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1. Monthly Lookback — January 6, 2026

Zaki Bawany - Macro and Strategy Editor, Head of Trading

Market Overview

- Global markets closed December on a cautious footing, with risk appetite fading into year-end despite broadly resilient macro data.
- U.S. equities struggled to gain traction, with the S&P 500 ending the month largely flat as expectations for a strong Santa Claus rally failed to materialise.
- European equities modestly outperformed, supported by defensives and value sectors, though gains remained capped by low liquidity and year-end positioning.
- Treasury yields eased slightly into year-end as investors trimmed risk and locked in profits, though real yields remained elevated relative to history.
- The U.S. dollar softened marginally as rate-cut expectations for 2026 firmed, while sterling and the euro were broadly range-bound.
- Overall tone: cautious and defensive — markets stabilised, but conviction was limited and participation thinned sharply into the holidays.

Political & Policy Developments

- Central bank messaging remained steady through December, with the Fed reinforcing a "higher for longer, but done hiking" narrative.
- Policymakers globally leaned against premature easing expectations, keeping financial conditions relatively tight into year-end.
- Political risk escalated sharply in Venezuela following the reported capture of the sitting president, triggering immediate concern around governance, legitimacy, and the stability of state institutions.
- The event reignited fears of civil unrest, sanctions uncertainty, and potential disruption to Venezuelan oil exports, injecting fresh geopolitical risk into emerging markets.
- Energy markets briefly repriced supply risk as investors reassessed worst-case scenarios around production and export continuity.
- In the U.S. and Europe, fiscal discussions were largely deferred until January, reinforcing a "wait-and-see" stance across markets.

IPOs & Capital Markets

- December issuance slowed markedly, in line with seasonal norms, as both issuers and investors stepped to the sidelines.

- Equity capital markets activity was limited to a handful of defensive or income oriented deals, with growth names largely absent.
- Credit markets remained functional but cautious, with investors prioritising quality and shorter duration into year-end.
- Overall, capital markets closed the year open — but selective — reflecting lingering valuation sensitivity and macro uncertainty.

UK & European Markets

- UK equities ended December relatively resilient, supported by energy and financials, though broader gains were muted.
- The FTSE 100 continued to benefit from its defensive composition, outperforming U.S. growth-heavy indices on a relative basis.
- European equities saw modest inflows as investors rotated toward lower-valuation regions ahead of 2026.
- Economic data across the UK and euro area remained soft but stable, reinforcing expectations of gradual policy easing later next year.
- Sentiment improved slightly toward year-end, but positioning remained conservative.

Commodities & Supply Chains

- Oil prices were volatile through December, with geopolitical shocks — including the Venezuela leadership crisis — briefly overriding weaker seasonal demand signals.
- Energy markets remained sensitive to supply-side risks, particularly around politically unstable producers.
- Gold held firm as investors maintained hedges against geopolitical escalation and policy uncertainty.
- Industrial metals were mixed, reflecting uneven signals from China and subdued global manufacturing activity.
- Supply-chain pressures remained contained, though geopolitical flashpoints continued to pose asymmetric tail risks.

Crypto Markets

- Crypto markets were relatively subdued in December, mirroring broader risk-asset caution and thin holiday liquidity.
- Bitcoin traded in a narrow range as institutional flows remained stable but incremental demand slowed.

- Ethereum underperformed slightly as investors focused on macro drivers rather than protocol-specific developments.
- Overall crypto sentiment remained constructive longer-term, but momentum faded into year-end.

Volatility & Macro Sentiment

- Volatility remained low in headline terms but masked fragile liquidity conditions beneath the surface.
- The VIX stayed compressed, though downside protection demand increased into late December.
- Macro sentiment cooled modestly as hopes for a strong Santa Claus rally gave way to profit-taking and risk reduction.
- Investors broadly adopted a "capital preservation" mindset into year-end.

Key Takeaways

- December closed with disappointing seasonal performance, as the anticipated Santa Claus rally failed to meaningfully materialise.
- Markets remained structurally supported but lacked catalysts amid low liquidity and cautious positioning.
- The Venezuela political shock stood out as a late-year geopolitical escalation, briefly reintroducing supply and EM risk premia.
- Defensive assets and regions continued to outperform growth-heavy segments.
- Overall tone: measured, cautious, and forward-looking, with investors increasingly focused on 2026 rather than chasing year-end upside.

The biggest winners and losers from the American intervention in Venezuela

January 2026

Maximiliano Deere Martinez, Founding Editor, President

2. Why the USA invaded Venezuela

The American intervention in Venezuela will reshape far more than the country's domestic politics or oil sector; it will trigger a global redistribution of economic, financial, and geopolitical power. By attempting to stabilise or restructure Venezuela, the United States would create clear winners and losers across energy markets, currencies, regional trade, and international alliances. Some actors would benefit from renewed oil supply, political alignment, and capital inflows, while others would suffer from lower commodity prices, diminished influence, or heightened fiscal strain. Understanding these winners and losers is essential, because the true impact of intervention would extend well beyond Caracas, reverberating through Latin America, global energy markets, and the balance of power between major economies.

Venezuela has the world's largest proven oil reserves. This oil, historically due to sanctions and the fact it is a harder, thick crude as opposed to the Middle Eastern light crude, was massively underproduced and undersold. The government fell into a trap that began in the 70s. The 1973 oil crisis, mainly conducted by Saudi Arabia's oil embargo due to multiple Arab-Israeli wars, caused the Venezuelan state to have massive windfalls from oil. Presidente Andres Perez, desperate to keep power, decided to, instead of reinvesting these windfalls into expanding oil production or diversifying the state, massively increase social welfare spending.

For anyone familiar with Latin American politics, this is called Peronism. It is a political and economic strategy that usually begins during the good times, when the economy is doing well, and the country is massively benefiting from resources. Between 1890 and 1914 Argentina was largely considered to be one of the world's richest countries, if not the richest per capita. Argentina's massive expansive land and relatively small population meant that their massive agricultural exports, with livestock being the most lucrative, meant that Argentina's landlords had massive wealth. This was export-driven, and the country became reliant on exports (sounds familiar now, doesn't it?).

Every day Argentinians began to expect a certain standard of living. WW1 was a big shock to Argentina, which saw export revenue massively decline because European powers stopped buying their goods due to the war. Argentina slowly recovered but was hit by the Great

Depression massively. Suddenly, expensive Argentine agriproducts were no longer being imported to the shattered European economies and the United States like they were before.

Step forward. Juan Manuel Peron in a military coup. He used Argentina's massive foreign currency reserves it had built due to exports to fund lavish social welfare spending programmes which the struggling Argentine people accepted with open arms and which were incredibly popular, as many former wealthy Argentines had seen their wealth deteriorate over the last 30 years. This led to a cycle where Argentina would see an economic shock and blow through its FX reserves to support the economy. Over time this started building a massive debt burden and caused massive inflationary problems which never seemed to go away, even today. Even though Peronism was not working, Peronists were re-elected due to promises of increased welfare spending, which was unaffordable. This led to a cycle where the person voted in would be the one that promises the most welfare spending.

This may all seem irrelevant, but it is exactly what happened in Venezuela. After the aforementioned increases to welfare spending after 73', Venezuelans were and had been enjoying a certain standard of living that they got used to. The Venezuelan government nationalised key industries (akin to what Peron did in Argentina), expanded subsidies and employment programmes and anchored political success to redistribution rather than productivity.

It is at this point that Venezuela now becomes highly dependent on high commodity prices. Because most people were employed by or living off the state, when commodity prices were low, as with what happened in 1986 when oil prices dropped to 10$abarrelfrom$35 in '83 due to an oil glut, Venezuela would double down and use debt financing to fund programmes. Venezuela also massively devalued its currency, which really hurt its import-dependent economy.

