

# ***Putin Pushes to Subrogate Ukraine into Darkness***

*By Bob Deitrick, CEO of Polaris Financial Partners*

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*As Putin and The Russian Army advanced further into Ukraine over the past few weeks, it occurred to me, once again, that we should never trust anything the Russians say or do. This is not a political statement, but we have not been able to trust the Russians for over a century and we know better.*

*When I was an infant, we lived three miles from the Nation's Capital in Alexandria. During the Cuban Missile Crisis, my father evacuated our family and moved us to Charlottesville for two weeks where we were refugees in our own country. My Dad was convinced the threat of nuclear attack was imminent. Fortunately, President Kennedy was sagacious enough to use the combination of tough diplomacy, in tandem with a blockade in the Atlantic along with the threat of nuclear attack by placing our nuclear subs in the Gulf of Finland within range of St. Petersburg, Leningrad and Moscow. Kennedy's strategy was clever, and it worked. In an unknown side deal, Kennedy agreed to take down our older nukes from Turkey, but he did this six months after the crisis so there was no linkage. On the 13<sup>th</sup> day of the crisis, Khrushchev blinked, we averted war with Russia and my family returned home.*

*Vladimir Putin is not a "one-off". He is fond of totalitarianism like his predecessors, Stalin and Lenin. Ukraine was a part of the old Soviet bloc. In 1929, Stalin wanted to create a communistic economy, so he imposed "collectivization" which replaced individually owned and operated farms with state-run collectives. The Ukrainian farmers did not fall in line with this notion as they defied giving up their land and livelihoods preferring freedom and capitalism over ineptitude and communism. As a result of their defiance, Stalin murdered 3.9 million Ukrainians in two years... The Ukrainian famine was known as the "Holodomor". Stalin punished the independent minded Ukrainians who posed a threat. Collectivization was and is inept. By the fall of 1932, Stalin's wife, Nadezhda, who objected to her husband's policy, committed suicide and Ukraine's grain harvest missed the Stalin's state target by 60%. Although there was enough food for the farmers to survive; Stalin punished them by destroying and confiscating the little food they had for not meeting his quota. Stalin murdered 14% of the Ukrainian population in two years!<sup>1</sup> Unlike other famines in history caused by blight or drought, Stalin did this with malice and forethought. During this famine as millions starved in 1933, U.S. stocks rallied in FDR's first year and were up 66.7% as millions were dying in the Ukraine.<sup>2</sup>*



*Grain confiscated from a family in the village of Udachoye in Ukraine. Stalin and Soviet ideology derided the resisters as kulaks who were well-to-do peasants who were "enemies" of the Soviet state.<sup>3</sup>*

***My point to all of this is that communism, Stalin, and Putin are inept, one-dimensional regimes. Anyone expecting that Vladimir Putin will have a moral awakening is delusional. Putin is acting in a solitary manner as he subrogates 40 million civilians in the Ukraine to get what he wants - power and distance from NATO. His strategy will fail. Putin has proven himself to be a dishonest broker time and time again. As Putin amassed thousands of troops along the Ukrainian border for months stating they were there to perform military exercises. He lied. He waited until after the Winter Olympics had concluded, then he invaded because he didn't want to get banned from the Olympics, again! (The Russians were banned in 2017 when they were suspended from competing due to a state-sponsored doping scandal). The Russians place immense emphasis on the Olympics; albeit, they have been caught cheating quite often.***



***Russian Ivan Kuliak was seen with a "Z" a symbol being used to show support for Russian's invasion of Ukraine. He displayed this on his chest as he took the podium following a bronze loss on the parallel bars to the Ukraine's gold medal winner Illia Kovtun, also on the podium.<sup>4</sup>***

***This war is not going well for Putin's army as he attempts to subrogate the Ukrainian people. The Russian army is inept and struggling and the Ukrainian army has demonstrated great resistance even though they're a college Division 3 team competing against a pro NFL army. The Pentagon estimates Putin has lost 8,000+ troops in four weeks with more than 20K wounded.<sup>5</sup> The U.S. and NATO nations have imposed harsh economic, diplomatic, and military sanctions on Putin, his oligarchs, and Russian institutions in response to the invasion. Most U.S. companies have suspended doing business in Russia. Biden and NATO have agreed to continue sending anti-tank weapons and air defense systems to Poland. Putin has warned he did not want NATO up against his border, but this is a weak argument as many other NATO countries efface Russia's border elsewhere. I am not going to render an opinion on whether NATO and Biden's strategy is right or wrong, but the notion of the United States getting into another prolonged war like Vietnam or Afghanistan is not appealing to most Americans. In my personal view, this is a war cycle that will likely be the end of Vladimir Putin and will likely be concluded in the Spring. My point is that this has all transpired before in the Ukraine.***

***So, what is our take as it relates to you and the market? We anticipated a correction in stocks, and it happened. We were overdue for a correction which we saw in January to mid-February. We were heading out of the correction in February until Putin invaded Ukraine on February 24<sup>th</sup> and that has placed us in more perilous territory.***

***If an off ramp to the war is found, a relief rally will ensue. If that happens, we remain optimistic even as Wall Street grapples with a more aggressive Fed and inflation concerns. We were in no man's land for almost three weeks; however, the market has shown great resilience, again, in the past ten days!***

***We at PFP believe stocks may still end higher by year end to the extent an "off ramp" to the Ukrainian conflict is found. Albeit we were at S&P 4,173 just ten days ago, we are back up to 4,520 this afternoon on March 25<sup>th</sup>, and we may still end this year at 5,000 to 5,200 which would represent a 20% upside from the S&P 500's close of March 14<sup>th</sup>. The S&P 500 had fallen 12% but is now only down 4.9% for the year... If this conflict is like those in 2008 and 2014, we believe the foundation for this bull market may remain intact.***

***We will talk about inflation and the prospects of a recession in the U.S. in our next newsletter.***

***The "hot inflation" readings of recent months stem from a spike in commodities that are working their way through the system. As painful as things seem today, this is very different than secular, structural inflation that we had in the late 70's and the early 1980's. However, there is good news for the markets on the valuation front. The median forward earnings multiple for a stock in the S&P today is at 16.5 compared with nearly 20 times that at the end of 2019 before Covid began.***

***In summation, this volatility and the over-correction which has occurred have generated opportunities as they did when COVID hit in late March of 2020 when the market was down ~ 35% from peak to trough. We are evaluating those opportunities in the market as many stocks have been oversold, leading to unique opportunities we have not witnessed in sometime. Next week we will be reallocating portfolios to take advantage of some buying opportunities that we see. Please feel free to call us at any time and remember that this has happened before and, more than likely, this too shall pass as well.***

***Incidentally, Polaris Financial Partners in tandem with Honey Baked Ham of Polaris gave away 15 Honey Baked Hams to feed the poor in our community through the Holy Family Church and Food Pantry recently which we are very proud of. Have a terrific weekend and the enjoy the Elite Eight with some friends this weekend!***

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#### Footnotes

- 1: <https://www.history.com/news/ukrainian-famine-stalin>
- 2: <https://leduc998.wordpress.com/2008/05/17/dow-jones1930-1939/>
- 3: <https://www.history.com/news/ukrainian-famine-stalin>
- 4: <https://www.abc.net.au/news/2022-03-08/russian-gymnast-wears-z-symbol-on-podium/100890438>
- 5: <https://www.cbsnews.com/news/ukraine-russia-death-toll-invasion/>