

The Outlook: Feb. 18, 2022

Mr. Putin: out on a limb. The market: not really.

Dominating this week's market has been "War in Ukraine!", as the daily betting crowd tries to figure out whether this Russian Nightmare will turn out to be a passing drizzle, thunderstorm or earthquake for the market. At Outlook we think it's "passing drizzle" or "passing thunderstorm" at worst. "War in Ukraine" would not paralyze the global, U.S. or even European economy. There would be nothing good about it . . . but it's pretty hard to see it triggering earthquake-style economic tidal waves.

Having gone out on a limb with that "worst case scenario", let's ask a question: "Is it going to happen at all?"

The months-long runup to this "war" has been downright strange, by any standard of history. It's been so strange—so hard to understand how Mr. Putin thinks he's helping himself—that one distinct possibility is what Outlook mentioned a couple of days ago: Mr. Putin is making the "Big Blunder" which so many dictators eventually make. "Blunder" means, "It doesn't make sense, but he did it anyway." Here are just a few of the ways "it doesn't make sense."

- What's he going to do with it?

That is, if his army invades and succeeds (crushing feeble opposition in a hurry), will he occupy the whole country? Indefinitely? Ukraine is very big. The troops hovering at the border are much too small for that task. And if his army invades but does not succeed (facing determined, sustained resistance from Ukraine's army and its civilian population) . . . what's he going to do with it? Throw in another army? Bomb and terrorize cities? Murder civilian resisters, under the glare of the world's spotlight? It's one thing to assassinate political enemies. Mr. Putin has shown a real taste for that, over the decades. It's another thing to copy Nazi tactics against whole populations.

- What does he gain?

The short answer looks like, "Nothing he needs . . . except possibly in his own mind and imagination, seeing himself as creator of the new Soviet Union."

- What does he lose?

A lot, to Outlook's mind. Mr. Putin has succeeded very well, over the decades, by intimidating the rest of Europe. "Appease him," has certainly been the operating rule for generations of political leaders. But appeasement gets much harder for politicians, the more outrageous the behavior of the appeased. Voters notice, and historically they get offended by outrageous behavior before their so-called leaders do. Many of Europe's leaders have been acting as if they understand this, lately. We can almost see their backbones stiffening a little more each week.

If "War in Ukraine" becomes anything like another 1980's Afghanistan for Russia, Mr. Putin will only keep losing. He is a dictator, but he has a "party" supporting him. It is very hard to see the prominent people in that "party" supporting him in the future, if he triggers such a fiasco. It's

just as hard to see those prominent people supporting what he is doing right now. They don't gain, they only lose.

There have been plenty of other strange things going on as this nightmare has progressed: among them, daily predictions from the White House, along the lines of "Today's the day!" Perhaps the strangest of all has been the calm among Ukraine's political and military leaders. The world is wondering whether that calm means they plan to roll over when the first Russian wheels cross the border. In this kind of situation we can't know, until it happens. But if Outlook had to bet, we'd put our money down on "Nope. They will not roll over. Not even close. They will fight, and Russia will be surprised at how well they'll fight."

Mr. Putin's biggest blunder of all will come about if he doesn't grasp that. He might not . . . but at Outlook we suspect he actually does. If so, he'll look for the best way to climb down from the limb he's perched himself on. We'll see, eventually.

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