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For investment professionals only

Ashmore

Latin America: Monroe Doctrine 2.0 amid a transition to the right (Abridged)

Over the last 12 months, the framing of political and geopolitical risk around Latin American (LatAm) assets has improved materially. Concerns over institutional deterioration in Mexico and Brazil have subsided. Across the region, orthodox economic policy and right-wing parties are in the ascendency. LatAm countries ended up with very low US tariffs versus the rest of the world. US policy towards LatAm countries has shifted back towards activism, with the goal of securing them as strategic allies and economic partners. This is a positive development for investors in the region, in our view. With inflation subsiding, and company earnings accelerating alongside stronger commodity prices, it is looking increasingly likely that LatAm is close to entering a sweet spot for investors.

An active US stance…

The Trump administration's 2025 National Security Strategy says the US will "assert and enforce a 'Trump Corollary' to the Monroe Doctrine",[1] restoring Western Hemisphere primacy as a core national interest. The impetus is threefold:

i) to promote economic stability to reduce migration pressures,
ii) to deepen security cooperation to disrupt drug trafficking and weaken cartels, and
iii) to prevent "non-Hemispheric competitors" (China/Iran/Russia) from owning or controlling regional strategic assets and supply chains.

In our view, the Monroe Doctrine 2.0 implies higher odds of US economic support for reformist, market-friendly governments, including investment into infrastructure, oil/energy and critical minerals, all of which is supportive for investors. The US has already demonstrated a willingness to politically and financially backstop aligned governments (e.g., Argentina) which can lower perceived tail risks and compress risk premia. It has also obviously demonstrated the willingness to do the opposite in Venezuela. Resource concentration underpins LatAm's strategic relevance in an environment where the race for artificial intelligence (AI), energy, and defence capacity among global superpowers is creating a structurally bullish commodity outlook.

The US is likely to use its leverage to de-risk projects and crowd in private capital where it wants to build resilient commodity supply chains or where rivals have entrenched positions.

- **Copper:** Chile (5.3Mt) and Peru (2.6Mt) produced around one-third of mined copper in 2024.
- **Lithium:** Argentina, Bolivia and Chile hold 57Mt of measured and indicated lithium resources, about half of the global total (115Mt).
- **Niobium:** Brazil produces ~100,000t (2024e), roughly 91% of global output, and holds the bulk of reserves.[2]
- **Rare earths:** Brazil holds 24% of proven global rare earth resources, 2nd to China.
- **Oil:** Venezuela has ~303bn barrels of proven crude reserves (2023), ~17% of global reserves.
- **Silver:** Mexico ~6,300t and Peru ~3,100t of mine production in 2024, versus ~25,000t global total ⇒ ~25% and ~12% of global output, respectively.

