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Geopolitics beyond Iran

Events, trends and themes markets should be paying attention to

June 2026

Dr. Helen Belopolsky | Miha Hribernik

Deutsche Bank Research Institute

IMPORTANT RESEARCH DISCLOSURES LOCATED IN APPENDIX 1.

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Beyond Iran: What should markets be paying attention to?

The Iran crisis has rightly dominated market attention since 28 February, given its far-reaching implications for the Middle East region and the global economy. But the world hasn't stood still during the conflict. This report takes us beyond the immediate headlines to the emerging geopolitical dynamics that could redefine market trajectories and create the next wave of strategic opportunities.

Even as US attention shifted toward the Middle East, the last several months saw signs of movement toward a potential ceasefire in **the war in Ukraine**, and a deal remains possible amid mounting war fatigue. Over the next year, Europe will face a number of key elections that will likely serve as major watchpoints for the popularity of **far right movements and candidates**, with potential EU-wide implications. **China's efforts to position** itself as a reliable geopolitical partner amid rising global uncertainty appear to be bearing some fruit, including in the form of improved global perceptions and signs of success with RMB internationalization.

Meanwhile, **global defence spending** has continued to soar, and Asia is fast emerging as one of the centres of a global defence spending 'supercycle', both as a buyer and seller of arms. **Drones** are increasingly at the centre of this structural trend, as countries across the globe race to absorb the lessons of the wars in Ukraine and Iran – which should add further impetus to defence spending.

But this list is hardly exhaustive as global geopolitical fragmentation continues to accelerate. We've also asked our proprietary model **dbLumina** for its take on the geopolitical themes beyond Iran that markets need to pay attention to.

