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Geopolitics: investing in a divided world.

Kerry Craig, CFA
Managing Director at JP Morgan





MARKET INSIGHTS

Guide to the Markets

Geopolitics: Investing in a divided world



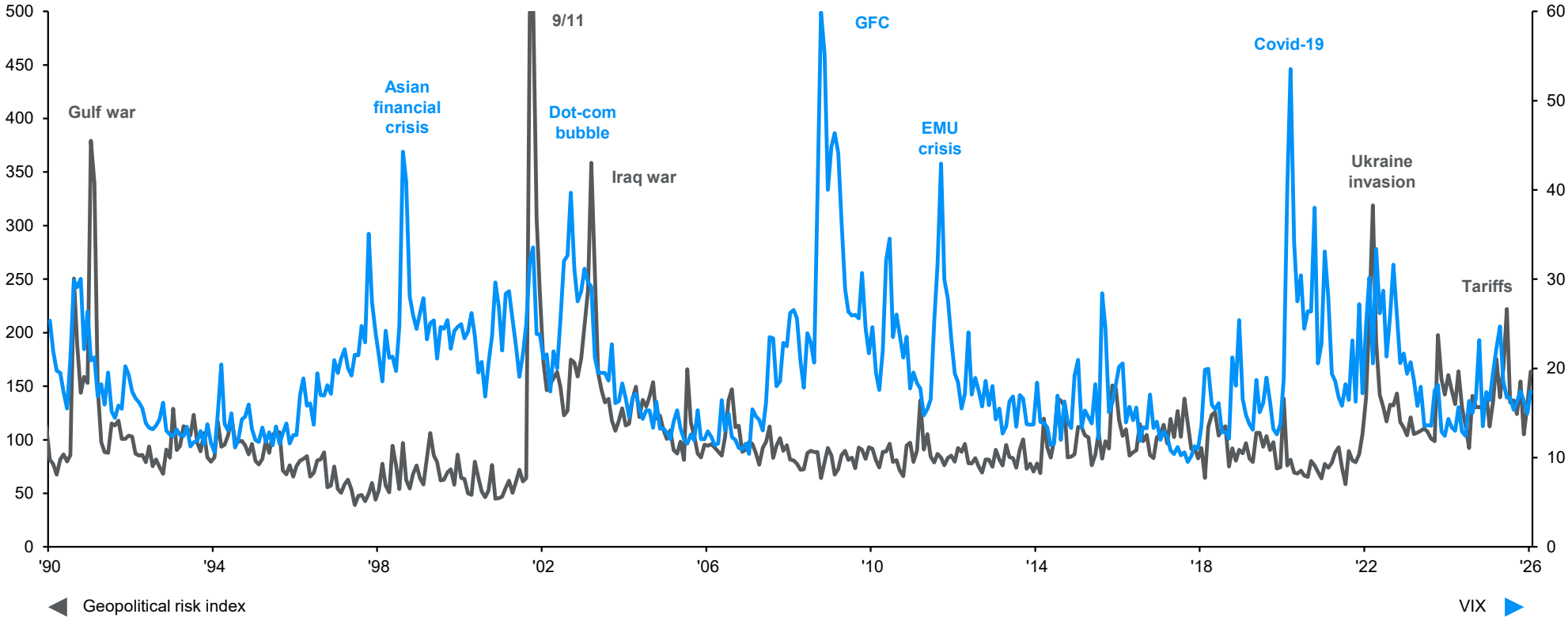


Geopolitical risk can drive equity volatility but not always

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Global economy

VIX index and Geopolitical Risk index



Source: CBOE, Economic Policy Unit, FactSet. Guide to the Markets – Australia. Data as of 20/02/2026.



Markets often panic first, think later

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4

S&P 500 drawdown around geopolitical events

Event	Start of sell off	Duration of sell off (trading days)	Size of sell-off (%)	Duration to recover to prior level (trading days)
Israel Arab war / oil embargo	10/29/1973	27	-17.3%	1546
Shah of Iran exiled	1/29/1979	8	-4.6%	33
Iranian hostage crisis	10/8/1979	23	-10.2%	49
Soviet invasion of Afghanistan	12/18/1979	11	-3.8%	5
Libya bombing	4/22/1986	19	-4.9%	6
First Gulf War	8/2/1990	50	-16.9%	81
Kosovo bombing	3/19/1999	3	-4.1%	8
9/11 attacks	9/10/2001	5	-11.6%	14
Iraq war	3/24/2003	6	-5.3%	15
Arab spring (Egypt)	1/28/2011	1	-1.8%	2
Ukraine conflict	3/10/2014	5	-2.0%	12
Intervention in Syria	9/19/2014	19	-7.4%	12
Russia/Ukraine War	2/10/2022	18	-9.1%	15
Israel/Hamas War	10/12/2023	12	-5.9%	7
Median (1973-2023)		12	-5.6%	13

Source: FactSet, Deutsche Bank, Standard & Poor's. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – Australia*. Data as of 03/02/2026.

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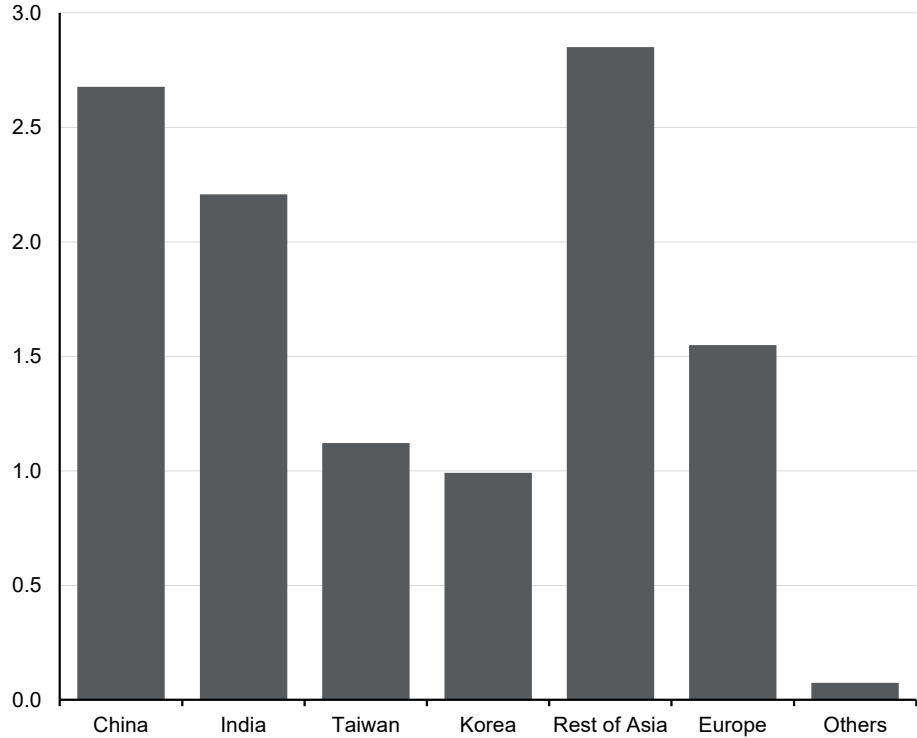
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Energy flow through the Strait of Hormuz

