



# Geopolitical Risk and Markets

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# Understanding Geopolitical Risk



## Power & Security Shifts

Changes in conflict risk, military posture, and security relationships can raise uncertainty.



## Alliances & Rivalries Evolve

Cooperation or competition between countries can reshape global rules, access, and stability.



## Trade, Tariffs & Sanctions Move

Policy actions can alter the flow of goods, capital, and technology across borders.



## Energy & Supply Chain Disrupt

Shocks to oil and gas, shipping routes, and critical inputs can affect inflation and growth.



## Markets React (Often Fast)

Geopolitical shocks can drive short-term volatility, even when long-term outcomes are driven more by fundamentals.

# Markets Don't Always Sell Off Due To Geopolitics

- Across more than 30 geopolitical risk events starting in 1939, markets initially react by trading lower but historically recovered losses within one week. In the majority of instances, markets were higher 12 months later.

## Equity Market Selloffs and Recoveries Around Geopolitical Events

	Time to Bottom (trading days)	Time to recover (trading days)	Size of selloff		1w from bottom	1m from bottom	3m from bottom	12m from bottom
Median	17	16	(6.3%)		+3.5%	+6.7%	+6.6%	+13.5%
Average	16	112	(7.6%)		+3.9%	+6.7%	+7.7%	+12.2%

## Subset of Geopolitical Events and Market Outcomes

Pearl Harbor	17	201	(10.8%)		+8.6%	+6.5%	(3.8%)	+15.3%
Kennedy Assassination	2	1	(2.8%)		+5.2%	+6.7%	+11.5%	+23.9%
9/11 Attacks	6	15	(11.6%)		+7.8%	+11.1%	+18.5%	(12.5%)
Russia Invasion of Ukraine	20	16	(9.1%)		+2.2%	+7.6%	(1.3%)	(4.3%)

In the sharpest sell off scenario, markets fell 26% in 3 weeks (WW II) and took >700 trading days to recover.

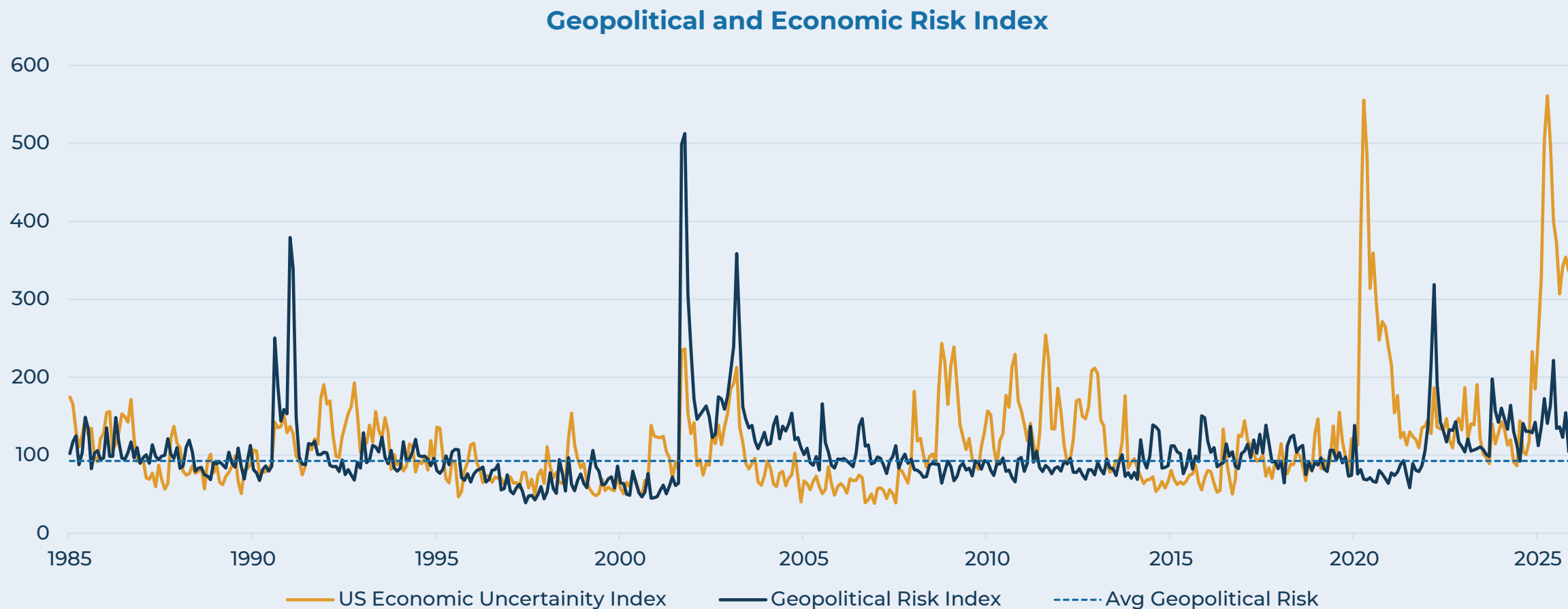
# Market Recovery After Geopolitical Events