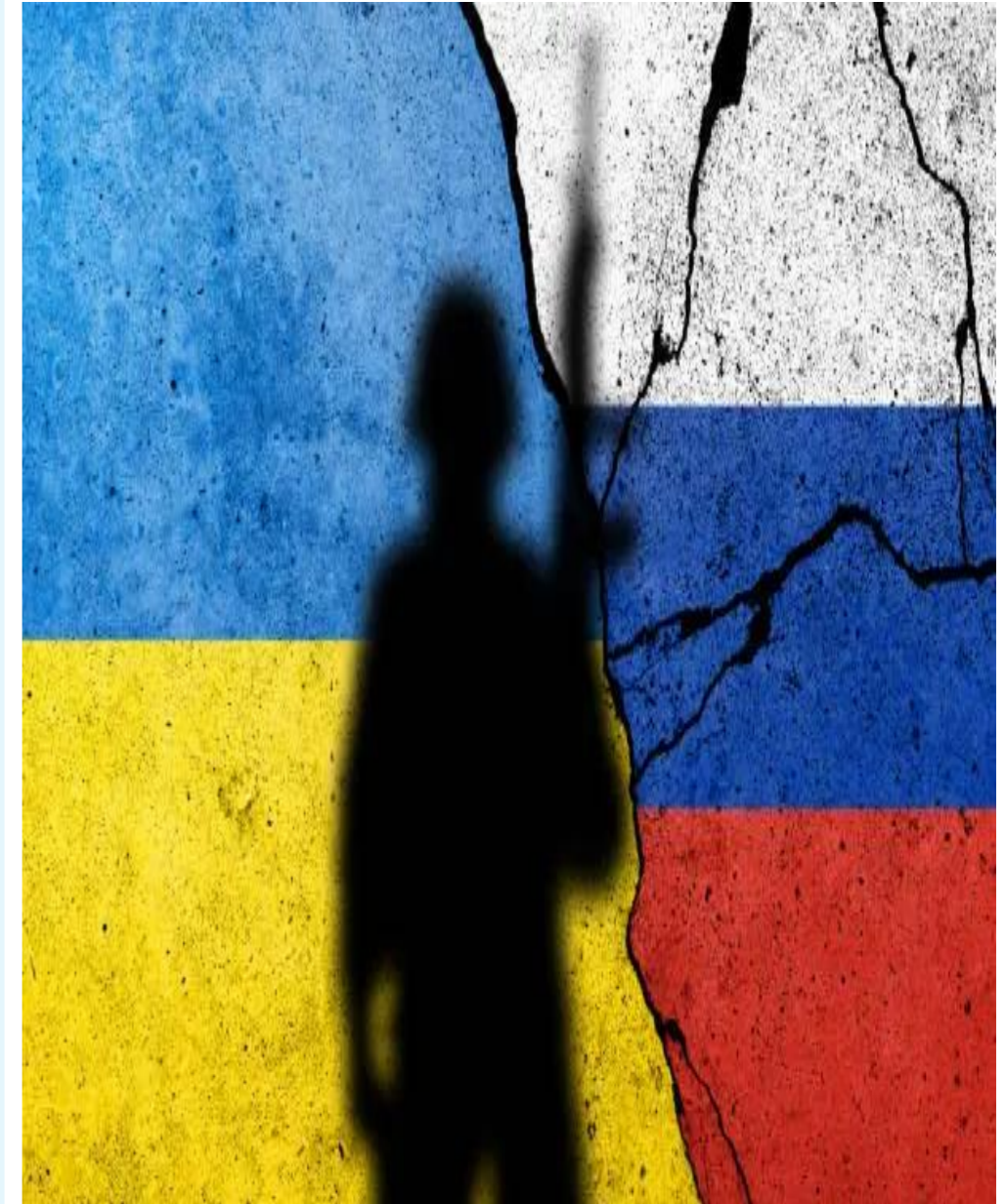
War in Ukraine

Is there an end in sight?



Though trilateral negotiations (US/Russia/Ukraine) are stalled as a result of the war in Iran, a number of recent developments suggest we **may be nearer a ceasefire than many believe**, and this could potentially move quickly. While military barrages continue, as war fatigue mounts, the rising costs of protracted conflict may eclipse its diminishing returns, shifting the strategic calculus. Certainly, polling is demonstrating a marked shift. Russian support for peace talks reached a record high of 67% in March while 72% of Ukrainians say they could support a peace plan that freezes the conflict along the current front line. In addition, casualties in the war have reached the highest rates in modern warfare. Some signs that we may be seeing progress towards a ceasefire:

- On 4 June, Ukrainian President Zelenskyy wrote an open letter to Russian President Putin urging a meeting to agree on an end to the war. Putin has so far rejected the proposal but agreed to another round of negotiations after 22 June.
 - Russian President Putin publicly said the war may be “coming to an end” and his recent language contrasts with earlier maximalist messaging. The Kremlin is increasingly speaking more about security arrangements and mediation possibilities than outright military victory.
 - US, Russian and Ukrainian officials reportedly have continued negotiations.
 - A senior Ukrainian delegation recently travelled to Washington for renewed negotiations with US officials on possible frameworks for freezing the war.
- **Washington may well increase pressure on Moscow and Kyiv** if negotiations remain stalled into the summer. US pressure could be the decisive catalyst, especially if we see shifts to actively conditioning Ukraine support on negotiations or signalling a capped long-term commitment. For Russia, the US could leverage both “carrots” and “sticks” by, for example, offering a pathway to sanctions relief, access to frozen assets, or security architecture talks and/or through increased sanctions or the provision of long-range weaponry to Ukraine.
 - If we see increased US pressure, **a deal could emerge relatively quickly**. While a ceasefire over the coming months is far from guaranteed, even credible steps toward a deal would have effects for markets. Any ceasefire would have significant implications for the post-conflict landscape. This could include a possible easing of some sanctions on Russia, the potential for increased Ukrainian agriculture exports, a pathway for Ukrainian accession to the EU and for enabling reconstruction – with implications for investments in minerals, gas infrastructure, technology, city reconstruction, defence, data centres and artificial intelligence.



Source: iStock: Tomas Ragina

Far right politics in Europe

What may upcoming elections mean for the future of Europe?



