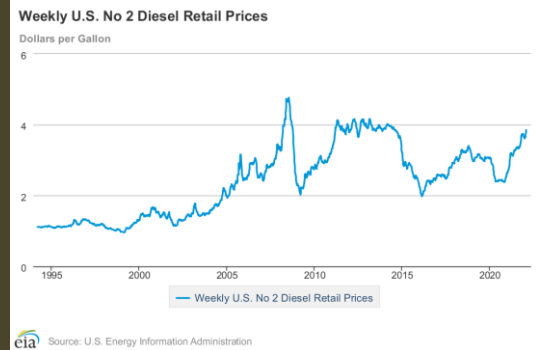


Domestic Quick Items of Interest

- Goldman Sachs Says, "Everything in Short Supply".** One of the top commodity traders in the world said on Monday that 'all' of the key commodities that they track are in short supply. Remember that we ran several stories over the past few weeks looking at global warehouse levels of everything from aluminum to copper, nickel, zinc, etc. and they continue to fall to near multi-decade lows. It isn't rocket science to see that something is happening with global supplies of raw materials – and it isn't good. We still don't see the movement of goods via the Baltic Dry Index (which would typically be increasing at a time like this when we would be trying to rebuild inventories). But that isn't happening, so something is still broken in the global supply chain. Either companies are sitting on significant supplies of these raw materials, and they don't need to purchase them on the broader market, or there is indeed a crisis coming in which demand surges for raw materials, but the supply chain can't keep up. Our challenges could shift from shortages of microchips to shortages of copper (for instance). - KP
- India Buys Fertilizer Late.** India has placed a late order for fertilizer, which could crimp supplies more than expected in the US. Competition for global nitrogen supplies (which are tight at this time) have pushed fertilizer prices near all-time highs and this could push prices higher for some US farmers. We wrote last week about the coming challenges for farmers trying to procure materials for this planting season. This would add more challenges to their woes. Brazil has also had a worse than expected soybean harvest, and that will add more marketability for US soybeans. But, since soybeans use less fertilizer than corn, it could push many producers to look to soybeans and plant fewer acres of corn. This could affect everything from ethanol gasoline prices to further inflating food prices. Buckle-in, this ride is just starting. - KP
- Cargo Dwell Times Down 68% Since October.** LA Basin ports reported that cargo sitting too long on the docks has dropped in volume by 68% since October. October was the period in which they had considered imposing a \$100 fee on containers that sit more than 9 days; at this time, maritime companies can be imposed the fee. This doesn't settle the inbound challenge, there are still nearly 170 ships still inbound into the US in varying degrees of dwelling. Some are sitting at anchor off the Wests coasts of the US or Mexico, some are slow steaming across the Pacific, some are sitting off other US ports. As we write about later in today's brief, it will be interesting to see what happens when these nearly 1 million containers are fully processed. Watch what happens to inventory shortages after these are processed in the next three weeks and more are added into the mix over the next two weeks when more cargo ships inbound from Asia are also unloaded. Many supply chain shortages will be filled. Ports will reconsider imposing the dwell cargo penalty by March if cargo backlogs grow. - KP

Additional Items we are watching.

- Diesel Prices Continue Steady Rise.** Although it has been covered in the past, diesel prices are finally making it to a level that analysts are worried about the health of some industries. Part of this is due to cold winter cold snaps that increase demand for oil overall, but diesel power generation is also in higher demand as parts of the country try to meet emergency needs during winter crises.



