



Geopolitical Risk:
The new market regime?

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Geopolitical Risk: The New Market Regime?

Geopolitical shocks arrive suddenly and reprice assets through two simultaneous channels: energy and commodity markets respond to supply-route fears and sanctions, while governments accelerate defense budgets in ways that create durable structural demand. The combination creates sector-specific opportunities and correlation breakdowns that tend to invalidate conventional diversification.

\$2.72T

Record global defense spending 2024 (SIPRI)

23

NATO members meeting 2% GDP target in 2024 (vs. 3 in 2014)

\$101

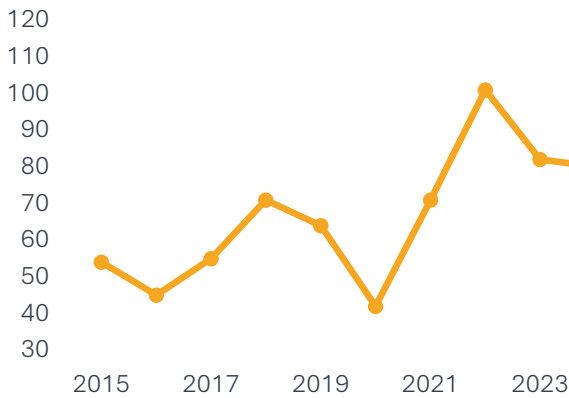
Brent crude avg. 2022 (USD/bbl) — Ukraine invasion premium

20%

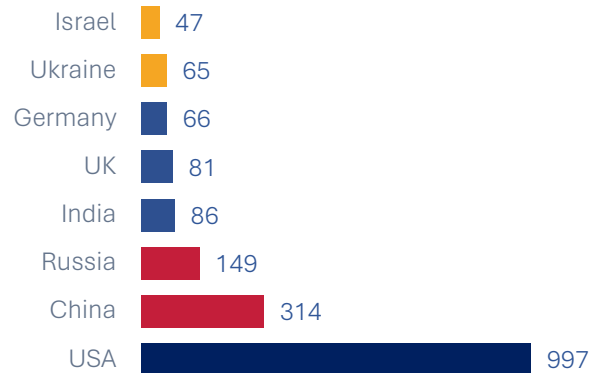
Global oil supply transiting Strait of Hormuz

ENERGY: THE FIRST TRANSMISSION CHANNEL

Brent Crude Annual Average (USD/bbl), 2015-24

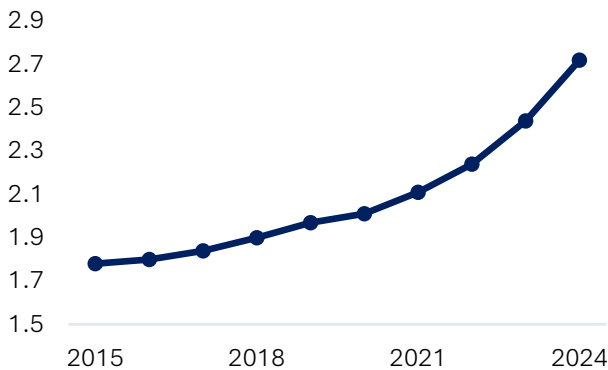


Largest Defense Budgets, 2024 (USD Billions)

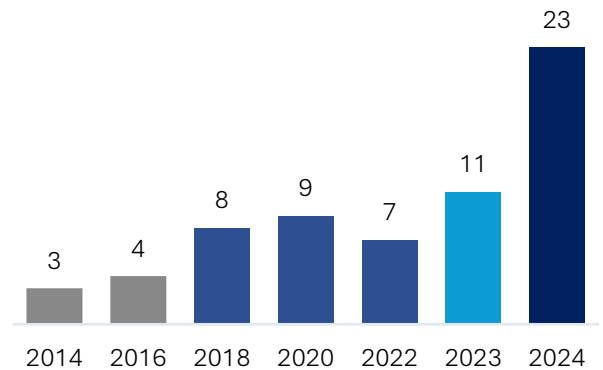


DEFENSE: STRUCTURAL DEMAND RESET

Global Military Expenditure (USD Trillions), 2015-24



NATO Members Meeting 2% GDP Defense Target



For institutional portfolios, geopolitical risk does not have to mean blanket defensiveness — but it should mean identifying the transmission channels. Energy and commodity names exhibit asymmetric volatility tied to the location and nature of each shock, while defense equities increasingly behave as a partial safe haven during crises, supported by government spending mandates. The response: selective exposure to defense and resource producers, paired with long volatility or quality tilts that reduce correlation to conflict-driven supply disruptions. Geopolitical risk-factor budgeting, scenario analysis, and position sizing discipline are now arguably essential.



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