

Geopolitical Events and Market Disruptions

A core tenet of investing is to strike a balance between focusing on long-term goals and objectives, while simultaneously processing an unending flow of information and navigating the current environment. As investors, we sift through headline data with a critical eye to determine the impact of global events and act accordingly. Geopolitical tensions are among the most unsettling global events, and the current Russia-Ukraine military conflict is no exception. While the market impact can seem sudden and severe, history tells us that downturns are temporary and generally prove to be long-term buying opportunities.

Equity markets began 2022 on a downward trajectory, and this was exacerbated by Russia's invasion of Ukraine. In response to the invasion, Western countries have taken a unified stance imposing strong economic sanctions intended to cripple Russia's economy amidst a backdrop of global supply chain shortages, an ongoing pandemic, and elevated inflation. Additionally, the U.S. embarked on a rate-hiking cycle following two years of accommodative monetary policy, further complicating the fragile economic recovery.

There are always large factors at work in the economy and capital markets. And while each situation is unique in its own way, there are comparable periods throughout history that can provide guidance. The table below highlights geopolitical/military events over the past 80 years and how equity markets, as measured by the S&P 500, reacted 1, 3, 6 and 12 months following the initial crisis. In most cases, markets recovered from their initial downturn.

For example, Saddam Hussein's regime invaded Kuwait and quickly occupied the large oil producer in a matter of days in 1990. Crude oil prices spiked higher and the S&P 500 index fell 8.7% in 3 months as market participants gauged the longer-term impact of a Middle Eastern conflict. The conflict proved short-lived and the S&P 500 index gained 16.2% 12 months following the initial invasion.

Markets were already vulnerable to a correction following an unusually complacent 2-year period following the pandemic low in March 2020. With the uncertainty brought on by disruptions in Russia's oil output, Ukraine's agricultural output, the global economic ripple effect, and the sheer magnitude of the humanitarian crisis, markets are gripped by short-term angst. Market corrections happen for many reasons; and while they can be unsettling in the short term, it provides an opportunity to reset valuations.

We strive to be rational players in such environments – acknowledging what we don't know and using a disciplined, goals-based approach to evaluate opportunities and implement investment strategies on behalf of our clients. Focusing on adding attractively priced high-quality companies with strong balance sheets, established dominance in their industries, and the ability to pay and grow dividends will help yield strong future returns and enable our clients to realize their long-term goals.



S&P 500 Performance Around Select Geopolitical/Military Events

Date	Geopolitical /Military Event	Total Return After Event			
		+1 Mo	+3 Mo	+6 Mo	+12Mo.
12/7/1941	Pearl Harbor	-1.0%	-10.2%	-7.2%	7.3%
10/31/1956	Suez Canal Crisis*	-1.1%	-1.0%	2.2%	-6.4%
10/20/1962	Cuban Missile Crisis	8.7%	18.4%	26.7%	36.3%
10/17/1973	Arab Oil Embargo*	-5.3%	-10.7%	-12.6%	-32.6%
11/3/1979	Iranian Hostage Crisis	3.7%	13.8%	5.9%	32.8%
12/25/1979	USSR in Afghanistan	6.0%	-6.7%	11.5%	33.1%
8/3/1990	Iraq Invades Kuwait	-6.1%	-8.7%	1.3%	16.2%
1/17/1991	Gulf War	12.9%	20.0%	18.1%	31.8%
8/17/1991	Gorbachev Coup	0.3%	0.0%	8.6%	12.5%
2/26/1993	World Trade Center Bombing	1.2%	3.0%	5.5%	8.1%
9/11/2001	9/11*	0.6%	4.4%	7.7%	-15.5%
3/20/2003	Iraq War	2.2%	14.2%	19.3%	28.9%
2/20/2014	Annexation of Crimean	1.9%	2.3%	9.1%	17.1%
Average		1.9%	3.0%	7.4%	13.0%

*Economy was in a recession at some point during the measured period
Source: Strategas Securities, LLC; Bloomberg

Medicare Basics

Medicare is the federal health insurance program that covers most people who are 65 and older. It covers medical care, hospital care and prescription drug costs. There are several decisions to make when signing up for Medicare or changing your plan.

Original Medicare Part A (hospital insurance)

Part A insurance covers services associated with inpatient care in a hospital or skilled nursing facility for a limited period of time. Part A can also cover hospice services or home health care, if qualified at a skilled level of care. Generally, there is no premium associated with Part A coverage.

Original Medicare Part B (medical insurance)

Part B covers other medical care, including doctor's visits, lab tests, and ambulance services. Medicare Part B also covers the cost of many preventive services. Everyone pays a monthly premium for Part B. Most people pay the standard monthly premium, which is \$170.10 in 2022 though some may pay more or less depending on income.

Medicare Part C (Medicare Advantage)

A Medicare Advantage plan is a private, all-in-one health-care plan that contracts with Medicare to provide Part A and Part B benefits in addition to other coverage. There is a separate monthly premium for the Medicare Advantage plan.

Medicare Part D (prescription drug coverage)

Part D covers the costs of some medications, and the premiums/coverages can vary widely from plan to plan. Reviewing the plan's formulary may help you make a decision about which plan is right for you.

Choosing a Medicare plan

If you decide to enroll in Original Medicare instead of a Medicare Advantage plan, you may also want to consider purchasing Medicare Supplement Insurance (Medigap). Sold by private insurers, Medigap policies are designed to help cover Original Medicare's deductibles, copayments, and coinsurance costs. If you have a Medicare Advantage plan, you don't need (and can't enroll in) Medigap.

When to Enroll

If you have been receiving Social Security benefits for at least four months before turning 65, you will be automatically enrolled in Medicare Parts A and B. If you are not receiving Social Security, then you will need to enroll in benefits, which can be done online, over the phone, or by visiting the local Social Security office.

Should you decide not to enroll in Medicare Part B during your initial enrollment period, you have an opportunity to enroll at a later time during open enrollment periods but you may be subject to late enrollment penalties. You can wait to enroll in Medicare past age 65 if you have group health insurance through your employer or your spouse's employer and late enrollment penalties will generally not apply.

Changing your Plan

You have the opportunity to make changes to your coverage at certain times of the year, depending on the changes you would like to make.

Medicaid vs. Medicare Coverage for Long Term Care

Medicare will cover skilled care in a nursing facility. When a person no longer qualifies for this acute level of care, payment for a facility is either out of pocket, covered through long-term care insurance, or, if financially eligible, covered through your state's version of the Medicaid program.

About Camden National Wealth Management

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