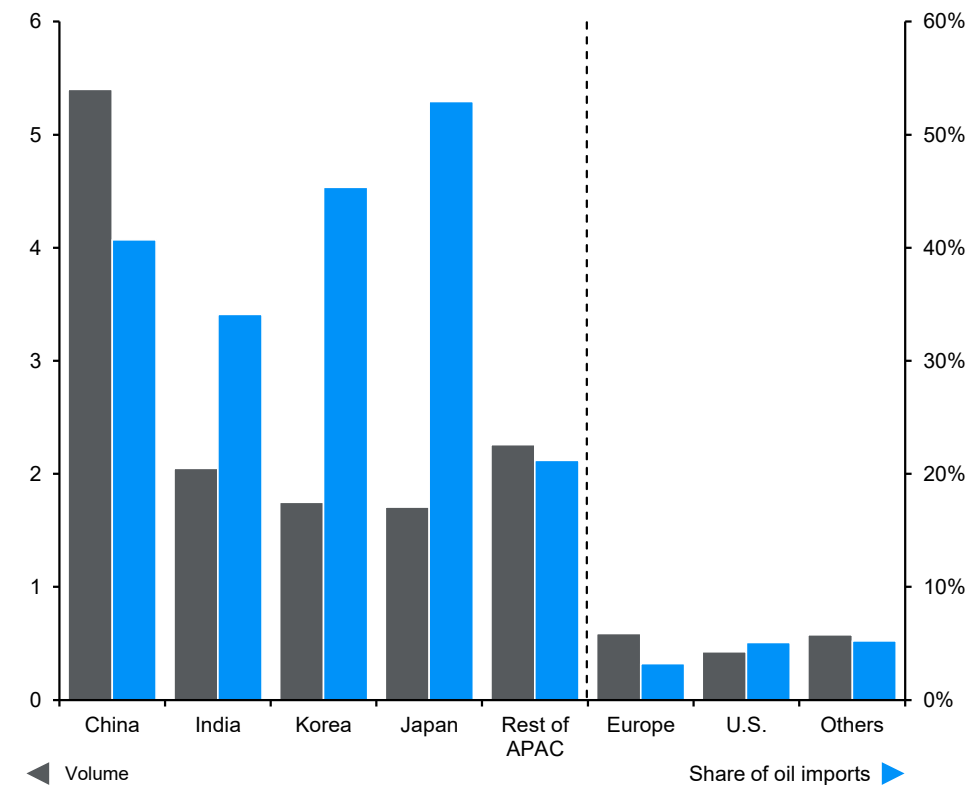
LNG flow volume by destination

Billions cubic feet per day



Oil flow volume by destination

Million barrels per day



Source: Organization of the Petroleum Exporting Countries, U.S. Energy Information Administration analysis based on Vortexa, J.P. Morgan Asset Management. Oil flow based on 1H25 data and includes crude oil and condensate, oil exports and imports based on 2024 data and includes crude oil and petroleum products. Past performance is not a reliable indicator of current and future results. Data reflect most recently available as of 09/03/26.



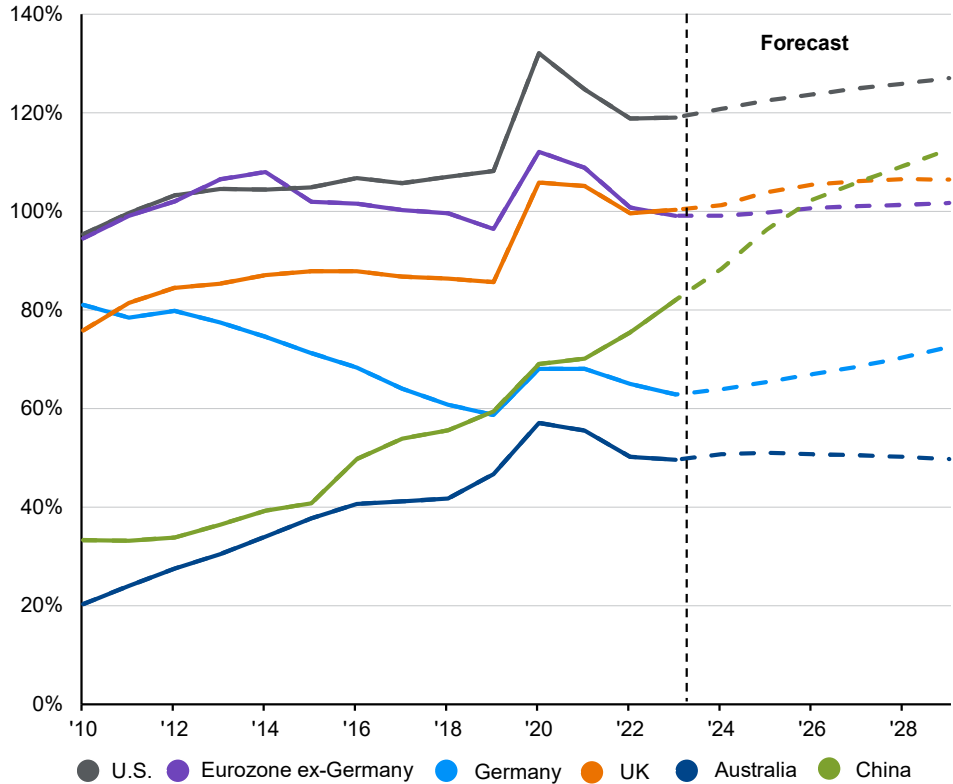
Governments are investing for growth and security

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Global economy

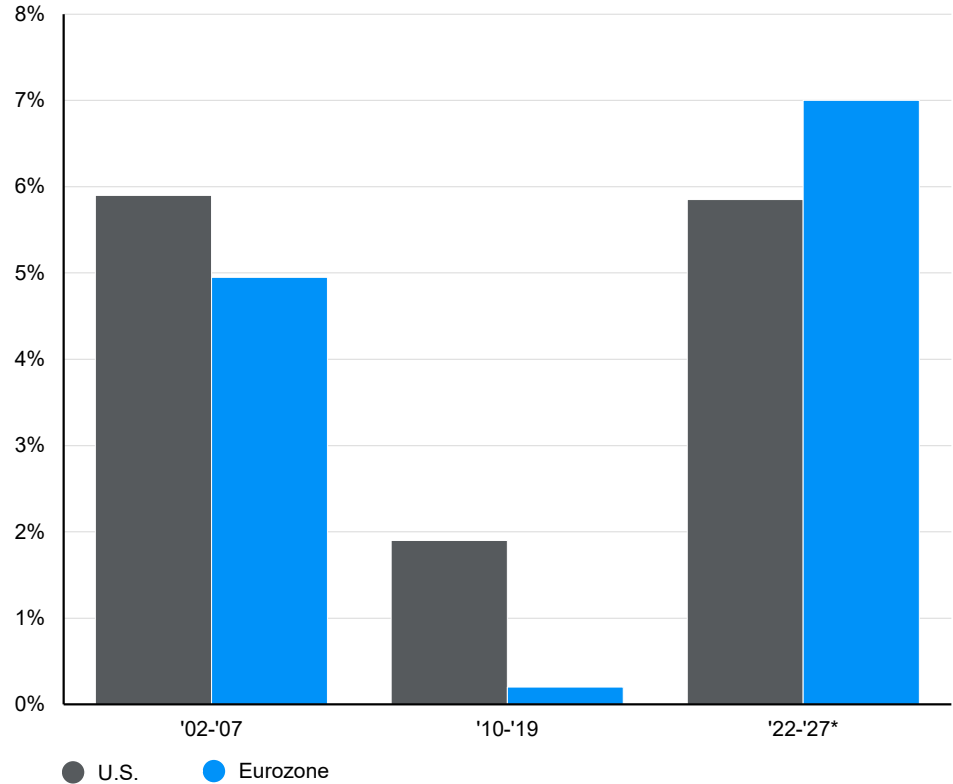
Government debt

Gross debt % of GDP



Government investment

%, annualized change over period



Source: FactSet, IMF, OECD, J.P. Morgan Asset Management. Dotted line forecasts are based on IMF World Economic Outlook as of October 2025. *Includes OECD forecasts. Eurozone is a GDP weighted average of Germany, France, Italy and Spain. Guide to the Markets – Australia. Data as at 14/03/2026



