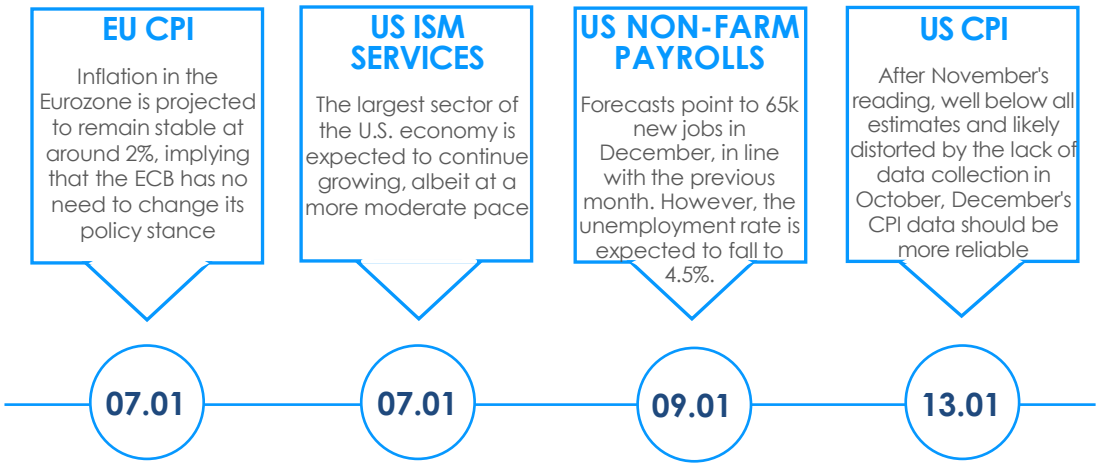
Azimut Global Network

- Milan
- Abu Dhabi
- Austin
- Cairo
- Chicago
- Dubai
- Dublin
- Hong Kong
- Estoril
- Istanbul
- Lugano
- Luxembourg
- Mexico City
- Miami
- Monaco
- New York
- Santiago
- São Paulo
- Shanghai
- Singapore
- St Louis
- Sydney
- Taipei

Main Events



VENEZUELA: IMPLICATIONS AND NEXT STEPS

- **Over the weekend, the U.S. army has captured Nicolás Maduro. Trump declared that the U.S. would "run" Venezuela while rebuilding its oil infrastructure, securing resources**
- **Venezuela could raise oil production to 1.3-1.4 mbd within two years and potentially reach 2.5 mbd over the next decade**
- **The biggest collateral casualty is China, as it is the main purchaser of Venezuelan oil. Additionally, China's estimated $12-19 billon "oil-for-loan" deals outstanding, now carry significant restructuring/write off risk**
- **We view the event to be a marginally positive, as it removes one of the few remaining sources of uncertainty. A broadening of this pragmatic use of military force is seen as unlikely**

U.S. forces carried out a military operation in Venezuela, capturing Nicolás Maduro and his wife, Cilia Flores, and transporting them to the United States to face federal charges of drug trafficking amongst others. The operation involved strikes and disruptions in Caracas and has been reported to have caused significant casualties.

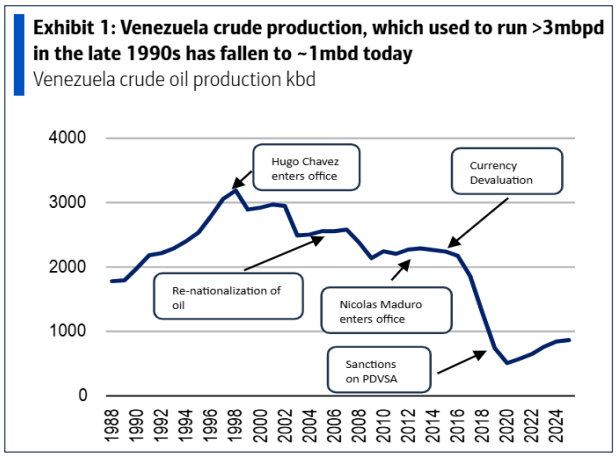
In a press conference on Saturday, President Trump justified the operation as law enforcement against drug trafficking, declaring the U.S. would "run" Venezuela during an interim period while rebuilding its infrastructure and securing oil resources. Marco Rubio slightly tempered that message, publicly narrowing the US's involvement to economic/maritime pressure and political demands, not governance.

It is still not clear how Venezuela will evolve politically from here. The most probable scenario sees the current regime staying in power, shifting to a US-friendly stance. In his Mar-a-Lago press conference, Donald Trump hinted strongly at this outcome. Elections are also a plausible scenario, although considerably less likely, especially in the short term.

In the following section we discuss the implications of the recent developments occurred in Venezuela.