Perez, realising this problem of rising debt and inflation, decided to intervene and cut fuel subsidies, tighten fiscal spending and implement market liberalisation policies. This event caused massive protests that killed hundreds and showed that Venezuelans were now used to a certain standard of living which was unaffordable for the state to maintain. Underinvestment in the oil sector around this time also started to lower oil production. Necessary reform like in Argentina was now politically toxic and would make you incredibly unpopular and oust you.

Step forward, Hugo Chavez. He takes power in 1999, and this represents a huge inflection point that doomed Venezuela to its fate. A populist socialist, who supported increasing the welfare of the state, introduces a new constitution, slowly removes checks and balances, consolidates power and ties his political legitimacy to oil revenues and redistribution. He purged the state oil company of technocrats and introduced people into power that supported him and his reforms.

From 2004 to 2013 relatively high oil prices and an "oil boom" are underway. This allows the Chavez regime to mask any economic strains, the rising debt burden and the unaffordability of state programmes and price controls. This leads to Venezuela slowly deindustrialising as oil remains supreme.

Chavez also held legitimacy with the rival factions and did not have as much of a need to engage in corruption politically as his successor. Chavez dies in 2013, which leads to Nicolas Maduro seizing power. He inherited a state that was highly indebted, with no FX reserves left as a buffer and an illegitimacy problem that meant rival factions could not be held together as easily as they were under Chavez.

Maduro has to start securing political legitimacy and secure power through corrupting the elites and other rival factions like the military and the PDVSA (state oil company). In mid-2014 global oil prices fall by 70%. This is terminal for Venezuela's economy. The regime has no FX reserves to play around with and a massive political requirement to keep social welfare spending high and maintain price controls. Imports collapse as Venezuela no longer has the foreign currency to buy them. To avoid a default, the Venezuelan state starts printing bolivars to fill the gap and fixes its currency to the dollar at a rate that the government cannot maintain. This creates a black-market rate for dollars.

This creates a massive hyperinflation crisis with annual inflation reaching 1,000,000%, and the bolivar no longer functions like money. It is at this point that a mass wave of emigration begins, with 7 million people up to today having left the country. This actually helped politically, as the people that left tended to be intellectuals who did not sympathise with the regime. These departures meant that it was easier for Maduro to hold power even when these 7 million people and many more within the country disliked him. The state oil company PDVSA collapses as its production drops dramatically due to years of capital expenditure going to welfare programmes instead and almost no maintenance of oil facilities. Venezuela begins to effectively dollarise the economy as the bolivar is now useless.

In the background, since Chavez came into power, it had been very easy to blame the Americans for any problem. His socialist behaviour contrasted with the capitalist West, and this meant he strengthened relationships with America's rivals like China and Russia. This was accelerated by Maduro, especially in 2017 when the US massively increased sanctions on Venezuela. This is when Maduro begins to militarise the economy and strengthens relationships with geopolitical adversaries of the USA to new heights, especially Russia and Iran, and he starts funding rebel groups and cartels in the region and involving himself with them. He corrupts all the institutions and hands over the economy to loyalists. This seriously angers the Americans, especially the Trump administration.

Venezuela then, during Biden's time in office, slowly stabilises and becomes fully dollarised, and cryptocurrency begins to be commonly used. Inflation therefore slowly stops because the government simply could no longer afford to put price controls or manage the currency. Trump comes to power in 2024 with a more interventionist rhetoric, promising that he is going to invade Venezuela unless power is handed over to the rightful president, who lost a hotly contested election to Maduro in 2024, which was described as not free or fair. Tensions increase as more and more drugs enter the United States from Venezuela, Cuba and Mexico. Venezuela is different, though, because this was actively supported by the state, and Maduro was heavily suspected to be corrupted by and working with the "Cartel de Los Soles". Tensions rise as Venezuela is declared a state sponsor of terrorism and a terrorist organisation. Oil tankers are seized by the USA, and ships are blown up on suspicion of carrying drugs.

On the 25th of December the intervention of Venezuela is scheduled to begin, but airstrikes on ISIS targets (which went massively unreported by news outlets) in Nigeria (another country Trump threatened to invade) take precedence. The operation begins January 3rd in the early hours of the morning. Maduro is extracted from Venezuela, and the United States of America assumes control and says it will run the country until Venezuela is capable of holding free and fair elections, ending 27 years of authoritarian rule in the country. A 27 years that has seen Venezuela transform from a fairly well-off country by Latin American standards with a highly educated young workforce to an impoverished backwater filled with shantytowns, with everyone who could contribute to the economy through their skills and who could get out having gone a decade ago, mainly to Miami.

Here are some of the winners and losers of this latest crisis:

Winners

Chevron
Chevron has been massively impacted by US sanctions in Venezuela. They are one of the few American companies that still operates there and has a lot of pre-existing infrastructure. With a full US occupation there will now be a scramble to secure the right to oil extraction, and Chevron is widely considered to be the most perfectly placed company to secure this. The PDVSA, or state oil company of Venezuela, also owes Chevron massive amounts of money which could be paid off by selling oil rights to Chevron, and they could get all the rights for free effectively by just writing off former bad debts. Chevron knows the industry and the people and has the infrastructure and political support. US shale growth is structurally slowing, but Chevron has suddenly found itself the best-placed to take advantage of the world's largest oil reserves. There is hope that Chevron investing in the outdated oil infrastructure, if managed correctly, could bring wealth back to Venezuela and flood the market with Venezuelan oil, which will increase revenue (this will likely crash oil prices in the long term, but because Venezuela was producing almost no oil, any production increase at any prices would likely see an increase in oil revenue).

Banco Santander
This is one that a lot of people are missing and, for obvious reasons, has not been as widely discussed as oil companies. Santander is a Spanish bank that holds a massive market share in Latin America with a strong brand reputation, a deep knowledge of the region and its banking sector and existing infrastructure, as it used to operate in Venezuela before 2009 by having majority stakes in the two largest banks, the Banco de Venezuela and Banco Caracas. There will be many people who worked in the lower to mid-levels that still remember this time and were, by proxy, employed by Santander and know the structure well. This effectively provides it with that Chevron advantage of being able to move in quickly and secure control of the banking sector with the removal of sanctions. It would be able to scale its services at ease. Even if American companies swipe all of the market share in the Venezuelan banking industry, there is no doubt, as the leading banker in the region, that banks in Venezuela will have to work with Santander when conducting cross-country operations and trade.

Argentina
Surprisingly, the biggest winner may actually be the Argentinian state and Javier Milei. As a champion of right-wing politics in Latin America and a staunch ally of the Trump administration (Milei was one of the only world leaders to actively celebrate the intervention and definitely had the most jubilant rhetoric), Argentina could benefit massively, politically and economically. Washington has been incredibly open about its desire to control the lithium triangle, and Argentina is one part of that triangle. Bolivia and Chile, at least for the moment, are not big supporters of the USA, and Chile especially condemned the intervention.

Politically, Javier Milei's open ideological alignment with Trump-style politics matters: interventionist US foreign policy under a "friends vs foes" framework rewards overt loyalty. Argentina's explicit support would likely translate into preferential trade terms, IMF leniency, and geopolitical cover during painful domestic reforms. Argentina has struggled with its own inflationary issues and is seen as a less extreme version of the economic basket case that is Venezuela, with many parallels being able to be drawn between them. It is also likely that cheap Venezuelan oil will flow through South America, which will drastically cut massive import bills and drive down inflation. Argentina imports most of its oil, and the United States could support cheap cut-price oil deals now that it controls Venezuela in exchange for political favour, namely for access to the lithium triangle.