Far right parties have made significant gains in the 2024 EU elections and recent national polls, notably in France, Germany, and Austria. The **"normalization" of far-right ideas in Europe carries significant implications** for the continent's future, potentially reshaping its political, social, and environmental landscape. Mainstream parties are increasingly adopting certain themes from far-right narratives, potentially as a strategy to appeal to a broader electorate. Looking ahead, key far-right parties' priorities that we should watch in upcoming elections:

Migration and Border Control: This is perhaps the most unified policy area for far-right parties. They consistently advocate for hardening borders, stricter immigration laws, and processing asylum claims outside the EU. Even mainstream parties have adopted more restrictive migration policies in response to the far-right's influence. Successes for far-right parties in upcoming elections could translate into tightening of EU migration policies with possible implications for the EU labour market.

Climate Policy: Many far-right parties express scepticism of ambitious climate policies, including the European Green Deal. There is a risk of a "green backlash," where far-right influence could slow or dilute the implementation of climate-related directives.

National Sovereignty and EU Integration: Far-right parties generally prioritize national sovereignty over further EU integration. While some have moderated their calls for leaving the EU entirely, many advocate for reforming it to reduce its mandate. This focus on national interests could lead to increased challenges in reaching consensus on critical EU issues, including the development of a unified foreign and security agenda, the allocation of the EU budget, and efforts to enhance the EU's overall economic competitiveness..

Economic Policy: While there are internal divisions within the far-right on specific economic policies, a common thread is a push for greater national control over economic decisions. Some advocate for strong fiscal discipline, while others oppose EU-induced fiscal rules. Protectionist economic policies, such as tariffs and non-tariff trade barriers, could also gain traction.

Key European Elections in 2026/2027 with Far-Right Touchpoints

Germany	State elections in Baden-Württemberg, Rhineland-Palatinate, Saxony-Anhalt, Berlin, and Mecklenburg-Vorpommern – MAR to SEP 2026
Denmark	General election is set for OCT 2026
Latvia	Parliamentary election is scheduled for OCT 2026
Sweden	General election is scheduled for SEP 2026
France	Presidential election is scheduled for APR 2027
Italy	General election will be held no later than DEC 2027
Poland	Parliamentary election will be held by NOV 2027
Spain	General election will be held no later than AUG 2027
Finland	Parliamentary election will be held on APR 2027
Greece	Parliamentary election is scheduled to be held before JUL 2027
Slovakia	Parliamentary election is scheduled to be held by SEP 2027

Uncertainty as Opportunity for China's Global Influence

Beijing is benefitting from perceptions of stability amid global geopolitical uncertainty

Rising geopolitical uncertainty should continue to generate upsides for China. Over the past year, Beijing has sought to position itself as a more predictable global power in contrast with US foreign, trade and security policy volatility. While there are probably limits to upsides from this approach – amid deep-seated structural differences and continued derisking in major markets such as the EU – Beijing's positioning appears to have had some success. This is reflected in [evidence](#) of improving global perceptions of China and a flurry of senior foreign visits to Beijing during 2026.

These visits included the leaders of Canada, Ireland, Finland, the UK, Vietnam, and Germany, and have – among other deliverables – resulted in a US\$15bn UK [investment pledge](#) into the pharmaceutical industry in China; progress on a planned [China-Vietnam railway link](#); a deal for [120 Airbus jets](#); and cuts to Canadian [tariffs on Chinese EVs](#).

The global energy shock driven by the Middle East crisis could lead to further upsides for Chinese renewables, EV exports, the RMB, and Hong Kong. While not immune to the war's growing economic cost, China's economy has also shown resilience, which included a 14% y/y rise in exports in April (and an [estimated](#) 15% y/y rise in May), in part attributed to global stockpiling amid the Iran war. Combined with perceptions of geopolitical stability and structural advantages owing to investment in strategic industries, this could leave China with a strengthened geopolitical position after the war.

Chinese renewables companies and EV manufacturers have seen an export boom in recent months as consumers in key markets, including Europe, shift away from fossil fuels amid high prices (this has continued, although slowed following the cancellation of China's solar panel export tax refund programme on 1 APR). A likely acceleration in state-led decarbonization efforts after the war across many parts of the world could generate sustained demand for these companies over the medium term.

