



HAWK | Talon

HAWK 100

Monthly Insights from Hawk100

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MENA uprising spreads.

The populist uprising that has unsettled many regimes throughout the Middle East and North Africa ("MENA") is spreading.

In January, "Who follows Mubarak?" noted that Tunisia and Egypt were in the throes of change, and we forecast Libya would follow, but the accelerating pace and extent of change has surprised us.

Beyond Tunisia, Egypt, and Libya, *The Economist* reports populist revolts have arisen against the leadership status quo in Bahrain, Iran, Syria, Iraq, Jordan, Lebanon, Yemen, Djibouti, Sudan, Algeria, Morocco, and Mauritania.

When Libya followed, Moammar Gadhafi punished the rebellious denizens based in the eastern-Libyan city of Benghazi. Gadhafi's brutality prompted the international community (i.e., UN) to authorize force and make Gadhafi retreat.

Now, NATO—French, British, Americans and an international coalition—is striking at Gadhafi to enforce a no-fly zone and to support the rebels. At March's end, the coalition status seems unclear as to its leadership, objective, and exit plan. What is clear is NATO committed military in an uprising that has rapidly taken hold of an entire region that is strategically and economically vital to the world. The Arab uprising could comparatively make the tsunami in Japan look like a ripple.

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Wave crashes on Japanese stocks.

The March 11 earthquake centered just off Japan's coastline and tsunami that followed wrecked much of Japan's northeast Pacific coastline. Continuous news falls short of fully portraying the tragic loss of life and property. The crisis now radiating from the Fukushima Daiichi nuclear power plant complicates an already stressful moment under the rising sun. We are witnessing the best of Japanese spirit while its people endure tragedy with honor, respect, and pragmatic diligence, as anyone familiar with Japan would expect. Hawk100 sends its thoughts, prayers, and charity to families and friends in Japan.

Seismic surprise.

According to seismologists at the US Geological Survey, the magnitude 9.0 quake exceeded any previously recorded in Japan. The previous record was an 8.4 magnitude quake in 1933. The quake's strength and location surprised Japanese officials who had expected such a quake to originate to its southeast in the subduction zone where the Philippines slide under Japan. Another surprise was that global positioning systems measured a tectonic shift of Japan's east coast by up to 13 feet. The Fukushima plant's initial survival surprised engineers who had not accounted for a 9.0 quake nearby. The ensuing tsunami washed out the plant's suppression systems and initiated a radioactive crisis. If the Japanese response to arrest the crisis proves effective, it may surprisingly spark a recovery from recently depressing decades.

Market tsunami.

The earthquake washed a tsunami over financial markets, too. The Nikkei 225 Index of large Japanese stocks, constructed similarly to the Dow Jones indices, felt the quake's epicenter. The below chart shows the Nikkei 225 closed March 10 at 10434 and declined 21% to 8228 by March 15 before closing March at 9755. That low point approached 2009 and 2003 levels.



Nikkei 225 Index, daily prices April 1, 2010 through March 31, 2011.

SOURCE: Fidelity Investments.

By Richard Clemens, CFA, President

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Hawk100 to discuss how the concepts described herein may affect the alignment of your wealth with your life.



SOURCE: © 2011 Google - Imagery © 2011 TerraMetrics.

Arrow indicates approximate location of the earthquake epicenter and the label "A" shows the Fukushima nuclear power plant location.

The March 2011 tsunami washed excess value from stocks in Japan and globally. Now less expensive, those investments offer more appeal with a risky appetite.

Rather than panic about the immediate challenge, Hawk100 seeks to emulate the Japanese pragmatism. We visualize the world after Japan resolves this current crisis. With clarity of purpose, Hawk100 can then align your wealth to either avoid risk and uncertainty or to capitalize on investment opportunity.