



Examining North Korea and the Markets

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September, 2017—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 last 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.¹

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.¹

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%.¹

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.¹ Of course, all this could change—and often does—on a dime.

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.

Hopefully you read my recent letter, “Welcome to 2006” wherein I discussed the real culprit behind the coming crash—monetary contraction. This is now beginning to accelerate and we believe our analogy of 2006 is still a good one. If you didn’t read that letter, I strongly recommend it. You can contact our office for a fresh copy, or it can be found on our website at: www.magellanplanning.com/newsletters

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 included below. Not that we expect any such event, but just in case...

We will continue to monitor the situation in North Korea, but headlines won’t distract us from pursuing our true goal: moving our clients toward the future they desire. If you want to discuss how we can do this for you, please contact us at any time.

S&P 500 Performance Following Significant Historical Events				
<i>Event</i>	<i>Date</i>	<i>Day Of</i>	<i>+20-Days</i>	<i>+250-Days</i>
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

¹ https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?_source=newsletter|eveningbrief

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¹ <https://www.usatoday.com/story/money/2017/08/10/main-street-investors-can-cope-n-korea/554033001/>

¹ <http://time.com/4892949/rex-tillerson-donald-trump-north-korea-threat/>

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About J. Kevin Meaders

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Kevin Meaders graduated from Oglethorpe University in Atlanta with a double B.A. in Philosophy and Political Science, and then obtained a law degree from Georgia State University College of Law, focusing on estate planning and trust law. He has earned the designations of Certified Financial Planner (CFP®), Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU). He holds a General Securities Principal and Registered Representative registration and Investment Advisor Representative registration through Voya Financial Advisors (member SIPC).

About Magellan Planning Group

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- Estate planning with our in-house Attorney-at-Law to determine and prepare the documents needed to minimize family liability and maximize privacy. (www.magellanlegal.com)
- Tax planning through a relationship with our in-house CPA to manage tax obligations throughout the year and prepare a tax return that takes into account current tax laws. (www.magellantax.com)

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