



Geopolitical risk in a shifting world order

Why geopolitics matters more today and how investors can adapt | MARCH 2026



Investment
Management

Global Market Strategy

At New York Life Investment Management

Our team of market strategists connects macroeconomics to asset allocation. Leveraging proprietary research alongside the breadth and depth of the New York Life Investments platform, we provide actionable insight into market-driving events, structural themes, and portfolio construction to empower investment decision-making.



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Geopolitics are no longer a headline risk

For multi-asset allocators, geopolitics has become a **structural input into portfolio construction**, not a periodic headline risk. The Global Market Strategy team covers geopolitics to translate global and domestic policy shifts into investment implications.

Our toolkit is designed to work as a loop. We start with our Macro Pulse base case, then use our geopolitics work to interpret how a security-first world is reshaping trade, industrial policy, and alliances. We pressure test that view through our Black Swans (Swan Lake) scenario analysis, focusing on low probability outcomes and the signposts that would move risks from tail to base case. We also publish event driven briefings to connect major developments to market pricing and positioning. The output feeds back into our core macro and asset allocation views, refining how policy and global power dynamics inform the house outlook.

Macro & market outlook



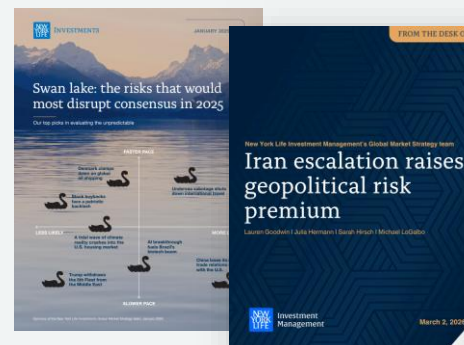
Translates structural frameworks into our base case trajectory.

Geopolitics frameworks



A structural input into our allocation process, helping define the regime and anchor positioning as conditions change.

Scenario analysis



Maps plausible pathways and signposts so we can stress test portfolios before disruption hits.

Executive summary

Since the Global Market Strategy team (GMS) first published a report on geopolitical risk in January 2019, geopolitics has become an even larger factor in investors' thinking. The U.S. use of force in places like [Venezuela](#) and [Iran](#), along with shifting rhetoric around Greenland and Ukraine, has reinforced the sense that the world is changing quickly in real time. That instinct is right; the global order is undergoing a profound transformation. The era of **U.S.-led globalization** – marked by open markets, free trade, and geopolitical stability – is giving way to a world defined by **great power politics**, economic nationalism, and rising conflict. Policy positions that once seemed unthinkable – the use of force, trade wars, and nationalistic industrial policy – are now commonplace. For investors, this shift is critical. Geopolitical events are no longer limited to temporary market noise; they are now driving long-term economic and market realignments.

The global economic order that emerged in the aftermath of the Cold War, shaped heavily by U.S. power and ideals, is now fracturing. This system reflected Washington's vision of a world knit together by commerce, open markets, and rules-based cooperation. But today, the pendulum is swinging decisively toward a new model defined by economic nationalism and strategic state intervention – the rise of great power politics.

During the U.S.-led era, supply chains were more stable and trade rules were broadly respected, even as the gains from globalization were uneven. That imbalance fueled political backlash and pushed nations to turn inward. The result is a more competitive and transactional world where governments are increasingly writing the regime change into policy, making great power politics more visible and more market relevant.

The resurgence of great power politics is reshaping the relationship between geopolitics and economies. For many investors, the logic behind shifting U.S. policy can be difficult to handicap because the objectives and constraints are evolving at the same time. In our view, the new [U.S. National Security Strategy](#) provides a useful framework for interpreting recent actions by making the priorities explicit and linking trade, supply chains, alliances, and industrial capacity to national power. It clarifies that policy is being designed to secure access, reduce dependency, and deny rivals leverage, which helps explain why tools like tariffs, export controls, and force posture are appearing more often.

The U.S. is not alone. Other governments are also using tariffs, sanctions, industrial policy, and shifting defense commitments as core instruments of statecraft. As tensions rise, geopolitical events are more likely to break old norms and catalyze lasting shifts in economies and markets.

For investors, the message is clear: yesterday's tools won't manage today's risks. Geopolitical uncertainty can no longer be treated as a passing concern – it's a defining feature of the investment landscape. Meeting this moment requires moving beyond reactive risk management toward proactive adaptation. By treating geopolitics not as noise but as a strategic lens, investors can surface clear, investable themes in a more fragmented world. And in many cases, that may require rethinking portfolio positioning altogether.

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Global power shifts are making geopolitical risk unavoidable



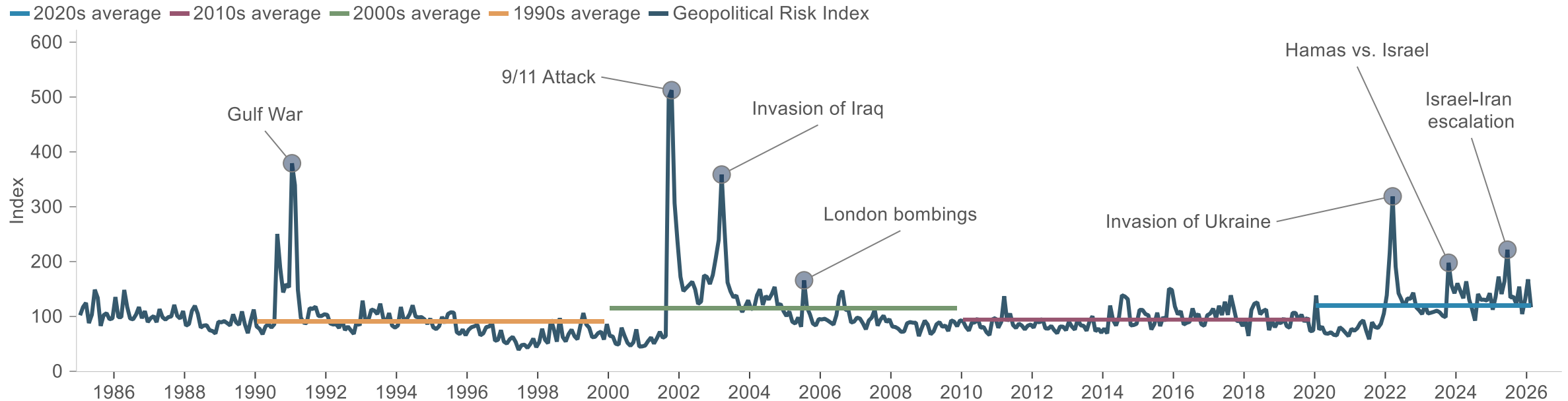
Why geopolitics matters for investors

The peace dividend is over, and a new wave of geopolitical risk is rising.

- Geopolitical events can significantly influence financial markets by introducing uncertainty that affects investor confidence, global trade flows, and economic stability.
- In the 2010s, investors enjoyed what is often referred to as a “peace dividend,” benefiting from a relatively low incidence of geopolitical events impacting markets.
- That environment has shifted. The 2020s have brought a measurable increase in geopolitical risk, driven by structural shifts in the global economy. While competition over resources has long shaped geopolitical dynamics, changes in the global economic structure – including increased competition over technology, energy, and financial supply chains – have resulted in a quantifiable increase in geopolitical events. Trade friction (particularly between the U.S. and China), growing awareness of supply chain vulnerabilities, and the rise of economic nationalism have all contributed to a more fragmented and volatile landscape.
- Investors can no longer treat geopolitical risk as episodic. Compared to the last decade, geopolitics now demands more consistent consideration in portfolio construction and risk management.

Incidence of geopolitical risk is higher today than it was in the 2010s

The Geopolitical Risk Index measures the occurrence of geopolitical events, threats, and conflicts



Sources: New York Life Investment Management, Global Market Strategy, Matteo Iacoviello, Macrobond, March 2026.

Geopolitical risk can't be avoided; it can only be managed

Investors can mitigate geopolitical risk by avoiding regions prone to geopolitical tensions, but in today's world, that may be easier said than done.

- Avoiding geopolitical risk is difficult in an interdependent global economy. Supply chains span continents, capital moves instantly across borders, and shocks in one region can surface quickly through prices and conditions elsewhere.
- Managing geopolitical risk starts with mapping exposures to chokepoints and policy levers, then tracing linkages and second order effects across supply chains, counterparties, and markets.
- Because spillovers travel through trade and financial networks, even "safe" regions can be exposed to distant disruptions making diversification and scenario planning more important than headline monitoring.
- The goal for investors is resilience or building portfolios that can absorb policy shocks and regional disruptions.

Avoiding geopolitical risk is becoming more complicated



Opinions of New York Life Investment Management, Global Market Strategy, March 2026. For illustrative purposes only.

The impact of geopolitical events on markets

Some geopolitical events are short-lived, while others can signal lasting paradigm shifts that transform markets.

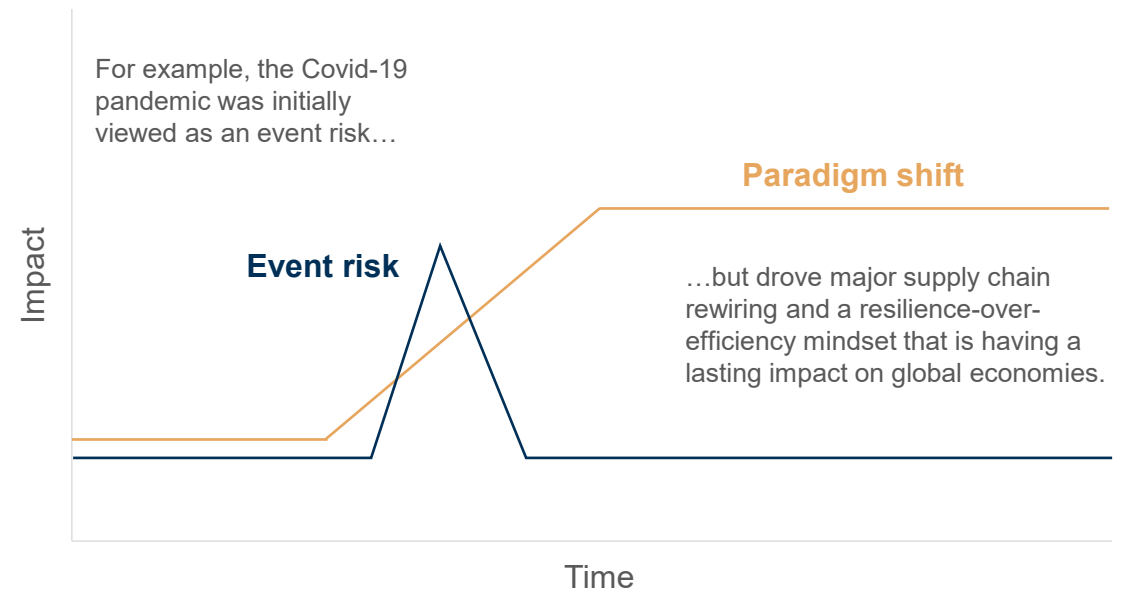
- In global markets, not all geopolitical events are created equal. The difference between geopolitical events and paradigm shifts is important for determining an investor's approach.
- **Geopolitical events** are sudden disruptions that take markets by surprise but remain limited in scope and duration. These events can be difficult to foresee (e.g., terrorist attacks), or to time (e.g., escalation in the Middle East). They can also be calendared (e.g. unpredictable results of an election).
- For example, an investor who bought the yen (JPY/USD) the day before Japan's 2011 earthquake would have seen a gain of 5% over the following week. However, this event was impossible to predict, and the yen quickly returned to its prior trend.
- **Paradigm shifts**, by contrast, begin as events but spark a longer-lasting transformation in investor sentiment and preferences, requiring re-thinking and potentially a recalibration of investor allocations.

Geopolitical events: Most event risks occur without much time for preparation

Type	Example	Historical event
Natural / environmental	Earthquake, pandemic, climate event	Bird flu outbreak (2022); Turkey-Syria earthquakes (2013)
Technological	State-sponsored cyber attack or data breach, election interference	Colonial Pipeline cyberattack (2021); Yahoo data breach (2013)
Political / social (internal)	Elections, coups, leadership changes, strikes, mass protests	French Yellow Vest protests (2018); Iran protests (2022)
Military / security (external)	Invasions, armed conflict, terrorism, border disputes	Israel-Hamas War (2023-present), Saudi Aramco drone attack (2019)
Geoeconomic / trade	Tariffs, trade wars, resource weaponization	Brexit (2016); China weaponizes rare earth metals trade (2010)
Regulatory / sovereign	Nationalization of industries	Venezuela's oil industry nationalization (2007)

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

Paradigm shifts: All paradigm shifts begin as events, but paradigm shifts change market and economic realities



Opinions of New York Life Investments Management, Global Market Strategy, March 2026.

