Key Takeaways

- Venezuela's oil production could suffer short-term disruption, but a stable government could unlock investment and boost output, adding downward pressure on global prices.
- The biggest near-term impact is likely to be a continuing rally for Venezuelan bonds.
- The situation is likely to test the U.S. dollar's safe-haven status, especially given the Fed's easing stance.
- Gold remains attractive as geopolitical uncertainty drives demand.
- U.S. and European defense stocks may benefit from further escalation and increased government spending.

Investors are closely monitoring the aftermath of the U.S. military operation in Venezuela on Jan. 3, which led to the removal of President Nicolas Maduro and his wife, Cilia Flores. Both now face criminal charges in New York and pleaded not guilty to charges of narco-terrorism.

Following the operation, Venezuela's Vice President Delcy Rodriguez demanded the immediate release of the President and the First Lady, while President Donald Trump declared the U.S will "run" Venezuela and "fix" its oil infrastructure.

"This represents a significant U.S. intervention and much of its impact is likely to unfold over time, given the high degree of political and operational uncertainty," says Simon Waever, Global Head of Emerging Markets Sovereign Credit and Latam Fixed Income Strategy.

Morgan Stanley Research outlined some potential implications across key asset classes.

Energy: A Cautious Outlook on Oil

Oil prices gained on the first trading day after the U.S. intervention, as markets weighed the near-term risks of production disruptions in Venezuela as well as the prospect of higher output over the medium term.

Venezuela has the world's largest crude reserves, but it is the smallest producer among the 10 biggest holders of oil reserves. Venezuelan production has been falling for many years because of inefficiency, low investments and sanctions against the country.

"The political upheaval could lead to additional output losses in the short term, however the global oil market is likely oversupplied already, so that can probably be absorbed without too much price impact," says Martijn Rats, Morgan Stanley's Global Commodity Strategist and Head of European Energy Research.

A stable government that normalizes relations with the U.S. could unlock significant investment in Venezuela's oil industry, boosting production.

"Our current forecast is for Brent to fall to the mid-$50s in the coming months, but increases in Venezuela's production would add to that cautious outlook," Rats says.

Lower oil prices resulting from greater supply would have negative implications for major oil producers. However, U.S. energy companies could potentially receive restitution for assets that were nationalized by the government of Venezuela.

U.S. refiners would also gain from more access to heavy crude Venezuelan oil. Conversely, Canadian producers, whose oil is similar to the Venezuelan type, could face the risk of increased competition.

Fixed Income: Venezuelan Bond Rally Could Extend

The debt market is likely to see more immediate effects from recent events, with bonds of the government of Venezuela and the state-controlled oil producer PDVSA continuing their rally after strong gains in late 2025.

Markets had priced in a high probability of escalation, given reports of U.S. military buildup in the Caribbean, boat strikes, tanker seizures and calls for Maduro to step down.

“That said, the speed and apparent ease with which Maduro was removed eliminates several downside scenarios involving a more protracted or disorderly conflict,” says Waever. “Looking ahead, the key determinant will likely be the extent to which remaining Venezuelan authorities comply with U.S. demands and facilitate an orderly transition.”

Broader impact on other Latin American bonds appears limited, though bonds from countries aligned with the U.S. could outperform in an election-heavy year, if they put in place leaders who will maintain cordial U.S. relations. Brazil, Colombia, Costa Rica, Haiti and Peru all head to the polls in 2026.

“Any spillovers from the latest events in Venezuela are very manageable and could even bring some opportunities,” Waever says.

FX: A Test for the U.S. Dollar

The situation in Venezuela could test the U.S. dollar’s safe-haven status, particularly amid oil price volatility.

“We sense that investor conviction on the U.S. dollar is low. Therefore, the currency’s response to key events, both economic and geopolitical, has the capacity to generate a market narrative and thus sustainable price moves,” says David Adams, head of G10 FX Strategy at Morgan Stanley. “We watch for now to see where the winds blow.”

Investors may see parallels with 2014, when the dollar responded to falling oil prices with gains. In contrast to that year, however, today’s backdrop includes a Federal Reserve easing cycle, which could represent a drag on the dollar.

Gold: Uncertainty Brings Upside

Gold prices showed gains after the escalation between the U.S. and Venezuela, as demand for precious metals usually increases in times of geopolitical tension. The uncertainty about what’s next in the U.S.-Venezuela relations keeps the attractiveness of gold as a safe haven.

Additionally, any weakness of the U.S. dollar could give another boost to gold.

Equities: Potential Gains for Defense Stocks

Before the Jan. 3 intervention, U.S. defense stocks showed no reaction to reports of boat strikes in the Caribbean. But the latest events signal a potentially more serious situation, with President Trump not ruling out the possibility of troops on the ground, which could result in gains for defense stocks.

“Significant escalation from here in Venezuela and/or in neighboring areas is not priced into U.S. defense stocks today,” says Kristine Liwag, Senior Aerospace & Defense Equity Analyst at Morgan Stanley.

For Europe, the latest U.S. military action signals that the Trump administration is more focused on issues close to home, which reinforces the need for European nations to take more responsibility for their own security. That could require an increase in defense spending in the coming years.