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Important disclosures and certifications are contained from page 17 of this report.



Geopolitical Radar: More US Troops to Arrive in Iran

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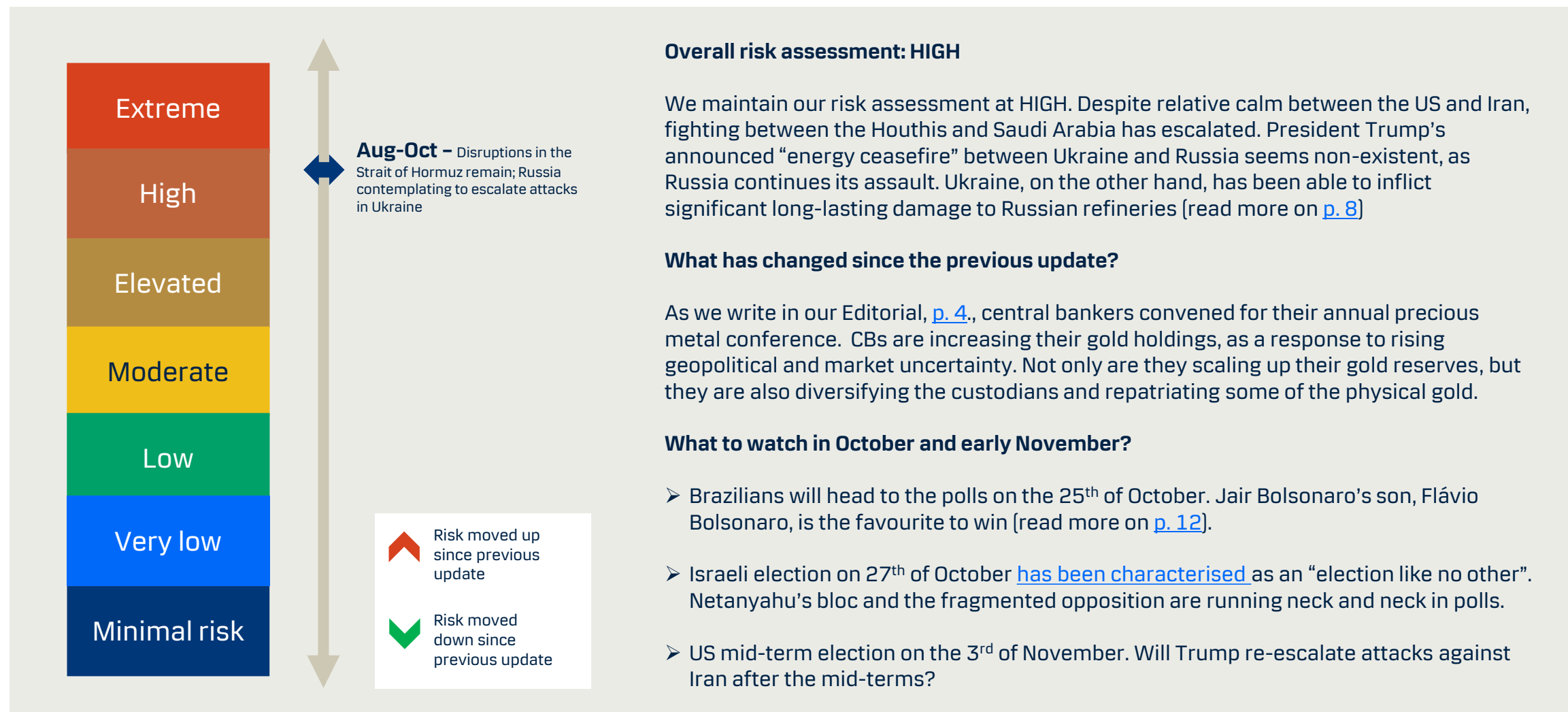
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Global Risk Barometer*: Risk Level Remains at High

