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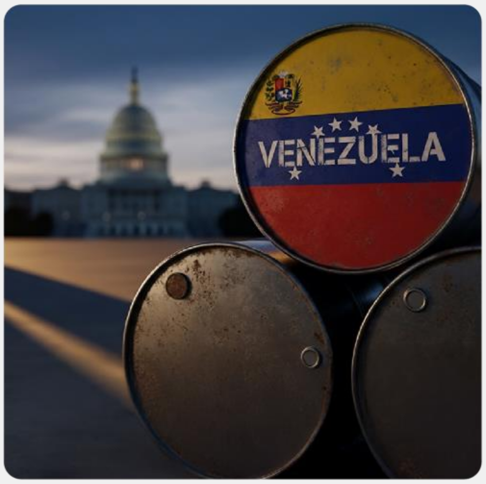


The Trump corollary: a curious case of Venezuela

From Emerging Market Debt

Although markets had largely anticipated Nicolás Maduro's departure following the U.S. buildup that began in August, his surgical removal, and Washington's decision to work with elements of the existing Chavista apparatus, marks an unexpected turn. This development closes one chapter of Venezuelan history and opens a pathway toward political transition that markets would likely welcome, insofar as it could enable economic recovery and support eventual debt restructuring. Still, it should be viewed only as the beginning of a process that remains fragile and is likely to prove complex.

Secretary of State Marco Rubio has outlined a three-step U.S. approach to Venezuela that is as much about controlling cash flows as it is about politics. First comes "stabilization," aimed at preventing chaos by maintaining a tight quarantine over Venezuelan crude. Then follows "recovery," framed around restarting the economy by reopening access to the Venezuelan market, particularly the energy sector, to U.S. and Western firms. Finally comes the "transition": the move to a new political order, in which the country's ultimate transformation must be led by the Venezuelan people themselves.

Outlook for oil

Venezuela may sit atop the world's largest proven oil reserves, but its oil sector, still the country's macroeconomic fulcrum, has been hollowed out by decades of neglect. Output is hovering just below 1 million barrels per day, a fraction of the roughly 3.5 million bpd produced in the late 1990s.[1]

In the near term, this is a rehabilitation story, not a miracle. With infrastructure degraded and capital scarce, consensus is divided on how quickly production can recover. In our view, a realistic upper-end view points to an increase of roughly 0.4 million bpd by end-2026, meaningful, but not transformative for the global balance.

Over the longer term, the asymmetry is the headline. Venezuela holds roughly 20% of global oil reserves, yet contributes only about 1% of global production.[1] That gap signals substantial medium- to long-term upside if the political backdrop turns supportive and sustained capex finally flows into fields, upgraders, pipelines, and export capacity. In that scenario, Venezuela could graduate from a "local story" to a global marginal barrel, the point at which its supply trajectory begins to matter for world oil prices.

1. Source: OPEC

Layer in the U.S. angle, policy leverage combined with domestic production, and Washington is positioned to exert outsized influence on crude pricing. If policymakers remain inclined toward lower oil prices (think ~$50/bbl or below), Venezuelan barrels become not just a recovery trade, but a potential instrument in the broader energy-price playbook

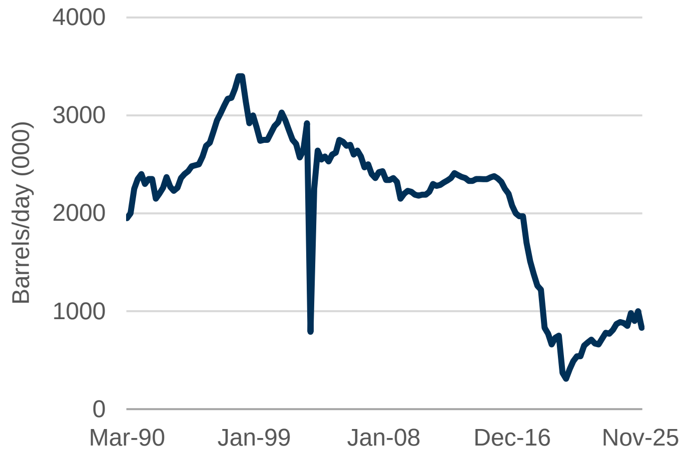
The Trump corollary

A new U.S. National Security Strategy is reportedly pushing Latin America back to the top of Washington's priority list, explicitly treating the region as part of a U.S. sphere of influence and placing renewed emphasis on limiting external, especially Chinese, leverage. The headline is the branding: the Trump administration is reviving a 200-year-old concept of hemispheric primacy and repackaging it as the "Donroe Doctrine."[2] But for markets, the relevance is not the slogan. It is the attempt to operationalize the idea, with language that frames the hemisphere as a space the U.S. wants politically and commercially aligned, and "free" of hostile foreign ownership of strategically important assets.

For investors, this shift elevates geopolitics to a first-order input in investment analysis. We saw a preview last year when Argentina's bonds surged on the back of perceived "whatever-it-takes" U.S. support and improving political momentum through the midterms. Now Venezuela is the live wire. Distressed paper has staged a sharp year-to-date rally (roughly 30% by some measures)[3], driven by growing expectations that a pathway toward normalization, and eventually restructuring, is becoming less remote.

The obvious question on trading desks is: who's next? Not in the sense of moral hazard, but in the practical reality that policy signals, sanctions risk, and great-power competition can reprice sovereign risk far faster than fundamentals. In a "Donroe Doctrine" world, the key investor edge is not merely spotting macro turning points. It is mapping where U.S. strategic priorities may compress risk premia, and where they may widen them overnight.

Venezuela crude production



Data as of December 31, 2025
Source: OPEC

2. The Donroe Doctrine refers to principles of President Trump's foreign policy in the Americas. An adaption of the historical Monroe Doctrine, it describes a perceived desire by the second Trump administration to assert American predominance in the Western Hemisphere.
3. Source: Bloomberg

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