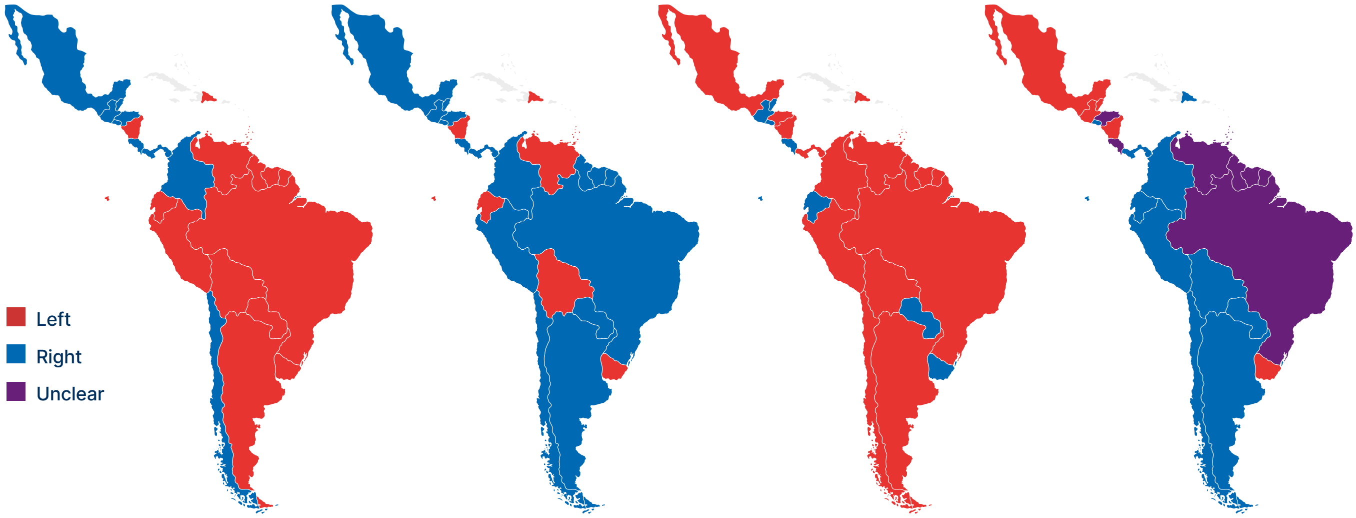
…amid a political transition…

If the political tide in Latin America were not already shifting rightwards, the picture would be more complex, with friction against US interventionism more likely. However, within the context of an ongoing LatAm 'blue wave', it is likely that governments will be increasingly receptive to working with the US. Across the LatAm region, recent elections have seen incumbents punished for weak growth, high inflation, and escalating organised crime. The candidates who have succeeded have campaigned on tighter security and macro stabilisation, policies which can compress risk premia in the region and raise the potential for investment led growth.

In our view, this is less about a shift from left to right, than a shift towards pragmatism, which will likely be bipartisan in many countries. We have already seen this in Mexico through Claudia Sheinbaum's shrewd dealings with the US, and increased focus on improving business conditions. It is likely that President Trump will endorse Bolsonaro in Brazil, however, in the scenario of Lula retaining power this year, we still expect his government to promote a healthy business relationship with the US.

[1] See – *"Latin America: Monroe Doctrine 2.0 amid a transition to the right"*, The Emerging View, 30 January 2026.
[2] Niobium is a key transition metal used as an alloying agent to enhance steel durability.

Fig 1: **Latin America 2nd wave to the right**



Source: Ashmore. Data as at 25 November 2025.
Last map represents our base case for 2026 year-end. Countries highlighted in purple have uncertain outcome.

Key 2026 Elections

Colombia (May 2026)

- **Polls:**
  AtlasIntel/SEMANA de la Espriella 28% vs Cepeda 26.5%; GAD3/RCN Cepeda 30% vs de la Espriella 22%
  → still too close to call.
- **Investment implications:**
  Less about ideology than predictability + institutions – the bullish signal would be the winner building a majority and implementing fiscal reforms in a fragmented Congress.

Brazil (October 2026)

- **Polls:**
  Very tight between left and right; some polling shows Lula ahead vs Flávio Bolsonaro (e.g., 39-30), others show a near tie in round one and Bolsonaro leading in a runoff.
- **Investment implications:**
  A rightward shift isn't yet priced and would likely deliver upside if it comes with a coherent majority and clearer policy. Lula staying in power may mean higher uncertainty around around the direction of fiscal spending and inflation, however policymaking is likely to remain pragmatic in near term.

...meets low valuations and building momentum:

Since the November announcement of the new US National Security Strategy, LatAm stocks are up 15%, taking their one-year performance to 66%.

Accelerating earnings expectations are the key driver of this move, but the strong momentum suggests markets view the revival of US interventionism in LatAm as a positive factor, a stance we agree with, given the likelihood of increased foreign investment and favourable trade policies with countries that align with the US.

Despite the bumper performance, LATAM equity valuations remain undemanding (Fig 3), particularly relative to US stocks, which are nearly twice as expensive in price/earnings terms.

