



Deutsche Bank
Research

2026 Geopolitical Outlook

Geopolitical Realignment: Investing Beyond Volatility

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IMPORTANT RESEARCH DISCLOSURES LOCATED IN APPENDIX 1.

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Geopolitical Volatility May Well Be Structural

2026 seems poised to be just as geopolitically volatile as 2025. We believe investors should expect a continued unpredictable and fragmented global operating environment. The pace and scale of geopolitical change makes it more challenging to identify the short-, medium- and long-term risks, and what is actually important. In the past few years, many corporates have focused on defensive measures in response to geopolitical volatility. If the volatility is a structural feature of the emerging international system rather than a glitch, we can better prepare for seizing geopolitical opportunities, in our view.

This deck provides a high-level assessment of some of the key themes, risks and opportunities we believe investors should consider in 2026. It is by no means an exhaustive list given we expect the geopolitical landscape will continue to rapidly evolve. This report intends to provide a direction of travel rather than a blueprint for 2026, which can help corporates and investors anticipate and mitigate financial, reputational, operational and other risks and identify opportunities. It is critical, however, to remain agile in the face of constant change and assume that 'black swans' can happen at any time.

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1. Trump 2.0: The “Golden Age” Agenda



The first year of Trump 2.0 brought about transformational shifts in US domestic and foreign policy, and 2026 will likely be another year of change as seen by the military operation in Venezuela. Many are looking to the midterm elections in November and the Supreme Court rulings on Trump’s tariff implementation for signs that we may be reaching the peak of policy volatility. We should expect President Trump to increase focus on cost-of-living pressures in advance of the midterms. But whether the Democrats take control of both chambers and whether the Supreme Court strikes down Trump’s use of the International Emergency Powers Act, it is too early to predict a deceleration in Trump’s America First march. While we should continue to expect the unexpected, one helpful tool may be the [Heritage Foundation’s Project 2025](#) and strategy for 2026 entitled “[The Golden Age](#)”. Trump distanced himself from the organisation during the campaign, but his administration has undertaken many of its prominent initiatives.

What could we expect in 2026?

- [Further centralization of executive authority](#). Trump seems likely to further strengthen presidential control over the federal bureaucracy and independent agencies. The Heritage Foundation has advocated for changes to the Federal Reserve’s mandate. In 2026, we will see a new chair and turnover in board appointments, which could be a turning point in the governance and policy direction of the Fed.
- There may be a more concerted push for [eliminating regulation](#) perceived as burdensome to business, e.g., anti-trust regulation, abolishing the Federal Trade Commission, environmental regulation, occupational and workplace oversight, and federal oversight on labour markets.
- There is likely to be a continued effort to “[unleash American energy](#)” through the promotion of expanded fossil fuel production, rollback of clean energy mandates and reversal of policies seen as limiting energy industry activity. This would support the strategic goals of energy independence and affordability around midterm elections.
- Trump may seek to [continue to engage big tech](#) through state-directed investment while employing as a lever potential anti-trust or new regulatory actions aimed at limiting perceived anti-competitive behaviour, censorship and ideological bias. Trump may also more directly support US tech companies in overseas regulatory disputes.
- In 2026, we could see a focus on consolidation and expansion of policies supporting American [gloeconomic supremacy](#). Though presidents Xi and Trump have committed to a trade truce, bilateral ties could remain in long-term decline owing to myriad drivers of tension. Project 2025 supports strategic competition with China, reducing US reliance on Chinese supply chains, and frames China as a major geopolitical and economic threat.
- The documents say little [about Europe](#), but the Heritage Foundation has advocated against multilateral institutions and supported engagement with European conservative groups and exporting the Project 2025 playbook to Europe.
- Beyond the Heritage Foundation, Trump’s [National Security Strategy](#) and the “[Trump Corollary](#)” are Heritage-aligned and support making the Western Hemisphere a [primary strategic priority](#) where the US protects US interests, militarily if needed.



Source: [Library of Congress](#) on [Unsplash](#)

2. China-US Tech Competition: An Uneasy Détente



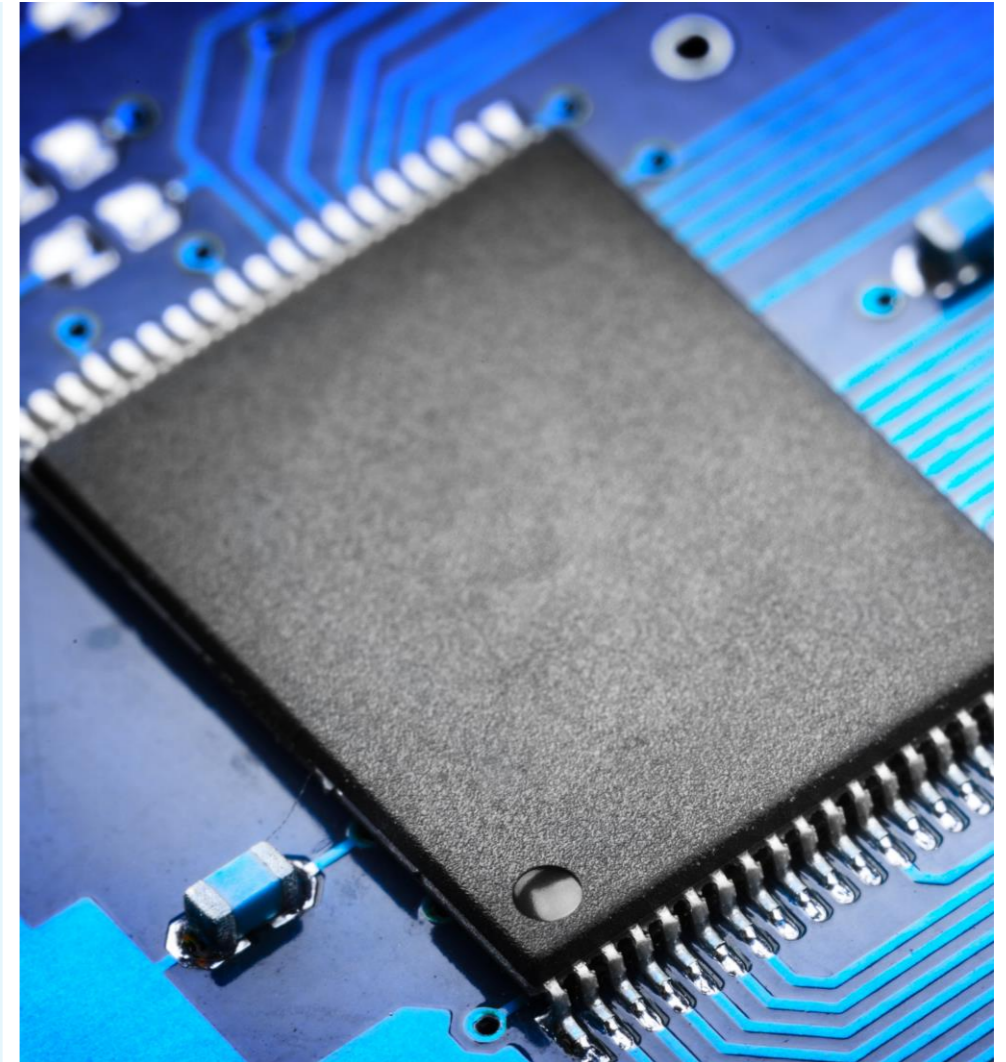
Technological competition will likely remain a central feature of China-US relations, but efforts at a thaw could shift some long-held assumptions this year. Economic security now equals national security. Neither side will be willing to cede technological supremacy to the other, particularly in AI, which will fundamentally transform the global economy and geopolitics. This year will likely see new restrictions even as efforts to prioritize near-term stability should slow their pace – possibly resulting in a ‘start-stop’ dynamic as long as US-China talks continue.

