



Managing wealth through crisis and war

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How have markets responded to past geopolitical crises? What does this suggest for families' investment strategies?

Key points

- History is filled with wars, conflicts, and geopolitical crises. Past events can help us consider how markets might respond to the US capture of Venezuelan president Nicolás Maduro and his wife Cilia Flores on 3 January 2026.
- Markets have tended to react sharply in the short term to geopolitical shocks before staging a full recovery within a few months or years, especially for investors that remain invested. Diversified portfolios have historically recovered even faster.
- To create a buffer between market volatility and spending needs, families may want to build a Liquidity strategy, funded with cash and high-quality bonds to cover spending in the event of a market disruption.

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Introduction

On Saturday, 3 January, the Trump administration carried out a mission to capture Venezuelan President Nicolás Maduro and his wife, who have been taken to the US to await trial for cocaine-trafficking conspiracy charges.

In a press conference this weekend, President Trump said the US “will run the country until such time as we can do a safe, proper, and judicious transition” and that “We can't take a chance that someone else takes over Venezuela who doesn't have the interests of Venezuelans in mind.” US naval forces are maintaining a naval quarantine off Venezuela's coast, hunting sanctioned oil tankers, and President Trump also indicated that he is open to sending US forces into the country. On the other hand, it appears that the US is open to diplomatic dialogue with Venezuela's interim President Delcy Rodríguez.¹

How might this crisis affect markets?

The situation remains highly uncertain, but the market impact appears to be limited so far. In fact, stock markets staged a modest rally on Monday. In a note analyzing these recent developments, the CIO research team concluded that they “do not expect a major enduring market impact, either through lower oil prices, emerging market bonds, or broader sentiment.”²

Near-term market volatility is possible as the current situation develops, but it's important not to overreact. Historically, geopolitical shocks have had a limited impact on global financial markets, as illustrated in Table 1. In fact, the S&P 500 moved higher over the three years following almost every incident.

How can investors manage crisis risks?

As mentioned above, CIO Research does not expect recent events to lead to a prolonged disruption to energy supplies or a further escalation of hostilities. However, such events are often unpredictable, and there are a number of other geopolitical flashpoints that we are watching, such as Ukraine, Iran, and Taiwan. There is also significant uncertainty surrounding the US midterm elections happening later this year.

Historically, the most significant and long-lasting market disruptions have come from recessions, not geopolitical shocks. While none of these “known known” risks appears to be a significant threat to the current expansion and bull market, investors should not discount “unknown unknown” risks. Rather than trying to predict risks, it is often prudent to build portfolios to be resilient.

Here are some common sense steps to consider at this time:

1. **Stay invested.** Although market shocks from war and geopolitical crises tend to have temporary effects on long-term market growth, investors are often inclined to sell because of immediate uncertainty, hoping to re-invest in the market after the crisis has passed. Selling tends to be counterproductive, locking in otherwise-temporary losses and degrading the portfolio's ability to participate in the recovery.
2. **Separate short-term concerns from long-term goals.** Market losses tend to be short-lived. Even in the worst bear markets in the past 80 years, diversified portfolios have fully recovered their losses in three to five years.³ Therefore, it may be prudent to maintain a Liquidity strategy—cash, bonds, and borrowing capacity to meet spending needs over the next three to five years—to help insulate portfolios from geopolitical and market risks and help to maintain their lifestyle despite market turbulence. This reserve may also help to reframe volatility and maintain perspective; when families are confident that they can “wait out” a market decline without being forced to sell during a potential bear market, it can help them to maintain a healthy allocation to growth-oriented investments in the rest of the portfolio during bull markets.
3. **Focus on what's possible to control.** We do not have control over how markets behave, but we can decide how we respond. In times like these, it's tempting to succumb to “action bias,” a behavioral bias that gives us a strong urge to take action to assert control. Strategies like tax-loss harvesting and rebalancing can be a good way to “scratch the itch” of action bias while keeping the long-term strategy intact. Before making any large allocation changes, it's important to speak with a financial advisor. It may also be a good idea to take some time—at least a week or two—to weigh options carefully.
4. **Position tactically.** The CIO research team continues to view global equities as Attractive in the current environment, with an Attractive view on US, international developed, and emerging markets stocks. CIO also has an Attractive view on commodities, and gold in particular, which may act as a portfolio hedge against geopolitical shocks. The CIO commodity

research team forecasts the precious metal's price to rise to USD 5,000/oz by mid-2026 (a 12% rise from current levels), and notes that a larger-than-expected escalation in geopolitical tensions could fuel a further rally to USD 5,400/oz. Within fixed income, CIO has an Attractive view on agency MBS and CMBS.²