Latin America has a very different sectoral profile than the broader EM market. The region is dominated by banks and materials companies, rather than IT.

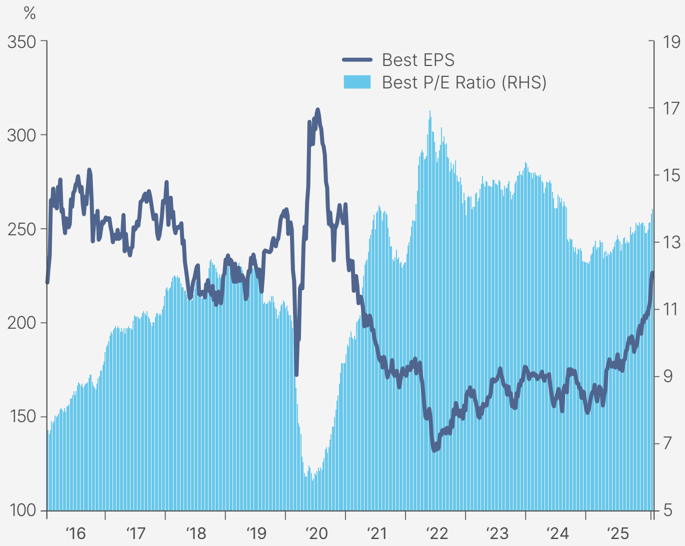
The bull case for LatAm sees each of these sectors feeding positively off each other as the business cycle accelerates. Most LatAm countries are prominent commodity exporters, so stronger commodity prices lead to faster growth, with banks being levered plays on the economy. For example, from 2003 to 2007, as commodity prices boomed, LatAm stocks returned 46% per year, and the region grew 5% per year in real GDP terms, compared with just 3% from 2022 to 2024.

Fig 2: **MSCI LATAM sector weights vs MSCI EM**

Industry	LatAm	MSCI EM	Weights
Financials	35.1	21.3	13.8
Materials	20.7	7.7	13.0
Consumer Staples	11.0	3.4	7.5
Industrials	9.5	7.1	2.5
Energy	7.9	3.7	4.2
Utilities	7.7	2.2	5.5
Communication Services	3.3	8.8	-5.5
Consumer Discretionary	2.0	11.2	-9.2
Real Estate	1.5	1.3	0.2
Healthcare	0.8	3.0	-2.2
Information Technology	0.6	30.4	-29.8

Source: Ashmore, Bloomberg. Data as at 29 January 2026.

Fig 3: **MSCI LATAM – 10 year performance**



LatAm currencies have performed very well in the past year, underpinned by strong carry and high real yields. Nominal yields are likely to fall in 2026 with rate cuts coming into play in Brazil, and remaining in play in Chile, Peru, Mexico. But with inflation also trending lower, real yields are likely to remain elevated and keep currencies anchored, particularly in a weaker US Dollar environment where commodity prices are robust. In real effective exchange rate (REER) terms, South American currencies, apart from Peru, remain undervalued versus 2010 levels. The Mexican peso is around fair value, according to Bank for International Settlements (BIS) data.

Fig 4: **LATAM REER** (2010=100)

