

ECONOMIC AND FINANCIAL IMPACTS

THE MILITARY OPERATION IN VENEZUELA

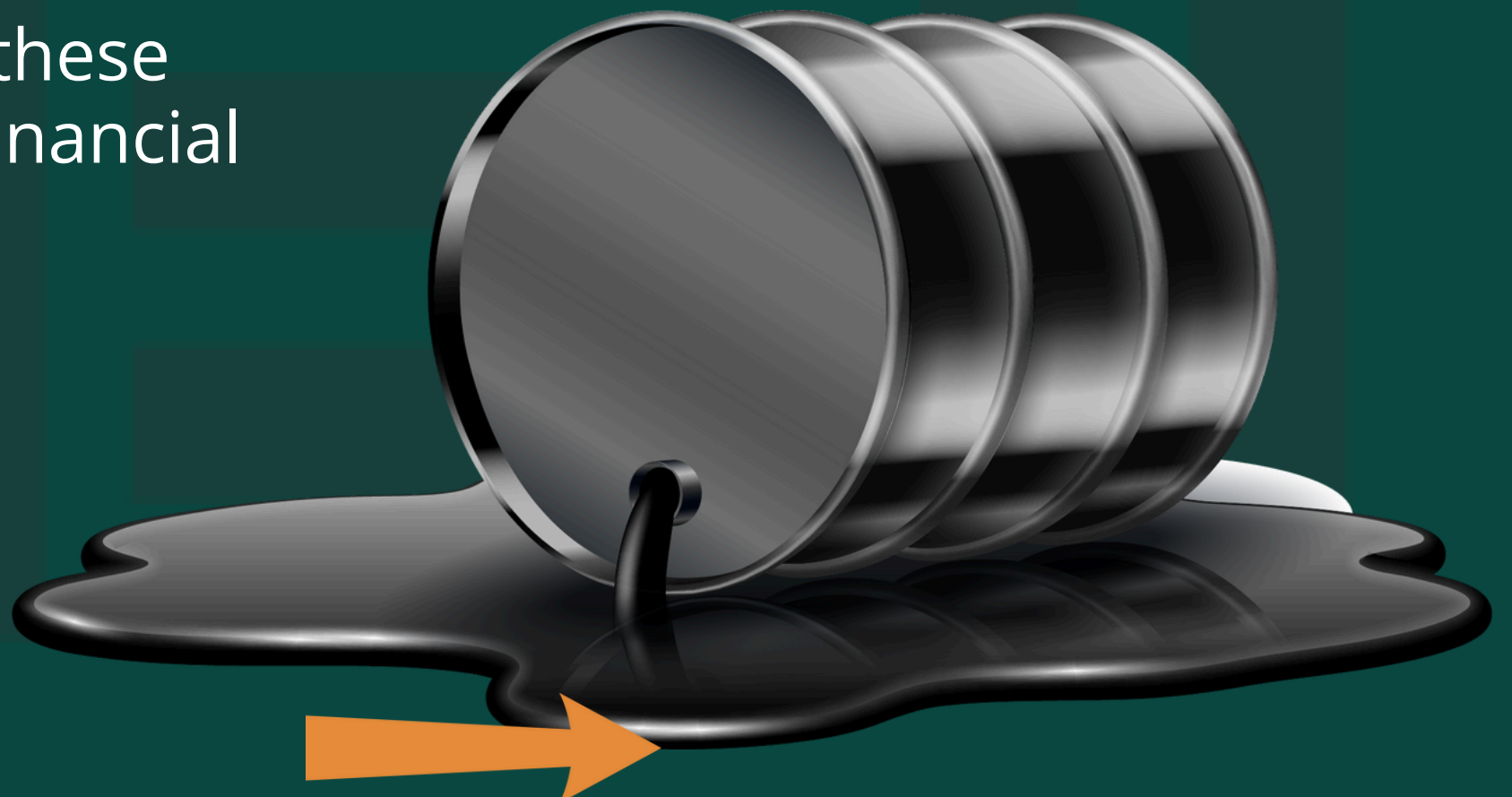




THE POST-MADURO TRANSITION IS FAR FROM CLEAR.

