

US Intervention in Venezuela



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DEAR CLIENT,

2026 opened amid a renewed escalation in geopolitical tensions. Early in the year, the United States carried out a brief but high-profile intervention in Venezuela, reportedly resulting in the detention of the country's president. At the same time, President Trump reignited transatlantic frictions by threatening European allies with an additional 10% tariff should they oppose US ambitions over Greenland, highlighting a more confrontational approach to both geopolitics and trade. Although Trump later softened his rhetoric at Davos, ruling out the use of military force and instead proposing a potential framework for further negotiations with NATO, his core demands remain unchanged: unrestricted military access and unconstrained rights to mineral resources.

Publicly, Trump framed the intervention in Venezuela around narcotics enforcement, national security, and political stability. However, his own remarks and policy framing strongly suggest that oil was a central underlying motive, featuring prominently in the economic rationale for the intervention, both as a strategic asset and as a potential means of offsetting its costs. While Maduro is widely unpopular, both within Venezuela and among much of the international community, many governments still criticised Trump's actions in Venezuela for its violation of the UN Charter and sovereignty, setting a dangerous precedent that undermines the rule of law and regional stability.

As investors, our concern is the potential impact of this event on the capital markets and our clients' portfolios. From our latest analysis, we still believe very muted near-term impact from the US intervention in Venezuela.

MUTED NEAR TERM IMPACT

Venezuela remains a relatively small and shrinking country, where real GDP, although having improved from COVID-19 levels, remains significantly low. Oil production remains low, on average producing 1 million barrels per day. While the market initially reacted with a modest rally in equities, PGM prices and the USD and falling oil prices, however overall reactions from the market were also contained.



US ECONOMY

- Trump is targeting up to 50 million barrels
- May see short term price volatility in oil, but not significant given that Venezuela accounts for less than 1% of global supply
- Venezuelan oil is very, very thick, so it will take more advanced equipment to refine, those companies (e.g. ExxonMobil – given they process over 1.1 mbpd of heavy crude oil) could benefit from the cheaper Venezuelan oil



US INFLATION

- US oil supply remains ample (if not oversupplied) based on the OPEC+ reports, so the impact on US gas prices will remain very limited in the near term; however, if we do see Venezuelan oil enter the US market, and facilities in places, there is a likelihood of fuel inflation coming down given the excess supply in the economy, meaning that consumers as well as industrial users could benefit from this



GLOBAL GROWTH

- Trade in the energy sector could be slightly reduced as US energy imports from other regions reduces (although not large), which could improve the trade balance slightly
- Growth does not get impacted significantly given that Venezuela accounts for a very small percentage of the world GDP
- The one thing that it could be affected is the risk sentiment in terms of investing into its domestic economy
- The U.S. takeover of Venezuela's oil exports has trapped barrels that were being used to pay part of Caracas's roughly \$150 billion foreign debt to China, setting up a possible further U.S. - China confrontation, elevating geopolitical risk and tensions

To support our qualitative analysis, we conducted scenario analysis using global oil supply and Venezuelan oil production data from the 2025 OPEC+ report, the latest Brent crude price, and U.S. CPI. The analysis assumes a short-term price elasticity of -0.13 based on historical evidence and incorporates the historical relationship that a 10% change in oil prices typically adds around 0.2 percentage points to U.S. headline inflation. Below are the potential impacts.

	Venezuela oil supply change (mbpd)	Oil Supply change (mbpd)	Supply shocks as % of global market	Oil Price Impact	Impact on oil price	Change in oil price	Impact on Inflation for a 10% oil price movement (pp)	GDP Impact	Global Growth
Base Case	0.2	1.121	0.28%	-2.12%	\$ 61.47	\$ -1.33	-0.04	0.001%	0.04%
Bull Case	1	1.921	1.38%	-10.60%	\$ 56.14	\$ -6.66	-0.21	0.003%	0.19%
Bear Case	-1.3	-0.379	-1.79%	13.78%	\$ 71.45	\$ 8.65	0.28	-0.003%	-0.25%

We will continue to monitor developments closely, and should you wish to discuss these findings in more detail, please feel free to contact us.

MENTENOVA

T +27 11 447 7716 F 086 272 1177

E info@Mentenova.co.za

A 3rd Floor. Oxford & Glenhove Building 2.
114 Oxford Road. Rosebank. www.Mentenova.co.za