China hawks in Washington found themselves on the back foot in late 2025 – but this could change at any time. The Trump administration in Dec 2025 **allowed sales of Nvidia’s advanced H200 AI chips to China, crossing a previously bipartisan political ‘red line’**. Bipartisan Congressional efforts failed to prevent the move. We cannot exclude the possibility of a further easing of some existing curbs in pursuit of a broader deal. But technological competition is not going anywhere, and this dynamic in Washington could quickly change if China-US ties sour during the year – a real possibility given the myriad bilateral sources of tension beyond advanced technology, including rare earths, Taiwan and the South China Sea.

Both sides still look set to introduce new measures this year. National security and economic concerns will likely drive developments across a range of domains. **Self-sufficiency** will probably be a key theme in China. **China’s 15th Five-Year Plan** (to be unveiled in March) is expected to boost support for tech self-reliance and innovation, with e.g., **AI, semiconductors and quantum computing** among priorities. To watch will be whether China achieves significant progress in scaling up cutting-edge **Extreme Ultraviolet Lithography (EUV)** chipmaking technology this year (reducing its dependence on imported machinery), following recent reports of a significant breakthrough.

Meanwhile, the Trump administration will likely continue to scrutinize inbound China-linked investments in sensitive sectors, as evidenced by its **2 Jan 2026 divestment order in a China-linked chip deal** in New Jersey. The US has said it could introduce global tariffs of up to 100% on **semiconductors** this year, intended to incentivize domestic production, and it **plans to introduce tariffs on older Chinese chips in Jun 2027**. The US will likely also continue to marginally tighten restrictions in some areas this year, including in the use of **light detection and ranging (LiDAR) technology** by the Defense Department (after 30 Jun 2026). Recently passed legislation will also see the tightening of restrictions on e.g., some **outbound investments in China and on some Chinese biotechnology companies**.

All eyes will be on **November 2026**. As part of the Busan Agreement, China and the US suspended a number of measures, including **expanded US export controls** (the so-called ‘BIS 50% rule’) and China’s **curbs on certain rare earths and related technologies**. To watch will be whether both sides strike an agreement to further defer the measures, or if some or all are reinstated if relations deteriorate – which could set the stage for a more volatile 2027.



3. Middle powers: The Art of the Balance



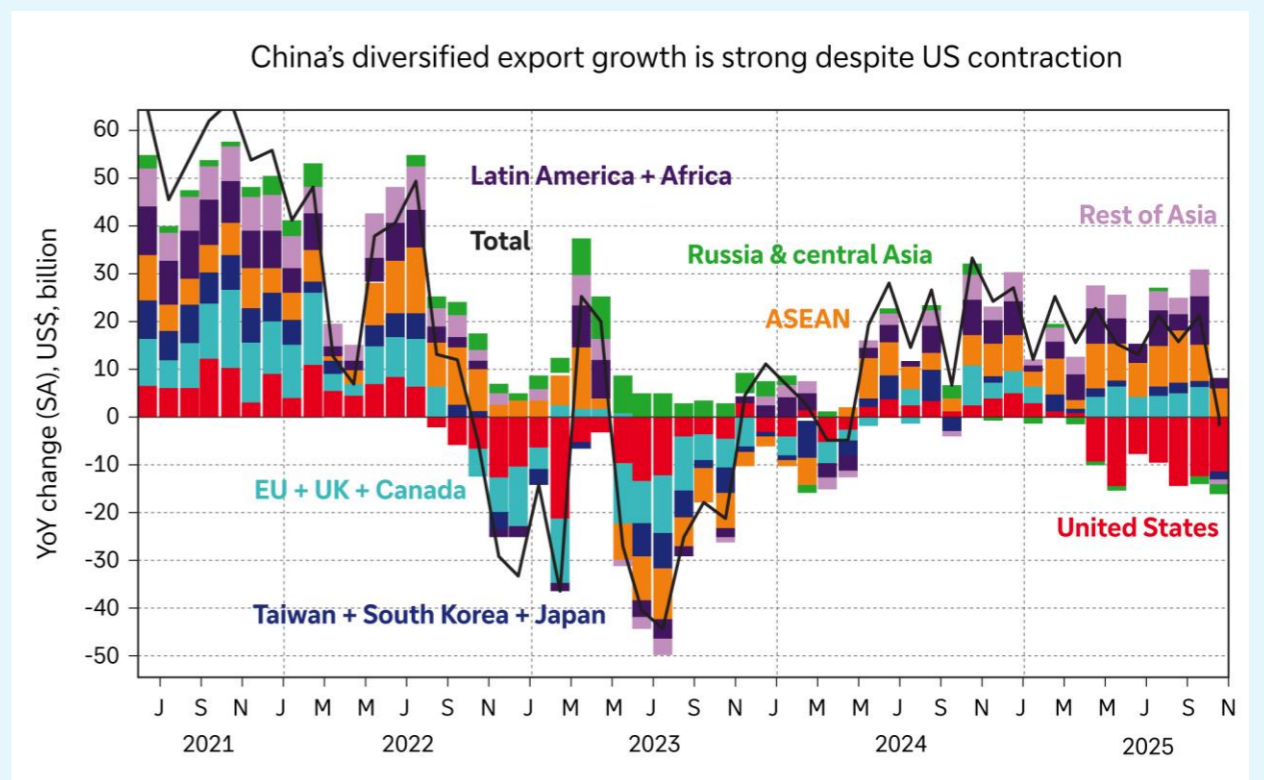
Middle powers will likely continue to wield outsized influence in 2026, but their room to maneuver between China and the US may well narrow. We believe these geopolitical ‘swing states’ will continue to hold significant leverage in navigating geopolitical headwinds this year, by virtue of their strategic location, wealth, large populations, natural resources and/or long-term growth potential. Countries including Saudi Arabia, the United Arab Emirates (UAE), India, Brazil, Indonesia, and South Africa appear set to benefit as their economic weight allows them to attract trade and investment across geopolitical divides.

The Gulf states have emerged as key beneficiaries. Saudi Arabia and the UAE, in particular, leveraged their geopolitical influence in 2025 to secure US and Chinese investments in data centers, cloud services and AI infrastructure – and access to cutting-edge US AI chips. Separately, middle powers will likely continue to ‘pick and choose’ US- and China-led initiatives, with limited pushback, e.g. US partners Thailand, Malaysia and the UAE have joined the BRICS+ group as members or partners. Japan, South Korea and Australia have acceded to the China-led Regional Economic Partnership (RCEP) trade agreement with no material US response.

This dynamic should remain broadly unchanged in 2026, though threading the geopolitical needle may become more challenging. The Trump administration will likely continue to scrutinize China-linked investment and supply chains even as it seeks stabilisation with Beijing. It has introduced a **global 40% transshipment tariff**, which could see wider implementation in 2026. Washington seems likely to continue to request greater alignment on export controls and investment restrictions aimed at China this year, e.g., in **ongoing trade talks with Indonesia and Brazil** and this year’s renegotiation of the **US-Mexico-Canada (USMCA) trade agreement**.

Markets with close links to China, or those potentially perceived as benefitting from an increase in the transshipment of Chinese goods (see chart), could see particular scrutiny. More economies in Latin America – many of which have received only a 10% US reciprocal tariff – and ASEAN could tighten investment or trade links with Beijing in response, following the example of Mexico, which introduced **tariffs of up to 50%** on imports from Asia in Dec 2025. China has repeatedly spoken against such provisions and efforts by ‘swing states’ to align with Washington.

Differences over China links have reportedly led to challenges in trade talks between the US and **Indonesia** – although these remain on track, and both sides could sign a deal as soon as late Jan 2026. Meanwhile, concerns over a trade deal between the US and **Malaysia** have purportedly prompted Beijing’s recent trade outreach to Kuala Lumpur.



Source: Gavekal/Macrobond

4. Will Europe “Waste a Good Crisis”? (1/2)

Europe has been pummeled with crises in recent years. To watch in 2026 will be Europe’s capacity to manage volatility across many fronts while facing sluggish economic growth and fiscal pressures. Historically, major disruptions have often acted as catalysts for deeper EU integration and innovation. Will we see a Europe catalysed for real change in 2026, or will hope that the old status quo will return stymie critical reform?