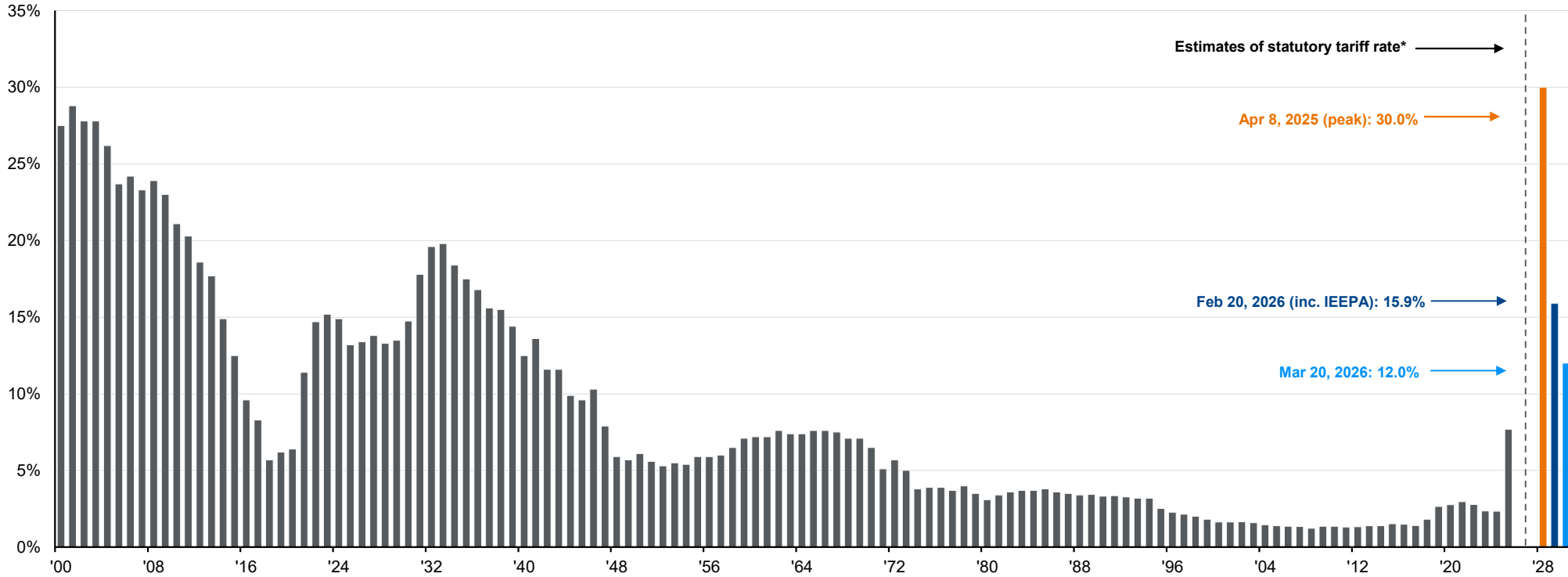
U.S. tariffs are at their highest levels since the 1930s

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Global economy

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2025



Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – Australia. Data are as of 18/03/2026.

