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Breaking Views: Briefings with the Institute

Investment impacts of the US involvement in Venezuela

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Stephen Dover, Head of Franklin Templeton Institute, led a panel of investment leaders to discuss the global and market investment implications of the United States' capture of Venezuela's President Nicolás Maduro. View the webinar replay.

Key takeaways for investors

- **Limited direct economic impact, but meaningful geopolitical risk.** Venezuela's economy is small—about **US$60 billion**—and has contracted roughly **80% since the 1990s**, so it is not a driver of global growth. The investor relevance is primarily geopolitical and commodity related.
- Markets view this as a contained event—for now. Initial price action suggests investors are treating the news as a localized shock with uncertainty about next steps. Traditional "safe havens" such as gold and government bonds rose modestly.
- **Political transition will likely be slow.** Any new election process is expected to take time—potentially six months or longer—and it remains unclear how the interim leadership (Maduro's former vice president) will navigate domestic stability and external relations.
- **Venezuelan bonds rallied sharply, but restructuring remains complex.** The country's bonds—already deeply distressed and in default—rose nearly 20% on hopes of a future debt restructuring. Even so, the creditor landscape is complicated, and resolving claims and seniority would likely take considerable time.
- **Increasing oil production is key, but will be slow.** Venezuela has the world's largest proven reserves but currently produces only about 900,000 barrels per day. Years of underinvestment have degraded infrastructure, meaning any material production recovery would require significant capital and time.
- **Heavy crude and investment hurdles could keep oil prices "lower for longer."** Venezuelan crude is heavy and difficult to refine. While some US refineries can process it, it is uncertain whether major oil companies will commit the capital needed to rebuild production—particularly in a backdrop of softer demand and ample global supply. If investment did materialize over time, it could add to a "lower for longer" oil-price environment.
- **Sanctions and trade patterns constrain outcomes.** Venezuela remains under sanctions and currently relies heavily on China as a key export market. China imports only a small share (~2%–4%) of its oil from Venezuela, limiting immediate global spillover.
- **Broader great-power "template" risk looks contained**. A key question is whether this episode changes expectations for other flashpoints involving China or Russia (e.g., Taiwan or Eastern Europe). The panel's base case is that it does not currently set a broader precedent.
- **Beyond oil, natural resources represent potential—but stability is a prerequisite**. Venezuela also has underdeveloped potential in rare earths and mining, constrained by political risk and limited investment capacity. A more investor-friendly government could unlock opportunities, but only if governance and security stabilize.
- **Rebuilding confidence is essential for long-term recovery.** Investor trust has eroded for decades. Restoring credibility—along with improved transparency and reliable economic data—would be critical for sustained growth.
- **Emerging markets (EMs) remain constructive for 2026.** Emerging markets performed strongly in 2025, challenging the idea that "there is no alternative" to US assets. Many EM countries entered the post-pandemic period with improved fundamentals and more prudent policies. The panel remains positive on EM equities and debt for 2026 and conveyed that a more stable Venezuela could be a modest tailwind for Latin America over time.

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