Latin American Right-Wing Bloc
I have touched upon it already, but for those not familiar with Latin American politics, there has been a political civil war between the right and the left of the political systems in the region. The left are increasingly becoming more left-wing, and the right are becoming more right-wing. Elections in many of these countries are coin tosses between the two, and they have been going back and forth for decades. We saw pre-Milei the left-wing bloc reign supreme in the region, but all this could be changing. Argentina elected a far-right politician, as did El Salvador, and now Chile will transition into its most right-wing government since Augusto Pinochet in March. Ecuador, Peru, Bolivia and all of Central America have shifted too, creating a bloc of sorts where half are right-wing, and half are left-wing. This likely will be an inflection point down the line as to which style of government takes power for the next decade.

The left-wing bloc has lost a key strategic member to what will almost certainly be a right-wing government under the control of the Trump administration, and years of failed left-wing rule could permanently remove the left from power in the region. Trumpian "friend or foe" politics could also mean cheap oil for all right-wing nations that work with Trump, especially within the lithium triangle.

There does seem to be a stalemate in this battle, with 3 of the most influential and largest countries, Brazil, Colombia and Mexico, being staunchly left, with the left wing enjoying high approval ratings and looking likely to be re-elected for the time being. These governments actively dislike and clash with the other right-wing governments, so we could see a right vs left battle for control in Latin America, as it is roughly a 50-50 split population-wise, and it does not look like it is changing any time soon. Losing a key stalwart like Venezuela could shift the balance of power. Especially if a right-wing government improves the situation in

Venezuela and the news of the failures of the left-wing Chavez and Maduro policies spreads to neighbouring countries. In fact, all the left-wing governments in the region reacted very anxiously and are concerned.

This signals a key victory for the right-wing bloc overall and could lead to a reverse pink tide.

Guyana
A key winner that many people will likely not talk about is Guyana. The small South American nation which recently discovered massive oil reserves and has seen the world's largest GDP growth since 2022 will benefit economically and politically. Essequibo is the region that contains most of the Guyanese reserves and is rapidly becoming the reason that Guyana is transforming from an impoverished, overlooked plantation state to a rich petrostate. The region has been disputed for over a century between Venezuela and Guyana. It was ruled by arbitration that it was Guyana's, but Venezuela has always rejected the result due to their claim that the decision was colonial in nature due to the arbitrator being a European colonial power. This did not matter, though, as Essequibo was a poor, sparsely populated bit of forested land. Now it is home to one of the world's largest oil fields.

Maduro had massively boosted iridescent rhetoric against the nation and made aggressive steps to help him gain political support in the 2024 election, and many believed his campaigns were his attempt to justify a war to his people. This left Guyana scrambling with no defence treaties, a tiny military and a neighbour that was actively threatening to invade, with the government attempting to tie their legitimacy to it. Now that the USA controls Venezuela, Guyana is surrounded by friendly states and can now breathe a massive sigh of relief.

Economically this will boost the private sector in Guyana as it lowers the geopolitical premium of investing into Guyana dramatically, and it could allow for cheaper financing and faster investment and could become the US-anchored success story of the Caribbean, especially if it avoids turning into a Venezuela-style state.

USA – why it may be a winner
The USA wins because it strengthens its legitimacy as a global power that should not be messed with. Every American geopolitical adversary has lost a key strategic partner that allowed them to exert influence on America's doorstep at no real cost. This avenue is now gone, and it also signifies to any defiant country that they could be next, and no one is truly safe. America has decapitated one of its key geopolitical threats that sits in its backyard. It truly was an incredible show of military might, and it will now be significantly easier to pursue its geopolitical interests.

The Americans now have significant power against OPEC and their main adversaries. For decades many countries have used energy as a weapon against the Americans. This major geopolitical threat is significantly cut due to America now controlling the world's largest reserves of oil. They are now able to use energy as a weapon against the likes of Russia and Iran, which previously they could not do. It will no longer have to bend the knee to OPEC.

Losers

China

China has lost on multiple fronts. This is a massive geopolitical blow for them. They had been investing in Latin America and working with the left-wing governments in the region. This event potentially starting a right-wing-dominated South America could be a disaster for China, who has been looking to secure the massive resource wealth in the region. It also shows that Washington is still a global power that is a serious force to be reckoned with and can decapitate a 27-year-long dictatorship in 3 hours. It is unlikely China is capable of doing this, and it restores the idea that America is still top dog. It will be very interesting to see how China responds to this crisis.

China is the world's largest importer of fossil fuels, and losing such a consistently cheap, discount energy supplier is a minor catastrophe for the nation. Although they do now have cheap Russian alternatives, so this is more symbolic rather than an economic catastrophe. US control over Venezuela's restructuring weakens China's leverage across Latin America by signalling that Washington is willing to enforce red lines in its near abroad.

Lithium-for-oil or resource-for-security deals reduce China's bargaining power in strategic minerals. It also reduces Latin America's need to cooperate with the Chinese, as Washington is now a far more lucrative alternative.

Basically China has lost a key battleground for which it had a competitive advantage, in large part thanks to Venezuela's regime.

Latin American Left

The left loses its symbolic anchor. Venezuela has long functioned as both a financial backstop (cheap energy, opaque transfers) and an ideological reference point. Once intervention reframes Venezuela as a failed experiment rather than a besieged alternative, left-wing movements face narrative collapse. This doesn't eliminate left governance, but it raises electoral costs, weakens cross-border coordination, and constrains fiscal populism under renewed US scrutiny, especially in the midst of the left vs right battle in the region. For Colombia and Brazil's left-wing governments, this could be a 'Waterloo' moment, conceding the election to right-wing rivals.

Colombia (Petro-specific)

Colombia under Gustavo Petro is exposed politically. Petro's regional positioning relies on diplomatic engagement with Venezuela and ideological distance from Washington. A US intervention compresses Colombia's strategic autonomy: either align with the US and alienate Petro's base, or resist and risk diplomatic isolation, security pressure, and capital flight. Either path weakens Petro's governing coalition.

Colombia also has many of the same cartel and drug issues as Venezuela, and with rebel groups and drugs being booted out of Venezuela by the Americans, it could send them scampering over the border into neighbouring countries, with the main one being Colombia. Colombia used to benefit from cheap oil, especially the border towns where people used to cross and take advantage of the massively subsidised Venezuelan fuel, which cost almost nothing as compared to Colombian prices.

Petro has been targeted by the opposition for his lack of force when it comes to the cartels and rebel groups, and it has been the key political weak point. With the USA now stamping out drugs from Venezuela, it would not be difficult to assume that they will move back into Colombia and possibly use it as a staging ground to launch attacks on the occupation, which may cause Washington to intervene. There is precedent for this; during the Vietnam War, Cambodia and Laos were also targeted, and the main reason was because groups operated in their territory to stage attacks on the Americans. Laos were also targeted, and the main reason was because groups operated in their territory to stage attacks on the Americans.

Mexico

Mexico becomes a secondary pressure point. With Venezuela neutralised, Washington's attention shifts toward unresolved issues closer to home, namely cartel violence and border security. Under Claudia Sheinbaum, Mexico may face intensified demands for cooperation that test its sovereignty doctrine. The risk is not invasion but coercive alignment, where economic and trade leverage forces compliance.

Sheinbaum is famous for not fighting the cartels and has said, "They are people too." Venezuela being decapitated shows that Washington is not bluffing when it comes to the threat of invading Mexico to get rid of the cartels, and it could cause Sheinbaum to be forced to bend the knee to whatever the Trump administration wants. Mexico's left-wing government also had fairly good relations with Venezuela. It remains to be seen whether or not they will have these same relations with any future government.

Mexico is also a weird outlier in the right vs left battle. The left enjoy massive popularity, and Sheinbaum herself is incredibly popular. This means that as policy shifts rightwards in the region, Mexico is increasingly finding itself isolated politically and could be one of the few left-wing governments still standing in the next 5 years.

