

Expected Strike On Venezuela: Investment Repercussions?

The capture of Nicolás Maduro by U.S. forces on January 3, 2026, marks the most significant geopolitical shift in Latin America since the 1989 invasion of Panama. The operation dubbed as "Absolute Resolve" vs the previous "operation just cause" goes on to show the US stubbornness on finality of its power.

The removal of the "Chavista" ceiling on regional growth is expected to trigger a multi-year re-rating of Latin American equities and distressed debt, though the path forward remains fraught with near-term "fog of war" risks. Our analysis on the key investment repercussions:

1. The **sell off in risk assets + supply chain disruptions to China mean crude could intermittently spike but the event in long term is likely crude negative.** US will now have more heavy oil that it has predominantly imported and that could mean lower inflation for US which can potentially help in more rate cuts and a weaker dollar.
2. Precious metals, especially Gold, will likely continue to do well amidst uncertainty.
3. For **LATAM equities, it is likely short term negative but a long-term positive.** "Chavista ceiling" refers to the structural and ideological limit that the "Chavismo" regime (led by Hugo Chávez and later Nicolás Maduro) placed on Venezuela's economic potential and, by extension, the growth of the broader region. **Without the threat of Chavismo, regional stocks can trade at higher multiples.**
4. For Indian equities, beyond the known impact from oil movements, it is largely neutral in current scheme of things.

Ionic Wealth View

The current situation bolsters our key outlook for 2026 and has been part of our base case scenario. In the longer term, weaker oil leads to lower US inflation, potentially more rate cuts and a weaker dollar and therefore helps the EM trade. However, in the short-term, China will be under pressure both for its oil supply and for the loans it has granted to Venezuela in the past that may not be honored. LATAM equities can face heightened risk premium. Risk assets generally may face some volatility in the short term. However, we believe it maybe a good time to add amidst volatility especially in geography and sectors not affected by oil prices. The diplomatic meetings ahead will be key to see how the event unfolds hereon.