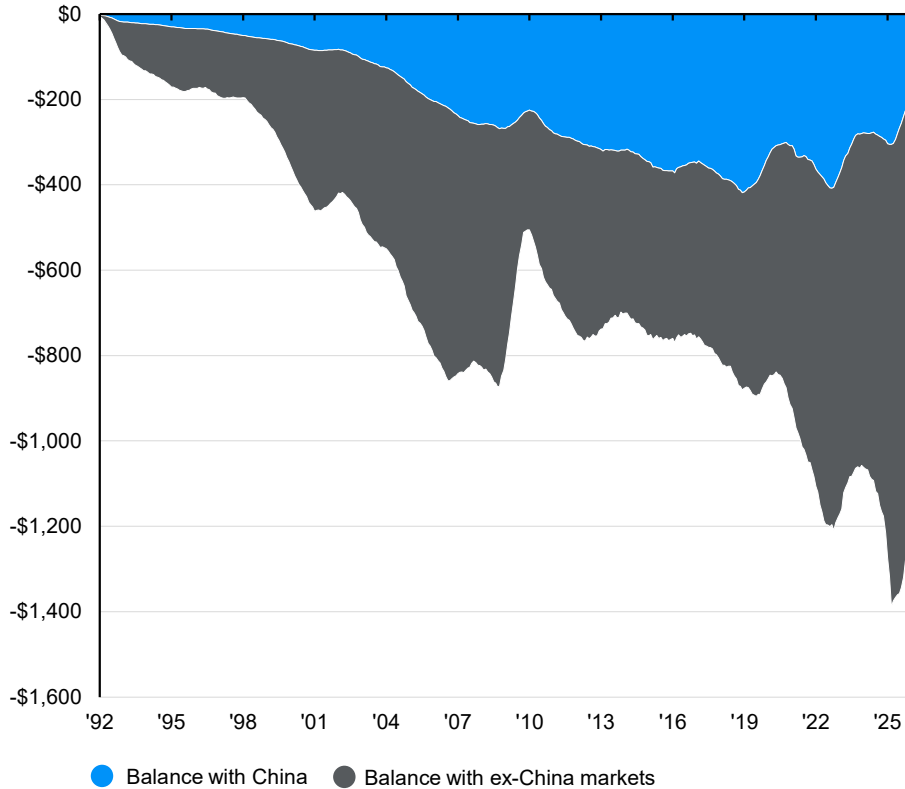


U.S. has sought to address “unfair” trade imbalances

Global economy

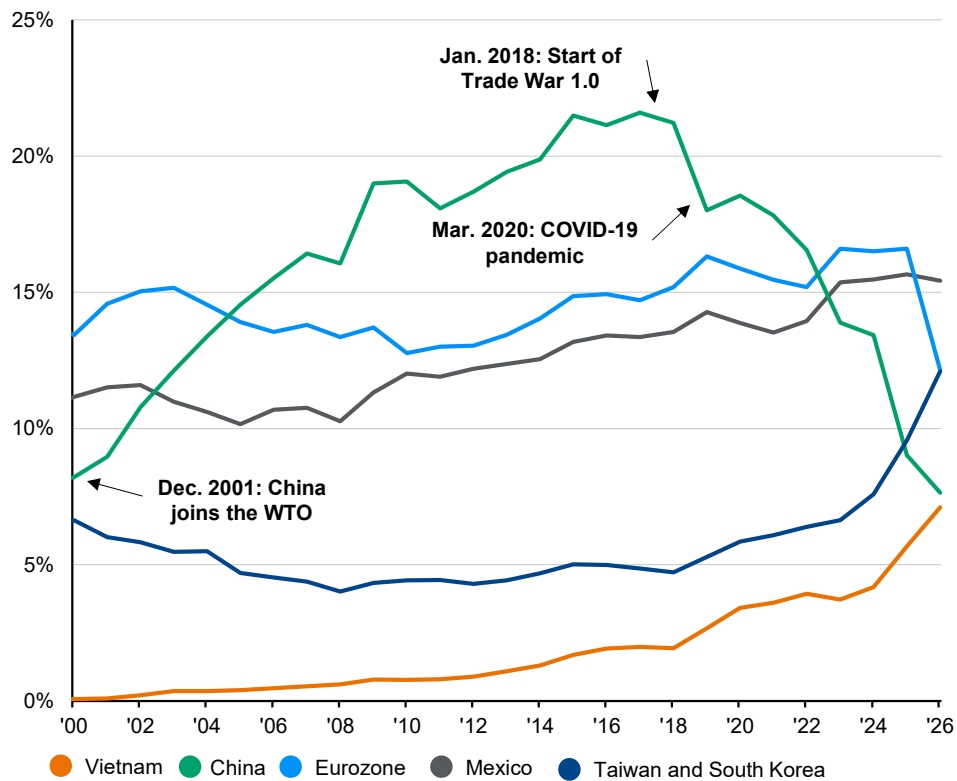
U.S. trade deficit

USD billions, goods, rolling 12-month sum



U.S. goods imports by market

Share of total U.S. goods imports



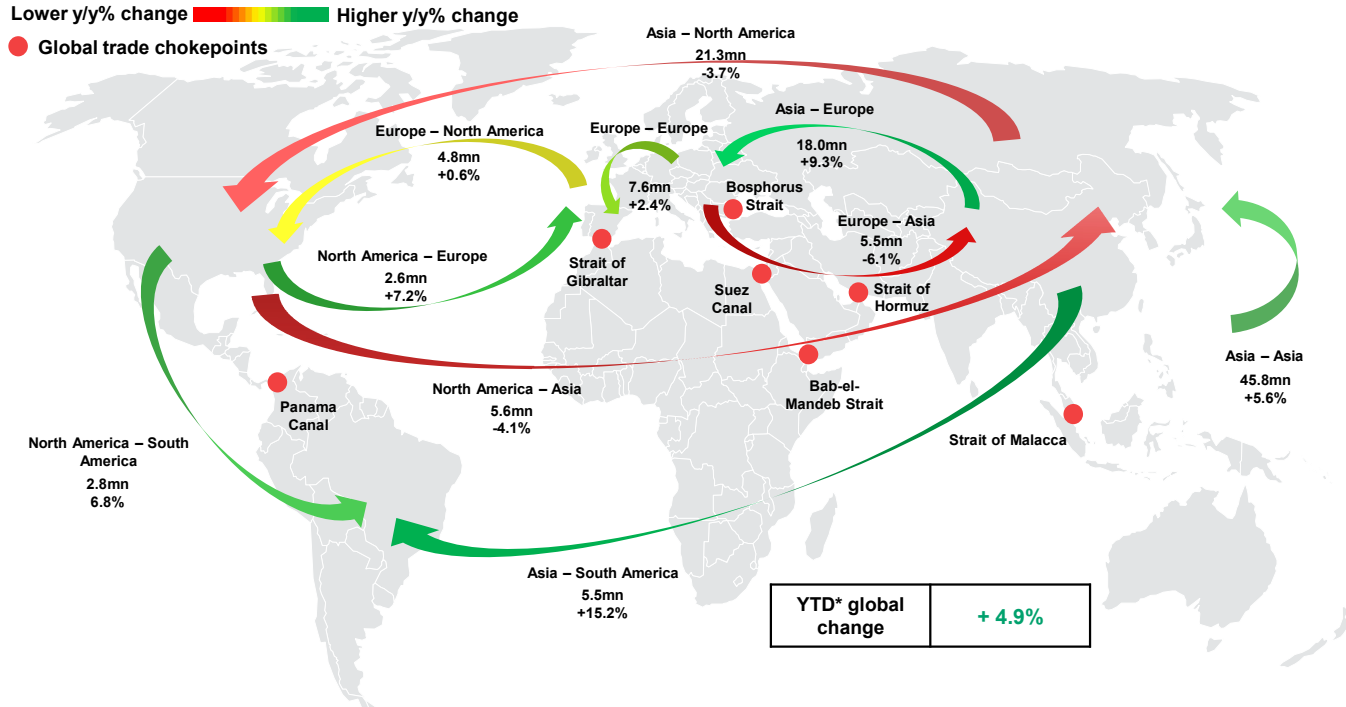
Source: FactSet, J.P. Morgan Asset Management; (Left) U.S. Census Bureau Guide to the Markets – Australia. Data as of 18/03/2026.



Re-shaping rather than de-railing the global supply chain

Global containership trade volumes

YTD* twenty-foot equivalent units (TEUs), year-over-year % change during same period



Other asset classes

Source: Bloomberg, Container Trade Statistics, J.P. Morgan Asset Management. *YTD 2025 data are as of 11/30/2025. Twenty-foot equivalent unit (TEU) is a standard unit of measurement for container shipping volumes. A modern standard 40-foot container is equivalent to 2 TEUs. Trade chokepoints are strategic maritime passageways that connect major ports or regions that can be vulnerable to geopolitical conflict or disruption. *Guide to Alternatives*. Data are based on availability as of January 31, 2026.



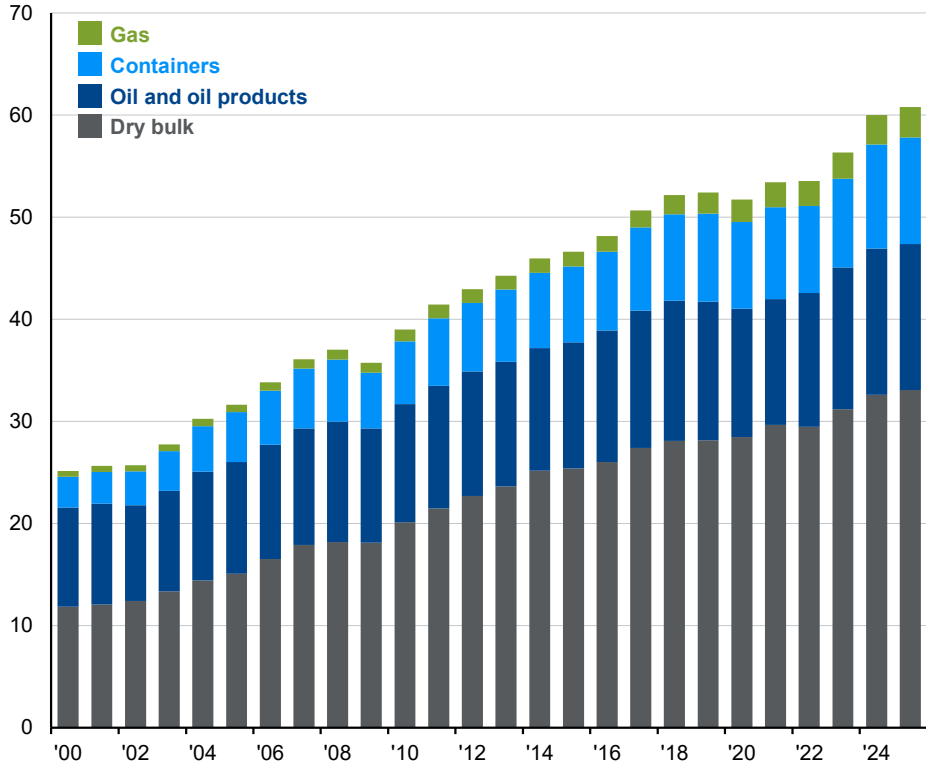
Trade has not stopped, but travels further

