

Trends We're Tracking: Climate Change, Inflation, and the Ethereum Merge

September 2022

Drought in northern hemisphere

Climate change is known to worsen extreme weather events and is expected to carry high economic cost.

Crazy weather...	Has an economic cost
Europe's worst drought in 500 years	Reduction in forecasts for maize, soybean, and sunflower production impacts food inflation Lower water levels disrupt water transportation, impact food/chemical/energy supply chains
Droughts in India	Reduced rice planting area by 13% impacts food inflation
Droughts in China	Reduced hydropower affects manufacturing plants
Droughts in U.S.	Falling water levels in Colorado impact hydropower in Southwest and power grid strain in California

Global impacts of climate change are starting to become much more pronounced, impacting not only water supply but also transportation, supply chains, power generation, and overall industrial productivity.

Source 1,2,3,4,5

Biggest winners and losers of the inflation reduction act

The Inflation Reduction Act of 2022 was passed and signed into law in August.

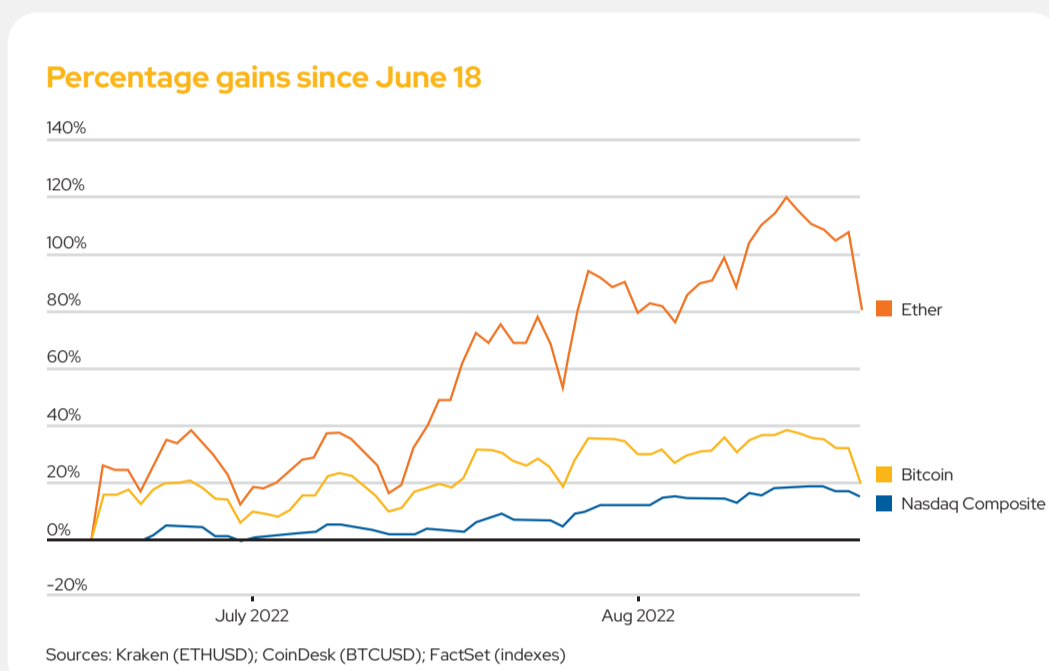
Winners	Losers
Renewable energy and electric car producers (\$369B on energy security and climate change)	Pharmaceutical companies (\$265B raised through prescription drug reform)
IRS (\$80B additional funding)	

The total spending of \$437B over the next decade is only a fraction of the \$3.5T originally proposed, which should greatly reduce inflation pressure over the next ten years.

Source 6,7

Ethereum merge

The Ethereum Network is scheduled to be updated in the middle of September. Within the digital asset space, a network update of this size has never been attempted, and excitement around the upcoming merge is evident. Since hitting its 52-week low in June ETH is up over 80%, outperforming bitcoin.

