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

By Gustavo Medeiros and Ben Underhill

With politics shifting back towards the market-friendly right, earnings growth improving and the outlook for commodities becoming structurally bullish given the ongoing arms race for AI, defence and energy, Latin America is again back on investors' radars.

Since Donald Trump returned to power last year, another dynamic is now in play: a shift in US foreign policy to direct involvement in Latin American affairs. This new paradigm was firmly impressed on the global consciousness after the US economic intervention in Argentina in October 2025, but particularly after action in Venezuela in early January. The move was controversial, and Trump has promised more active involvement in other Latin American countries since. The new US strategy in Latin America has been dubbed 'the Trump corollary to the Monroe doctrine', or simply the 'Donroe Doctrine.'

So far, the combination of a political transition to the centre right with the new US foreign policy has gone well with markets. Latin American stocks (MSCI LATAM) rose 46% last year and momentum has continued to gather in January. The region also boasted the highest total return in the local currency bond market in 2025. Flows into Latin American stocks and bonds are accelerating. In this piece, we explore the historical precedents for the 'Donroe Doctrine' and how it may influence investment returns and the shifting political backdrop across the various LatAm markets.

Markets:
An active US stance and a political transition meet low valuations

The case for Latin American assets continues to strengthen...

Since we published 'The Case for Latin American Equities' last summer (still relevant, linked below[1]), LatAm asset outperformance has continued across equities, fixed income and FX. Last year, the early stage of the ongoing recovery in valuations centred on a re-assessment of the negative news-flow and risk priced into LatAm assets.

"Valuations were trading at 'crisis levels' in several countries...Mexico faced the possibility of high tariffs from US President Trump...with markets concerned over institutional deterioration...Chile was also facing risks from tariffs...investor confidence in Brazil was low, with fiscal indiscipline leading to capital flight...Colombian assets were also under pressure from persistent fiscal slippage."

Now, the framing of political and geopolitical risk around LatAm assets has evolved further. Concerns around institutional deterioration in Mexico and Brazil have subsided and, across the region, economic policies are shifting towards orthodoxy, with right-wing parties in the ascendency. Not only have Latin American countries ended up with very low tariffs versus the rest of the world, but for the first time since the end of the Cold War, US Latin American policy has shifted back towards activism, with the goal of securing Latin American countries as strategic allies and economic partners

Since the announcement of the US new national security strategy, LATAM stocks are up 11% in less than two months. While of course other factors are at play in this move – accelerating earnings expectations and capital flows – the strong momentum suggests that markets see the revival of US interventionist policy in LATAM America as a positive factor, a stance we agree with.

A. Outperforming since 2025

...underpinned by improving macro fundamentals.

We expect LATAM equity outperformance to continue, underpinned by improving earnings per share, and still competitive valuations.

Fig 1: **MSCI LATAM – 2 year performance**

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

EPS has been already increasing over the last 18-24 months across Mexico, Chile, Peru, and even Colombia. We expect EPS to inflect positively in Brazil as the central bank cuts rates, probably starting this March, from 15% today towards 10%-12% by year end.

[1] See – *"The inconvenient truth behind US exceptionalism"*, The Emerging View, 30 June 2025.

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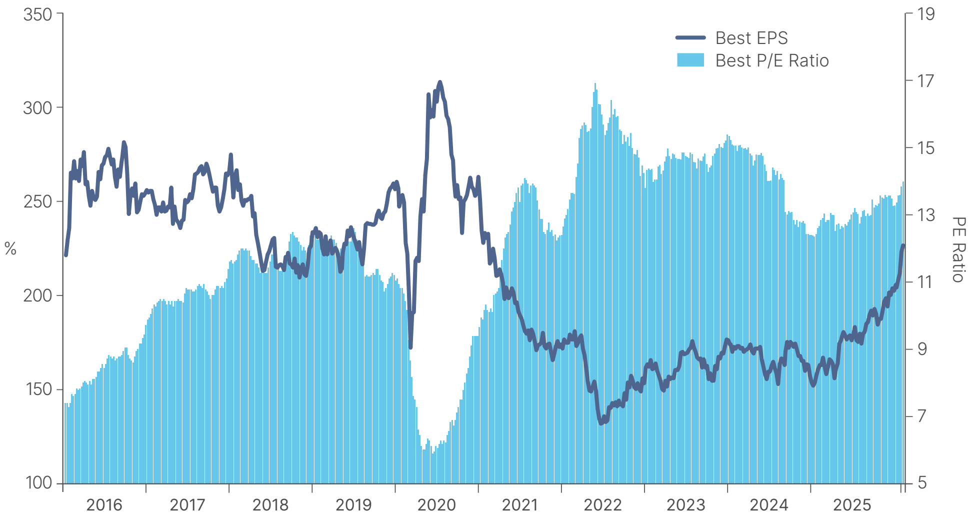
Equity valuations remain attractive.