When diesel prices start to hit these levels, we begin to see some smaller truckload companies come under profit pressure. With higher insurance and labor costs, don't be surprised if **some of these companies start to fail at a faster rate**. It is difficult for many of these smaller firms to accurately keep up with costs, handle detention (which they don't get compensated for) and have enough leverage to charge enough to keep pace with inflation. - KP

Important Domestic Economic Releases

- 2.7 No Significant Reports Today
- 2.8 NFIB Small Business Sentiment
- 2.10 Consumer Price Index
- 2.11 Michigan Consumer Sentiment
- 2.15 Producer Price Index
- 2.15 Empire State Manufacturing Index
- 2.16 Retail Sales for January
- 2.17 Housing Report (permits, starts)

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Global Quick Items of Interest

- Appeasements and Warnings** – As tensions remain extremely high, there are continued efforts to push Russia to back away from any plans to invade Ukraine. This has been mostly an exercise in futility as it remains unclear what exactly Putin wants. He seems quite content to present this massive threat to Ukraine for an extended period of time but there is an assumption he can't sustain this expenditure forever. This week it is the turn of the French President – Emmanuel Macron. He will be meeting with Putin after conferring with the US and others. **His position seems to be a combination of acknowledging some Russian concerns while insisting on Ukraine's sovereignty. The problem is that Russia's "concerns" are essentially fabricated.** It is asserted that NATO is a threat when the primary rationale for its presence has been to counter the overt threats from Russia. The intelligence community continues to assert there is an 80% chance Russia will engage in at least a partial invasion and the expectation is that it will be a "reaction" to some kind of manufactured provocation. - CK
- Europe Prepares for Economic Blow** – The primary weapon Russia has deployed against Europe thus far has been energy supply. The surge in price for natural gas a few months ago was triggered by the market's fear of Russian gas policy. The threat of a Russian cut-off has been enough to drive prices up by over 570% but in the last several weeks the gas has continued to flow albeit at a sharply reduced rate. If there was a Russian invasion of Ukraine, that gas would be cut off completely and right now this flow provides some 40% of EU energy. **The reaction thus far has been to buy LNG at any price from anywhere it can be obtained and that has rippled through the global energy markets.** Europe is also trying to put provisions in place to subsidize energy extensively so as to avoid a crisis – a tactic that the EU can ill-afford right now. - CK
- Battle for the Far Right in France** – There is no left in France these days. The once powerful Socialists can barely garner support in the polls past 5%. The center is held by sitting President Emmanuel Macron but he has also shifted decidedly to the right. The real battle is now between the various factions of the right and far right as they compete to contest Macron. Marine Le Pen remains the front runner but by the thinnest of margins as she has been losing supporters to right-wing media star Eric Zemmour. The resurgent Gaullist right under Valerie Precesse has been making inroads as well. **As the election gets closer all three have started to shift their message towards economic issues. Up to this point they have focused almost exclusively on "red meat" concerns such as immigration and the supposed threat to French culture from Islam.** Social anger has driven the campaigns but now all three are hitting at the cost of living, inflation and jobs. The real battle for the electorate is for the 50% of voters who are not wedded to any of the parties or candidates. They will either vote their economic self-interest or they will not vote at all. - CK
- Afghan Crisis Deepens** – The humanitarian crisis in Afghanistan worsens by the day as the Taliban has been utterly incapable of meeting the basic needs of the population. The aid agencies have been given some ability to spend on food and medicine, but this has not been enough to deal with the needs. More than 8 million people are now at risk of starvation, one million of which are children. The argument is that economic sanctions must be lifted so that the banking sector can resume normal operations. **The problem is that the Taliban leadership has earned absolutely no trust. Every promise made regarding support for terrorists, women's rights, voting rights, treatment of minorities and so on has been broken.** There are no assurances that additional money would be used to address the needs of the population and it is suspected that most of that cash would be channeled to extremists. The bottom line is the Taliban has

Additional Global Items we are watching.

- Japan's LEI Hits 5 Month High.** Japan's Leading Economic Index has hit its highest level since July of last year. The index measures economic activity and provides insight into what the next six months of activity might look like. Based on this current reading, Japan's economy was seeing stability. The LEI came in at 104.3, which shows a moderately growing economic condition for the country.

The importance of this reading is that we saw some concerning language in the Chinese PMI reading in January, showing that foreign orders for new products had begun to decelerate. That appears to not be the case for Japan, and we can start to infer that it could be an isolated problem for China. - KP

- Oil Prices Pause on Russia Talks.** Oil prices didn't move today despite some supply decreases (primarily due to winter weather cold snaps). There was optimism coming out of meetings that took place in Russia between French President Macron and Vladimir Putin. Those talks were described as "productive".

