The Price of Conflict!

NIYATI KHANNA
CFP® Professional, CA, MBA [Finance & Strategy] representative of Alman Partners Pty Ltd, Australian Financial Services Licence No: 222107

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AS I WRITE this, Russia has invaded Ukraine and according to new reports, launched missile attacks up to the capital city of Kyiv (Kiev).

Whilst the world hoped that a conflict would be avoided and various diplomatic channels were utilised, however, as we all know – Russia and Ukraine are in a state of war!

Keeping the tragic potential loss of life aside, the capital costs for such events can be significant and impact the global markets.

The overwhelming view of the general investors would be one of panic/fear of an imminent crash.

To be fair, the markets world-over declined – FTSE 100 declined by 3.76%; DAX in Germany fell by 3.9%, Hong Kong was down 3.1%, Tokyo 2.2%. Closer home, headlines like "ASX wipes out $73bn as Russia invades Ukraine" dominated the papers and news.

The S&P/ASX 200 was down 2.99%. The price of Crude Oil jumped to over $100/barrel, the highest it has been since 2014.

Gold prices surged by 2.59% as "investors flocked" to gold, often considered a safe haven.

However, the very next day, Crude Oil was down to $92.81 per barrel and gold was down 0.3%.

This recovery was seen across all global markets too – Japan was up 1.4%, Hong Kong increased 0.2%. ASX also followed and markets opened higher.

Human memory is short, and we focus often on the most recent information. So, if we focused on the recent developments, this is the picture we would be looking at:

However, the longer the time horizon you look at, the more the picture changes and therefore how you feel about things too:

It is important to remember that as investors there will always be periods of geopolitical tensions and while they may cause disruptions (due to sanctions, market closures etc), it is impossible to predict when such events will unfold or even what form they will take.

We can plan for them by managing a diversified portfolio, ensuring we have built flexibility into our plans and making sure our decisions are not reactive.