B. Valuations (p/e, p/b)/EPS

Fig 2: **MSCI LATAM – 2 year performance**



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

Latin America has a very different sectoral profile than the broader EM market. The region is dominated by banks, materials, and energy, which combined make up nearly two-thirds of the regional index.

The region provides a distinct sectoral exposure from broad EM...

Fig 3: **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.

...weighted towards banks and commodities.

The most interesting dynamic is taking place in financials. The sector has had a strong re-rating from 1.4x book between 2022 and 2024 to 2.4x book today. At first this may discourage investors, but when looking at the bigger picture one may be surprised to see that financials traded at an average of 3.5x in the go-go era from 2003 to 2007. Could we trade at structurally higher price to book levels? Banks are levered plays on the economy. If commodity prices come back in favour (materials already are) and better policy leads to higher economic growth then it is possible. From 2003 to 2007 the region has grown 5% per year compared with 3% per year from 2022 to 2024.

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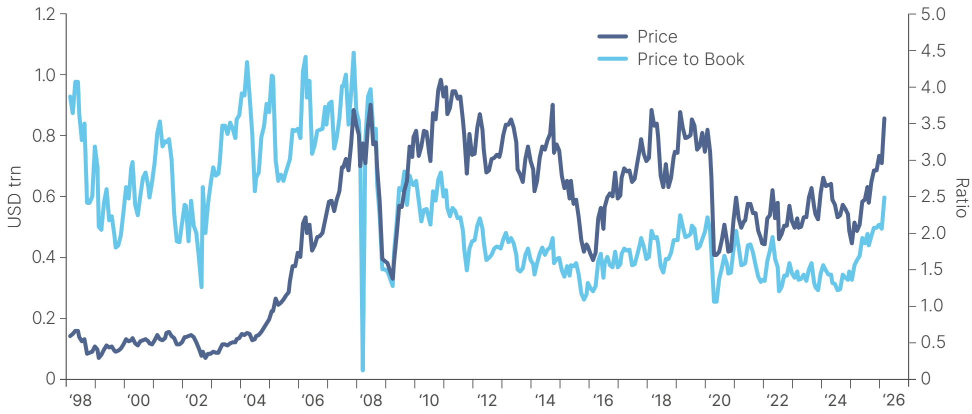
LATAM would benefit disproportionately from rising commodity prices in 2026.

Fig 4: **MSCI LATAM: Financials**



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

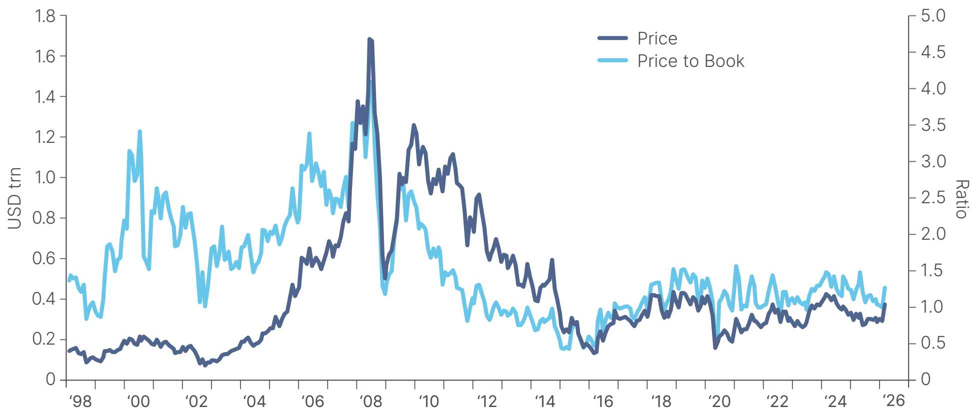
The other sectors to watch are materials and energy. The former comprises Vale (iron ore, nickel), Mexican copper miner and cement companies. The frenzy for copper means materials have been booming, and valuations have re-rated to 2.2x book. The surge in copper prices and the higher demand for cement for use in data centre construction explains much of the re-rating.

