



# Geopolitical risk in a shifting world order

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

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 competition**, economic nationalism, and rising conflict. **For investors, this shift is critical.**

### Avoiding geopolitical risk is becoming more complicated

Each box on the map highlights a primary source of regional geopolitical tension.

#### Outer space:

Growing geopolitical rivalries over satellite dominance and space resource extraction

#### Mexico:

Strained U.S. relations and growing cartel influence undermining political stability

#### United States:

Escalating trade tensions straining economic growth

#### South America:

Remigration pressures straining fiscal stability

#### Canada:

Rising resource nationalism and U.S. competition straining energy exports and trade relations

#### Arctic:

Intensified competition among Russia, China, and NATO over Arctic resources

#### Russia/Ukraine:

Prolonged conflict with no resolution in sight

#### Middle East:

Persistent geopolitical rivalries and proxy conflicts fueling regional instability

#### East Africa:

Worsening humanitarian crises and regional instability

#### North Korea:

Heightened regional tensions from increased nuclear and missile testing

#### China/Taiwan:

Severe cross-strait crisis due to intensified Chinese military and economic pressure

#### Australia:

Mounting competition with China over regional influence and trade dependencies



# An investor's toolkit

## Investment approach considerations for the return of great power politics

THEME	APPROACH		INVESTMENT IDEA
Incidence of geopolitical risk appears to be rising	Add a macro volatility portfolio	→	<ul style="list-style-type: none"> <li>Equal parts oil, gold, and bitcoin, implemented as a small satellite exposure sourced from equity</li> </ul>
Event risk can impact any country or region	Diversify country exposure	→	<ul style="list-style-type: none"> <li>The benefits of diversifying country exposure are likely to grow as globalization weakens and national economic trajectories diverge</li> </ul>
	Manage currency risk	→	<ul style="list-style-type: none"> <li>50% currency hedge</li> </ul>
Regime shift / event risks are more likely to become paradigm shifts	New world order is likely to push prices and rates higher	→	<ul style="list-style-type: none"> <li><b>Manage duration:</b> we prefer short-duration exposure or, when extending duration, a close eye to income generated per unit of interest rate volatility</li> <li><b>Add inflation-aware asset classes:</b> TIPS, real assets</li> <li><b>Build income across asset classes:</b> Dividend paying equities; high-yield corporate bonds</li> </ul>
		→	<ul style="list-style-type: none"> <li><b>Private assets:</b> Focus on areas of real value creation. We favor the lower middle market as an area more resilient to global changes and capital markets trends, especially as dry powder has been captured upmarket.</li> </ul>
	Economic nationalism is becoming more visible	→	<ul style="list-style-type: none"> <li><b>Overweight domestic champions and beneficiary sectors:</b> industrials, energy, semiconductors, cybersecurity, and defense.</li> </ul>
		→	<ul style="list-style-type: none"> <li><b>Capture global megatrends:</b> digital and energy infrastructure may benefit from the confluence of geopolitical trends and global economic needs (e.g. artificial intelligence)</li> </ul>
	Market risk is more politically-driven and non-economic	→	<ul style="list-style-type: none"> <li>Active management; quality equity and credit</li> </ul>

Opinions of New York Life Investments Global Market Strategy, April 2025.

# Global Market Strategy

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Weekly market update



From the desk...  
(timely response to market movement)



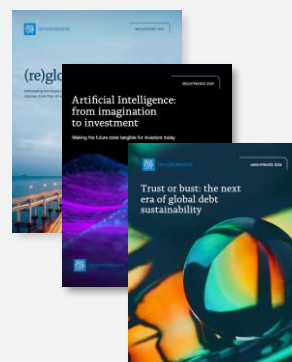
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### THOUGHT LEADERSHIP: *Thematic reports, portfolio construction, etc.*

#### Megatrends

- **Coming soon!** 2025 Megatrend: debt
- Artificial intelligence: from imagination to investment
- (re)globalization



#### Politics and geopolitics

- Geopolitical risk in a shifting world order
- Swan Lake: the risks that would most disrupt consensus in 2025



#### Private markets

- Global market outlook



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