



## The Impact of Rising Military Conflicts on Retirement Portfolios

### Summer 2025 Update

The global environment in 2024 and 2025 has seen a continued uptrend in military tensions as defense spending hit record highs. According to the Stockholm International Peace Research Institute, global military expenditure reached an all-time high of \$2.7 trillion in 2024, marking a 9.4% increase over the previous year and the highest annual surge since the end of the Cold War. More than 100 countries raised their defense budgets, especially in Europe and the Middle East, in response to ongoing conflicts and heightened geopolitical risks.

#### Recent Military Conflicts and Market Impacts:

- **Ukraine War (2022–2025):** The ongoing conflict between Russia and Ukraine continued to weigh on global financial markets. The war triggered sustained volatility, with commodity markets—especially energy and grains—seeing significant price increases due to disrupted supply chains. For example, as of December 2023, global food and grain prices were still 12–13% above their December 2020 levels. The war also led to increased risk aversion, declines in many emerging market equities, and a sustained flight to safe-haven assets such as government bonds and gold.
- **Hamas–Israel Conflict & Regional Escalation (2023–2025):** The Hamas–Israel war, which erupted in October 2023, initially caused market volatility and a run-up in oil prices due to concerns about disruption in the Middle East. The situation further escalated in mid-2025 when Israel struck Iranian facilities and the U.S. carried out retaliatory actions, raising broader geopolitical risks. These events created uncertainty in financial markets and led to increased volatility, higher energy prices, disruptions in global trade and supply chains, and heightened inflationary pressures.
- **Broader Trends:** Recent studies have shown that during major geopolitical risk events, global stock prices tend to drop, with emerging markets seeing average declines of about 2.5–5%, and a notable increase in sovereign risk premiums. Despite these shocks, history shows that markets often recover in the following year—since

World War II, 73% of conflicts saw positive stock returns one year after an act of aggression.

### **Implications for Retirement Portfolios:**

Rising global tensions are especially concerning for retirees, whose portfolios often demand stability and reliable cash flow. Geopolitical events can result in:

- Increased volatility and potential downward pressure on riskier assets
- Disruption of industries/sectors with high international exposure (e.g., energy, defense, transportation, agriculture)
- A flight to “safe haven” assets, such as domestic government bonds and gold, which might provide lower overall returns but greater short-term protection

Retirees should also be aware that some investment categories—like defense stocks and certain commodities—can actually benefit from increased military spending and global tension, as seen in the short-term gains of U.S. defense industry equities following escalation in the Middle East. However, the broader economic impacts, such as higher inflation and lower consumption due to increased government military spending, may weigh on growth-oriented investments over time.

### **Portfolio Strategies in Today’s Environment:**

- **Diversification remains key:** Exposure across asset classes, sectors, and geographies helps mitigate the impact of any single geopolitical event.
- **Defensive assets:** Increasing allocation to resilient assets like gold, high-quality structured notes, and alternative long / short strategies can offer a cushion against volatility.
- **Regular review:** Portfolios should be periodically assessed to ensure risks are aligned with retirement goals and changes in the global landscape.
- **Professional advice:** Consulting a financial professional is critical, especially in times of heightened uncertainty.

### **Conclusion**

Rising military tensions have a complex and often unpredictable effect on financial markets. While short-term volatility is likely, the historical resilience of global markets, combined with disciplined diversification and prudent risk management, remains the best approach for retirees seeking to preserve and grow their retirement savings in today’s uncertain world.

If you want to explore post-retirement goals aimed at creating healthy and balanced financial strategies, please contact me at [wwoo@researchcapital.com](mailto:wwoo@researchcapital.com).

**Wei Woo, CIM, EPC**  
**Investment Advisor**

Research Capital Corporation  
3481 Allan Dr. SW  
Edmonton, AB, T6W 3G9  
Office: 780-460-6628  
Cell: 780-299-0760

*Research Capital is a national investment firm with offices in Vancouver, Calgary, Edmonton, Regina, Toronto and Montreal. The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of Research Capital Corporation ("RCC"). The information and opinions contained herein have been compiled and derived from sources believed to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. Neither the author nor RCC accepts liability whatsoever for any loss arising from any use of this report or its contents. Information may be available to RCC which is not reflected herein. This report is not to be construed as an offer to sell or a solicitation for an offer to buy any securities. This newsletter is intended for distribution only in those jurisdictions where both the author and RCC are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is strictly prohibited. RCC and its officers, directors, employees and their families may from time to time invest in the securities discussed in this newsletter.*

© 2025 Research Capital Corporation. Member-Canadian Investor Protection Fund / member-fonds canadien de protection des épargnants

*Research Capital Corporation (RCC) makes no representations whatsoever about any other website which you may access through this one. When you access a non-RCC website please understand that it is independent from RCC and that RCC has no control over the content on that website. The content, accuracy, opinions expressed, and other links provided by these resources are not investigated, verified, monitored, or endorsed by RCC.*