



Japan Update

By Bob Veres

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Bob Veres is the editor and publisher of [Inside Information](#), a publication focused on practice management and related issues for the financial planning profession. He recently introduced a monthly service, Client Articles, which contains articles (and cartoons) that can be sent to clients, for example as part of your quarterly newsletters.

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The news from Japan should, first and foremost, be viewed as a human tragedy of horrific proportions, and we extend our blessings and sympathy to the people affected by the earthquake, tsunami and nuclear reactor crises in Fukushima. People from around the U.S. are pledging support for the humanitarian efforts. Perhaps the easiest way to get support quickly is to dial the Red Cross by typing in 90999 on your cell phone or 1-800-RED-CROSS on a regular phone line, or go to the web site [here](#). Reports say that the Japanese chapter of the Red Cross is one of the best organized in the world.

Other possibilities are the [International Rescue Committee](#), [AmeriCares](#) and [UNICEF](#).

The economic impact of this tragedy is much harder to gauge. As you have no doubt read, the 6% drop in the Japanese stock market on Monday was followed by an 11% drop on Tuesday—the largest two-day decline in 40 years. But Wednesday trading saw a remarkable 5.7% increase, proving once again that the markets tend to overreact to shocking events, giving savvy investors a chance to buy shares at a bargain. Shares of Toyota gained 9.1% on the day, SONY Corp. was up 8.8% and Isuzu Motors closed 10.5% higher—the kind of gains that we normally associate with a year of trading.

Disruptions also spread pain and opportunity disproportionately among the corporations on the scene. Japanese insurance companies NKSJ and MS&AD are likely to have direct exposure to earthquake-related property losses, but some of their losses will be absorbed by the government-sponsored Japan Earthquake Reinsurance Company and private reinsurance arrangements. Similarly, Japanese construction companies will almost certainly see a windfall of business, which may be why Nishimatsu Construction Co. share prices 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 chill in global construction of nuclear power facilities, while governments and communities assess safety measures already in place.

Will U.S. citizens face any danger from the fallout from nuclear reactors? Over the next week, you'll hear exaggerated estimates of the danger. The latest news reports say that



low levels of radiation have been detected as far away as 200 miles from the nuclear plant, but the radioactivity that has been released into the atmosphere appears to be coming from a storage pond that caught fire (since extinguished) where fuel rods are kept cool. This is not a nuclear explosion, and it is helpful to remember that Seattle—the nearest city to northern Japan—is 4,792 miles away from the potential meltdown sites, or about a fifth of the circumference of the Earth.

Those of a certain age may remember when Soviet Russia set off a 50-megaton hydrogen bomb 4,000 meters (13,000 feet) over the Arctic island of Novaya Zemlya in far northern Siberia on October 30, 1961, at a time when prevailing winds were reportedly blowing over the North Pole toward Canada. The blast, which shattered windows as far away as Norway and Finland, threw up many many orders of magnitude more radiation than exists in the Japanese core reactors, and it was much closer to the U.S. mainland than is Fukushima Dai-ichi. The subsequent evaluation of Russia's political stunt was that the detonation was extremely unwise, but the only health concerns it raised were warnings that children should avoid eating the snow. A Wikipedia article on the Chernobyl meltdown (a far greater disaster in terms of spread of radiation) suggests that there were moderate health impacts in France, the Czech Republic and, of course, Belarus and the Ukraine, but not on other continents.

As you continue to see images from Japan, recognize that we are all exposed to some risk of tragedy. There are steps you can take to minimize the personal damage: review and update your property and casualty/homeowners policy, have a reserve of cash, create a family emergency plan, and keep your investment portfolio diversified enough so that a major incident somewhere in the world has a very small effect on your overall holdings.

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