As our colleagues have argued, there are [tentative signs](#) of an acceleration in RMB internationalization – one of Beijing's key strategic objectives. This was reflected in a 30% jump in cross-border RMB payments during the first month of the war, and in China successfully securing [yuan pricing](#) for some Australian iron ore shipments. The Iran conflict could be a catalyst for the erosion of the petrodollar, and could result in the beginning of a ['petroyuan'](#). Hong Kong could see further upsides from the conflict, including in the form of inflows of capital, skilled workers and family offices from the Gulf.

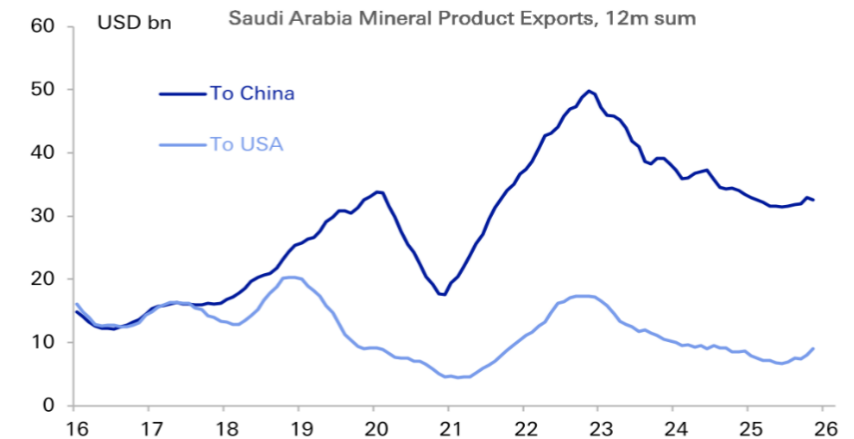


Cross-border RMB payment surged by 30% in March



Source: Deutsche Bank Research. See: [The Big FX View: War and Peace](#)

Saudi Arabia now sells four times as much oil to China as to the US; a trend that could undermine petrodollar foundations



Source: Deutsche Bank. See: [FX Special Report: What Iran means for the dollar: a perfect storm for the petrodollar](#)

Spotlight on Defence: A New Era of Growth in Asia

Asia is emerging as one of the global centres of a new defence spending supercycle, both as a buyer and seller of arms



The fracturing of the post-1945 international order is fuelling a structural defence spending supercycle. Global defence outlays reached USD2.6 trillion in 2025. In Asia, spending grew by 5.7% y/y last year, reaching USD573bn. We expect geopolitical factors – such as European concerns over Russia, US requests for allies to boost spending and capabilities, China’s military modernization, and intra-NATO friction – to sustain further growth.

