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Geopolitics, Trade Realignment, and Policy Risk

Geopolitical developments are no longer just background noise for investors. In 2026, they are increasingly central to how markets behave, how companies allocate capital, and how governments shape economic policy.

Trade policy is becoming more explicitly tied to national security and strategic competition, while regional conflicts and political rivalries continue to influence energy markets, supply chains, and business confidence.

For clients, the practical implication is that geopolitics now affects portfolios more directly and more often than many had grown accustomed to in earlier decades.

One of the clearest examples is the realignment of global trade. Research from international and policy organizations shows that tariffs, industrial policy, and tighter national regulations are reshaping trade flows and prompting companies to diversify suppliers and production footprints. Instead of relying on maximum efficiency or the lowest-cost global model, many firms are building more redundancy into their operations through regional sourcing, "friend-shoring," or strategic inventory management.

While this can improve resilience, it may also increase costs and create new winners and losers across industries.

For investors, these changes can affect corporate earnings in subtle but significant ways. A company that appears fundamentally strong may still face margin pressure if it must relocate production, absorb tariffs, or manage more complex logistics. On the other hand, firms positioned to benefit from domestic manufacturing incentives, infrastructure spending, or supply-chain restructuring may see stronger demand and more durable profitability. This is why top-down geopolitical awareness and bottom-up security analysis increasingly need to work together.

Policy risk also extends well beyond trade. Ongoing war in Ukraine, tensions in the Middle East, and unresolved strategic competition among major powers continue to shape the outlook for energy, defense, currencies, and global capital flows. Country-risk analysts have highlighted the possibility that disruption in critical transit routes or renewed conflict escalation could cause spikes in oil prices and broader market volatility. Even when those events do not derail the global economy, they can change investor sentiment quickly and produce sharp short-term repricing across assets.

This is one reason diversification remains such an important advisory principle. Geopolitical events are difficult to predict and often even harder to trade successfully in real time. A diversified portfolio cannot eliminate risk, but it can reduce the damage that comes from having too much exposure to a single region, sector, currency, or policy outcome.

For example, blending domestic equities with international exposure, pairing growth holdings with high-quality fixed income, and maintaining liquidity for short-term needs can all improve resilience in a policy-driven market environment.

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"Change is not a risk to be managed; it is a landscape to be navigated."

– PETER DRUCKER

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(continued)

Advisors can also add value by helping clients distinguish between structural changes and temporary noise. Not every headline warrants a portfolio adjustment. However, some developments do justify a closer review, especially when they affect taxation, tariffs, regulation, industrial subsidies, or market access in strategic sectors. Over time, these policies can reshape competitive landscapes and alter expected returns in ways that should be reflected in long-term asset allocation and manager selection.

Scenario planning is a useful tool in this setting. Rather than trying to predict the next crisis, advisors can examine how a portfolio might respond to different shocks, such as renewed tariff escalation, a sustained energy disruption, or a sharper slowdown in global trade. That process can reveal hidden concentrations and help clients understand where they are more exposed than they realize. It also reinforces a broader planning truth: resilience is usually built in advance, not in the middle of the event itself.

Looking at the current environment through an investor lens, the main lesson is not that geopolitics should dominate every financial decision. It is that geopolitics and policy now deserve a permanent place in portfolio conversations. Clients who understand that reality are better positioned to stay calm during periods of uncertainty and to appreciate why disciplined diversification, periodic reviews, and long-term perspective remain essential in an increasingly fragmented global economy.

WE WILL BE CLOSING EARLY ON FRIDAY, SEPTEMBER 4TH AND CLOSED ON MONDAY, SEPTEMBER 7TH IN OBSERVANCE OF LABOR DAY.