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Why geopolitics matters more today: the rise of great power politics



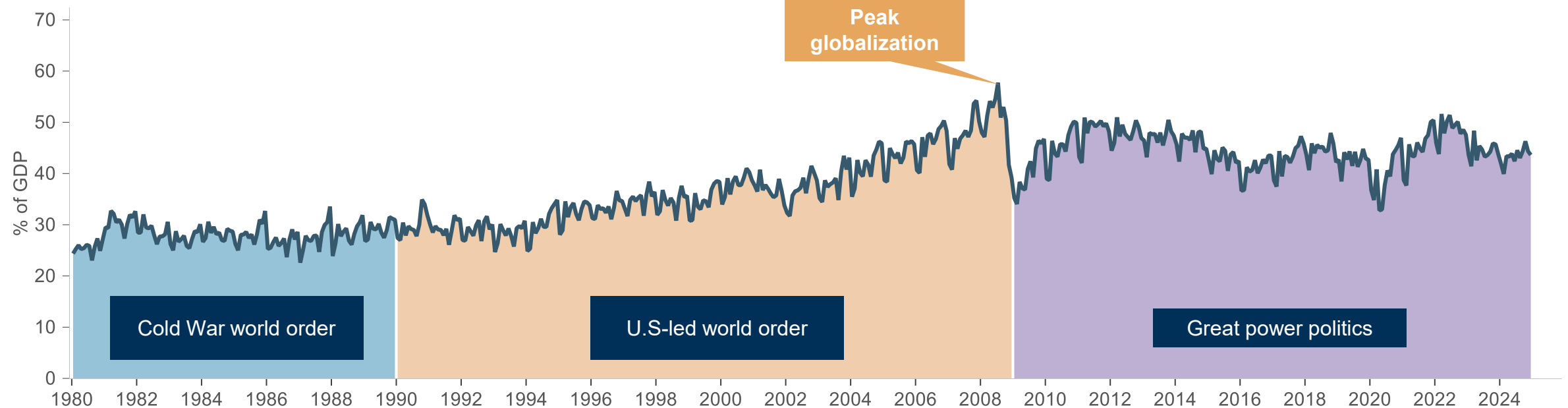
Regime change: the U.S.-led world order is ceding to great power politics

The global economy and markets are adjusting to a new way of doing business. Investors should expect disruption.

- We believe the U.S.-led world order, which took hold in the early 1990s and peaked around 2010, has been gradually giving way to a rise of great power politics which can be defined by economic nationalism, strategic industrial policy, onshoring, and the weaponization of trade, technology, and financial systems. This regime change has far-reaching implications for capital flows, inflation, and portfolio construction.
- The end of the Cold War world order was abrupt, driven by the collapse of the Soviet Union. The rise of great power politics has been more gradual, shaped by economic competition, shifting alliances, and regional rivalries.
- Though recent U.S. policy positions may have accelerated this regime change, the broader trend is about more than one country or one administration. The global economic landscape has shifted in stages: as free trade and open markets became more entrenched; as the beneficiaries of those economic ideas ebbed and flowed; and as policymakers' tools and preferences changed.

Globalization peaked alongside the U.S.-led world order

Trade openness: sum of global exports and imports as a percent of world GDP



Sources: New York Life Investment Management, Global Market Strategy, International Monetary Fund (IMF), United Nations Trade & Development, Macrobond, March 2026.

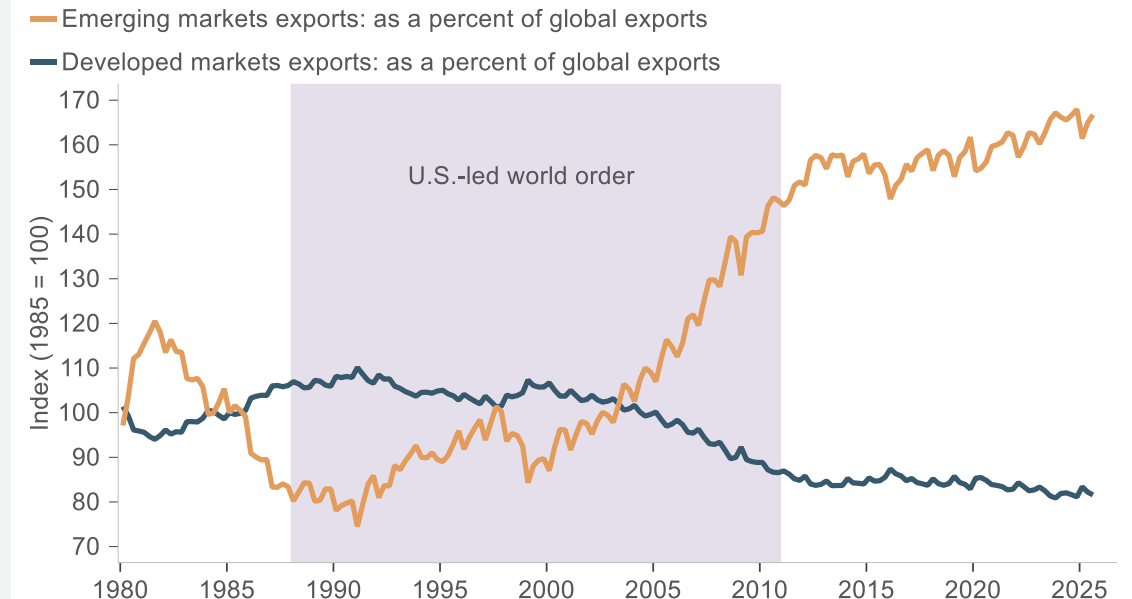
Old regime: the U.S.-led world order was focused on neo-liberal economic ideas

For the last few decades, the U.S. has played a dominant role in global economic preferences, pursuing free trade and open markets.

- The U.S.'s role in the global economy strengthened after the World Wars but accelerated following the Soviet Union's collapse, which left capitalism unchallenged. The U.S.-championed world order was built on globalization, free trade, and open markets.
- While the U.S. has played a dominant role in the global economy since then, the United Kingdom and other Western economies also pursued aggressive policies of privatization, deregulation, and open markets.
- Institutions such as the IMF, World Bank, and WTO reinforced these principles globally, often requiring market-friendly reforms as a condition for financial assistance or membership.
- Open markets and economic integration also contributed to stronger growth for many emerging economies, including China, that benefited from demand for their lower-cost goods and services.

Principles of the U.S.-led world order	Example
Globalization	China's 2001 WTO accession deepened integration in global markets and supply chains.
Free trade	Trade liberalization through deals like NAFTA and WTO membership reduced barriers and promoted rules-based commerce.
Market liberalization	Deregulatory moves like the 1999 repeal of Glass-Steagall enabled freer capital flows and favored market-led growth.
Multilateral institutions	Institutions like the IMF, World Bank, and WTO reflected and reinforced a U.S.-centered, rules-based global system.
Global energy interdependence	The U.S. and its allies prioritized stable, open global energy markets over self-sufficiency, with interventions like the Gulf War underscoring the link between energy access and global stability.

A defining feature of the U.S.-led order was globalizing emerging markets



Sources: New York Life Investment Management, Global Market Strategy, International Monetary Fund (IMF), Macrobond, March 2026.

Opinions of New York Life Investment Management Global Market Strategy team, March 2026.

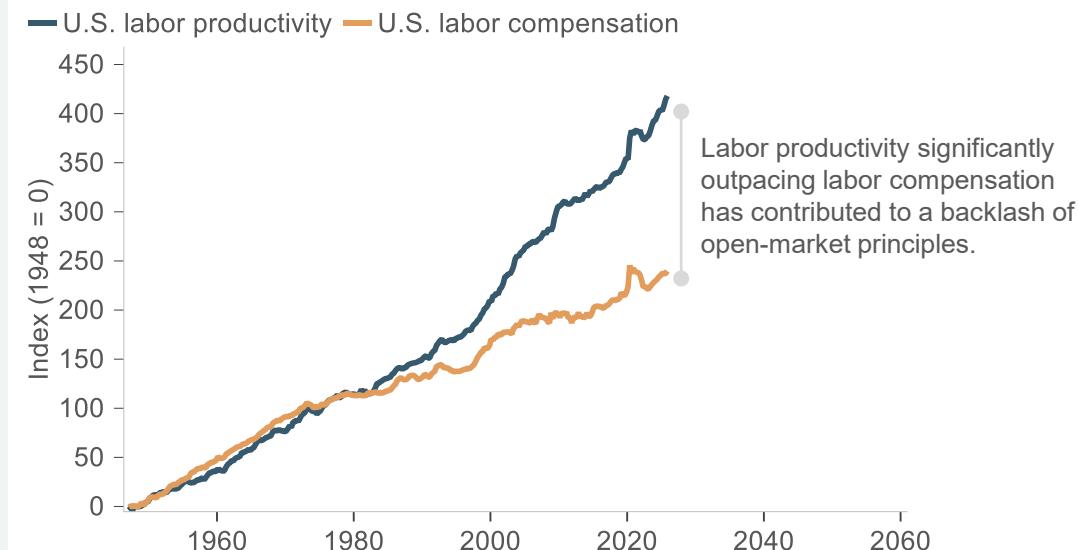
Regime change: Economic norms and policy tools are shifting

Recent years have represented a shift in the global economic landscape. Shifts like this can bring periods of rapid change and instability.

- The last decade has marked a waning of the U.S.-led world order. The promises of neo-liberal economic ideals, including free trade, deregulation, and open markets, are seen by many as having overpromised and unevenly delivered. Though initially effective at liberalizing markets, these ideas also deepened global imbalances and dependencies. Rising geoeconomic fragmentation, populism, and economic vulnerabilities suggest its global influence is fading.
- Transitions in global economic ideas and leadership – which we'll call regime change – are often turbulent. In the last transition, for example, the end of the Cold War redrew borders, triggered economic turmoil in former Soviet states, and sparked regional conflicts from the Balkans to the Caucasus.
- We believe investors should expect that the shift away from a U.S.-led world order will also result in a disruptive period for the economy and markets. It is already happening.

Forces bringing about the end of the U.S.-led world order	Example
Globalization backlash	The increasing influence of populist movements globally reflects voter pushback against the job losses and inequality caused by global integration.
Supply chain vulnerabilities	The COVID-19 pandemic laid bare the vulnerabilities of global supply chains. Countries realized that the security and availability of goods and services may be more important than their cost in some cases.
Weaponized economic interdependence	Trade and finance have increasingly become tools of geopolitical rivalry: Sanctions on Russia, SWIFT exclusions, and U.S. tech export bans on China are a few examples.
Return of activist industrial policy	The U.S. CHIPS Act and the EU's Green Deal mark a decisive shift toward state-led investment in critical industries and technologies.
Energy transition and security	Europe's scramble to boost liquid natural gas capacity post-Ukraine invasion highlights the urgency for secure, diversified energy supplies.

The U.S.-led world order brought prosperity but it wasn't shared equally with all workers



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics (BLS), Macrobond, March 2026.

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

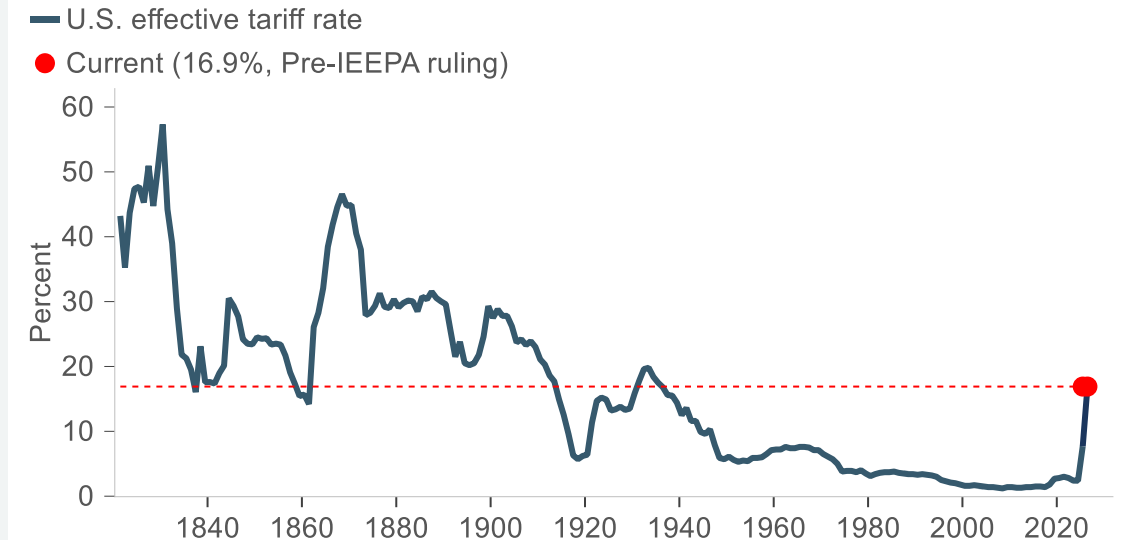
New regime: The rise of great power politics increases geopolitical risk

In response to changes in the geopolitical backdrop, economic and market norms are being rewritten.