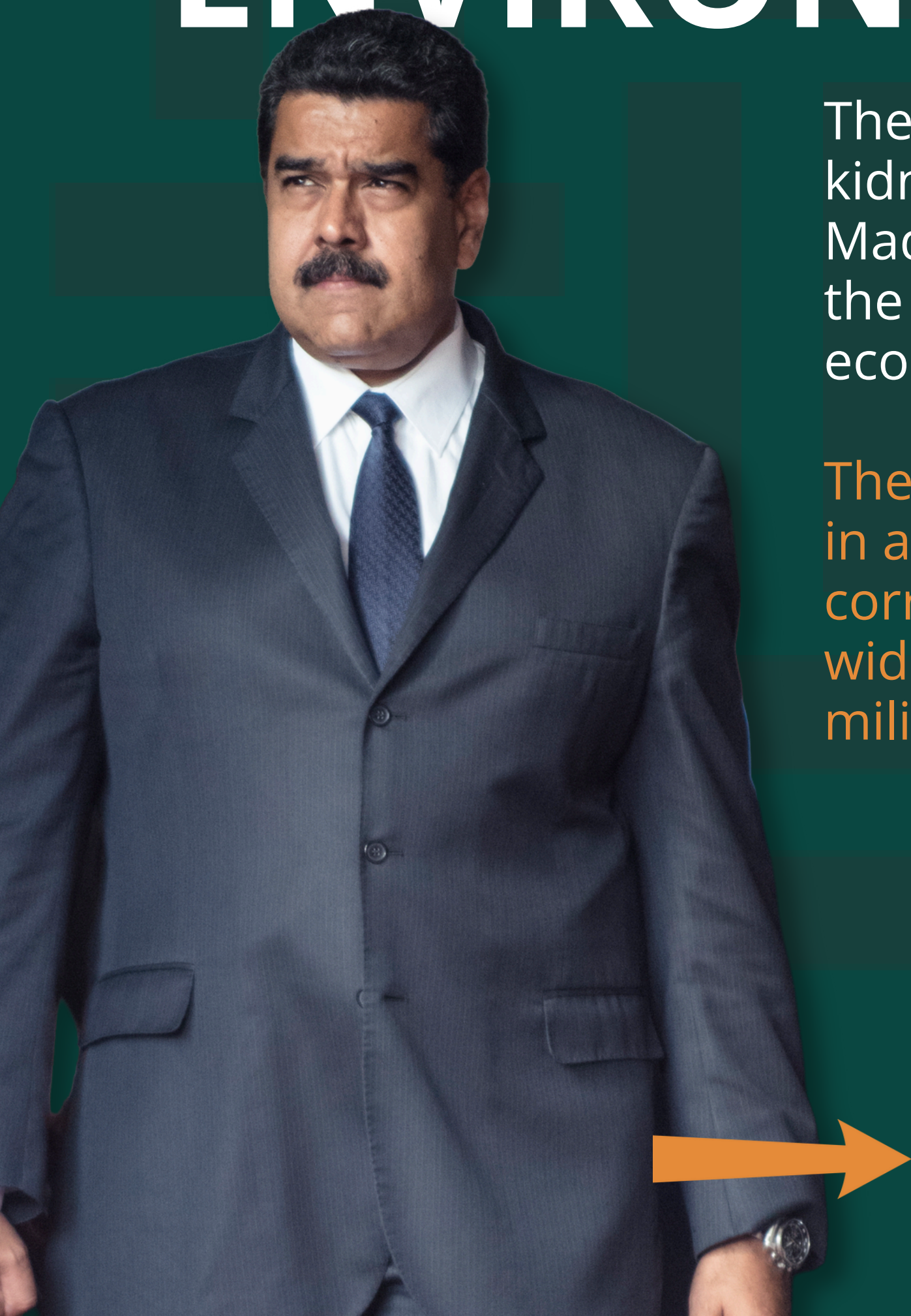
The future of oil production in Venezuela is highly uncertain and ushers in a period of major risk for interest rates, inflation, the US dollar, and metal prices.