France is in the unique position to have a fairly neutral negotiation perspective given their lack of reliance on Russian energy. And despite Putin and Macron having a private understanding, many don't expect much to come of it. - KP

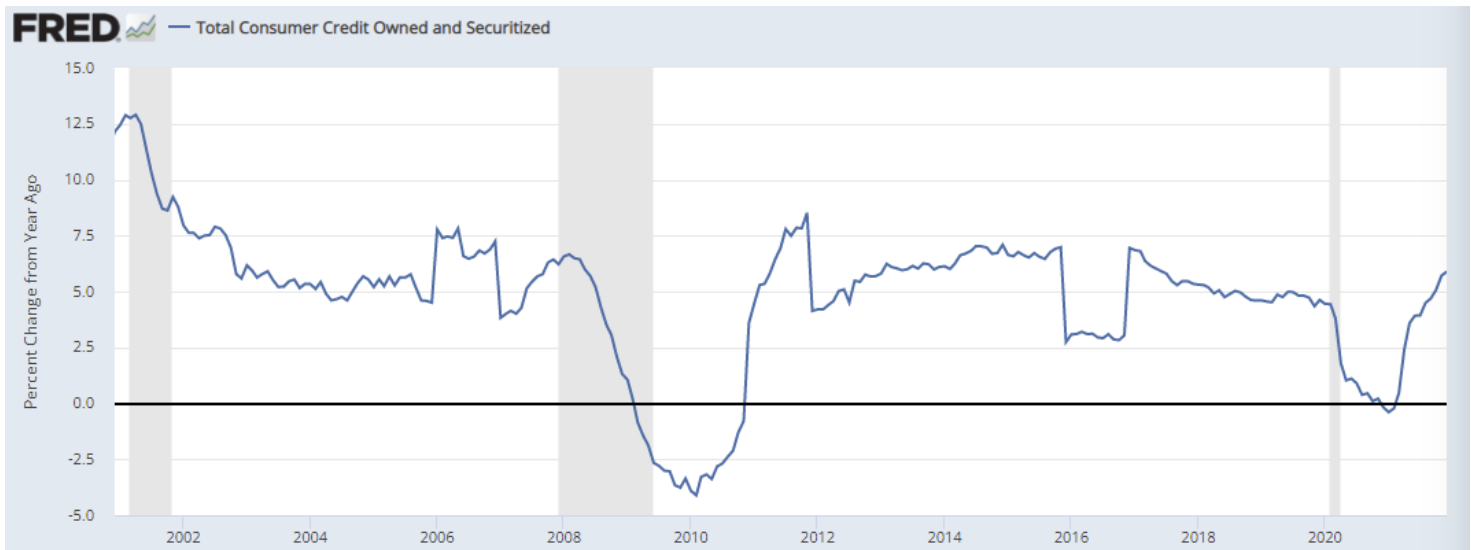
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done nothing at all to deserve consideration from the world as a whole and the nation's population is paying an extremely heavy price. - CK

