

INVESTING · GEOPOLITICAL RISK

How Do Investors React to Geopolitical Crises?

TU Research survey of 1,350 retail investors finds that geopolitical crises make investors more cautious, but rarely push them out of markets completely.

36%

Become more cautious

33%

Would buy a stock-market dip

4%

React to conflict itself

TU Research Team · Online CAWI Survey · 1,350 Retail Investors

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01 Executive Findings

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Based on TU research, several patterns emerge:

Geopolitical crises make investors cautious, but rarely force them out of markets. 36% would become more cautious while keeping their investments, compared with only 10% whose main response would be selling investments and increasing cash.

Almost three in ten actively look for opportunities. 29% say a major geopolitical escalation would make them search for investment opportunities created by market movements.

Buying the geopolitical dip is more common than selling it. If stocks fell sharply following geopolitical news, 33% would buy more, while 19% would reduce or exit their stock exposure.

Gold remains the most popular crisis asset, but there is no universal flight to safety. 28% would increase gold exposure, followed by cash at 20% and broad stock-market investments at 17%.

The conflict itself is rarely the main investment trigger. Only 4% identify the outbreak of conflict itself as the development most likely to make them change their portfolio. Energy prices, further escalation and market declines matter considerably more.

Many investors believe markets initially overreact. 38% say financial markets generally overreact to geopolitical crises before recovering.

Dip buyers have limits. 27% say the conflict spreading to additional countries would be the main development that stops them buying a geopolitically driven decline.

Geopolitical risk can have a lasting effect on portfolios. 54% say geopolitical instability has caused them to make at least one longer-term strategic adjustment, most commonly through greater diversification.

02 Introduction & Research Questions

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Geopolitical crises can quickly affect stocks, energy prices and safe-haven assets, but retail investors do not always respond by reducing risk. Some sell, others wait, while some see market declines as buying opportunities. This question is especially relevant in 2026, as recent geopolitical shocks have produced unexpected market reactions.

The topic is actively discussed on Reddit. An April 2026 investing post, "I will catch the next dip", received more than 1,000 upvotes after the author described missing several major market sell-offs, including one triggered by the Iran war. Another

investing discussion received more than 470 upvotes as users debated whether investors waiting on the sidelines could help reverse the next major market decline.

Safe havens are also being questioned. A Gold discussion received more than 660 upvotes as users debated why gold was falling during an active conflict. While Reddit discussions are not representative evidence, they highlight the uncertainty investors face over whether to sell, hold or buy during geopolitical crises.

The research aims to answer: Do geopolitical crises reduce investor risk-taking?; Do investors buy or sell after geopolitical market drops?; Which assets gain during geopolitical uncertainty?; What matters more: conflict or economic impact?; Do investors think markets overreact to geopolitical crises?; What stops investors from buying geopolitical dips?; Does geopolitical instability change long-term strategies?

RISK WARNING Investing involves the risk of loss. Geopolitical events can cause abrupt volatility, liquidity gaps and changes in asset correlations.

03 Institutional Validation

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Institutional research shows that geopolitical crises do not automatically lead investors to abandon risky assets. The impact depends on the severity of the event, its economic consequences and broader financial conditions.

The International Monetary Fund examined this issue in Geopolitical Risks: Implications for Asset Prices and Financial Stability, Chapter 2 of its April 2025 Global Financial Stability Report. The IMF estimates that a typical country-specific geopolitical risk shock reduces aggregate stock prices by about 0.3%, while major events have much larger effects. Firm-level returns decline by around 1 percentage point in the month of a major domestic geopolitical event, and international military conflicts are associated with declines of around 5 percentage points among emerging-market firms. Geopolitical shocks can spread through uncertainty, trade disruptions, supply chains, capital flows, inflation and economic growth.

Gold illustrates why investor responses are not always straightforward. In What does the record price of gold tell us about risk perceptions in financial markets?, the European Central Bank finds that gold has generally performed well during periods of elevated geopolitical risk and severe market stress. Its lack of counterparty default risk also helps explain its traditional safe-haven role.