We review these issues for financial executives.





A HIGHLY UNCERTAIN ENVIRONMENT



The removal/
kidnapping of President
Maduro has upended
the political and
economic balance.

The future is uncertain
in a country where
corruption is
widespread and the
military is divided.



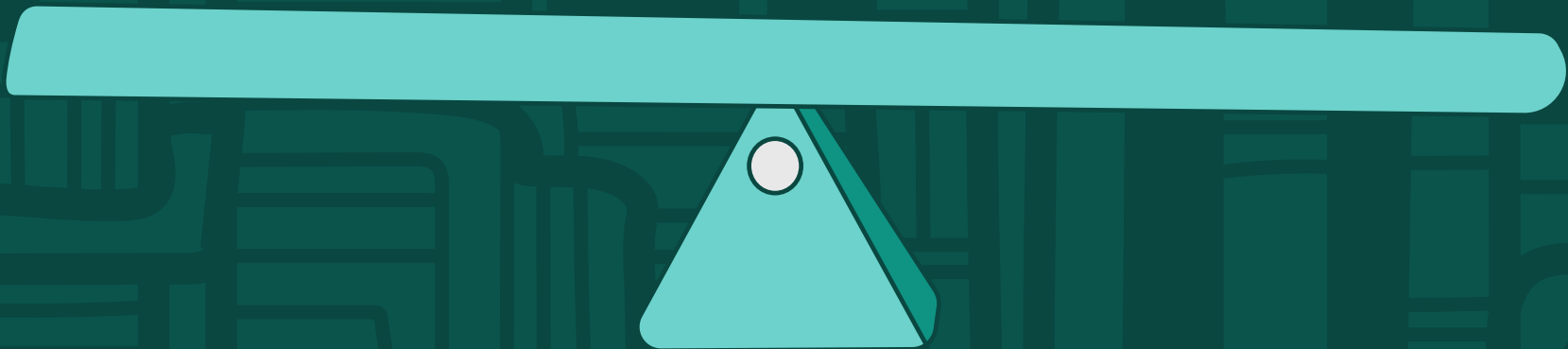
Donald Trump plans to redirect existing production to the United States and quickly ramp up Venezuelan output to its full potential with the help of his “Majors” and specialized cokers capable of refining Venezuelan-type crude.



Venezuela's stability directly influences...



...global energy markets and regional security in Latin America..



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IMMEDIATE EFFECTS SINCE THE MILITARY OPERATION

Sharp decline in
crude oil prices on
certain grey markets
(such as Ural or
Venezuelan oil), with
significant discounts
compared to major
benchmark contracts.

