RATHBONES

PEACE OF MIND IN A DANGEROUS WORLD

You can't predict the future when investing, but you can prepare for it by thinking about geopolitical risks

Updated edition — June 2025

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FOREWORD

Each year we update our geopolitical risk report *Peace of mind in a dangerous world*, setting out how we think about and prepare for geopolitical risks. Events since the last update – especially the growing isolationism of the US under Donald Trump and intensifying hostilities in the Middle East – have underlined the importance of these risks to investors and the necessity of preparedness. If anything, this year's updated edition is more relevant than ever.

As ever, we acknowledge that uncertainty – especially when it comes to things like big geopolitical risks that are far removed and outside of our control – is a real and genuine concern for our clients. We offer what we hope will provide some genuine peace of mind when it comes to your investments.

Sadly, since we first published this report, we've had further reminders that the destruction of human life from geopolitical events can sometimes render the impact on financial markets trivial in comparison. But we still have a responsibility to consider the investment implications, prepare for and monitor them.

We know that these risks, and the great uncertainty that can stem from them, are one of the biggest financial concerns that keep our clients awake at night. Once again, we take this opportunity to shed what we hope will be some reassuring light on our approach to protecting your investments from these risks.

Ed Smith
Co-chief investment officer

The 2022 escalation of the Ukraine war to a full-scale invasion is the best recent illustration of how much difference hard-to-foresee geopolitical risks sometimes make to the global economy and to investors. The war was an important reason why even the most sophisticated forecasters grossly underestimated how much inflation would rise, how much equity markets would struggle and how bonds would suffer their worst year in decades.

Geopolitical ructions will undoubtedly continue to shake markets. It's important to be realistic about our ability to foresee such events – acknowledging the existence of what one-time US Secretary of Defence Donald Rumsfeld once called the 'unknown unknowns'. But that's no reason to bury our heads in the sand – there's still much we can do to prepare.

It's worth monitoring the biggest geopolitical risks on the horizon and then putting plans in place, should any of these risks turn into reality. We hope that having a framework for how we will identify, monitor and respond to these risks can give our clients some peace of mind about their investments.

This updated report sets out our systematic approach to doing just that, illustrated through what we think are four of the most significant threats.

Charting choppy waters: navigating geopolitical risks

We need to answer three questions:

- Which risks should we consider?
- How can we monitor whether these risks are about to occur?
- How should we respond if they do happen?

Our framework is therefore split into three parts: identifying, monitoring and planning responses to major geopolitical risks.

IT'S WORTH MONITORING THE BIGGEST GEOPOLITICAL RISKS ON THE HORIZON AND THEN PUTTING PLANS IN PLACE, SHOULD ANY OF THESE RISKS TURN INTO REALITY

IDENTIFYING THE MOST RELEVANT RISKS

It's not possible to monitor every conceivable geopolitical risk, so as investors we need a way of pinpointing the most important ones. As a starting point, we use the Preventive Priorities Survey which is published annually by the Council on Foreign Relations, a US international relations think tank. The survey asks hundreds of US foreign policy experts, academics, and government officials to rank geopolitical threats by both likelihood and potential impact.

We consider only the 'Tier 1' events identified in the survey – those with the highest combined scores based on considering these two criteria. We then apply our own judgement to filter that list.

The advantage of this approach is that it is repeatable annually and has previously been impressively prescient: for example, it flagged the full-scale invasion of Ukraine as a 'Tier 1' risk before it happened. We can also add any geopolitical risks not covered by the survey in the future if necessary.

Through this we have identified four key risks:

- China–Taiwan crisis
- Russia–NATO conflict
- Highly disruptive cyberattack
- Direct military conflict between Israel and Iran

This is broadly the same list as we identified in 2024, but we have updated our precise definitions of the risks (which you can read more about immediately below) to reflect recent events, and our analysis of the 'red flags' which would suggest the risks have become much more likely (set out in the following section).

CHINA—TAIWAN CRISIS

By this, we mean a lasting military blockade or outright invasion of Taiwan by China. The Chinese Communist Party has a long-term goal of reunification, and President Xi Jinping has refused to rule out the use of force to achieve it. Far from it, a recent report from Japan found China's ability to invade Taiwan has improved substantially, with China able to land troops in as little as one week.

