

Highlights from our recent webinar

New World of Uncertainty?

Navigating Geopolitical
& Macroeconomic Risks



Hosted by Prof. Stefan Fink



Executive Summary

The global risk landscape in 2026 is defined by interconnected shocks rather than isolated events. Recent geopolitical escalation has demonstrated how disruptions in one domain—particularly energy—can propagate rapidly across financial markets, macroeconomic conditions, and institutional balance sheets.

In this environment, traditional risk frameworks are no longer sufficient. Financial institutions must adopt integrated, scenario-driven approaches that combine credit, market, liquidity, operational, and geopolitical risk perspectives.

This whitepaper synthesises insights from a recent industry webinar and provides a comprehensive view of how risk leaders can respond to an increasingly volatile and complex environment, while building strategic capabilities through targeted training and development.



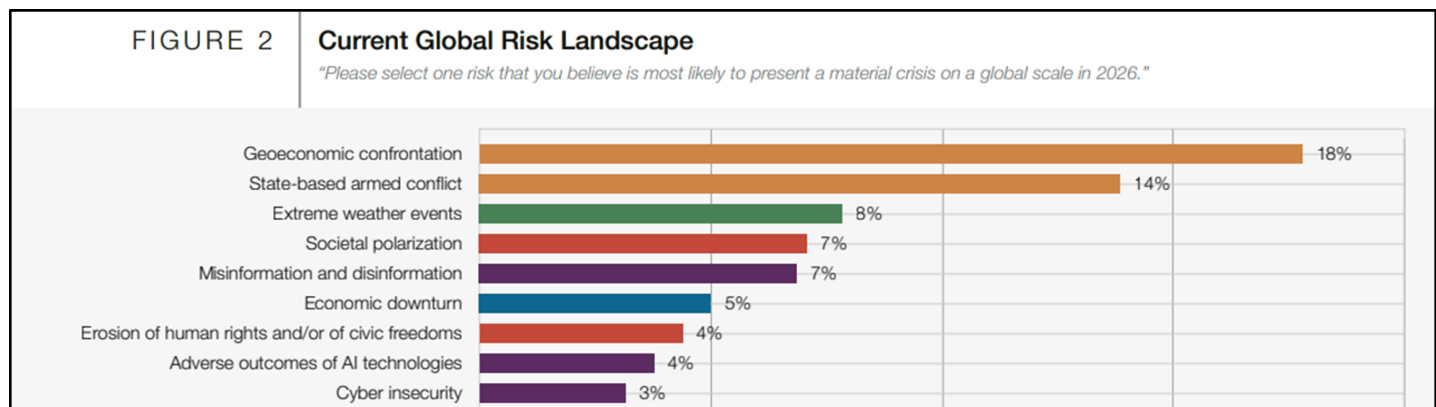
A Structural Shift in the Nature of Risk

Over the past decade, financial institutions have faced a succession of shocks, from the global pandemic to geopolitical conflicts and inflationary pressures. However, the defining characteristic of 2026 is not the presence of shocks themselves, but their interconnected nature.

A single geopolitical event now has the capacity to trigger simultaneous impacts across multiple risk dimensions. Energy markets react immediately, influencing inflation expectations and monetary policy. Financial markets respond through volatility and correlation shifts. Credit conditions deteriorate as sectors experience cost pressures. At the same time, cyber threats and sanctions risks intensify as part of broader geopolitical dynamics.

This interconnectedness requires a fundamental rethinking of how risk is modelled, monitored, and governed.

81% of Webinar attendees listed Geopolitical risk escalation as their #1 Risk concern for 2026?



Reference: World Economic Forum (WEF)

The Energy Shock as a Systemic Catalyst

The disruption of critical energy supply routes has highlighted the systemic importance of energy markets. Sharp increases in oil and gas prices have immediate and far-reaching consequences.

At a macroeconomic level, sustained energy price increases reduce global growth and push inflation higher. This creates difficult trade-offs for central banks, which must balance inflation control with economic stability.

At the institutional level, energy shocks affect borrower cash flows, sector profitability, and ultimately credit quality. Industries such as transportation, manufacturing, and energy-intensive sectors are particularly vulnerable. The key lesson is that energy shocks are not isolated commodity events; they act as catalysts for broader financial instability.

Market Dynamics and the Breakdown of Diversification

Financial markets in 2026 are characterised by heightened volatility and shifting correlations. One of the most significant observations is the breakdown of traditional diversification benefits during periods of stress.

