Regional Geopolitical Shifts Reshape Global Markets as Investors Navigate a More Fragmented “Old Normal”

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Regional Geopolitical Developments: Economic Impact and Investment Outlook

Kamco Invest a leading global investment manager, hosted a webinar titled “Regional Geopolitical Developments: Economic Impact and Investment Outlook”. The session brought together global and regional experts to examine the rapidly evolving geopolitical landscape in the Middle East, represented by the escalation and implications of the conflict between Iran on one side and the United States and Israel on the other, and its far-reaching implications on global and regional economies, capital markets, and key asset classes.

The webinar featured a distinguished panel including Daleep Singh, Vice Chair and Chief Global Economist at PGIM; Faisal M. Sarkhou, Chief Executive Officer of Kamco Invest; and Sarah Dashti, Vice President – Equity & Fixed Income at Kamco Invest. The discussion was moderated by Faisal Al Othman, Director of Investment Advisory at Kamco Invest, who guided a timely and insightful dialogue on the intersection of geopolitics and investment strategy.

The webinar highlighted how recent geopolitical developments in the Middle East are not only creating short-term market disruptions but are also accelerating deeper structural shifts in the global economy. Panelists emphasized that the current environment reflects a transition toward a more fragmented world, where economic policy, supply chains, and capital flows are increasingly

influenced by geopolitical considerations rather than pure market efficiency.

Speakers noted that the immediate impact of regional tensions has been most visible in energy markets and global trade routes, with heightened volatility in oil prices, supply chain disruptions, and rising costs across key commodities. These dynamics are contributing to upward pressure on inflation and moderating global growth expectations, while also complicating the outlook for central bank policies and delaying the pace of monetary easing, with two interest rate cuts expected during the year.

Despite these challenges, the discussion underscored the relative resilience of GCC economies, supported by strong fiscal buffers, ongoing diversification efforts, and strategic investments in infrastructure and future sectors, underscoring prioritization of infrastructure buildout. The region is increasingly positioned to benefit from long-term structural trends, including energy transition dynamics, industrial policy shifts, and growing global demand for stable investment destinations.

The discussion also highlighted that, despite elevated geopolitical risk premiums, GCC markets have demonstrated notable resilience, albeit in a differentiated manner across countries. Rather than moving as a single bloc, performance has been driven by country-specific dynamics, with Saudi Arabia acting as a key stabilizing force due to its market depth, liquidity, and strong institutional participation. Kuwait has maintained a more defensive profile supported by valuations and quality names, while the UAE has exhibited greater volatility alongside selective recovery opportunities. This divergence reinforces the importance of selective investing, where alpha generation is increasingly driven by country and sector allocation rather than broad regional exposure.

Panelists further emphasized that this resilience is underpinned by structural factors, including the significant role of sovereign wealth funds which account for roughly one third of the global sovereign assets, as long-term providers of capital, strong fiscal positions supported by oil revenues, and sustained institutional inflows into key markets. At the same time, the traditional relationship between oil and GCC equity markets has evolved, with markets increasingly reflecting a multi-factor framework driven by fundamentals such as earnings quality, dividend sustainability, and balance sheet strength. In this context, investors are encouraged to focus on high-quality companies with resilient cash flows, while adopting a more active and selective approach to portfolio construction in an increasingly complex and differentiated market environment. The GCC markets are no longer a proxy for oil and more like a multi factor equity market with structural institutional support.

The GCC growth story remains intact, but it is increasingly being reshaped by a shift from ambition-led expansion to resilience-led development. National visions continue to guide long-term direction, yet greater emphasis is being placed on economic stability, supply chain security, and infrastructure robustness. Investors are also becoming more selective, differentiating across GCC markets based on execution strength, fiscal discipline, and institutional resilience, while large projects are facing

higher scrutiny on strategic value and returns.

Priorities are being reordered around shock resilience and strategic autonomy, with focus on logistics, energy security, industrial diversification, and digital infrastructure. Post-conflict dynamics are expected to accelerate infrastructure redesign with a stronger focus on redundancy and connectivity. At the same time, financing is evolving into a hybrid model where sovereign wealth funds anchor investments alongside deeper capital markets and greater private sector participation, reinforcing a more disciplined and selective growth approach across the region.

Looking ahead, panelists stressed the importance of scenario-based investing, as markets remain sensitive to geopolitical outcomes ranging from prolonged ceasefires to potential re-escalation. In this evolving environment, investors are encouraged to adopt a disciplined, long-term approach, with a focus on portfolio resilience, diversification, and exposure to real assets, as the global economy adjusts to what was described as a return to a more uncertain but opportunity-rich “old normal”.

The discussion outlined a range of forward-looking scenarios for the region, each carrying distinct implications for global markets and investor positioning. A base case of a fragile, extended ceasefire suggests continued volatility with oil prices remaining elevated and monetary easing delayed, while a more constructive scenario involving a negotiated settlement could lead to easing inflationary pressures, lower energy prices, and improved risk sentiment. Conversely, a re-escalation of tensions or a more severe regional conflict would likely result in significant supply disruptions, sharply higher oil prices, tighter financial conditions, and increased recession risks globally.

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