In 2026, many European markets will continue to face **domestic political fragility** that saw incumbent governments across Europe swept out of power or face substantial losses in 2024. While 2026 will see far fewer elections, Europe’s political elite will grapple with the same challenges: the need for economic reform, political polarization, and geopolitical headwinds. 2026 may be another year of ‘more of the same’ politically, but the problem is that the broader geopolitical landscape isn’t getting any easier (see map).

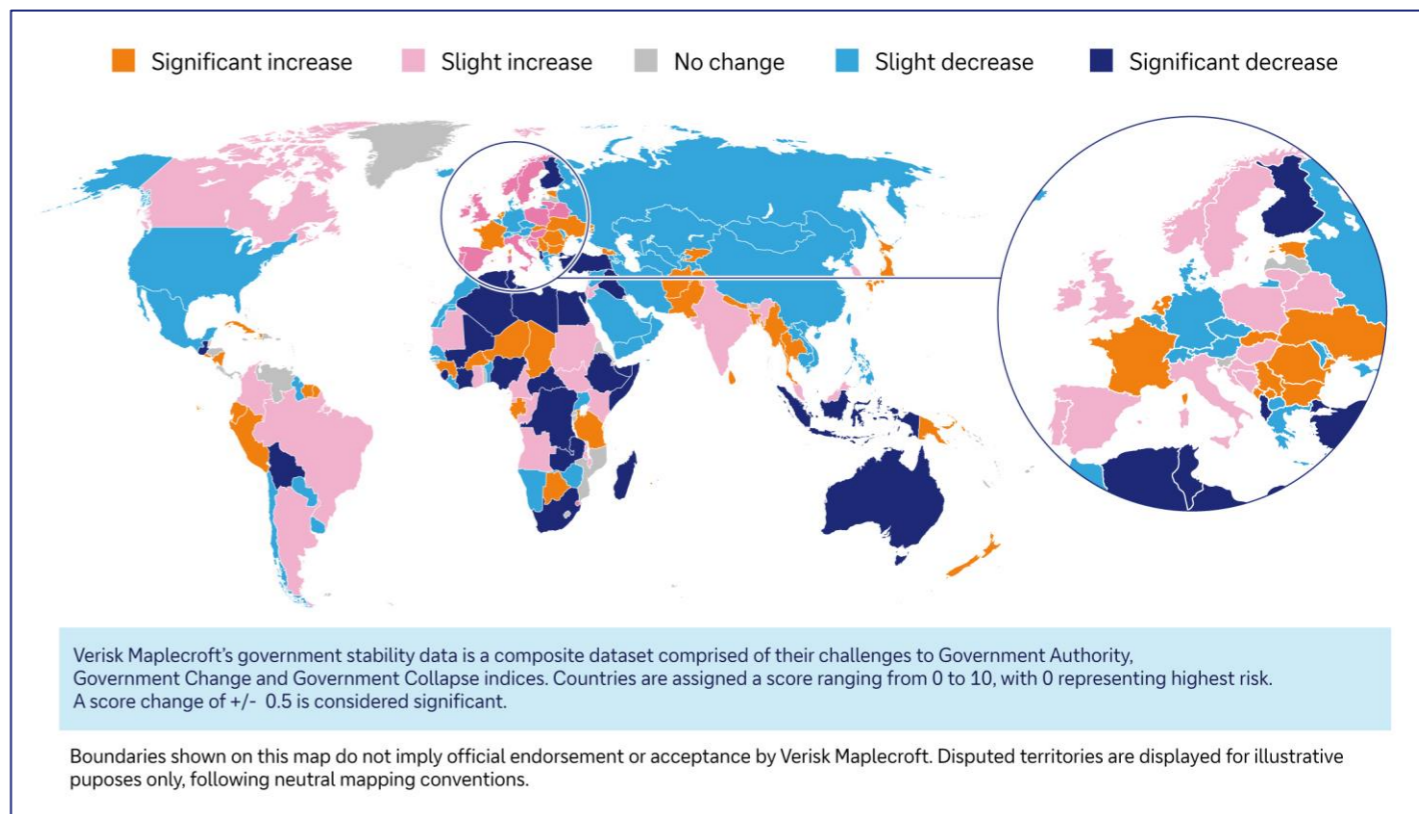
Europe’s efforts to boost **competitiveness** will be critical, but 2026 may see the same lack of political consensus in pushing forward dramatic changes; these problems are structural. Whereas Mario Draghi’s 2024 “The future of European Competitiveness” report diagnosed the causes of Europe’s competitiveness gap, the European Competitiveness Compass (2024-2029) was meant to translate the recommendations into concrete actions.

As we embark on 2026, reforms have progressed unevenly or stalled. A litmus test of whether Europe leverages the current crisis will be whether there are early signals towards real progress on the most ambitious reforms: harmonized markets, unified capital markets, EU-wide investment programmes, and deregulation/simplification.

Europe’s role in the new world order: Europe is actively seeking to enhance its strategic autonomy in areas like defence, energy security, and critical raw materials to lessen external dependencies while buttressing its relations with numerous markets. 2026 will likely test the EU’s ability to keep a coherent foreign and economic policy.

Threats to government stability have increased most in Europe since 2020

Government stability data, change in risk since 2020-Q4



Source: Verisk Maplecroft, World Bank

4. Will Europe “Waste a Good Crisis”? (2/2)

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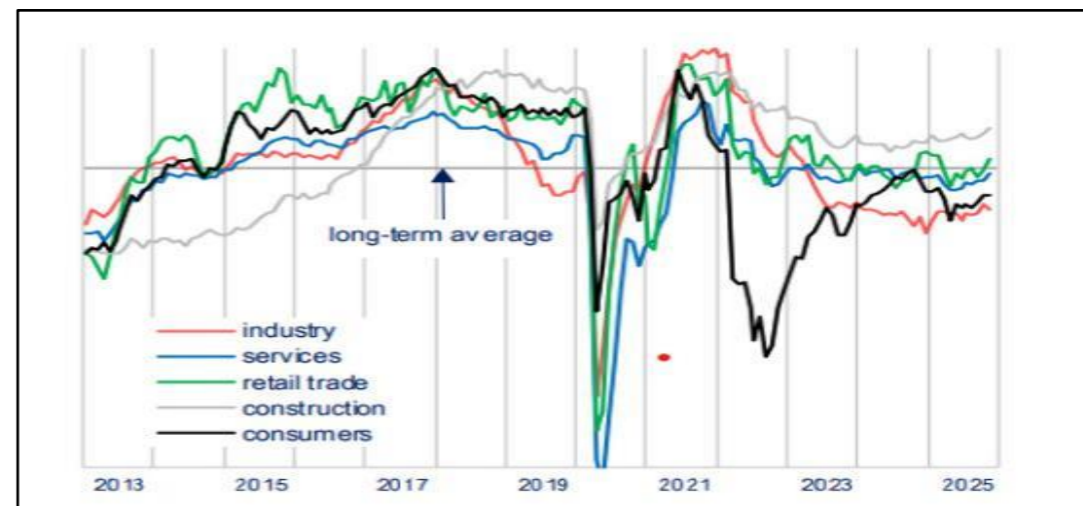


Russia-Ukraine: In the event of a ceasefire, European countries will have to balance support for Ukraine with domestic constraints. If Europe is as unprepared for an end to the war as it was for the start of the war, there could be myriad unanticipated market implications. To watch will be the unanimity of European positions on Russia and the commitment to/speed of European defence spending if the acute threat ebbs. If the war continues through 2026, Europe will likely be compelled to take an even greater role in supporting Ukraine should US policy volatility increase.

EU-US: In 2026, Europe will continue to grapple with managing fraught relations with the US. Europe has been largely conciliatory in its approach, but 2026 could demand a response to shifting US trade policy. The EU-US Framework Agreement may well not be the “final” deal on tariffs and trade. Trump’s America First approach intends to use tax incentives and policy to draw capital and investment towards the US, creating competitive pressure on European industries. The EU’s regulatory moves on tech companies stand to increase tensions. The US’ new National Security Strategy, which described Europe as facing “civilizational decline”, advocates for US policy to “cultivate resistance to Europe’s current trajectory within European nations,” which may increase fragmentation. The new US Special Envoy for Greenland could further complicate Europe’s ties with the US.