- The ongoing changes in the global economy mark a rise of great power politics, where state intervention is more important, driven by principles of national security, industrial resilience, and economic self-reliance.
- Policies once seen as protectionist – like onshoring, friendshoring, and industrial policy – are now mainstream as governments seek to secure supply chains and support strategic industries.
- In the U.S., for example, the CHIPS Act marks a clear pivot from market-driven efficiency to state-backed industrial strategy. Japan and the European Union have implemented similar policies to incentivize domestic semiconductor production.
- This new paradigm comes with new risks, including the potential for structurally higher inflation as global trade declines.

Principles of great power politics	Results
Economic nationalism	Countries increasingly pursue onshoring, reshoring, strengthening their own domestic industries.
Weaponization of trade and finance	Sanctions, tariffs, and financial restrictions are deployed more frequently as instruments of geopolitical pressure, especially by the United States.
Preference for bilateral relations over multilateral institutions	Governments move away from multilateral agreements and institutions, such as the Trans-Pacific Partnership, in favor of bilateral negotiations that prioritize national interests.
Government-led investment	Governments are directing investment into strategic sectors to bolster industrial capacity and national competitiveness, an approach now evident even in Western economies, including the United States.
Resilience over efficiency	Countries reconfigure supply chains to emphasize resilience and redundancy, marking a shift away from cost-optimized globalization.

Trump's tariffs underscore a broader U.S. shift toward protectionist trade policies










Sources: New York Life Investment Management, Global Market Strategy, Tax Foundation, The Budget Lab at Yale, Macrobond, March 2026.

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

In the new geopolitical regime, chokepoints matter more

The global economy is highly inertial. Once forces for change accumulate, the adjustment period can be highly disruptive.

- Global systems have a tendency to be inert: They putter along as they are until they are forced to change.
- The U.S.-led world order has persisted because its systems were relatively efficient and difficult to circumvent. A dominant center for internet traffic, financial transactions, defense, and semiconductor design, the U.S. has effectively “owned” the plumbing of the global financial and information system.
- Now, as pressures on the U.S.-led order build, geopolitics is increasingly about chokepoints and control, where small breaks in payments, shipping lanes, data, or critical inputs can cascade into outsized market moves.
- These domains – payments, currency, trade, tech, and defense – once reinforced U.S. dominance. But as geopolitical tensions rise, they are becoming front lines of strategic competition and potential areas of geopolitical disruptions.

Domain	U.S. embedded control		Risk in great power competition
Finance and payments	The U.S. effectively controls SWIFT access and dollar clearing		SWIFT alternatives (e.g. China’s CIPS) gain traction; sanctions push rival blocs to develop parallel payment systems, fragmenting global finance
Reserve currency	USD dominates central bank reserves (~57% of total), giving the U.S. exorbitant privilege		De-dollarization accelerates as countries seek to insulate against U.S. sanctions and financial leverage
Trade institutions	U.S. was a key architect and enforcer of WTO, IMF, and World Bank		Institutions weaken as countries (including the U.S.) bypass WTO rules, favor bilateral deals, and use economic tools for strategic advantage, undermining global coordination
Internet infrastructure	ICANN, root DNS servers, and global data hubs centered in the U.S.		Digital sovereignty policies and techno-spheres emerge; countries wall off data flows and internet infrastructure, splintering the global internet
Defense guarantees	U.S. anchors NATO, Indo-Pacific alliances, and provides security guarantees for trade		Security commitments become less reliable; allies hedge with new defense arrangements or arms build-ups, raising regional tensions
Technology leadership	U.S. firms dominate semiconductors (design), software, and cloud infrastructure		U.S.-China tech decoupling accelerates the formation of parallel technology ecosystems. Diverging standards, hardware, and platforms raise costs and complicate global business operations
Energy security	U.S. Navy secures global sea lanes		Maritime chokepoints face rising threats from hostile actors raising geopolitical risk premium priced into commodities

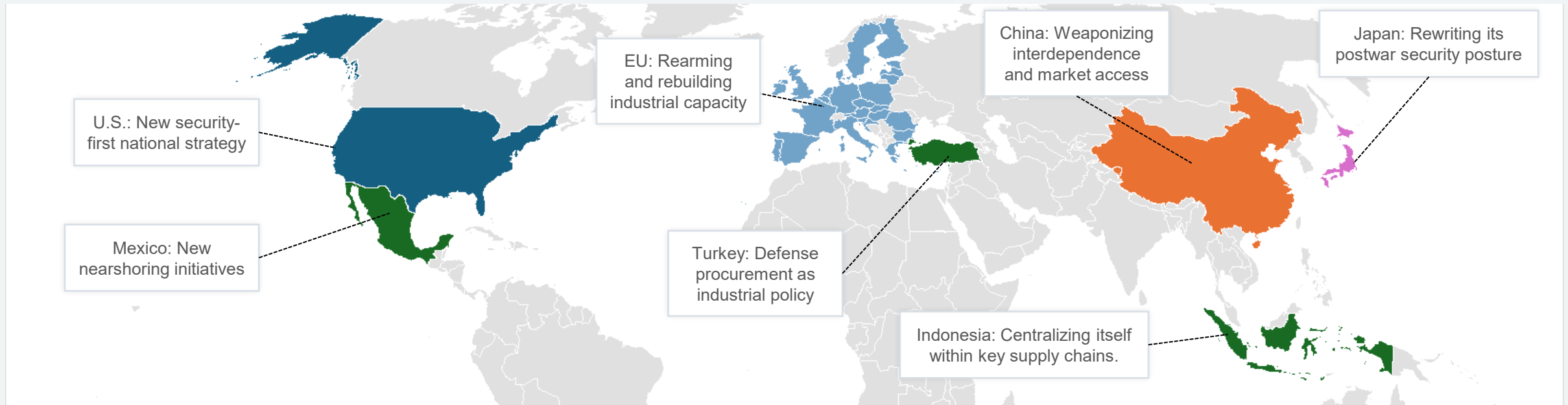
3 | Great power politics in action



How governments are responding to regime change

Policy is increasingly reflective of the rise of great power politics as trade security and industrial strategy move together.

- Governments are not just talking about regime change; they are writing it into policy. Great power politics is resetting the boundary conditions for markets, with security priorities increasingly driving trade, investment, and alliances.
- Governments are changing policy now because the old assumptions no longer hold. The pandemic proved supply chains fragile, Russia's invasion of Ukraine showed borders can still change by force, and the U.S.-China rivalry has turned technology and trade into national security issues. We know this is real because these shifts are being codified in doctrine and budgets, and showing up in repeatable tools like tariffs, export controls, industrial policy, and defense investment.
- For smaller countries and firms, the cost of neutrality is rising, as market access, investment, and security guarantees are increasingly tied to alignment amongst allies and supply chain roles.
- This section examines how governments are operationalizing the regime shift, starting with China's long running playbook for weaponizing interdependence, moving to the U.S. as the new National Security Strategy turns regime change into policy, then to Europe and Japan as they reposition under more conditional U.S. support, and ending with emerging markets where alignment and supply chain roles are creating new opportunities.
- Finally, we broaden the lens to the global political shifts underpinning this regime change, including the rise of autocracies.



China: Leveraging interdependence

China uses market access and supply chain chokepoints to raise the cost of political defiance.

- China has been practicing security-first statecraft for years, using its economic position as leverage when politics or security frictions rise.
- The story is not just trade policy. China is increasingly using market access, customs enforcement, and control over key inputs to make political choices carry real economic consequences.
- The timeline shows this is a repeatable playbook. Tools range from import slowdowns and tourism restrictions to corporate targeting and export controls, applied when counterparties cross political red lines.
- The takeaway for markets is more event driven volatility as market access becomes conditional and supply chains become a recurring source of price shocks.

A timeline of Chinese weaponized interdependence

2010: Japan rare earths ban

– China demonstrated the strategic value of supply-chain chokepoints by disrupting rare earth shipments during a political dispute with Japan.

2012 (until 2016):

Philippines dispute – China used import slowdowns and tourism warnings to pressure Manila over South China Sea claims.

2016: South Korea

– A full-spectrum campaign mixed culture bans, regulatory harassment, tourism restrictions, and corporate targeting to pressure a security decision.

2021: Lithuania

– After ties deepened with Taiwan, Chinese customs and regulators squeezed Lithuanian trade and reportedly pressured multinationals to cut Lithuanian inputs.

2023: U.S.

– China imposed licensing controls on critical minerals, putting key semiconductor and defense inputs under policy discretion.

2024: EU

– China put provisional anti dumping measures on EU brandy and required import deposits widely seen as payback for the EU's EV tariffs.

2010 (until 2016):

Norway political punishment

– After the Nobel Peace Prize honored a Chinese dissident, China froze trade talks and curtailed imports until Norway issued an apology.

2015: U.S. (Hollywood)

– China's influence forces U.S. studios to make adjustments to China-related content in American movies to appease Chinese regulators.

2016: Mongolia

– Border friction and trade leverage were used to extract an apology and a forward-looking commitment, after Mongolia hosted a visit from the Dalai Lama.

2019: U.S.

– After a team's manager made pro-Hong Kong comments, NBA broadcasts and sponsorships were pulled, turning consumer access into a political alignment test.

2020: Australia

– China used broad trade and customs pressure to raise the cost of political defiance.

2025: U.S.

– China broadened export controls on rare earths and magnet related technologies turning critical inputs to EVs, AI hardware, and defense systems into strategic leverage.

Opinions of New York Life Investment Management Global Market Strategy team, March 2026. NBA: National Basketball Association.

China: The early mover in great power politics

Beijing began “security first” economic policy well before the West and is now doubling down as competition broadens.

- As the global economy becomes more contested, China is adapting by reducing dependence on the U.S. consumer and diversifying export demand, as U.S. market access becomes more politicized and less reliable. Trade is shifting from pure efficiency to strategic resilience, with Beijing prioritizing alternative partners and routes to limit vulnerability to tariffs, sanctions, and sudden policy shifts.
- On the financial side, China is treating its central bank reserves as a geopolitical risk decision, building more buffers outside the U.S. dollar system, including a larger role for gold. China’s participation in the global mBridge system (a multi-central bank digital currency platform designed to enable instantaneous, low-cost, cross-border payments), as we pointed to in our [2026 Black Swans](#) report, may also allow China (and other developing countries) to start transacting without the U.S. dollar as the medium of exchange.
- This playbook is not new for China, but it is becoming more contested as other major economies adopt similar security first policies, increasing the risk of friction and periodic supply chain disruptions.