US Domestic Economic Items

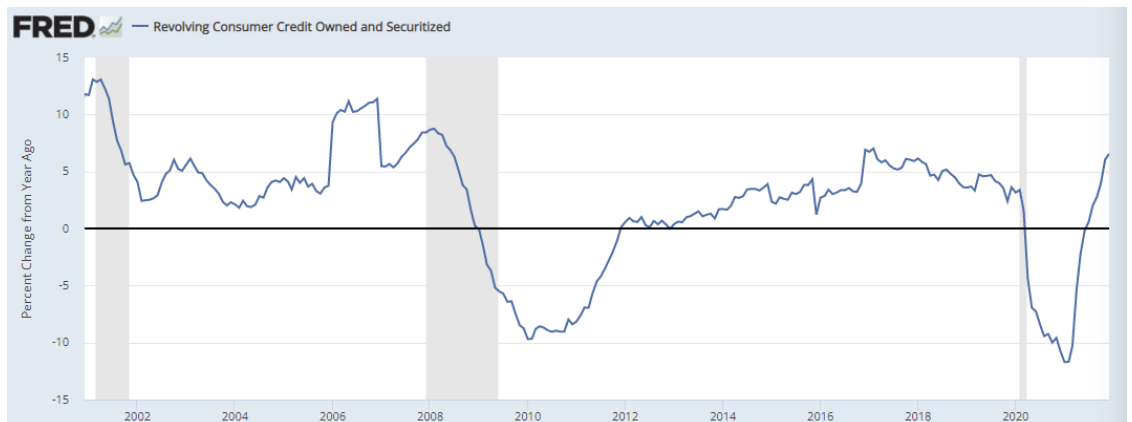
- **Consumer Credit Up 5.9% Y/Y.** There isn't a reason to make too much of this, but consumer credit utilization is growing. Revolving consumer credit is also higher, rising by 6.6% through December.

There is no reason to make too much of this at this time. One of the reasons that consumer credit being used is up so much is largely due to a variety of borrowing, much of it positive and a sign of a strong US consumer. Housing is booming and when consumers can find a vehicle to purchase, they are not hesitating to borrow to purchase something new.



Revolving consumer credit is the one that we need to watch the closest. This is the category where we typically get credit cards, personal lines of credit, and home equity lines of credit. The use of home equity loans increased as refinancing gathered momentum last year and consumers used excess funds to do home projects, pay off other debt, and generally conduct other forms of spending.

Consumer revolving credit was 6.6% higher year-over-year and was approaching the highest since 2017. Prior to that, it was 2008 since we saw consumer credit rise at a faster pace. This is a bit of misnomer because credit use is coming off of a significant dip during the pandemic when people were cooped up at home and were not spending a lot on commuting and other forms of discretionary spending.



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We can likely expect to see some of this credit utilization increase because funds are tight. And yet at the same time, we may see the banking sector get more aggressive with lending if interest rates are more favorable in the early stages of rate hikes (prior to rate hikes becoming a slowing mechanism to cool inflationary pressures). - KP

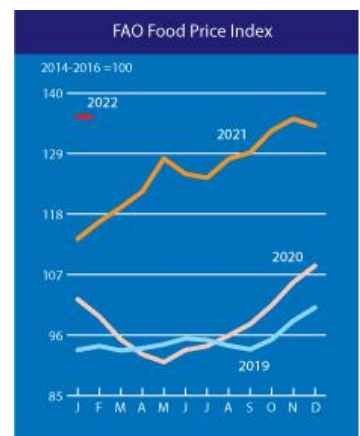
Geopolitical Items

- **Update: We Aren't Talking Enough About the Food Crisis.** We have been writing about an emerging food crisis for some time, but it just isn't getting any national traction. It isn't a popular dialogue, even though there is no single political party or organization you can point a finger at. It's a product of the global COVID situation over the past 24 months. But the situation remains, we face a crisis, and there seems to be no major efforts to turn it around and address it. Where is it on the nightly news?