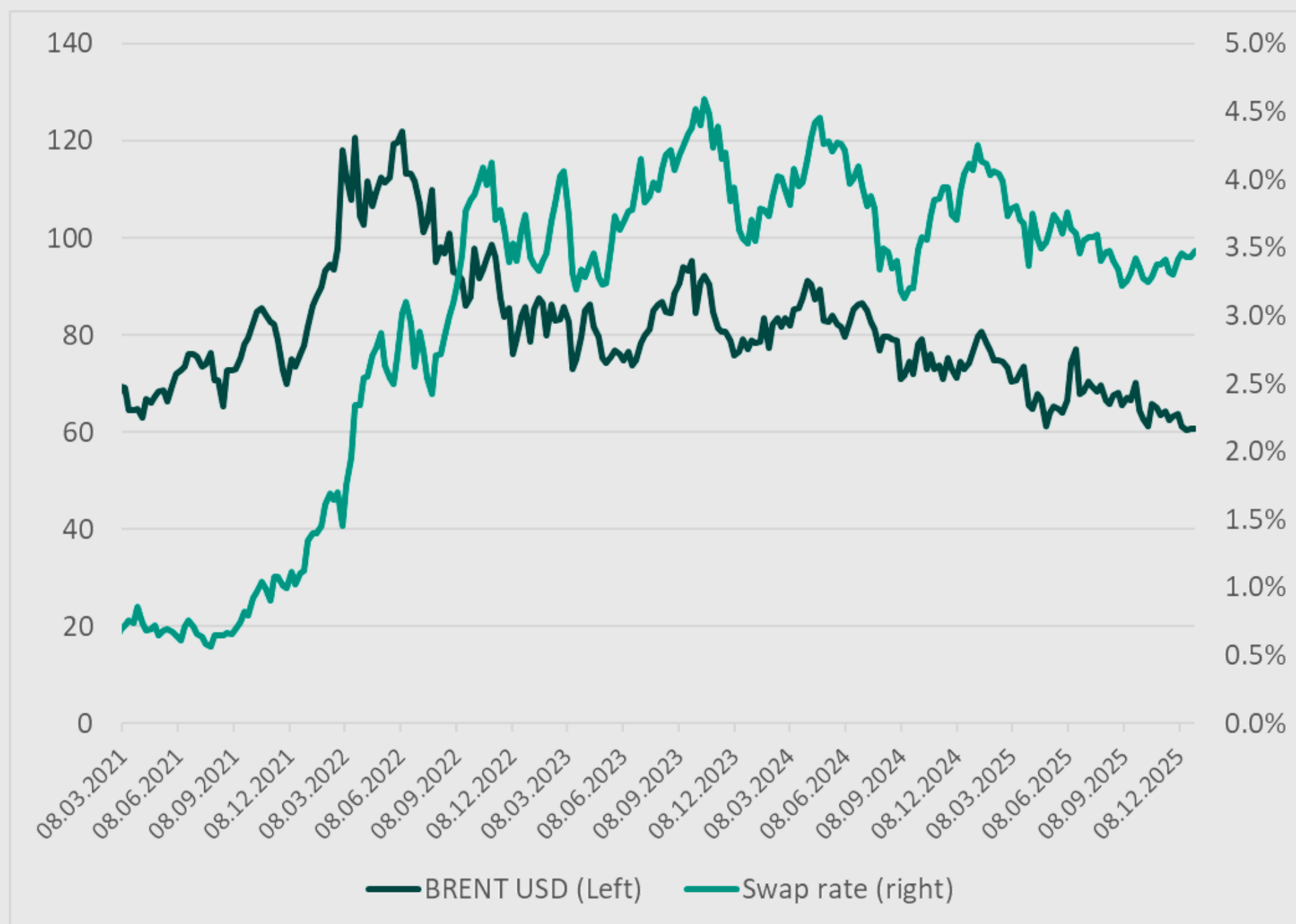




Markets have **lowered** their inflation expectations.

Short- and medium-term interest rates have **fallen** by around ten basis points.

The effects on **inflation** could be even more significant in the U.S. if they gain control of Venezuelan production.

