Monthly *insights*

Investment insight

Geopolitical fragmentation is emerging as a defining structural trend for investors. As economies become more regionally focused and governments place greater emphasis on economic security, periods of market volatility may become more frequent.

Inflation trends

Trade relationships, supply-chain realignment, and shifting economic priorities are increasingly influencing investment outcomes across regions. Economic and market conditions are becoming less synchronized than they were during prior decades of globalization.

Investors watchpoint

While global events can create short-term volatility, long-term investment outcomes have historically been driven by economic growth, corporate earnings, and innovation. Diversification remains one of the most effective tools for navigating uncertainty.

Geopolitical fragmentation: a persistent market reality

Uncertainty has become a persistent feature of today's investment landscape.

As summer winds down, it's worth remembering that every investment season brings a new set of concerns. While the headlines change, uncertainty remains a constant feature of investing. Success often depends less on predicting the next event and more on maintaining discipline and perspective.

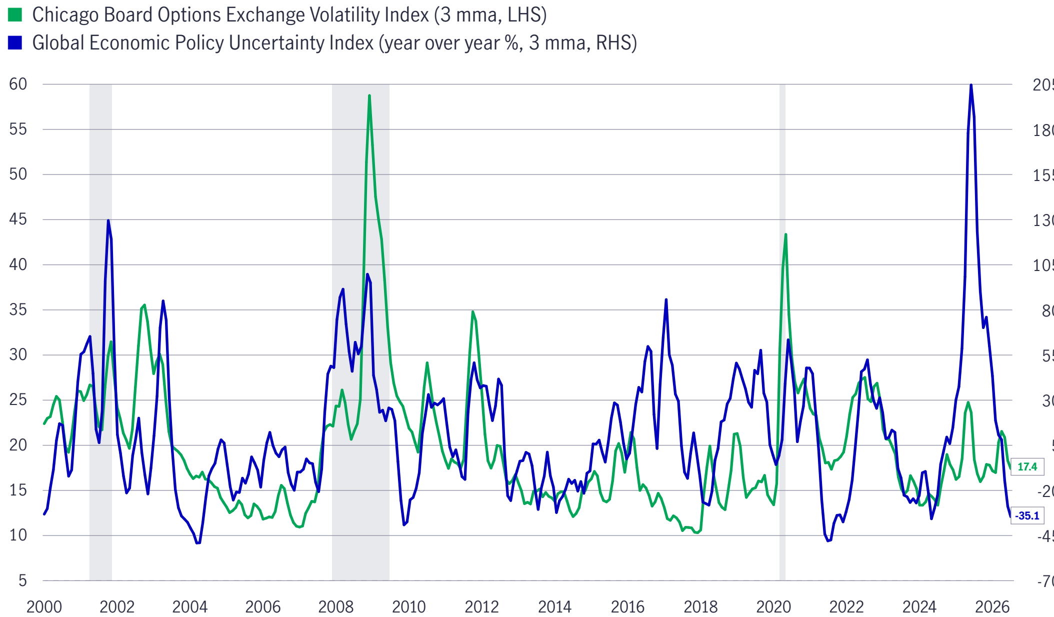
Developments in the Middle East are a reminder of how quickly global events can influence investor sentiment and markets. While these developments have contributed to periods of volatility, they've also highlighted the continued importance of energy security and supply chains in the global economy. Investors continue to balance near-term risks against longer-term drivers such as earnings growth, economic activity, and monetary policy.

This is only the latest example in a series of disruptions that have shaped markets in recent years, including the pandemic, supply-chain realignment, trade barriers, and increasing competition among major economies. Together, these developments point to a more fragmented and regionally focused global economy.

Governments and corporations are reassessing supply chains, investing in domestic production, and placing greater emphasis on economic security. These shifts reflect a broader rebalancing between efficiency and resiliency that's likely to influence trade patterns, investment flows, access to strategic resources, and policy decisions for years to come.

Higher uncertainty often leads to greater volatility, but not necessarily weaker long-term returns.

An increase in global economic uncertainty leads to market volatility



Source: Bloomberg, Manulife Investment Management, as of August 6, 2026.

Periods of elevated uncertainty have often been associated with increased market volatility. However, volatility alone hasn't been a reliable predictor of long-term market performance. While headlines can influence sentiment in the near term, corporate earnings, economic growth, and monetary policy have generally remained the primary drivers of returns. For investors, the objective isn't to avoid volatility altogether, but to remain focused on long-term goals despite it.

Diversification becomes increasingly important

A more fragmented world reinforces the value of diversification.

As the global economy becomes more regionally driven, economic and market conditions are unlikely to evolve uniformly across regions. Differences in growth, inflation, policy decisions, and trade relationships are creating a wider range of outcomes across markets, reinforcing the value of diversification.

Rather than attempting to predict the next event or policy shift, investors may be better served by maintaining exposure across regions, sectors, and asset classes. A diversified portfolio can help reduce reliance on any single market or economic scenario while supporting long-term objectives.

Bottom line

Successful investing depends more on resilience than prediction.

Geopolitical fragmentation is becoming a structural reality rather than a temporary challenge. While uncertainty is likely to remain a feature of markets, long-term investment outcomes continue to be driven by fundamentals. Diversification, discipline, and perspective remain among the most effective tools for navigating an increasingly complex world.

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