

Greenland gambit: Why US invasion is unlikely

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Key takeaways: The likelihood of a US invasion or annexation of Greenland is low, primarily due to significant political, geopolitical, and financial barriers. While the odds are low, the materialization of this risk would have a significant and disruptive impact on global risk assets.

Polymarket (a “prediction market”) assigns about a 10% probability to a US invasion of Greenland and approximately a 20% probability to annexation. While both probabilities are low, they are not negligible. The realization of either risk would have a significant and disruptive impact on global risk assets, including equities—but would likely have the opposite effect on the price of gold and safe-haven currencies like the Swiss franc.

We assess that the likelihood of a US invasion or annexation of Greenland is low—consistent with the probabilities cited above—primarily due to (i) domestic US political costs, (ii) the risk of fracturing US military alliances such as NATO, which could have unintended consequences including reduced US influence in the Asia-Pacific region and heightened risks for Taiwan, and (iii) financial constraints, such as the potential for non-US investors to sell US Treasuries en masse. Section 2 elaborates on these reasons.

Despite this constructive outlook, we anticipate that US political pressure will remain elevated for the foreseeable future. For instance, the US may impose tariffs on Europe unless structured negotiations are initiated, which could include Denmark agreeing to a referendum in Greenland regarding its future—whether independence, continued association with Denmark, or potential accession to the US.

We continue to recommend staying invested in line with our Perspectives guidance: maintain an underweight position in government bonds and an overweight allocation to equities and gold. Geopolitical uncertainty reinforces our overweight stance on Canadian stocks, given their direct exposure to gold. We expect government bond yields to remain within a range over the next 12 months, with near-term upside risks due to a constructive macro environment, robust global demand for military investment, ongoing fiscal stimulus across several economies, fiscal concerns in Japan, and long-term challenges facing US Treasuries related to institutional, fiscal, and inflationary pressures.

Why the US has interests in Greenland

The United States’ primary objectives in Greenland are threefold: (i) securing the critical Arctic chokepoint known as the GIUK Gap, (ii) protecting vital missile warning and space surveillance assets, & (iii) strengthening strategic cooperation with European allies on Arctic defense. Greenland’s abundant natural resources are another factor making Greenland attractive.

The gradual retreat of the Arctic ice cap is opening new shipping lanes, increasing access for US rivals such as China and Russia. While Greenland has historically played a significant role in US military strategy, it has received relatively limited attention from both the US and its NATO partners since the end of the Cold War.

In its recent National Security Strategy (NSS), the US articulates its strategic objective of securing its sphere of influence within the Western Hemisphere, while also adapting to the rise of China by maintaining a balanced approach in an increasingly multipolar world. President Trump's interest in Greenland reflects a broader US effort to re-prioritize regions that have been overlooked by previous administrations—both Republican and Democrat—and to strengthen European defense capabilities in response to evolving global dynamics.

Political, geopolitical, and financial costs appear prohibitive

Ultimately, the US position is constrained on invading or annexing Greenland.

First, the limited appetite within US domestic politics constrains Trump's ability to expand tariffs on Europe or pursue aggressive actions such as an invasion of Greenland. His net approval rating ahead of the midterm elections is -12pts and just one in five Americans support Trump's interest in Greenland, according to an Ipsos poll from a week ago. American voters show little support for a trade war, with public sentiment particularly weak on inflation and the economy. In turn, these do not bode well for Republican prospects in the upcoming US midterms.

Second, military action against Greenland would fracture NATO and carry huge (geo)political costs and unintended consequences. After all, NATO is the most powerful military alliance and would severely weaken the US while emboldening China.

Third, Europe holds a substantial share of US financial assets—approximately \$8 trillion in US Treasuries and equities, representing nearly one-third of the US net international investment position. In recent years, European capital flows into US assets have provided critical support for the US dollar, particularly in the context of sizable US twin deficits. Consequently, any aggressive US action regarding Greenland could prompt European investors to repatriate capital, negatively impacting the performance of US financial markets.

Taken together, these factors make it unlikely that the US would pursue aggressive measures in Greenland. Instead, the US is likely to achieve its strategic objectives through influence and cooperation with Europe, rather than through conquest or annexation.

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