China started hedging its U.S. trade relationship as the U.S.-led world order ended

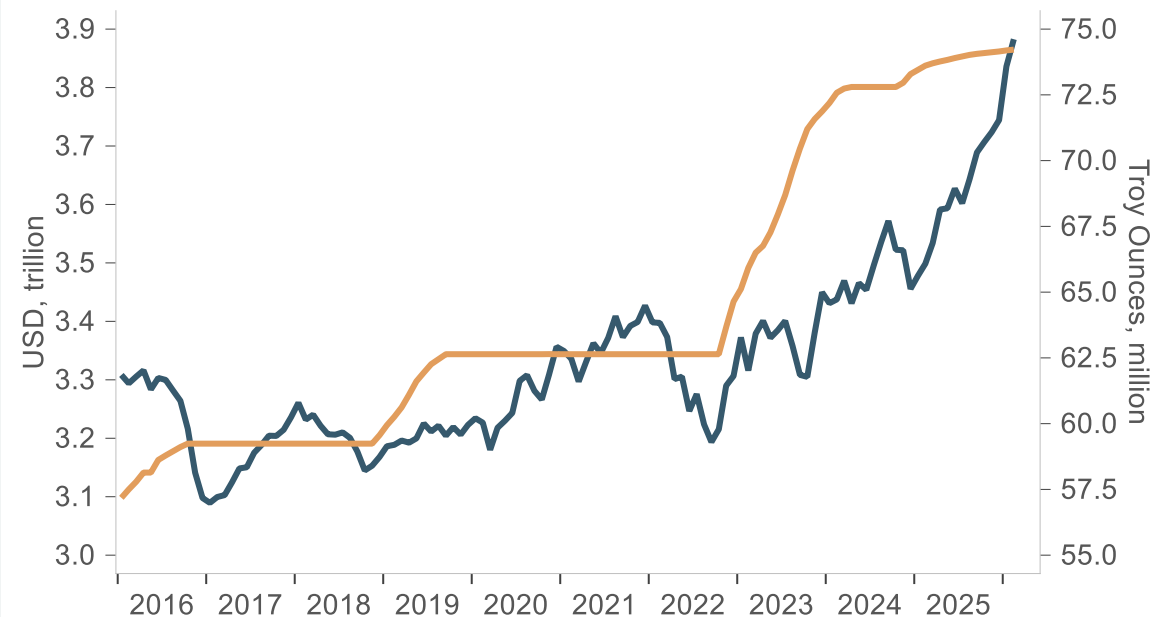
Chinese exports to the U.S. as percent of GDP (4 quarters rolling sum)



Sources: New York Life Investment Management, Global Market Strategy, China General Administration of Customs (GAC), China National Bureau of Statistics (NBS), Macrobond, March 2026.

China's gold accumulation signals a more security-first reserves strategy

China: gold purchase vs official reserve assets



Sources: New York Life Investment Management, Global Market Strategy, People's Bank of China (PBoC), Macrobond, March 2026.

U.S.: New national security strategy makes geopolitical regime change explicit

Washington's new playbook links trade, supply chains, and alliances to national power.

Regime change gets an official policy anchor

- The new [National Security Strategy](#) (November 2025) gives this geopolitical regime change an official policy anchor: great-power politics, not global integration, is the organizing principle.
- The strategy explicitly moves away from broad, open-ended commitments toward ranked national interests, arguing the U.S. cannot be equally attentive to every region.
- The result is a clearer hierarchy of priorities, with more deliberate trade-offs and less presumption that markets will “self-organize” geopolitical risk away.

Economic policy becomes security policy

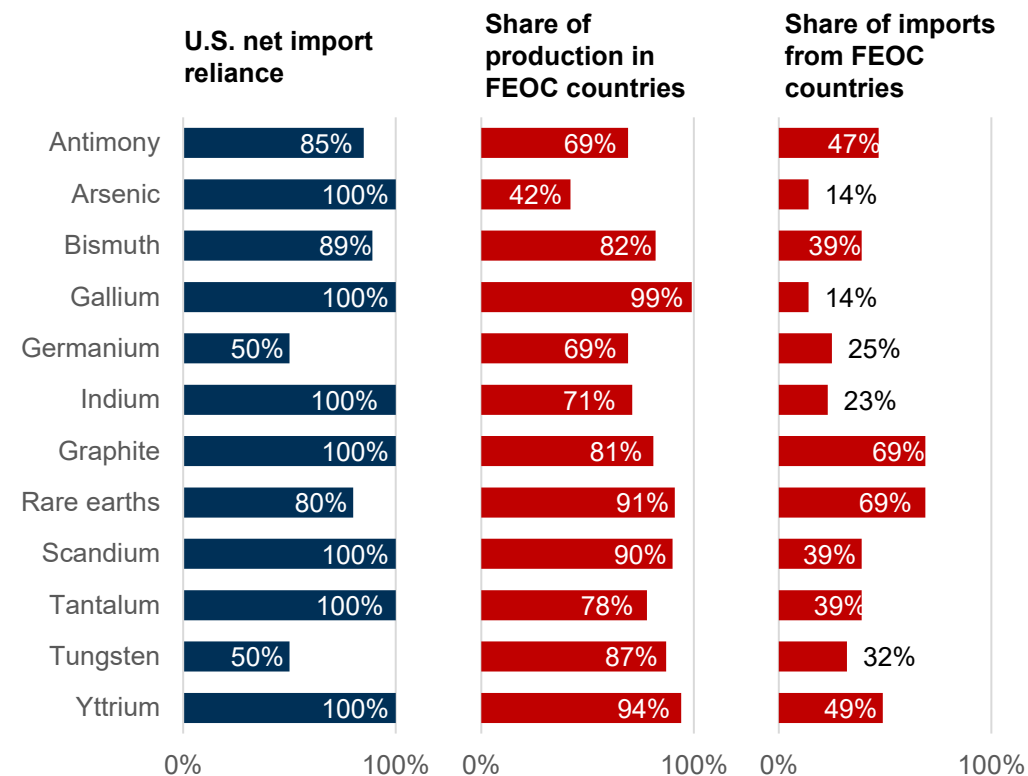
- The strategy treats “commercial diplomacy” (tariffs/reciprocal agreements) as a tool of statecraft, not just trade policy.
- Nearshoring and supply-chain reinforcement are framed as national power: resilience and control of chokepoints matter as much as cost and efficiency. Critical minerals are the clearest case where U.S. import reliance creates a direct security vulnerability.
- The strategy formalizes the idea that policy will increasingly shape capital flows, corporate margins, and regional winners and losers.

Selective engagement, managed interdependence

- Under this new strategy, allies are expected to carry more of the load on security and defense, tightening the link between security alignment and economic relationships.
- Relationships will persist but change. Even while naming China an adversary, the strategy leaves room for continued trade in non-sensitive goods, signaling fragmentation by category, not full decoupling.
- The net effect is that U.S. leverage becomes a persistent macro variable, and policy shifts move from background noise to a primary driver of market outcomes.

U.S. critical mineral supply is heavily exposed to adversaries' supply

Imports from FEOCs (foreign entities of concern) represent how exposed the U.S. is to critical inputs where the marginal supplier sits within (or is controlled by) an adversary.



Sources: New York Life Investment Management, Global Market Strategy, Council on Foreign Relations, March 2026. Data as of 2024. FEOCs: China, Russia, Iran, North Korea

U.S.: The U.S. government becomes a strategic investor in critical minerals

Direct equity and conditional financing are accelerating domestic processing, separation, and recycling capacity.

- As regime change pulls national security and economic security closer together, the U.S. is moving from setting the rules of the game to writing checks, using direct financing and ownership stakes to secure strategic supply chains. In this regime, critical minerals are shifting from a commodity cycle story to a strategic-capacity story, and policy is increasingly part of the capital structure.
- The pattern across recent critical minerals deals is consistent: equity stakes, convertibles/warrants, and conditional loans designed to accelerate capacity buildouts while giving the government upside participation and leverage over execution.
- The focus is not only on mining; it is increasingly on the midstream bottlenecks – processing, separation, recycling, and smelting – where the U.S. has been most dependent and most vulnerable.
- This approach is showing up beyond minerals too, with revenue-sharing tied to select Nvidia and AMD AI-chip export approvals and an equity stake in Intel tied to CHIPS Act incentives.
- This is a whole-of-government approach, with Defense, Energy, and Commerce using different tools to build redundancy and resilience across rare earths, lithium, and other critical inputs.
- For markets, public capital can speed timelines and improve funding for select projects, but it also concentrates outcomes in a smaller set of chosen winners, making access and politics as important as geology.

Company	Announced	Target	Department	Size	Type	Ownership
MP Materials	July 2025	Rare earths; magnets	Defense	\$400M	Equity	15%
Lithium Americas	September 2025	Lithium	Energy	\$2.2B	Debt & equity	10%
Trilogy Metals	October 2025	Copper, critical minerals	Defense	\$36M	Equity	10%, plus warrants for an additional 7.5%
Vulcan Elements	November 2025	Rare earths; magnets	Defense & Commerce	\$50M	Equity	Not publicly specified
ReElement Technologies	November 2025	Rare earths recycling + processing	Defense & Commerce	\$80M	Equity	Not publicly specified
Korea Zinc	December 2025	Critical minerals	Defense	\$1.9B	Equity	40% of the U.S. joint venture which controls 10% of parent
USA Rare Earth	January 2026	Rare earths; magnets	Commerce	\$1.6B	Debt & equity	8% to 16% depending on warrants executed

U.S.: From strategy to execution in a security first world

Regime change is already showing up in policy choices.

- The new National Security Strategy is moving from framework to practice, with trade, finance, and security tools now used together to advance strategic priorities.
- Recent actions show a clear throughline from the strategy’s logic to real decisions, securing access to critical inputs, pursuing hemispheric primacy, and limiting rivals’ leverage.
- Recent U.S. rhetoric and policy surrounding Iran, Venezuela, Ukraine, and Greenland showcase how the strategy is being operationalized across regions, using different tools to reinforce U.S. power and resilience. Each case ties U.S. support or pressure to something concrete like access to resources infrastructure or strategic geography.
- The strategy is making relationships more conditional with clearer asks, clearer trade offs, and clearer consequences.

	Iran	Venezuela	Ukraine	Greenland
Old playbook	Sanctions and diplomacy to contain the nuclear program and manage proxies while avoiding direct war.	Sanctions and diplomacy aimed at isolation and regime pressure with little appetite for direct action or coercive enforcement.	Military and budget support framed as alliance solidarity with limited linkage to resource access or reconstruction economics.	Strategic interest mostly implicit with Arctic posture managed through NATO and Denmark rather than explicit access and military negotiations.
New playbook	Operation Epic Fury, launched February 2026, signals a shift from sanctions and proxy management to direct military action, with U.S. strikes targeting command nodes, air defenses, and missile and drone infrastructure to degrade capability and restore deterrence.	Operation Absolute Resolve, namely the January 2026 capture of Nicolás Maduro, signals hemispheric primacy moving to direct action. Western Hemisphere threats are now treated as core national security issues, prompting a higher willingness to use coercive tools when strategic interests are at stake.	U.S. support is increasingly tied to future cash flows and strategic assets, reflected in the April 2025 framework for a jointly managed Reconstruction Investment Fund. In this fund, Ukraine commits a share of future revenues from state owned resource projects and related infrastructure such as ports and LNG terminals.	Trump’s January 2026 Greenland push turned the Arctic into an active pressure point, as suspected undersea cable sabotage (by Russia and China) highlighted seabed and transatlantic infrastructure risk. The endgame was aimed at a long duration access arrangement that expands U.S. presence and secures access to Greenland’s critical minerals.

Europe: A less predictable U.S. puts Europe back in the defense business

Europe is rebuilding defense capacity and industrial resilience as U.S. commitments look more conditional.

Europe in great power politics

- Great power politics is forcing Europe to refocus on security as a binding constraint, at the same time U.S. support looks more conditional and less automatic than it did in the post-Cold War era.
- The EU is trying to turn rearmament into an industrial strategy, using new fiscal flexibility and joint tools to mobilize large-scale defense investment.

