

How Geopolitical Events Impact Your Portfolio

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Geopolitical risk is rising as tensions between Russia and Ukraine escalate in Eastern Europe. Financial markets are watching closely as the situation evolves. Given these headlines, you may be wondering how geopolitical events historically impact the stock market. Below is a list of 12 historical geopolitical events from past decades, and the S&P 500's performance in the days and months after each of the events.

The data shows the stock market historically sells off when geopolitical events initially occur. The S&P 500's average price return on the first trading day following the 12 events was -1.5%, suggesting investors sold stocks due to the initial geopolitical shock. However, the data also shows the concerns faded over the following months. The S&P 500's average 1-month price return following the events was +1.9%, showing the S&P 500 recovered its initial losses and more. Over the following 6 months, the S&P 500's average price return was +7%. The two notable exceptions were Pearl Harbor, which led to further U.S. armed conflict, and Iraq's invasion of Kuwait, which coincided with an early 1990s recession that lasted from July 1990 to March 1991.

Geopolitical risks are always a concern, and the analysis below is not intended to minimize the events. However, there is limited historical evidence of geopolitical events and international conflicts impacting U.S. stock market performance. In the absence of a direct impact, investors historically look past the events and focus on key long-term performance drivers, such as the economic environment and corporate earnings. Given the U.S.'s economic strength, we expect markets to look beyond the current geopolitical tensions.

Event	Date	S&P 500 Price Performance			
		+1 Day	+1 Month	+3 Months	+6 Months
Pearl Harbor	12/7/1941	-3.8%	-3%	-12%	-9%
World War II D-Day Invasion	6/6/1944	0.7%	8%	4%	6%
Cuban Missile Crisis	10/16/1962	-0.3%	5%	14%	21%
President Kennedy Assassination	11/22/1963	-2.8%	3%	8%	13%
Russia Invades Afghanistan	12/25/1979	0.3%	6%	-8%	6%
Iraq Invades Kuwait	8/2/1990	-1.1%	-9%	-14%	-4%
9/11 World Trade Center Attack	9/11/2001	-4.9%	0%	4%	7%
U.S. Invades Afghanistan	10/7/2001	-0.8%	4%	9%	5%
U.S. Invades Iraq	3/20/2003	0.2%	2%	14%	17%
Boston Marathon Bombing	4/15/2013	-2.3%	4%	6%	8%
Russia Invades / Annexes Crimea from Ukraine	2/22/2014	0.6%	2%	4%	8%
U.K. European Union Referendum Vote	6/23/2016	-3.6%	3%	3%	7%
Average		-1.5%	1.9%	2.7%	7.0%

Source: MarketDesk. All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

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