EU-China: While China remains one of the EU’s largest trading partners, we might see more complexity in the relationship in 2026. Brussels could opt to further harden the de-risking agenda with tougher screening of investments (e.g., energy and biotechnology), expand export controls, and diversify supplies of critical inputs (e.g. rare earths, magnets). Several investigations (e.g. EVs, solar panels, steel, medical devices) could mature in 2026, which could lead to anti-subsidy tariffs and WTO disputes. In addition, 2026 will be a major implementation year for the Net Zero Industry Act, the Critical Raw Materials Act and the European Chips Act, which all have China touchpoints.

EU Business Confidence Indicators



EU Business Expectations (next 3 months)



Source: European Commission Directorate-General for Economic and Financial Affairs

5. Ukraine war: Beginning of the End, or the End of the Beginning?



While a ceasefire is far from guaranteed, media reports suggest material new momentum and a sizeable narrowing of the gap between the positions of Ukraine and Russia.

Both a ceasefire and a credible move towards a ceasefire would have major implications for markets. We identify some key potential impacts below. We could see a kneejerk reaction for assets that have been affected by the war and related sanctions.

Sanctions: While the EU and other allies have reaffirmed commitments to sanctions against Russia, the lifting of sanctions and the status of frozen assets will likely be part of the ceasefire negotiations. The recent US proposals suggest Russia is to be “reintegrated into the global economy”, likely in stages. This would create significantly more complexity for corporates as the unwinding would likely be differentiated by country and sector. US entities could benefit from long-term economic cooperation agreements in energy, natural resources, infrastructure, artificial intelligence, data centres, and rare earth metals.

Reputational risks: Even with a ceasefire, re-entering Russia could carry reputational risk for investors, as public opinion, civil society and governments could well view a return as premature or as a tacit acceptance of unresolved accountability and sanctions issues. On the flip side, those corporates and investors that choose not to re-enter Ukraine may also face reputational risk, particularly if reconstruction is framed as a test of corporate responsibility and long-term commitment to European security and values.

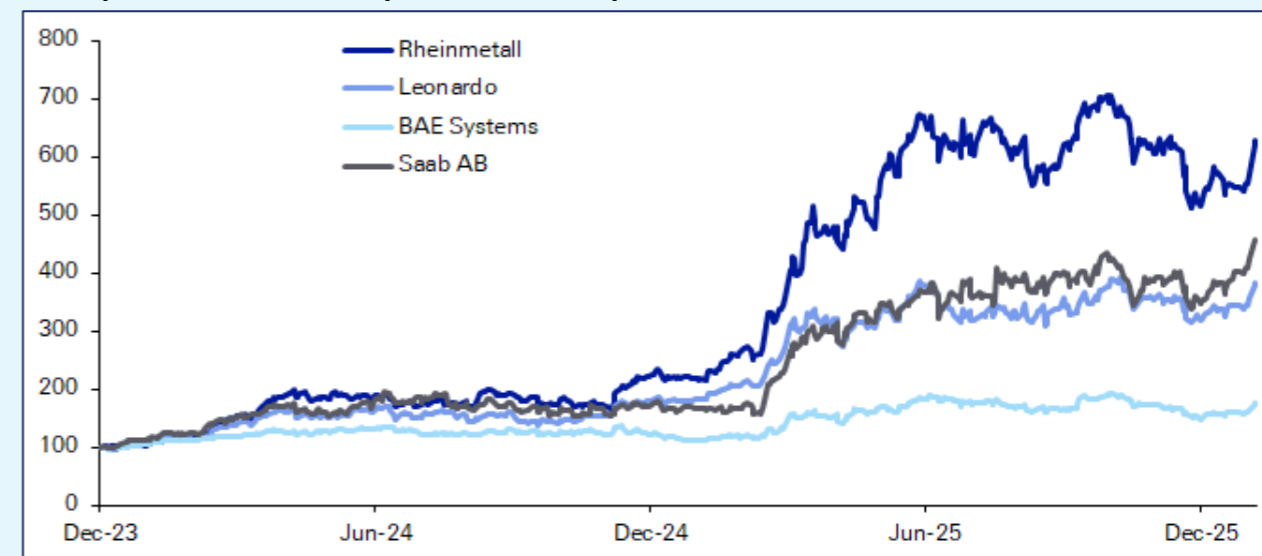
Commodities: Normalisation of energy trade would be the biggest channel for a resolution in Ukraine to boost Europe’s macro outlook. However, Europe is unlikely to see a major return to Russian energy quickly and the impact is likely to vary across commodities. We see prospects for a significant European return to Russian pipeline gas as limited – not least given the investments made in alternatives.

Agriculture: A ceasefire would bring immediate logistical benefits for Ukraine’s grains exports, though the impact might be modest as structural hurdles to increase production would take time to overcome.

Reconstruction: The proposed ceasefire would have implications for investments in gas infrastructure, minerals, reconstruction of cities, technology, data centres and artificial intelligence. In February 2025, the World Bank estimated the cost to rebuild Ukraine at \$524 billion. The EU would likely have to fund a large portion.

European defence: A ceasefire is unlikely to lead to a genuine decline in perceptions of European security risks as concerns around Russia’s intentions and US security commitments to Europe persist. But the acute push for Europe to increase its defence spending and capabilities may come up against fiscal constraints, which may limit the speed of this shift in many countries.

Share prices of selected European defence companies in Euro terms (1 Dec 2023 = 100)



Source: Bloomberg Finance LP, Deutsche Bank

6. Critical Minerals: The Great Diversification



While global dependencies probably won't shift soon, non-Chinese suppliers should be the biggest winners of diversification efforts. Despite years of efforts by the **US, EU, India** and others to reduce dependence, China remains the main supplier of processed rare earth metals (REM) and other critical minerals essential for electronics, renewables, electric vehicles and defence. As noted in our [report](#), China accounts for around 60% of REM mining and over 90% of the world's REM refining capacity. During 2026, a flurry of diplomatic activity could create opportunities for a range of non-Chinese suppliers, even if these could take years to materialize (**see text box below**).

2026 should see efforts to develop critical minerals cooperation frameworks, diversify supply and boost domestic production. **The EU** plans to establish a European Critical Raw Materials Centre to finance strategic projects and diversify supply chains. Access to minerals will be a key focus of **US trade talks with Brazil** (which holds the world's second-largest REM reserves) and **Indonesia** (the world's largest nickel producer). Critical minerals will also feature in India's trade talks with **Peru** (copper) and **Chile** (lithium).

[China-US trade talks and the war in Ukraine are major watchpoints this year](#). A possible end to the **war in Ukraine** could accelerate efforts to develop Ukrainian mineral deposits under its 2025 agreement with the US. According to [the Wall Street Journal](#), Washington also anticipates that US companies will invest in rare-earth extraction in **Russia** after the war. **China-US trade talks** are another key watchpoint. As part of the Oct 2025 Busan deal with the US, China agreed to defer (but not remove) some of its REM export restrictions until Nov 2026. Successful talks could lead to further deferrals or a shelving of the measures. Conversely, a deterioration in China-US ties could see them reinstated, possibly leading to renewed supply chain impacts toward the end of the year.