Assets that are typically weakly correlated can become highly correlated in crisis conditions. This undermines standard portfolio construction techniques and increases the potential for simultaneous losses across asset classes.

Risk models must therefore account for dynamic correlation behaviour rather than relying on historical averages. Stress scenarios should explicitly incorporate correlation shocks alongside price movements.

Credit Risk Transmission and Sector Vulnerability

Credit risk remains one of the primary channels through which macroeconomic and geopolitical shocks impact financial institutions. Rising input costs, tighter financial conditions, and declining demand can quickly erode borrower creditworthiness.

Sector concentration plays a critical role. Institutions with significant exposure to energy-sensitive or trade-dependent sectors may experience disproportionate increases in non-performing loans.

In addition, sovereign risk dynamics can amplify credit stress. Deterioration in sovereign credit quality often leads to higher funding costs and reduced credit availability for corporates, particularly in emerging markets.

Liquidity, Collateral, and Margin Pressures

Liquidity risk can escalate rapidly in volatile environments. Margin requirements may increase sharply, placing immediate demands on cash and high-quality collateral.

At the same time, collateral valuations may become unstable, with higher haircuts applied to certain asset classes. This combination of rising margin calls and declining collateral value creates significant liquidity pressure.

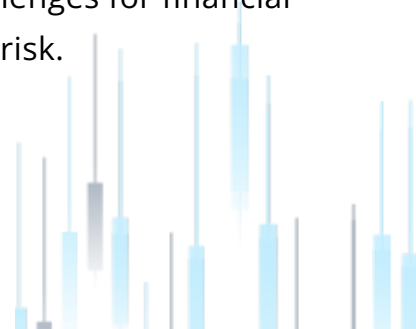
Traditional liquidity metrics, while useful, may not fully capture these dynamics. Institutions must enhance their ability to monitor and manage intraday liquidity and collateral positions.

Sanctions, Trade Finance, and Fragmentation

Geopolitical fragmentation is increasingly reflected in the financial system through sanctions regimes and trade restrictions. Compliance requirements are becoming more complex, with frequent updates to sanctions lists and increased enforcement activity.

Trade finance is no longer a neutral function. It is directly influenced by geopolitical considerations, leading to higher rejection rates, longer settlement times, and shifts in payment channels.

These developments introduce both operational and strategic challenges for financial institutions, including revenue volatility and increased compliance risk.



Cyber Risk and the Rise of AI

Cyber risk continues to grow in scale and sophistication, driven in part by geopolitical tensions. At the same time, the widespread adoption of artificial intelligence introduces new forms of model risk.

Many institutions are deploying AI tools across credit assessment, trading, and operations. However, governance frameworks have not always kept pace with this rapid adoption.

Key risks include insufficient validation, data integrity issues, and the potential for autonomous systems to act in unintended ways. Robust monitoring and clear accountability are essential to mitigate these risks.



Governance and the Need for Speed

In a fast-moving risk environment, governance structures must enable rapid decision-making. Leading institutions are adopting tiered crisis frameworks that allow for escalation and action within hours rather than days.

The role of the Chief Risk Officer is evolving from oversight to strategic partnership. Risk leaders are expected to provide clear, actionable insights that support executive decision-making under uncertainty.

Effective communication with the board is critical, with a focus on concise, decision-relevant information.

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Scenario Analysis and Stress Testing

Scenario analysis is a cornerstone of modern risk management. In the current environment, scenarios must be coherent, integrated, and forward-looking.

Rather than attempting to predict exact outcomes, institutions should focus on plausible narratives that capture the interaction between different risk factors.

Key scenarios for 2026 include prolonged energy disruptions, cyber-related payment outages, and combined sovereign and foreign exchange shocks

Building Strategic Risk Capability

The transformation of the risk function requires investment in both systems and people. Training plays a crucial role in equipping professionals with the skills needed to navigate complex and evolving risks.

Practical, scenario-based learning enables participants to apply theoretical concepts to real-world situations, improving both understanding and decision-making capability.

By embedding risk expertise across the organisation, institutions can enhance resilience and gain a competitive advantage.

Conclusion

The events shaping 2026 underscore the importance of integrated risk management. Institutions must move beyond siloed approaches and develop the capability to respond to interconnected shocks in real time.

Those that succeed will be characterised by agility, clarity of decision-making, and a strong alignment between risk management and strategy.

Watch the full webinar



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Masterclass in Risk Management

5-8 May 2026 & 12-15 October 2026, Live in Central London

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