Fig 5: **MSCI LATAM: Materials**

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

Energy is an area to watch. The sector (effectively Petrobras) has rallied 30% year-to-date but remains at very discounted levels compared with its past. If energy prices start catching up with other cyclical commodities and a political transition in Brazil brings a more market friendly politician to power, this could have much higher upside.

Fig 6: **MSCI LATAM: Energy**



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

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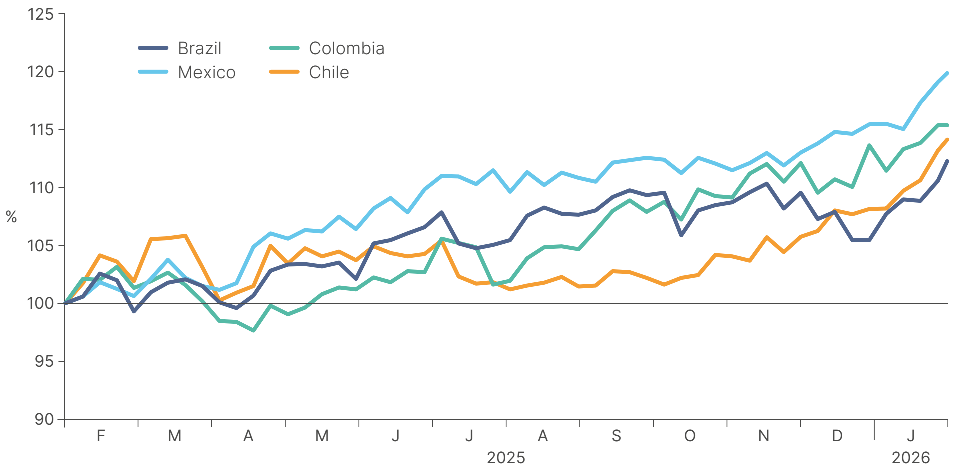
LATAM currencies' rise can continue this year, in our view.

C. Currencies

Latin American currencies have performed very well in the past year, underpinned by strong carry and high real yields. The combination of high carry versus the USD and appreciation has led to strong risk adjusted currency returns in LATAM over the past 12 months.

Fig 7: **LATAM Currencies – 1 year performance**



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

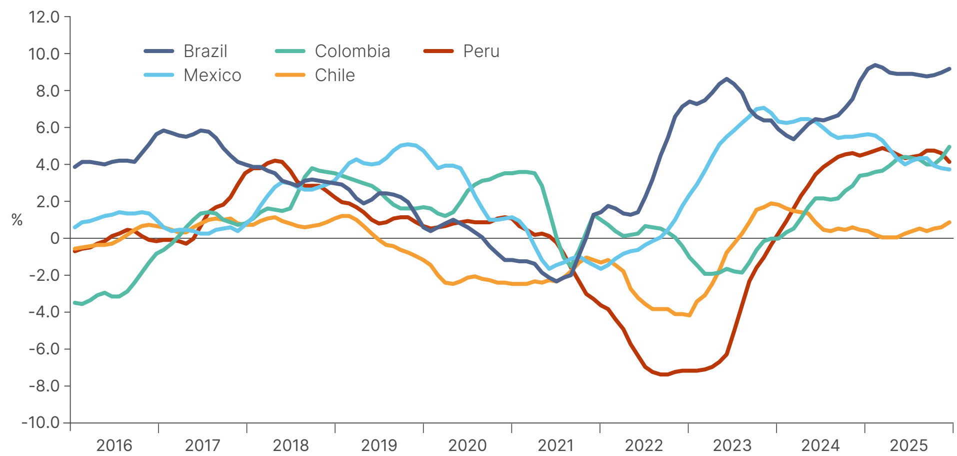
Fig 8: **12-month trailing carry vs volatility in LATAM FX**

