

Venezuela's Return to Markets May Begin Not with Oil, but with Crediting Agencies

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Introduction

On January 3rd, Venezuela's long-frozen political and financial landscape shifted radically. After the capture of President Nicolas Maduro and his wife by the Trump administration through a military operation in Caracas, Donald Trump declared that the United States would effectively be "running" Venezuela until a transition of power could occur. Within hours, sovereign bonds and the national oil company Petroleos de Venezuela (PDVSA) bonds surged by more than 30%, reaching levels not seen since the country's 2017 debt collapse, after nearly a decade of lost hope and credit default (Reuters, 2026).

The optimistic rise extended beyond the Venezuelan bond market and reached the American stock market. Oil companies such as Chevron and ExxonMobil saw price increases, anticipating new contracts with the Venezuelan government over its oil reserves. Surprisingly however, Big Oil was not the industry with the highest gains. It was the global credit assessment industry. Firms such as Moody's, S&P Global, and Equifax rose roughly 3-5% the following trading day, outperforming much of the broader market (Reuters, 2026).

Officially, Venezuela remains in default, faces an immense amount of unresolved debt claims running into the hundreds of billions of dollars, and has not issued sovereign bonds in years (Standard & Poor's, 2017). So why would Wall Street suddenly bet on companies that rate debt levels in response to a country shut out of capital markets for nearly a decade? That's what this article seeks to answer.

Venezuela Debt Paradox

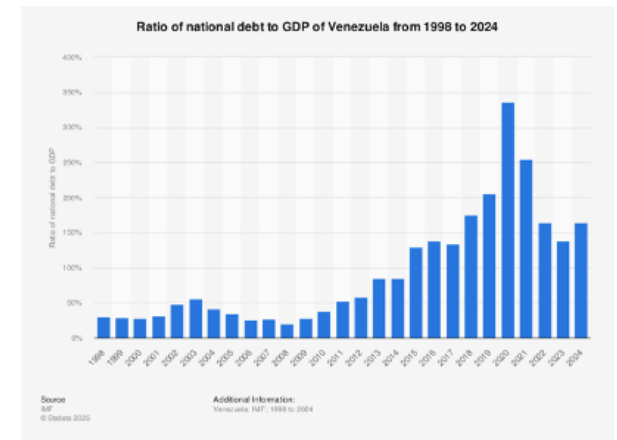
Today, Venezuela can be considered an isolated country, burdened by years of default and unpaid interest. Yet, for nearly a decade, Venezuela has issued virtually no new sovereign bonds and maintained minimal engagement with global investors, rendering it largely invisible to Wall Street (Standard & Poor's, 2017).

This freeze did not emerge gradually. It was the product of a sharp breakdown in the country's economic and institutional foundations. Years of collapsing oil output, fiscal mismanagement, and hyperinflation culminated in missed payments on both sovereign and PDVSA bonds (IMF, 2018). Credit rating agencies swiftly downgraded Venezuelan debt to default status and, in many cases, withdrew coverage altogether. For institutional investors bound by rating and mandate constraints, Venezuelan securities became effectively uninvestable. International sanctions reinforced the isolation. US and European measures restricted the government's ability to issue new debt and constrained investors' legal capacity to transact in Venezuelan securities. Venezuela was not merely pushed to the margins of capital markets; it was cut off from them entirely (Brookings, 2019).

Default in 2017 caused Venezuela to accumulate a **large stock of debt**, while the **flow of new debt** collapsed to near zero (IMF, 2018). This means Venezuela's economy has been frozen, with no capacity to repay creditors and no access to investment, rendering its government weak and untrustworthy. This is where the paradox emerges.

An overindebted country typically borrows excessively, but in Venezuela's case, it simply cannot borrow at all. While default suspended payments without eliminating legal obligations, Venezuela's "sobering" from debt consumption was not voluntary but enforced by exclusion from financial markets. Sanctions, legal uncertainty, and the withdrawal of credit ratings reinforced this frozen state. Without a recognized government able to negotiate with creditors, and without ratings to allow institutional investors to price risk, Venezuela remained outside the mechanisms that normally govern sovereign finance.