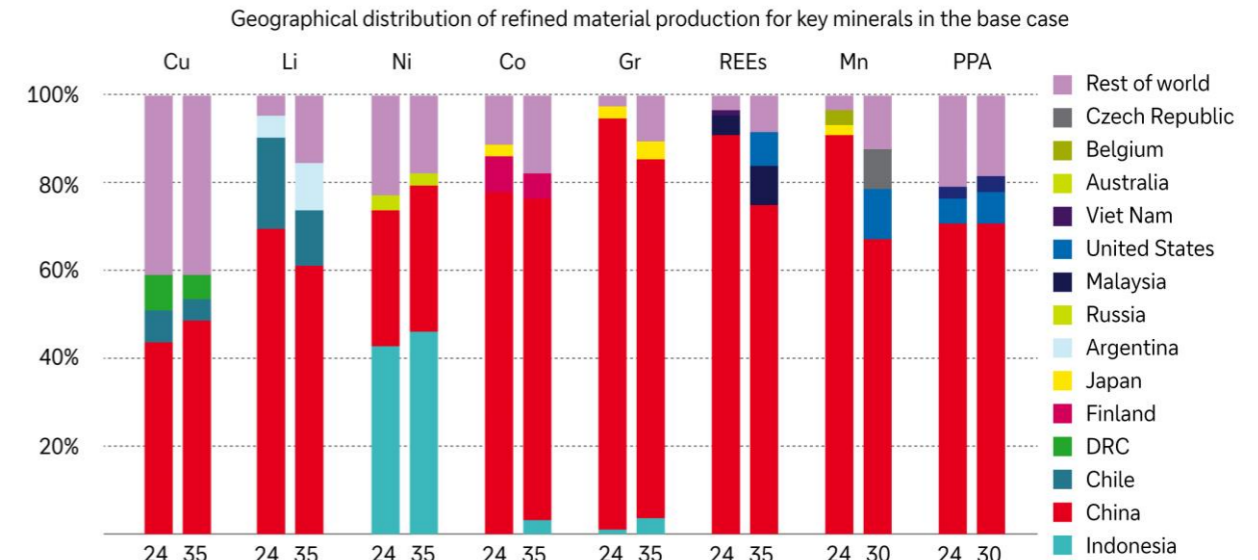
Supply chain diversification is a costly and long-term play

Developing mining, refining and processing capacity will require sizeable and sustained investment, including by governments. According to [the International Energy Agency \(IEA\)](#), simply meeting rising global demand for critical minerals will require between US\$500bn and US\$600bn in capital investment by 2040. But investment may not decisively move the needle on some existing supply chain dependencies – including on **China** – over the next 5-10 years (see chart for refined material production).

The economic viability of projects may hinge on government-led policy and financial support. A recent pwc report notes that **Australia** has 124 “investment-ready” critical minerals projects, but only a quarter have proven and probable reserves, and many have struggled to attract private capital.

The global gap between geopolitical priorities and commercial viability could unlock significant new state-backed funds in the coming years, along the lines of **Australia's** US\$2.7bn Critical Minerals Facility (launched in 2021), **Canada's** US\$1.5bn Critical Minerals Sovereign Fund (2025) and the **US-**led US\$1.8bn Critical Minerals Consortium (2025).

Refined material production is also set to remain highly concentrated in a few countries



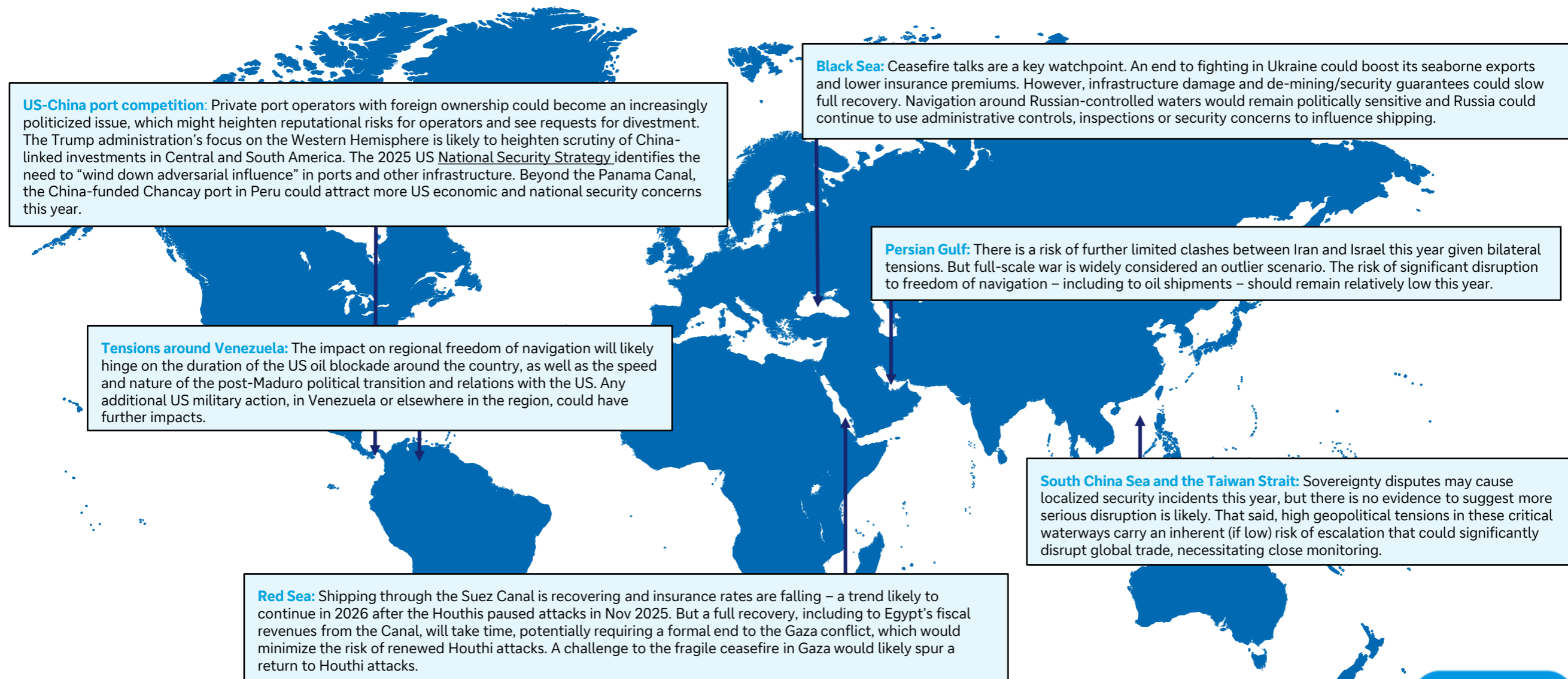
Note: Cu = copper; Li = lithium; Ni = nickel; Co = cobalt; Gr = graphite; REEs = rare earth elements; Mn = battery-grade manganese sulphate; PPA = battery-grade purified phosphoric acid; DRC = Democratic Republic of the Congo. The figures for graphite are based on battery-grade including spherical graphite and synthetic graphite. The figures for rare earths are for magnet rare earth elements only. The figure depicts the value of the top three producing countries in a given year.

Source: International Energy Agency

7. Freedom of Navigation: Charting a Course Through Troubled Waters



Risks to global freedom of navigation look set to rise in a more fragmented world, with knock-on impacts for global trade and international security. Some 80% of global trade moves by sea. Threats to shipping can push up commodity prices; disrupt the global supply of energy, food and commodities; increase transit times; and raise insurance premiums – and ultimately translate into higher prices that exacerbate cost-of-living concerns in many markets. Below are some of the potential challenges to freedom of navigation to watch this year.



8. The New Geopolitical Battlegrounds: Sectors to Watch (1/2)



While many sectors have been politicized in recent years (semiconductors, AI, energy, dual-use technology), other industries may find themselves caught in the geopolitical crosshairs in 2026 as the lines between economic and national security continue to blur. In a world where many traditionally apolitical sectors are becoming politically sensitive, governments will likely tend to view a growing number of sectors through a national security lens. This holds potential to raise reputational and financial risk for a broad range of corporates, which could get entangled in geopolitical disputes. Below are some of the sectors to watch.

Health data, biotech platforms and active pharmaceutical ingredients (API): As digital health and AI-driven biotech accelerate, a number of jurisdictions, including **China, the US and the EU** see biotechnology and AI leadership in drug discovery and diagnostics as strategic technologies relevant to national security. 2026 seems likely to see continued efforts to reduce geopolitical vulnerabilities in this space. **Trump's tariff agenda has included proposals for 100% levies on imported APIs** to encourage manufacturing in the US, and there have been suggestions of possible **draft executive orders restricting drug licensing deals with Chinese biotech firms**. The EU is tightening regulation on access, security and sharing of sensitive health data. **The EU's Biotech Act is expected by Q3 2026** and could reshape EU rules on biopharma. 2026 may see an accelerated EU push to decrease dependence on Chinese and Indian APIs as part of broader health security efforts through increased domestic API production capacity.