- While outcomes vary by event, history shows that geopolitical-driven market declines have generally been followed by stabilization and recovery, with lasting damage being uncommon.



# Geopolitical Risk is More Frequent but Short-Lived

- Since 2020, geopolitical and policy uncertainty has increased, with more frequent and larger spikes. Historically, markets often absorb these episodes quickly and recover in the months that follow.



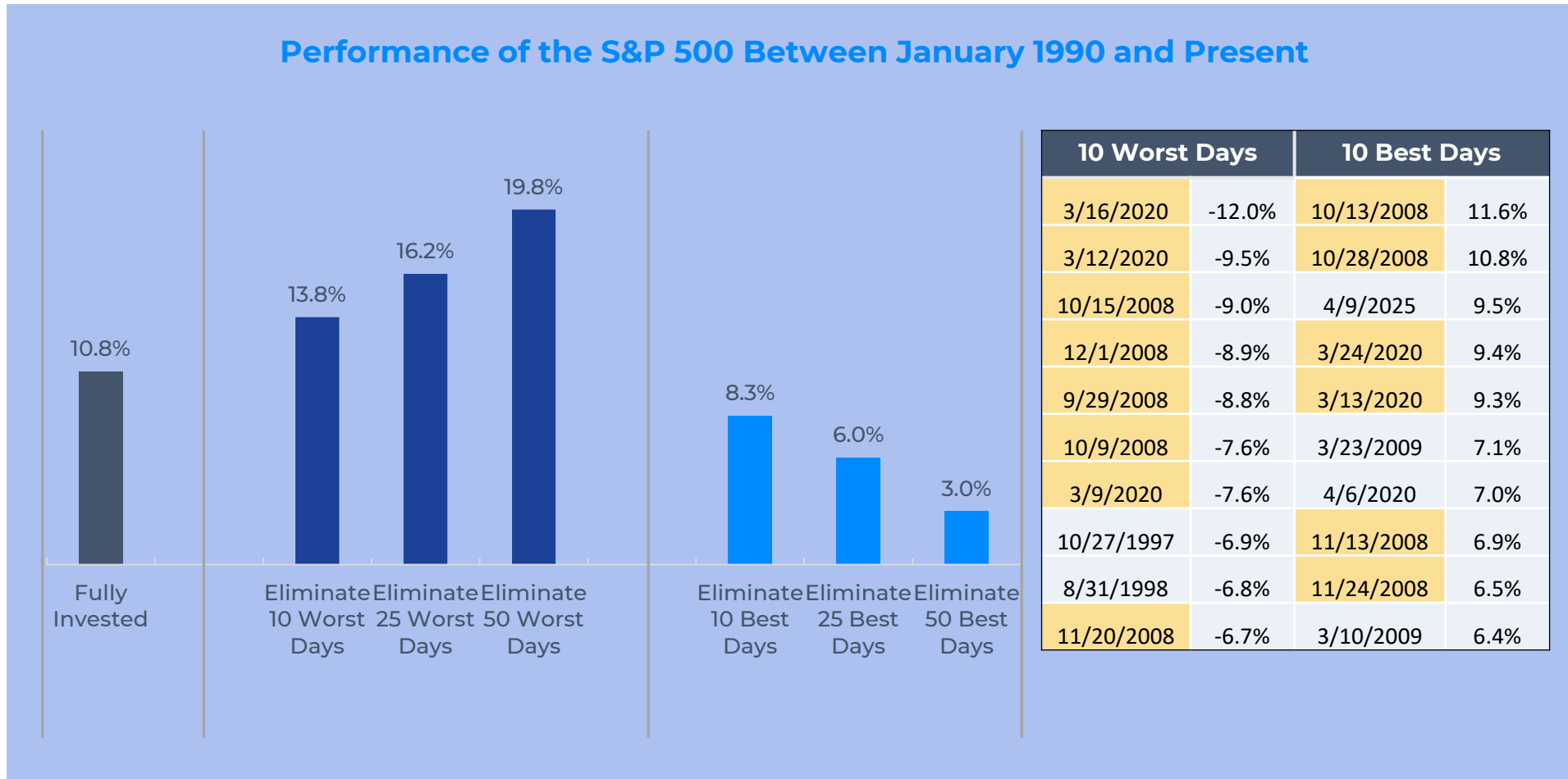
- Source: Federal Reserve Bank of St. Louis, Economic Policy Uncertainty (as of 12/31/2025)