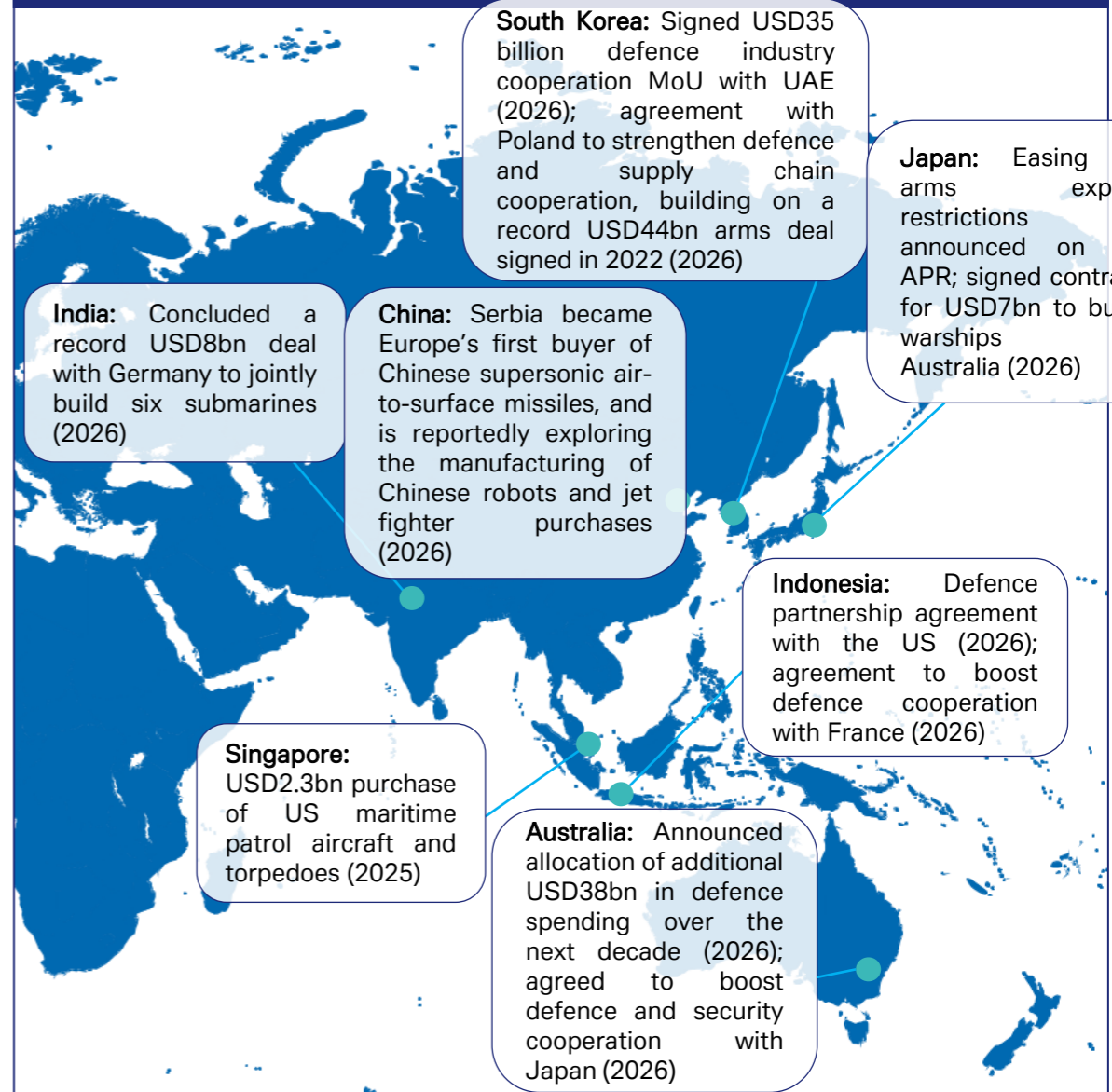
We assess that this supercycle is unique due to Asia’s emerging role as a major arms exporter, not just a buyer. The past year has seen significant activity, including record arms deals and major policy shifts (see map). Asia is unlikely to displace leading suppliers but competitive pricing, access to advanced technology, and increasingly integrated supply chains could boost Asian market share in countries traditionally dominated by non-Asian suppliers.

China and South Korea are already two of the world’s largest arms exporters. South Korean exports surged by a reported 83% between 2024 and 2025, and the country is now the second largest arms supplier to NATO, behind the US. Poland and the UAE are among its biggest buyers, and both could increase purchases amid rising security risks in their regions. The Iran war could boost Gulf defence spending, as the region reportedly focuses on South Korean anti-missile systems given potential delays in the replenishment of US-made munitions.

Asian arms exports are set to accelerate. Japan’s eased restrictions on 21 APR could lead to the biggest increase in Japanese arms exports since WWII, with Poland and the Philippines reportedly among potential buyers. Meanwhile Taiwan’s status as a producer of 90% of the world’s advanced chips means its technology is seeing widespread use by the US military, including in F-35 fighter jets and for cutting edge AI development, including for military applications.

Rising Asian defence spending is also creating opportunities for domestic and overseas suppliers. Regional defence spending appears set to climb further, fuelling purchases of defence systems, from submarines to fighter jets and drones. This includes recently proposed or approved spending increases in South Korea, Japan, Taiwan, India, Australia, and the Philippines. Underlying geopolitical imperatives suggest the trend is unlikely to reverse over the coming years, with global implications, including in the form of a potentially weaker dollar (see [FX Special Report: How defence spending will shrink global imbalances and weaken USD](#)).

