Washington-fueled Tensions in Ukraine Hurt Financial Markets

By Lucas Leiroz de Almeida
Global Research, February 02, 2022
InfoBrics

Region: Europe, USA
Theme: Global Economy

***

Tensions in Ukraine have collateral effects on all sectors of society – and the financial market is no different. The American and European stock exchanges have been tumbling in recent days, with decreases in percentage points having been reported in almost all financial centers. Investors and analysts explain that the negative result in the stock exchanges is due to the Ukrainian crisis, which has hurt the stability of the world market. Considering that the West itself is fomenting this crisis, it will be up to Western governments to decide between favoring financial stability or NATO's plans.

January has been a difficult month for the US and European stock markets. Last Monday, many percentage drops were seen across the entire West. The S&P 500, for example, dropped from 4,397.94 points to 4,262.4, which is a 3-percentage point drop (something that has not happened in over a year). The main victims of the crisis have been US technology companies according to the Dow Jones Industrial Average, which reported a 2.29% drop in this sector in the US.

In European stock markets, the signs of crisis are also clear. In the same aforementioned day, the German DAX fell from 15,604 points to 15,130, closing at a 3.02% drop. Something similar happened in France, with the CAC-40 index showing a drop of 3.03%. In the same vein, the pan-European Euronext 100 index fell by 3.28%. In Switzerland, there was also a gradual decline, with a drop of 2.94% in just six hours of operation of the stock market. London's FTSE100 showed better data, but still tumbling, closing the day with a 2.27% decline.

Similar rates were reported in Russia. The RTS index pointed to a drop of more than 8% in the dollar stock market. In ruble, the GMT indicator reported a decline of 5.93%. Declining data was also registered in Asia, although with better numbers. Nikkei (Japan) showed a 0.90% drop and Kospi (South Korea) 0.99%, for example.

Despite the worldwide peak of drops last Monday, throughout the week, the market fluctuated significantly, with increase and decrease in percentage points of stock exchanges around the world being reported at different times. However, analyzing the data in total, the existence of a significant global drop in the stock and investment market is clear.

To understand this type of situation, it is necessary to consider the fact that the financial market depends, above all, on stability and security. A world marked by tensions, possibilities of war and constant threats of armed conflicts can never serve the interests of the financial market. Without security and expectations of stable situation in the medium and long term, investments are not made and with that the financial cycle begins to fall.

Considering this, it is possible to conclude that, if the market is tumbling, there is certainly something obstructing political, social and economic stability, generating fear among investors. Since the drop is seen globally, we can conclude that there is a global threat, which leads us to believe that Ukraine is currently a focus of fear and tension for the financial market.

The Ukrainian issue is undoubtedly the most worrying global problem today. The nuclear potential of both sides, the US and Russia, involved in the issue leads the world to experience the worst security crisis since the Cold War. This is something extremely uncomfortable for investors, who do not want to bet their capital on any company with the possibility of a conflict on an international scale. This explains why the decline of the stock market has been reported worldwide in recent days – and also explains why the US, Europe and Russia have experienced the biggest drops, while Asian stocks have shown more attenuated declines.

With that, there is no escape: while there is a possibility of war, there will be a financial crisis. The big problem is that such a possibility only exists on the part of the West. NATO insists on the "Russian invasion" narrative and plans military actions to "respond" to such a "threat", while Moscow repeatedly claims that it will not make any incursions against Ukraine. If the West stopped insisting on such a narrative, there would be no "threat of war" and the market would be stabilized. On the other hand, NATO's aggressive and illegal actions in Eastern Europe heavily depend on the existence of the narrative about an "invasion" in order for them to be "justified".

So, the financial situation of the whole world is complicated now, but especially that of the West itself, which is where financial capitalism is stronger. There will be conflict of interests and polarization in western society and it is likely that the market will push for the situation in Ukraine to be resolved as soon as possible in order to regain international stability. It will be up to the US and other NATO governments to decide whether to prioritize their war plans or financial security.

*

Note to readers: Please click the share buttons above or below. Follow us on Instagram, @globalresearch_crg. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

Lucas Leiroz is a researcher in Social Sciences at the Rural Federal University of Rio de Janeiro; geopolitical consultant.

Featured image is from Children's Health Defense

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: Lucas Leiroz de Almeida