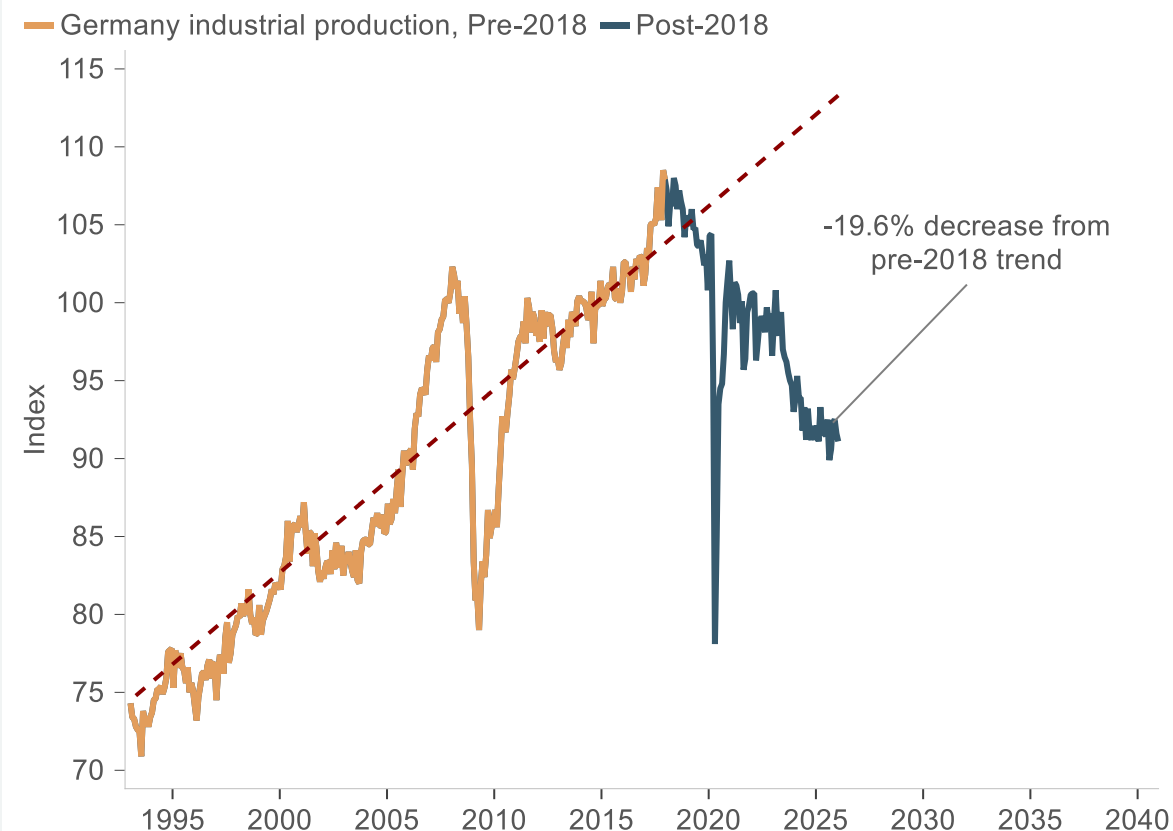
Germany's defense and infrastructure investment

- Germany's industrial base has visibly weakened versus its pre-2018 trajectory, and that reality is forcing a policy pivot toward spending, subsidies, and investment.
- Berlin is pairing higher defense ambitions with a competitiveness reset, backed by the €100bn modernization fund and a willingness to loosen constraints to fund multi-year procurement and capacity buildout.
- Like the U.S., the state is increasingly willing to take direct positions in critical infrastructure to accelerate investment and secure control, illustrated by Germany's minority stake purchase in power company TenneT Germany (Feb 2026).
- Germany hit NATO's 2% of GDP defense spending target in 2024, and that pivot is rippling across Europe. EU defense outlays rose to €343bn in 2024 and an estimated €381bn in 2025, with front line states like Poland already spending over 4% of GDP.

Why this matters in a great power politics regime

- For markets, the shift raises the odds of a sustained European fiscal impulse, with more issuance and a higher premium on strategic sectors tied to defense production and infrastructure build-out.
- The investment takeaway is dispersion with policy backed winners versus laggards still exposed to tighter capacity and weaker industrial fundamentals.

Germany's industrial decline reflects new sources of competition and the need for policy action



Sources: New York Life Investment Management, Global Market Strategy, German Federal Statistical Office (Statistisches Bundesamt), Macrobond, March 2026.

Europe: Building speed and scale in a security first world

Munich made clear that Europe knows the agenda, but markets are waiting for execution.

The problem is not vision, it is execution

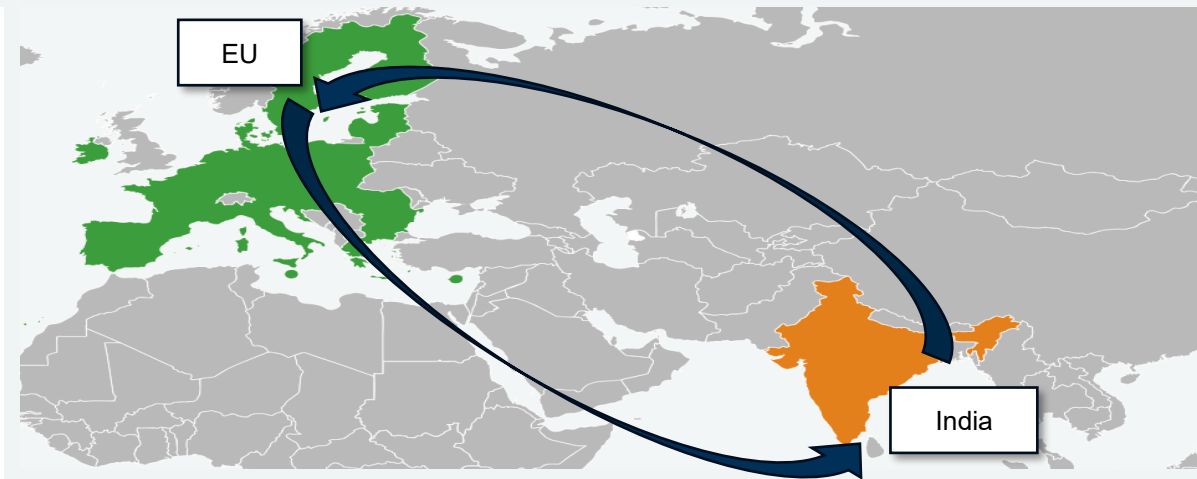
- European leaders largely agree on the priorities, but investors are watching for credible steps that can be delivered within one to two years, not a decade.
- The binding constraint is scale, Europe produces innovators, but fragmentation across markets and rules makes it harder to scale winners and keep them in Europe.

What Europe needs to do to crowd in private capital

- Improve permitting and delivery capacity for grids, infrastructure, and industrial projects so capital can actually be deployed.
- Deepen capital markets integration to create a larger unified pool of risk capital and reduce the incentive for firms to migrate to the U.S.
- Use trade and partnerships as optionality, expanding the set of must work relationships beyond the U.S.-China axis, with the EU-India framework as one example.

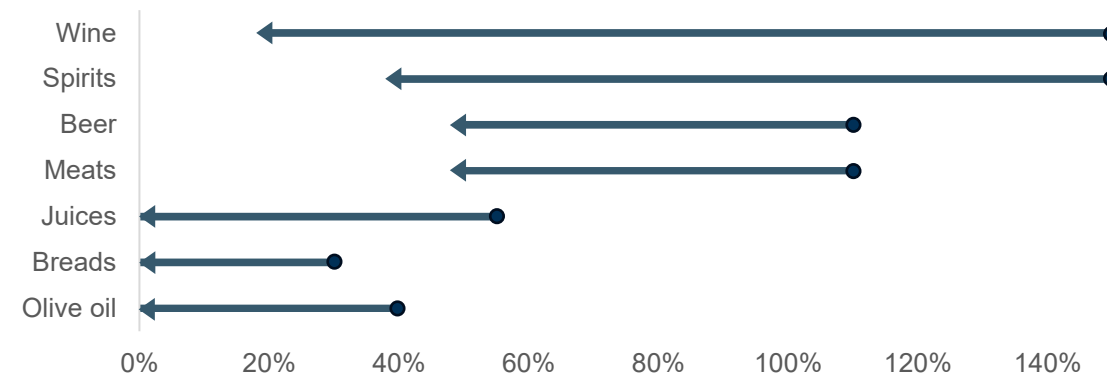
Trade as a hedge in great power politics

- Europe is treating trade as risk management, diversifying demand and supply to reduce dependence as U.S. policy becomes more conditional.
- The EU-India framework (January 2026) fits that playbook, building a scalable non-China channel through phased tariff cuts and rules that lower frictions for trade and investment.
- The framework also includes trade facilitation and rules commitments, including faster customs clearance and advance rulings, stronger customs cooperation and data exchange, and aligned food safety and certification procedures to reduce non-tariff frictions.
- The goal is scale and optionality, Europe gains a second growth partner and India gains a premium export market, reducing reliance on more volatile relationships.



The EU-India trade deal signals Europe diversifying away from U.S. policy risk

Reduction in Indian tariff rates on EU imports



Sources: New York Life Investment Management, Global Market Strategy, European Commission, March 2026.

Japan: Great power politics is forcing a shift from restraint to deterrence

New strategy, rising defense budgets, and new long-range systems signal a more assertive Japan in the Indo-Pacific.

Japan is rewriting its postwar security posture

- Japan's 2022 security overhaul (primarily in response to Chinese and Russian military pressure) explicitly frames a world of sharper state competition with a wider definition of security that now includes the economic and technology domains.
- Tokyo has committed to roughly doubling defense spending toward 2% of GDP and domestic politics are pulling the timeline forward.
- Higher defense spending is being matched with a broader operating posture, as Japan deepens trilateral coordination with the U.S. and South Korea and expands practical defense cooperation with regional partners.

Japan is buying new capabilities, not just restating intentions

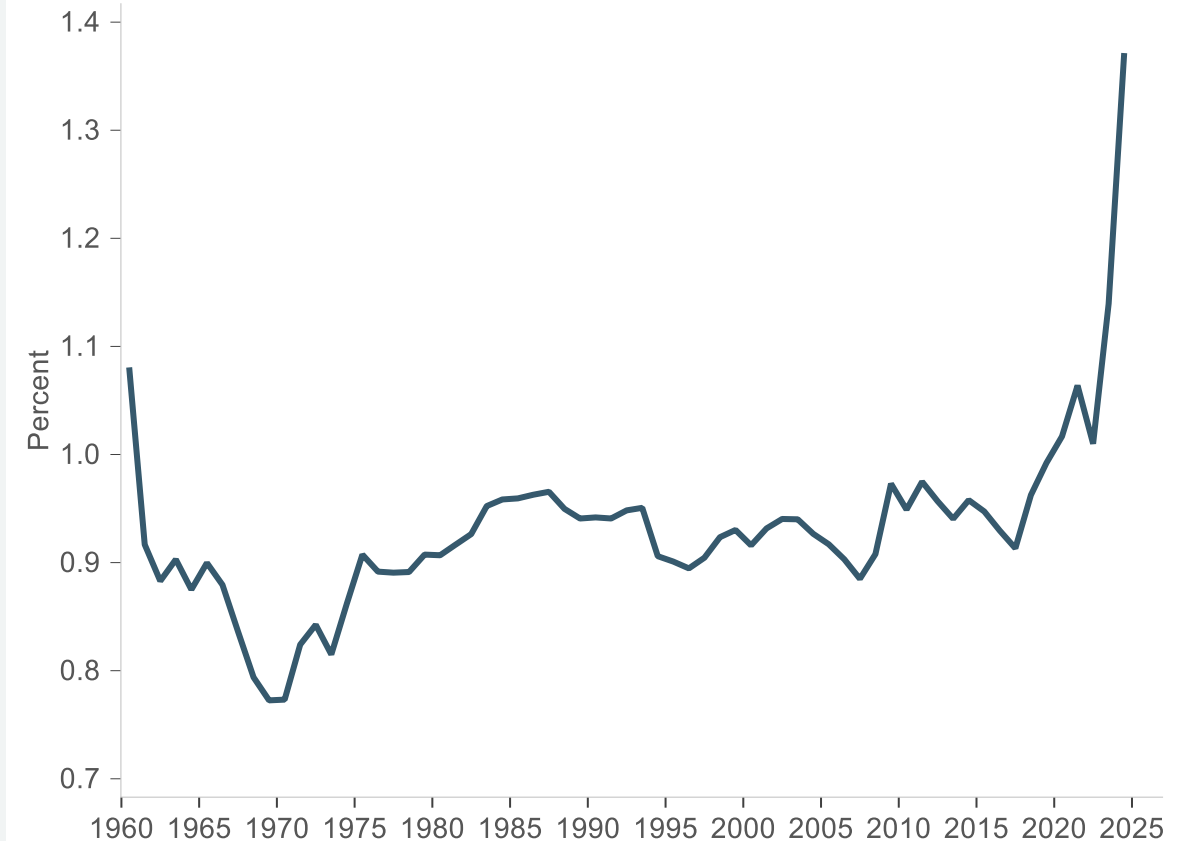
- Japan is moving beyond missile defense toward counterstrike capability and longer-range deterrence alongside the U.S.
- Procurement is shifting toward practical readiness: more missiles and ammunition, stronger logistics and storage, and better integrated air and missile defense.
- The 2024 purchase of Tomahawk missiles from the U.S. underscores the shift from purely defensive posture toward credible long-range deterrence.

What it means for markets

- Higher defense spending is becoming a multi-year funding stream, supporting steadier demand across defense production and related manufacturing.
- If markets believe policy is shifting from ultra-easy support toward security spending plus normalization, JGBs can trade with a higher floor on yields and a steeper curve bias.
- A credible deterrence pivot can also be read as a higher probability of domestic re-investment and less disinflation, which nudges inflation expectations and real yields higher at the margin.

Japan is lifting defense spending off postwar norms

— Japan defense spending as % of GDP



Sources: New York Life Investment Management, Global Market Strategy, World Bank, Macrobond, March 2026.

Emerging markets: New alliances, new advantages

Supply chains and security are converging, and policy choices are starting to separate emerging market winners from laggards.