Cuba

Cuba is structurally dependent on Venezuelan energy and political backing. Intervention severs this lifeline, accelerating fiscal stress, energy shortages, and internal pressure. Without Venezuela, Cuba loses both an economic sponsor and a geopolitical shield, forcing either painful reform or deeper isolation.

Cuba formed a cult of personality under the Castros, who are no longer in power, and the new Cuban government does not have the same legitimacy as before. A right-wing-dominated Latin America with an interventionist USA is the worst-case scenario for Cuba, but it could become a reality. This would leave Cuba isolated in the region, and the USA could very well come for them next, which means that Cuba may have to reform or be crushed by the might of the American military-industrial complex.

Iran

Iran loses a sanctions-evasion partner and an Atlantic foothold. Venezuelan oil swaps, technical cooperation, and symbolic alliance value would diminish sharply under US oversight. More broadly, intervention reinforces the credibility of US enforcement against sanctioned states, narrowing Iran's global manoeuvring space. It very well could be that Washington uses any successes in Venezuela as a springboard to decapitate the Iranian regime, which the assassination of Qasem Suleimani and strikes on nuclear facilities show that the US is seriously not afraid of doing.

The Iranian regime has seen massive protests, some of the largest in its history, aimed at the government. These have been overshadowed by other news, but the Iranian regime is already on the verge of collapse and deeply unpopular. This could be used as leverage by the USA. It has been done in Libya, where the USA intervened to help the protestors, and it could very well occur in Iran.

The Iranian government will be absolutely terrified of what has just happened in Venezuela, and with the ayatollah ageing, his succession could be the spark that ignites regime change, or it could come from direct American intervention in the country.

Russia

Russia loses a key geopolitical ally. An ally that votes alongside it in the UN and recognises its geopolitical interests when no one else will. Venezuela's proximity to the USA made it the perfect ally to exert influence. It gives the USA more legitimacy in its status as the world's one true superpower and will make any country think twice before supporting an increasingly isolated, fledgling Russian state. Why would you ally with Russia when there is a good chance the regime collapses and Washington is far more powerful and lucrative? Russia can also no longer use Venezuela to evade sanctions.

Economically this could be the death blow for Russia, as it relies heavily on fossil fuel revenues to fund its military and welfare spending. This welfare spending is also largely credited for being the reason Putin has maintained power and been quite popular in Russia. Cheap Venezuelan oil being dumped on the market could crash oil prices, meaning really low revenues for the state. It may weaken Russia's ability to weaponise energy.

Furthermore, Russian energy already trades at a discount because it is sanctioned, and with China having monopsony power for the most part, they can push prices even lower on the Russian state. This will mean Russian oil revenues will be dangerously low for the state, which is burning through its foreign currency reserves already.

OPEC

The OPEC cartel loses out massively. It is likely that with Venezuelan oil flooding the market, prices will go incredibly low. One of the key reasons for OPEC is as a geopolitical weapon and to defy the United States. Now that the USA controls the country with the world's largest reserves, it can flood the markets even when OPEC wants to tighten.

The de facto leader of the cartel, Saudi Arabia, wants high oil prices because it will allow it to diversify its economy with the higher revenues. With Venezuela and the USA now a counterweight, it will seriously struggle to do this.

OPEC has struggled with compliance over the years; with Venezuela now back in the game, it could cause pressure to reassign quotas, and it incentivises countries like Iraq, Nigeria and Angola to overproduce and cheat because lower oil prices will push prices down, which could drastically affect government revenues in the affected states. The oil industry will go from being cartel-based to market-based as competition increases.

USA – why they may have lost

The USA has increasingly been seen as hypocritical in the international community for its condemnation of Russia but support of Israel. It has now effectively committed its own attack that could be deemed as a violation of international law. This could isolate it geopolitically and harm other geopolitical goals, such as in Ukraine. It could sway authoritarian and left-wing states to move towards China for security, trade and influence, which could cause the Americans to lose their status as the world's superpower down the line.

The Americans are entering a country that has been brainwashed for decades to hate the Americans, and it has decided to stay and occupy the nation, which is never popular for those living in the country. It could become a second Afghanistan, incredibly costly financially, politically and in terms of lives, just to end up with another authoritarian regime taking power after they leave.

They will also try and rid the cartels, which will be incredibly costly, and the conventional military has famously always struggled against guerrilla tactics, which is what these cartels and rebel groups use. It is also not out of the realms of possibility to see a popular uprising as natural resource contracts are given very favourably to the American companies.

Conclusion

Taken together, a US-led intervention or Western-managed normalisation in Venezuela would amount to a redistribution of power rather than a simple economic reset. The immediate winners are those aligned with Washington or positioned to monetise stability, right-leaning governments in the region, select multinationals, frontier energy producers like Guyana, and financial intermediaries with deep Latin American muscle memory. The losers are actors whose influence depends on scarcity, disorder, or ideological alignment with a sanctioned petro-state: OPEC, Russia, Iran, China, and the Latin American left, all of whom see leverage, not just revenue, erode.

That said, time is the decisive variable. Early winners can overplay their hand, misprice political risk, or underestimate institutional decay on the ground; early losers can adapt, re-enter indirectly, or regain relevance as conditions evolve. Oil markets may absorb new supply more smoothly than expected, political realignments may soften, and second-order effects, like migration, capital flows, or domestic backlash, could reshuffle outcomes in hindsight. In other words, while the direction of travel is clear, the final scoreboard is not. History suggests that interventions create first-order winners and losers quickly, but it often takes years to learn who actually keeps the gains.

Commodities Strategy Note: 2025 Performance Review and 2026 Structural Outlook

January 2026

Thomas Amara - Editor-in-Chief, Head of Commodities

3. Commodities Strategy Note: 2025 Performance Review and 2026 Structural Outlook

As of the 27th December 2025, we are proud to announce the commodities department of Southampton Investment Fund has delivered a +70% performance this past month, increasing portfolio value from £10,000 to £17,134. Our approach, focused on research reports, presentations and group discussions, has allowed us to take advantage of a strong rally in precious metals, predominantly gold, silver and platinum.

The goal of this note is to:
(i) outline the factors driving the completion of our core hypotheses
(ii) analyse how the environment has evolved since entries into our positions
(iii) outline how these changes should inform positioning going forward.

Metric	Value (GBP)
Initial Portfolio Value	£10,000.00
Current Portfolio Value	£17,134.47
Total Absolute Gain	**+ £7,134.47**
Total Percentage Return	**+ 71.34%**

Trade Name	Gain	Entry Price	Capital	Leverage	Order Value	Quantity
Gold	+ £1,561	4282.30	£1,000	20x	£20,000	6.2967
Silver	+ £3,822	56.96	£1,000	10x	£10,000	234.3229
Platinum	+ £2,525	1657.60	£500	10x	£5,000	4.0246
Total	**+ £7,908**	–	**£2,500**	–	**£35,000**	–

I. Why a precious metals-focused strategy worked

Heightened geopolitical uncertainty and episodic risk-off events reawakened investors' allocation to tangible stores of value. Fears of an AI bubble, overconcentration in major indices, and scepticism towards the continuation of a bull market prompted agents towards a reallocation of capital in line with the desire to decrease risk. Inflows of capital into precious metals act in the continuity of investors seeking geographical diversification in stocks, in part leading to an overperformance of the Euro Stoxx 600 over the S&P 500, and an increase in ownership of the equal-weighted S&P 500, for instance.

Furthermore, falling real yields reduced the carry cost of holding non-yielding cash and raised the present value of a convenience yield in precious metals. The Federal Reserve, having gradually cut interest rates in 2025, and markets pricing in further steady cuts in 2026, precious metal prices increased and can be predicted to continue to do so in 2026.

Additionally, the precious metals in question have inelastic supply. For silver, for example, 70% of global output arises as a by-product of mining for base metals such as copper, lead, and zinc. Mining projects and investments are therefore not a standalone product of silver prices, but also those of the minerals mined alongside it. Such market characteristics render the likelihood of a short-term supply surge unlikely, outside of truly exceptional events.