Rail equipment and signaling: Rail and signaling equipment are increasingly perceived as dual-use technologies, which could present a vulnerability if controlled by foreign suppliers. In 2026, the **US could tighten rules around foreign suppliers of rail signaling software and equipment**. Congress and the Trump Administration are reportedly working on expanded **Foreign Investment Risk Review Modernization Act** implementation, which would impact rail equipment and signaling technologies. In the **EU**, the Critical Entities Resilience Directive risk assessment deadline is Jan 2026. Rail operators and signaling providers will be part of national risk frameworks elevating geopolitical risk considerations. **Chinese** suppliers dominate high-speed rail and signaling exports, particularly across **Asia, Africa and Latin America**. There may be increased pressure on some markets in 2026 to purchase alternative rail technology (e.g. **India, Japan**) as part of diversification strategies and to comply with US/European cybersecurity standards.

Impact of midterms in the US: President Trump may focus more on tackling cost-of-living pressures in advance of the midterm elections in November, which may see tensions with Trump's 2025 policy rollout. In Dec 2025, he negotiated with US pharmaceutical companies to lower drug costs. **In 2026, we may see efforts to further wind back some tariffs to decrease costs for consumer goods and food**. In addition, housing and construction may see some upsides – possibly lower tariffs on imported building materials or bulk procurement deals, in line with what industry groups like NAHB advocate. Housing affordability is closely tied to energy and utility costs. Voter cost-of-living concerns ahead of the November mid-term elections could prompt the administration to consider subsidies or tax relief for domestic natural gas, electricity and heating.



Source: [KUA YUE on Unsplash](#)

8. The New Geopolitical Battlegrounds: Sectors to Watch (2/2)

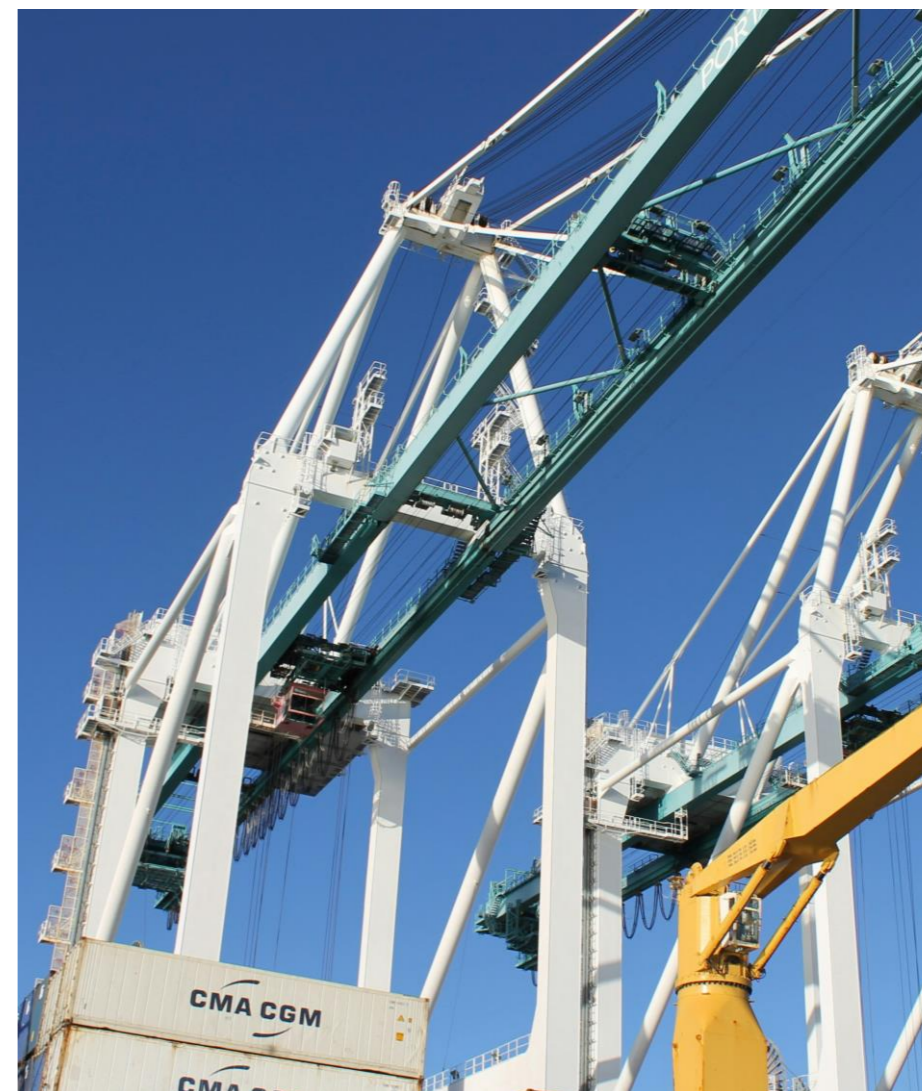


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Tourism: The **China-Japan dispute over Taiwan** will likely continue into 2026, weighing on the number of tourist arrivals to Japan. While there is as yet no sign of broader consumer boycotts, precedent suggests this is a possible outcome if relations deteriorate further. An end to the **war in Ukraine** could impact various markets, including those in **Southeast Asia and Europe**, which have in recent years seen an influx of Russian and Ukrainian travelers seeking respite from the war. **Canadian** tourism into the **US** dropped significantly in 2025 and **may see continued drops** in light of political and economic tensions.

Civil aviation: Critical dependencies between **China and the West** should help limit the impact of geopolitics in this space in 2026. Nevertheless, this sector remains a watchpoint. **China could return to its use of purchases of Airbus or Boeing jets as leverage** in future negotiations. Separately, members of the US Congress have expressed concerns that the **Commercial Aircraft Corporation of China (COMAC)** “seeks to supplant US and European leadership in the aviation sector”. The US Defense Department also designated COMAC as a Chinese Military Company in 2025, reflecting growing scrutiny of the company.

Ship-to-shore cranes: **China**-built cranes account for around **80%** of all cranes used in US ports, and Washington’s concerns revolve around a mix of economic and national security issues. Concerned about negative impacts on US manufacturers, the Biden administration introduced a 25% import tariff in 2024. Members of the US Congress and Pentagon officials have **also alleged that China-built cranes may collect sensitive intelligence**. The Trump administration meanwhile **announced a 100% tariff on China-linked cranes and related equipment, but deferred the levy until November 2026**, following the Oct 25 Busan agreement with China.



Source: [Fred Crandon on Unsplash](#)

9. Geopolitical Opportunities: Bright Spots on the Horizon (1/3)

It is easy to lose sight of positive developments amid a focus on geopolitical risk. But geopolitical shifts are also driving the creation of new trade and investment corridors, the diversification of supply chains, and new investments in critical minerals, manufacturing and infrastructure. Pockets of opportunity should emerge and expand in different parts of the globe. Below are some developments we will be watching in 2026 and beyond.

Gulf strategic non-alignment strategy should continue to pay dividends: The Gulf states (Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Bahrain and Oman) will likely continue pursuing a pragmatic and increasingly diversified foreign policy agenda. In 2026, we could see more focus on securing long-term **LNG** contracts (primarily with Asia) to ensure revenue stability in the event the Russia-Ukraine war ends. These states could well seek to secure their position as strategic suppliers of **hydrogen, petrochemicals and aluminium** to Europe. As the UAE, Saudi Arabia and Qatar work to become technology hubs, they will likely look to attract Chinese, US and European investment in **AI laboratories, fintech incubators, and cybersecurity partnerships**. They will probably also be looking to partner with foreign firms for **solar, wind and hydrogen** projects.

To watch in 2026 will be strengthening trade links with a diverse array of markets. Gulf-Africa trade appears set to expand, with the UAE poised to conclude Comprehensive Economic Partnership Agreements (CEPA) with Chad, Nigeria and Rwanda. Saudi Arabia's approach to Africa is more investment-led with trade increasing significantly, especially in **energy and industrial goods**. UK-Gulf Cooperation Council (GCC) FTA negotiations are widely expected to advance in 2026.

