



## Brief history of Russia - Ukraine crisis

Ukraine, which had been a part of the Russian empire for centuries before becoming a Soviet republic, won independence when the Soviet Union fell apart in 1991. It worked hard to shed its Russian imperial heritage and strengthen ties with the West. Viktor Yanukovich, a pro-Kremlin Ukrainian president, rejected an EU association agreement in favour of closer ties with Moscow, provoking massive protests and his ouster from power in 2014. In retaliation, Russia annexed Ukraine's Crimean Peninsula and backed a separatist insurgency in Ukraine's east.

## Historical reaction to the markets during Ukraine crisis and other wars

The conflict for the Annexation of Crimea began on February 20, 2014. Prior to this event, Nifty 50 was trading at 6303 levels, but owing to the crisis, it fell by 3% to 6091 levels. However, once the situation calmed down, Nifty 50 began to rebound quickly, rising from 6091 to 6483, a 6% gain from the previous lows in less than a month time. Nifty surged 19% in merely three months, bringing it to 7275 levels.

When the Kargil war broke out in 1999, as indicated in the data table below, Nifty 50 was down 4% from a month prior. However, the observation shows that the market usually recovers after the commencement of the war, but it may take one month or three months to see the recovery. Nifty was up 32% after three months since the commencement of the Kargil war, following the similar path as the Annexation of Crimea. During the Afghanistan conflict, Nifty plummeted from

The **Iraq war** began in 2003, where Nifty was trading at 1065 levels, and as a result of the crisis, it fell by 4%, bringing Nifty to 1025 levels. In this example, according to the data below, we observed no signs of recovery within a month, and Nifty sank to 91+7 levels, pulling markets down by -8 percent. However, things ultimately settled down, and it recovered by 7% in three months, putting it to the 1100 level. In this case, markets did not rebound in a month, but they did exhibit favourable patterns within three months. Similar observations were made during the Gaza War, when Nifty was flat during the war-like circumstances but subsequently delivered positive returns in three months, boosting Nifty to a new high of 7842.

According to our analysis, whenever a warlike situation exists, Nifty 50 is under pressure and has a negative impact on the market. Markets react unfavourably to short-term events, recoup their losses in the ensuing three months, may even remain negative for a month.

Effect of War on Nifty



War	Date	Index-Before 1 Month	Start Date of War	% Change	Index-After 1 Month	% Change	Index-After 3 Months	% Change
Annexation of Crimea	20-02-2014	6303	6091.45	-3%	6483	6%	7275	19%
Kargil War	03-05-1999	1,011.40	970.75	-4%	1,136.65	17%	1,285.05	32%
Afghanistan War	08-10-2001	1035.2	901.95	-13%	997.7	11%	1109.9	23%
Iraq War	20-03-2003	1065.6	1025.25	-4%	947.2	-8%	1100.25	7%
Gaza War	08-07-2014	7654	7623.2	0%	7568.55	-1%	7842.7	3%

26.417

31.012

20.556

## Mid Month Update

24<sup>th</sup> February 2022



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