We believed such increases would take place due to certain position-specific factors and conditions:

- Silver's hybrid nature, as an aggregation of monetary and industrial demand, makes it inherently convex in reflationary environments. As expectations around energy transition investment, electrification, and industrial recovery firmed, silver increasingly behaved as a leveraged expression of macro optimism rather than a simple inflation hedge. A high gold-to-silver ratio, relative to historical norms at the time of analysis, also added arguments for an increase in silver prices.
- Gold's ascent was less cyclical and more structural. Persistent central bank accumulation reflected a gradual rethinking of reserve composition amid geopolitical fragmentation and reduced confidence in the long-term neutrality of fiat systems. This underpinned gold prices even during periods of muted inflation data, reinforcing its role as a monetary asset rather than a pure hedge. Furthermore, particular geopolitical risks such as the US government shutdown, the US seizing a Venezuelan oil tanker, and further hawkish declarations of the Trump administration on the matter, put in place an environment of heightened risk that gold is particularly susceptible to, as it is viewed as a safe-haven.
- Our positioning in platinum is opportunistic at core rather than a monetary hedge. The core identified drivers are a combination of supply disruptions, substitution dynamics in autocatalysts, and expectations around hydrogen applications. The metal rallied to historical levels shortly after our entry, where the price was increasing gradually to 5-year highs. We predicted the price to continue to increase gradually due to that specific aggregation of factors, most significantly due to supply dynamics. The increase outpaced our expectations to historical highs.

II. How the market has changed and our strategy looking forward.

It is important to analyse how the market has changed since we issued our initial analyses. Gold and silver, particularly, were added to the portfolio on a long-term basis. Platinum itself was added on a short-medium term prospect. For each trade, we have established scenarios in which we would exit the position. This gives us a chance to monitor the occurrence of these scenarios.

- We believe silver retains significant long-term appeal, particularly as industrial demand continues to scale and due to its hybrid nature as a financial asset. However, its higher volatility implies that rebalancing around extremes, especially in the gold-silver ratio, becomes increasingly important. Profit-taking-induced sell-offs are particularly threatening in this market configuration, but we believe the market will stabilise before any prospect of higher surges, outside of any exceptional geopolitical events, as recent increases have been exceptionally rapid and strong. We would therefore not be scared off by flat or slightly downwards movement in the short term and continue to hold it as a long-term position.
- The structural case for gold remains anchored by central bank demand, which is projected to average nearly 600 tonnes per quarter through 2026, and geopolitical fragmentation, which remains heightened. Analysts increasingly view $4,000/oz as a new psychological floor, with upside potential reaching $5,000/oz if U.S. fiscal deficits widen further. The expected value of returns is positive, and we view the returns distribution as positively skewed. We intend to hold our gold positions within current market configurations, despite the rapid ascent to recent highs.
- Regarding Platinum, the strategy has evolved from a purely opportunistic entry into a more calculated "relative value" play. Having reached historical highs and 5-year peaks more rapidly than we expected, we are now assessing the sustainability of the current rally. The core identified drivers, supply-side fragility and the burgeoning demand for hydrogen applications—remain potent. However, the velocity of the move suggests a potential "overheating" in the short term. To manage this, we are exploring a more defensive accumulation strategy and would only consider increasing exposure on significant technical dips, specifically targeting the $1,300–$1,400 range.

III. Secondary positions

We predict inelastic and unmet demand to further drive price increases in Cacao. Our core medium to long-term hypothesis has not yet materialised in the commodity's price. However, we believe several core structural factors render an increase likely. Firstly, production has fallen short of supply for 3 consecutive years. Secondly, cocoa trees are ageing, reducing yield potential. Additionally, Climate risks remain elevated, and production is geographically concentrated, with the Ivory Coast and Ghana accounting for approximately 60% of global supply. Factors such as supply concentration and climate risks render the risk of supply-side shocks particularly elevated.

Simultaneously, our investment in Small Modular Reactors (SMRs), specifically through entities such as Oklo and NuScale Power, represents a strategic pivot toward "energy-compute" convergence. We view these positions principally as an infrastructure play driven by the exponential demand for clean, reliable power necessitated by the AI epoch. While we recognise a secondary "decarbonization" benefit, our focus remains on the "unmet demand" for 24/7 carbon-free energy. Given the high speculative beta of these assets, we are prepared for heightened volatility as the market oscillates between AI-driven optimism and technical scepticism regarding deployment timelines.

Conclusion IV.

Recent results are the product of an exceptional precious metals rally. While the structural case for precious metals remains intact, the risk–reward balance has shifted. Our ability to identify the structural case for Gold's ascent amid geopolitical fragmentation, and the industrial-monetary convexity of Silver, suggests that our core research framework is robust. Despite this success, we recognize that our positioning in Platinum and Silver benefited from a velocity of movement that outpaced our initial expectations. This highlights a critical area for growth: the need to better calibrate our "speculative beta" and volatility expectations. More than individual trades, the focus has been on building a repeatable research-to-decision process and stress-testing our assumptions. We acknowledge that forward returns are likely to be more volatile, more regime-dependent, and more sensitive to positioning and macro repricing. We would also expect slight short-term drawbacks in our core positions, as consolidation periods follow gains of such amplitude and speed.

Looking forward to continuing to refine this with the team.

AI in Animation: Revolutionary or Ruinous?

December 2025

Mercy Olanrewaju

4. AI in Animation: Revolutionary or Ruinous?

Animation is a method in which still images are turned into moving pictures, and has history that dates back to the late 19th century. Over the decades, this form of media has developed in various styles and techniques (2D, 3D, hand-drawn, Computer-Generated Imagery (CGI) animation etc.). Over the past 30 years styles such 3D and stop motion have become more widespread, and the animation industry has become increasingly profitable.

Animated movies and series have become increasingly popular in the recent decades. For example, the highest grossing film to date is Avatar (2009). Although it was partially a live-action film, almost 70% of the film was computer generated. Most of the top 20 highest grossing films are either partially or entirely animated. Even more recently, Nezha (2019) and Nezha 2 (2025), with the first film becoming the highest-grossing film in China at the time, with its sequel taking that title, as well as breaking multiple box office both domestically and internationally.

Many animation studios in various countries have their distinct styles of animation, and the industry has boomed. Notably in the United States, there are several animation studios and companies that have been at the forefront, such as Walt Disney Animation Studios and DreamWorks Animation. The North America market is currently worth $462.32 billion with expectations of growth. It also has the largest market share of the industry, with 33.97% in 2024. According to Yahoo! Finance the global industry in expected to be worth $895.71 billion by 2034.

In other countries, animation is also an expanding industry. For example, in China, due to a highly digitally connected and large youth population, as well as successful marketing campaigns and investment, the industry is both creative and culturally engaging. In 2020, the industry was worth over RMB 100 million and is projected to exceed RMB 330 billion by 2026. In Japan, anime is the most common style of animation, and has become increasingly popular, with popular animation studios including Studio Ghibli, MAPPA and Toei Animation. The industry grew by 14.8% and hit record revenues of over $25 billion in 2024, with over half of it coming from international audiences. This is due to an increase in marketing and merchandise, as well as Japanese media as a whole becoming more accessible, having partnerships with streaming platforms such as Netflix, Amazon Prime and

Crunchyroll. Although France is not well known for animation, they have many studios have significant collaborations with Netflix to create shows such as Arcane (2021-2024) and Blue Eye samurai (2023-) which were co-produced by Fortiche and Blue Spirit, respectively.