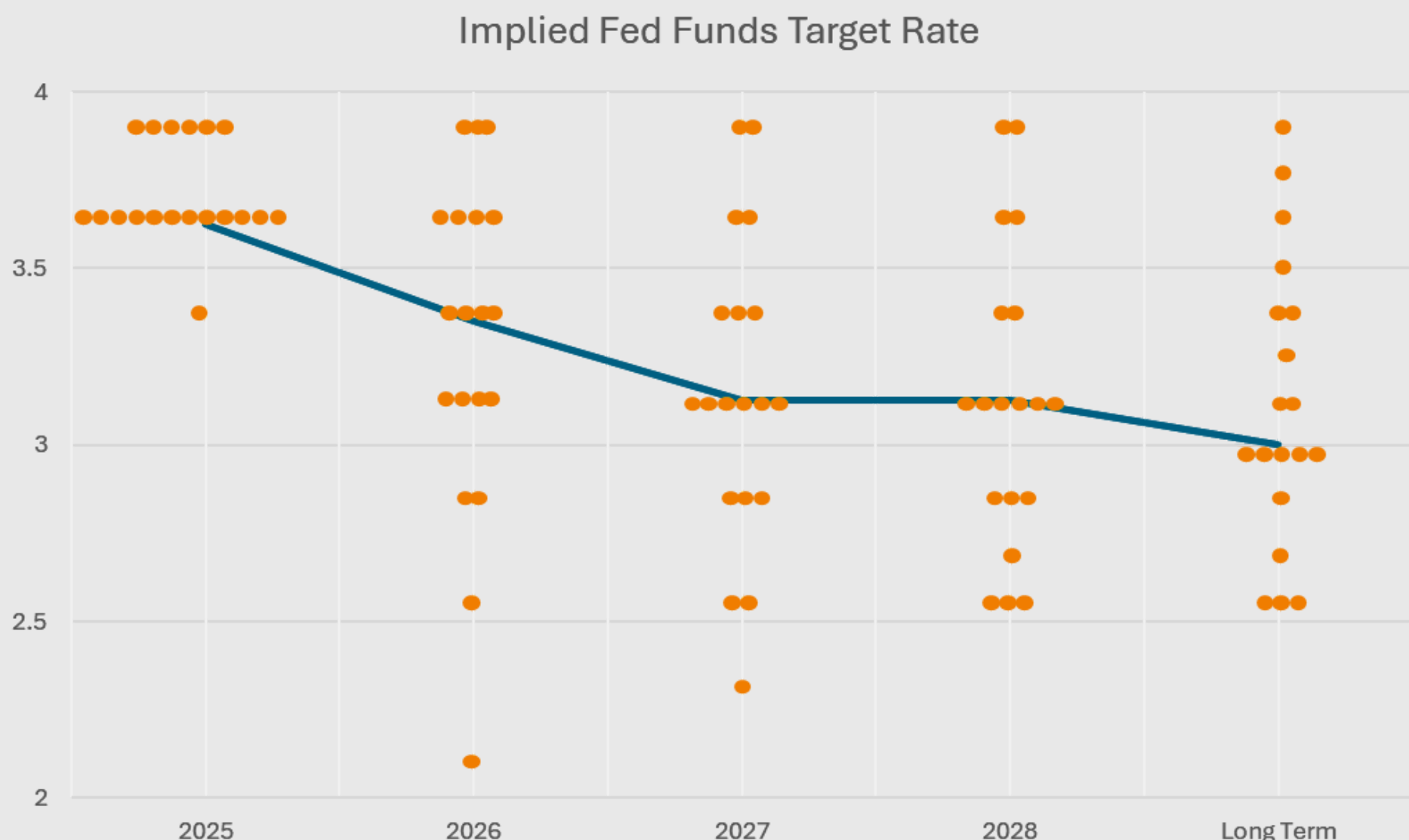




The U.S. dollar strengthened following the military intervention and continues to serve as a safe haven amid geopolitical risk.

Nevertheless, fundamentals quickly caught up with reality, with most central banks on “standby” and the Fed cutting its rates. It will face pressure from Donald Trump and the next Fed chairman to lower them even further.

Beyond the anticipated 3% landing for the Fed Funds rate: a **6-month hedge on the EUR/USD adds 0.93 cents** compared to the spot rate.





A MAJOR ISSUE FOR COMMODITIES

Latin America is a global “mining belt” thanks to the Andes mountain range. In a destabilized region, the state loses control of the mines to armed groups or cartels, and investors fear a disruption of the supply chain.





After the extreme volatility in silver prices over the holiday period, precious and industrial metals (particularly those essential for the green transition) are resuming their upward trend.

This “contango” market (futures prices reflecting expectations of rising prices) complicates, but does not prevent, hedging for industries that consume precious or industrial metals.