Table 1 - Markets have endured previous shocks

S&P 500 price return following select geopolitical crises

Event	Date	S&P 500 Price Return					
		1 day	1 month	3 months	6 months	1 year	3 years
Germany invades France	10 May 1940	-6%	-24%	-14%	-8%	-19%	2%
Pearl Harbor Attack	7 Dec 1941	-4%	-2%	-10%	-12%	0%	39%
N. Korea Invades S. Korea	25 Jun 1950	-5%	-9%	1%	4%	11%	25%
Hungarian Uprising	23 Oct 1956	0%	-2%	-4%	-1%	-12%	23%
Suez Crisis	29 Oct 1956	0%	-4%	-4%	-1%	-12%	24%
Cuban Missile Crisis	16 Oct 1962	0%	5%	14%	21%	28%	60%
JFK Assassinated	22 Nov 1963	-3%	3%	8%	12%	20%	12%
Gulf of Tonkin Incident	2 Aug 1964	0%	-2%	2%	5%	3%	14%
Six-Day War	5 Jun 1967	2%	3%	7%	8%	14%	-13%
Tet Offensive	30 Jan 1968	-1%	-4%	5%	5%	10%	3%
Munich Olympics	5 Sep 1972	-1%	-2%	6%	1%	-6%	-23%
Yom Kippur War	6 Oct 1973	0%	-4%	-9%	-14%	-41%	-5%
Iran hostage crisis	4 Nov 1979	-1%	3%	11%	4%	26%	32%
Reagan Shot	30 Mar 1981	1%	-1%	-2%	-14%	-16%	19%
Iraq's Invasion of Kuwait	2 Aug 1990	-2%	-8%	-14%	-4%	10%	28%
USSR Coup Attempt	19 Aug 1991	1%	3%	2%	8%	12%	23%
9/11 Attacks	11 Sep 2001	-5%	-1%	4%	7%	-17%	2%
Gulf War II	20 Mar 2003	2%	2%	15%	18%	27%	49%
Madrid Bombing	11 Mar 2004	1%	3%	2%	1%	8%	27%
London Subway Bombing	5 Jul 2005	-1%	3%	2%	5%	5%	4%
Russia invades Georgia	1 Aug 2008	-1%	1%	-24%	-31%	-20%	2%
Boston Marathon Bombing	15 Apr 2013	1%	7%	8%	10%	19%	34%
Russia invades Crimea	20 Feb 2014	0%	1%	3%	8%	15%	29%
Bombing of Syria	7 Apr 2017	0%	2%	2%	8%	11%	13%
North Korea Missile Crisis	28 Jul 2017	0%	-1%	4%	15%	13%	31%
Saudi Aramco Drone Strike	14 Sep 2019	0%	-1%	5%	-9%	13%	37%
Iranian General Killed In Airstrike	3 Jan 2020	0%	0%	-22%	-4%	14%	18%
Russia invades Ukraine	24 Feb 2022	2%	7%	-7%	-4%	-7%	40%
Hamas attacks Israel	7 Oct 2023	1%	1%	9%	21%	32%	?
Israel strikes Iran	13 Jun 2025	1%	5%	10%	15%	?	?
US captures Maduro	3 Jan 2026	1%	?	?	?	?	?
Average		0%	0%	0%	2%	5%	19%
Median		0%	0%	2%	4%	10%	23%
% Positive		42%	53%	67%	63%	66%	89%

Source: Bloomberg, UBS, as of 5 January 2026

End notes

¹ Reuters. (2026, January 3). *Trump says US will run Venezuela after U.S. captures Maduro*. Reuters. <https://www.reuters.com/world/americas/loud-noises-heard-venezuela-capital-southern-area-without-electricity-2026-01-03/>.

² Hoffman-Buchardi, Ulrike; Haefele, Mark; Czerwonko, Alejo; et al. (5 January 2026). *UBS House View - Daily US*. UBS Chief Investment Office Global Wealth Management Investment Research.

³ Waring, Justin; Carbone, Ainsley; and Scansaroli, Daniel. (10 October 2024). *Bear market guidebook: How to manage risk and harness opportunity in a market downturn*, accessed at www.ubs.com/bearmarketguidebook. UBS Chief Investment Office Global Wealth Management Investment Research.

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