

## Capitol Insights: Venezuela Takes Center Stage

January 5, 2026

Congress returns to Capitol Hill this week for the start of the 2026 legislative session, with lawmakers clamoring for more detail on U.S. military action in Venezuela, the authorities the Trump administration relied upon, and its go-forward plans for the country and broader region. Secretary of State Marco Rubio and Defense Secretary Pete Hegseth are scheduled to brief top lawmakers this evening, and Trump will meet with House Republicans in a closed-door meeting at the Kennedy Center on Tuesday.

Even as Democrats search for a unified message in response to the administration's action, Senate Democrats are already planning to force a vote as early as this week on a War Powers Resolution to block further military action within or against Venezuela without clear congressional authorization. The resolution is likely to garner support from one or two Senate Republicans, but the party's rank and file across both chambers has thus far been in relative lockstep – supporting the administration's actions in Venezuela over the weekend. We see **very low odds Congress intervenes to tie Trump's hands on action in Venezuela** or even the broader region.

While the Venezuela fallout will dominate headlines for at least the next week, lawmakers are getting back to work on efforts to avert another government shutdown come January 31. Time is tight, with each chamber planning to take one week off later this month. The current aim is to pass three separate three-bill spending packages, completing the remaining 9 of 12 appropriations bills. Congress cleared an Agriculture, Legislative Branch, and Military Construction-VA spending package last year. First up this year is likely to be a package that includes the Commerce-Justice-Science, Energy-Water, and Interior-Environment bills.

It is clear to us that **neither side is angling for another shutdown**. Democratic Majority Leader Chuck Schumer (D-NY) said as much over the weekend, adding that the party's fight to extend the recently-expired ACA enhanced premium tax credits is now on a "separate track" from the appropriations process. What that means: Rather than using leverage to force a resolution, **Democrats are content to keep the ACA subsidies debate alive as political fodder through the 2026 midterms**. While some appropriations bills/packages could still falter, we expect lawmakers in those instances will simply agree to another continuing resolution, likely through the end of the fiscal year.

This week, the House is also scheduled to clear two bills to reverse past energy and water efficiency rules. This includes the **Affordable HOMES Act**, which would restore sole authority to HUD for setting energy efficiency standards for manufactured housing (MH). The Republican-led and MH-producer-backed bill has garnered some Democratic support and though minor by itself, is indicative of the coming policy tailwinds we see benefiting the sector this year [**Cavco** (CVCO), **Champion Homes** (SKY), **Legacy Housing** (LEGH)].

Waiting in the wings for potential action in the House is a three-year extension of the expired ACA subsidies, which will be a much-watched vote even if the bill is dead-on-arrival in the Senate.

Beyond Washington, we note that **California Gov. Gavin Newsom (D)** is scheduled to give his last annual state of the state address on Thursday. We expect this speech will not just be to the people of California, but to the broader American electorate. Newsom is currently the favorite to take the Democratic nomination for president, and all of his actions will be done with a likely White House bid in mind.

## Venezuela Operation: Oil Market Implications

The energy markets continue to digest the U.S. action in Venezuela, weighing whether the potential for expanded oil production and supply from the country offsets the rising risk of global instability. The country is home to the world's largest oil reserves but has become a minor producer on the global stage in recent years with its output going from ~3.5 million barrels per day in 1997 to now less than 1 million barrels per day.

**Our Take:** We see current dynamics presenting only headline risk for a rise in crude prices, while representing a likely boost for **Chevron** (CVX). More materially, we expect the Trump administration to both pressure and entice U.S. refiners [**Phillips 66** (PSX), **PBF Energy** (PBF), **Valero** (VLO)] to re-engage their utilization of Venezuelan crude to help deliver on the president's promise for sub-\$2.00 gasoline prices at the pump. Such a move promises to depress global crude prices further. Most American refiners, save for Chevron during periods of temporary easing, had weaned themselves off Venezuelan crude since sanctions began in 2019.

## Venezuela Operation: Defense Implications

The U.S. capture of Venezuelan President Nicolás Maduro represents the most significant unilateral American military action in Latin America since the 1989 Panama invasion. This operation opens a complex second chapter with the U.S. effectively assuming implicit ownership of Venezuela's political transition, economic stabilization, and humanitarian crisis. In addition, the Trump administration is sending clear signals that it is taking a more hands-on approach in the region.

**Our Take:** Trump's acknowledgment that helicopters sustained damage underscores rotary wing vulnerability and supports **Textron's** (TXT) Bell V-280 Valor FLRAA program. The broader operation validates **Northrop Grumman** (NOC) platforms, **L3Harris** (LHX) systems, and **Huntington Ingalls** (HII) amphibious assets that served as the floating staging base. More broadly, Southern Command has historically been underfunded, and the operation justifies increased resourcing for maritime patrol and interdiction assets, regional basing infrastructure, partner nation security cooperation, and counter-narcotics operations. Beneficiaries include **Lockheed Martin's** (LMT) P-8 variants and **General Atomics'** (private) MQ-9 platforms.

## Iran: Protests, "Locked and Loaded," and the Strike Calculus

While Venezuela has taken center stage, last week we also witnessed the largest Iranian protests since 2022, triggering Trump's strongest public commitment to date on potential U.S. intervention. The protests are now in their ninth day, prompted by Iran's faltering economy and the sharp decline in the value of its currency – the Iranian rial has sunk to a record low against the U.S. dollar and inflation has spiked as sanctions over Iran's nuclear program squeeze the economy.

**Our Take:** We believe unrest is likely to delay rather than accelerate near-term military action. A permanently weakened, dysfunctional Iran may serve Israeli and U.S. interests better than regime collapse, and certainly better than a strike that risks rallying nationalist sentiment behind the government. Therefore, while we do not see the protests as a catalyst for strikes, we maintain our 85% probability that the U.S. or Israel will hit Iran by mid-2026. Defense names that moved meaningfully during the June 2025 strikes include **RTX** (RTX), **Lockheed Martin** (LMT), and **Northrop Grumman** (NOC).

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