China has been increasing the pressure on Taiwan through a mix of political interference, cyberattacks, breaches of its airspace, and live-fire military exercises around the island which have become a more regularl occurrence – particularly since 2022. The election of Lai Ching-te as Taiwan's president last year did little to ease these tensions. Lai has arguably taken a more confrontational tone than his predecessor. Beijing has called him a "separatist" and a "parasite" that is "poisoning Taiwan island".

To protect Taiwan, the US supplies it with defensive weapons. Although President Trump has previously questioned US military support for Taiwan, the US State Department has reaffirmed its "enduring commitment" and Defence Secretary Pete Hegseth has repeatedly criticised China's aggression in the region. More generally, Donald Trump has taken a strong stance against China on the trade front, including using trade negotiations to encourage other countries to cut China out of their supply chains for strategic goods. The US maintains what experts call a 'strategic ambiguity' on whether it would intervene militarily if Taiwan were attacked: it doesn't explicitly say it would fight China but it also doesn't say it wouldn't. By doing this, it hopes to prevent an invasion by presenting China with the risk that any battle over Taiwan could be long and costly.

RUSSIA—NATO CONFLICT

This could come about through Russia's invasion of Ukraine spilling over beyond Ukraine's borders, or Russia resorting to the use of nuclear weapons. Russia maintains a large stockpile of tactical nuclear weapons, which President Putin has threatened, not very obliquely, to deploy if the country's "territorial integrity" is threatened.

Despite President Trump's ambition to broker a ceasefire, we still judge that this is one of the most significant geopolitical risks. Trump's actions to date have appeared sympathetic towards Russia, and any ceasefire brokered without Ukrainian and EU support might be unstable. In fact, it might ultimately embolden Russia's broader revanchist ambitions, making future conflict with a NATO country more likely. The pullback of US support for Ukraine under Trump has highlighted the need for Europe to significantly strengthen its military capability. Over recent months, the EU, led by Germany, has rewritten its fiscal rules to allow for funding to drive rearmament across the bloc.

A HIGHLY DISRUPTIVE CYBERATTACK

We're talking here about an attack with much more damaging and longer-lasting consequences than any we've seen so far. Even the most severe attacks to date, such as the Russia-linked 2017 NotPetya incident, have had only a minimal impact on the global economy and markets. We worry about this risk because cyberattacks have become far more regular and sophisticated recently – surging since the invasion of Ukraine and more than doubling in frequency since 2014 on some counts. A key driver of cyberattacks has been increased digitisation, including more remote working and the proliferation of the 'internet of things', which has created new opportunities for foul play. Moreover, several states are reportedly developing a new generation of advanced cyber weaponry. Although it was not a cyberattack, the global disruption caused by the recent CrowdStrike outage highlighted the vulnerability and interconnectedness of modern IT infrastructure.