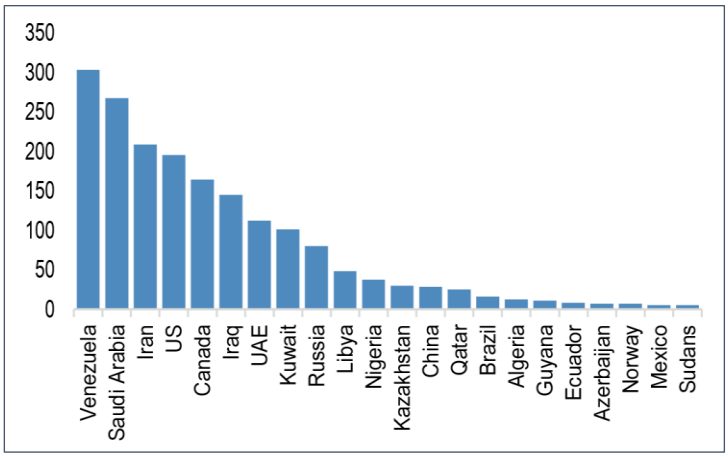
(continued)

Venezuela crude production, timeline (in kbd)



Source: BofA Global Research Estimates, Woodmac, Platts

Leading countries by oil reserves (Billion barrels)



Source: JP Morgan

Oil

A regime change in Venezuela would immediately represent one of the largest upside risks to the global oil supply outlook for 2026–2027 and beyond. Venezuela could raise oil production to 1.3-1.4 mbd within two years and potentially reach 2.5 mbd over the next decade, up from about 0.8 mbd currently.

Secretaries Burgum (Interior) and Wright (Energy) are tasked with encouraging US energy companies to return to Venezuela and invest in its oil infrastructure.

Combined oil reserves from Venezuela, Guyana and the US could give the US about 30% of global oil reserves if consolidated under its influence.

China

China is currently Venezuela's largest customer, reportedly absorbing up to 80% of its oil exports. China has poured billions into Venezuela's heavily sanctioned oil industry and reaped the benefits in form of discounted fuel. Several sources report crude bound for China selling for as much as $14/barrel less than the Brent price.

China is Venezuela's largest creditor as well, with an estimated $12-19bio "oil-for-loan" deals outstanding, the debt servicing of which is about 5-6bio pa. These loans now carry significant restructuring/write off risk. Coming just hours after a meeting between Maduro and a Chinese special envoy, the U.S. operation is being viewed in Beijing as a deliberate "slap in the face" intended to signal the end of Chinese influence in the Caribbean.

Inside China, the "Maduro Capture" has sparked a massive debate on social media (Weibo). Many are drawing parallels to Taiwan, questioning whether the U.S. would use similar "surgical strikes" against regional leaders it deems problematic. This has led to calls for China to strengthen its own "grey zone" tactics in the South China Sea.

Worth pointing out that, in addition to oil reserves, Venezuela also owns large reserves of rare earths, only recently at the epicenter of tensions between the United States and China.

Main beneficiaries

US Energy sector. Most obvious beneficiary: Chevron, as it maintained a presence in Venezuela throughout the Maduro regime.

Gulf Coast refiners. Valero Energy, Phillips 66. Their Texas and Louisiana refineries were built to process Venezuela's heavy, sour crude. Since sanctions hit, they have had to buy more expensive heavy crude from elsewhere. A flood of Venezuelan oil would widen their profit margins.

(continued)

Diluents. Before Venezuela can export high volumes of oil, it must import high volumes of diluent (naphtha or natural gasoline) to make heavy crude flow through pipelines. Targa Resources operates Galena Park Marine Terminal, the primary hub for sending diluents to Venezuela.

Venezuelan Sovereign and quasi Sovereign (e.g. PDVSA) debt and its holders (e.g. : Ashmore, the largest institutional holder of Venezuelan debt)

The removal of Maduro reduces the threat of a conflict between Venezuela and Guyana, hence benefitting the companies developing Guyana's offshore fields, i.e. Chevron, Exxon Mobil, Tullow Oil, TotalEnergies and CNOOC.

Broader takeaways

1. Continuation of the theme of the US using hard power to achieve perceived goals, as seen in air strikes on Nigeria and Iran among others recently.

2. Geoeconomics front and centre of US National Security Strategy ("NSS"). The NSS explicitly sets out achieving US energy dominance, not just cheaper oil prices. If Venezuelan production could be brought back to pre-Chavez era levels and under US control, US production would close to rival Saudi and Russia's combined.

3. The "Monroe Doctrine". As explicitly stated in the NSS document, over two centuries after US president James Monroe declared Latin America a sphere of influence for the White House, creating the Monroe Doctrine, Trump is updating it for the 21st century.