Figure 1: Ratio of National Debt to GDP of Venezuela from 1998 to 2024



Source: Statista (2026)

This isolation is precisely what made the recent political events so consequential. If the country is ruled by a government backed by the United States and regains access to foreign capital, the paradox shifts. Overindebtedness becomes actionable, allowing Venezuela to issue new debt and see its economy grow for the first time in nearly ten years. This is where credit rating agencies come into play: when a giant frozen debt stock begins to move, they knock on the door (Moody's, 2019; Reuters, 2026).

What Changes With Political Normalization

Political normalization does not immediately resolve Venezuela's debt issues, nor does it fundamentally restore investor confidence or economic stability. Instead, it modifies the institutional procedures for managing, renegotiating, and eventually expanding government debt in a subtle but significant way (IMF, 2018). Put differently, normalization makes Venezuela's financial status negotiable rather than politically fixed.

Indeed, authority becomes clear with a government acknowledged and supported by the outside world. A fundamental coordination issue has plagued Venezuela's creditors for years: who is legally authorized to negotiate, restructure, or issue debt on the state's behalf? Political normalization reduces this ambiguity. Negotiations with creditors, international organizations, and regulators can begin as soon as a counterpart is recognized as legitimate by major nations, particularly the United States, even when the results are still uncertain (Brookings, 2019). Markets often value the mere existence of a bargaining partner higher than the actual quality of the agreement.

Furthermore, normalization reduces confusion about legal risks and sanctions. In addition to limiting Venezuela's borrowing capacity, sanctions have exposed banks, investors, and intermediaries to noncompliance risks. Expectations regarding sanctions relief, exemptions, or gradual removal shift with political alignment to Western countries. A clearer legal framework lowers the "uncertainty premium" ingrained in Venezuelan assets even before official changes occur (Brookings, 2019). Because markets respond to the likelihood of permissibility rather than its confirmation, prices frequently move ahead of policy.

Finally, investor perception of financial risk changes. In isolation, Venezuelan debt presented two outcomes: total loss or a far-off speculative

recovery. Political normalization transforms this binary risk into a probabilistic one. Even small increases in anticipated recovery rates can trigger large price changes in severely distressed bonds. This dynamic explains the dramatic rise in PDVSA and Venezuelan bonds, as well as knock-on effects for firms supporting sovereign re-entry, such as credit rating agencies (IMF, 2018). These firms are more discreet than oil companies, but according to Wall Street, they are the first winners regarding this regime change in Venezuela.

Why Credit Rating Agencies Are The First Winners

The increase in credit rating agency share prices after Venezuela's government change may seem paradoxical. No new sovereign issuance is imminent; Venezuela remains in default, and its debt is largely unpaid. From the perspective of international capital markets, however, rating agencies benefit from the reactivation of borrowing procedures rather than successful borrowing (Moody's, 2019). Political normalization creates a need for appraisal even before finance demand materializes.

The key to modern sovereign finance is credit ratings. Institutional investors, banks, and asset managers must comply with regulations requiring rated securities to keep, trade, or research sovereign debt. For years, the lack of an assessable risk framework, combined with sanctions and default, reinforced Venezuela's exclusion from markets. Risk does not just rise when ratings are removed; it becomes impossible to measure. Even highly unfavorable measurements are preferable to having no framework at all.

Importantly, rating agencies can create value without Venezuela regaining investment-grade status. Activity is triggered by distressed ratings: new debt frameworks must be assessed, recovery values projected, and restructuring alternatives considered. Formal ratings would be required for

any future issuance, whether to sustain the oil industry, finance reconstruction, or refinance historical claims. Venezuela's enormous frozen debt represents latent demand, which begins to melt once the country re-enters institutional finance (Moody's, 2019; Reuters, 2026).