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Other real assets

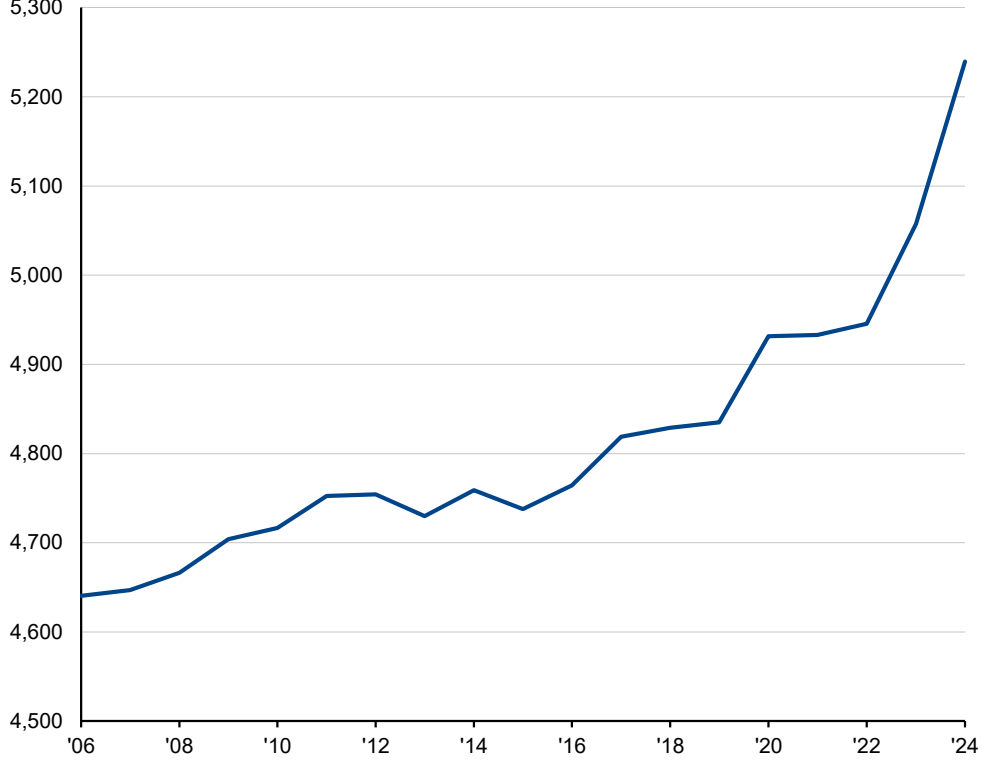
World seaborne trade by product

Estimated trillion ton-miles



Average distance traveled of seaborne trade

Miles per ton, annual



Source: Clarksons Research, J.P. Morgan Asset Management.
 (Left) 2025 seaborne trade volumes are a forecast as of November 2025. Dry bulk refers to unpackaged commodity cargo. (Right) Average seaborne trade distance miles are an estimate derived by dividing ton-miles carried by vessels by the total volume of shipments in each period.
 Guide to Alternatives. Data are based on availability as of January 31, 2026.

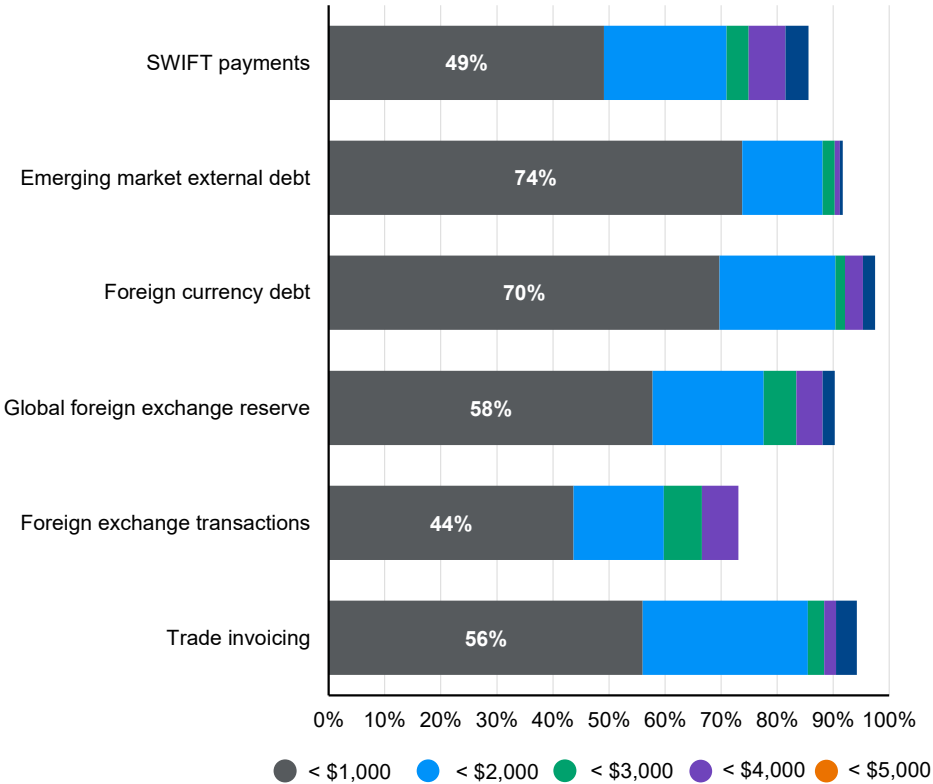


U.S. dollar still dominates financial system

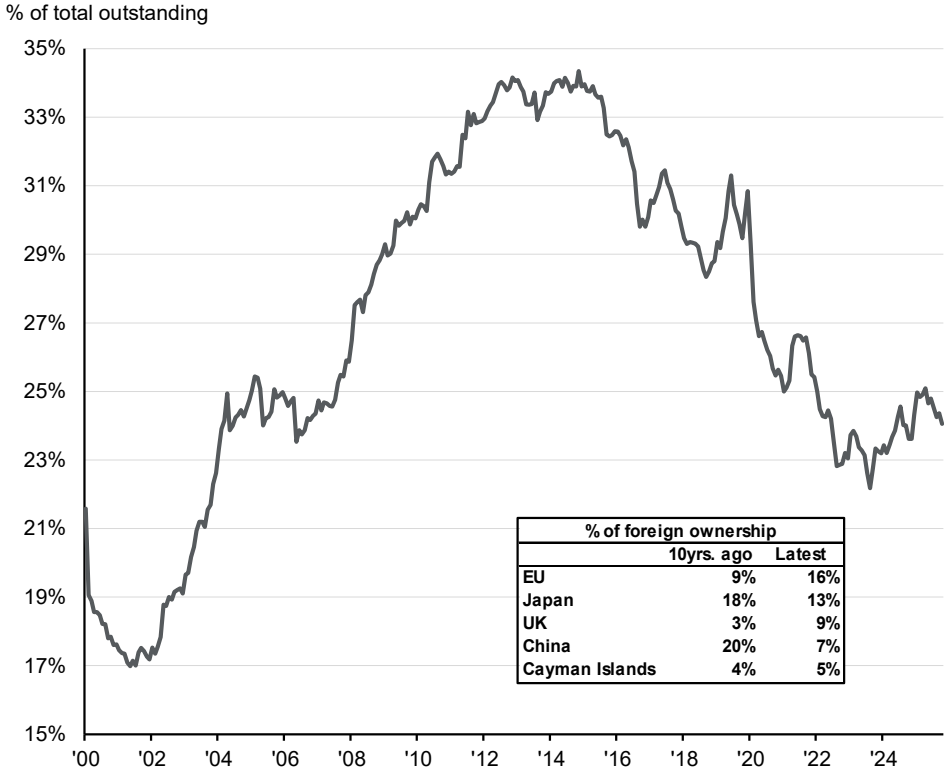
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Other asset classes

Share of currency use in international finance



Foreign U.S. Treasury holdings



Source: BIS, Bloomberg, Federal Reserve, IMF, Refinitiv, SWIFT. Global foreign exchange transaction is based on outstanding derivative positions but Chinese yuan data is unavailable. Past performance is not a reliable indicator of current and future results. Guide to the Markets – Australia. Data as of 13/02/2026.



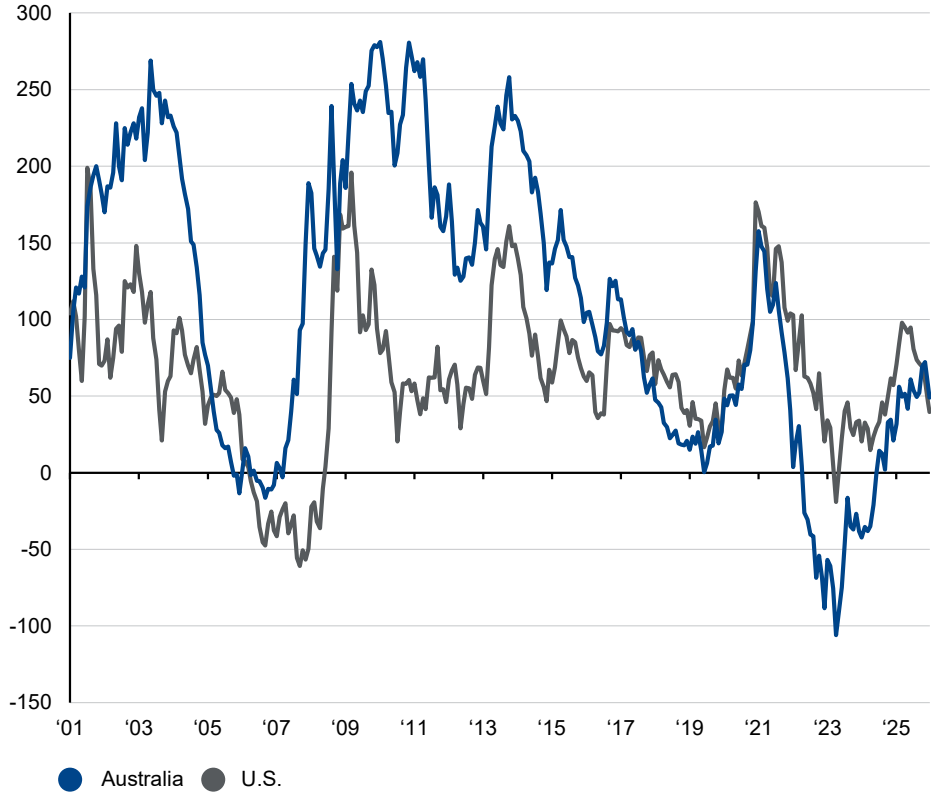
Inflation risks mean higher bond yields and steeper curves

