

Bi-Weekly Geopolitical Report

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Investment Implications of the New US National Security Strategy

As required by law, the new United States administration released its updated National Security Strategy in December 2025 ([NSS 2025](#)). As many observers have noted, the document marks a dramatic shift from the traditional NSS documents of the Cold War and the Globalization eras, not only in terms of threat assessments and priority initiatives, but also in terms of length, tone, and focus.

In this report, we drill down to the investment implications of the new strategy if it is implemented as written. Our bottom-line assessment is that the new strategy could lead to significant changes in the global security environment, which in turn portends big potential changes in the global investment environment as well. The new strategy could mean significant shifts in global trade and investment flows, in the nature and origin of investment risks, in the policy responses that might be expected in a crisis, and among the most important policymakers worldwide.

Since we at Confluence have long tracked the evolving geopolitical landscape and identified many of the changes now incorporated in NSS 2025, we have been ahead of the game in adjusting our global strategies. Many of the investment implications we identify here are consistent with the ideas we have presented previously, such as a trend toward fracturing and disintegration among the nations of the world, less efficient trade and investment

flows, and increased risk of conflict. In this report, we also offer several new ideas that complement these observations.

What NSS 2025 Says

Even though NSS 2025 is remarkably short compared with NSS documents published by previous administrations, we suspect few people will actually read it or understand all its particular nuances. We therefore start this analysis with a recap of how it describes the US's vital national interests and a discussion of its stated principles and priorities.

US Vital National Interests. In recent years, White House national security officials and foreign policy analysts have tended to define the US's vital national interests as in this [formulation from the Heritage Foundation](#): *“1) Defense of the homeland; 2) Stability in regions critical to US interests; and 3) Preservation of freedom of movement within the global commons.”*

However, throughout the Cold War, many officials and analysts subscribed to a more general, abstract version of vital interests laid out in a 1950 report from the National Security Council (NSC-68): *“To preserve the US as a free nation with our fundamental institutions and values intact.”*

The new Trump administration's statement of vital interests harkens back to NSC-68, saying, *“We want the continued survival and safety of the United States as an independent, sovereign republic whose government secures the God-given natural rights of its citizens and prioritizes their*

well-being and interests.” Note that the administration puts added emphasis on maintaining sovereignty, defending “natural rights,” and prioritizing the well-being of US citizens. This reformulation is consistent with a more nationalist, populist, “America First” approach to foreign policy, which is also reflected elsewhere in the document.

National Security Principles. Delving into how to secure the US’s vital national interests, NSS 2025 highlights nine key principles that it says will guide its specific security priorities and programs. Compared with past NSS publications in the Globalization and Cold War periods, the new NSS calls for more restrained, limited action on some dimensions. Ironically, however, it calls for more proactive, aggressive approaches on some other elements. For example:

- **Calls for Restraint.** The first delineated principle in NSS 2025 calls explicitly for a more “focused,” constrained definition of national interests to cover fewer issues and endeavors. The document says the administration’s “predisposition” will be against US intervention in foreign countries. Rather than intervening or pressuring foreign countries to adopt democracy or other liberal values, NSS 2025 espouses “flexible realism” that assumes such values can’t effectively be imposed from without. As a corollary to that, the document explicitly repudiates any effort to keep the US in its traditional role as the global hegemon, i.e., the big, strong, dominant nation that provides global security, order, and the reserve currency. Indeed, it criticizes “wasting blood and treasure to curtail the influence of all the world’s great and middle powers,” e.g., China.

- **Calls for Action.** On the other hand, NSS 2025 also calls for the US to be more assertive and internationally active in certain areas. For instance, it calls for forcing allies and partners to spend more on defense and cooperate with the US in thwarting predatory trade policies. In other cases, the document adopts a more expansive definition of key goals. For example, in discussing the principle of ensuring “peace through strength,” it defines strength as involving a dominant military, a strong economy, advanced technology, and “cultural health.” Despite vowing to respect the sovereignty of other nation states, the document also calls for pressuring other countries to respect the core natural rights of its citizens, just as it aims to support those rights inside the US. It even actively calls for undermining the European Union, despite the fact that the EU was created by sovereign European nations and is supported by most national European governments today.

National Security Priorities. NSS 2025 only highlights about half a dozen priorities for action, virtually all of which represent an increased level of importance or focus compared with traditional US national security policy. The document doesn’t suggest that priorities not listed have been abandoned. Rather, the small number of highlighted priorities likely reflects the White House’s stated intention to keep the document short and focused. In any case, the highlighted priorities are as follows (in the original order):

- Stop mass migration into the US and other countries;
- Protect core natural rights, especially free speech, freedom of religion, and voting;

- Rebalance the burden of collective defense and prosperity among US allies;
- Facilitate peace talks among countries in conflict;
- Provide US economic security, defined as balanced trade, secure supply chains for critical minerals, and continued US re-industrialization;
- Revive the US defense industrial base;
- Restore US energy dominance and repatriate domestic production of key energy components; and
- Preserve and grow the US's dominance in finance.