However, gold does not necessarily react the same way to every crisis. The Bank for International Settlements' 2026 study Chasing El Dorado: gold under shifting geopolitical and financial conditions finds that geopolitical risk tends to increase gold returns, but the effect is stronger when global financial conditions are relatively loose. This suggests that investors' ability to rebalance their portfolios influences how strongly they move into gold during geopolitical stress.

KEY INSTITUTIONAL TAKEAWAYS Geopolitical shocks can affect equities, trade and inflation; gold may offer defensive characteristics, but its response depends on financial conditions.

04 Theoretical Framework

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The impact of geopolitical crises on investor behavior can be understood through risk perception and uncertainty. Investors do not need to wait for a conflict to cause measurable economic damage before changing their portfolios. Expectations of escalation, trade disruption, higher energy prices or inflation can alter perceived risk and influence investment decisions in advance.

Caldara and Iacoviello examined this mechanism in Measuring Geopolitical Risk. The researchers developed a news-based Geopolitical Risk Index that tracks both geopolitical threats and actual events. They found that higher geopolitical risk is associated with lower investment and employment, higher perceived disaster probability and greater downside economic risk.

This helps explain risk-reduction behavior. When geopolitical uncertainty increases, some investors may move toward cash, gold or other defensive assets even before the economic consequences of the crisis become clear.

However, uncertainty can also create the opposite response. If investors believe the initial market decline is larger than the likely economic impact, falling prices can be interpreted as an opportunity rather than a reason to exit. This creates a tension between risk avoidance and contrarian buying: the same geopolitical shock can encourage one investor to reduce exposure while another buys the decline.

The key factor may therefore be not the geopolitical event itself, but how investors interpret its expected financial consequences. This provides the theoretical basis for examining whether retail investors react directly to conflict or wait for evidence of effects on markets, energy prices, inflation and the broader economy.

INSIGHT Investor behavior reflects expected financial consequences of a crisis, not simply the occurrence of conflict.

05 Methodology & Research Team

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The study was conducted using a structured online survey based on the CAWI methodology.

Sample	1,350 retail investors	Age	18–60 years
Regions	North America, Europe, Asia, Latin America, Africa, Middle East	Participation	Current investors or traders
Confidence	95%	Sampling deviation	±2.7%

The study was conducted by our experts:

Anastasiia Chabaniuk (Author, TU research) – research design and interpretation.

Chinmay Soni (Fact-checker) – data validation and statistical verification.

Ciaran Ryan (Editor-in-Chief) – editorial and methodological supervision.

TU research team (Andrey Mastykin, Oleg Tkachenko) – data collection and analysis.

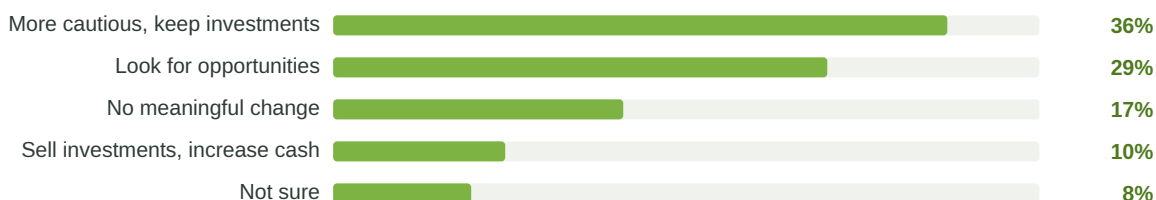
06 Survey Results

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How do investors react to a major geopolitical escalation?

Respondents described their behavior after a major international military conflict escalates and market volatility increases.

How do investors react to a major geopolitical escalation?

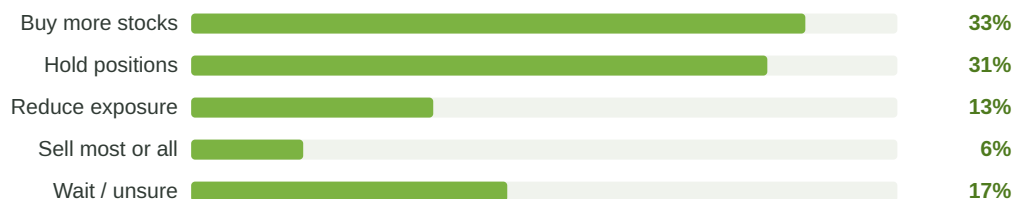


INSIGHT Caution is the most common response, but widespread exit is not. Only 10% would primarily sell, while 29% would search for opportunities.

