

ECONOMY

WWII and Ukraine Invasion: Eerie Similarities

THINK STRATEGICALLY:



Kharkiv regional state administration building before being destroyed by a missile.

Could Ukraine Invasion Lead to WWIII?

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The obsession for gold has mesmerized humanity for centuries. Along with ego and greed, gold can become a force of evil. The best historical example that is not known to some is that Nazi Germany went invading nation after nation not only for supremacy and annexation but, more importantly, to steal and transfer to Germany each nation's gold bullion. It was a much-needed tool to finance the German war effort as it invaded Austria, Czechoslovakia, Poland, Denmark, Norway, Holland and France; it did so to steal their gold.

On April 4, 1945, U.S. General George S. Patton's 35th Infantry Regiment captured the village of Merkers in central Germany some 180 miles from Berlin. Two days later, two U.S. Army Military Police guarding the village's entrance stopped two French women for violating the curfew; this chance encounter would have significant consequences. The women said one of them was pregnant and in labor and was on their way to a midwife. It took some time to check the story out, and once it did, one of the soldiers who happened to speak

fluent German offered the women a ride. The soldier asked about an impressive mine facility called Kaiseroda in that village. The women explained that the German Army used the facility's tunnel system to store gold and art.

Armed with this revelation, the U.S. Army soldiers went through the chain of command, eventually reaching Patton himself, who ordered the vault door of the mine blown. The treasure found rivaled any described in mythological tales. Inside the mine was a vault approximately 75 feet wide by 150 feet long with a 12-foot-high ceiling filled with gold bars, coins, museum treasures, and family heirlooms stolen from Jews. When the U.S. Army counted the gold content, it was worth \$238 million, or \$10 billion today.

Nazi Germany could not use the gold to finance its losing war effort even with all these stolen riches.

You may ask why this is relevant to Russia's invasion of Ukraine.

What is transpiring today with Ukraine has similarities to actions taken by Germany in WWII; those taken by Russia since 2014, and the inaction

of the allies, including the United States; let us look at the timeline.

- In 1938, Germany annexed Austria, establishing it as a federal state of Germany, and the allies did nothing until the end of WWII.

- In 2014, Russia invaded Crimea and signed a treaty to annex it to the Russian Federation. Again, nothing happened, and this is the main reason we have the crisis today.

- In 1939, Germany invaded Poland, and it was easily defeated, annexing Poland until the end of WWII.

- In 1940, Germany invaded Denmark, Southern Norway and France, annexing them until the end of WWII.

- The U.S. got involved only following the attack on Pearl Harbor on Dec. 7, 1941, almost three years after Germany invaded Austria.

- On Feb 24, 2022, Russia invaded Ukraine; four days later, the battle to control the capital, Kyiv, raged on as did the former's attempts to bring down the administration of President Volodymyr Zelensky.

When the United States offered Zelensky an evacuation, he said, "I need ammunition, not a ride."

No one can fully grasp why Russia's

Vladimir Putin has chosen to become the worst threat to the eurozone, the United States and most democracies. In Putin's twisted reality, the only solution is for Russia to regain all that was lost when the Soviet Union was dissolved in 1991, allowing the 14 member republics to become independent, including Ukraine, Georgia, Belarus, Uzbekistan, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan, Tajikistan, Latvia, Lithuania and Estonia.

Since 2014, Putin has been preparing for this scenario, thus the sanctions imposed by the United States and others may not fully work since Russia has been busy using ransomware and all types of cyberattacks to hamper operations to steal from and cripple adversaries.

As most of these republics have become democracies and have lived in freedom, we can only hope their citizens will rise.

A good reminder of the power of hope and protest is what happened on Aug. 23, 1989. You see, the longest human chain in history was created when two Estonians, Latvians and Lithuanians joined hands, protesting the illegal Soviet occupation and forming the human chain that covered three nations. These actions of rejection are the ones that bring change to the world, which no one should forget.

Putin is following the same playbook that Hitler followed before WWII broke out, and if he continues down this path, we are probably watching the beginning of World War III.

Saving all lives while protecting Ukraine's independence is as important as saving the human race.

The Week in Markets: Fear of War Spikes Volatility, Launches Markets Into the Unknown

We have often said that other than war, inflation is the No. 1 enemy of the U.S. economy. Well, we now have two enemies: Russia and inflation. Putin decided to invade Ukraine while unprovoked. The United States responded with severe sanctions that include all Russian institutions that finance the Kremlin and the Russian military and

most Russian oligarchs. The sanctions would have made better sense in 2014, when Russia annexed Crimea.

The markets reacted positively as some have concluded that because the sanctions did not include suppressing energy exports, this allowed the markets a respite amid the already high level of uncertainty.

Excessive inflation, monetary policy changes and now war risks have led the markets to correction territory, declining from their highs. In the United States, the focus on inflation continues as the Fed's preferred benchmark, the Price Consumption Expenditures (PCE), rose to 6.06 percent, a sizable increase over the previous month.

The Final Word: How will the War Impact the U.S.?

In our view, the war's impact on the U.S. economy and broader corporate earnings is likely limited.

- Fact 1: Russia has almost no perceptible trade with the United States; the effect will be negligible.

- Fact 2: Russia's economy is not the 2nd largest in the world, it is the 11th largest, supporting just 2 percent of the global economy.

- Fact 3: Russia is a large natural gas and oil supplier, with Europe purchasing 40 percent of its reserves and 25 percent of its oil.

- Fact 4: Europe is an easy target for Russia via the seven gas pipelines that supply European nations directly from Russia, causing prices to rise to the stratosphere and cripple the eurozone.

- Fact 5: Inflation and the Ukraine invasion further complicate the Federal Reserve's monetary policy changes to fight inflation.

With these five facts in hand, we project that the U.S. economy will grow during 2022 at a 4 percent rate, with largely upbeat corporate earnings.

We recommend investors consider rebalancing their portfolios, focusing on well-diversified allocations that include safe-haven assets such as government bonds, gold and defensive stocks.

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Weekly Market Close Comparison	2/25/22	2/18/22	Return	YTD
Dow Jones Industrial Average	34,058.75	34,079.18	-0.06%	-6.27%
Standard & Poor's 500	4,384.66	4,348.87	0.82%	-8.00%
Nasdaq Composite	13,694.62	13,548.06	1.08%	-12.47%
Birling Puerto Rico Stock Index	2,904.46	2,901.70	0.10%	0.88%
U.S. Treasury 10-Year Note	1.97%	1.92%	2.60%	0.50%
U.S. Treasury 2-Year Note	1.55%	1.47%	5.44%	0.50%