# Frequency of Losses in the Stock Market

Size of Decline	Average Frequency	Average Length	Most recent occurrence
-5% or more	3x/year	39 days	November 2025
-10% or more	Every 16 months	127 days	March 2025
-15% or more	Every 3 years	230 days	April 2025
-20% or more	Every 5.5 years	335 days	June 2022

# The Cost of Panic Selling

It would be helpful to avoid the worst performing days and increase performance, but the best and worst days tend to occur close to one another.



# Recovery Timeline: How Long It Takes to Bounce Back

Since 2000, the U.S. equity market has experienced four drawdowns greater than 20%: **2000–02**, **2007–09**, **2020**, and **2022**.

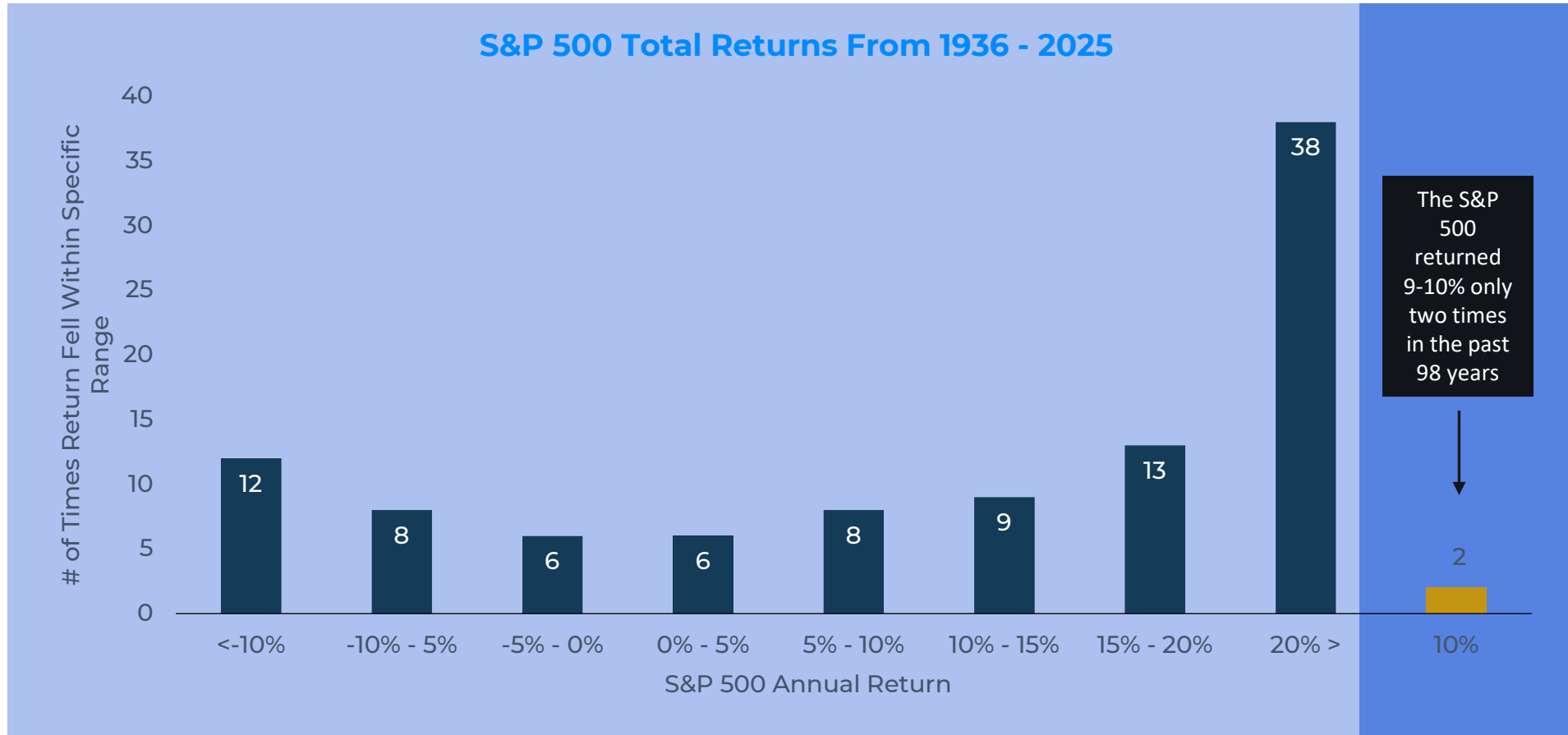
On average, it has taken three years for the stock market to reach a new high following a drawdown larger than 20%.

