



Wars and Markets

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The escalation of tensions in the Middle East, and the Israeli army's campaign in Gaza, has flared into open conflict between Israel and Iran. Iranian missiles have been raining down on Israel, in retaliation for Israel's army bombing the Iranian embassy in Syria. Iran has said that its response will be measured. Israel says that the missile attack is a declaration of war, even though it appears that most of the attack was intercepted before reaching the intended targets.

This, of course, comes on top of Russia's invasion of Ukraine, which has seen threats in the Russian press of wider military excursions in Eastern Europe.

It's natural to ask how these turns of events will impact stock and bond portfolios. Unfortunately, the answers are not clear.

The quick-twitch traders who drive daily price movements in the stock indices are averse to uncertainty, so the easy prediction is that there will be a (probably cautious at first) initial rush to safety that will take the indices lower. Global markets responded with a downturn, with gold and bonds experiencing price rises. Of course, in the past, those dips have been temporary and, if there is a standoff or stand-down, then the quick-twitch traders could be the first to rush back in, driving share prices on their previous (bull market) trajectory. One can wonder how they expect to make a profit from this behavior, but the outcome, if the past is any indication, is somewhat more certain for long-term investors.

The markets, in the past, have risen despite significantly more fearsome events than what we're experiencing now: the assassination of a president, U.S. involvement in wars in Kuwait and Iraq, the military invasion of Afghanistan and some of the most turbulent political winds in American history. It's helpful to remember that even if we feel unsettled about what's going on in the world, bombs and missiles in the Middle East aren't making the intrinsic value of U.S. stocks any less valuable.

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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