This explains why markets respond quickly. In the financial value chain, rating agencies operate upstream. Before banks structure transactions, investors allocate capital, or sovereigns borrow money, rating services are essential. Venezuela becomes rateable with political stabilization. Whether debt is issued this year or in five, that shift alone holds economic significance for companies like Moody's and S&P. The market response here reflects a bet on the normalization of financial intermediation, not on Venezuela's recovery. Credit rating agencies gain from uncertainty becoming quantifiable again, not from optimism.

Risks of Premature Optimism

Although credit rating agencies' gains and the increase in Venezuelan bonds indicate that markets are pricing in new opportunities, the reality remains uncertain. Political normalization fosters engagement but does not guarantee stability, solvency, or a seamless return to international finance (IMF, 2018). Investors may underestimate the complexity and fragility of Venezuela's situation if they interpret the recent rally as a sign of imminent recovery.

First, the transfer of power remains precarious. Despite Maduro's removal, legitimacy and continuity may be threatened by rival political factions and weak institutions. Any reversal or fragmentation of authority would immediately reintroduce the uncertainty that kept Venezuela frozen out of capital markets for nearly a decade. Markets price credibility quickly, but they can withdraw it even faster when political realities disappoint.

Second, Venezuela faces a substantial legal and financial overhang. Complex arbitration claims, litigation, and frozen assets, particularly surrounding PDVSA and its international subsidiaries, remain unresolved (Brookings, 2019). Political change does not erase these claims; normalization may even activate creditor actions previously constrained by uncertainty. Restructuring will take time and is unlikely to proceed linearly.

Third, sanctions relief is neither automatic nor comprehensive. Political alignment with the US may shift expectations, but regulatory clarification is incremental and contingent on political debate. If relief is limited or delayed, investors who priced in optimism may face corrections.

Finally, it is crucial to differentiate **process from outcome**. Political normalization restores mechanisms for negotiation, assessment, and coordination but does not resolve macroeconomic dysfunction, reduce hyperinflation, or make Venezuela solvent overnight. Even if debt restructuring takes years or yields minimal recovery, credit rating agencies may benefit from renewed activity. Investors risk overestimating how quickly institutional engagement will translate into market access or positive cash flow.

The market's early reaction reflects a rational repricing of optionality, but it may overshoot the pace and feasibility of Venezuela's financial recovery. The rise in bonds and rating agency shares underscores the importance of process credibility rather than fundamental improvement.

Conclusion

The sharp rise in Venezuelan bond prices and gains for credit rating agencies illustrates a fundamental reality of modern financial markets: they frequently respond more to institutional credibility and process than to current economic fundamentals. Political normalization has not resolved Venezuela's

decade-long default, hyperinflation, or complex web of creditor claims. It has, however, transformed a politically frozen debt problem into one that is financially negotiable, creating the framework for ratings, negotiations, and market engagement (Reuters, 2026).

Credit rating agencies operate at the upstream end of this transition by converting institutional and political signals into quantifiable risk. Their gains demonstrate that markets place high value on the ability to measure and price risk, even in extremely distressed situations. Investors view the market's reaction to Venezuela more as a bet on the reinstatement of systems that allow sovereign debt to be traded and assessed than as a bet on immediate solvency.

Venezuela provides a compelling example of the interplay between market perception, institutional re-engagement, and political change. It reminds analysts, investors, and policymakers that signaling can influence markets long before fundamentals improve, and that process often precedes profit in distressed economies. The recent market moves underscore the critical influence of institutional infrastructure and legitimacy in shaping financial expectations, even when risks such as political reversibility, legal overhang, and slow sanctions relief remain. Ultimately, Venezuela shows that rebuilding trust and quantifiable risk can be as important as cash flow in the world of sovereign debt (IMF, 2018; Moody's, 2019).

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