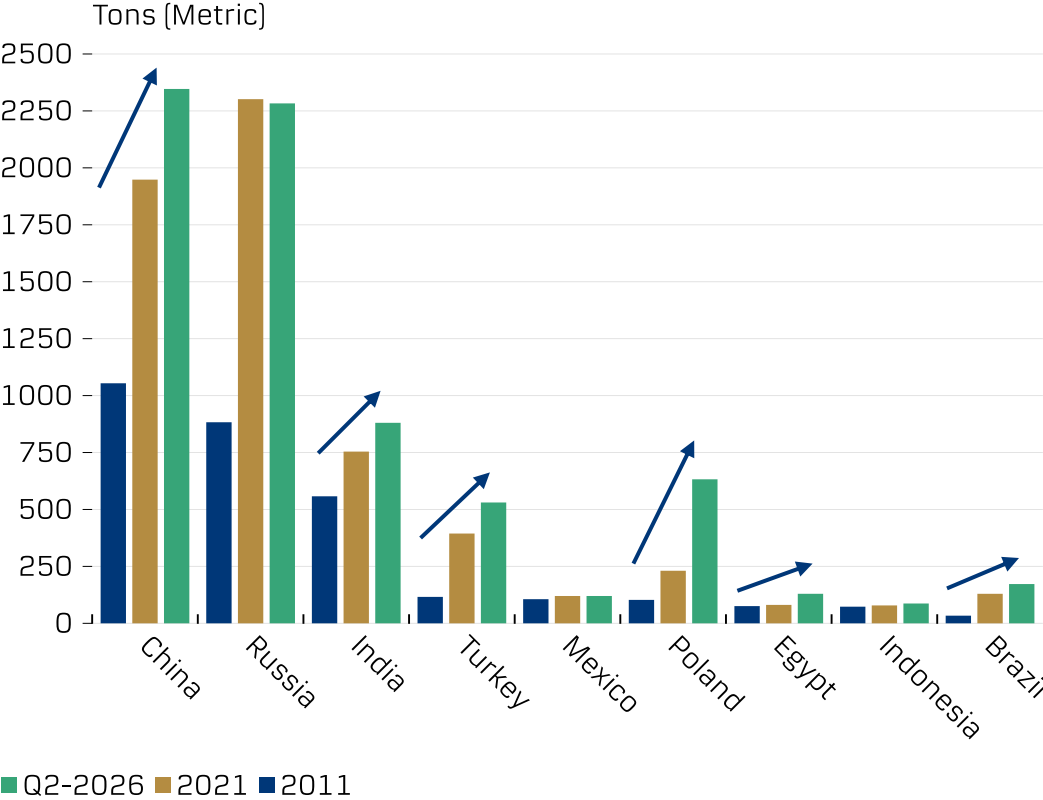


*The geopolitical risk barometer builds on our analysts' discretion and their judgment regarding the overall geopolitical tensions. As economists, we primarily assess geopolitical risks from the perspective of the global economy and financial markets. Hence, in our assessment minimal to low risk would refer to an environment where geopolitics is unlikely to trigger any economic or market turbulence. When the overall risk is extreme or very high, geopolitical risks would likely dominate the markets' agenda.



Central Bank Gold – A Hedge Against Friends (That Could Turn Into Enemies)

Central bank gold reserves in selected EM economies



Gold prices are far from the all-time highs reached in January, but price developments this year disguise a long-term trend of central banks increasing their gold reserves. This trend has been most pronounced in the large EM economies, where central banks with the exception of Russia have notably increased their gold holdings.

But not only are central banks buying more gold, they are also moving it around physically. [In a survey by the World Gold Council](#) (WGC), released in September, central bank reserve managers were increasingly saying to have made custody arrangements over the past year to increase domestic storage or diversify overseas storage locations. Also, a rising share of respondents was planning to diversify overseas locations going forward. Bank of England remains the most trusted custodian, followed by domestic storages and the BIS, but the attractiveness of domestic storages seems to have increased over the past 7 years.

The reasons for central banks moving their gold holdings are three-fold. Increasingly, as the WGC says, they are optimising across custody risk, physical accessibility and market liquidity. The political decision to freeze Russian reserves after the full-scale invasion of Ukraine, is undoubtedly something that central banks especially in the EM factor in as they reconsider the physical location of their reserves.

As such, few central bankers in the West are explicitly saying they are diversifying a US-related risk, and the Federal Reserve has kept its position as the fourth most trusted custodian for gold. That said, last week, when central bankers met in Italy for the London Bullion Markets Association conference, Gioia Cellai, deputy director at Banca d'Italia, said: *"Gold is something physical that you can store in your vaults, and so it's perceived somehow less exposed to sanctions or friends becoming enemies"*.