In the 1950s, generative AI was based on machine learning and complex algorithms, and had increasing advancement throughout the decades. However, in 2020, it became more popular and open to use and by November 2022, Open AI introduced ChatGPT, which was a generative AI, joint with large language models. It was the next level of "smarter chatbots" with the ability to generate images, videos and audios. This sparked interest and more investment from major technology companies such as Google and Microsoft, and have hence developed Gemini and Microsoft Copilot respectively. These AI chatbots were based on the GPT-3, GPT-4 and GPT-5 family of large language models (LLMs). The global generative AI market was valued at $20.2 billion (USD), as of 2024 and is expected to have 37% expansion between 2025-30. As of now, there are many small firms in the industry, but Sora 2 (Open AI) and Google Veo (Google) remained popular for the overall video-generating process.

Animation studios have entertained the idea of using AI in their movies and series. From a cost perspective, it may be much cheaper to produce animations with the help of AI. A large proportion of animated movies are 3D, which has many elements from the designing the models to the lighting and movements. Additionally, 2D animation is quite a time-consuming endeavour, so much so that the style has been largely phased out by Disney, with Winnie the Pooh (2011) being the last 2D film they've produced thus far. Although other studios and animators still animate by hand-drawing or digitally, it is often reserved for projects with a large budget and a pre-established audience, or small independent ventures. With the assistance of AI, more minor details and menial, repetitive tasks that are essential to the animation process can be outsourced. It could also enhance the movements and facial expressions and designs of characters and backgrounds. As a result, more shows and movies can be produced and there could be shorter waits between seasons and sequels. Also, with larger animation studios interested in its capabilities, the generative AI sector as a whole could be redefined. It's also can be said that it makes animation more accessible to independent artists.

On the other hand, there is an impact on those who work in the industry - most notably animators. The industry is very competitive for as well as long hours and a large volume of work. It could be argued that the AI could reduce the workload of animators, but many feel that that their jobs would be under threat. According to a survey, 55% of entertainment workers believe that animators will be majorly impacted by generative AI in the next 2 years, with around 40% of game developers (who job partially involves animating) being significantly affected as well. A large concern for many of those who aspire to join the industry is that as a junior animator, they started with the "animation basics" and work their way and develop and hone their skills. If AI takes these roles, it may be harder for new artists and animators to break into their preferred industry.

There is also the question of intellectual property and how AI and generated images and videos factor into this. Earlier in the year, there was an online trend where people entered their own images and changed it into the style of animation which bears resemblance with that of Studio Ghibli. It sparked a conversation on the legality of AI and its imitation of art styles. Many came to the conclusion that in order to get this result of an animated image, the AI must have been trained on media from various animation studios. It also begs the question: where does intellectual property (IP) factor into how AI models are trained? Many people are of the opinion that it should be prohibited, and even the filmmaker and co-founder of Studio Ghibli, Hayao Miyazaki, expressed disgust for an AI animation he was shown in 2016, saying he'd never include it in his artwork. Although the company has not filed a lawsuit, a group representing various major Japanese publishers (including Studio Ghibli), called Content Overseas Distribution Association (CODA), issued a statement, determining that Sora 2 was using Japanese content/images as training data, and it seems legal action is imminent. However, in the west, Disney and Universal Studios have filed a lawsuit against an AI firm, Midjourney, claiming that the company's tools have copied numerous characters from their franchise.

Currently, some shows have already made use of AI in animation and promotion. Winx Club (2004-19) was animated show, created by Italian animator Iginio Straffi. The Italian animation studio, Rainbow, produced the show, and was initially animated in 2D. The show consisted of 8 seasons and was well received at the time of its release and has remained a timeless classic in its genre, due the characters, fashion and fantastical elements. It also inspired many other shows that had a "magical girl" theme, such as Miraculous: Tales of Ladybug and Cat Noir, H2O: Just Add Water and LoliRock. However, the show was rebooted and was released in 2025, and instead of 2D, the new series made use of 3D animation. It was also reported that generative AI was used in the production process as well as the promotional material. Many long-time fans felt the reboot was an insult to the original franchise. Others had complaints about the character models and designs, attributing the "awkwardness" and the strange hyper-realism to the use of AI in the production stage - with it being detrimental to the brand. The reboot had an IMDb rating of 4.2 (with just 1 season), compared to the original series having a score of 6.3 across 8 seasons. This suggests that viewers aren't at all receptive to media that have been partially produced with the assistance of AI, especially if it's a previously established franchise.

Ultimately, generative AI could transform the animation in any direction. In my opinion AI could be of use in various industries, such as finance, medicine or geospatial analysis - any industry where the integration Artificial intelligence would be beneficial to human beings. However, the creative industries are not the place for that. I have the viewpoint that anything that is of artistic value should be created by humans, in whatever form or style. This does not include typing prompts into a chatbot. There are other tangible reasons as to why this is so. For example, there would be significant job losses in the animation industry and alongside IP infringements. If AI was increasingly integrated into films and series, in the long-term the industry would suffer, as the general consensus on AI is negative, and people would purposely avoid media with AI contributions. Despite this, I do believe that there will be further regulation of generative AI in the future, and hence studios would be discouraged to use it in the fear of low box office turnouts or concerns with the lawfulness of their illustrations. My final judgement is that nothing will come of it – some people may attempt incorporating AI into animation, but at the end of the day, it will be unsuccessful.

The Rising Costs of Litigation in the M&A Sector

December 2025

Adam Dewji

5. The Present State of M&A Litigation

In recent years, litigation costs have revolutionized Mergers and Acquisitions. The natural progression of a transaction, whereby a deal is announced, negotiated, presented for stockholder approval and closed in the least contentious fashion is starting to change. Today, with rising interest rates, volatile equity markets and harsher financing conditions, the current transaction environment is far more contentious. Whereas stockholder litigation used to be an afterthought behind the transaction, now it operates within the natural process of the transaction, extending time to completion and increasing costs to get deals.

Yet, dealmaking continues to be a critical strategic tool for major companies and financial sponsors. Capital is still directed toward acquisitions, and the economic appeal of scale, consolidation and synergy creation remains compelling. But where there is economic action, a much more controversial backdrop has also arisen simultaneously. Specifically, founder-led or insider-oriented deals have drawn attention with minority shareholders willing to challenge what they perceive as exclusionary or undervalued treatment. For example, Delaware (the historical home of U.S. corporate law) has seen a surge in merger-related judgments and settlements, with caseloads increasing by four times in the past ten years.

What is not changing is the frequency of litigation but how companies are now treating it as a factor. Boards are increasingly recommended to absorb the litigation costs instead of changing the deal price. Most settlements are paid at less than 5% of the value of the transaction, meaning paying lawyers is a business expense, albeit an unpleasant one, that makes sense. Dell's VMware acquisition is an example of this as paying $1bn end the lawsuit is marginal compared to the company's worth $110bn. Thus, the risk is no longer an unknown threat of a transaction but a line item for modelling and mitigation.

Not all companies have been impacted the same however. Companies with established governance structures and effective communication of deal value experience fewer obstacles. Companies with concentrated ownership structures or complicated insider relationships, however, must anticipate more scrutiny. Increased litigation risk has raised director and officer liability insurance premiums and even incentivized firms to move to more lenient jurisdictions like Texas and Nevada to maintain an increasingly changed atmosphere.

Ultimately, the MBA continues to operate on a large scale, but the many presumptions that once allowed for expedited transactions have eroded. Litigation has become part of the process -as it drives negotiations, extends timeframes and impacts the price-setting process. Firms must balance the need for strategic deals in a timely fashion with minority investor protection. As time goes on, many firms are beginning to embrace settlements as a cost of doing business which now extends to the very operating systems of the current transaction process.