Selected policy developments and arms deals in Asia, 2025-26



Source: Deutsche Bank



Spotlight on Defence: The Unmanned Revolution

Competition for leadership in the drone revolution is set to intensify



The proliferation of inexpensive defensive and offensive drones is reshaping military doctrine, defence spending, and procurement. The wars in Ukraine and Iran have demonstrated the limitations of costly military assets in the face of numerous cheap and disposable drones. The range and capabilities of these systems continue to rapidly evolve, with the integration of ground robots fast emerging as the next frontier. Ukraine has announced plans to use robots for 100% of frontline logistical needs, and plans to more than double the number of unmanned ground vehicles by mid-2026. However, once there is no active combat and after a certain amount of stockpiling, production will likely slow significantly given how quickly capabilities change.

We expect significant global increases in investment as governments absorb the lessons of ongoing wars. Ukraine has emerged as a global leader in unmanned operations and production, manufacturing around 4 million drones annually (more than the rest of NATO combined), with a [planned](#) increase to 7 million in 2026. Ukrainian production is expanding to facilities in countries including the UK, Denmark, Norway, and Germany, fostering technological diffusion and the emergence of a Europe-wide supply chain. Ukraine is also pursuing joint production with countries in the Middle East, Europe and the Caucasus, and has struck 10-year cooperation agreements with Saudi Arabia, the UAE and Qatar. But recent developments also illustrate the rapid pace of development beyond Ukraine, where policy incentives and spending hikes are set to fuel a massive expansion of drone arsenals over the coming years (see table).

National security concerns will likely drive efforts to reduce critical dependencies, insulate supply chains, and secure an edge in AI. China continues to dominate drone supply chains, including for critical inputs such as motors, batteries, lenses, processed critical minerals, and rare earth magnets. We anticipate increasing efforts by governments, including the US and EU, to reduce these dependencies over the coming years. This will likely take a three-pronged approach: a) curtailing market access to Chinese technology; b) accelerating investments to reduce critical dependencies (e.g., in critical minerals extraction/processing, manufacturing, and AI capabilities) and c) countering vulnerabilities through advancing technological solutions that include rare-earth-free e-engines and more sustainable navigation and power systems for drones. The EU's cooperation with Taiwan, for example has led to a [749% y/y growth](#) in Taiwan's drone export sector.

Precedent suggests that China could seek to slow such derisking efforts. On 24 APR, Beijing banned dual-use item exports to seven European companies due to their links to Taiwan, [purportedly](#) to counter EU-Ukraine-Taiwan security cooperation and drone supply chains.

Selected Recent Developments, including Planned or Proposed Spending Increases

United States	The US Department of War has requested a 24,000% increase in FY2027 funding for its Defense Autonomous Weapons Group, which oversees mass-produced drones with AI capabilities. The Pentagon has placed an order for 30,000 one-way attack drones (the largest such order to date), and expects to receive more than 300,000 by early 2028
France	Plans to expand its stock of explosive drones by up to 400% by 2030
Australia	Intends to more than double funding for anti-drone capabilities over the next decade
Germany	German defense minister stated that Germany is planning to spend EUR10 billion (US\$11.5 billion) on drones over the coming years
Japan	Allocated US\$800 million in FY2026 for a coastal defence system that includes unmanned systems; may allocate US\$1.2 billion for new drones through FY2027
South Korea	Intends to train 500,000 military drone operators and procure 11,000 commercial drones for military use in 2026
European Union	"Drone Wall" or "Drone Shield" – multi billion EURO commitment

What does AI say?



While attention is firmly focused on the crisis in the Middle East and the state of the Strait of Hormuz, we asked our proprietary AI model, dbLumina, to review our report and identify any additional geopolitical themes beyond the Iran crisis. The below assessment is entirely generated by the AI model.

European Geopolitical Alignments: Fallout from US Actions

The current US foreign policy posture could trigger an unprecedented crisis for NATO and broader European unity. The watchpoint is how European states respond to such events: whether they choose to pursue economic measures against the US, and how traditional alliances evolve when faced with US unilateralism. This dynamic will redefine transatlantic relations and European strategic autonomy.