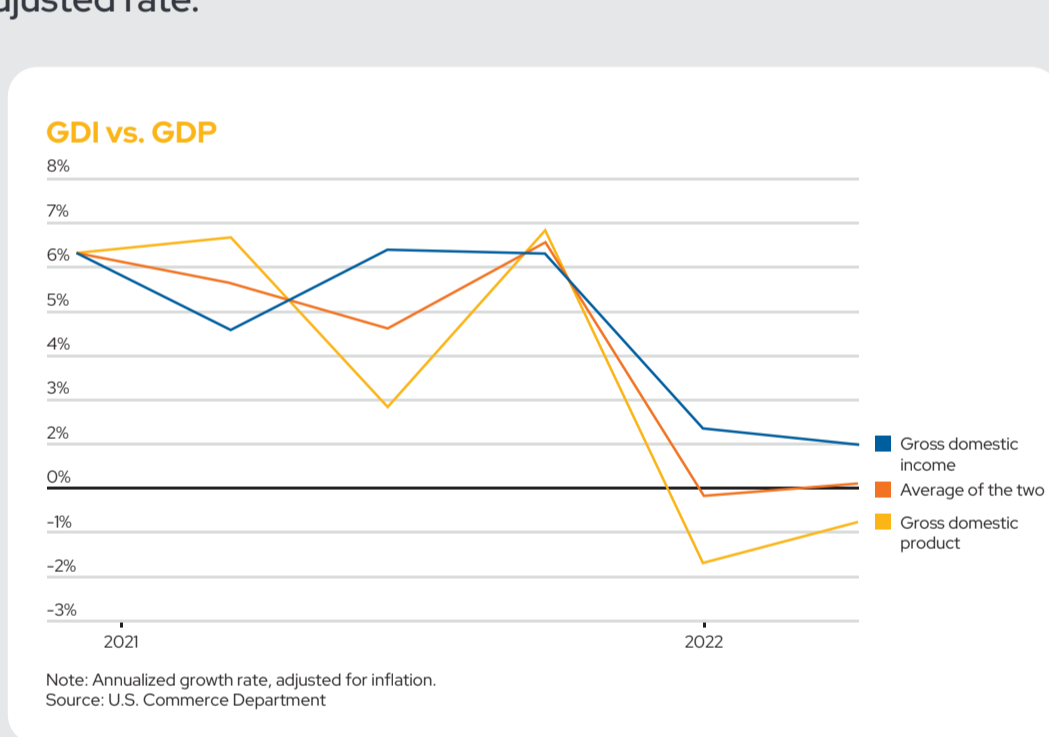


Within the digital asset space this will be a closely watched event and is likely to impact the broader digital asset ecosystem.

Source 8

An alternate take on the state of the economy

New data on Gross Domestic Income (GDI) takes on a more optimistic view than the Gross Domestic Product (GDP), suggesting that we are closer to an economic stall than a full recession. Over the first two quarters of the year, GDP contracted at a 1.1% annual inflation-adjusted rate, while GDI expanded at a 1.6% annual inflation-adjusted rate.

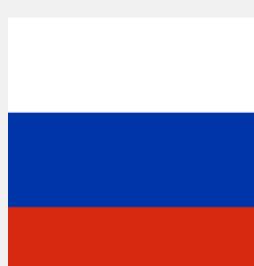


Whether or not we are in a recession might boil down to which measure you are looking at. In the end, the one thing we can probably all agree on is that the economy is going through a rough patch, no matter which way you look at it.

Source 9

Sanction effects on Russia

After Russia invaded Ukraine nearly six months ago, Western countries unleashed various sanctions designed to hurt Russia's economy in the short term and curtail their ability to compete in the long term. These economic measures have had mixed results.



- Western brands have left the country
- Brain drain as brightest minds leave the country
- GDP likely to contract about 6% for the year (not 15% as predicted)
- Rising energy costs
- 100+ countries skirting embargos

Although short-term discomfort has been felt, the effects of the sanctions against Russia have not stung as hard as had been hoped.

Source 10

Need more details?
Read our comprehensive analysis [here](#).

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A monthly review of the latest trends shaping the markets.

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