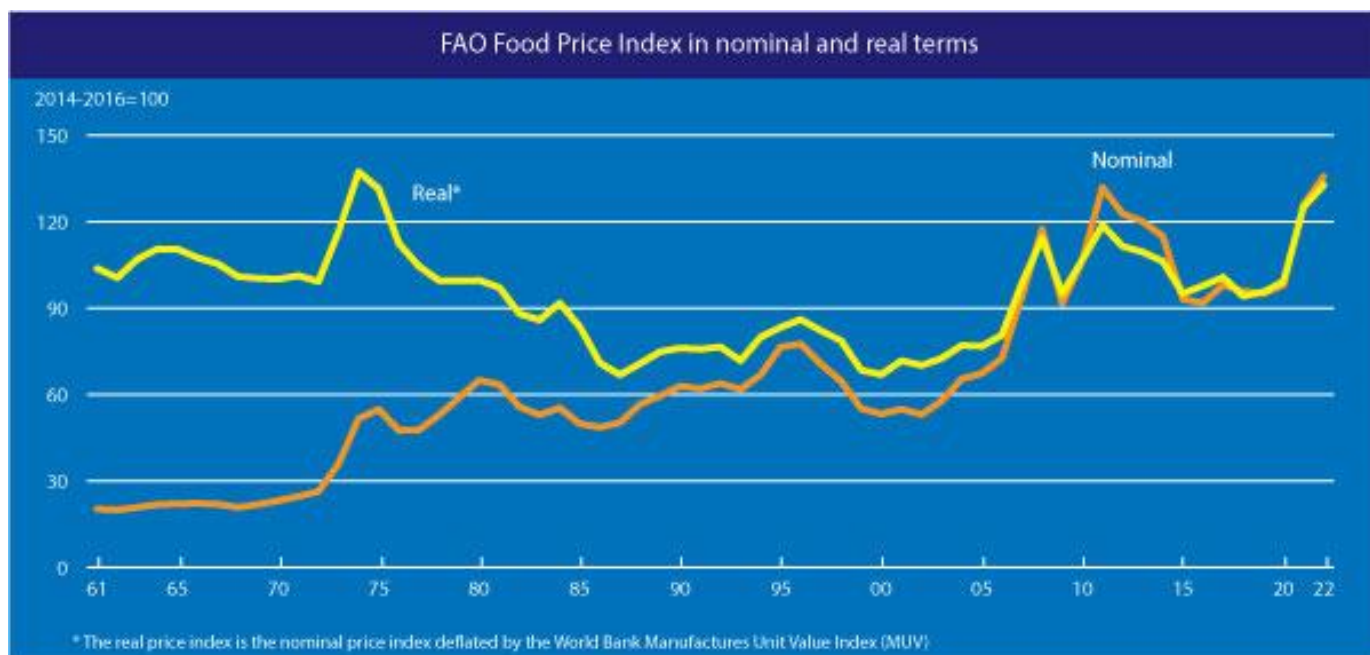
The UN World Food Price Index for January was just released and on a nominal basis, food prices just hit an all-time high. On a real (inflation adjusted) basis, they have just equaled the all-time high. Prices at the beginning of 2022 are roughly 18% higher than they were a year ago at this time.

When we compare it to prices at the beginning of 2019 prior to the pandemic, today's prices are 44% higher than they were at the time.

On a global basis, the problem is that we didn't get as many crops planted, harvested, transported, etc. Now we follow that up with a year in which we don't have enough fertilizer, some types of seeds, and are likely to fall short of planting enough of certain types of crops. So, the problem continues to get worse.



Starvation in some third world countries is growing and famine is spreading around Africa. But the big impact comes when an average middle-class family can't put food on the table in places throughout the Middle East, Eastern Europe, parts of South America, and Asia. Many countries help subsidize basic food prices for their citizens, without it, many people would not be able to afford food at this time.



