

Navigating Geopolitical Uncertainty: This Time is Different?

By *Tjitsger Hulshoff*

Geopolitical tension are current once again. Investment professionals grapple with questions about whether current global uncertainties represent a fundamental shift or merely another cyclical challenge. We spoke with Valentijn van Nieuwenhuijzen about why this time might be different and what it means for financial markets.

THE CRITICAL QUESTION: IS THIS TIME REALLY DIFFERENT?

Valentijn begins our conversation by addressing the skepticism that naturally arises when experts claim we’re facing unprecedented uncertainty. “Geopolitical changes are normal and have happened frequently throughout history,” he acknowledges. “The critical question I always ask myself is whether the world truly looks more uncertain than we’ve ever experienced before, or if this is just another shift in geopolitical or economic forces that occurs every few years.”

Having witnessed numerous crises – economic downturns, oil shocks, financial crises, political upheavals, and wars – Valentijn emphasizes the importance of maintaining perspective. “We’ve experienced all kinds of crises, so it’s essential to contextualize current events critically.”

IS THIS TIME DIFFERENT?

However, after careful analysis, he concludes that today’s situation is fundamentally different from what we’ve experienced since the 1970s, citing two primary factors that distinguish current circumstances from previous periods of uncertainty.

FUNDAMENTAL SHIFT 1: THE EROSION OF DEMOCRATIC INSTITUTIONS

The first fundamental shift involves what Valentijn describes as “the undermining of the building blocks of our rule of law and liberal democracies, with a tendency toward embracing more authoritarian leadership.” This trend, visible not just in recent months but over several years, represents a significant departure from post-World War II norms.

“We’re seeing aspects of independent rule of law being disrupted – freedom of expression, press freedom, independent judiciary, and broad support for democratic decision-making,” he explains. “We haven’t seen this kind of systematic erosion since World War II.”

The manifestation of this trend is evident in various forms and in many countries, from rising support for right-wing populist parties to the undermining of press freedom and judicial independence. Valentijn points to specific examples, including the disregard for judicial rulings regarding deportations in the United States and broader attacks on media independence across multiple countries.

“These are cracks in the foundation,” he notes. “We’re not yet at the point of non-democratic systems, but we’re seeing an undermining of the pillars of our democratic rule of law: the Enlightenment principles of separation of powers, independent judiciary, and critical media roles.”



Valentijn van Nieuwenhuijzen

2022 – Oct 2024: Global Head of Sustainability and Global Co-Head Multi Asset Solutions (MAS) Goldman Sachs Asset Management

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2013 – 2017: Head of Multi Asset at NNIP and ING Investment Management (ING IM)

1999 – 2013: Economist, Fixed Income and Multi Asset Strategist roles at ING IM

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FUNDAMENTAL SHIFT 2: STRAIN ON INTERNATIONAL SECURITY RELATIONSHIPS

The second fundamental shift concerns international security relationships, particularly the strain on Western alliances. “The forces that have kept Western Europe and America together, the persistence of international cooperation in security and international rules around economic relations, now have larger cracks than we’ve seen before.”

While some gaps are being addressed through increased defence spending, as evidenced during the recent NATO summit in The Hague, Valentijn argues that underlying fissures represent a more significant shift in the balance of power. “The reliability and robustness of the military alliance between Europe and America is of a different order than anything we’ve seen since World War II.”

The eastward forces, primarily Russia and China, also present challenges different from those during the Cold War, creating additional complexity in international relations.

FINANCIAL MARKET IMPLICATIONS

These geopolitical shifts have already begun manifesting in financial markets. Valentijn highlights the unusual market behavior observed in 2025 following the announcement of trade tariffs by the Trump administration.

“The tariffs announced were structured in an economically difficult-to-justify manner and felt very arbitrary,” Valentijn explains. “The methodology seemed simplistic, and the scale was many times higher than expected, representing the biggest shock to international trade since the 1930s.”

Initially, financial markets had shown enthusiasm for US assets at the end of 2024, expecting a strong deregulation agenda that would boost American economic strength while keeping tariffs limited. However, when 2025 revealed that deregulation was less forthcoming and tariffs were far more severe than anticipated, market sentiment shifted dramatically.

THE LIQUIDITY CHALLENGE

What made this particularly noteworthy was how US assets behaved during the period of stress. “For decades, when there was significant risk aversion in financial markets, even when that risk aversion originated in the US, we saw the US dollar strengthen as a safe-haven asset and US treasuries rally,” Valentijn observes.

This time was different. The dollar weakened, US treasuries underperformed, and American equities significantly underperformed international markets in the first quarter of 2025. “This was a remarkable change in financial market behavior during stress periods compared to recent decades.”

This behavioral shift raises questions about liquidity in future crisis scenarios. Traditionally, the US dollar and US Treasuries have served as the quintessential liquid assets during global stress

periods. The assets investors could reliably turn to when other markets seized up. If these traditional safe havens no longer perform this function reliably, the implications for global financial stability could be severe.

“The question becomes: if the dollar doesn’t perform well in stress situations, do you remain equally comfortable holding those enormous exposures?” Valentijn asks. This concern is particularly acute given how dramatically strategic portfolio exposures to US assets have grown over the past twenty years across institutional portfolios worldwide.

THE AMERICAN ECONOMIC DOMINANCE QUESTION

Valentijn attributes much of US’s financial market outperformance over the past two decades to its dominant market position in the world’s most scalable and fastest-growing sectors: information technology and finance.

