



*"No country can ever truly flourish if it stifles the potential of its women and deprives itself of the contributions of half of its citizens." – Michelle Obama.*

## **THE PLAYOFFS: INFLATION, INVASION VERSUS WALL STREET**

Welcome to a special edition of "*Ethel's Diamond Post.*" This newsletter is dedicated to women to the ongoing work of caregivers and frontline workers that provided healing and hope through this unprecedented season. In March, we celebrate Women's History Month for all the notable accomplishments of strong, determined women. Every woman has a story to tell and gifts to share. I pay homage to my mother – Zether M. Davis, who continues to fuel the progression of VZD CAPITAL MANAGEMENT, LLC. While she is absent from the body, her legacy lives on by the principle and values that serve as the foundation for our Registered Investment Advisory Firm.

When Russian President Vladimir Putin sent troops into Ukraine, these new catalysts broadened the issues Wall Street continues to grapple with every day. Volatility is here to stay for the economic community continues to add new team members with each passing day, including looming interest rate hikes, supply chain disruptions, staffing shortages, and out-of-control inflationary levels. Events stemming from Russia invading Ukraine fuel the geopolitical tension, increase market sell-offs, and fuel investors' anxiety. At the very least, it

compounds the uncertainty surrounding economic growth, inflation, and bi-partisan division that does nothing to push the economy forward.

The war aggravated an already unpleasant start to 2022 for stock market participants. The central United States indexes are down 10 percent to 18 percent this year, while the European and Emerging markets have fallen 15 percent and 12 percent. However, if you walk down memory lane, we are reminded that the S&P 500 corrected nearly 35 percent in a matter of weeks in 2020, during the beginning of the pandemic era. But, look how we ended. While I realize it is difficult to stomach the short gyrations of the market, remember that we are in the market long-term.

What is the plan or strategy to swim through these muddy waters? Most people realize that the market ebbs and flows, but a sudden downturn can make it difficult to concentrate on the "glass is half-full versus empty" when your account balance is significantly lower with each passing month. The current unpleasantness is a reminder that stock market corrections are a fact of investing life. At VZD, we constantly monitor the level of uncertainties but resist the temptation to trade on short-term news, which leads to doom and gloom for most retail investors. We have sold entire positions with a significant relationship with Russia, for we deplore the human toll and tragedy all this may bring to innocent people.

Unfortunately, the COVID and pandemic winners that benefited from social distancing and the economic lockdown are not faring well in this inflationary environment. Do you remember the Iranian hostage crisis, the Soviet Invasion of Afghanistan, the Iraq War, and the 2014 Ukraine conflict? Historically speaking, being with a small boutique firm like VZD is that we can transition into different environments without a high degree of bureaucracy, unlike the more prominent investment institutions. Unlike mutual funds, you can view your statements to verify how much attention, monitoring, and rebalancing we make from month to month.

Inflations have become a full-blown curse word since the Russian invasion of Ukraine. Consumers are losing buying power due to gas prices to groceries. With sanctions and boycotts escalating an already volatile pricing environment from oil and gasoline to wheat and corn, prices have skyrocketed. In turn, such changes have sent shares of companies that make money from higher commodity prices even higher. We remain vigilant to recoup losses by dollar-cost average

into commodities such as – renewable energy, utilities, consumer staples, and aerospace and defense companies. The U.S. economy will feel some short-term effects from the Russia-Ukraine war until it ends. Plus, you have to remember that Russia is not a superpower, at least not when it comes to the global economy. However, it is the world's third-largest exporter of natural gas. Russia and Ukraine combined make up less than 1 percent of total U.S. imports and exports.

While the United States may not be officially involved in the war, President Joe Biden's administration pledges significant military aid. Investors need to understand that higher oil prices do not necessarily equate to an economic recession or a weak stock market. Technically speaking, a recession requires trillions of dollars worth of damage to the global economy, which Russia and Ukraine cannot deliver. Also, it is essential to remember that the S&P 500 companies have only a fraction of 1 percent of their revenue and profit exposure to Russia and Ukraine combined.

We were forward-thinking by purchasing the top aerospace and defense company for their services are mandatory to remain informed on our international cohorts. Even in peacetime, the defense department commands a significant portion of the federal government's budget to invest in surveillance equipment and monitor terrorists worldwide. What happens if Russia decides to increase its efforts to infiltrate our technology system and processes? We have moved into the cybersecurity sector to take advantage of the money spent to protect our infrastructure and companies from cyber attacks.

Historically, the stock market almost always rebounds quickly from geopolitical events that have minimal impact on the U.S. economy. The capital market's snapbacks from these corrections have tended to be very sharp. For example, one year after the 1941 bombing of Pearl Harbor, the S&P 500 index gained 15 percent. A year after the U.S. invasion of Iraq in 2003, it was up 35 percent. History shows that just one year after most stock-market shattering crises, the S&P 500 Index has risen.

Are headed into a recession due to the high inflation, rising interest rates, and the stock market's increased volatility? The good news is the U.S. had never had a recession when the economy was growing and expanding and improving employment numbers – as we have now. Since 1950, the 21 market corrections that have taken place without a recession have posted average declines of 15

percent. However, corrections without recessions have offered good buying opportunities, even when taking the plunge before the rewards.

**VZD** focuses on high-quality stocks with solid balance sheets, high-profit margins, and reasonable valuations. We screen our current and potential holdings like the judges on "Shark Tank," for we are OUT if the numbers are skewed or other negative factors are looming. Because the market is fast-moving with such uncertain circumstances, we want to be 100 percent transparent that we do not know everything, but we sit on the same side of the table with our clients as fiduciaries. As we continue to assess developments related to Ukraine under this fluid framework, we will provide relevant and timely updates regarding our perspective.

We live in different times, and therefore, we are implementing policies to comply with the Securities and Exchange Commission and State regulators. For example, at VZD, we will no longer accept any instructions from text messaging to safeguard the company from any breaches or fraudulent initiatives. Please **DO NOT** send any messages to any of our telephone numbers, for we are increasing our efforts to protect our clients and the firm – alike. We monitor each account daily to ensure any money movements or anything ordinary. We will call to confirm or verify the authenticity of the transaction.

Thank you for your trust and confidence in VZD Capital Management, LLC. We were honored to be recognized as a Five-Star Wealth Manager in the Kansas City Magazine for eight consecutive years. Nikisha and I are working on compliance procedures for the new year but will schedule portfolio reviews in the next few days.

We appreciate each of our extended members of our small boutique family and invite you to refer your family and friends to us. Stay well, and we look forward to visiting with you soon.

With Gratitude,

Ethel & Nikisha