Mexico: Nearshoring policy

- Mexico is actively nearshoring with incentives aimed at pulling manufacturing and supplier ecosystems into North America, turning geopolitics into a domestic growth strategy.
- The pitch is “rules + proximity”: Mexico can offer firms a way to diversify away from China while staying inside U.S. trade architecture and shortening supply lines.
- But in a security-first world, trade comes with strings – border enforcement, security cooperation, and supply-chain scrutiny can quickly become part of the investment equation.
- Market implication: nearshoring can be a durable tailwind for capex and exports, but returns will be more sensitive to U.S.–Mexico policy alignment and periodic flare-ups in trade/security negotiations.

Turkey: Building the “steel dome”

- Turkey is investing in a domestically built air-defense network (“steel dome”) as part of a broader push for defense industrial independence.
- Defense procurement is serving as industrial policy, supporting local champions and building an exportable security sector that also strengthens Turkey’s diplomatic leverage.
- Turkey’s geography gives it outsized influence in a fragmented world – its role across Europe, the Middle East, and the Black Sea makes alignment signals a recurring market input.
- Market implication: more domestic capability can improve resilience, but investors should price higher headline risk as Turkey’s balancing act between blocs becomes a feature, not a bug.

Indonesia: Nickel as leverage

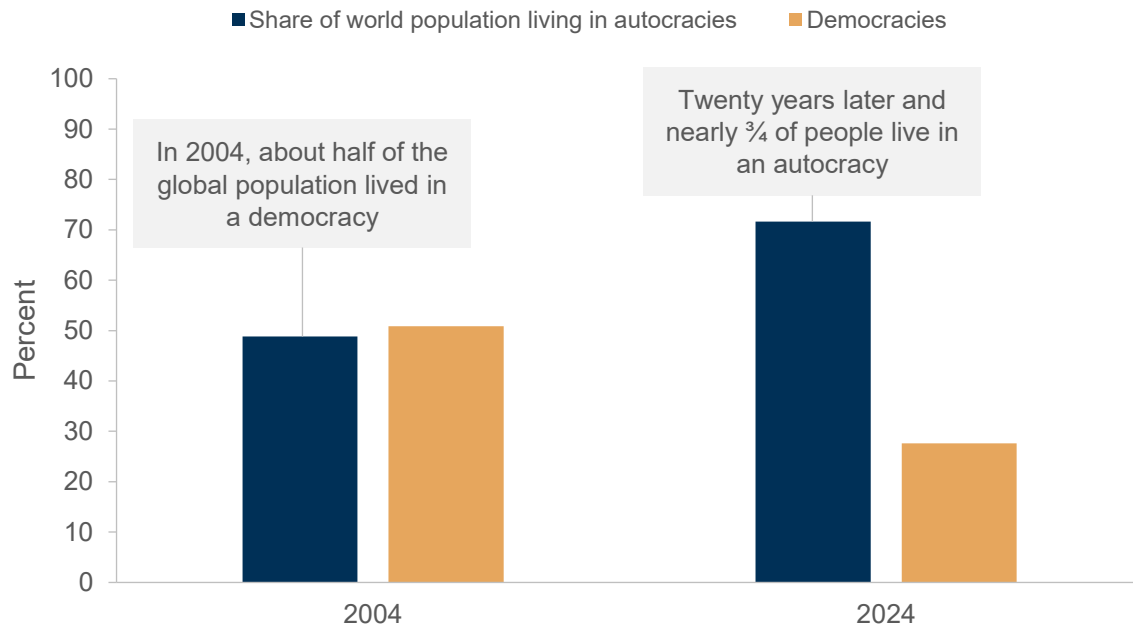
- Indonesia has turned resource policy into industrial policy, using export restrictions and processing mandates to pull refining and tech supply-chain investment onshore.
- The leverage is geopolitical as well as economic because Indonesia produces roughly 60% of global nickel, so access to this critical input increasingly sits inside broader negotiations over market access, investment, and technology.
- A recent step in that direction is Indonesia’s 2025 mining-law change that prioritizes mining access for firms investing in domestic processing, reinforcing that value-add at home is becoming a condition of doing business.
- Market implication: more policy-driven supply tightness and episodic pricing shocks in critical-mineral inputs, alongside concentration risk in Indonesia-linked processing chains.

Global: the governing choice of the last two decades is out

Great power politics is a reminder that the liberal world order has been the exception, not the rule.

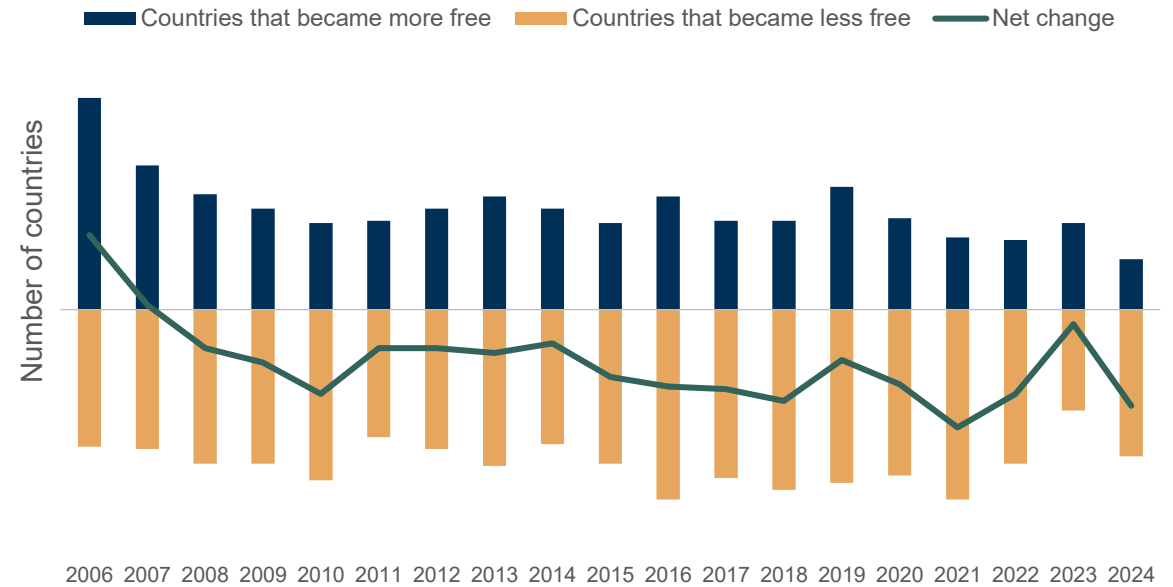
- A growing share of the world now lives under more centralized political systems, reversing the post-Cold War assumption of steady democratic convergence and reinforcing the rise of great power politics.
- Under autocracies, as decision-making concentrates and checks and balances weaken, policy becomes harder to handicap and more prone to sudden shifts in regulation, capital controls, industrial policy, and foreign policy posture.
- For markets, that raises “rules volatility”: contracts, property rights, and enforcement become more contingent, increasing the value of strong legal structures, counterparties, and political alignment.
- An example is China’s 2021 crackdown on after-school tutoring, which barred for-profit tutoring in core school subjects and restricted capital-raising, which represented an overnight policy shift that effectively reset the sector’s business model and crushed listed education stocks.

More of the world now lives under autocracy



Sources: New York Life Investment Management, Global Market Strategy, V-Dem, March 2026.

Global democracy is on the defensive



Sources: New York Life Investment Management, Global Market Strategy, Freedom House, March 2026.

4

Assessing geopolitical risks through the lens of regime change



During regime change, event risks are more likely to become paradigm shifts

The global economy is undergoing a major geopolitical transition. This increases the likelihood and severity of geopolitical risk in our view.

- Regime change weakens the institutional and ideological anchors that typically preserve the status quo. When old norms lose legitimacy, and new power structures haven't fully consolidated, the system becomes more malleable. This opens the door for event risks – conflicts, shocks, or crises – prompting deeper structural change. In essence, regime change creates a political and economic vacuum where new ideas, coalitions, and policy models can rapidly take root.
- There is no exact science for how a geopolitical event evolves into a paradigm shift. So, if investors should expect paradigm shifts to become more likely in this period of regime change, how should they adapt? In this section, we illustrate three concrete case studies illustrating how geopolitical circumstances, actors, preferences, and constraints shape the economic and market impact of geopolitical shocks. In the next section, we provide tangible, investable ideas for how investors can prepare.

Only the case studies from this report are included on this timeline



Views of the New York Life Investment Management Global Market Strategy team, 2026. For illustrative purposes only.

From geopolitical events to paradigm shifts: Three case studies

These recurring global themes demonstrate how geopolitical shocks both reflect and reinforce regime change.

Russian aggression

Russia's annexation of Crimea unsettled the status quo but had minimal impact on global allocation. Later, couched in global concerns about inflation and supply chains, Russia's invasion of Ukraine prompted a full-scale shift in the investment outlook especially in energy insecurity and inflation awareness.

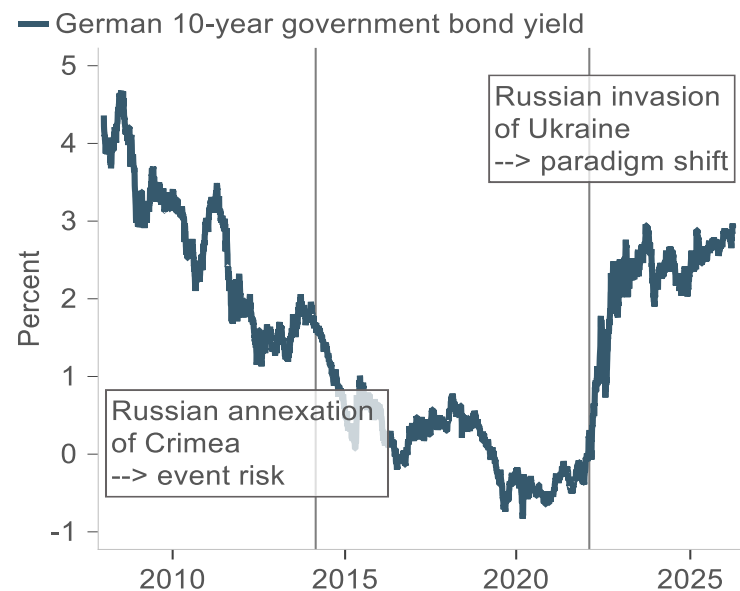
Middle East conflict

In the leadup to the Gulf War, global economies – including the U.S. – were energy price takers, having relied on global energy markets secured by the U.S. By contrast, the instability of the Arab Spring accelerated the uptake of new technology (fracking) and the U.S. transition to oil price maker, or marginal supplier.

U.S.-China competition

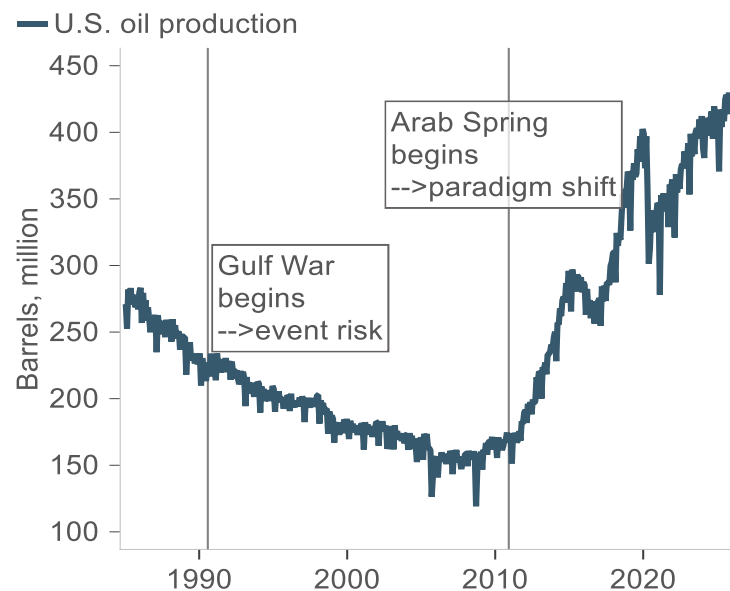
In the early 2000s, during a currency between the U.S. and China, tensions were mostly diplomatic – not backed by tariffs or concrete penalties. Supply chains and asset prices mostly stayed put. By contrast, the 2018-2019 trade war included real tariffs. Uncertainty around costs and operations resulted in a real diversification of supply chains.

Paradigm shift: German bond yields



Sources: New York Life Investment Management, Global Market Strategy, Macrobond Financial AB, Macrobond, March 2026.

Paradigm shift: U.S. oil production



Sources: New York Life Investment Management, Global Market Strategy, Energy Information Administration (EIA), Macrobond, March 2026.