4. This shift could give the US greater influence over oil markets, potentially keeping oil prices within historically lower ranges, enhancing energy security and reshaping the balance of power in international energy market. In the medium-long term the implications of such shift are supportive for the US dollar, benign inflation dynamics (i.e. lower price pressure) and – accordingly – US Treasuries.

What to expect next

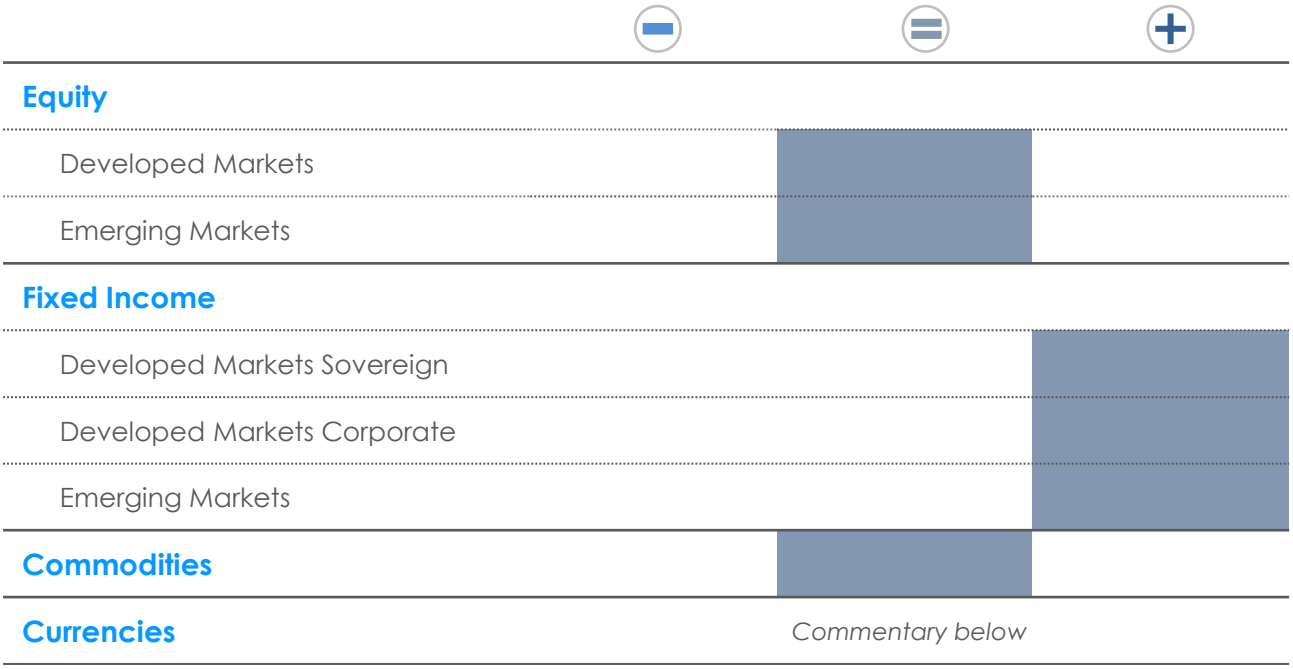
Clearer signals regarding cooperation from the Venezuelan government. If they do not cooperate with the US, a second attack is likely.

At the same time the US will likely expand its enforcement of the oil "quarantine": more interdictions/designations, clearer rules for tankers, insurance, and payments to choke off Venezuelan revenue.

More clarity on a "transition framework" and potential elections. The U.S. will likely press for a timeline, monitoring, and interim arrangements.

All in all, barring idiosyncratic stories, we expect limited ramifications stemming from the "Maduro Capture". at least in the short term. We see the event as a marginal positive, resulting from reduced uncertainty for investors. On the contrary, in the unlikely event of a broadening of this pragmatic use of hard power to other countries (Cuba, Greenland, Colombia, Taiwan…) would most likely trigger bouts of adverse volatility for markets.

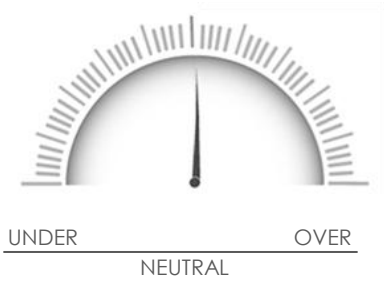
Asset Allocation View



UNDER NEUTRAL OVER

Equity

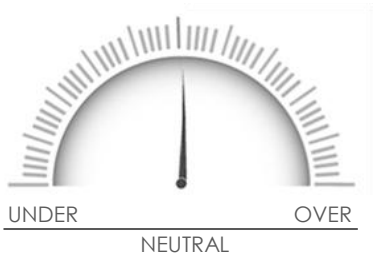
Developed Markets



We maintained our **Neutral** recommendation on Developed Market equities. Some degree of caution remains warranted due to elevated investor optimism and still-stretched valuations, particularly within U.S. equities and AI-related segments. On the other end, the traditional "January effect" might allow for an extension of the bull market. We continue to recommend maintaining broad diversification across styles, sectors, and regions, with the majority of the committee members favoring the rest of the world to the US.

