(UBS)

International tension is typically not a reason to exit equity positions

14 January 2026, 16:16 UTC, written by UBS Editorial Team

2026 has begun with a reminder that geopolitical uncertainty remains high, with the US arrest of Venezuelan President Nicolás Maduro. Tensions also remain elevated elsewhere, such as those between NATO and Russia and in the Middle East. Such risks, however, have historically not had a lasting impact on markets, and we expect investors to focus on strong economic and earnings fundamentals.

CIO favor strategies that improve portfolio resilience while positioning for longer-term gains.

Except for trade tensions, equity markets generally shrugged off geopolitical risks in 2025.

- The ouster of Venezuelan President Nicolás Maduro represents a significant geopolitical step.
- A US-led push has accelerated efforts seeking an end to the Russia-Ukraine war, though demands from both sides suggest a tenable agreement may be elusive.
- Diplomatic efforts have helped pause the Gaza conflict. However, we note prior flare-ups have not tended to affect market sentiment.

This underscores our view that international tension is typically not a reason to exit equity positions.

- Major equity markets looked through the developments in Venezuela, while the dip in oil prices was short-lived.
- At the time of writing, the S&P 500 stands at a record high.
- Though markets reacted to fears over global trade last year, equity markets shrugged off various geopolitical crises.

Against this backdrop, we favor adding portfolio stabilizers rather than exiting risk assets.

- We continue to see gold as an effective hedge against geopolitical and inflation risks, while we believe quality bonds offer an appealing risk-reward.
- Potential market dips could offer an opportunity for investors to build long-term exposure to stocks.
- Alternatives such as hedge funds can also be considered in a diversified portfolio, for risk-tolerant investors.

Investment view

Exiting markets in response to immediate geopolitical uncertainty tends to be counterproductive. Instead, we see ways investors can consider improving the resilience of portfolios, such as proper diversification, including an allocation to hedge funds and exposure to gold. Investors considering alternative assets should be aware of the unique risks, including illiquidity, complexity, and lower transparency.

Did you know?

- During the last 11 major geopolitical events, the S&P 500 was on average just 0.3% lower one week after the event and 7.7% higher 12 months later.
- Economic, geopolitical, and policy uncertainties will likely spur more inflows into gold, potentially opening the door toward our upside case of USD 5,400/oz.
- We believe an allocation to gold remains an effective hedge against geopolitical and political uncertainty.

Original report – **How can investors deal with geopolitical risks?, 12 January 2026.**

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