## S&P 500 Drawdowns >20% Since 1936

Start Date	End Date	Drawdown	3YR Fwd Return From Peak	5YR Fwd Return From Peak	Time to Achieve New High
<b>10/9/2007</b>	<b>3/9/2009</b>	<b>-55.3%</b>	<b>-4.5%</b>	<b>1.7%</b>	<b>4.5 Years</b>
3/10/1937	3/31/1938	-49.5%	-8.6%	-10.1%	7.0 Years
<b>9/4/2000</b>	<b>10/9/2002</b>	<b>-47.4%</b>	<b>-10.9%</b>	<b>-2.8%</b>	<b>6.0 Years</b>
1/11/1973	10/04/1974	-42.5%	-3.4%	-1.7%	3.0 Years
<b>2/19/2020</b>	<b>3/23/2020</b>	<b>-33.8%</b>	<b>8.2%</b>	<b>14.3%</b>	<b>6 Months</b>
5/15/1969	6/30/1970	-26.2%	3.8%	0.2%	2.0 Years
<b>1/3/2022*</b>	<b>10/12/2022</b>	<b>-24.5%</b>	<b>9.1%</b>	<b>4.5%</b>	<b>2.0 Years</b>
10/7/1987	10/20/1988	-23.9%	2.9%	8.5%	1.5 Months
3/30/1962	6/29/1962	-22.2%	10.7%	8.8%	1.0 Year
<b>AVERAGE</b>			<b>0.8%</b>	<b>2.6%</b>	<b>3.0 Years</b>

