

A Brief History of the Stock Market Reaction to the Russian Invasions in 2008 and 2014
By: Robert Deitrick & Steven Morgan
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As all you know, Vladimir Putin and the Russian army maliciously, suddenly and deliberately attacked the Ukrainian people and their government last week. Vladimir Putin lied, again, to the world, to Ukraine and his own people. He said he was going to only implement exercises along the border; instead, he attacked Ukraine last Wednesday. The Ukrainian people and President Zelenskyy have fought back bravely and adeptly. The world has stood up against Putin's aggression in a substantial and meaningful way.

The markets around the world were affected adversely by this event - it sent the price of oil soaring, as one might suspect as well. Instability around the world, geopolitically, does happen from time to time. It is sad and lame but it does happen every few years. We've been here before during my lifetime and certainly many times over the last 100 years.

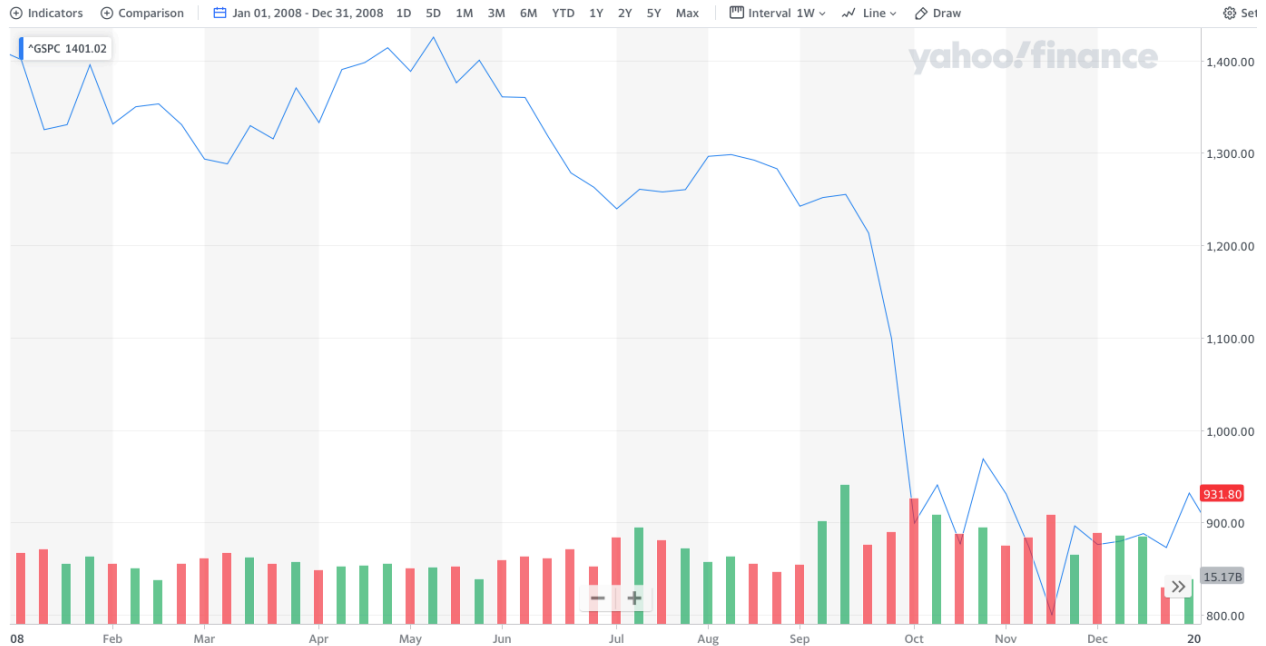
So why is Vladimir Putin, who is nothing more than a thug, a kleptocrat and a thief, doing this for the third time since 2014. Putin is trying to re-create the old Soviet Union, but not in the way you might think. To provide some context, before 2014, Ukraine had a very pro-Russian puppet and dictator in Victor Yanukovich. After the coup of 2014, Yanukovich was removed from power and exiled to Russia and he has been hiding there ever since. Yanukovich, who was one of Putin's oligarchs, was convicted of treason in the Ukraine and sentenced to 12 years in prison in absentia. Since that time, Ukraine has democratically elected two leaders, President Petro Poroshenko and Volodymyr Zelenskyy, both of whom are pro-west and both of whom won legitimate elections.

Putin doesn't care about the land and the people of the Ukraine he just wants the government and to reinstall a pro-Russian dictator in Kiev. Potentially he wants to reinstate Yanukovich who is still hiding in Russia, just like he has done in Belarus with Dictator Alexander Lukashenko who has been a Putin puppet since 1992. Putin would like to reinstate the old Soviet bloc countries to recreate the former Soviet Union to its glory of being a failed, inept dictatorial state. Something, of course, none of us wants to see.

So let's take a look into the geopolitical turmoil and the economic history of the stock market as it relates to the two prior Russian invasions over the past 15 years. We will not elaborate on how or why these events transpired. The purpose of the information below is to focus on the stock market reaction and how this event could impact your investments today.

