

Ukraine Fears Temporary

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It's a huge week for economic data, and US stock indices just made new highs, but who cares – Vladimir Putin sent troops into the Ukraine and this was blessed by a vote in the Duma. Previously, Ukraine's elected president, an ally of Russia, was forced from office for ordering troops to fire on protestors. That departure was ratified by Ukraine's parliament.

These events are tearing Ukraine apart. Russia has moved into Crimea, a southern peninsula of Ukraine on the Black Sea, where Russia has a major naval base, and eastern Ukraine, where Russia has natural gas pipelines. Many Ukrainians in the east support Putin and there are historical precedents for Russia's move. In 2008, Russia invaded South Ossetia. In 1938, Germany invaded the Sudetenland, which was part of Czechoslovakia. None of these ended amicably.

When investors see these headlines, some are understandably disturbed. We're concerned, too, mostly for the people in the region. As equity values decline, weighed down by fears that events may spin out of control, we think the market is providing another buying opportunity.

In August 1968, when Soviet troops put down an anti-Communist revolt in Czechoslovakia, the S&P 500 fell

immediately, but was up 2.7% one month after the invasion. This does not mean that the Soviet invasion boosted stocks, just that in the broad scheme of things, the invasion had little influence on the market.

Ultimately, Putin, is going to do what he believes is in Russia's interest, which is probably an intact Ukraine run by an ally. For Crimea, and eastern Ukraine, to secede would likely push the rest of the country even further politically toward Europe and the West. This is the last thing Putin wants. Fixing elections, something Putin has been accused of before, to put a pro-Russian president in power, is another possibility.

We don't pretend to understand all the nuances, but don't be surprised at a negotiated "autonomy" for Ukraine's Russian-speaking areas (avoiding outright secession) that gives Russia their military bases and pipelines, without the crisis widening into a full blown war, civil or otherwise.

In the meantime, the weather is still playing havoc with data and activity, but stocks remain undervalued. The events in Ukraine point out the weakening position of the US in global issues, but this is a long-term problem that will have no short- to medium-term effect on our forecasts.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-3 /7:30 am	Personal Income – Jan	+0.2%	+0.3%	+0.3%	0.0%
7:30 am	Personal Spending – Jan	+0.1%	+0.1%	+0.4%	+0.4%
9:00 am	ISM Index – Feb	52.4	51.3	53.2	51.3
9:00 am	Construction Spending – Jan	-0.5%	-1.5%	+0.1%	+0.1%
afternoon	Total Car/Truck Sales – Feb	15.4 Mil	15.4 Mil		15.2 Mil
afternoon	Domestic Car/Truck Sales – Feb	11.9 Mil	12.0 Mil		11.9 Mil
3-5 / 9:00 am	ISM Non Mfg Index – Feb	53.5	53.6		54.0
3-6 / 7:30 am	Initial Claims - Mar 1	336K	338K		348K
7:30 am	Q4 Non-Farm Productivity	+2.4%	+1.8%		+3.2%
7:30 am	Q4 Unit Labor Costs	-0.5%	-0.1%		-1.6%
9:00 am	Factory Orders – Jan	-0.5%	-0.8%		-1.5%
3-7 / 7:30 am	Non-Farm Payrolls – Feb	150K	165K		113K
7:30 am	Private Payrolls – Feb	154K	165K		142K
7:30 am	Manufacturing Payrolls – Feb	5K	5K		21K
7:30 am	Unemployment Rate – Feb	6.6%	6.6%		6.6%
7:30 am	Average Hourly Earnings – Feb	0.2%	+0.2%		+0.2%
7:30 am	Average Weekly Hours – Feb	34.4	34.4		34.4
7:30 am	Consumer Credit– Jan	\$14.0 Bil	\$15.3 Bil		\$18.8 Bil
7:30 am	Int'l Trade Balance – Jan	-\$38.5 Bil	-\$39.6 Bil		-\$38.7 Bil