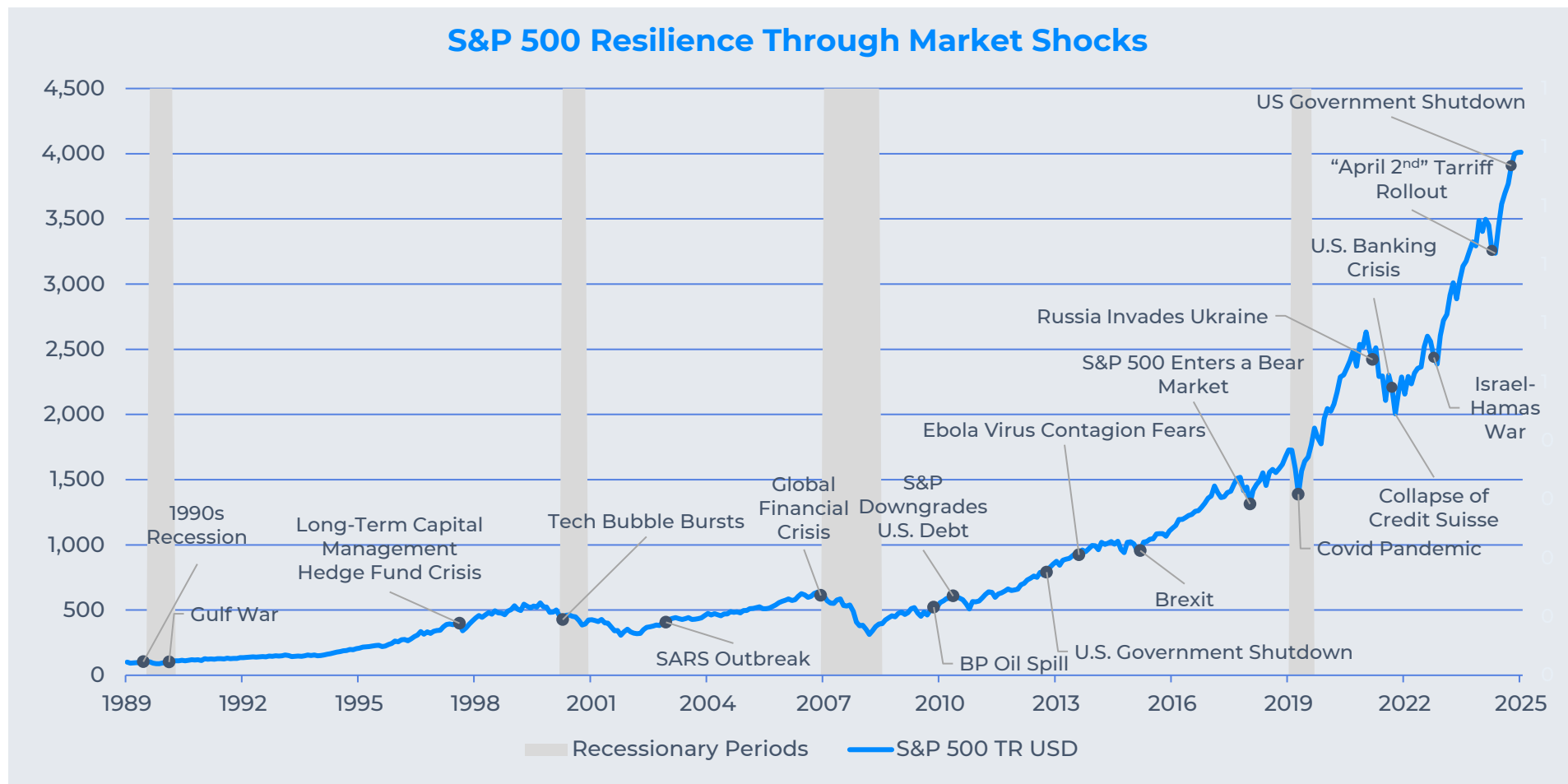
# The One Thing the Market (Almost) Never Does

- We have a long data history that tells us that the S&P 500 averages between 9-10% annually, a return that includes dividends. But in the last 97 years, the market has only generated returns near the average on 2 occasions.