Paradigm shift: U.S.-China decoupling



Sources: New York Life Investment Management, Global Market Strategy, U.S. Census Bureau, Macrobond, March 2026.

Russian aggression: Geopolitical event vs. paradigm shift (1/2)

Russia’s annexation of Crimea unsettled the status quo. Russia’s invasion of Ukraine rewrote it.

Russia’s annexation of Crimea unsettled the status quo but had minimal impact on global allocation. Later, couched in global concerns about inflation and supply chains, Russia’s invasion of Ukraine prompted a full-scale shift in investment outlook, organized around energy insecurity and inflation awareness.

Geopolitical event: Russia annexes Crimea (2014). *Russia’s annexation of Crimea signaled the fragility of the U.S.-led global system, but the geopolitical fallout was limited. In particular, the subdued use of sanctions suggested that the benefits of economic ties and trade outweighed confrontation for key actors.*

- **Trigger | Security shock:** The 2014 Euromaidan protests topple Ukraine’s pro-Russian government, pushing the country toward the EU and NATO; Moscow seizes Crimea to protect its Black Sea Fleet and buffer zone.
- **Policy response | Targeted sanctions:** U.S. and EU impose targeted sanctions on specific individuals, companies, and imports – signaling that trade links still trump confrontation.
- **Market and strategic impact | Minimal disruption:** Energy flows, supply chains, and risk premia snap back quickly; Russia shifts a bit closer to China, but global norms stay intact.

Paradigm shift: Russia invades Ukraine (2022). *Occurring amid investor concerns about supply chains, inflationary pressures, and resource independence, Russia’s invasion of Ukraine reshaped the geopolitical landscape.*

- **Trigger | NATO rejects Russian demands:** The Kremlin launches a multi-front assault claiming Ukrainian territory, but underestimated Ukraine’s resistance and Western military support.
- **Policy response | Sanctions and energy weaponization:** Western coalition freezes foreign exchange reserves, cuts banks from SWIFT; Moscow slashes gas exports to Europe.
- **Market and strategic impact | Structural realignment:** Europe rewires energy capacity toward liquid natural gas (LNG), defense budgets surge, and Moscow deepens a “no-limits” economic and security partnership with Beijing.

How the Russian invasion signposted the rise of great power politics

U.S.-led world order (Pre-invasion)	Great power politics (Post-invasion)
Energy markets are global and efficient	Energy is a strategic asset and access must be secured
Trade fosters peace	Trade dependencies can be exploited
Sanctions are rare and targeted. Financial markets are apolitical	Sanctions are widespread and systemic. Financial markets are strategic tools
Efficiency over resilience: Global supply chains drive costs down	Resilience over efficiency: critical resources require national control
U.S. allies’ defense budgets can remain low (peace dividends)	Defense spending returns; elevated geopolitical risk premium

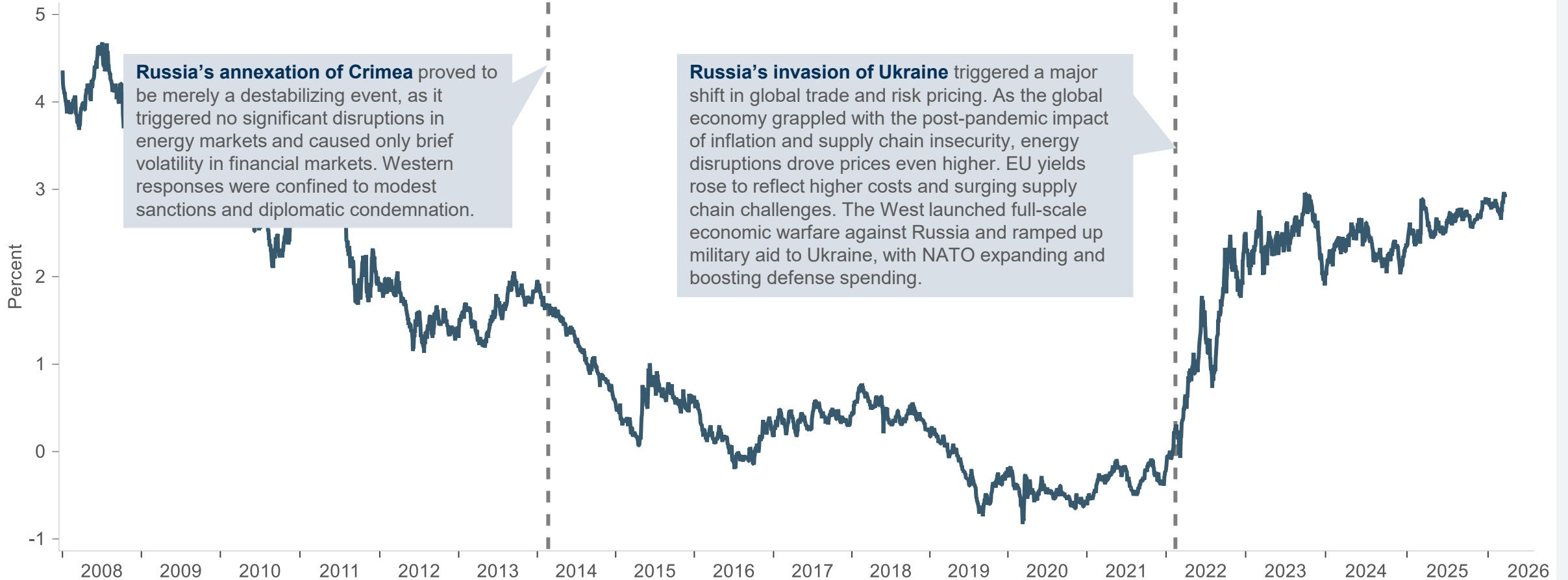
Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

Russian aggression: Geopolitical event vs. paradigm shift (2/2)

Unlike after its annexation of Crimea, Russia's invasion of Ukraine forced investors to rethink the impact of geopolitical disruption.

German bond yields saw a structural move higher following the Russian invasion of Ukraine

— German 10-year government bond yield



Sources: New York Life Investment Management, Global Market Strategy, Macrobond Financial AB, Macrobond, March 2026.

Middle East conflict: Geopolitical event vs. paradigm shift (1/2)

The Gulf War secured oil flows; the Arab Spring rewired them.

In the leadup to the Gulf War, global economies – including the U.S. – were energy price takers, having relied on global energy markets secured by the U.S. By contrast, the instability of the Arab Spring accelerated the uptake of new technology (fracking) and the U.S. transition to oil price maker, or marginal supplier.

Geopolitical event: The Gulf War (1990). *Iraq's invasion of Kuwait exposed the fragility of global energy security, but decisive U.S.-led intervention and coordinated supply efforts contained the fallout and preserved the global status quo.*

- **Trigger | Iraq invades Kuwait:** Saddam Hussein's forces overrun Kuwait, threatening a key oil producer and risking broader regional instability, drawing global condemnation.
- **Policy response | Coalition intervention:** U.S.-led Desert Storm expels Iraqi forces while Saudi Arabia and other producers ramp up output, ensuring global supply remains steady.
- **Market and strategic impact | Contained shock:** Oil spikes then retrace; supply chains and the globalization narrative remain intact.

Paradigm shift: The Arab Spring (2011). *A wave of uprisings shattered regional stability, disrupting oil production and accelerating a long-term shift in Western energy policy – away from Middle East dependence and toward diversification and self-sufficiency.*

- **Trigger | Mass uprisings:** Popular revolts topple regimes in Tunisia, Egypt, Libya and ignite civil wars in Syria and Yemen.
- **Policy response | Prolonged instability:** Fragmented governments and disrupted output erode OPEC cohesion while the U.S. accelerates shale production.
- **Market and strategic impact | Security over price dominates:** Supply shocks push the U.S. to restructure energy policy to reduce reliance on imports and prompt Europe to diversify – expanding beyond Middle Eastern supply and investing more in LNG, renewables, and nuclear.

How the Arab Spring signposted the rise of great power politics

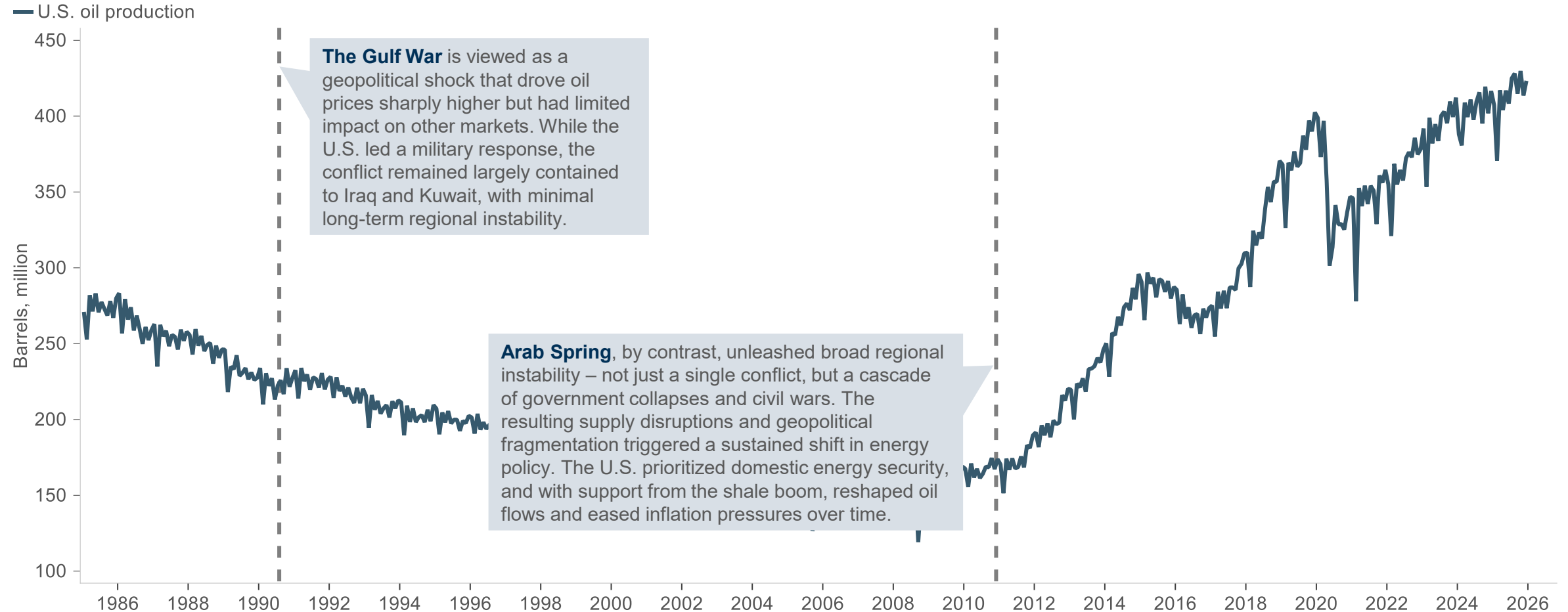
U.S.-led world order (Pre-trade war)	Great power politics (Post-trade war)
Trade liberalization benefits everyone	Trade is a zero-sum game
China's rise is good for global markets	China's rise is a threat to Western dominance / economic rivalry
Tariffs are outdated	Tariffs are a tool of economic warfare
Multilateral institutions (WTO, IMF) will prevent major trade disputes	WTO is sidelined
Tech is neutral and global	Tech is a battleground
The U.S. and China are economic partners first	The U.S. and China are strategic rivals first

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

Middle East conflict: Geopolitical event vs. paradigm shift (2/2)

The Gulf War prompted a temporary disruption in energy markets; Arab Spring contributed to a complete reshuffling of energy priorities.

After pulling out of shale production due to cheap oil in the 1980s, energy producers ramped up when instability pressured prices higher



Sources: New York Life Investment Management, Global Market Strategy, Energy Information Administration (EIA), Macrobond, March 2026.

China competition: Geopolitical event vs. paradigm shift (1/2)

U.S.-China competition has intensified over time.

In the early 2000s currency dispute between the U.S. and China, tensions were mostly diplomatic – not backed by tariffs or concrete penalties. Supply chains and asset prices mostly stayed put. By contrast, the 2018-2019 trade war included real tariffs. Uncertainty around costs and operations resulted in a real diversification of supply chains.

