

Good morning!

Was it an olive branch or a head fake? As the invasion of Ukraine entered its 6<sup>th</sup> month last week, *the collateral damage from the war has spread across Europe and into Africa*. By shutting down the Nord Stream pipeline system, Russia demonstrated how vulnerable Europe is to an elimination of natural gas with winter months looming. The blockade of Ukraine's Black Sea ports has prevented grain and wheat exports from flowing to Africa, showing that Putin would use hunger as a weapon of war. But late last week, natural gas started flowing again and millions of tons of grain were released, averting for now a recession in Europe and a global food crisis in Africa (source: BTN Research).

The European Central Bank (ECB), the equal of the Federal Reserve for the 27 nations that comprise the European Union, raised its key short-term interest rate by 0.50 percentage points last week. It was the ECB's first rate hike since July 2011 and its largest rate increase since 2000. By comparison, the Federal Reserve is widely expected to raise its key benchmark rate by 0.75 percentage points this Wednesday, a move that would be its 4<sup>th</sup> rate hike since mid-March 2022 and *would bring its "inflation-busting" increases to 2.25 percentage points for the year* (source: Federal Reserve).

Last week, the S&P 500 was up +2.6% (total return) and the NASDAQ Composite was up +3.3% (total return), suggesting that equity investors believe (or hope) that the Fed *can control our near double-digit inflation while simultaneously avoid sending our economy into a recession* (source: BTN Research).

#### Notable Numbers for the Week:

1. **ZOMBIES** - An estimated **1 out of every 6 companies** (17%) domiciled in **industrialized economies** worldwide have been able to **avoid bankruptcy** throughout the pandemic largely because of **low interest rate debt** that was made available to them (source: Committee on the Global Financial System).
2. **ANNUAL INCREASE** - The "**cost of living adjustment**" (COLA) that will be applied to Social Security benefits **paid in 2023** is based on inflation from the end of the 3Q 2021 to the end of the 3Q 2022. The COLA increase implemented **at the start of 2022** was **+5.9%**, the largest increase **since 1982** (source: SS).
3. **WORKERS NEEDED** - Social Security estimates it needs a "**worker-to-beneficiary**" ratio of **2.8** for the system to function on a "**pay-as-you-go**" basis. The **ratio was 3.3** in 2005 but has **slipped to 2.8** in 2021 and is forecasted to be just **2.1 workers per beneficiary** by the year 2040 (source: Social Security).
4. **TOP SPOT** - China and India are 1-2 in terms of **population** today, a ranking that is projected to **flip-flop** next year (2023) when **India becomes the world's most populous nation** with nearly **1.5 billion people** (source: United Nations).

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