Middle East

More US Troops to Arrive

Saudi Arabia Under Attack, Trump Mulls Post-Midterms Escalation

What has changed since our previous update?

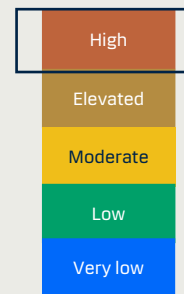


- Yemeni Houthis have escalated their warfare against Saudi Arabia. At least 12 people were killed in a Riyadh airport attack, including one US citizen. Yemeni government forces said in early October that they had captured control over the Bab el-Mandeb strait, but according to recent media reports, fighting is still ongoing.
- In our [previous radar](#), we wrote about the "*Islamic NATO in the making*". On October 7th, Pakistan and Turkey [agreed to](#) provide "practical measures" to defend Saudi Arabia against Houthi attacks. Details about what it means in practice, remain scarce. The Houthis have threatened to launch ballistic missiles towards Pakistan and attack Pakistani vessels in retaliation.
- In early October, Saudi Arabia was able to carry 5.8Mb/d of oil via its East-West pipeline. Energy Minister Prince Abdulaziz bin Salman said pipeline capacity to outside the Gulf could reach 10Mb/d within the next 2-3 years.
- The ISW's [analysis](#) on Iran's new militant leaders shows how the new regime comprises of hardline figures, many of whom have played key roles in Iran's wars in the past and in violent suppression of domestic protests.

Key things to watch in Middle East



- **Will the US escalate after the mid-terms?** [According to the NYT](#), in recent months, Mr. Trump's advisors have made five proposals for major operations against either Iran or the Houthis, but each time the President has vetoed. Similarly, the US response to Iran's recent attacks against ships in the SOH has been muted. The officials are now discussing the option of a 3-day campaign focusing on Iran's missile and drone arsenal. In a significant buildup of troops, by the end of October, the US will have three aircraft carriers in the Middle East. Still, a renewed US attack after the mid-terms is hardly certain as interceptor stockpiles are depleted and senior US officials are increasingly sceptical that military action would force Iran surrender.



Risk assessment: HIGH

We maintain our risk assessment at high as the path towards any sustainable peace (or nuclear) deal between the US and Iran seems a long way. Furthermore, the war is expanding geographically, as Saudi Arabia and its' allies are increasingly affected.

A soldier in camouflage gear is running across a field, carrying an assault rifle. The soldier is in the foreground, slightly out of focus, with their arms and legs in motion. The background is a vast, open field under a cloudy sky.

Russia-Ukraine

Long-Lasting Damage to Russian Refineries

Long-Lasting Damage to Russian Refineries

What has changed since our previous update?

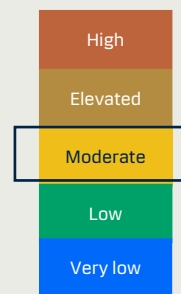


- Ukraine said on October 14th that it had been left without US warnings of incoming Russian missiles two nights in a row. In the past two days, Ukraine has managed to intercept only four out of 44 incoming missiles. Starlink connections also appear limited. Trump has said the US has not cut off Ukraine's access to US intelligence, but the newly appointed White House Press Secretary Katie Zacharia evaded the question in a recent presser.
- In early October, Ukraine said its long-range strikes had neutralised 51% of Russia's oil refining capacity. In October, President Putin said Ukraine's attacks had cost Russia roughly 1% of GDP. [The IEA says](#) that as Ukraine has increasingly targeted secondary refining units that are more complex than the crude distillation units, repairs in some cases could take 6-8 months.
- [Trump invited](#) President Putin to the December G20 meeting in Miami.
- BOFIT [released](#) their economic projections for Russia for years 2026-2028. GDP growth has stagnated at around 1% this year, and will slow further next year. Financing the budget deficit has become more difficult but Russia is still able to sustain the financing and production needed for the war.

Key things to watch in Russia-Ukraine



- Ukrainian intelligence says Russia is planning an intensifying campaign on the country's water and energy supplies in the winter. We keep an eye on any talks regarding an actual energy ceasefire. Russia's air campaign is a sign of weakness on the frontlines, and a reciprocal halt to strikes on energy infrastructure, if actualised, could form a basis for a broader ceasefire.
- The IEA says that combined Middle East and Russian diesel exports fell to 52kb/d in August, 75% below the same month last year. The decision by the Trump administration to allow Russian diesel imports to the US has faced strong objection. We keep an eye on how this deal evolves.