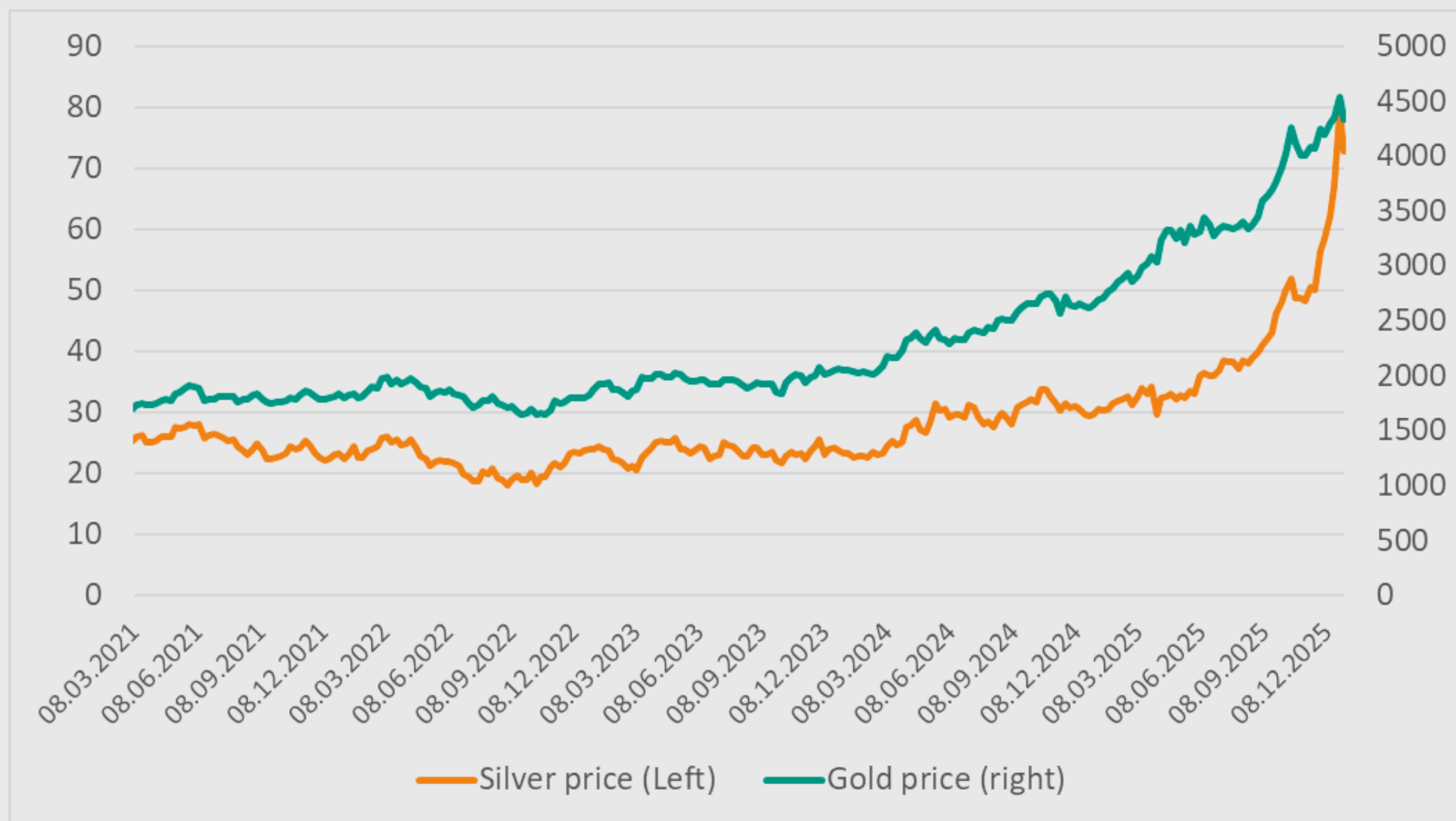
The ounce of gold is at USD 4,468 spot and USD 4,551 in 6 months.



The ounce of silver is at USD 77.49 spot and USD 76.73 in 6 months.



The pound of copper is at USD 5.88 spot and USD 5.91 in 6 months.





Let's discuss this if you wish to address issues related to the Venezuelan market and the current geopolitical stakes.

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