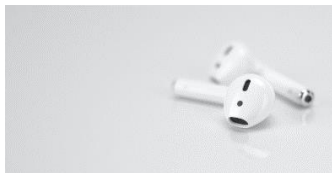




## Ravinsky Wealth Management Group

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The volatility witnessed since Russia's invasion nearly a month ago has subsided a bit in recent weeks. Global equities have also trended in the right direction. Bond yields have reached new highs for the year. Oil prices have retreated somewhat, as have other commodities. That being said, the military conflict in Ukraine remains very active and unpredictable. The other notable recent development came from the U.S. Federal Reserve, which raised interest rates for the first time since 2018. We provide a brief update on both issues below.

The war in Ukraine is understandably top of mind for most people. Investors remain predominantly focused on whether this conflict will be limited, in both duration and scope, or has the potential to become more drawn out and broader, involving NATO (North Atlantic Treaty Organization) countries.

Recent comments from Ukrainian and Russian officials have led investors to believe that there may be a glimmer of hope that some compromise and ceasefire can be reached. But, there is a long list of demands from both sides that needs to be addressed. Moreover, some of the regional and geopolitical experts we follow have expressed skepticism regarding the potential for a truce at this point. Many of these analysts have speculated that given the military and economic costs borne by Russia, Mr. Putin may only end this war once he can demonstrate some kind of triumph in front of the Russian public. It's unclear what that would look like, but investors should be prepared for a wide range of outcomes.

The other notable development recently was with respect to the U.S. Federal Reserve. It began a much anticipated rate hiking campaign. Predictably, the central bank indicated the impact of Russia's invasion of Ukraine will create additional inflationary headwinds while weighing on economic growth. It raised its estimate of core inflation over the next few years, while lowering its forecasts for U.S. economic growth. While this may seem troubling, Chairman Jerome Powell provided some reassurance by emphasizing that the U.S. economy is performing well and the probability of recession in the near future is low.

The Fed, like other central banks, seems more concerned at this juncture about inflation than growth. Fed officials are suggesting they may raise interest rates six more times this year, and another three times next year, in a rather aggressive attempt to ensure inflation does not become entrenched. Moreover, the central bank indicated it may announce plans to reduce its holdings of bonds on its balance sheet in the next few months. This is another meaningful step towards tightening monetary conditions over time, with the goal of reducing inflationary pressures.

We too believe inflation is an important risk to the investment outlook over the intermediate term. The military conflict in Ukraine will only exacerbate current price pressures because of the potential disruptions to supply chains across a range of

commodities. Fortunately, the economies in North America are starting from a position of reasonable strength and can handle some degree of higher costs.

Markets are likely to remain volatile into the second quarter of the year given the aforementioned risks to the investment outlook. However, given that the weekly indicators are still early in an upturn, contrarian sentiment indicators remain bearish, and many investors have already substantially reduced equity exposure, our expectation is that pullbacks are likely to be relatively shallow and that the first quarter lows are unlikely to be broken.

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David Ravinsky



Alex Tsapekis



Jo-Anne MacKenzie

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We appreciate the opportunity to serve you and look forward to continuing to help you accomplish your long-term financial goals.

Should you have any questions, please feel free to reach out.

Sincerely,

The Ravinsky Wealth Management Group

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