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7 January 2026

Flash commentary: Venezuela

Views from our investment teams

UBS Asset Management

Current situation

Since August 2025, the US has deployed one of the largest forces in the Caribbean and US policy had been shifting from economic sanctions to political pressure, with Chevron's oil license restored and military assets deployed near Venezuela as President Trump sought to manage competing priorities of energy, drug cartels, immigration, and friction with the Maduro regime. Following prolonged tensions and speculation, the US conducted strikes on Venezuelan military targets on 3 January 2026, followed by what appears to be a departure of Nicolás Maduro negotiated with Venezuelan authorities.

Venezuela's Vice-President, Delcy Rodríguez, is now the acting President, and the US administration seems keen to work with her in return for her acceding to US demands. Delcy Rodriguez's brother, Jorge Rodríguez, controls the Chavista political leadership through the National Assembly and together they should be able to manage any internal friction. Moreover, the opposition is fragmented, and a purely opposition-led government would likely not be able to stabilize the country at this time.

Fixed Income
We were anticipating a regime change as one of the higher probability scenarios, especially given Venezuela has one of the largest oil and gas reserves and the migration of millions of Venezuelan nationals to the US.

Venezuela has been a focus area in EM Debt discussions. Venezuela sovereign bonds were up 98.54% in 2025[1] and there is still significant upside if global integrated energy companies can operate in the country as indicated by the Trump administration. The bonds also trade with a low dollar cash price. As of market open on 5 January 2026, most bonds are marked up over 25%.

We are cautiously positioned in high-yield oil exploration and production companies, avoiding those that cannot sustain low oil prices for an extended period of time as indicated by stress tests which were conducted at much higher oil prices last year.

Equities
We have no direct exposure to Venezuela, which is not represented in the MSCI EM benchmark. The latest developments in Venezuela should have very limited impact on the rest of Latin America, including where we are invested (Brazil, Mexico, Andeans).

Oil price developments could be where we see an impact on our EM Equity investment universe, especially in the Middle East – and more specifically on the Saudi Arabian economy if oil prices fall and stay lower for longer. However, this is likely to be a medium-term issue, given that increasing production significantly in the short term could be challenging. There are oil exporters in Latin America as well, but this is less impactful for economies in the region – for instance, Brazil is mostly a domestic economy.

1 JP Morgan Emerging Markets Bond Index (EMBI®) Monitor, December 2025

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Americas
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