The **Gulf-Asia corridor** also looks set to expand further. Companies from mainland China, Hong Kong, India and South Korea are particularly well positioned in sectors such as **digital infrastructure, renewable energy (e.g., Saudi solar), financial services and electric vehicles**.

New trade agreements would further boost Gulf-Asia trade, which according to [Asia House](#), **hit a record US\$516bn** by late 2024, while the Gulf's trade with China reached US\$257 bn, surpassing its combined trade with the US, UK and Eurozone. More is to come on the trade front. **The \$4bn Kuwait Port Partnership agreement with China** is a major step towards deeper regional trade and logistics links with China's Belt and Road network. Discussions towards an **Indonesia-GCC FTA** target completion in 2026. India and Oman signed a **Comprehensive Economic Partnership Agreement** in Dec 2025, which will greatly expand market access. India and Qatar aim to conclude a **Free Trade Agreement** by mid-2026 with the goal of doubling trade by 2030.



Source: [Ryan Miqlincy on Unsplash](#)



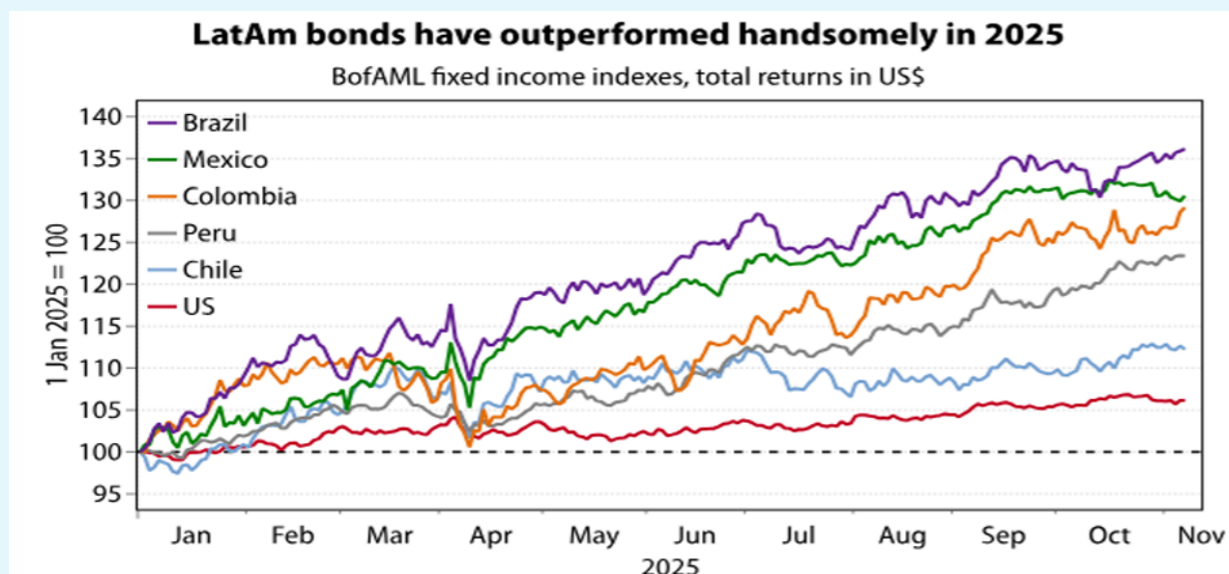
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China-US competition in Latin America: While US and Chinese attention to the region carries risks (see slides 5 and 10), it should also open opportunities for markets to balance between China and the US – attracting investment and economic concessions in the process. For example, in 2025, **Argentina** benefitted from a **\$40bn US economic lifeline**, which was reportedly extended to curb Chinese influence.

Meanwhile, Chinese tech and infrastructure companies are active in the region, spanning a broad range of projects, e.g., **a proposed transcontinental railway from Peru to Brazil, electric vehicle factories, renewable energy, critical minerals, and telecommunications.**

These investments would also align with efforts by regional governments to rebalance their **trade and economic relations with China away from a reliance on commodity exports** and toward more direct investment that generates jobs and facilitates technology transfers.



Source: ICE BofAML, Gavekal Research/Macrobond



Source: Nestor Barbitta on Unsplash

9. Geopolitical Opportunities: Bright Spots on the Horizon (3/3)



It is easy to lose sight of positive developments amid a focus on geopolitical risk. But geopolitical shifts will also drive the creation of new trade and investment corridors, the diversification of supply chains, and new investments in critical minerals, manufacturing and infrastructure. Pockets of opportunity should emerge and expand in different parts of the globe. Below are some developments we will be watching in 2026 and beyond.

Bright spots for Europe: The EU is set to continue negotiations on bilateral Strategic Partnership Agreements with the six Gulf Cooperation Council (GCC) states in 2026. The agreements are intended to cover **trade/investment, energy, digital transformation, transport, amongst other sectors**.

The EU held its first EU-Central Asia Summit in Apr 2025 with a focus on boosting trade, investment connectivity and cooperation. Under the EU's Global Gateway strategy, the bloc has committed €12bn towards **transport, critical raw materials, clean energy and digital connectivity**. The European Bank for Reconstruction and Development (EBRD) set a Central Asia investment record in 2025 financing infrastructure, green energy and SME development.

The long-awaited EU-Mercosur trade deal covering Argentina, Brazil, Paraguay, and Uruguay could create one of the largest free trade areas globally. If approved in 2026, this would see tariff reductions, expanded market access, boost EU exports (**machinery, cars, industrial goods**) and imports (**agriproducts, raw materials**). In addition, the EU's Global Gateway strategy has committed €45bn for investment in Latin America and the Caribbean. In 2026, we could see an expansion of **digital connectivity, AI and research networks, green energy and hydrogen projects**. The EU-Mexico Modernized Global Agreement is set to be ratified in 2026. The EU-Chile Comprehensive Agreement is expected to be fully in force in 2026. This year is also expected to see the full implementation of the EU-Andean Trade Agreement (Colombia, Peru and Ecuador).

Geopolitics yet to dent ASEAN's appeal: Key markets like Vietnam and Malaysia remain attractive, though navigating China-US tensions is a watchpoint (see slide 5). **The 20% US tariff on Vietnam appears to have done little to set back its appeal**. Hanoi's trade surplus with the **US and imports from China both reached all-time highs in the first 11 months of 2025**. Chinese investment is rising, with Vietnam approving a slew of China-linked deals in **telecoms, railways and aviation**. Malaysia's reciprocal trade agreement with the US should facilitate **US tech investment**, while Indonesia should remain attractive for investments in industries including **metals processing, EV batteries and renewables** – and should benefit from geopolitical competition for **critical minerals**.

Central Asia: Long at the crossroads of geopolitical competition, interest in the region is increasing significantly. While Russia remains a major partner, China is the dominant trade partner for Central Asian states. Chinese investment in Central Asia in H1 2025 alone was estimated at \$25bn – a 10% increase from 2024 – focusing on **energy, metals/mining and technology**.

The Nov 2025 C5 (Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan) Summit with the US saw a commitment of \$25 bn in trade and investment deals. **Critical minerals, energy transition, and supply chain diversification** will be key elements of growing trade. The landscape will be increasingly crowded with greater trade and investment by the Gulf, India, Turkey and South Korea in 2026. Uzbekistan's WTO accession is also expected to be finalized or near completion in 2026.

US-India relations: There is cause for optimism this year, despite recent tensions. President Trump signaled a tariff reduction in Nov 2025 and bilateral trade talks were held in Dec 2025. **Both sides appear likely to finalise a trade deal this year, a key step toward a planned doubling of bilateral trade to US\$500bn by 2030**. The latest US National Security Strategy also calls for **increased commercial and security cooperation with India**, suggesting that the Trump administration continues to view New Delhi as a crucial geopolitical partner and an important counterweight to China.

A trade deal that would **cut the current US 50% tariff on India** would hold upsides for corporates looking at India as a hub for **supply chain diversification** and could boost bilateral cooperation in **advanced technology, semiconductors, AI and defence**. However, this may hinge on tariffs falling below India's **25% "reciprocal" rate**, which would hinder its competitiveness against hubs like Vietnam (20%).