“America has achieved tremendous positioning in these economically powerful sectors,” he explains. “These are sectors that have benefited enormously from a globalizing world with access to global markets. IT and finance have been able to scale tremendously.”

He notes that these sectors feature “increasing returns to scale” business models where marginal production costs are nearly zero. “Once you achieve market dominance and continue growing with the global economy, your operational leverage becomes gigantic.”

The US financial sector’s dominance was further reinforced following the 2008 crisis, with major US banks emerging as winners while European competitors, particularly large German and British institutions, suffered significant losses in global market share.

FUTURE IMPLICATIONS AND LIQUIDITY RISKS

Looking ahead, Valentijn identifies several key concerns for investors, with liquidity risks taking centre stage. The first relates to continued international willingness to finance America’s enormous state budget, which is largely funded by the rest of the world, mostly notably Japan, Europe, and China.

“Will that willingness remain if confidence in the dollar as a safe haven during stress situations diminishes?” he asks. This question strikes at the heart of global financial architecture. For decades, the dollar’s role as the world’s primary reserve currency has provided unparalleled liquidity to US markets. Foreign central banks, sovereign wealth funds, and institutional investors have maintained vast dollar reserves and Treasury holdings, creating a self-reinforcing cycle of liquidity and stability.

However, this system depends critically on trust and confidence. “Strategic portfolio exposures to American assets have grown enormously over the past twenty years, making investors much more sensitive to sharp reversals than they were twenty or thirty years ago,” Valentijn notes.

THE SCALE OF DOLLAR DEPENDENCE

The scale of this dependence cannot be overstated. Global portfolios have become increasingly concentrated in US assets, not just because of performance but because of the liquidity premium these assets traditionally offered. When stress hits markets, institutional investors worldwide have historically relied on their ability to quickly convert US Treasuries and dollars into cash to meet obligations elsewhere.

If this liquidity premium erodes, as the 2025 market behavior suggests it might, the consequences could extend far beyond simple portfolio losses. “You’re much more sensitive to sharp reversals than you were twenty or forty years ago,” Valentijn emphasizes, highlighting how the interconnectedness of global portfolios amplifies systemic risks.

CENTRAL BANK POLICY DIVERGENCE

Adding to these concerns is the unusual divergence in central bank policies. Valentijn points out that it’s “very exceptional that the ECB starts cutting rates before the Fed. This happened only very seldom since the late 1990’s as usually the Fed leads, whether tightening or loosening policy.”

This divergence occurred alongside dollar weakness, which historically would have been supported by relatively higher US interest rates. “Despite having more support from the interest rate differential, you would normally expect dollar strength on that front as well,” he notes. The fact that the dollar weakened despite this traditional support mechanism suggests deeper structural issues may be at play.

IMPLICATIONS FOR CRISIS MANAGEMENT

The potential loss of US Treasuries as a reliable source of crisis liquidity poses significant challenges for global financial stability. During previous crises, central banks and financial institutions could count on the Treasury market’s depth and liquidity to provide emergency funding. If this market becomes less reliable during stress periods, alternative liquidity sources may prove inadequate.

“The question is whether that confidence in the dollar remains if it doesn’t perform well in stress situations,” Valentijn summarizes. This isn’t merely an academic concern, it goes to the heart of how global financial institutions manage risk and maintain stability during turbulent periods.

TECHNOLOGY AND TRUST

Beyond financial considerations, Valentijn raises questions about technological dependence and political independence. “To what extent will American players remain independent or become susceptible to political pressure? Do I want to entrust my data, my applications, all my digital information to servers of major American IT companies?”

While he doesn’t expect immediate wholesale abandonment of US technology platforms, he anticipates growing concern about digital sovereignty and independence from American technological infrastructure.

INVESTMENT STRATEGY CONSIDERATIONS

Given these fundamental shifts, Valentijn suggests investors need to reconsider traditional assumptions about US asset performance and dollar strength during crisis periods. The changing geopolitical landscape requires more nuanced analysis of how traditional safe-haven assets might behave in future stress scenarios.

The liquidity implications are particularly concerning for institutional investors who have built their risk management frameworks around the assumption of deep, liquid US markets during stress periods. Portfolio construction strategies, liquidity management approaches, and crisis contingency plans may all need fundamental reassessment.

THE UNCERTAINTY ABOUT WHETHER US AND US MARKETS WILL CONTINUE TO PERFORM AS THEY HAVE FOR THE PAST 10-20 YEARS IS GREATER THAN BEFORE

“The uncertainty about whether the US and US markets will continue to perform as they have for the past 10-20 years is greater than before,” Valentijn concludes. “The American market’s tremendous outperformance relative to European and Asian assets over the last two decades was supported by genuine innovation and strong economic positioning, but the sustainability of this advantage is now more questionable.”

More critically, if US assets lose their liquidity premium during stress periods, global financial institutions may need to maintain higher cash buffers, diversify their liquidity sources more broadly, or accept higher costs for emergency funding. The efficiency gains from dollar-denominated global finance could partially reverse, with significant implications for funding costs and financial stability.

CONCLUSION

While Valentijn emphasizes that these are gradual shifts rather than immediate threats, the combination of eroding democratic institutions and strained international alliances creates a fundamentally different investment environment. The traditional playbook of American assets as ultimate safe havens may no longer apply, requiring investors to develop new frameworks for navigating an increasingly multipolar and uncertain world.

The challenge for investment professionals is to distinguish between cyclical volatility and structural change while positioning portfolios for a world where traditional certainties about geopolitical stability and market behavior may no longer hold.

This time may indeed be different and brings a call to action for rethinking portfolio resilience in an uncertain era.