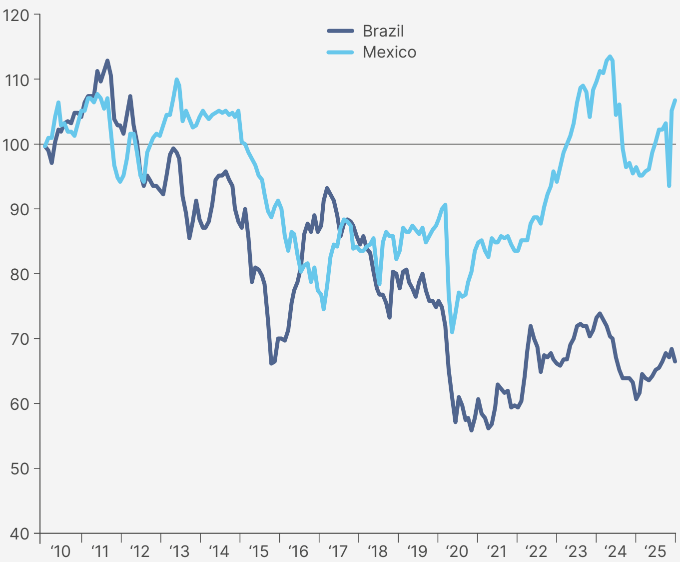
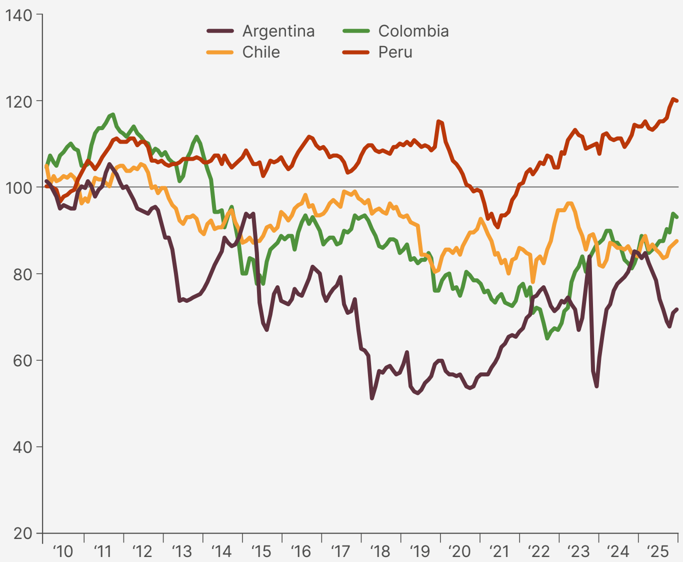


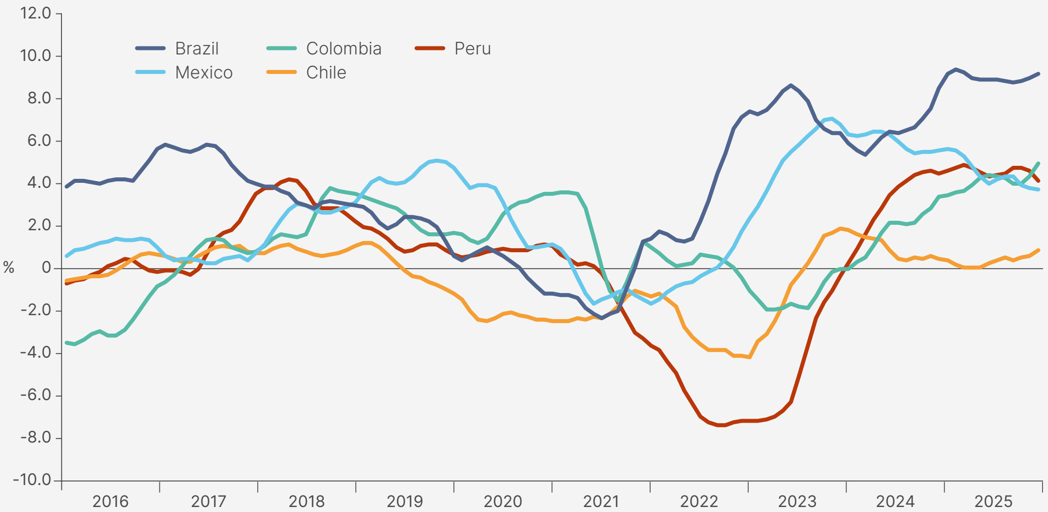
Fig 5: **LATAM REER** (2010=100)



Source: Ashmore, Bloomberg. Data as at 29 January 2026.