What do investors do when stocks fall after geopolitical news?

Respondents considered a broad stock-market index falling sharply after unexpected geopolitical escalation.

What do investors do when stocks fall after geopolitical news?

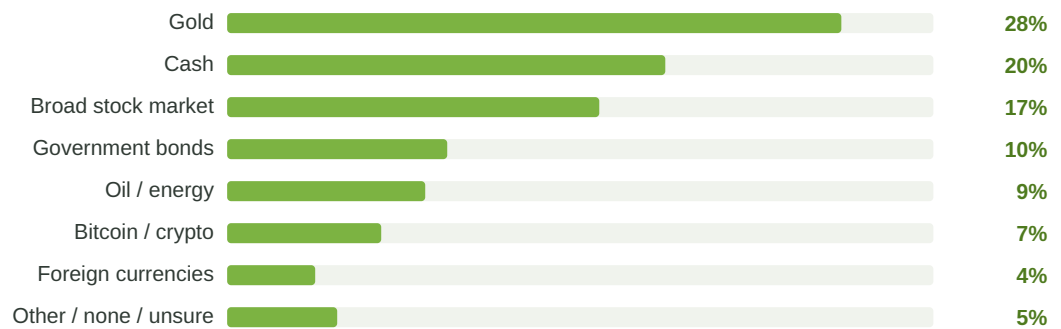


INSIGHT 33% would buy more, compared with 19% who would reduce or exit positions.

Which asset would investors increase during a geopolitical crisis?

Respondents chose the asset they would be most likely to increase if geopolitical risk rose substantially.

Which asset would investors increase during a geopolitical crisis?

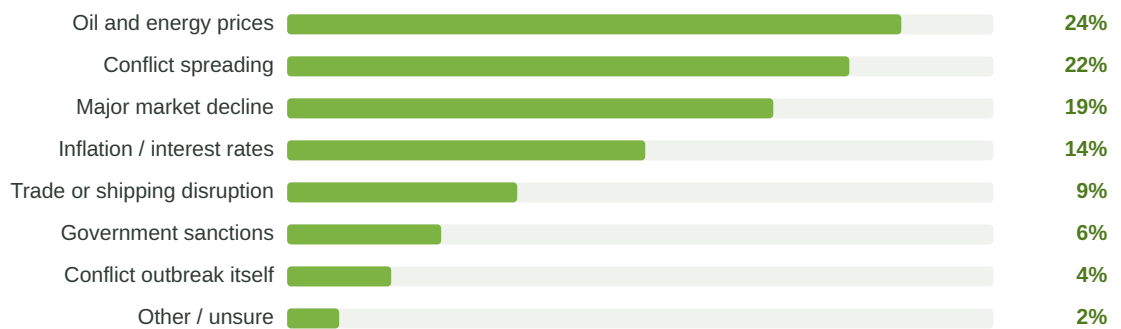


INSIGHT Gold is the most popular single choice at 28%, but crisis responses remain diverse.

What actually makes investors change their portfolio during a geopolitical crisis?

Respondents identified the development most likely to cause an actual investment change.

What actually makes investors change their portfolio during a geopolitical crisis?

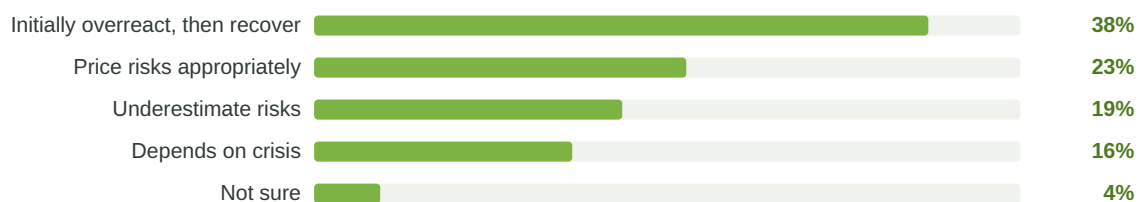


INSIGHT Only 4% cite the outbreak itself; energy prices are the largest individual trigger.

