

New York Life Investments' Global Market Strategy team

U.S. captures Venezuelan President as great power competition moves closer to home

Lauren Goodwin | Julia Hermann | Sarah Hirsch | Michael LoGalbo



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Key takeaways

- Following months of pressure, U.S. forces struck numerous targets within Venezuela last night, capturing Venezuelan President Nicolas Maduro. Maduro is on his way to New York to face drug-related charges.
- While Venezuela's oil infrastructure was not targeted, President Trump indicated that the U.S. would be "strongly involved" in the country's oil future.
- This action reinforces the broader shift we've been flagging: in great-power competition, the U.S. is increasingly willing to use policy – and now force – to shape who controls strategic assets and influence in the Western Hemisphere.
- From a geopolitical perspective, the operation was in Caracas, but the message was sent to China who is a major beneficiary of Venezuela's oil and power player in the region.
- In markets, the focus is oil. We'll be watching how the post-Maduro transition impacts oil prices in the short term and exports in the medium term.

What happened

After months of increasing military pressure, the Trump administration launched a large-scale U.S. strike on Venezuela's capital Caracas, capturing Venezuelan President Nicolas Maduro. Maduro is now being transported to New York where he is facing drug and weapons charges.

Who is in charge in Venezuela remains to be seen but President Trump indicated that the U.S. will be "very much involved" in what happens next in the country.

Why is the U.S. taking this action

The White House is justifying the operation mainly on drug trafficking grounds: United Nations Representative Mike Waltz laid out that case at the United Nations on December 23rd. The long-standing \$50 million bounty on Maduro for narco-terrorism and drug trafficking underscores how central this issue has been in U.S. policy toward Venezuela.

From a geopolitical perspective, while the operation took place in Caracas, the signal was directed at Beijing. Over the past decade, China has expanded its footprint across Latin America, investing in ports, logistics, power, and more. In Venezuela, the country's obligations to Beijing have been closely tied to oil. Removing Maduro disrupts a key political channel that supported China's influence in the region.

Taken together, these actions point to a broader shift in U.S. policy: keep strategic infrastructure and resources in the Western Hemisphere in Western hands. Latin America is also rich in critical minerals important to AI development and defense supply chains. This fits the regime change theme that we've been flagging - where in great power competition, nations, the U.S. in this case, increasingly focus on policies aimed at securing trade, materials, and strategic assets.



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Market impact

Currency markets initially leaned risk-off: the U.S. dollar strengthened modestly against most major currencies, but it has since retraced much of those gains.

The near-term focus will be oil. Venezuela sits on the largest proven oil reserve in the world; however, Venezuela currently produces only around 1 million barrels per day – less than 1% of global crude production, potentially limiting the immediate impact on prices.

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