Real government bond yields at these levels also highlight the prospects for duration returns in local currency bonds, particularly in Brazil, especially if inflation surprises to the downside next year.

Fig 6: **LATAM real yields** (1 yr govt. bond yield vs est. 2026 CPI)



Source: Ashmore, Bloomberg. Data as at 29 January 2026.

Improving economic fundamentals have led to net credit rating upgrades across the three agencies over the last two years. Attractive valuations, appreciating currencies and accelerating earnings have attracted increasing foreign investment flows, with mid-2025 an inflection point.

Fig 7: **Latin America Upgrades/Downgrades**

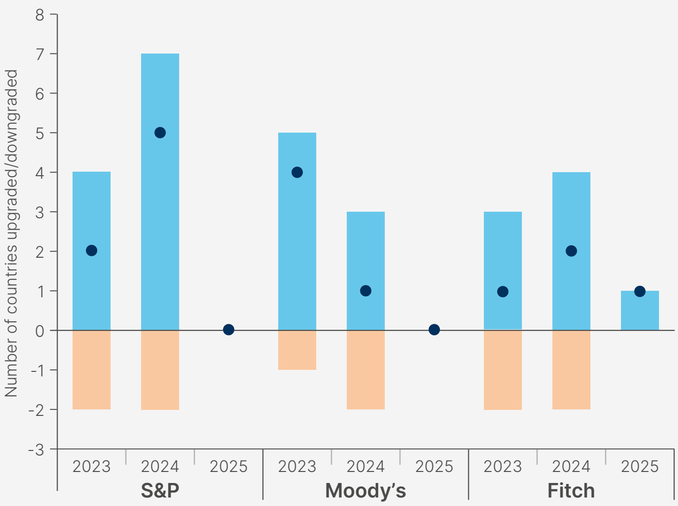
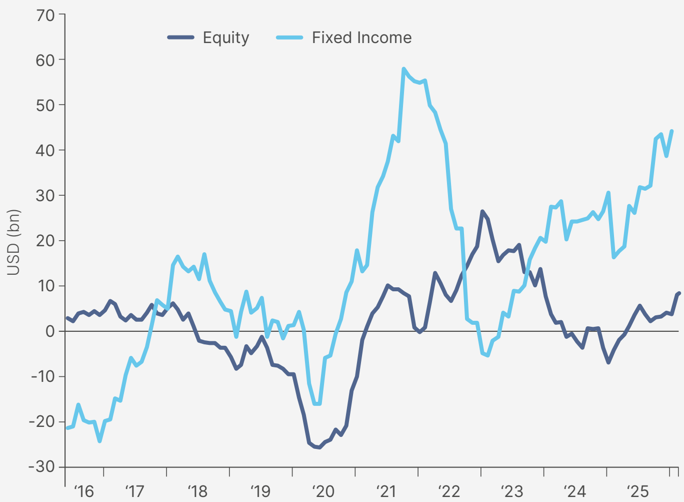


Fig 8: **South America proxy flow** (Brazil + Chile + Colombia)



Source: Ashmore, Bloomberg. Data as at 12 February 2026.

Conclusion

Latin America enters 2026 with strong momentum: improving earnings, lower perceived policy risk, and still-attractive valuations driving stronger international inflows. The "Monroe Doctrine 2.0" has so far reinforced this backdrop, lifting the region's strategic relevance in security, infrastructure and critical resource supply chains as global fragmentation intensifies. If 2025 was a recovery year, 2026 looks like an acceleration year. The 2026 election cycle could further entrench recent momentum if new governments strengthen policy credibility, maintain fiscal discipline and cooperate with the US-led security and economic framework – supporting the case for a larger, longer-term EM allocation to Latin America.

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Emerging View

Latin America: Monroe Doctrine 2.0 amid a transition to the right

30 January 2026
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