	BRL	MXN	CLP	COP	ARS	PEN
Carry (%)	23	24	15	13	3	13
Volume (%)	12	8	11	8	21	5
Carry to Volume (Sharpe)	2.0	2.8	1.4	1.7	0.1	2.6

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

In our view, the band is likely to go on playing. Nominal yields are likely to fall in 2026 with rate cuts coming into play in Brazil, and remaining in play in Chile, Peru, Mexico, and other smaller countries like Uruguay, and Dominican Republic. But with inflation also trending lower, real yields are likely to remain firmly positive and keep currencies anchored, particularly in a weaker dollar environment. Real yields at these levels also highlight the very strong prospects for duration returns in local currency bonds, particularly in Brazil, should inflation surprise to the downside next year.

Fig 9: **LATAM real yields vs history**



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

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Furthermore, currencies are far from overvalued; on the contrary, in real effective exchange rate (REER) terms South American currencies, apart from Peru, are undervalued versus 2010 levels, and the Mexican peso is around fair value, according to Bank for International Settlements (BIS) data.

Fig 10: **LATAM REER (2010=100)**

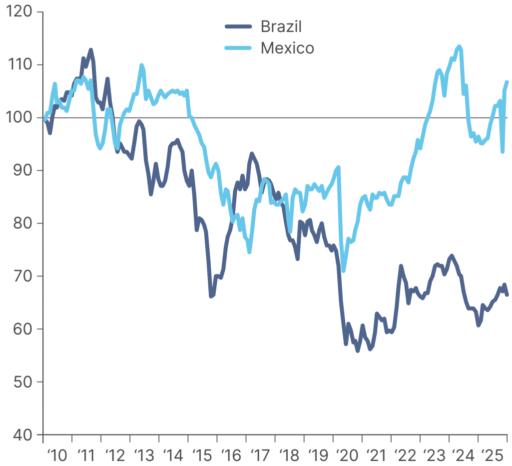
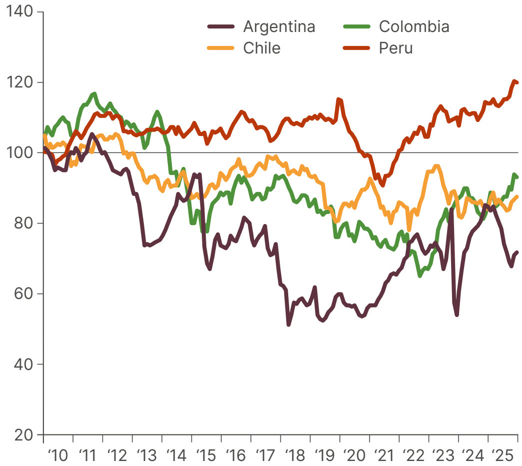


