

# Hotspot

It's not as bad as it sounds!



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## It's not as bad as it sounds!

The war on Iran has now spread across the whole of the Middle East. Because it started last weekend when stock markets were closed, there was an initial shock downwards when the world stock markets opened the following Monday. The fall in stock market indexes continued on Tuesday (yesterday) as the conflict spread across more countries of the Middle East.

The headlines said it all "Stocks drop"; "Shares Slump"; and "Global Markets Tank" were typical newspaper headlines. Was it that bad? When you looked into the detail, the markets fell only 3% to 4% over the 2 day period.

This fall is clearly shown on the far right of the FT100 graph below.

# FTSE 100 Index

INDEXFTSE: UKX

## 10,536.25

+1,777.25 (20.29%) ↑ past year

4 Mar, 10:17 GMT • [Disclaimer](#)

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Open	10,483.91	Low	10,443.49	52-wk high	10,934.94
High	10,544.11	Prev close	10,484.13	52-wk low	10,315.99

It is important to look at this small fall in the stock markets of 3% to 4% against the backdrop of the performance of the different stock markets over the past 12 months. Take a look at the above one year performance graph of the FT100 Index. Over the last 12 months it has risen over 20% and the recent 4% drop looks quite insignificant in the scheme of things.

The main reason the FT100 Index has held up so well during the conflict is that it contains large oil companies such as Shell and BP and large energy companies who will benefit from the increase in the price of oil. Similarly, it also contains successful defence companies such as BAE, Rolls Royce and Babcock who will be in large demand by the increases in defence spending by the UK and increases in exports.

The same is true for the Japanese Nikkei 225 Index. The last 12 months performance has seen a rise of 45% of the market value and with a recent fall of just 8% by comparison.

# Nikkei 225

INDEXNIKKEI: NI225

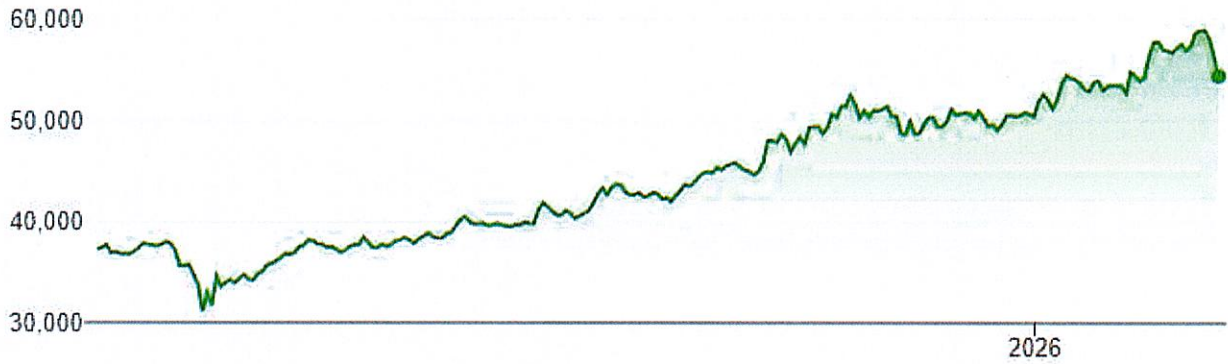
## 54,245.54

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+16,914.36 (45.31%) ↑ past year

4 Mar, 15:45 GMT+9 • [Disclaimer](#)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	55,470.88	Low	53,618.20	52-wk high	59,332.43
High	55,701.27	Prev close	56,279.05	52-wk low	30,792.74

Again, the same for the American stock market S&P500 which has hardly seen a fall in the market resulting from the conflict.

# S&P 500

INDEXSP: .INX

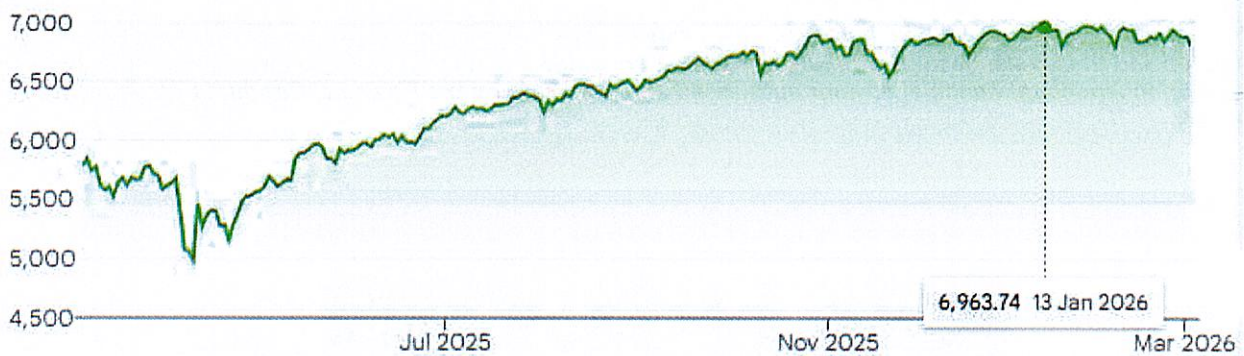
## 6,816.63

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+1,038.48 (17.97%) ↑ past year

3 Mar, 16:34 GMT-5 • [Disclaimer](#)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	6,800.26	Low	6,710.42	52-wk high	7,002.28
High	6,840.05	Prev close	6,881.62	52-wk low	4,835.04

The reason for such small drops in market prices is that some sectors of the markets are severely affected by the conflict, such as airlines, shipping, and commodities whereas other sectors would benefit, such as oil companies and defense companies. One sector of the stock market's gain balances out another sectors fall; resulting in an small overall drop in stock prices.

Today, we are seeing world stock markets return to positive territory and starting to show signs of a little recovery. Let us hope that the conflict will soon be over and the world can quickly recover and we can all feel a little safer.

Enjoy the Spring sunshine and look forward to the warmth of Summer.

Ray

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