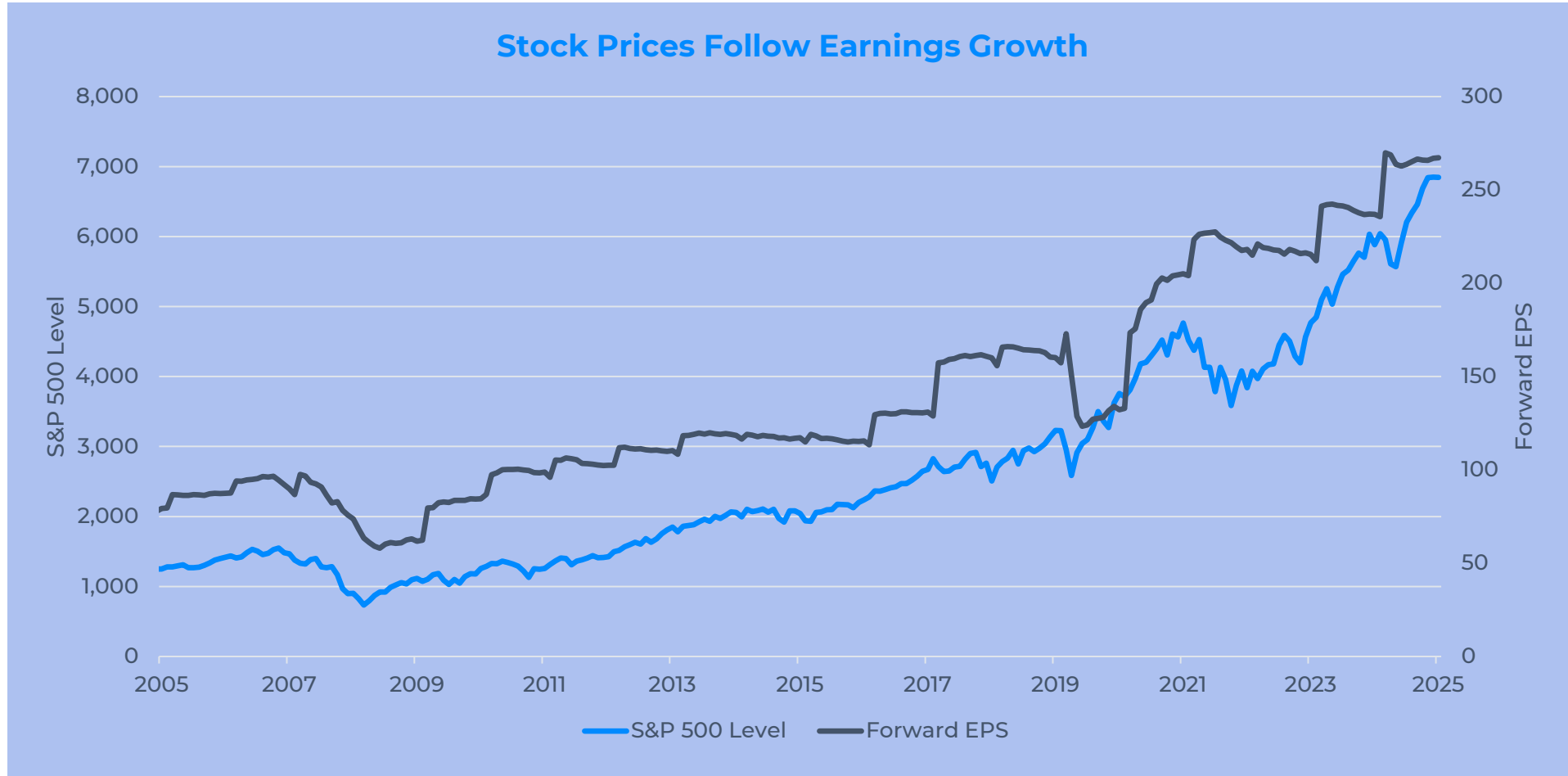
# Keeping a Long-Term Mindset

Markets have persisted through wars, government shutdowns, and other major shocks, and long-term investors have historically been rewarded for staying invested.