US	Europe	Japan

Emerging Markets

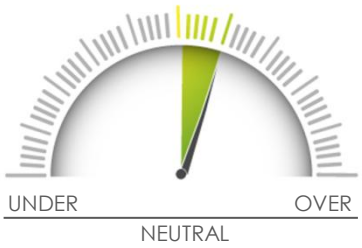


We reaffirm our **Neutral** stance on Emerging Market equities. Emerging market valuations remain attractive, despite the re-rating of recent months. Expectations of a continued weak dollar, the strength of commodities—which emerging countries are typically richly endowed with—and a possible breakout of multi-year highs by the MSCI Emerging Markets Index suggest that the current bullish trend in emerging countries still has room to run.

Asia ex-Japan	EEMEA	LATAM

Fixed Income

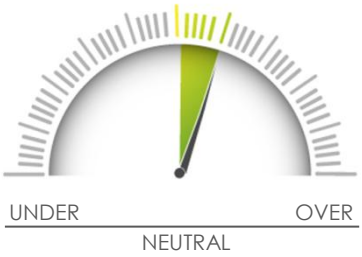
Developed Markets Sovereign



We maintain our **Slightly Overweight** recommendation on Developed Market sovereign bonds. Although rate volatility has eased in the final weeks of the year, there are still causes for concern regarding yields on the very long end of the curves, which remain under pressure. However, in light of the rise in yields, we recommend slightly extending duration at this stage, particularly for portfolios that were underweight. The safest segment of the curves remains that up to 7 years.

EU Core	EU Periphery	US Treasury	Japanese JGB

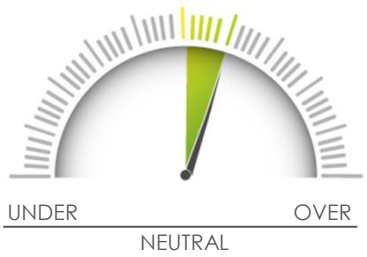
Developed Markets Corporate



We maintain our **Slightly Overweight** recommendation on Developed Market corporate bonds. Demand for credit remains robust, even if spreads have tightened to record lows. With no major drivers on the horizon to materially increase volatility, near-term market moves are expected to remain contained given the continued resilience of the U.S. and European economies. We continue to recommend a focus on high-quality issuers, while avoiding excessive exposure to high-yield instruments.

IG Europe	IG US	HY Europe	HY US

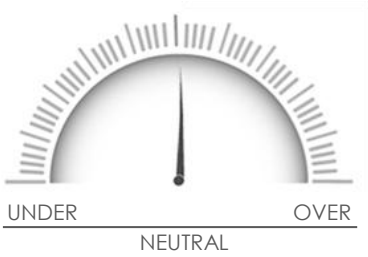
Emerging Markets



We continue to maintain our **Slightly Overweight** recommendation on Emerging Market Bonds. The rapid tightening of spreads in developed market bonds makes emerging market spreads comparatively more attractive versus similarly rated developed issuers. U.S. dollar weakness, along with ongoing diversification away from U.S. assets by international investors, could further support capital flows into emerging markets. Valuations remain compelling across much of the asset class, offering investors a higher yield without taking on excessive credit risk.

Local Currency	Hard Currency IG	Hard Currency HY

Commodities



We maintain a **Neutral** recommendation on Commodities. While our medium- to long-term outlook on precious metals remains positive, we prefer to wait for a healthy correction before revising our stance upward. Some committee members suggest trimming exposure to precious metals in order to consolidate profits after the sharp rise in 2025, pointing out that extreme positioning and record levels could limit upside potential in the short term. On the other hand, the risk of escalating geopolitical tensions could favor reaching new highs. Among the other commodities, industrial metals may have room to extend their recent rally.

Precious	Energy	Industrial	Agricultural

Currencies

We have upgraded our recommendation on the US Dollar to **Neutral with a bearish bias**. The strength of precious metals, industrial metals, emerging markets, and expectations of a more accommodative Fed once Powell's term expires suggest that the dollar may still have room to weaken.

The view on the Euro remains **Neutral**. The rise in medium- and long-term interest rates in Europe in the last few weeks would suggest a potential further strengthening of the euro. However, any undershooting of inflation could jeopardize the recent move.

We have maintained our **Neutral** stance on the **Chinese Renminbi**.

The outlook for other **emerging market currencies** has been confirmed as **Neutral with a bullish bias**. The recent outperformance of emerging debt strategies has been gaining momentum among investors, despite the uncertainties still surrounding trade relationships.

Euro	USD	CNY	Other EM