

Our View On-The-Ground

REGIONAL MARKET VIEWS

Latin America in Transition:

Political Shifts and Market Reactions

The LATAM region has had a hectic start to 2026. Following the recent events of January 3rd in Venezuela, we may be witnessing a potential shift toward a more market-friendly trend, one that began with Javier Milei in Argentina and was reinforced by the election of José Antonio Kast in Chile. Venezuela's outcome also signals a change in a region long dominated by left-wing movements, rooted in Cuba in 1959, and later strengthened in Venezuela with Hugo Chavez's victory in the 1998 elections, which shaped Latin American politics for decades.

Examining the events that have unfolded over the past year and the start of this one, we observe a contrasting trend compared to previous decades: countries are now electing right-wing presidents, such as Javier Milei in Argentina, Daniel Noboa in Ecuador, Rodrigo Paz in Bolivia, and José Antonio Kast in Chile. The recent developments in Venezuela highlight the weakening of socialism and communism, ideologies once promoted and incentivized by Venezuela itself. With this weakening, the region seems to be consolidating a stronger right-leaning stance, shifting toward market-friendly policies that make LATAM more attractive to investors. This shift suggests a more optimistic market outlook, which could lead to compelling growth opportunities for those investing in the region. This year, we may see a continued rightward trend, potentially influenced by Peru's and Brazil's elections.

That said, it remains too early to predict how the regime transition process in Venezuela will unfold. Without a doubt, the oil sector will be the most significantly affected element. While this sector has already responded to recent events, the long-term outlook for oil production, companies, and their stocks is still uncertain. For now, the region looks more attractive for capital inflows, but volatility is inevitable until Venezuela's future becomes clear.

At OTG, we closely monitor the latest developments in our region and their evolving impact on the market. Beyond the short-term dynamics of the oil market, key sectors to watch include financials, technology, consumer, and commodities.

This opinion article was written on January 6, 2026, by the team of analysts at OTG Asset Management.

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