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Fixed income

Bond spreads

10-year less 2-year government bond yields, bps



U.S. term premium

ACM* term premium on the U.S. 10-year Treasury bond



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. *ACM stands for the Adrian, Crump, Moench model calculation for the term premium. Guide to the Markets – Australia. Data as of 13/03/26.



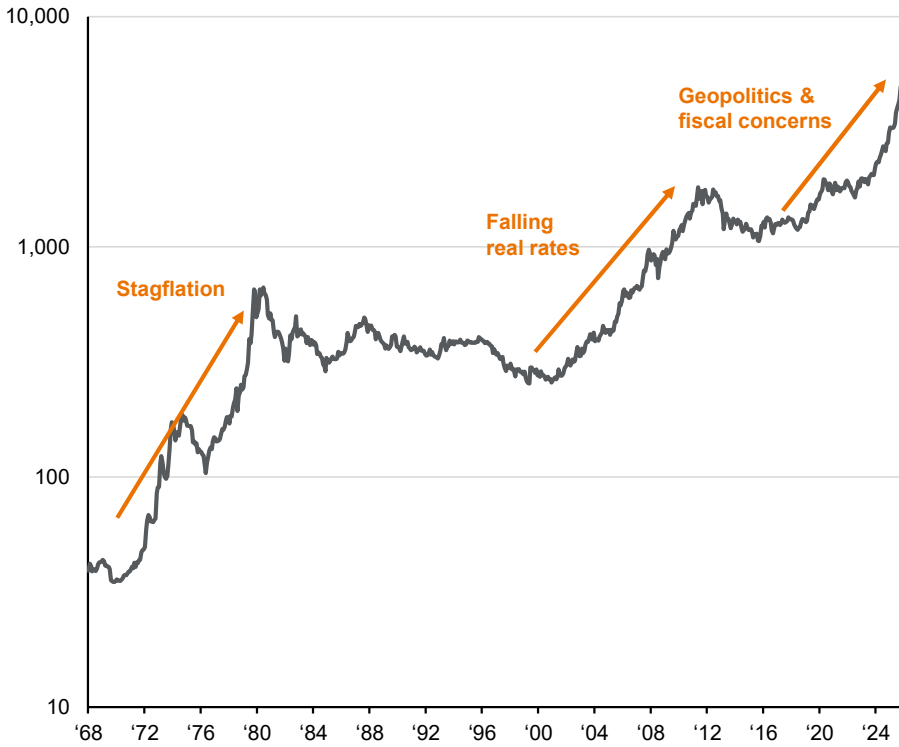
Gold responds to regime shifts

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Other asset classes

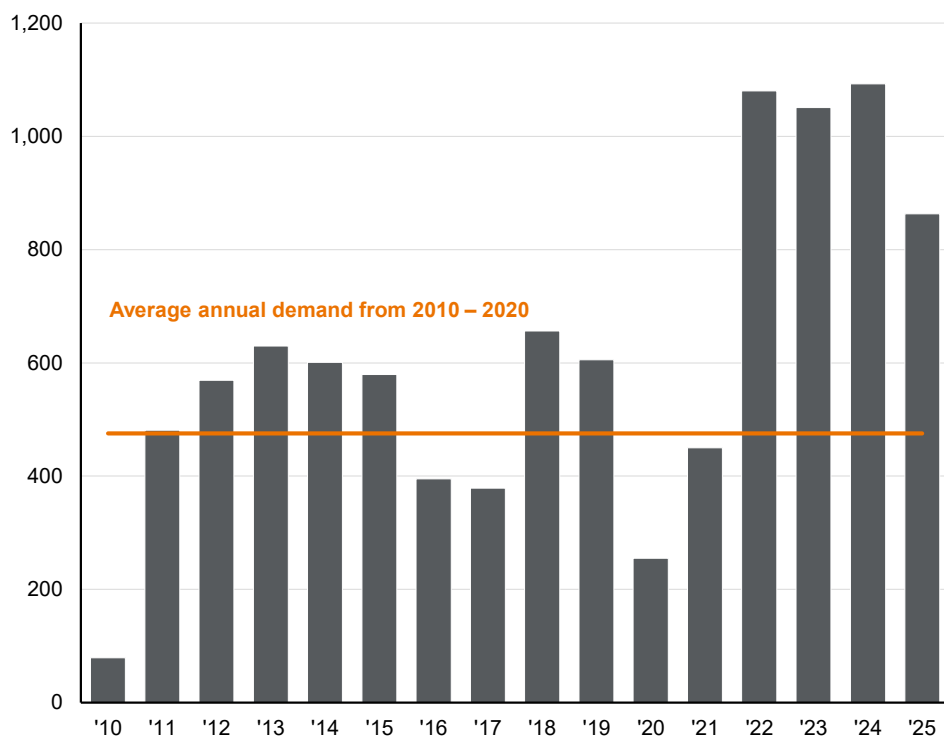
Gold price

USD, log scale



Annual gold demand from central banks

Tonnes



Source: FactSet, J.P. Morgan Asset Management; (Right) World Gold Council. Past performance is not a reliable indicator of current and future results. Guide to the Markets – Australia. Data as of 13/02/2026.