Geopolitical event: Currency dispute (early 2000s). *Mounting U.S. trade deficits brought attention to China’s currency management policies, but U.S. reactions were limited. Markets interpreted the tension as manageable within existing frameworks of globalization.*

- **Trigger | Undervalued-RMB debate:** Surging U.S. trade gap and job losses spark charges that Beijing’s fixed yuan is an unfair subsidy.
- **Policy response | Diplomatic pressure:** Treasury reports, Senate bills, and WTO dialog push Beijing to abandon its hard currency peg against the U.S. dollar.
- **Market and strategic impact | Status quo holds:** Despite heated rhetoric and political posturing, trade between the U.S. and China continued to expand. China adjusted its currency peg to a basket of global currencies (not just the U.S. dollar) and continued embedding itself in global supply chains. U.S. corporations deepened their presence in Chinese markets.

Paradigm shift: U.S.-China trade war (2018). *Breaking with decades of globalization orthodoxy, the trade war marked a structural turn toward decoupling. Investors began to price an enduring fragmentation of supply chains and a less cooperative global trading regime.*

- **Trigger | IP-theft and forced-tech claims:** A Section 301 investigation frames China as a strategic threat to U.S. technology leadership.
- **Policy response | Tariff barrage:** Washington slaps duties on ~\$360 billion of imports; Beijing retaliates in kind, and both sides layer on export controls and subsidy races.
- **Market and strategic impact | Rise of protectionism:** The trade war locks in a bipartisan U.S. retreat from free-trade norms to lasting tariffs and industrial policy.

How the trade war signposted the rise of great power politics

U.S.-led world order (Pre-trade war)	Great power politics (Post-trade war)
Trade liberalization benefits everyone	Trade is a zero-sum game
China’s rise is good for global markets	China’s rise is a threat to Western dominance / economic rivalry
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The U.S. and China are economic partners first	The U.S. and China are strategic rivals first

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

China competition: geopolitical event vs. paradigm shift (2/2)

Where the U.S.-China currency dispute had little immediate market impact, the broader trend of competition is re-working global systems.

The trade war exemplifies the start of U.S.-China economic decoupling

— China's share of U.S. trade deficit



The **U.S.-China currency dispute** in the early 2000s caused temporary market jitters but no lasting volatility, marking only a mild geopolitical disruption. China ultimately re-worked its currency peg to include a basket of global currencies (vs. only the U.S. dollar), but the U.S.-China relationship remained intact.

The **U.S.-China trade war** marked a paradigm shift in the U.S.-China relationship, deepening strategic rivalry and driving the long-term decoupling of the two economies. Initiated by Trump and upheld under Biden, the trade war signaled a fundamental shift in U.S. foreign policy toward protectionism. In response, supply chains have been restructured and diversified, with countries like Vietnam and Mexico emerging as key beneficiaries.

Sources: New York Life Investment Management, Global Market Strategy, U.S. Census Bureau, Macrobond, March 2026.

5 Positioning portfolios for regime change



What does regime change mean for asset allocation?

Regime change shifts what diversifies, what hedges, and what breaks in a shock.

- Regime change means geopolitics is no longer a tail risk, it is a repeatable source of volatility and dispersion.
- Geopolitical risk, however, is challenging to manage because of its core principles: it is difficult to anticipate, and its impacts can be unevenly felt. These realities require investors to think more in terms of long-term trends and frameworks – no easy feat. The rising incidence and intensity of geopolitical events may also require investors to do more to prepare portfolios for consistent disruption.
- Actionable strategies, such as adding geopolitically-aware asset classes, geographic diversification, and reassessing allocations through the lens of structural political and economic shifts may help investors to prepare.
- **Buy the macro volatility portfolio (slide 39)**
 - Certain asset classes tend to move more quickly when a geopolitical event occurs. Adding exposure to those asset classes may help prepare portfolios for the rise in incidence of geopolitical events.
- **Diversify country exposure (slide 40)**
 - The impact of geopolitical events often depends on where you sit. Geographic diversification, therefore, remains a vital defense against the un-anticipatable. By reducing portfolio exposure to regions with elevated geopolitical risk, investors can help mitigate overall volatility.
- **Position for regime change (slide 41)**
 - Regime change can be approached thematically. Investors can build exposure to durable policy-driven themes like defense rearmament, supply-chain redundancy, and the rise of autocracy, while trimming exposure to sectors and assets dependent on frictionless globalization.

The trading rules of the past regime may not work in this new regime



Sources: New York Life Investment Management, Global Market Strategy, Macrobond Financial AB, Federal Reserve, Macrobond, March 2026.

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

Embracing geopolitical risk through its transmission mechanisms

Owning a “macro volatility” satellite may prepare portfolios for disruption via three key geopolitically-aware asset classes.

- Certain asset classes tend to move more quickly when a geopolitical event occurs. Adding exposure to those asset classes may help prepare portfolios for the rise in incidence of geopolitical events.
- Our “macro volatility” portfolio is an equal-weighted portfolio of oil, gold, and bitcoin, sourced as a small satellite from equity. These asset classes were chosen due to their historical role as key transmission mechanisms of geopolitical shocks.
 - **Oil:** Geopolitical tensions often disrupt energy supply chains, leading to higher oil prices (1973 oil embargo, 1990 Gulf War). The inflationary energy channel is one primary way that geopolitical events, specifically adverse supply shocks, impact the real economy, prices, and therefore, risk assets.
 - **Gold:** In times of greater uncertainty, geopolitical risk often transmits through a deflationary macro channel, dampening growth and activity. Gold tends to benefit, not just from inflation concerns, but from falling real rates, financial stress, central bank activities, and its role as a safe-haven asset. The run up in the price of gold since 2024 reflects rising demand for geopolitical insurance as policy uncertainty and fragmentation increase.
 - **Bitcoin:** The post-pandemic environment has been defined by fluctuating market liquidity. Bitcoin is included as a proxy for liquidity-driven risk-taking, increasingly, a speculative bet on regime change. This asset may also benefit from any rise in U.S. dollar-based uncertainty as the U.S.-led world order changes.

Owning macro volatility may be the trade of the 2020s



Sources: New York Life Investment Management, Global Market Strategy, Macrobond Financial AB, Macrobond, March 2026.

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

Regime change is raising the diversification dividend

As markets de-synchronize, country outcomes matter more and active decisions have more room to add value.

Regime change increases the benefits of diversifying international exposure

- In a world defined by great power politics, markets move less in lockstep. Policies, supply chains, and shocks are more local, so one country's headlines do not drive everyone else the same way. When markets are less synchronized, diversification works better.
- Our rolling map supports this. The GMS team measured the correlation between the S&P 500 and foreign markets where data was available. The links between the S&P 500 and many foreign markets are weaker in 2025 than in 2015, which means the diversification dividend is higher today.
- For investors, that suggests adding non-U.S. exposure reduces overall swings and creates more chances for country and sector winners to stand out.

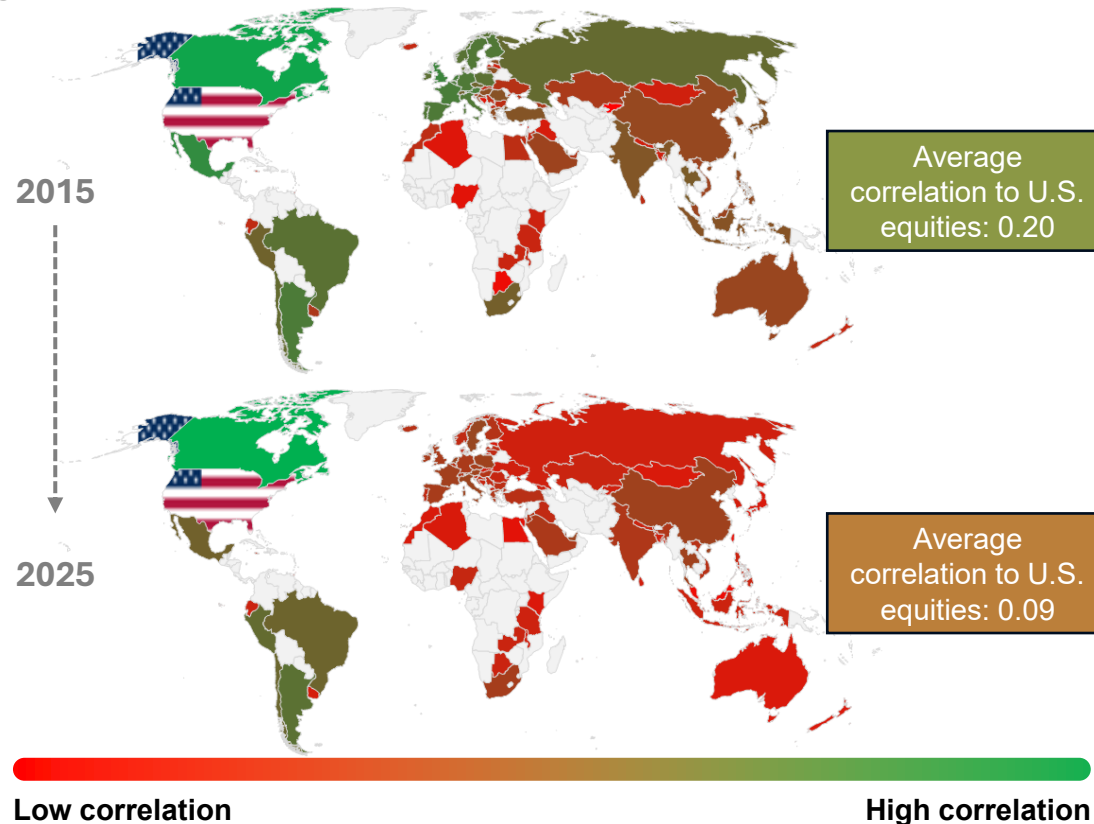
Active management stands out during periods of geopolitical stress

- Published research¹ suggests active managers can partially shield performance from geoeconomic shocks by reallocating away from exposed sectors, supply chains, and jurisdictions.
- When policy risk drives dispersion, security sensitive exposures become more idiosyncratic, increasing the value of geopolitically-aware security selection and country tilts.
- Active managers can respond as rules change, shifting along the margin between winners and losers as tariffs, sanctions, and export controls are announced, escalated, or reversed.
- The takeaway is not that passive fails, but that in a more fragmented world the beta is less reliable and the opportunity set for active, selective risk taking is larger.

¹"Navigating Geoeconomic Risk: Evidence from U.S. Mutual Funds"

Diversification delivers more value in this new regime

Correlation heat map vs U.S. equities: a darker map means less co-movement with U.S. markets



Views of the New York Life Investments Management, Global Market Strategy, March 2026. For illustrative purposes only.

Core themes for investing in a security-first world

Portfolio considerations for the rise of great power politics.

- Regime change from a U.S.-led world order to great power politics carries significant implications for global economic organization and policy decision-making.
- In an era defined by great power politics, investors should focus on managing portfolio exposure to inflation and political volatility by prioritizing real assets, commodities, infrastructure, and resilient (or beneficiary) sectors.

Theme	Approach	Portfolio shift
Long U.S. resilience, short global interdependence	Position for domestic reindustrialization and higher prices	<ul style="list-style-type: none"> • <i>Add inflation-aware asset classes:</i> TIPS, real assets • <i>Build income across asset classes:</i> Dividend-paying equities; high-yield corporate bonds
Autocracy risk premium rising	Buy the macro volatility portfolio	<ul style="list-style-type: none"> • <i>Satellite exposure:</i> equal parts oil, gold, and bitcoin, implemented as a small satellite exposure sourced from equity • <i>Diversify country exposure:</i> The benefits of diversifying country exposure are likely to grow as globalization weakens and national economic trajectories diverge
Declining appeal of multilateralism	Lean into the U.S.-economic bloc; hedge currency volatility	<ul style="list-style-type: none"> • <i>Favor markets aligned with the U.S. bloc,</i> i.e. Mexico, Taiwan, South Korea, India • <i>Manage currency risk:</i> Consider a 50% currency hedge as currency volatility is likely to be higher as national trajectories diverge.
New Cold War fiscal impulse	National security is becoming a justification for industrial policy and large-scale public investment	<ul style="list-style-type: none"> • <i>Overweight domestic champions and beneficiary sectors:</i> Industrials, energy, semiconductors, cybersecurity, and defense • <i>Capture global megatrends:</i> Digital and energy infrastructure may benefit from the confluence of geopolitical trends and global economic needs (e.g. artificial intelligence).
Fortress America is investable	Adapt to new drivers of economic growth	<ul style="list-style-type: none"> • <i>Lean into active management:</i> Dispersion is rising, so selection matters more than beta. • <i>Remember the “old economy” toolkit:</i> Metals, minerals, and the industrial and energy supply chains behind them matter again.

Opinions of New York Life Investment Management, Global Market Strategy, March 2026.

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