Greenland: Escalating US Control & Resource Scramble

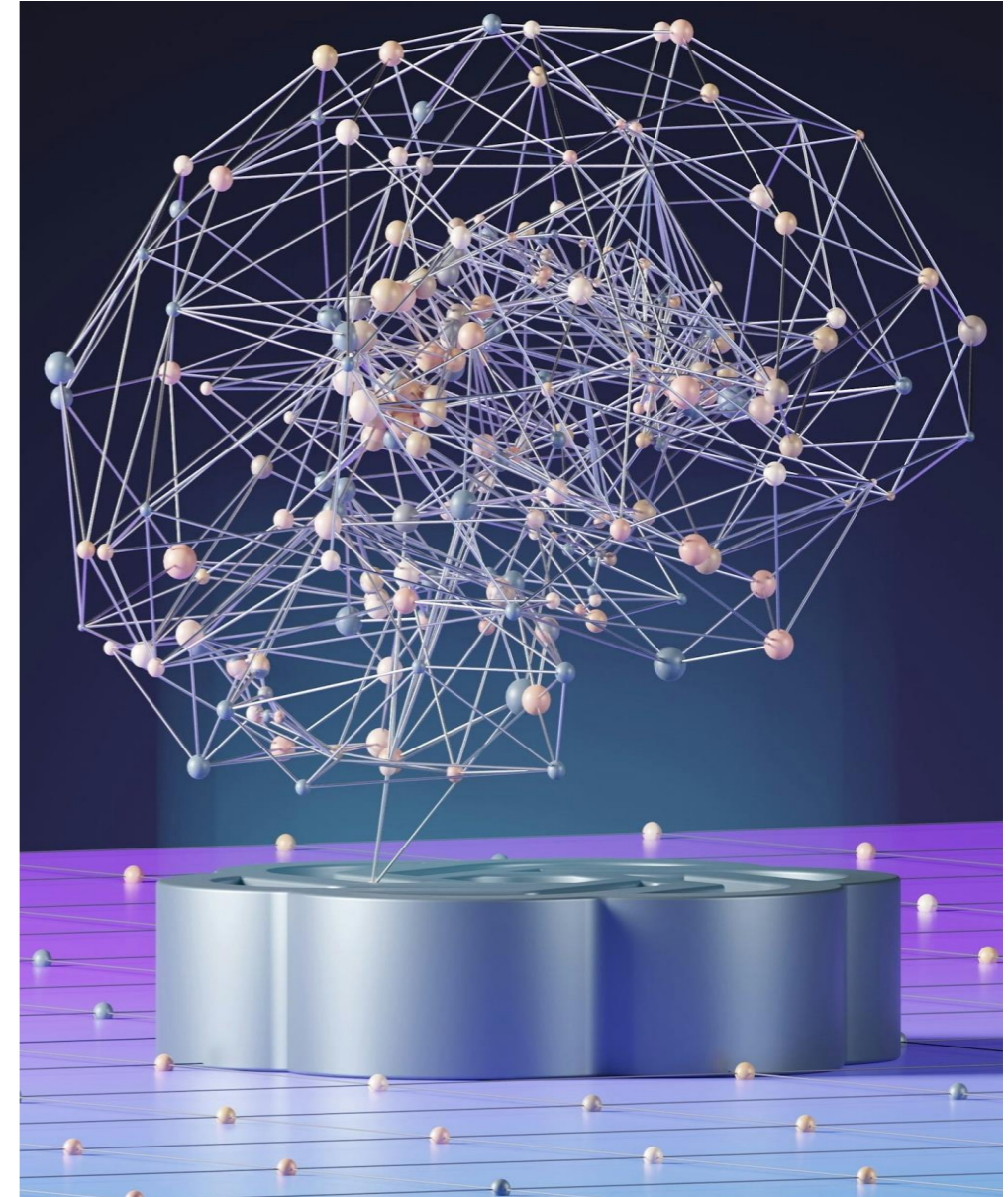
President Trump explicitly indicated the US would act on Greenland "whether they like it or not". This signals an intense push for strategic control and access to Greenland's vast resources. The watchpoint is the potential for increased US military presence, long-term lease negotiations, or even more assertive actions, despite unified Danish and Greenlander opposition.

