

Lifestyle Matters Newsletter

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Key Developments to Watch in the Russia-Ukraine Crisis

The impact of sanctions and rising commodity prices are in focus.

First and foremost, we express our dismay at the humanitarian tragedy unfolding from the Russian invasion of Ukraine, and our thoughts are with anyone in Ukraine or with family or friends in the country.

Markets have generally responded logically to the crisis, with the largest movements focused on securities impacted by the current regime of sanctions. Russian equities and the ruble have sold off sharply. Overall, technology and banks have underperformed, while prices of commodities, especially oil, have climbed. We believe global markets will likely remain risk averse and volatile until there is more clarity on the extent and likely duration of the invasion and the risks to oil prices, economies, the banking sector, and supply chains are more fully understood.

What are the existing sanctions that Western countries have imposed on Russia? The U.S. and Europe have significantly strengthened their initial set of sanctions and measures taken to isolate Russia's economy and financial system. On a scale of 1 to 10 in terms of severity, the sanctions have moved from an initial two or three to a seven or eight. We estimate that the sanctions could reduce Russian gross domestic product (GDP) per capita by 30% over time. In comparison, sanctions against Iran reduced its GDP per capita by about 70% after SWIFT sanctions were imposed in 2012. We believe Russia's downside will be less severe because it has a more diversified economy, and the country has already been living with sanctions since the Crimea incursion. The new measures ban a significant portion of the Russian banking system from transactions using SWIFT, which is a messaging system used by financial organizations such as banks to arrange and settle large transactions. Also, the Russian central bank can no longer access its U.S. dollar and euro reserves in foreign central banks.

This has severely limited the Bank of Russia's ability to defend the ruble through buying rubles in exchange for dollars or euros. The ruble plunged by around 30% on

February 28, even after the central bank raised its benchmark short-term lending rate to 20% from 9.5% and the country implemented some capital controls in an effort to stop the decline. All foreign transactions in local Russian markets have been halted. Global Depository Receipts (GDRs), which represent shares of a foreign company, for Russian equities are no longer trading in London because no brokers are prepared to take on the settlement risk involved with the trades. Trading in American Depository Receipts (ADRs) for Russian stocks was temporarily halted in late February for an indefinite period.

Could Western countries impose even more punitive sanctions? The fact that Russian firms can still access SWIFT for some transactions reflects the reality that much of the world still needs to access Russian energy. With around one-third of the natural gas consumed in Europe coming from Russia, it is very difficult to sanction the country's energy sector. The partial SWIFT ban and barring the Bank of Russia from accessing foreign reserves are already extracting a severe toll on the country's currency. This could prompt an unpredictable response from Russia. A prolonged war, or a move to divide Ukraine into two countries or to push for regional "self determination" leading to a federal state or confederation, could also trigger additional sanctions, potentially including a ban on all SWIFT access. Measures such as cutting off central bank reserve access or SWIFT transactions can be adjusted relatively quickly and are generally not designed to be kept in place for the long term. In contrast, trade sanctions have often been maintained for extended periods, nearly 40 years in the case of sanctions imposed on the former Soviet Union in the mid 1970s and extended to Russia.

Taking an optimistic view, the positive momentum of the Chinese economy as it emerges from a major fiscal tightening cycle and the strength of the U.S. labor market coming out of the pandemic should keep the global economy from entering recession.

Source T. ROWE PRICE INSIGHTS on Emerging Markets

What's happening around the WSP office:



Easter Office Hours

Closed Good Friday
15th April reopening
Tuesday 19th April
2022.



Monday 25 April 2022 closed
ANZAC Day - Lest we forget



Daylight Savings Victoria
ends Sunday 3 April 2022
at 2am.

Reminder!

Director ID Numbers the new Australian Business Registry Service requirements.

Just a reminder that we are contacting clients who are directors for either their personal or SMSF company that we are agent for to assist with the new requirements with Director Identification Numbers. From the 1st of November 2022, Australian Company Directors are required by law to verify their identity with the Australian Business Registry Service and obtain a Director ID before 31 October 2022.

Are manners a dying art? The importance of saying “Thankyou”.

To possess good manners is, in fact, the first step to success.

They cost nothing, but polish and enrich the personality of a person.

Why is saying thank you so important?

When it comes to manners, one of the first lessons parents teach their children is to always say thank you. We do our best to instil the virtue of gratitude before we even teach the alphabet — it's that important. We ask our kids, “What do you say?” when receiving something. We sign off with this expression in our email signatures. We consider it proper etiquette to send a thank-you card when someone goes out of their way for us.

Thank you shows our appreciation and conveys our gratitude. But more than that, it is a sign of respect to the person who has helped you (or given you something). It is an indication you do not take them for granted, and an acknowledgement that they matter. And that is why saying thank you matters.

This is because gratitude is not only polite but also powerful. A strong focus on gratitude is also good for your brain, important for all your relationships, family, friends, colleagues and strangers.

Gratitude is really good for your brain.

It's not a secret that being thankful can affect your mood in a positive way (it's difficult to express gratitude and be grumpy!). But studies have seen an association between gratitude and a person's well-being. Essentially, the more you appreciate and are thankful for, the more attuned you are to your feelings of well-being and gratefulness. If you think about it, it makes sense. The more frequently we give and practice appreciation, the more it becomes a habit and way of living. Thankyou for reading!

Words of wisdom



"Your entire life happens inside your body.
It's the one home you will always occupy and can never sell.
But you can renovate it.

James Clear

Some days are better, some days are worse.
Look for the blessing instead of the curse.
Be positive, stay strong and get enough rest.
You can't do it all, but you can do your best!

Unknown

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