DIRECT MILITARY CONFLICT BETWEEN ISRAEL AND IRAN

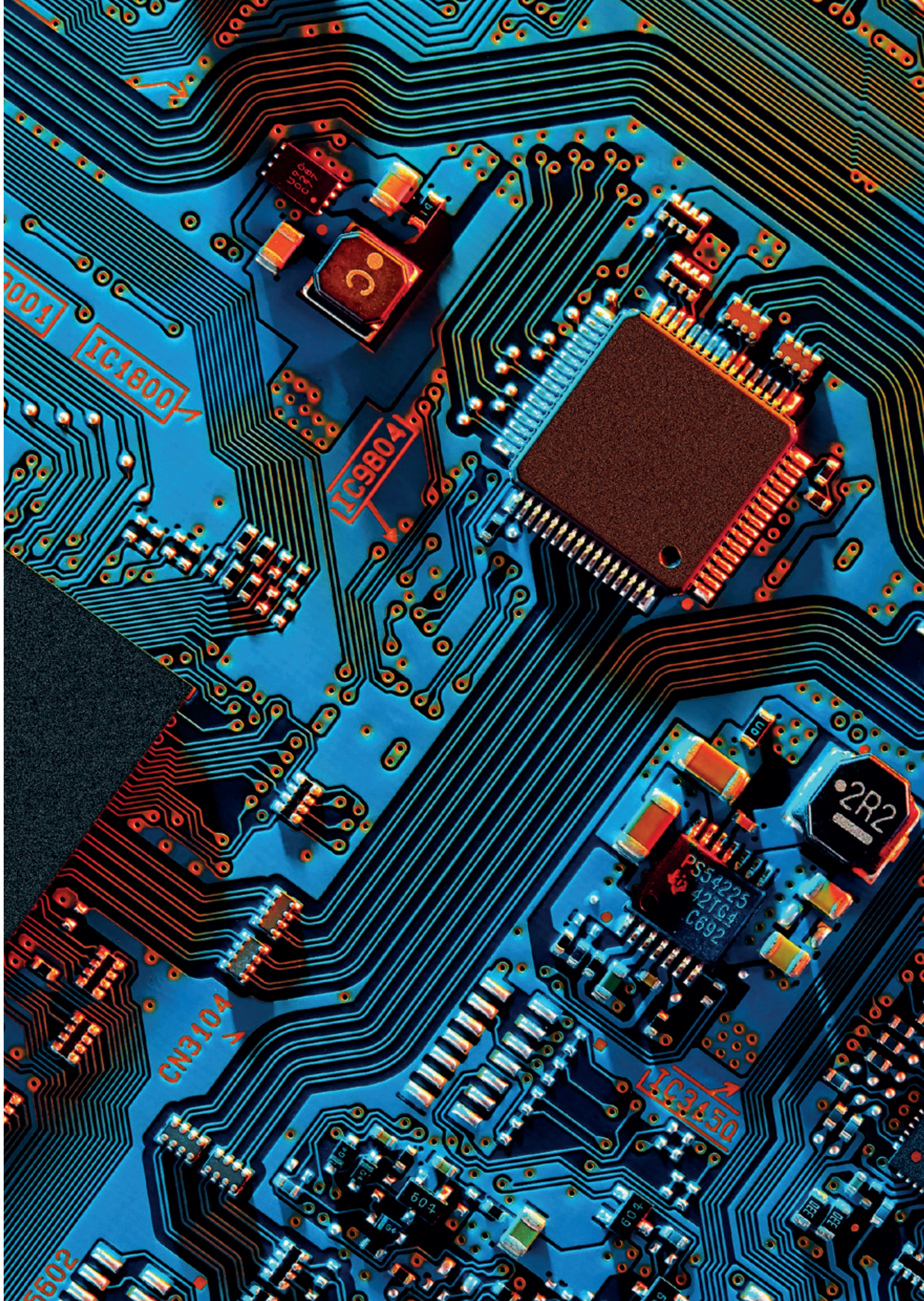
Here, we're considering an escalation of the broader conflict we've seen in the region over recent years – particularly an outright war between Israel and Iran which results in serious disruption to global energy supply.

Since the war in Gaza began in October 2023 hostilities in the wider region have intensified, with Israel on one side and Iran or armed groups it supports (such as Lebanon's Hezbollah and Yemen's Houthi rebels) on the other. In early 2025, a ceasefire was agreed between Israel and Hamas, with the ambition of paving the way for a permanent end to the war in Gaza. Yet this has strained recently, with peace talks breaking down and Israel carrying out an intense wave of airstrikes on Gaza in March. Wider hostilities in the region have also shown little sign of abating. Rockets have been fired from Southern Lebanon towards Israel, with Israel retaliating with airstrikes on Hezbollah. In a bid to stop attacks on shipping in the Red Sea, the US has intervened with a wave of airstrikes on Houthi targets. And Israel has carried out strikes across Syria since rebel forces, following 13 years of civil war, overthrew former President Bashar al-Assad's regime.

To date the impact on the global economy and markets has been limited. However, direct military conflict between Israel and Iran could be much more damaging.

Previously we highlighted the risk associated with Iran's nuclear programme as a key potential trigger for escalation. That's still true, notwithstanding the US–Iran talks currently underway. The rise of broader conflict in the region following the start of the war in Gaza arguably increases this risk.

Iran has been adding to its uranium stockpiles since the nuclear deal it struck with the US and other major powers broke down in 2018. To be used for a nuclear bomb, uranium must be enriched to 90% purity; experts believe Iran is not far off this. Iran says this is for civil rather than military use, to develop nuclear energy. However, some Israeli officials think Iran wants a nuclear bomb, and they view a nuclear-armed Iran as an existential threat. Israel has previously threatened strikes on Iran if uranium is enriched to bomb-grade.



