

## The World Has Changed... And Changed Utterly

### Description

[Authored by Bill Blain via MorningPorridge.com,](#)

*[The lie] must confine itself to a few points and repeat them over and over. Here, as so often in this world, persistence is the first and most important requirement for success."*

***The World has changed and changed utterly – although we may not realise it yet. We are likely on course for massive disruption, inflation, rising geopolitical crisis and uncertainty, and a high probability of stagflation. But – don't tell anyone.***



*Anyone for a choc-ice?*

**The world changed yesterday. Markets did not.**

Despite the first major war in Europe for nearly 80 years, we got a “*buy the news*” stock recovery. Oil prices spiked, and a general shunting of the Russian Invasion into the “*oh, that's unusual*” bucket of the trading day. But the consequences will be massive.

Maybe stocks rose on buy-the-dip, or because markets expect Western Central Banks will keep monetary policy accommodative – putting off rate hikes – to ease concerns. Or maybe it was because Biden didn't hit Russian energy with sanctions, or that European nations are loath to let him ditch Russia from Swift? Whatever – markets are coping, playing the immediate nuances of the news.

For the next 10-14 days – for that is how long it will likely take Russia to subjugate Ukraine – it will be wall to wall coverage. Already some fatigue with the streets of Kyiv is setting in. Our shock, horror and outrage will continue to be blunted – and by the time it's over, other topics will be filling the screens.

Probably these other things will be surging inflation, soaring food prices, unimaginable energy bills, tensions in the Taiwan straights, and Europe bickering across every imaginable policy decision. For the

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next few years expect horror reports about brave Ukraine resistance fighters being massacred – or terrorists being dealt with if you watch Sputnik TV.

### **The reality is the world fundamentally changed yesterday:**

There are the obvious issues; prolonged inflation for longer. We're all aware that food prices will be impacted long-term. Russia is a major supplier of fertilisers, Ukraine is the number one sunflower seed producer, no 2 in Wheat and massive across agricultural commodities. (Some readers have already asked if it's a "Ukrainian Chicken Farm moment" – the absolute top of the corporate cycle, named for the said poultry farm that launched a massively oversubscribed bond deal at an insane price, just days before SARs and Bird Flu caused it to shut with uninsured losses – but that is a story for another day...)

Energy is the other talking point – massive spikes in European Gas as we wonder where it's going to come from. European nations are all eyeing each other – nervous the rest might cut a deal with the Kremlin to secure their own supplies.

### **It also confirms the critical effect of Geopolitics – and it confirms a massive tectonic shift has occurred as the world splits into new plates with their attendant conflict zones.**

- Putin is aware reproachment with the West will be a long-term play – and he won't be counting on it happening soon. He's pivoting (what a great word) to Asia – setting up Gas, Energy and Food deals with China.
- China is happy to continue building its co-prosperity sphere in Asia. The more Russia and Europe can distract the US, the happier Xi will be.
- The "West", including our outposts in Japan and Oz will be wondering where they should stand.
- The pundits expect Trump or a Trump Clone to lead the US into isolationism in 2025.
- Europe will remain a tired, broke little grab-bag of ill-assorted nations pretending the like each other, at the end of very long supply chains dependent on what Russian Energy they can beg, borrow or steal.. (Steal in this context being breaking the climate change agenda to re-invest in Energy Security by opening coal, oil and gas facilities – prompting fury from climate activists who will accuse governments of stealing from future generations.)

That leaves Africa and South America up for play – the Chinese have learnt their debt lesson and will be loath to rely on further soft-power through lending. They may get... "outward bound"... As resources dip, populations rise, and climate change fries Africa the refugee crisis will further destabilise Europe.

I'm sorry if it sounds like a **Game of Risk** – but it's beginning to look that way..

The major risk for markets is just how destabilising the Ukraine invasion becomes. Food and Energy insecurity, and all the other as-yet-still-unresolved issues like auto supply chains, chips and goods will remain disrupted, further fuelling inflation, and slowing growth.

If your warning signals are not flashing recession and inflation = **Stagflation**... then reset them. It looks a very high probability.