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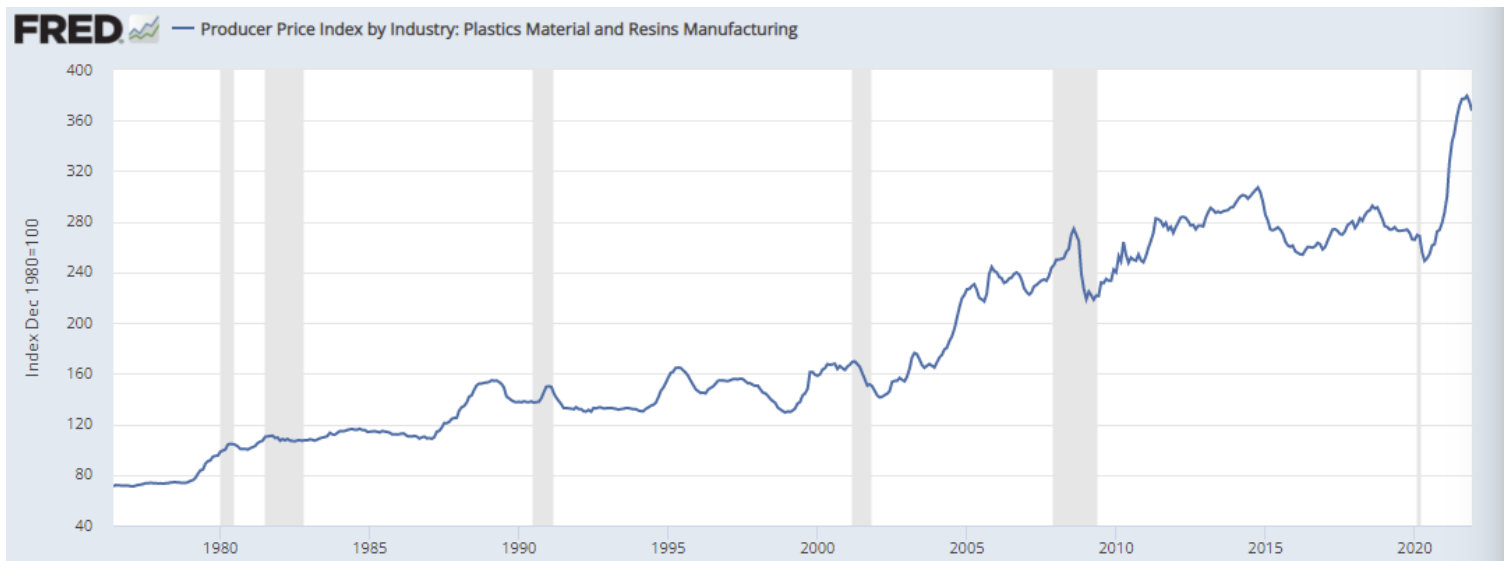
Again, there needs to be some urgency surrounding the situation. There needs to be more attention paid to it in the press. This is an unprecedented time, and for something that is such a life and death issue, there needs to be more of a national focus on what we can do to start easing this global pressure. - KP

Raw Material Items

- **US Resin Exports to Accelerate.** A report by maritime companies suggest that the demand for export capacity is growing in the resin sector. Resin supplies have been hit by multiple waves of what ultimately were essentially some waves of "bad luck" A hurricane, major fires, worker shortages and many other factors led to a national shortage of resin for plastics and other types of manufacturing.

But that could be turning. Not only are resin supplies improved in the US, but there are now some hints that supplies are adequate enough that exports are starting to increase. This is good on multiple fronts. It allows production at US manufacturing sites to increase, inflationary pressures are easing, and product availability is improving at the same time.

But when we look at the Producer Price Index, we don't see resin prices really starting to make material reversals. There's a hint that they are turning over, but it is just now starting to show up in the macro data. - KP



Supply Chain Items

- **Waterway Construction Projects Get Initial Nod from Infrastructure Bill.** The US Army Corp of Engineers have announced their first wave of spending, roughly \$2.2 billion of the \$550 billion infrastructure bill (incremental spending portion of it).

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The projects are listed below, in case some of our readers have interests near these areas or use these waterways for transportation of products and materials (list excerpted from the American Journal of Transportation).

Project funding under the infrastructure bill is starting.

- Kentucky Lock (Tennessee River): \$465.49 million (funded to completion)
- Montgomery Lock (Ohio River): \$857.71 million (funded to completion)
- Lock and Dam 25 (Upper Mississippi River) (Navigation & Ecosystem Sustainability Program (NESP): \$732 million (funded to completion)
- Three Rivers (Arkansas River): \$109.15 million (spend plan summary lists this as funded to completion, but the project is authorized for \$184.39 million)
- T.J. O'Brien Lock and Dam (Illinois Waterway), (Major Rehabilitation): \$52.52 million (funded to completion)
- Additionally, as part of NESP's ecosystem restoration component, a fish passage at Lock 22 is funded at \$97.10 million to complete the design and to initiate construction.