MONITORING MAJOR RISKS

We're not in the business of trying to forecast geopolitical risks far in advance. Why not? Academic research shows that even the judgements of geopolitical experts (which we're not) about how such events will play out over more than a few months have historically performed poorly. One remarkable study of more than 80,000 forecasts from hundreds of experts over two decades found that their projections were no more use than random guesswork.

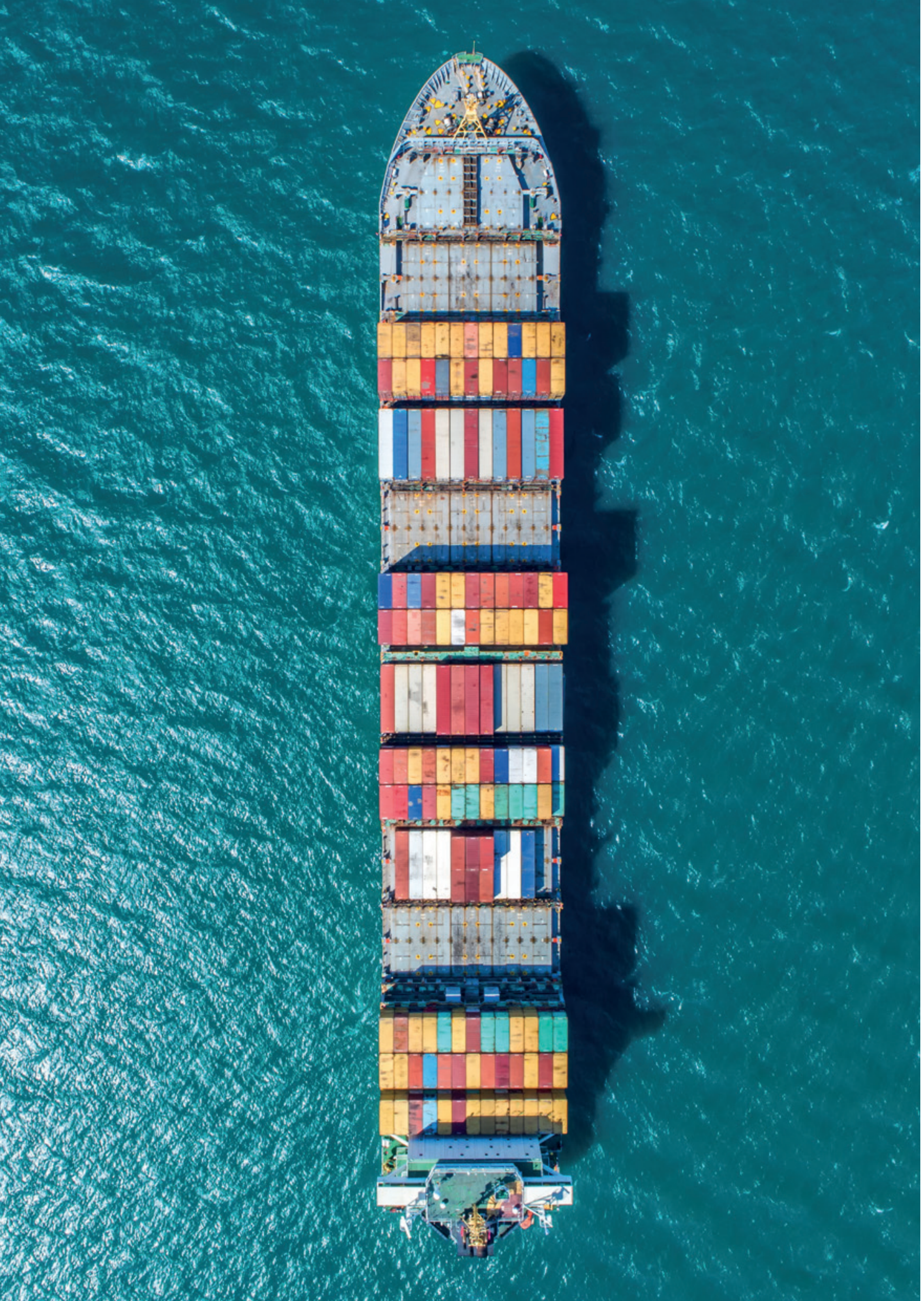
Even so, we see value in identifying 'red flags' — markers that the risks we've identified may be imminent, or at least much more likely to be realised. There is some academic evidence that identifying red flags significantly improves prediction, making it worthwhile to forecast geopolitical risks over shorter time horizons. The full market impact of the kind of risks we've flagged typically unfolds over some time, rather than being felt immediately, so even warnings that appear only a little before the event should still be useful.