The US National Security Strategy 2025: Key Components and Change From Traditional NSS	
National Security Strategy 2025	Change From Traditional US National Security Policy
Vital National Interests	
Continued survival and safety of the US as an independent, sovereign republic whose government secures the God-given natural rights of its citizens and prioritizes their well-being and interests	Similar, but puts more emphasis on domestic provision of natural rights
Principles	
Use a more focused, constrained definition of national interest Achieve peace through strength (i.e., strong economy, advanced technology, cultural health, military power) Maintain predisposition against foreign interventions Adopt "flexible realism" as general approach to national security policy Respect the primacy of nation states and their sovereignty Reject global hegemony for balance of power Make foreign policy good for US workers Enforce fair burden sharing Reward competence and merit	Focuses on narrower range of regions, countries and issues abroad Defines "strength" more broadly to include cultural issues, economic conditions, technology endowment, etc. Abandons proactive foreign interventions such as Vietnam, Iraq Abandons Wilsonian effort to advance humanist values abroad Abandons traditional US preference to work through UN, other institutions Abandons effort to maintain US position as most dominant country New, more explicit focus on benefits to US working class Prioritizes more equal burden sharing in alliances over leadership New focus
Priorities	
Stop mass migration into the US and other countries Protect core natural rights, esp. free speech, freedom of religion, voting, etc. Rebalancing burden sharing within alliances Help countries in conflict reach peace deals Provide economic security (incl. balanced trade, secure supply chains for critical minerals, re-industrialization) Revive the US defense industrial base Restore US energy dominance and re-shore key energy components Preserve and grow US financial-sector dominance	Increased prioritization Increased prioritization, esp. against traditional US allies Increased prioritization Increased prioritization Changes definition of economic security to put more emphasis on trade balance, supply chains, domestic industrial revitalization Increased prioritization Intensified focus vs. traditional goal of energy security Increased prioritization

Importantly, NSS 2025 describes a new prioritization of key regions where the US will take steps to preserve and advance its national interests. In our view, this reprioritization is at least as important as the new topical priorities discussed immediately above. The document lays out a vision of the top US regional priorities as follows (in the original order):

- **Western Hemisphere.** Positioning the Western Hemisphere as the US's top regional priority is one of the key changes in NSS 2025. Past strategies emphasized much more powerful, wealthy regions and nation-states, such as the Indo-Pacific, with China's increasingly powerful naval and missile forces, and Europe, under threat from Russia's large conventional and nuclear

forces. NSS 2025 calls for renewed enforcement of the Monroe Doctrine to "deny non-Hemispheric competitors the ability to position forces or other threatening capabilities" in the region. It also posits a "Trump Corollary" to keep those competitors from owning or controlling any of the region's "strategically vital assets." In addition, NSS 2025 calls for greater US involvement throughout the Americas to "control migration, stop drug flows, and strengthen stability and security on land and sea."

To accomplish this, the document calls for redeployment of US military forces from other regions to the Americas and asserts that the administration's tough tariffs and trade deals will make the

region's national economies stronger and richer, creating better trade partners. Finally, it asserts that stronger US involvement in the Western Hemisphere will help develop the region's critical mineral resources, enriching national economies and securing US supplies of those resources. Of course, NSS 2025's prioritization of the Western Hemisphere is consistent with the US's capture of Venezuelan President Maduro at the beginning of 2026.