Risk assessment: MODERATE

The acute threat of Russia expanding its military warfare in Europe remains limited for as long as their military is tied up in Ukraine, but at the same time, hybrid warfare keeps on escalating.

China
EU-China Trade Tensions Easing For Now

EU And China Agree On Short-Term Deal But Tensions Still Loom

What has changed since our previous update?

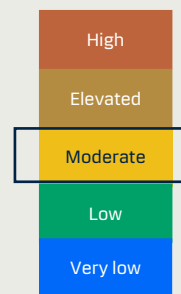


- **EU-China trade tensions** eased after trade negotiations in Beijing led to a 16-point consensus spanning trade and investment, export controls, and intellectual property right. EU subsequently announced a cap on imports of hybrid cars at 350.000. Bloomberg on 14 October reported Germany is pushing for caps on more products while China has warned of 'new tricks'. EU leaders meet on 15-16 October where EU protectionist measures will also be on the agenda.
- **US-China relations** looked good on the surface during the Xi-Trump summit in Washington in late September resulting in an extension of the trade truce by two months to 10 January. After a bumpy summer, relations look more stable again. But trust is limited between the two sides and a long-term rivalry continues to unfold.
- **On Taiwan**, Xi urged the US to "*adhere to the correct position of opposing Taiwan independence and handle the Taiwan issue with prudence*". For some time it has been speculated, Xi would use his good relationship with Trump to press him to change the official US stance from "*does not support*" to "*oppose*" Taiwan independence. Trump did not change it, though. Ahead of the summit, Taiwan performed its first military drills using attack drones and missiles.

Key things to watch in China relations with West



- **EU leaders summit 15-16 October.** Will they postpone tougher measures against China? Forceful actions are likely put aside for now, but some protection of strategic sectors and buy-EU policies are still on the table.
- **Xi and Trump** meet again at the APEC Summit in Shenzhen on 18-10 November and at the G20 Summit in Miami on 14-15 December.
- **Will Trump go through with delayed weapons sales to Taiwan?** Or does he hold off for now to keep good relations with Xi ahead of their two meetings at APEC and G20. Also watch if Trump allows a stop-over by Taiwan's president. Seems unlikely, though, ahead of the two summits.



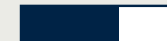
Risk assessment: Moderate

The score relates mostly to risk of military action around Taiwan. We keep the risk score at moderate. Trump has warmed to China lately and China has eased on Taiwan drills in response. The issue continues to linger, though.



Under the Radar

Bolsonaro Jr. Eyeing Election Win



Bolsonaro Jr. Eyeing Presidential Election Victory

Under the Radar: Bolsonaro Jr. eyeing election win



- **Brazil presidential election:** Flávio Bolsonaro, Jair Bolsonaro's son, is the favourite to win the presidential election on the October 25th. His victory would mark a significant win for the Bolsoranismo movement (the Brazilian equivalent to MAGA), founded and headed by his father. Financial markets have embraced the possibility as Bolsonaro Jr. has promised spending cuts. Under his watch, Brazil would become a key ally of the Trump administration, and jailed Jair Bolsonaro would most likely again have a say in the country's politics.
- **BRICS Summit:** On 12-13 September BRICS leaders met in New Delhi. The summit resulted in a 45-page joint communique, despite sharp division between members Iran and the UAE, currently mired in conflict – a diplomatic win for India. The statement urged "maximum restraint" in the Middle East. India's leader Narendra Modi called for a new global order saying the Global South was *"in the front row when it comes to facing global crisis but in the back row when it comes to decision making"*, a sentiment widely shared by BRICS leaders. Chinese leader Xi Jinping and India's Modi met for the first sit-down on Indian soil in seven years and continued a slow thaw in the China-India relationship. Xi, Modi and Putin met again at the summit, not long after their previous rendezvous at the SCO Summit in August in Kyrgyzstan.