To help us identify and monitor relevant red flags for each of the events identified above, we've partnered with the geopolitical risk team at BCA Research. They've helped us fill out and update the table on page 11. It lists red flags for each of the geopolitical risks on our list. BCA is continuously monitoring those red flags for us, as well as suggesting changes to the list where necessary.

ONE REMARKABLE STUDY OF MORE THAN 80,000 FORECASTS FROM HUNDREDS OF EXPERTS OVER TWO DECADES FOUND THAT THEIR PROJECTIONS WERE NO MORE USE THAN RANDOM GUESSWORK

THE RATHBONES RED FLAGS

China / Taiwan crisis	Russia—NATO conflict	Highly disruptive cyberattack	Israel—Iran direct military conflict
Surging Chinese imports of arms and stockpiling of critical goods.	High oil prices, enabling greater Russian aggression.	Could be little or no warning. However, may be more likely around major elections or after major policy change (e.g. crippling sanctions hitting a country with a history of aggressive use of cyber capabilities).	Evidence that Iran has enriched significant quantities of uranium beyond 90%, now that Iran has already crossed Israel's previously stated red line of 60%.
China repatriates funds held overseas and/ or imposes harsh new capital controls.	Specific threat and preparation for a nuclear attack.	Intensification of smaller- scale/ unsuccessful cyberattacks targeting critical infrastructure or institutions, especially if a clear pattern of targeting is visible.	Evidence that Iran has tested a nuclear device, or the re-entry and targeting of a ballistic missile that could carry a nuclear weapon.
Specific warnings of imminent direct military preparation from intelligence services/militaries.	Unstable ceasefire, while Putin faces significant political/ regime instability at home.	Major deterioration in the West's relations with Russia, China, Iran or North Korea – e.g. confiscation of Russian property, sanctions on Chinese banks or military, or stricter enforcement on Iranian oil exports and North Korean food or fuel.	Intensification of shadow or proxy conflicts, especially involving Iranian nuclear sites and critical infrastructure in Iran, the Persian Gulf, or elsewhere in the Middle East.
Large build-up of Chinese forces opposite Taiwan, or significant deployment of US forces in Taiwan.	Significant increase in Western advanced weapons to Ukraine or deployment of advisers or troops; or large troop deployments to Finland, the Baltics or Romania.	Global economic recession driving state and non-state actors to escalate cyber-attacks for economic/financial opportunities, which could lead to systemic disruptions or failures.	Specific threat of a direct military attack against Israel, Iran, Saudi Arabia, UAE, or the US.
Taiwan holds an independence vote, or presidency seizes extraordinary power from legislature.	Russia faces defeat — Ukraine retakes territories annexed in 2014 (especially Crimea), causes mass casualties or debilitates critical Russia infrastructure.	The US or Israel could adopt aggressive cyber tactics if rivals cross red lines and militarily action is politically unviable (e.g. continued Russo–Chinese military ties in Ukraine or Iranian/ North Korean nuclear and missile advances).	More domestic unrest in Iran, which includes worker protests across the country or leads to divisions within armed forces/the top ranks of government.
China occupies outlying islands in Taiwan Strait (Kinmen, Matsu, especially Penghu).			Warnings of imminent direct military preparation in Israel or Iran from intelligence services/militaries.
US—China trade war leads to destabilisation of Chinese economy.			



PLANNING OUR RESPONSE

To plan how to adjust our portfolios should it become clear that one of the key risks that we've identified is imminent, we've taken the following steps:

- Charting the key channels through which each risk might affect the global economy
- Assessing the possible impact on global economic growth and inflation
- Identifying any effects specific to particular regions, sectors or commodities
- Translating the economic effects into implications for different asset classes
- Analysing the possible consequences for equities in different sectors.

You can find out more about the possible effects of each risk in the section starting on page 19. That said, some features apply to most, if not all, of our key risks.

WHAT DO GEOPOLITICAL RISKS HAVE IN COMMON?

The biggest geopolitical risks are mostly wars and commodity supply shocks. These are typically inflationary since they tend to reduce the supply of goods and services more than the demand for them. Some may even create additional demand, through big increases in military spending.

