



## Examining North Korea and the Markets

No one wants to see a clash between two nations with nuclear capabilities. So, when the war-of-words between North Korea and the U.S. reached a new level earlier this month, markets briefly stumbled as investors grew uneasy. While we don't normally opine on geopolitical events, we wanted to help ease any financial worries you may have related to this recent conflict.

When sharing this analysis, we certainly do not have a crystal ball—and we recognize that any military escalation could affect far more than your investments. But, as we all look to see what's on the horizon, we believe that historic perspective may help assuage concerns about the tension's impact on your financial future.

### What can we learn from the past?

Data from Strategas Research Partners shows us that while the markets often have negative reactions to events when they first occur—they can recover within days or months.<sup>1</sup>

For instance, on the day of Pearl Harbor, the S&P 500 declined 3.8%, but it was back within positive territory 20 days later. And just last year, the S&P 500 dropped 3.6% when the BREXIT vote came through — then was up by 19.5% a few months later.<sup>2</sup>

History also shows us that war often does little to bring down the financial markets. In the month that two atomic bombs fell on Japan, the S&P 500 *gained* 5.8%.<sup>3</sup>

Of course, no one wants to imagine the tension with North Korea escalating into war. Thankfully, Pyongyang announced on August 15 that they would not, in fact, strike near Guam. And with U.S. Secretary of State Rex Tillerson's assertion that there is no "imminent threat" of nuclear attack, the risk of war seems to be retreating.<sup>4</sup>

### What should you do now?

Looking forward, we must remember that the markets don't always bounce back quickly after geopolitical events — but making fear-based choices can be very costly in the long run. No matter what happens, we are here to help you stay abreast of current market dynamics and focus on the economic fundamentals that drive lasting value.

We will continue to monitor the situation in North Korea, but headlines won't distract us from pursuing our true goal: moving you toward the future you desire. If you want to discuss your specific strategy or investments in greater detail, please contact us any time.

And if you'd like to gain a wider understanding of how the markets have responded to geopolitical events in the past, explore the chart from CNBC and Strategas Research Partners included below at the end of this message.

“Geopolitics can create anxiety in financial markets, but aren’t going to bring the \$18.5 trillion beast, otherwise known as the U.S. economy, to its knees.”

- David Rosenberg, chief economist and strategist at Gluskin Sheff<sup>5</sup>

<b>S&amp;P 500 Performance Following Significant Historical Events</b>				
<u>Event</u>	<u>Date</u>	<u>Day Of</u>	<u>+20-Days</u>	<u>+250-Days</u>
Germany Invades France	5/10/1940	-3.0%	-23.6%	-19.6%
Pearl Harbor	12/7/1941	-3.8%	0.3%	3.7%
JFK Assassinated	11/22/1963	-2.8%	6.3%	23.9%
Penn Central Bankruptcy	6/21/1970	-0.5%	0.4%	31.1%
Oil Embargo	10/16/1973	0.1%	-5.3%	-35.4%
Pres. Nixon Resigns	8/9/1974	-0.9%	-13.8%	6.7%
Continental Illinois Bailout	5/9/1984	-0.3%	-3.2%	12.4%
1987 Stock Market Crash	10/19/1987	-20.5%	9.7%	22.4%
Iraq Invades Kuwait	8/2/1990	-1.1%	-9.3%	10.0%
Soros Breaks Bank of England	9/16/1992	0.0%	-2.5%	10.0%
First World Trade Center Bombing	2/26/1993	0.2%	1.0%	6.3%
Asian Financial Crisis	10/8/1997	-0.9%	-3.2%	1.1%
U.S.S Cole Yemen Bombing	10/12/2000	-2.6%	5.3%	-17.5%
9/11 Terror Attacks	9/11/2001	-4.9%	4.9%	-14.3%
Iraq War	3/20/2003	0.2%	2.0%	28.3%
Bear Stearns Collapse	3/14/2008	-2.1%	3.1%	-41.7%
Lehman Brothers Collapse	9/15/2008	-4.7%	-15.9%	-12.6%
BREXIT	6/24/2016	-3.6%	6.4%	19.5%

Source: CNBC, Strategas Research Partners<sup>6</sup>

Kind Regards,

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## Footnotes, disclosures, and sources:

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S&P 500 Index is an unmanaged group of securities considered to be representative of the stock market in general. You cannot directly invest in the index.

Past performance is not indicative of future results.

We have not independently verified the information available through the following links. The links are provided to you as a matter of interest. We make no claim as to their accuracy or reliability.

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<sup>1</sup> [https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?\\_source=newsletter|eveningbrief](https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?_source=newsletter|eveningbrief)

<sup>2</sup> [https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?\\_source=newsletter|eveningbrief](https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?_source=newsletter|eveningbrief)

<sup>3</sup> <https://www.usatoday.com/story/money/2017/08/10/main-street-investors-can-cope-n-korea/554033001/>

<sup>4</sup> <http://time.com/4892949/rex-tillerson-donald-trump-north-korea-threat/>

<sup>5</sup> <http://www.cpreports.com/2017/08/14/market-alert-wall-street-rumblings-issue-444-august-13-2017-by-ray-dirks/>

<sup>6</sup> [https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?\\_source=newsletter|eveningbrief](https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?_source=newsletter|eveningbrief)