

What Geopolitical Tensions Mean for Oil Prices and Your Portfolio

What's Happened

On the early morning of January 3, 2026, U.S. forces executed a special operation (“Operation Absolute Resolve”) to capture Venezuelan leader Nicolás Maduro and his wife Cilia Flores. According to Reuters, the hours-long operation combined targeted air strikes against Venezuelan air defenses and military infrastructure with the helicopter insertion of U.S. special operations forces into Caracas, culminating in the successful capture of both individuals.¹ Maduro and Flores were extracted to the USS Iwo Jima before being transported to the United States, where Maduro was arraigned in Manhattan federal court on four counts including narco-terrorism, cocaine importation conspiracy, and weapons-related offenses; Flores faces the same charges except for the narco-terrorism count. Both pleaded not guilty.

Before and after the raid, the U.S. maintained a heightened naval presence in the region and escalated enforcement against Venezuelan oil exports by seizing five sanctioned or unauthorized tankers linked to illicit crude movements, targeting exports routed through a “ghost fleet” of aging vessels with opaque ownership and shifting registration used to evade sanctions.

Politically, Venezuela’s current regime has largely remained intact, with Delcy Rodríguez serving as acting president and Diosdado Cabello retaining significant influence. U.S. policy appears focused on restoring oil exports under U.S. supervision to fund interim governance and reconstruction. With Venezuela holding the world’s largest proved oil reserves, the administration is seeking to monetize up to 50 million barrels of sidelined crude, attract private-sector investment to rehabilitate degraded infrastructure, and shield oil revenues from creditor claims while signaling a longer-term effort to reshape Venezuela’s economic alignment amid broader geopolitical tensions.



Market Implications

Markets have largely framed the situation less as a source of global destabilization or heightened war risk and more as a controlled oil flow story. Immediately following the operation, crude prices rose concerns around potential disruption to Venezuelan oil exports, but expectations are that prices could ease and fall over time as improved Venezuelan oil production would add to an already oversupplied global oil market. Gold and other safe haven assets gained amid broader geopolitical uncertainty, while U.S. oil equities benefitted from higher near-term oil prices and the prospect of investment in Venezuela. In fixed income markets, Venezuelan sovereign and PDVSA bonds rose sharply as investors priced in potential sanctions relief, improved prospects for debt restructuring, and optimism that revitalized oil infrastructure could improve the country’s financial position.



Geopolitical Implications

Geopolitically, the operation is widely viewed as a deliberate signal that the U.S. will not tolerate expanding Chinese influence in the region, with the raid underscoring U.S. ability to neutralize Venezuelan defense systems supplied by Russia and China. China, a long-standing buyer of Venezuelan crude with long-standing oil-for-loans arrangements, is likely to argue that impairment of its Venezuelan claims stems from U.S. military intervention rather than Venezuelan policy decisions. The administration's actions against a key oil supplier to Russia are expected to heighten tensions with Moscow, while the perceived U.S. disregard for international legal norms will likely embolden adversaries. President Trump further raised geopolitical risk by warning that additional military actions could be taken against countries including Cuba, Colombia, Mexico, and Greenland.

Venezuela Oil Industry Historical Context:

Venezuela has long been an oil-dependent state, but its current situation is the result of a multi-decade breakdown rather than any scarcity. From the mid-20th century through the 1980's Venezuela was a strong and reliable exporter with a sophisticated national oil company, Petróleos de Venezuela (PDVSA), operating largely insulated from politics and anchoring a stable economy as a founding member of OPEC. That began to unravel under Hugo Chávez, who politicized the PDVSA and purged much of its technical leadership, permanently degrading capacity. Under Maduro, chronic underinvestment and sanctions evasion accelerated the decline, driving production from ~3.2 million barrels per day in the 1990s to well under 1 million at lows. Following U.S. and allied sanctions in 2017-2019, Venezuela's oil was cut off from normal markets and pushed into a "shadow" system, turning the industry from a once flourishing development engine to a regime-survival mechanism.

Sources:

1 Stone, M., Roulette, J., Jeans, D. (2026, January 7). US flexes air power in Maduro extraction mission. Reuters. <https://www.reuters.com/business/aerospace-defense/us-flexes-air-power-maduro-extraction-mission-2026-01-07>

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