Some of these projects will create some strong jobs for the next 5-7 years. More to come, just know that allocations are being delivered and some additional design and planning work will ensue as these and many other projects start to take place. - KP

- **Thinking Back to Truck Driver Strikes.** The scenes in Canada of truck driver strikes and boycotts on vaccination mandates reminded me of a situation when I was a boy in the 1970's. If you haven't been able to pay attention, truckers that are protesting a Canadian order forcing truck drivers to have vaccinations or face two weeks of quarantines every time they cross the border.

What turns out to be a small group of truckers, has turned into a big problem. Estimates suggest that about 90% of truckers are vaccinated and aren't subject to the mandate. There are roughly 200,000 CDL drivers in Canada subject to the mandates. If 10% are at risk, then there could be as many as 20,000 forming some sort of protest.

The way the protests are working today is that drivers are just parking their rigs on highways and central streets in and around the capitol and along key arteries leading in and out of populated areas. The problem is that nothing can get through to some of these regions and the Canadian government has issued an emergency declaration in those areas.

I can remember back to a truck driver strike in the 1970's in Washington DC which took on the same process. Truckers simply clogged highways and arteries and nobody was able to really get food and supplies delivered.

The national reliance on trucks for critical products really came into clear context at that time. I can remember my mother not being able to find any food in the grocery stores and



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stores within hundreds of miles were also empty. Fuel ran out and many other critical items were running in short supply. The only real goods that got through were emergency medical supplies.

I can remember just how scared that made my mom, or perhaps more frustrated. But she recalls at the time how concerning it was that she "couldn't find a half a gallon of milk for her kids". It was a helpless feeling for her.

We haven't written much about this situation because initially it looked like this might extend just over a weekend. But now this is extending longer, and it could become a bigger deal for Canada. The Canadian Government could be forced to step in and forcibly open key arteries in and out of major cities, and that will take the situation to a whole new level. Thus far, they have decided not to use the military to try and forcibly open up the key distribution systems in and around the capitol.

A similar action is being planned in the United States according to reports released today.

Perhaps more importantly, workers around the world are seeing what impact it is having – without being a violent demonstration or destroying property. Truck driver strikes have been used in parts of South America, Africa, and even the Middle East recently. This situation continues to be ongoing, stay tuned. - KP

Consider This: Personal Thoughts and Insights from Chris and Keith

- **Thanks to Those that Enable Me** - As I was listening to a folk song on the radio this weekend the lyrics really struck me. It was entitled "Fifty Years" and it was essentially a thank you to this singer/songwriter's fans. It was his tribute to the thousands of people who had come to hear him for five decades, the people that made his career worth all the trials and tribulations. It made me think of my own debt of gratitude.

Normally I am not a fan of these little management training games that ask one to imagine how a problem would be solved by a cast member of Gilligan's Island but there was one exercise that stuck with me.

The challenge was to describe one's life in five words. My first reaction was to scoff and I listened to people that just strung together words like "friends," "family," "faith" and so on. Suddenly I realized that I actually could do this.

"Learn stuff and tell people" constituted my five words and that really has defined my life as an educator, speaker and writer. The one thing I need to fulfill that life ambition is YOU – the person who reads these scribbles, the person who sits through my talks and presentations. I owe all of you a huge debt of thanks. Were it not for you I would be imposing all my thoughts and observations on family and I really hate it when people cover their ears and run away while humming loudly. - CK

Important Domestic Economic Releases

2.8	Water and Sewer Distributors of America
2.9	South Dakota Bankers Association
2.9	Iowa Bankers Association
2.11	Wisconsin Bankers Association
2.16	Austin - NACM
2.17	Austin - NACM
2.19	Fire Suppression Systems Association
2.23	Austin - ResNet
2.24	National Systems Contractors Association
3.2	Fenestration and Glazing Industry Alliance
3.3	Fabricators and Manufacturers Association
3.7	National Pasta Association
3.8	BXSI Insurance
3.14	Mechanical Contractors Association of America
3.22	Illinois Society of CPAs
3.25	Industrial Heating Equipment Association

Business Cycle Indicators We Are Watching

An Early Warning System for Cycle Changes

We use the following indicators as early warning devices; when they move, it typically signals a change in the current business cycle. We will continue to update these on a weekly basis as new data is available and specific, deeper-dive commentary on these factors will be included in the written portion of the briefing as changes occur.

