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# Israel-Hamas Conflict Draws Muted Response on Wall Street

Stocks were relatively calm on Monday.



**Jeff Benjamin** | Oct 09, 2023

*Reviewed by: etf.com Staff, Edited by: Mark Nacinovich*

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As Israel goes on the offensive against the Gaza-based militant group Hamas in a fast-escalating conflict, the financial markets opened Monday with a relative sense of calm.

While oil and gold prices were predictably up slightly in midday trading, the equity markets had recovered opening losses to reach a neutral point, which is what market watchers are expecting, unless the war starts to escalate to involve more countries.

“Historically, military shocks on their own are short-lived in the markets,” said Sam Stovall, chief investment strategist at CFRA Research.

“Typically, the stock market reacts negatively to the uncertainty by declining in the first day and month after the event, but then recovers and advances 60 and 90 days later,” he added.

Specific to Israel’s equity markets, the iShares MSCI Israel ETF (EIS) was down nearly 8% midday Monday.

The VanEck Israel ETF (ISRA) was down more than 6%, and the BlueStar Israel Technology ETF (ITEQ) was down nearly 4%.

“We anticipate continued volatility in Israeli equities in coming weeks, especially amongst those companies with heavy exposure to Israel’s domestic economy,” said Steven Schoenfeld, chief executive of MarketVectors Indexes.

“We also believe that Israeli technology companies, which have mostly global exposure and have proven their resilience in operating during turbulent times, are likely to outperform locally oriented Israeli companies during this period of war and regional tensions,” he added.

## Not Much Movement on Columbus Day

The initial reaction by the U.S. markets might have been muted by the Columbus Day holiday. The bond markets were closed.

“I wish we could see how the bond market will react, but we’ll have to wait until tomorrow,” said Thomas Martin, senior portfolio manager at Globalt Investments.

While Israel begins stepping up its attacks on Hamas, Martin said the financial markets are counting on the war being contained to Gaza.

“This isn’t a sea change in the world, even though it feels like it, and it is just awful beyond description,” he said. “Financial markets typically, the number show, don’t really react to events like this, unless it turns into a worldwide conflict.”

Kashif Ahmed, president of American Private Wealth, agreed that “geopolitical events seldom have long-term adverse effects on the markets.”

“The Israel-Palestine flare up, unfortunately, is nothing new, and markets are going to ignore it and focus on fundamentals, and less on events far away,” he said, adding that oil prices are the one possible exception.

## Oil Prices, VIX Spike

On Monday, oil prices jumped 4%, while the [Cboe Volatility Index](#), spiked 8% at the market’s open and then settled down to a 5% climb by midday.

“The rise in oil should be expected, though we would not expect it to be a linear move, but rather supply-side risks will be somewhat offset should the consumer continue to struggle with higher rates of inflation,” said Matt Lloyd, chief investment strategist at Advisors Asset Management.

“The price of oil will rise but as always, begins to curb demand to a degree based on U.S. consumers struggling with base purchases due to the cumulative pricing pressures over the last two years,” he added.

Stephen Kolano, managing director of investments at Integrated Partners, said the conflict “definitely adds uncertainty to the outlook,” with the biggest concerns related to it spreading to other countries.

“The near-term direct impacts appear to be higher oil prices,” he said. “An additional near-term impact is the probability of no rate hikes in the November and December meetings have increased.”

## Eyes on Economy, Jobs and Earnings

Charles Etzweiler, chief research officer at Nepsis, said he will be closely watching the developments in Israel, but he isn’t expecting a major reaction in the financial markets.

“Assuming this conflict is contained, as almost all are, market participants will focus on strong economic growth, a tight labor market and increasing corporate profits as the data with which to make investment decisions versus selling into this event,” he said.

Phil Kosmala, managing partner at Taiko, is using history as a guide, assuming more inflationary pressures and higher oil prices.

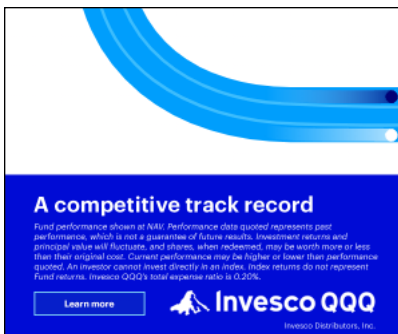
“If the conflict escalates, especially to include Iran, massive U.S. deficit spending and a jump in oil prices will have repercussions for the Fed and the ensuing path of interest rates,” he said. “The polarization of this conflict also exacerbates the already inflationary shift in deglobalization that has been pervasive since the Trump trade war with China.”

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### Jeff Benjamin

Jeff Benjamin is a veteran journalist with more than 30 years’ experience covering the financial markets and broader financial services industry. He most recently worked as a senior columnist at InvestmentNews, and prior to that was an analyst at Cerulli Associates and a money management reporter at Dow Jones Newswires. Based in North Carolina, Benjamin is a former Marine and has a bachelor’s degree in journalism from Central Michigan University.


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TICKER	NAME	YTD%
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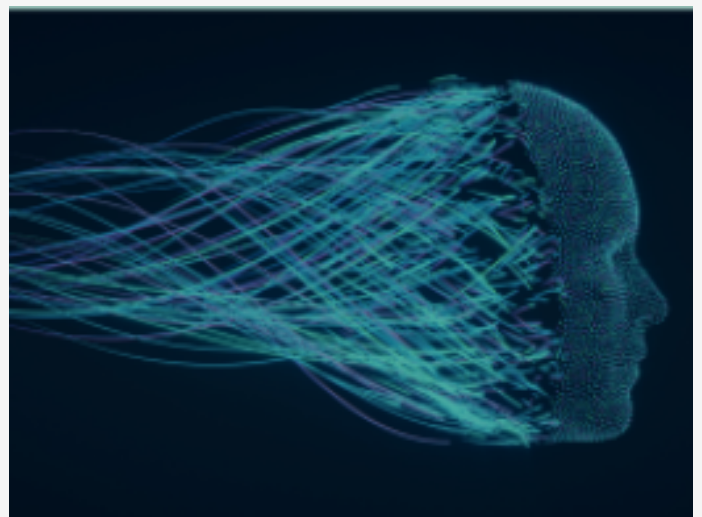
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