Government bonds play an important role in our portfolios as protection against typical disinflationary economic downturns. However, since geopolitical shocks tend to be inflationary, government bonds are often not much use when these happen. In a classic downturn of falling inflation, long-dated government bonds (those that mature seven years or more in the future) typically deliver strong positive returns and outperform other fixed income assets. In contrast, an inflationary geopolitical shock, like the full-scale invasion of Ukraine, would tend to cause long-dated bonds to sell off, and shortddated inflation-protected bonds to deliver positive returns.

WE FOUND THAT DEFENCE STOCKS TEND TO OUTPERFORM THE OVERALL STOCK MARKET WHEN GEOPOLITICAL RISK RISES

Tracking investment returns

Gold has a track record of benefiting from geopolitical risk. Several academic papers use an index of geopolitical risk created by the Federal Reserve to show this. Ingeniously, the index is based on the proportion of newspaper articles analysed that mention relevant words and phrases. We've replicated and extended the analysis of one of those papers.

We found that defence stocks tend to outperform the overall stock market when geopolitical risk rises. One might expect the same for the prices of energy and agricultural commodities – geopolitics can affect their prices by disrupting production and distribution. But there's no consistent relationship: their prices do very well in some instances, but they're not a catch-all hedge against this type of risk.

The US dollar also tends to perform well at times of heightened geopolitical risk. Admittedly, some emerging market central banks in countries outside the US's geopolitical orbit have sought to diversify their reserves away from the dollar over recent years, particularly since the invasion of Ukraine, which resulted in Russia's dollar-denominated assets being frozen, and the country locked out of the global dollar system.

However, this didn't stop the dollar appreciating – it's still stronger than before the invasion. The dollar remains the world's primary reserve currency. In any case, there's no correlation between changes in its share of central bank reserves across the world and dollar strength.

DIVERSIFYING STRATEGIES

Lastly, so-called trend-following strategies, which seek to identify and capitalise on pricing trends in various asset classes, may help to offset the effects of large geopolitical shocks. Such strategies typically struggle at turning points – when prices stop rising and start falling because of a big event, for example.

But trend followers can in principle deliver positive returns when both equities and government bonds sell off. This is because of their flexibility to invest in other asset classes and to take what are known as short positions, which can provide a return from falling asset prices.

Their ability to deliver positive returns when both equities and bonds are sliding was illustrated in the aftermath of the invasion of Ukraine. Unlike most of the asset classes we invest in, trend-followers' returns have historically tended to do well when economic growth and inflation are volatile – and volatility usually increases following major geopolitical shocks.

TREND FOLLOWERS CAN IN PRINCIPLE DELIVER POSITIVE RETURNS WHEN BOTH EQUITIES AND GOVERNMENT BONDS SELL OFF. THIS IS BECAUSE OF THEIR FLEXIBILITY TO INVEST IN OTHER ASSET CLASSES AND TO TAKE WHAT ARE KNOWN AS SHORT POSITIONS

FINANCIAL AND ECONOMIC IMPACT

CHINA—TAIWAN CRISIS

A lasting blockade or outright invasion of Taiwan could have two significant direct effects on the global economy. First, the global supply of semiconductors, vital to virtually all electronic devices, could be severely disrupted. Taiwan is the world's largest producer of chips, supplying more than 90% of the most advanced models. Chip foundries take years to build, require precisely controlled environmental conditions and depend on a highly skilled workforce.

That makes the potential for disruption in a war high. TSMC, Taiwan's dominant chip supplier, has announced some high-profile new facilities in the US, Japan, and Germany, but the company has repeatedly said a substantial amount of its production will remain in Taiwan. And it has affirmed this commitment with new domestic facilities and continued expansion on the island. It is estimated that 80–90% of its production capacity remains in Taiwan. Second, global shipping could be threatened. More than 40% of the world's container fleet passes through the Taiwan Strait each year. For the largest vessels, this is as high as 80%.

The indirect effects of an invasion could also be very significant if it resulted in disorderly decoupling, where major advanced economies rapidly reduce economic and financial ties. An abrupt decoupling with Russia occurred after the invasion of Ukraine, but China is a much more important part of the global economy. Despite efforts from the US to disassociate with China, it remains the world's largest exporter and a vital part of supply chains for IT/electrical equipment, many metals, chemicals and clothes.