Do investors believe markets overreact to geopolitical crises?

Respondents assessed how financial markets usually react at the beginning of a crisis.

Do investors believe markets overreact to geopolitical crises?

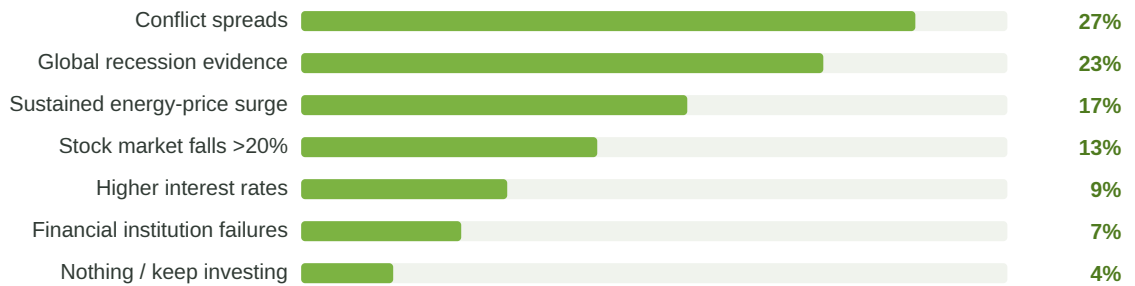


INSIGHT 38% believe markets initially overreact, versus 19% who think they underestimate risks.

What would make investors stop buying the geopolitical dip?

Respondents open to buying declines identified what would make them reconsider.

What would make investors stop buying the geopolitical dip?

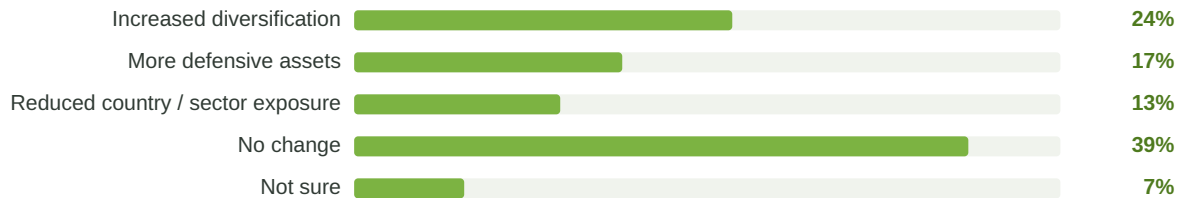


INSIGHT Conflict spreading (27%) and recession evidence (23%) matter more than a 20% market fall (13%).

Has geopolitical instability changed investors' long-term strategy?

Respondents reported whether geopolitical instability had changed their longer-term investment approach.

Has geopolitical instability changed investors' long-term strategy?



INSIGHT 54% report one of the three listed strategic adjustments, most commonly increased diversification.

07 Practical Implications

TU

Geopolitical crises can move markets before their economic consequences are clear. Instead of trying to predict political or military outcomes, investors can focus on how events affect prices, inflation, interest rates and market risk.

Identify the transmission channel. Consider whether the crisis affects oil, trade, inflation, yields or corporate earnings rather than assuming that war automatically benefits or hurts a particular asset.

Avoid trading headlines alone. Check whether related markets such as oil, bonds, currencies, gold and volatility confirm the initial reaction.

Check what is already priced in. Markets may react to expectations before an event reaches mainstream news, making late entries particularly risky.

Reduce position size during high uncertainty. Geopolitical events can cause sudden gaps that may bypass stop-loss levels.

Define your invalidation point. Base exits on market conditions rather than simply waiting for the geopolitical situation to end.

Be cautious with leverage. Unexpected escalation can produce large overnight moves and forced liquidations.

Do not assume safe havens will rise immediately. Gold, bonds and currencies can react differently depending on inflation, rates and liquidity.

Reassess as the crisis develops. Initial moves may reflect fear, while later pricing can depend more on energy costs, inflation, earnings and economic growth.

Since 33% of surveyed investors say they would buy more stocks after a geopolitically driven market decline, access to stock markets can also influence how easily investors can act on such opportunities. The table below compares stock brokers by trading costs, account requirements and access to stocks and other asset classes.

08 Data Sources & References

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