- **Europe.** NSS 2025 puts Europe only in third place on the list of US priorities, which alone is a dramatic departure from past NSS documents. Just as important, however, is that it also takes a highly critical, patronizing tone toward leaders of the European Union and politicians in some key EU countries. The document states that "Europe remains strategically and culturally vital to the United States." Nevertheless, it chides European leaders for excessive regulation, which it says has led to lethargic European economic growth, has undermined European citizens' political rights and threatens the erasure of Europe's culture. Despite NSS 2025's promise to respect foreign countries' sovereignty and to steer away from foreign interventions, the document and [related reporting indicate the administration intends to pressure European leaders to follow policies more in line with current US approaches](#) to the economy, political structure, migration, and social rights. The document makes little mention of Russia's military threat to the US or Europe, other than to suggest that the Europeans should be the main bulwark against Russia and help the US contain China's economic power.
- **Asia.** NSS 2025 places Asia, and the Indo-Pacific region, in particular, as the second priority for US national security, marking a departure from recent strategy documents that put it at the very top of US concerns. The document assumes the US still has "the world's strongest economy and military," on which the administration is "building alliances and strengthening partnerships," despite growing evidence that China's overall power now rivals that of the US. The document seems to emphasize improved commercial relations with China via rebalanced trade and keeping China out of sensitive supply chains. It appears to value US military deterrence against China as setting the stage for better trade relations. It also suggests that US efforts to strengthen partnerships in the region and beyond were motivated less by building military alliances and more by the objective of enlisting other countries to coordinate with the US in opposing China's unfair trade practices. Importantly, NSS 2025 puts special emphasis on maintaining free navigation of the South China Sea, potentially signaling increased US military, economic, and political involvement in countries such as the Philippines.
- **The Middle East and Africa.** The last listed regional priority in NSS 2025 suggests that the US now sees the Middle East as a relatively lower priority because of the resurgence in US energy production. The document calls for the US to stop "hectoring" Middle Eastern countries about their human rights policies and social structures, while leaving them to take greater responsibility for their own security. Finally, it promises the US will shift from an "aid-focused relationship with Africa to a trade- and investment-

focused relationship,” with greater respect for African countries’ sovereignty.

We also note that NSS 2025 reflects several new approaches or emphases that it doesn’t call out as specific principles or priorities but are nevertheless important for investors to understand. For example, we are struck that the document puts a very high emphasis on economic power, trade and investment relations, and the primacy of economic goals and sources of leverage.

Furthermore, we observe that several precepts in the document seem internally inconsistent and are already being violated by actual US behavior. Perhaps the key example of this is the promise to respect sovereignty and not intervene in the internal affairs of other countries, which seems at odds with the January 3 seizure of Venezuelan President Maduro. While Maduro’s seizure is important in itself, it also has potential implications for domestic US politics. Such interventions could undermine the administration’s political support and affect the 2026 midterm elections or even the 2028 general elections.

Investment Implications

Obviously, NSS 2025 is centered on US national security and how the administration intends to use the country’s power to secure its interests. It is not meant to guide investment decisions. All the same, as our regular readers know, we at Confluence firmly believe that major global trends in geopolitics, economics and trade, demographics, technology changes, and domestic political and social movements all affect the world’s investment environment. They can have major impacts on the potential return and risk from assets of all kinds. The question here is: What do the

precepts and plans in NSS 2025 imply for investment strategy going forward?

In our view, NSS 2025 reinforces many of the recent themes we’ve been stressing. For example, we think the criticism of European leaders and their policies will further raise concerns about the US’s commitment to allied defense. Coupled with the new US support for right-wing European politicians, that should bolster the region’s recent trend toward more stimulative economic policies, deregulation, and increased defense and infrastructure spending. That, in turn, should give a further boost to economic growth and help support **European stock** values.

The document’s disorienting shifts in foreign policy philosophy alone could keep central banks and investors interested in buying **precious metals**, buoying prices. At the same time, the document’s push toward national economic sovereignty is consistent with continued global fracturing and the disintegration of supply chains, which should undermine efficiency, raise costs, drive higher and more volatile consumer price inflation, and similarly impact interest rates. In this environment, **bonds** seem set to decline in value.

All the same, we think NSS 2025 also points to forthcoming changes that will raise some novel implications. In general, the signal that the administration intends to prioritize economic opportunities for US businesses could give a leg up to large, well-run US companies that derive a lot of their profits from foreign sales, especially if they are currently burdened by foreign regulations. Those firms seem likely to have the full power of the US government behind them as they work to boost foreign sales and profits. This suggests that **US large cap** stocks will be advantaged over small caps, especially if

those large firms operate in the ***energy, technology, or digital services*** sectors.

We continue to forecast that the US dollar will weaken over time, giving some support to ***international stocks***. However, the drive toward US economic domination in the Americas and abroad could slow the decline in demand for the greenback and limit its depreciation. At the same time, the call in NSS 2025 to step back from global hegemony in favor of spheres of influence could mean an effort to reduce geopolitical tensions with China. If so, the decline in tensions would likely be bullish for both US and ***Chinese stocks***.

Finally, the document's focus on US dominance in the Western Hemisphere likely portends pressure on Latin American nations to align their economic policies with current US priorities. If they do so, they could enjoy preferential trade relationships with the US, boosting ***Latin American stocks***. However, it's important to note that, over time, US firms may simply acquire the most attractive firms and economic assets in the Americas, potentially leaving relatively fewer, less attractive local firms. That development, however, may be further off in the future.

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