10. Tail risks: Which “What ifs” could become “What Nows”? (1/2)



Whereas the sky isn't falling, emerging security threats pose direct risks to markets, corporate operations and investment portfolios in an increasingly complex and politicized landscape. Hostile state and non-state actors could leverage a number of modalities, which could have significant implications for investors globally. Below are some developments we will be watching this year and beyond.

Sub-Sea Cables: Subsea cables carry over 95% of global internet and data traffic, making them high-value targets for espionage, surveillance or disruption. State or state-backed actors could exploit geopolitical tensions to intercept data or physically sabotage cables in strategic chokepoints, e.g. the Strait of Hormuz, South China Sea, or the Mediterranean. While the most common source of cable damage has been fishing and shipping accidents, rising maritime traffic and increasing political tensions may increase accidental and deliberate damage incidents. The EU has recently pledged to take action against threats to critical cable infrastructure in light of recent security and sabotage concerns in the Baltic Sea.

Quantum Computing: While the technology is still in its early stages, quantum technology threatens traditional encryption, potentially exposing sensitive financial, industrial and intellectual property data. State-backed programs and global competition may accelerate these risks, particularly in sectors like finance, defence, energy and pharmaceuticals. While large-scale quantum decryption isn't yet feasible, some actors are reportedly collecting encrypted data now to decrypt later once quantum computers mature.

Strategic implications of AI: AI will have transformational implications in myriad sectors in the coming years. It is important to contemplate the potential use of AI in geostrategic competition and by non-state actors. State-driven AI risks are complex, spanning military, economic, cyber and social domains.

States are increasingly deploying AI for autonomous weapons, surveillance and decision-support systems. AI enables actors to generate deepfakes, social media campaigns and micro-targeted disinformation to influence elections, policy decisions or market confidence.

Governments may also deploy AI-driven cyber attacks targeting critical infrastructure, financial systems or intellectual property. AI enables faster identification of sensitive data and more effective attack vectors against corporations and governments. Inconsistent AI regulation across states may create trade frictions, compliance risks or technology transfer restrictions.

Terrorism: According to the Global Terrorism Index (GTI), global terrorism impact peaked in 2015, largely due to ISIS activities in Iraq and Syria. While the number of deaths have declined compared with that peak, terrorism remains significant in regions such as Afghanistan, Syria, Somalia and Nigeria. In Europe and North America, terrorism deaths remain low but there is a persistent threat that should not be underestimated.

Far-right terrorism fueled by anti-government, anti-immigrant or extremist ideologies is on the rise in Western countries, particularly in Europe and the US. To watch in 2026 will be a shift in the types of attacks. We are seeing more decentralized and asymmetric attacks, including suicide bombings, small-scale shootings, and vehicular attacks. Terrorist groups are reportedly exploring cyber operations, including attacks on critical infrastructure, ransomware and misinformation campaigns to disrupt society or fund operations.

10. Tail risks: Which “What Ifs” could become “What Nows”? (2/2)



A tendency to underestimate the potential for rapid escalation frequently catches corporates and investors off guard. Geopolitical issues can simmer for years without boiling over – until they suddenly do. Recent history offers plenty of examples, most prominently the wars in Ukraine and Gaza. The list of such potential tail risks in 2026 is long. We have pinpointed 10 potential flashpoints that require particularly close attention given their potential for wider economic disruption.



11. AI Insights: What the Machine Sees



We asked our proprietary AI model, dbLumina, to review our report and identify any additional geopolitical themes for 2026 that should be covered.

The below assessment is entirely generated by the AI model.

While the 2026 Geopolitical Outlook provides a robust assessment of key global dynamics, several interconnected themes warrant deeper consideration. These issues could independently generate volatility or act as powerful accelerants to the risks already identified. Expanding our aperture to include these areas provides a more holistic view of the investment landscape.

The Weaponization of Disinformation: While AI-driven cyber attacks are noted as a tail risk, the strategic and continuous use of disinformation as a tool of statecraft deserves standalone focus.

Beyond election interference, state and non-state actors are increasingly using sophisticated, AI-enhanced disinformation campaigns to erode trust in institutions (governments, financial markets), sow social division, and undermine rivals. This "cognitive warfare" can destabilize countries from within and complicate international diplomacy.

Climate Change as a Geopolitical Catalyst: The report focuses on energy transition and raw materials but gives less attention to the direct geopolitical impacts of climate change itself. In 2026, we should monitor the potential for:

- **Food and Water Security:** Increased frequency of droughts, floods, and extreme heat events could strain agricultural production and water access, particularly in Africa, the Middle East, and parts of Asia. This could fuel domestic instability, cross-border migration, and resource competition, creating new geopolitical flashpoints.

- **Arctic Rivalry:** As ice melts, new shipping lanes and access to vast untapped resources (oil, gas, minerals) are opening up. This is intensifying strategic competition between Arctic nations (including the US, Russia, and Canada) and non-Arctic powers like China, which has declared itself a "near-Arctic state."

Global Health Security and Pandemic Preparedness: The post-COVID focus on economic recovery has overshadowed the persistent risk of another global health crisis. The politicization of health, as seen with biotechnology, extends to pandemic response.

- **A new infectious disease outbreak in 2026** could instantly reignite supply chain disruptions, nationalist hoarding of medical supplies ("vaccine nationalism"), and intense geopolitical blame-gaming, potentially derailing the fragile truces and economic cooperation outlined in the outlook.

Demographic Shifts and Social Unrest: Major demographic trends are reshaping domestic politics and international relations.

- **Aging Populations:** In Europe, Japan, and increasingly China, aging populations are creating fiscal pressures, straining healthcare systems, and potentially leading to economic stagnation.
- **Youth Bulges:** Conversely, regions in Africa and South Asia with large youth populations face pressure to create jobs and opportunities. A failure to do so could become a major driver of social unrest, political instability, and mass migration, with knock-on effects for regional and global stability.

12. Selected Key Geopolitical Events in 2026

- **1 January:** **Bulgaria** adopts the euro
- **18 January:** **Portugal** presidential election (first round)
- **19-23 January:** Davos Annual Meeting in **Switzerland**
- **29-31 January:** **UK** Prime Minister Starmer to visit **China**
- **February:** **German** Chancellor Merz to visit **China**
- **8 February:** **Thailand** general election
- **12 February:** **Bangladesh** general election
- **13-15 February:** Munich Security Conference in **Germany**
- **March:** Annual “Two Sessions” policy meetings in **China**
- **March:** **China** to unveil its 15th Five-Year Plan (2026-2030)
- **March:** **Germany** state and regional elections
- **15 and 22 March:** **France** municipal elections
- **April:** **Hungary** parliamentary election
- **April:** **US** President Trump’s planned visit to **China**
- **May:** **EU** lawmakers expected to visit **China**
- **29-31 May:** **Shangri-La Dialogue** in **Singapore**
- **4 May:** European Political Community Summit in **Armenia**
- **14-16 June:** **G7** Summit in **France**
- **1 July:** **US-Mexico-Canada Agreement (USMCA)** renegotiations to start
- **7-8 July:** **NATO** Summit in **Türkiye**
- **September:** **Germany** state and regional elections
- **13 September:** **Sweden** general election
- **September:** **UN** General Assembly in New York
- **4 October:** **Brazil** presidential election
- **By 31 October:** General elections in **Denmark**
- **November:** APEC Summit in **China**
- **3 November:** **US** Congressional midterm elections
- **9-20 November:** COP 31 in **Türkiye**
- **28 November:** **Taiwan** local elections
- **December:** **Canada** and **ASEAN** aim to conclude free trade talks by end-2026
- **14-15 December:** G20 Summit in **US**
- **TBC:** Shanghai Cooperation Organisation Summit in **Kyrgyzstan**
- **TBC:** **ASEAN** Summit in **the Philippines**
- **TBC:** **China-EU** Summit
- **TBC:** **China**’s President Xi to visit the **US**
- **TBC:** **BRICS+** Summit in **India**



Source: [Diana Krotova on Unsplash](#)



Appendix 1



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