

Holyk Doran Wealth Management Group

Market Update – February 2022



Good afternoon,

As we have seen, Russia has launched a broad-based attack on assets in Ukraine overnight. Most world leaders have condemned these actions and are planning to impose a package of further “massive” and “targeted” sanctions on Russia. It is very difficult at this stage to gauge what this might mean for the world economy. At this point, bets on big Fed rate hikes starting in March are fading in the wake of the invasion and it looks we will get a .25% hike at most now.

The duration of the conflict and the reaction to it from world leaders will play important roles in determining the future dynamics for inflation, economic growth, and asset prices. During this period of heightened uncertainty, we expect that financial market volatility will remain elevated and the short-term flight to safety will continue including into gold bullion and the U.S. dollar – which we have exposure to in our portfolios.

Financial conditions are tightening with volatility spiking, credit spreads widening, and safe-haven currencies catching a bid. Central banks have remained quiet thus far, but the current geopolitical dilemma might encourage a slower pace of future interest rate increases from the world’s monetary authorities. Admittedly, a great deal of uncertainty has already been absorbed by the financial markets but there is no reason to expect a sustained asset price revival until we get some additional clarity on geopolitics. This suggests that unpredictability will remain elevated while the lower quality assets extend their period of underperformance.

The charts show how the markets reacted in other geopolitical (military) events and generally “invasion is market bottom” (more or less). (History is generally a good guide but there is no guarantee that this time will be similar).

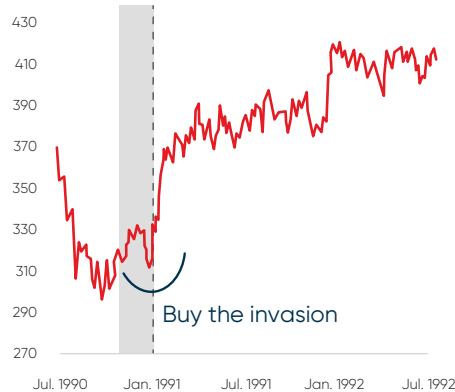
Vietnam War

Gulf of Tonkin incident
(08/02/1964)



Gulf War

US intervention
(01/17/1991)



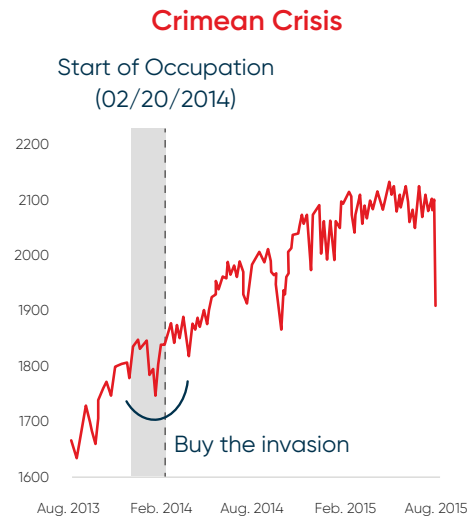
Afghanistan War

Air campaign started
(10/07/2001)



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As portfolio managers, we focus on allocating capital into various investments for the long term that we research and believe offer a great opportunity. When the sea gets rough, we stay the course, watch our compass, and focus on the horizon. As such we don't often react to extraneous events or geopolitical issues. In our process of weekly or (more frequent) investment committee meetings, we discuss our thesis, our long-term views on your holdings, and evaluate the risks and potential returns of all our holdings. We have strong convictions which are being tested again. When we look back at all the sell-offs, crisis, and turbulence we have worked through over the last few decades it is sobering. When we look back at the performance of our models over the same period it is reassuring to see the results.

If you have any questions, don't hesitate to reach out.
The Holyk Doran Team.



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