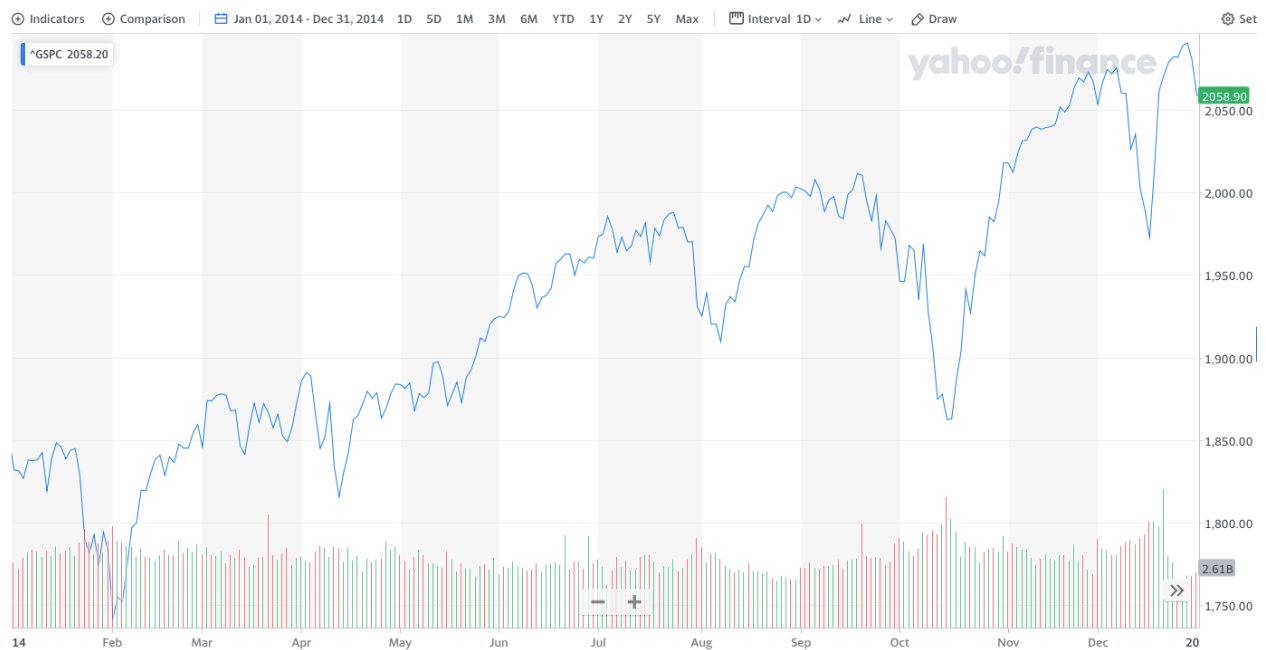
1 – Russian Invasion of Georgia in 2008

On August 7th, 2008, Russia invaded the country of Georgia. The conflict ended less than a week later on August 12th.¹ A month out from the initial invasion, the S&P 500 was essentially flat, opening at 1,266 on August 7th, and opening September 8th at 1,267. For the year, the S&P 500 was down 37% (chart below).^{2,5} Given the underlying market conditions and what we know transpired from 2007-2009, it is difficult to determine what, if any, impact this actually had on the stock market at the time.



2- Russian Invasion of Crimea in 2014

On February 27th, 2014, Russian forces invaded Crimea, a peninsula in the northern Black Sea. On March 21st Vladimir Putin signed legislation that absorbed Crimea into Russia. Western leaders still claim it remains part of Ukraine.³ A month out from the initial invasion, the S&P 500 was again essentially flat, opening at 1,854 on February 27th and opening at 1,857 on March 28th. For the year, the S&P 500 was up 13.69% (chart below).^{4,5}



Conclusions

What can we draw from the data surrounding these events? To the extent the length of the invasion lasts only days or weeks (as did the previous two invasions) and there is no further escalation, history indicates the stock market does not react much in either direction. As the annual returns of 2008 and 2014 show, other factors impacting the market are much more consequential over the long-term. As such, we are more focused on how inflation and Federal Reserve policy will impact the market for the remainder of 2022 and beyond. We will continue to monitor the situation. We remain hopeful a conclusion will be coming in the near future. If you would like to discuss this situation or your portfolio in general please reach out to us anytime. Have a great weekend!

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Footnotes

1. <https://editorials.voa.gov/a/ten-years-ago-russia-invaded-georgia/4516130.html>
2. <https://finance.yahoo.com/chart>
3. <https://www.cnbc.com/2022/01/27/how-russia-invaded-ukraine-in-2014-and-how-the-markets-tanked.html>
4. <https://finance.yahoo.com/chart>
5. Annual Market returns in 2008 and 2014 include reinvested dividends