

## “One Little Old Russian Convoy”



**You know what I've noticed? Nobody panics when things go "according to plan". Even if the plan is horrifying. If, tomorrow, I tell the press that, like, a gang banger will get shot, or a truckload of soldiers will be blown up, nobody panics, because it's all "part of the plan" But when I say that one little old mayor will die, well then everyone loses their minds!**

– *The Joker, “The Dark Knight” (2008)*

**Dick Grayson:** Gosh, Economics is sure a dull subject.

**Bruce Wayne:** Oh, you must be jesting, Dick. Economics dull? The glamour, the romance of commerce ... Hmm. It's the very lifeblood of our country's society."

– *“Batman: The TV Series” (1967)*

It's a funny world when stocks can soar on a -6.8% Japanese GDP print but stumble when a Russian armored personnel carrier finds itself on the wrong end of a Ukrainian howitzer shell. That's what you get, though, in [the Golden Age of the Central Banker](#), as all events are filtered through the narrative of central bank control. Weak Japanese GDP was “part of the plan”, to quote both The Joker and Prime Minister Abe, or at least the revised plan after the new sales tax pulled economic activity forward in Q1, and besides, this weakness just means that [“help from the BOJ may be on the way”](#), to quote the WSJ. Direct artillery fire on a Russian APC column in Ukrainian territory, on the other hand ... well, that's not part of anyone's plan. It's a significant escalation in both Russian provocation and Ukrainian

response, an escalation that for the first time illuminates a warpath that no amount of central bank jawboning can derail or recast in a market-positive light.

Is this the path we're headed down? I doubt it. There's enough plausible deniability in the construction of this "humanitarian aid convoy" (which may or may not have some serious armament underneath those green canvas truck covers), such that both Russia and Ukraine can return to the regularly scheduled entertainment of indirect warfare through the Donetsk proxies. And so long as the fighting simmers through proxies the sanctions won't be life-threatening to either the Russian or German economies. The economic pain is annoying, for sure, but not so overwhelming as to be catastrophic or [impervious to Draghi's tender ministrations](#).

But three months ago I really thought Putin would call it a day with a Crimean annexation and just enough low-level insurgency in the rest of Russian-speaking Ukraine to keep the latest cohort of kleptomaniacs in Kiev on their toes. Instead, we're seeing Russian-supported advanced surface-to-air missile capabilities and uniformed Russian "escorts" for supply convoys, and there's nothing low-level about that.

And as recently as two weeks ago I would have sooner challenged Tony Stewart to a dirt-track race than challenge Draghi's determination to push forward more and more market-pleasing monetary easing policies. Instead, we got last week's ECB press conference, where just as he did in the spring of 2012 [Draghi threatened to withhold monetary easing](#) beyond the already announced TLTRO program unless Italy and France moved forward with structural economic reforms and commensurate fiscal consolidation.

It all just goes to show how futile any sort of crystal-ball reading effort is in the politically fractured world of 1914 ... ummm, sorry, I meant to write 2014. My bad. But regardless of what century you're in, [when political stability breaks down, market stability is never far behind](#). We're not there yet, as the Golden Age of the Central Banker provides a wonderful political tranquilizer in the West. But the East, [whether it's China](#) or Russia, isn't taking the same medicine, and that's where we should be looking for sources of political instability large enough to [wake the Red King](#) from its long sleep.

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