Taiwan Strait: Persistent Tensions & Cross-Strait Stability

The ongoing strategic rivalry between the US and China, particularly concerning Taiwan, remains a critical flashpoint. The broader context of "digital sovereignty and tech decoupling," "rewiring of global trade," and intensified competition for "critical minerals" directly implicates the Taiwan Strait due to its centrality in global semiconductor supply chains and major maritime trade routes. Any escalation here could have immediate and cascading global geopolitical and economic consequences.

Re-evaluation of Multilateralism & Global Governance

US unilateral actions are actively challenging established international law and norms. This trend creates systemic uncertainty for global governance mechanisms, impacting trade agreements, environmental accords, and the enforceability of international contracts. Watch for key international forums (e.g., UN, G7/G20 summits) to see if major powers continue to bypass or actively undermine multilateral institutions, leading to further fragmentation and a less predictable global operating environment.



Source: Growtika on [Unsplash](#)

Selected key geopolitical events to watch in 2026

For a detailed look at key monthly geopolitical events, please also see our [This Month in Geopolitics](#) publication series.



Date	Market(s)	Comment
15-17 June	France/G7/China	France will host the G7 Leaders' Summit in Évian. Talks will likely include efforts to coordinate a response to major geopolitical issues, including the global impacts of the Iran war, the Russian invasion of Ukraine, competition with China , and supply chain resilience.
1 July	US/Canada/Mexico /China	The start of the mandatory six-year joint review of the US-Mexico-Canada (USMCA) trade agreement . Efforts to reduce reliance on China , and to curb the role of Chinese companies in North American supply chains, will be a watchpoint.
7-8 July	NATO Summit	The NATO summit in Türkiye is expected to be one of the most important alliance meetings in years. Major issues include the future of support for Ukraine; European defence spending; NATO's posture toward Russia; burden-sharing tensions with the US; and security coordination in the Black Sea and the Middle East.
24 July	US/Global	The US global 10% Section 122 tariffs are set to expire. These will likely be replaced by new tariffs introduced as a result of two Section 301 trade investigations. Dozens of countries could face higher US tariffs as a result.
Early August	China	China's leaders will gather for their annual informal summer retreat in Beidaihe near Beijing. The venue provides an opportunity for Party leaders to exchange views on major policy issues, including relations with the US.
8 September	UN General Assembly in New York	The meeting in New York will bring leaders together amid increasing geopolitical volatility and the process to choose the next UN Secretary-General before Antonio Guterres leaves office at the end of 2026.
13 September	Germany	German state and local elections may impact Chancellor Friedrich Merz's governing coalition amidst economic pressures, immigration debates and the continued rise of the far-right Alternative for Germany (AfD).
September	India/BRICS	India will host the BRICS Summit in New Delhi. Watchpoints include any announcements that could suggest efforts to move further away from the US dollar. This includes BRICS Pay (an initiative meant to facilitate cross-border payments in BRICS currencies) and the BRICS 'Unit', a prototype gold-backed digital currency unveiled in 2025.
24 September	China/US	China's President Xi is expected to visit the United States following the China-US Summit in Beijing in May.
3 November	US Midterm elections	These midterms will see voters choose 435 seats in the House of Representatives, 35 Senate seats and governors in 39 states and territories. The US midterms will be vital in determining control of the Congress and the Senate, which will significantly influence President Trump's ability to pass laws and shape national policy.
18-19 November	APEC Summit	China will host the APEC Economic Leaders' meeting in Shenzhen . The summit could see a Xi-Trump meeting on the sidelines, and may shape Indo-Pacific economic architecture for years to come.
14-15 December	G20 Summit	The 2026 G20 Summit in Miami may become contentious due to Ukraine-related divisions, trade and tariff disputes, climate financing disagreements and questions around global governance reforms. The summit could also see a fourth meeting between presidents Xi and Trump in 2026.



Source: [Nils Huenefruerst](#) on [Unsplash](#)

Appendix 1



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