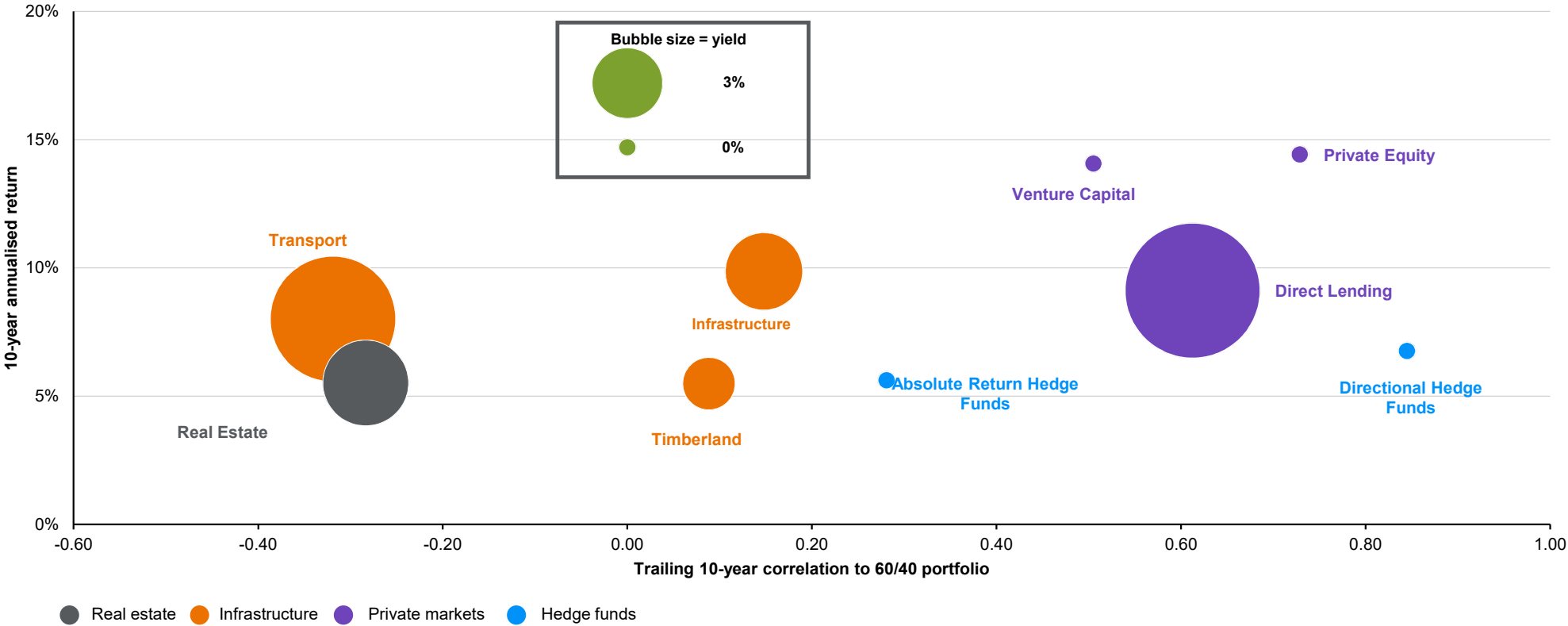


Alternative assets another potential solution

Other asset classes

Correlations, returns and yields

10-year correlations and 10-year annualised total returns, quarterly, 3Q15 – 2Q25



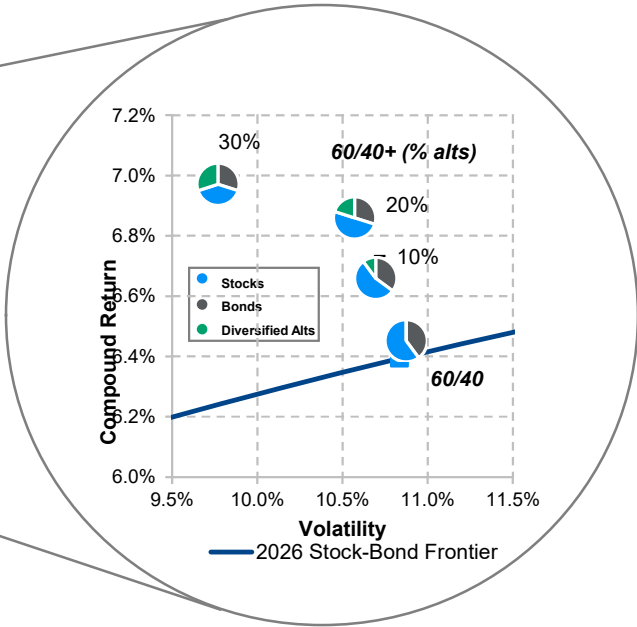
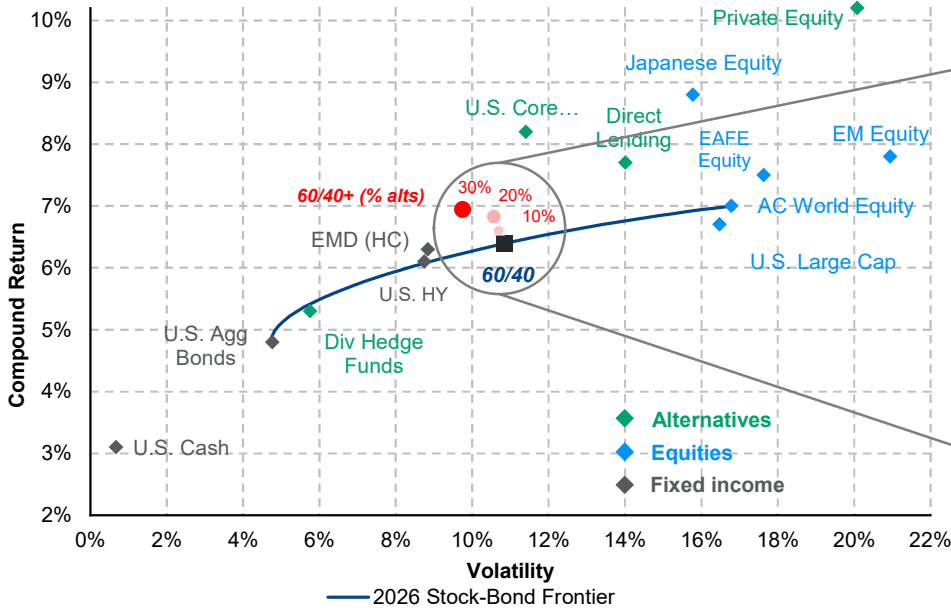
Source: Burgiss, Cliffwater, FactSet, Gilberto-Levy, HFRI, MSCI, NCREIF, J.P. Morgan Asset Management. Correlations are based on quarterly returns over the past 10 years through 2024. A 60/40 portfolio is comprised of 60% stocks and 40% bonds. Stocks are represented by the S&P 500 Total Return Index. Bonds are represented by the Bloomberg U.S. Aggregate Total Return Index. Guide to the Markets – Australia. Data as of 31 December 2025.



Alternatives can boost returns and lower volatility

Other asset classes

Even a small allocation of alternatives increase portfolio efficiency



Source: J.P. Morgan Asset Management; data as of September 30, 2025. 60/40 = 60% MSCI ACWI / 40% U.S. Aggregate Bond Index. 60/40+ includes Alts: (30% is 40% MSCI ACWI / 30% U.S. Aggregate Bond Index / 30% Diversified Alternatives, 20% is 50/30/20, 10% is 55/35/10); split within the Div Alts allocation: 25% Real Estate, 25% Commodities and Real Assets, 10% Hedge Funds, 15% Private credit, 25% Private Equity; Provided to illustrate long term macro and asset class trends not to be construed as offer, research or investment advice and is not indicative of current or future results. This information is generic in nature and does not take any specific investors' objectives into account. Investments involve risks and are not similar or comparable to deposits. Not all investments are suitable for all investors. Diversification does not guarantee positive return or eliminate risks of loss. Risk management does not imply elimination of risks. Forecasts or estimates may or may not come to pass.

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Diversification remains the best defence

