



Market Insight – 6 March 2026

Markets Repricing Geopolitical Risk

Rising tensions in the Middle East have triggered a familiar market reaction: equities weaker at the open, oil higher and gold firmer as investors reassess geopolitical risk and move towards traditional safe havens.

Key Points

- Markets are adjusting to renewed geopolitical tension with higher energy prices and increased short-term volatility.
 - Defence allocations within client portfolios — including positions in **WisdomTree and VanEck ETFs** and selected companies — have performed strongly since March 2025.
 - Diversified portfolios remain designed to navigate periods of uncertainty without reacting to short-term market movements.
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Market Reaction

Escalating tensions in the Middle East have prompted a familiar response in financial markets. When geopolitical risk rises, markets typically reprice uncertainty quickly while investors assess the potential impact on energy supply, inflation expectations and economic stability.

In simple terms, the current reaction is being driven by three principal risks.

Inflation risk

Higher oil and gas prices can feed directly into inflation expectations, particularly if disruptions to supply persist.

Supply and shipping risk

Markets are watching closely whether energy production and key shipping routes remain open and insurable, as this affects both supply and transport costs.

Policy response

Central banks will be monitoring the same developments. If geopolitical shocks prove inflationary, policymakers may face a difficult balance between containing inflation and maintaining financial stability.

The timeline and political outcome of the conflict remain uncertain and markets will inevitably react to each new headline. History, however, offers perspective. Markets have navigated wars, energy shocks and geopolitical crises many times before. Initial reactions can be sharp, but they are rarely the best moment for investors to make large or emotional decisions.

Defence Exposure within Portfolios

Within client portfolios we already hold exposure to the defence sector for investors who wish to include this area as part of a diversified allocation.

Some positions are held in **ETFs from WisdomTree and VanEck**, alongside selected individual companies. These allocations were introduced in March – June 2025 and have performed well since. Some clients hold the ETFs alone, while others also hold individual companies within the sector. In addition, **General Electric** has been held within portfolios for many years.

Given the structural increase in global defence spending and our objective of gradually increasing exposure to **Euro and Sterling denominated assets**, this area is likely to remain an important component of portfolio positioning.

Our Approach

Developments are being monitored closely, particularly the key channels through which geopolitical events influence markets: energy prices, credit conditions and overall market liquidity.

Periods like this often create greater divergence within markets. Some sectors — including energy, commodities and defence — may benefit, while others such as travel and certain consumer sectors can face pressure. Diversified portfolios help mitigate these effects.

We will act where action is genuinely required — not simply because markets are moving, but when the underlying investment evidence changes. Experience shows that the most damaging investment decisions often come from reacting too quickly to short-term volatility.

None of this diminishes the human reality behind these events. Any loss of life is tragic and we all hope for a swift resolution and a return to stability.

If you would like to discuss what this means for your clients, please reply to this email and we will arrange a call.

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