# In the Long Term: Fundamentals Win

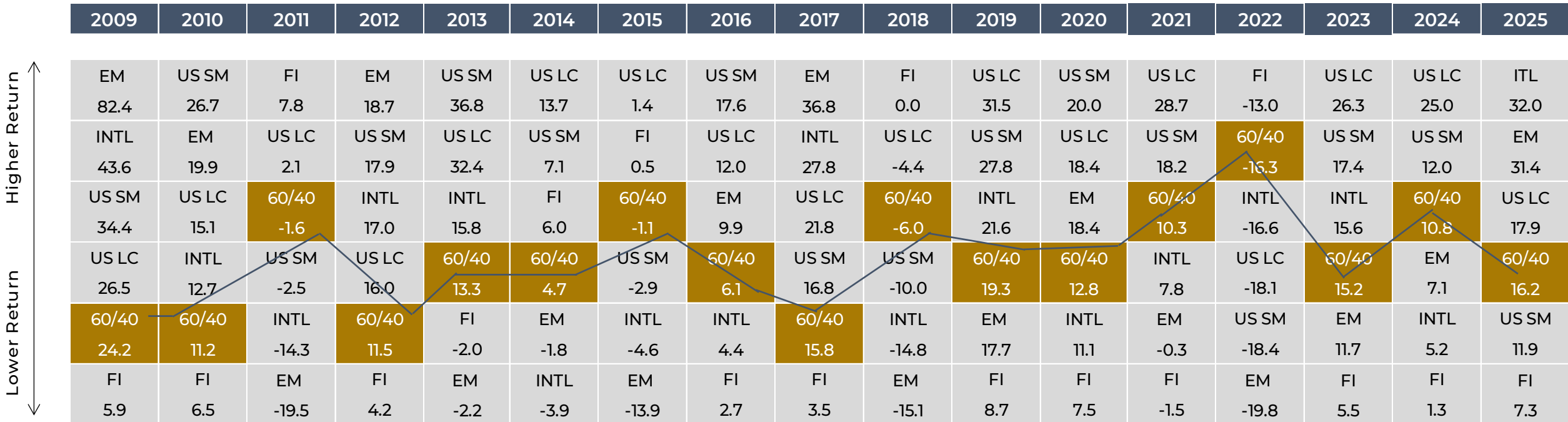
- Many factors may impact stock prices in the short-term, but in the long-run, stock prices tend to follow earnings growth.



# Diversification Creates a Smoother Ride



A well-diversified portfolio can provide a more stable experience than a single security or asset class while protecting against idiosyncratic risk.



US LC	Domestic Large Cap (S&P 500)	US SM	Domestic Small-Mid Cap (Russell 2500)	INTL	International (MSCI ACWI ex US IMI)
FI	Fixed Income (Bloomberg Barclays US Agg Bond)	60/40	60% ACWI / 40% Agg	EM	Emerging Markets (MSCI EM IMI NR)

• Source: Morningstar. (as of 12/31/2025)

# Steps to Take (Instead of Overreacting)

It's easy to feel anxious during market dips, but making impulsive changes can hurt your long-term goals. Remember, your plan accounts for these fluctuations.

**1. Check your plan**

*Make sure your investments still align with your goals and time frame.*

**2. Remember your short-term needs are covered**

*Cash and bonds are there to cover near-term needs.*

**3. Stay focused on the long-term**

*Short-term swings are normal, long-term growth is the goal.*

**4. Talk to your advisor**

*Your advisor can help you sort through the noise and stay grounded.*

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**Thank You**



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