies despite the risk-off environment and strengthening Greenback.