The Crisis at Hand

At a time when many investors have become antsy about the U.S. stock market, one thing we did not need was an aggressive military incursion in Europe. But that’s what we got, and as the Russian annexation of parts of Ukraine dominated the headlines, it is drowning out any positive news about the actual companies being traded. You are probably not hearing that earnings for companies in the S&P 500, in aggregate, rose 22% last quarter, or that overall economic growth in the U.S. continues to be unusually robust.

Veteran investors tend to scratch their heads when eye-grabbing world events trigger market downturns. Why? Because it’s hard to see any clear way that troop movements in Ukraine materially impact (as in: diminish) the actual underlying value of the companies they’re invested in. History tells us, pretty clearly, that once these times of headline panic have passed, stock prices migrate back to whatever they have been worth all along. This has happened through some events that were much more dramatic than what we’re facing today: World War II, the Cuban Missile crisis, the Kennedy assassination—and, more recently, the sudden realization that the Covid pandemic was a real threat to our collective health and safety.

The best prediction we can make is that the people who will suffer losses if this Ukraine-triggered downturn persists are the investors who sell out of their portfolios, lock in their losses, and miss the eventual recovery. Unfortunately, it requires unusual discipline to ignore even moderately scary headlines, which means that many investors will suffer real financial damage as they try to outwit whatever the market is going to do next.

We can pray for the people who are suffering the impact of military aggression, and we can hope and expect that our world leaders will successfully navigate this crisis as they have so many others. What we can’t do is predict how the markets will behave in the next few weeks or months—taking some small comfort in the fact that nobody else can either.

Sources:

<https://www.cnbc.com/2022/01/13/profits-for-sp-500-companies-rose-22percent-in-the-fourth-quarter-and-nearly-50percent-in-2021-estimates-show.html>