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																	15-years '10 - '25	
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	4Q '25	Ann.	Vol.
Aus. FI 6.0%	Aus. FI 11.4%	REITs 32.2%	DM equity 47.8%	RBTs 27.3%	REITs 14.0%	REITs 13.9%	EM equity 27.5%	Global FI 9.8%	DM equity 28.6%	EM equity 8.1%	DM equity 29.9%	Cash 1.3%	DM equity 23.6%	DM equity 31.4%	EM equity 24.7%	EM equity 4.1%	DM equity 14.4%	REITs 18.7%
Cash 4.7%	Global FI 5.6%	Aus. equity 20.3%	Aus. equity 20.2%	DM equity 15.3%	DM equity 12.1%	EM equity 12.1%	DM equity 13.9%	REITs 5.7%	Aus. equity 23.4%	DM equity 6.1%	REITs 18.5%	Aus. equity -1.1%	Aus. equity 12.4%	EM equity 19.1%	DM equity 12.9%	DM equity 2.6%	Aus. equity 8.5%	Aus. equity 13.0%
EM equity 4.6%	Cash 5.0%	EM equity 17.1%	Port. 16.2%	Port. 10.8%	Global FI 8.9%	Aus. equity 11.8%	Aus. equity 11.8%	Aus. FI 4.5%	EM equity 19.1%	Aus. FI 4.5%	Aus. equity 17.2%	Port. -8.0%	Port. 10.2%	Port. 12.3%	Aus. equity 10.3%	Cash 0.9%	REITs 8.4%	EM equity 10.9%
Port. 1.7%	Port. -1.8%	DM equity 15.1%	EM equity 13.4%	Global FI 10.0%	Port. 5.1%	DM equity 8.7%	Port. 9.2%	DM equity 2.0%	REITs 18.9%	Port. 1.5%	Port. 10.4%	Aus. FI -9.7%	EM equity 9.6%	Aus. equity 11.4%	Port. 8.8%	Port. -0.0%	Port. 7.3%	DM equity 10.8%
Aus. equity 1.6%	REITs -2.0%	Port. 14.7%	Global FI 13.0%	Aus. FI 9.8%	Aus. FI 2.6%	Port. 7.9%	REITs 5.1%	Cash 1.9%	Port. 16.5%	Aus. equity 1.4%	EM equity 3.8%	Global FI -10.2%	REITs 6.5%	REITs 10.5%	REITs 7.9%	Global FI -0.4%	EM equity 7.3%	Port. 9.7%
REITs 0.4%	DM equity -5.0%	Aus. FI 7.7%	REITs 6.6%	EM equity 7.3%	Aus. equity 2.6%	Aus. FI 2.9%	Aus. FI 3.7%	Port. 1.9%	Aus. FI 7.3%	Cash 0.4%	Global FI 1.1%	REITs -11.4%	Global FI 5.1%	Global FI 8.3%	Cash 4.0%	Aus. equity -1.0%	Global FI 4.1%	Global FI 8.7%
DM equity -1.4%	Aus. equity -10.5%	Cash 4.0%	Cash 2.9%	Aus. equity 5.6%	Cash 2.3%	Global FI 2.6%	Cash 1.7%	Aus. equity -2.8%	Global FI 7.0%	Global FI -0.5%	Cash 0.0%	DM equity -11.8%	Aus. FI 5.1%	Cash 4.5%	Aus. FI 3.2%	Aus. FI -1.1%	Aus. FI 3.5%	Aus. FI 4.0%
Global FI -7.4%	EM equity -18.2%	Global FI 3.0%	Aus. FI 2.0%	Cash 2.7%	EM equity -3.9%	Cash 2.1%	Global FI -0.6%	EM equity -4.7%	Cash 1.5%	REITs -17.1%	Aus. FI -2.9%	EM equity -13.9%	Cash 3.9%	Aus. FI 2.9%	Global FI 0.4%	REITs -2.8%	Cash 2.5%	Cash 0.4%

Investing principles

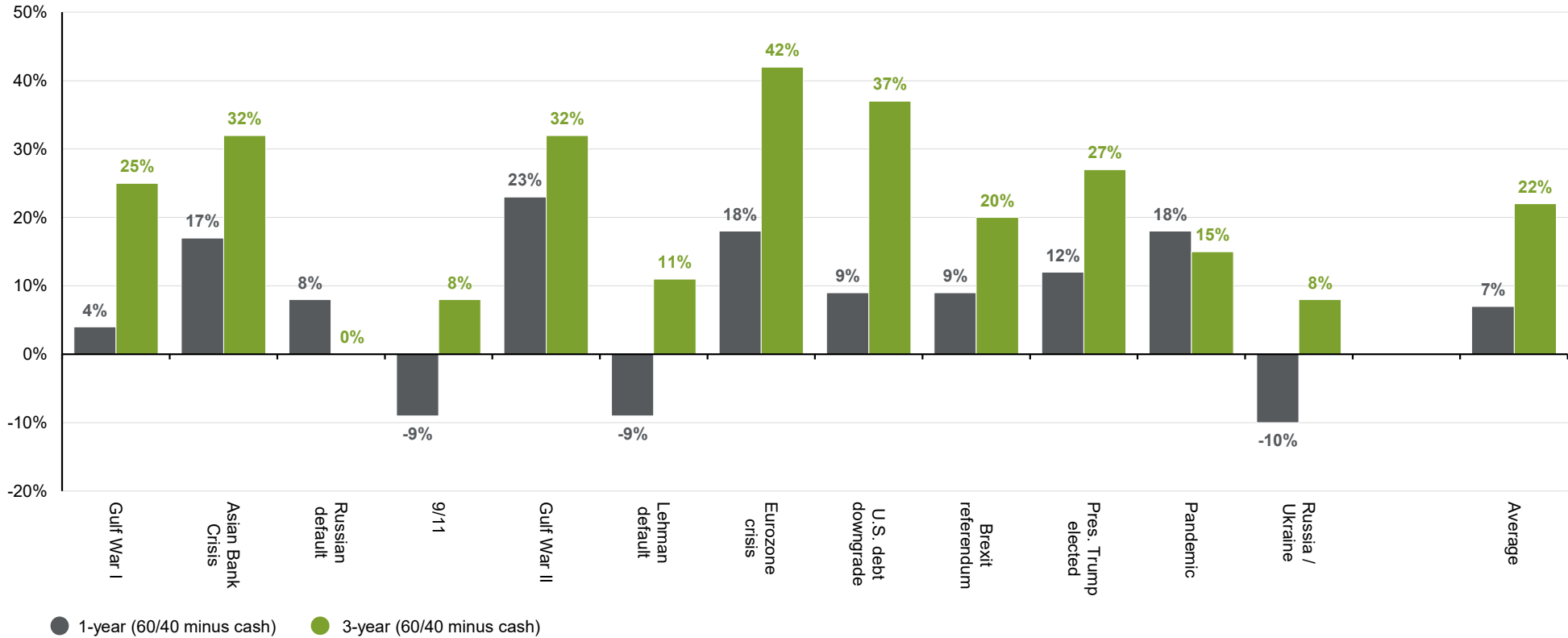
Source: Bloomberg L.P., FactSet, FTSE, J.P. Morgan, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Annualised return (Ann.) and volatility (Vol.) covers the period 31/12/2010 to 31/12/2025. EM equity: MSCI Emerging Markets; Australian FI: Bloomberg AusBond Composite (0+Y); Global FI: Barclays Global Aggregate; DM equity: MSCI World; Aus. equity: ASX 200 Index; REITs: FTSE EPRA/NAREIT Australia; Cash: Bloomberg AusBond Bank Bill Index. Portfolio is hypothetical portfolio (for illustrative purposes only and should not be taken as a recommendation): 15% DM equities; 10% EM equities; 25% Australian equities; 25% Australian FI; 10% Global FI; 5% Cash and 10% REITs. Returns are unhedged, total return, in Australian dollars. Past performance is not a reliable indicator of current and future results. Diversification does not guarantee investment returns or eliminate the risk of loss. *Guide to the Markets – Australia*. Data as of 31 December 2025.

After shocks, 60/40 beat cash 75% of the time by an average of 7% after 1 year, and 100% time by an average of 22% after 3 years

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Equities

U.S. 60/40 vs. cash assuming an investment made in the month before a shock



Source: Bloomberg, NBER, J.P. Morgan Asset Management, Caldara, Dario and Matteo Lacoviello (2021), "Measuring Geopolitical Risk," working paper, Board of Governors of the Federal Reserve Board, November 2021. Note: U.S. 60/40 is a simple S&P 500/U.S. treasury index portfolio vs. three-month bill index. Guide to the Markets – Australia. Data as of 31/01/2026.



Summary

- Timing and magnitude of geopolitical impact on markets impossible to predict in the near-term.
- Broader shifts addressing inward looking economies mean greater government investment.
- More fractured global economy creates challenges and opportunities
- Higher average rates of inflation, but also higher bond yields and fixed income returns.
- Enhanced diversification via alternative assets

“Hedge the risks you can see, diversify for those you can’t”

Source: J.P. Morgan Asset Management. Opinions and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. The views and strategies described may not be suitable for all investors. Diversification does not guarantee investment returns or eliminate the risk of loss.



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80

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Unless otherwise stated, all data are as of 13 February 2026 or most recently available.

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Event Material ID: 1798660e-2382-11f1-ab3e-0587004457fe

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Kerry Craig, CFA
Managing Director at JP Morgan