Understanding Shareholder Litigation in M&A

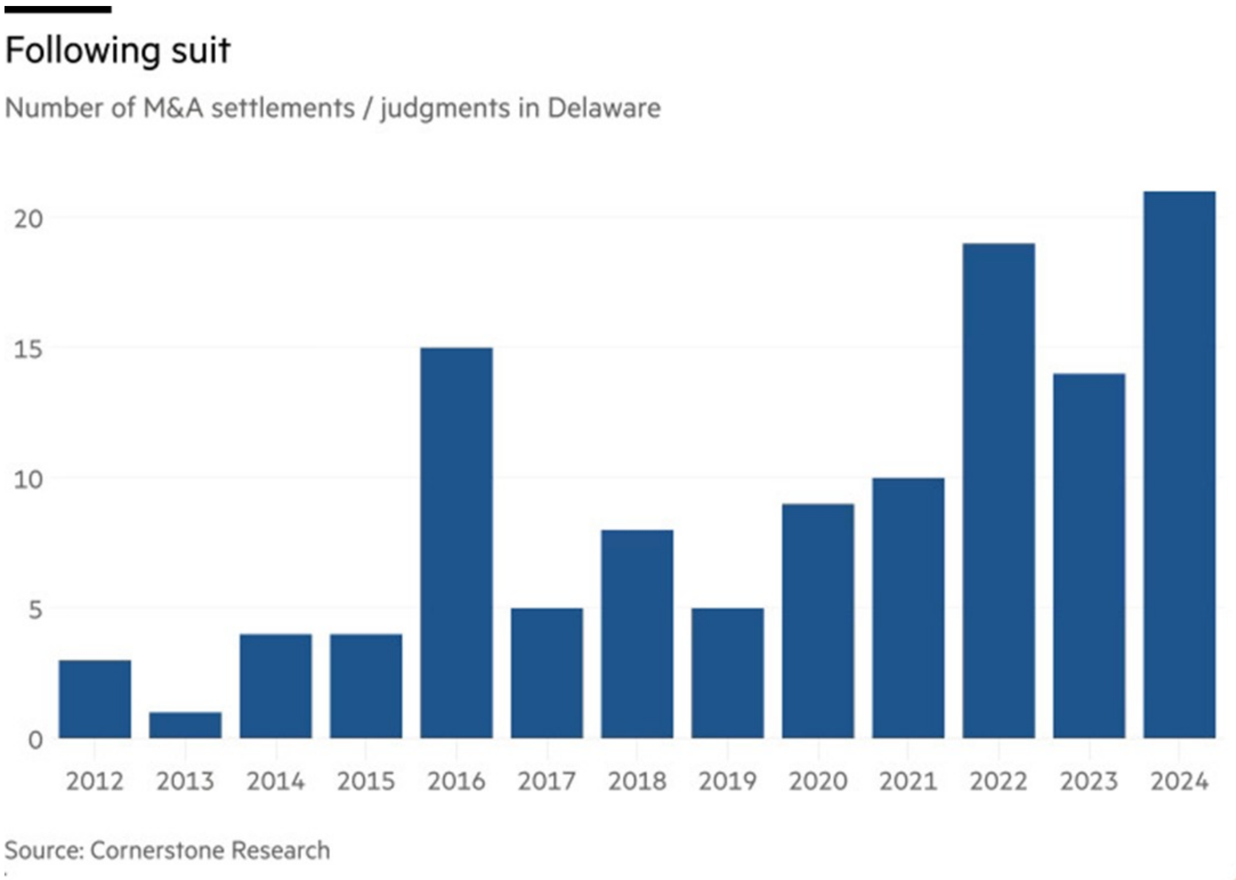
Shareholder litigation in MBA is a product of an increasingly imbalanced and institutionalized merger and acquisition landscape. As mergers and acquisitions occur on larger scales, with more complexities run by founders, private equity sponsors and active insiders, the minority investor has less of a say with everything from negotiation to outcome. This combined with fluctuating equity markets and increased uncertainty associated with valuation, creates a fertile ground for disputes. Ultimately, litigation is the tool at a dissatisfied shareholders disposal they believe a transaction undervalues their stake or unfairly favours insiders.

The prevalence of using litigation as a business strategy has sharply risen in recent years. For example, merger-related decisions and settlements in Delaware increased to nearly 20 resolutions per annum between 2022-2024 which is four times the prevalence from a decade prior. With single cases exceeding $100 million and most settlements less than 5% of aggregate deal value, boards and advisers are increasingly positioning litigation as a cost of doing business that will not impact deal economics in excess of reasonably tolerable proportions instead of an existential threat to transactions.

However, over time, this becomes a self-reinforcing cycle. As companies increasingly have settlement amounts in their deal-making models, perhaps shareholders will see the appeal of litigating more often, given that potential payout amounts, however small they may be, are significant enough. Dell'S $1bn settlement from its VMware deal seems small in comparison to Dell's market cap of $110bn and Endeavor's go-private transaction of $13bn has already been challenged a few times after bypassing a shareholder vote.

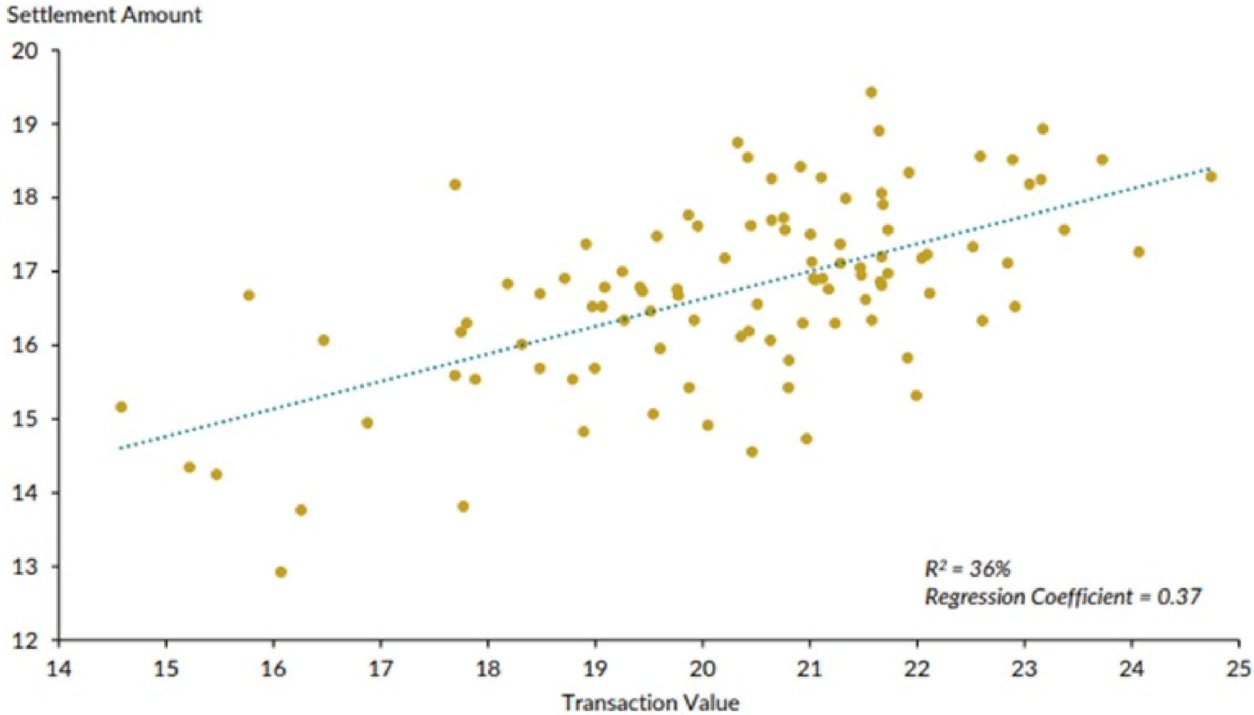
While litigation creates a path of least resistance for acquirers to finish a contested deal, it also introduces systemic risk. If lawsuits are increasingly viewed as an operational line item and not a safeguard, then they may render themselves ineffectual to deter more aggressive insider actions. Shareholder interests may be limited and the courts become the last stop instead of a useful limit on transaction structuring. What started as a means of responsibility has become a structural element of MBA which transforms not only how contested transactions are approached but also how they are shaped to begin with.

