

The Kremlin Calls in the Reserves

September 25, 2022 • Vol. 15



A building mural in Moscow depicting patriotic Russian soldiers in Ukrainian territory

-4.57%

Index Recap

The S&P500 posted another sharp weekly loss as the Fed and other Central Banks raised rates to stem persistently high inflation

Our top 3 scoops this week

1. Russians are fleeing after Putin calls in the reserves

The Kremlin hasn't exactly been making sweeping strides in its war in Ukraine; so Russia has up'd the ante; Putin has ordered a "[partial military mobilization](#)" of army reserves calling it a necessary next step to defend territorial integrity. The partial mobilization means that an additional 300,000 troops will join the fight in the Ukraine. But not everyone is chuffed. Flight prices on routes to Belgrade and Istanbul [surged](#) in response, and led to a major pile up of traffic on the Russian-Georgian border as folks packed up in fear.

[Is the Russia-Ukraine war setting up for a decade-long conflict?](#)

2. The Fed has pushed treasury yields to 11 year highs

Incase you were wondering why stocks continue their relentless selloff (the Fed raised rates by 0.75% this week, and the Bank of England by 0.50%), it's because the [opportunity cost of investing](#) in the stock market has gone up significantly. Fewer than 16% of the S&P500 now have dividend yields higher than the 2 year treasury note. That's not exactly a recipe for equity exposure. US 2YR paper [now yields 4.20%](#) - in lay man's terms; you can now get half the average annual stock market return without taking any risk at all. Considering inflation is at 8%+, rates may yet have room to move higher.

[Will your bank start offering you a high yield savings account already?](#)

3. The UK 'is trading like an emerging market'

With the Pound Sterling (GBP) sliding to 1.08 against the US Dollar in Friday's session, the United Kingdom currency is at levels not seen in 30 years. The UK's new chancellor Kwasi Kwarteng announced that he was [completely](#) scrapping income tax of 45% on earnings above £150,000, and lowered the base rate from 20% to 19%. For first time home buyers - there will be [no stamp duty](#), up to £425,000. Some aren't buying it. Bloomberg ran an article this week proclaiming the UK was trading [like an emerging market](#); after a Bank of England rate rise failed to put a bid on the Pound.

[Is Kwarteng making policy changes that should have been made years ago?](#)

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How this can impact your portfolio

If you're looking for exposure to US treasury yields

Here is a list of treasury ETFs for 2022 according to [Investopedia](#)

If you're trying to make a directional play on the Pound and the Yen

Here's a list of currency ETFs from [Financial Knowledge](#) portal

If you're looking to invest in the UK which is trading cheaper in USD terms

Here's a list of UK ETFs according to [VettaFi](#)

[Build a long-term portfolio in Pasiv.](#)

This week's poll

Thanks for contributing. Look out for the results in next week's poll.

Last Week's Poll Results

We asked — "*What is the primary driver of India's resilience?*"

Lead response — "*India is decoupled & economic momentum is strong*"

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Pasiv Financial Ltd
P4-10A Park Towers, DIFC, Dubai
United Arab Emirates

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