

Japan: Global Update

Presented by Craig Phillips

First and foremost, we extend our sympathy and prayers to those who have been affected by this tragedy. An earthquake of this magnitude can lead to tragedies of horrific proportions such as large tsunamis and the crises at the nuclear reactor sites in Fukushima. For those of you who are inclined to do so, you have the ability to pledge support. The easiest way to do so is to call the Red Cross at 1-800-RED-CROSS or dial 90999 on your cell phone. You can also visit their website at www.redcross.org. Reports say that the Japanese chapter of the Red Cross is one of the best organized in the world.

Other alternatives for support include:

[International Rescue Committee](#)

[AmeriCares](#)

[Unicef](#)

It is much more difficult to try to determine the economic implications of this tragedy. The 6% drop in the Japanese markets on Monday and the subsequent 11% drop on Tuesday make the largest two-day decline in 40 years. Wednesday brought hope to the equity markets with Japanese stocks rising 5.7%. This suggests individuals may have overreacted to the news, as they typically do with shocking events, and savvy investors were able to get in at good prices. Shares of Toyota were up 9.1%, Sony was up 8.8%, and Isuzu Motors closed higher by 10.5%. Gains of this magnitude are typically associated with a year of holding and not an overnight leap.

This disaster has spread pain and opportunity disproportionately throughout the Japanese corporate community. It is likely that Japanese insurance companies like NKSJ and MS&AD have direct exposure to earthquake-related property damage, but some of their losses will be absorbed by the government-sponsored Japan Earthquake Reinsurance Company and other reinsurance arrangements the companies may have made. Japanese construction companies will certainly see a windfall of business as rebuilding begins. The market has clearly been anticipating this as shares of Nishimatsu Construction Co. rose 5.8% and Kobe Steel was up a remarkable 15% in Wednesday's trading. At the same time, there is likely to be a global slowdown in the construction of nuclear power facilities as the safety of such plants is re-evaluated.

It is likely that over the next week you will hear exaggerated claims and estimates of the dangers resulting from nuclear fallout from the failed reactors. It is unlikely that any nuclear fallout will be experienced in the US. So far, the furthest any radiation has been detected from the sites has been 200 miles from the nuclear plant. This was due to radioactivity that was released into the atmosphere during a fire that has since been extinguished. This was not a nuclear explosion and the city nearest to Japan is Seattle, Washington which is 4,792 miles away from the meltdown sites. This is about a fifth of the circumference of the globe.

Some readers may be able to recall when Soviet Russia detonated a 50-megaton hydrogen bomb 4,000 meters (13,000 ft) over the island of Novaya Zemlya in northern Siberia in 1961. At the time, it was expected that the prevailing wind conditions would carry the fallout over the North Pole and to Canada. The blast shattered windows as far away as Finland and Norway and put out multiples of the radiation currently being detected in Japan. Even when radiation of this magnitude was released in such a large explosion, the only health risk imposed was to children who ate the snow. Even the meltdown in Chernobyl, the largest nuclear disaster in history, only had moderate health impacts on France, Belarus, Ukraine, and the Czech Republic. There was no health impact felt in any other continent.

Also, for up to date information on the nuclear power plants in Japan and the potential danger elsewhere, you will find the following websites to be helpful:

<http://www.iaea.org/newscenter/news/tsunamiupdate01.html>

<http://www.nrc.gov/>

The NRC's primary job is to protect Americans in the event of a nuclear incident, so we would expect any real info concerning domestic health risk to come from them.

As you continue to follow the news from Japan, please remember that we are all exposed to the risk of tragedy. There are steps that you can take to mitigate personal damage: review and update your property and casualty/homeowner's insurance policies, keep an emergency cash reserve, develop a family emergency plan, and keep your investment portfolio diversified enough so that a major incident somewhere in the world as only a small impact on your overall holdings.

Sources:

Stock losses and gains: http://news.yahoo.com/s/ap/world_markets

1961 Russian nuclear test: <http://www.damninteresting.com/the-most-powerful-bomb-ever-constructed>

Latest Reports: <http://www.foxnews.com/world/2011/03/15/japanese-nuclear-panic-rises-agency-says-radiation-leaking-atmosphere/>

Wikipedia: http://en.wikipedia.org/wiki/Chernobyl_disaster_effects