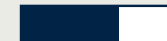
Off the Radar: Conflicts in Sudan and Ethiopia entwine



- The third **Russia-Africa summit will be held on October 28-29th** in Moscow. The previous meetings took place in 2019 and in 2023. Previous communiques had indicated that the summit could be held on the African continent, but this year's summit will again take place on Russian soil. Russia's military footprint [is particularly prominent](#) in the Sahel region and in Libya. Their modus operandi for Africa often combines military and economic collaboration – they offer their security services (Africa Corps) in exchange for access to natural resources.
- **The conflicts in the broader Horn of Africa region, namely in Sudan and Ethiopia,** are becoming more entwined. Ethiopia recently accused Sudan, Egypt and Eritrea for supporting the *Ethiopian People's Forces Alliance for Survival*, a heterogenous alliance formed by seven armed domestic groups that the Ethiopian army is fighting against in the north of the country. The relations between different groups are complex, but often reflect the *"my enemy's enemy is my friend"* principle. After Ethiopia's civil war a few years ago, many Tigrayan (TPLF) fighters went into exile in Sudan, and this group is now collaborating with the Sudanese armed forces. Sudan, a country currently in a brutal civil war, on the other hand is accusing Ethiopia for supporting the notorious rebel group RSF (the UAE is also a known supporter) that its government forces are fighting against. In addition, there is longstanding mutual animosity between Ethiopia and both Eritrea and Egypt.



Conflict Scenarios & Annexes



Conflict Scenarios for 2026

Russia vs. Ukraine

War continues (85%): Protracted conflict with rising spillover risks across Europe.

Deal dictated by Russia (5%): The US pushes a deal between Russia and Ukraine where Ukraine is left with insufficient security guarantees. Sanctions against Russia are eased rapidly. The risk of a new attack by Russia over coming years remains high.

Sustainable peace (5%): Ukraine gets sufficient security guarantees but is forced to make territorial concessions. Any sanctions relief for Russia is gradual.

Ukraine wins (5%): The new US administration plays hardball with Russia and a ceasefire favourable for Ukraine is achieved. Ukraine gets security guarantees it prefers.

Middle East

Baseline (60%): Protracted limbo. Israeli/US war operations in the region continue, while the intensity of the warfare varies. We think the US attack on Feb-2026 marked a point of no return, and the US will remain tied up in the region for much longer than the administration had in plans. Geopolitical risk premium keeps oil prices high despite increased traffic volumes in the SOH.

Downside risk (25%): Fighting resumes and the war escalates further, as the whole of the Persian Gulf is affected. Strait of Hormuz remains too dangerous for maritime navigation.

Upside risk (15%): The US and Iran sign a permanent peace deal, and a new nuclear deal, and tensions de-escalate.

China-US-Taiwan war

Baseline (70%): Tensions remain high under the surface but no Chinese blockade or military action is likely the next couple of years. War is extremely costly for all sides. Both US and China choose deterrence as preferred policy. US aims to deter Chinese invasion by making perceived cost as high as possible. China uses military drills and grey zone warfare to deter US support for formal Taiwan independence and subdue Taiwan. In the long term, a real risk of war remains. China will not give up reunification, and it becomes stronger militarily and more self-sufficient.

Downside risk (20%): Mishaps trigger tit-for-tat escalation into war and/or US changes policy and supports Taiwan independence.

Upside risk (10%): Trump dials back support for Taiwan and China reduces military drills.

Annex 1. Related Reading

Want to Read More?

Thematic Publications on Geopolitics

- [Geopolitical Radar Extra: Contagion risk from Middle East is significant](#), 8 March 2026
- [Research Global: What if Iran closes the Strait of Hormuz?](#) 22 June 2025
- [Research Global: Arming Ukraine is the cheap option for Europe](#), 3 March 2025
- [Research Global: What would a dirty deal in Ukraine mean for markets](#), 16 February 2025
- [Research Global – Trump fires first salvo in multifront trade war](#), 3 February 2025
- [Geopolitical Radar Extra: Heat is on in the Arctic – How real are the threats and opportunities?](#) 3 February 2025
- [Research Global: Harris vs. Trump – what it means for US-China relations](#), 22 October 2024

Updates

Previous

4.5.2026

Two months of Strait of Hormuz closure - are markets too calm? Wednesday 6 May 2026 at 10.00 - 10.30 CEST

Wednesday 6 May 2026 at 10.00 - 10.30 CEST [Teams meeting]



10.4.2026

Geopolitical Radar: Pause, Not Peace

We see the US-Iran ceasefire as a pause rather than a permanent ceasefire. Key obstacles remain as Iran insists on their right to enrich uranium, which the US says they cannot accept.