The overall result would probably be weaker global growth and higher inflation. The stocks most affected would be those in cyclical sectors, with significant supply chain or revenue exposure to China, and with a dependence on advanced semiconductors. Defence stocks might outperform. Within fixed income, short-dated inflation-linked bonds might do best. Finally, Chinese assets might be subject to sanctions and/or capital controls.

DESPITE EFFORTS FROM THE US TO DISASSOCIATE WITH CHINA, IT REMAINS THE WORLD'S LARGEST EXPORTER AND A VITAL PART OF SUPPLY CHAINS

RUSSIA—NATO CONFLICT

Russia has become increasingly disconnected from global trade since the start of the war in Ukraine. However, further conflict in Ukraine could still cause considerable damage to the global economy through its impact on commodity supply.

Ukraine remains an important exporter of agricultural commodities. Before Russia's invasion, it accounted for 12% of global corn exports, 9% of wheat and 17% of barley – and nearly half of sunflower oil. Ukraine has still exported these commodities despite the war, though in lesser volume. However, any further escalation could halt Ukraine's agricultural exports altogether.

Russian natural gas exports to the EU dropped dramatically in 2022 and remain near post-Soviet lows, so that shock has already happened. But Russia continues to export lots of oil, so disruption there is still possible. The EU continues to import some Russian oil by pipeline, for example. And 20% of tankers carrying Russia's global seaborne oil exports are still EU-insured while 30% are EU-owned. If relations with the EU worsen, this could be cut off.

Conflict between Russia and NATO would mark a step change in what we've seen so far. But what effect would this have on economies and asset prices? Firstly, we would see a commodity shock, which would weaken growth and aggravate inflation. Investors in these commodities would benefit if the prices of energy and agricultural commodities surged. As for stock markets, energy firms, some food producers and defence companies could do well. However, cyclical and growth stocks would probably underperform. Within fixed income, short-dated inflation-protected bonds would probably fare best.

HIGHLY DISRUPTIVE CYBERATTACK

There's much more uncertainty about the impact of this risk compared with the other three we've identified – we have few meaningful historical parallels to work with. Insurers' estimates of the likely damage caused vary wildly depending on the assumptions used. The impact could be very different depending on which sectors are affected: the range of those targeted recently has been very broad. For example, outside the public sector, the health care sector is the most targeted of all, with the finance sector also high up the list. This risk could also coincide with any of the other three if it were state-sponsored.

Given the enormous uncertainty around the effects of a major cyberattack, in our analysis we've primarily treated it as a generic 'risk-off' event, acknowledging that in practice the implications could vary considerably depending on the precise nature of the attack (see the appendix for more detail). The stocks of those cybersecurity providers not compromised by an attack could benefit.

DIRECT MILITARY CONFLICT BETWEEN ISRAEL AND IRAN

The primary global economic threat of escalating conflict in the Middle East is through disruption to global energy markets – either accidental or deliberate – as the region is home to several chokepoints for global energy shipping. Iran is adjacent to the Straits of Hormuz, through which a third of global seaborne oil trade and quarter of global seaborne natural gas trade pass every year. And just under a tenth of the global oil and natural gas supply flow through the Suez Canal and Bab-el-Mandeb strait.

Iran itself also accounts for around 5% of global oil production and 6% of natural gas. There are clear parallels to the two oil shocks of the 1970s. The first, in 1973, was caused by Opec's response to Western support for Israel. The second, in 1979, was sparked by falls in output linked to the Iranian Revolution. Both Iran and Opec account for a smaller share of global oil production than they did in the 1970s, but they're still significant.

In equity markets, cyclical and growth stocks would probably suffer most, while energy and defence stocks would do best. Within fixed income, short-dated inflation-protected bonds might again be the best performers.

FOREWARNED IS FOREARMED

We know we live in a world full of geopolitical risk. Moreover, the world has probably become more dangerous over the past few years, with the US becoming increasingly isolationist under Donald Trump, China more assertive, and conflicts in the Middle East and Ukraine continuing.

The future is unpredictable, but there are things we can do to prepare for the unknown. We hope that having a plan for how we will identify, monitor and respond to these risks can give our clients some peace of mind about their investments.