Short-term Analysis



In the short term, the increase in shareholder litigation is already becoming a practical and tangible means by which mergers and acquisitions occur. Litigation is most likely to be challenging in founder-led, private equity-controlled and otherwise controlled transactions where insiders have additional insight and ability for litigation to occur since issues surrounding value and process are more likely to emerge. In particular, take-private transactions and mergers and acquisitions with controlling shareholders on either side of the table are particularly at issue. Delaware merger litigation is on the rise, both in volume and size, with an average of nearly twenty decisions or settlements per annum from 2022 through 2024. Yet for many acquirers, this is considered more of a calculated expense than a deterrent risk. For example, on average, most settlements provide for an amount less than five percent of the deal per se which is cheaper than recasting bid considerations to get minority shareholders on board for a higher value. Additionally, courts rarely rescind merger decisions which undercut the deterrent value. Thus, the logic has emerged that boards may move forward with a contested vote and simply assume the litigation as part of the transaction value. The second-order effects are already observable with directors' and officers' insurance premiums rising, deal structures changing to avoid shareholder votes, closings taking place sooner than later to prevent liability exposure and even redomieiling to Texas or Nevada, states with more hostile value-to-shareholder provisions, to avoid potential pitfalls. While these changes allow deals to get done, they represent a larger change in value through which litigation is no longer a secondary factor but a primary expectation in how M&A is executed today.

Figure 3: Logarithm of Settlement Amount Compared to Logarithm of Transaction Value
2012–2024



Note: Transaction value is defined as the value of equity purchased in the at-issue transaction as reported by *FactSet* (see also the description in Appendix 1). The analysis uses the natural logarithm of each transaction value and settlement amount. Settlements with a missing transaction value are omitted in this analysis. One transaction with a logarithm transaction value below 14 is not shown and not analyzed. The dashed line represents the linear regression line implied by the data.

Over time, the normalisation of shareholder litigation will impact not only individual negotiations, but the overall governance and economic framework of M&A. The fact that more lawsuits are being brought is indicative of other structural pressures such as more expensive debt, more volatile equity markets and more scrutiny over valuation. It's clear that acquirers and boards of directors are starting to realise that litigation rarely halts a deal completely or requires significant cash settlements relative to overall transaction size. Legal risk, therefore, is absorbed into the deal economics instead of being a per se obstacle, which means that the incentive structure changes. Acquirers are encouraged to forego shareholder engagement in favour of speed and control because litigation is a cost they can manage.

If this continues, it could pose a structural transformation for corporate governance. Acquirers will be more likely to formulate deals expecting legal challenges after the fact, settling for settlements instead of approval processes with requisite thresholds. Early indications of such a trend in companies that limit shareholder votes, close deals quickly to avoid litigation timelines and redomicile to more unfriendly shareholder states like Texas and Nevada. Even

Delaware's response shows that legal institutions are catching up with this notion over time. This is problematic for minority shareholder protections because it weakens such rights over time as an obstacle, reducing the disciplining mechanism of framing reasonable prices and processes.

For the market, there are mixed implications. On one hand, if litigation is a factored cost over time, it increases certainty for transactions, lessens execution risk and allows capital to remain fluid even in contested jurisdictions. On the other hand, if it deprives legitimate opportunities for fair treatment and especially if insiders continue to extract value at the expense of minority investors, then public markets will be undermined by a lack of price discovery and no one will care about responsive improvements to fairness. Shareholder litigation isn't perfect, but it's one of the few tools that effectively checks insider dominance. Whether its legitimacy solidifies dealmaking or not, however, will come from courts, regulators and investors and whether they choose to keep litigation as a de facto obstacle or transformed into just another line item in the modern M&A playbook going forward.

6. What to look out for this Week

Zaki Bawany - Macro and Strategy Editor, Head of Trading

1. Macro & Policy Backdrop

- Markets enter January with positioning light and conviction fragile following a subdued year-end and a failed Santa Claus rally.
- The macro backdrop remains broadly supportive — disinflation intact, growth slowing but positive — yet increasingly dominated by geopolitical considerations.
- Central banks are expected to maintain a cautious hold stance, with policy easing still framed as a mid-to-late 2026 theme.
- The balance of risks continues to shift away from inflation toward geopolitical control of strategic assets and supply chains.

2. Geopolitics & Strategic Risk

- The Venezuela leadership crisis marks a meaningful escalation, forcing markets to reassess political stability across key commodity-producing regions.
- Investors are now pricing in prolonged instability, sanctions uncertainty, and potential disruption to Venezuelan energy exports.
- Renewed reports of the United States signalling strategic interest in Greenland have reinforced concerns around great-power competition over critical geography and resources.
- Greenland's importance — spanning Arctic access, rare earths, energy routes, and military positioning — highlights a broader trend toward resource-driven geopolitics.
- Together, these developments underscore a world where geopolitical risk is no longer episodic, but structural.

3. Oil & Energy Markets — Structural Upside

- Energy markets enter the year with supply risk increasingly asymmetric to the upside.
- Political instability in Venezuela adds to an already fragile global supply environment shaped by OPEC+ discipline and years of underinvestment.
- Rising geopolitical competition — including Arctic exposure linked to Greenland — further elevates the strategic value of energy security.
- Large, integrated oil companies are well positioned to benefit from higher risk premia, strong free cash flow, and disciplined capital allocation.

- Energy equities continue to offer a compelling mix of valuation support, dividend yield, and geopolitical optionality.

4. Defence & Security — Secular Repricing

- Defence companies remain clear beneficiaries of an increasingly fragmented geopolitical order.
- Events in Venezuela and renewed focus on Arctic strategy reinforce the case for sustained increases in defence and security spending.
- Governments are expected to prioritise naval capacity, surveillance, missile defence, logistics, and cyber infrastructure.
- Defence equities are increasingly treated as quasi-sovereign growth assets, supported by long-duration contracts and political backing.
- The sector's visibility and inflation protection continue to attract long-term institutional capital.

5. Equities & Sector Positioning

- Early 2026 leadership is likely to favour oil, defence, and strategic industrials.
- Real-asset-heavy regions such as the UK and parts of Europe may continue to outperform relative to growth-heavy U.S. indices.
- U.S. megacap tech remains structurally strong but vulnerable to valuation pressure in a higher-risk-premium world.
- Sector allocation and balance-sheet quality are expected to matter more than index beta.

6. Volatility, Liquidity & Risk Management

- Volatility is likely to normalise upward from compressed December levels as liquidity returns and geopolitical risks are repriced.
- Demand for hedging and downside protection may increase after a prolonged period of complacency.
- Investors are likely to re-enter markets selectively rather than aggressively chase upside.
- The environment favours measured exposure to strategic sectors over broad risk-on positioning.

7. Key Watchpoints for January

- Political developments and export continuity in Venezuela.

- Oil price behaviour as physical markets reassess geopolitical supply risk.
- Defence spending signals from the U.S. and Europe.
- Strategic rhetoric around Arctic access and Greenland.
- Whether equity leadership broadens beyond defensives and real assets.

Overall Outlook

January opens with markets recalibrating after a weak year-end and a sharp reminder that geopolitics remains a dominant force.
The Venezuela crisis and renewed focus on Greenland highlight a global pivot toward resource security, defence, and strategic control.
Base case: moderate growth, easing inflation, but elevated geopolitical risk — favouring energy, defence, and quality cash generators.
Upside risks: sustained oil price strength and accelerated defence spending.
Downside risks: escalation, sanctions shocks, or policy miscalculation.