

Impact of War/Geopolitical Events/Elections on Capital Markets

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Understanding the impact of geopolitical events

In most cases, there is a significant short-term impact on the markets

Market Volatility

During 2008 Global Financial Crisis, the Sensex crashed almost 60% from its 2008 peak to its early 2009 bottom

Economic Impact

Russia's MOEX Index has still not crossed pre-Ukraine war levels, indicating the level of impact on the Russian economy due to war related sanctions

Policy Uncertainty

Due to the China-USA, trade war the manufacturing costs for a number of companies increased due to steep import duties on a number of segments

Supply Chain Disruptions

This can lead to increased costs or unavailability of raw materials for companies

Currency Risk

In 2011, the Syrian Pound was trading at around 50 SYP to the US Dollar. As of 2023, the Syrian Pound remains heavily devalued, with a rate of approximately 2,512.53 SYP to the US Dollar.

Factors actually Impact

- Global Monetary policies
- Global Fiscal policies
- Commodity prices
- Currency fluctuations
- Presence of global investors
- Middle east corridor
- Indian Strong foreign policies

Largely affect FPI and over leveraged investors. But also create opportunity of value buying. Our fraternity is well equipped for this scenario.

Election and Capital Market

- Market does not like uncertainty
- Fear of policy paralysis
- Sectorial impact
- FPI Sentiments

There will be knee jerk reaction. Can be used as buying opportunity. 4th June 6000 points Sensex crash was an opportunity.

Post election Scenario

- Economic growth and corporate earnings drive
- Valuation matrix works
- Stable Govt improve FPI sentiment
- In short term demand/supply work over fundamentals

Markets rebounds in course of time.

Returns after key-geopolitical events

However, in the longer term, geopolitical events do not have a significant impact on markets

S&P 500	Crisis Dates	1 Month	3 Month	6 Month	12 Month
Israel Palestine War	7th Oct 2023	1.6%	9%	20.80%	
Russia / Ukraine War	24th Feb 2022	7%	-6.7%	-2%	-6%
Saudi Aramco Drone Strike	14th Sept 2019	-1.4%	5.4%	-9.9%	12.5%
North Korea missile crises	28th July 2017	-1.3%	4.3%	16.1%	13.9%
Bombing on Syria	7th April 2017	1.8%	2.9%	8.1%	10.5%
Russia invaded Crimea	20th Feb 2014	1.8%	1.8%	8.0%	14.7%
Iraq War started	20th March 2003	2.2%	13.9%	18.6%	27.0%
US Terrorist attack	11th Sept 2001	-1.1%	4.3%	5.4%	-16.8%
Iraq Invasion of Kuwait	2nd Aug 1990	-9.3%	-12.3%	-3.5%	8.9%
Yom Kippur War	6th Oct 1973	-4.5%	-10%	-15.3%	-43.2%

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Nifty 50	Crisis Date	1 Month	3 Month	6 Month	12 Month
Israel Palestine War	7th Oct 2023	-1.3%	10.50%	14.60%	
Russia / Ukraine War	24th Feb 2022	0.9%	-5.5%	3.2%	2.4%
Saudi Aramco Drone Strike	14th Sept 2019	2.4%	9.1%	-10.1%	3.3%
North Korea missile crises	28th July 2017	-1.1%	3.0%	10.5%	12.6%
Bombing on Syria	7th April 2017	0.3%	4.4%	7.7%	11.5%
Russia invaded Crimea	20th Feb 2014	5.4%	18.2%	28.0%	43.6%
Iraq War started	20th March 2003	-6.3%	9.6%	31.7%	71.0%
US Terrorist attack	11th Sept 2001	-7.6%	6.5%	13%	-3.4%

Returns after central elections

Even, election outcomes do not have a significant long-term impact on the markets

	Before Results	Election	After Election	Results	2 Years Return
Lok Sabha Results	1 Year	1 Month	1 Month	1 Year	
6th Oct 1999	50.7	3.3	-0.8	-13.1	37.6
13th May 2004	98.1	-7.5	-14.4	23.3	121.5
17th May 2009	-24.9	26.8	6.8	31.9	7.0
16th May 2014	16.6	8.0	7.1	20.6	37.1
23rd May 2019*	5.2	-0.4	0.1	-2.8	2.4
Average	29.1	6.0	-0.2	12.0	41.1

Source: ICICI Direct Research

What should investors do?

Diversify Your Portfolio

Have a Long Term Horizon

Invest Only According to Your Risk Appetite

Buy The Dip (In Most Cases)

What CNI Research Believe

- Our study says that from 1940 till 2024 there were 37 major cases of War/Geopolitical events including World War 2, Lehman crisis, middle east crisis and Covid after initial knee jerk reactions, markets have always gone up in next 12 months except in 1973 oil shock case where markets have given 37% negative returns even after 12 months.
- Gold has often proven to be outperformer as a tactical hedge against geo political risks.

THANK YOU!

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