

[Martone Capital Management: Weekly Investment Commentary \(3/18/2014\)](#)

The events in Ukraine held markets hostage last week, and at this point it appears likely that tension and turmoil will persist as a solution to the standoff in Crimea is eluding politicians. As tension rose last week, investors generally sold off higher-risk assets such as stocks and high yield bonds and moved to safe havens, including gold.

The situation in Ukraine is fast moving and highly fluid, and while we do not expect a serious escalation of violence, the prospect of mounting tension is real. Following the referendum on March 16, in which the vast majority of Crimean voters favored becoming part of Russia, many world leaders have amped up the calls for sanctions against Russia. At the same time, Russian officials have vowed to move quickly in annexing Crimea and are considering sanctions of their own. The possibility of economic sanctions being enacted is rising, and while those measures would likely have little direct effect on the U.S. economy, the risk of escalating geopolitical tensions is undermining investor confidence.

Last week's market downturn does raise the question of how vulnerable stocks might be. While we continue to believe the long-term prospects for equities remain sound, we would point out that despite last week's spike, volatility across financial markets is still relatively low. Should the situation in Ukraine deteriorate, stocks could be vulnerable in the near term.

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