12.3.2026

Geopolitical Radar: Returning to normalcy in SOH will be hard

We lift our risk assessment to HIGH, and to highest it has ever been during the lifetime of our Radar (~3 years).



8.3.2026

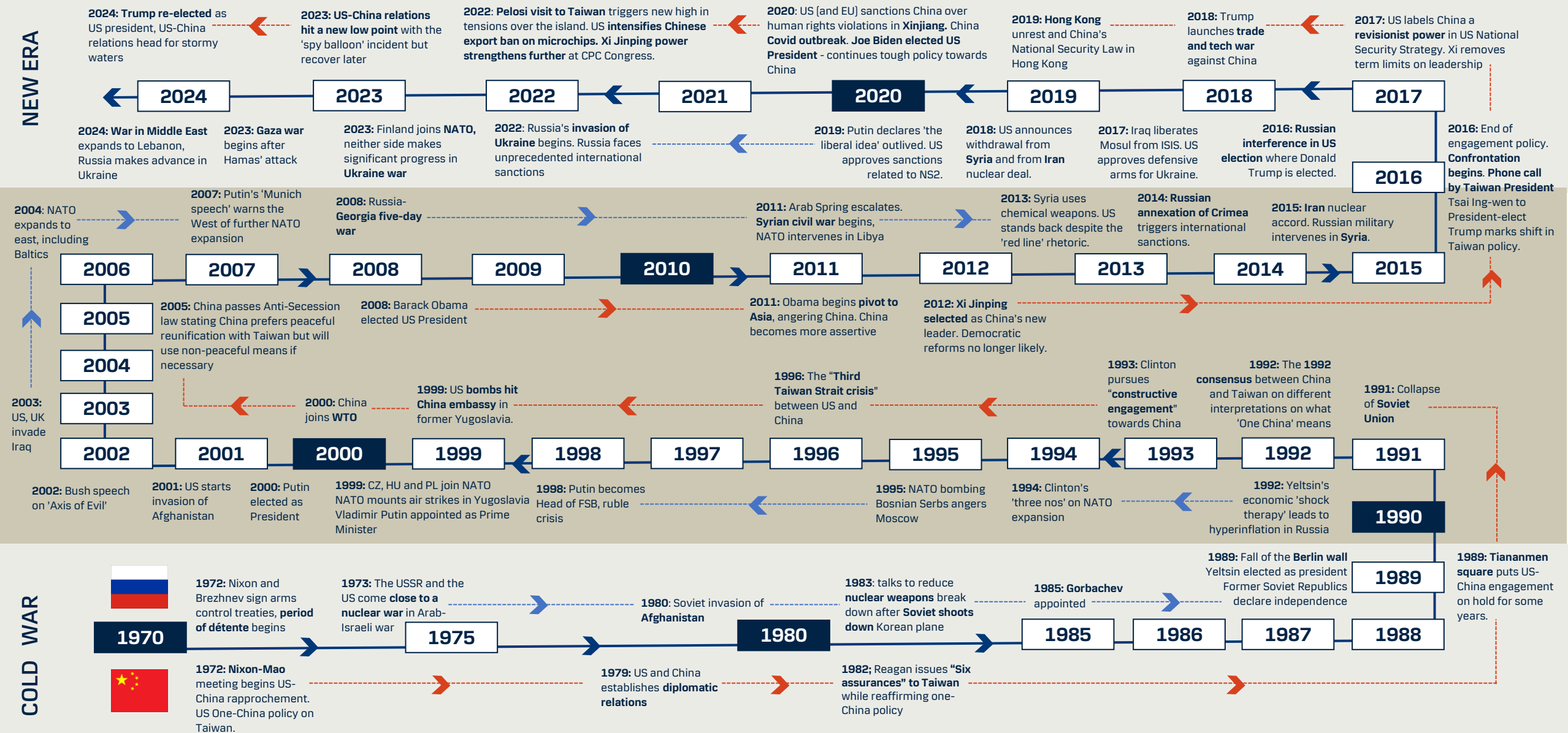
Geopolitical Radar Extra: Contagion risk from Middle East is significant

The war in Middle East is rapidly spiraling out of control. Even if it is not our main scenario, readers should prepare for a long war and severe supply chain bottlenecks.



[Link](#) to all Geopolitical Radar publications.

Annex 2. Historical Timeline of Key Geopolitical Events - China & Russia



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