Country	Current Month	Latest Month Manuf. PMI	Prior Month Manuf. PMI	M/M Change	Current Month	Latest Month Services PMI	Prior Month Services PMI	M/M Change
Global PMI	Jan	53.2	54.3	-1.1	Jan	51.3	54.6	-3.3
Eurozone PMI	Jan	58.7	58.0	0.7	Jan	51.1	53.1	-2.0
US	Jan	55.5	57.7	-2.2	Jan	51.2	57.6	-6.4
China	Jan	49.1	50.9	-1.8	Dec	53.1	52.1	1.0
Canada	Jan	56.2	56.5	-0.3				
Mexico	Jan	46.1	49.4	-3.3				
Japan	Jan	55.4	54.3	1.1	Jan	47.6	52.1	-4.5
Germany	Jan	59.8	57.4	2.4	Jan	52.2	48.7	3.5
South Korea	Jan	52.8	51.9	0.9				
UK	Jan	57.3	57.9	-0.6	Jan	54.1	53.6	0.5
France	Jan	55.5	55.6	-0.1	Jan	53.1	57.0	-3.9
India	Jan	54.0	55.5	-1.5	Jan	51.5	55.5	-4.0
Italy	Jan	58.3	62.0	-3.7	Jan	48.5	53.0	-4.5
Taiwan	Jan	55.1	55.5	-0.4				
Brazil	Jan	47.8	49.8	-2.0	Jan	52.8	53.6	-0.8
Spain	Jan	56.2	56.2	0.0	Jan	46.6	55.8	-9.2
Russia	Jan	51.8	51.6	0.2	Jan	49.8	49.5	0.3
Netherlands	Jan	60.1	58.7	1.4				
Ireland	Jan	59.4	58.3	1.1	Jan	56.2	55.4	0.8
Greece	Jan	57.9	59.0	-1.1				
Poland	Jan	54.5	56.1	-1.6				
ASEAN	Jan	52.7	52.7	0.0				
Vietnam	Jan	53.7	52.5	1.2				
Philippines	Jan	50.0	51.8	-1.8				
Australia	Jan	55.1	57.7	-2.6	Jan	46.6	55.1	-8.5
Switzerland	Jan	63.8	62.7	1.1				
Hong Kong	Dec	50.8	52.6	-1.8				
Singapore	Jan	50.6	50.7	-0.1				

Forecast

Real GDP

2018	2.9%
2019	2.3%
2020	-3.5%
2021 (Est)	5.8%
2022 (Est)	3.5%

Private Investment

2018	5.1%
2019	1.8%
2020	-16.4%
2021 (Est)	10.6%
2022 (Est)	6.0%

Business Investment

2018	6.4%
2019	2.1%
2020	-12.8%
2021 (Est)	10.7%
2022 (Est)	7.1%

Retail Sales

2018	4.4%
2019	3.6%
2020	1.0%
2021 (Est)	8.2%
2022 (Est)	2.5%

New Housing Starts

2018	1.3M
2019	1.3M
2020	.93M
2021 (Est)	1.6M
2022 (Est)	1.7M

Auto Sales (Annual)

2018	17.3M
2019	16.9M
2020	14.4M
2021 (Est)	12.9M
2022 (Est)	14.5M

The Flagship Briefing is an intelligence briefing for corporate executives written in the spirit of the President's Daily Brief. It focuses on opportunities and risks bearing down on corporations spanning global economics, geopolitics, raw materials, supply chain, and environmental issues. Subscriptions are \$7 a month. Please go to www.armada-intel.com to learn more about an individual subscription or to get a free trial.