If you have any follow-up questions, please get in touch with your investment manager, call us on 020 7399 0000 or email enquiries@rathbones.com

APPENDIX: IMPACT ON DIFFERENT EQUITY SECTORS

For clients interested in more detail, in this appendix we've used a combination of quantitative and qualitative criteria to identify sectors to downgrade/upgrade should each risk be realised. One arrow represents a small downgrade/upgrade, two arrows represent a large one. A blank space represents no change. In each case, our starting point was ranking sectors quantitatively by their sensitivity to a couple of relevant factors, applying downgrades to those with the highest combined rankings. We then applied additional downgrades based on the cross-checks described in the tables, before finally making qualitative adjustments. These assessments are our opinion – the actual effects of these geopolitical events may be different – so you shouldn't rely on this for any personal investment decisions.

	China / Taiwan crisis		Ukraine conflict escalation	
		Combined rankings for cyclicality and revenue exposure to China. Cross-checked with information about supply chain dependency from OECD modelling and qualitative judgement		Combined rankings for cyclicality and growth. Cross-checked with performance after initial invasion, regression on supply-driven oil price moves and qualitative judgement
Technology	↓↓	China revenue/supply chain dependency	↓↓	Growth exposure
Telecommunications				
Health care				
Banks	↓	Cyclicality	↓	Hit hard after invasion
Financial services			↓	Sensitive to supply-driven oil price moves
Insurance	↓	Middling cyclicality and China revenue exposure		
Real estate			↓	Cyclicality
Automobiles and parts	↓↓	Cyclicality, China revenue/ supply chain dependency	↓↓	Cyclicality/growth exposure
Consumer products and services	↓	China revenue exposure	↓	Growth exposure
Media			↓↓	Cyclicality/growth exposure
Retail			↓	Sensitive to supply-driven oil price moves
Travel and leisure	↓	Some cyclicality and China revenue exposure	↓	Sensitive to supply-driven oil price moves
Food, beverages and tobacco			↑	Some producers benefit from higher food prices
Personal care, drug and grocery stores				
Construction and materials	↓	Cyclicality		
Industrial goods and services		Upgrade defence, downgrade rest		Upgrade defence, downgrade rest on cyclicality
Basic resources	↓↓	Cyclicality, China revenue exposure	↓↓	Cyclicality
Chemicals	↓↓	China revenue/supply chain exposure	↓	Some cyclicality/growth; but fertilisers could do well
Energy			↑↑	Beneficiary of higher energy prices
Utilities			↑	Some benefit from higher energy prices

	Highly disruptive cyber attack		Broader conflict in the Middle East	
	Combined rankings for cyclicality and beta — used beta to reflect generalised uncertainty following major cyberattack. In practice effects will vary depending on specific nature of the attack.		Combined rankings for cyclicality and growth. Cross-checked with average performance in three previous oil shocks, regression on supply-driven oil price moves and qualitative judgement.	
Technology	↓	Cyclicality/beta, possible target. Security providers benefit	↓↓	Growth exposure
Telecommunications		Possible target but limited vulnerability		
Health care		Possible target — not especially vulnerable otherwise		
Banks	↓↓	Cyclicality/beta, possible target		
Financial services	↓↓	Cyclicality/beta, possible target	↓	Sensitive to supply-driven oil price moves
Insurance	↓	Cyclicality/beta		
Real estate	↓	Cyclicality/beta	↓	Cyclicality
Automobiles and parts	↓↓	Cyclicality/beta	↓↓	Cyclicality/growth exposure combination
Consumer products and services			↓	Growth exposure
Media	↓	Cyclicality/beta	↓↓	Cyclicality/growth exposure combination
Retail			↓	Sensitive to supply-driven oil price moves
Travel and leisure			↓	Sensitive to supply-driven oil price moves
Food, beverages and tobacco				
Personal care, drug and grocery stores				
Construction and materials	↓↓	Cyclicality/beta	↓	Underperformed in past oil shocks
Industrial goods and services	↓	Cyclicality/beta		Upgrade defence, downgrade rest on cyclicality
Basic resources	↓↓	Cyclicality/beta	↓↓	Cyclicality
Chemicals	↓	Cyclicality/beta	↓	Some cyclicality/growth exposure
Energy		Possible target — not especially vulnerable otherwise	↑↑	Beneficiary of higher energy prices
Utilities		Possible target — not especially vulnerable otherwise	↑	Some benefit from higher energy prices

ADDITIONAL INFORMATION

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