Fig 11: **LATAM REER (2010=100)**

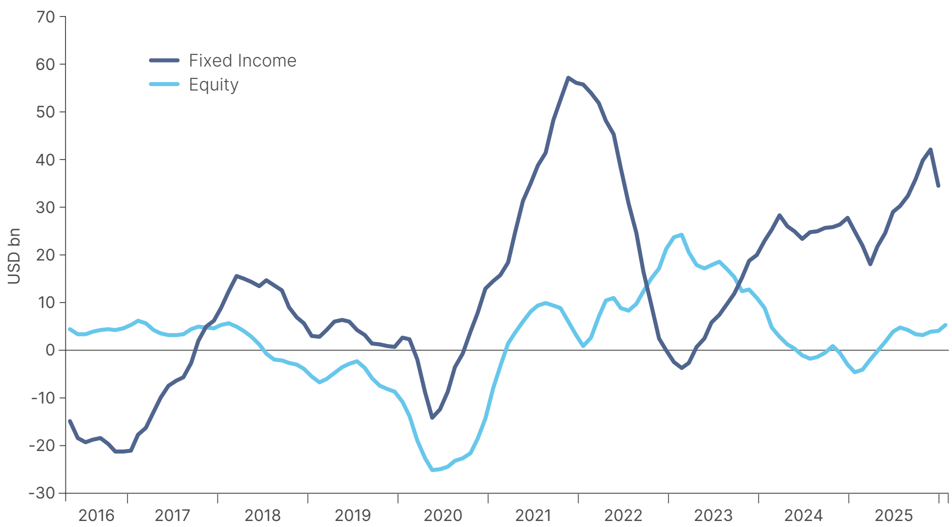


Source: Ashmore, Bloomberg. Data as at 29 January 2026.

The fact that momentum behind LATAM assets is now very positive, while valuations remain broadly attractive across equites, currencies and fixed income gives us a strong conviction that we will continue to see investment flows into the region picking up this year, a trend which has already been in place since Q2 2025.

We expect to see investment flows into the region rise further this year.

Fig 12: **South America net foreign fixed income and equity flows, 12m rolling USDbn**



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

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Geopolitics:
A brief history of US intervention in Latin America

A. The Monroe Doctrine

The 'Monroe Doctrine' was born in 1823, a time when European colonies in Latin America were either independent or on the verge of independence. Seeking to consolidate influence as the sole superpower in the region, and secure commercial ties with these newly independent states, President James Monroe declared that the Americas, *"by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subjects for future colonisation by any European powers".*

As European influence in Latin America waned, the next 20 years saw only minor US involvement in Latin American affairs, primarily to protect US interests during periods of political upheaval. This changed when James Polk came to power in 1845. A believer in 'Manifest Destiny',[2] Polk waged war over Mexico's northern territories, which made up most the present-day US south-west. By 1847, the US had captured Mexico City and in 1848, the Treaty of Guadalupe Hidalgo was signed. The US returned the capital to the Mexicans, but kept ownership of New Mexico, California and Texas. The US also paid Mexico USD 15m (c. USD 625m today) and assumed USD 3.25m (c. USD 133m) of Mexican debt owed to US citizens, an estimated 6.5% of the country's total national debt.[3]

US interventionism in Latin America has a long history.

Only after the end of the American Civil War in 1865 was the Monroe Doctrine invoked as a shield against European colonialism in Mexico. Under Napoleon III's direction, France worked with conservative forces to displace Benito Juárez's republican government in the wake of Mexico's own civil war. The French then installed Maximillian I, an Austrian, as Emperor of Mexico in 1863. But the newly reunified US would not tolerate a French presence on the continent. Through diplomatic and military pressure, the US pushed for the reinstatement of Benito Juarez's government. The French retreated from the continent as Maximillian and his generals were executed.

B. The Roosevelt corollary and the Good Neighbor Policy

In 1904, President Theodore Roosevelt set out his "corollary to the Monroe Doctrine" after European creditors sent naval forces to several Latin American countries, most notably imposing a blockade on Venezuela, to enforce debt repayment. Roosevelt declared that adherence to the Monroe Doctrine might require the US, in cases of *"chronic wrongdoing or impotence",* to exercise an *"international police power".*[4] This included taking over customs and revenue administration of countries to ensure debt repayment, first in the Dominican Republic, then in Nicaragua, and then in Haiti. This was perhaps the first example where US intervention had a positive impact in the market. In the two years after Roosevelt boosted the odds of debt repayment via enforcement, average Central and South American sovereign bond prices rose by c. 91%.

However, under Roosevelt, the Monroe Doctrine was also used to justify the forceful pursuit of America's own economic and strategic interests. Roosevelt's 'gunboat diplomacy' strained US relations with its southern neighbours. A defining episode from this period was Panama's separation from Colombia in 1903, which occurred with decisive US diplomatic and military backing.[5] The US secured control over the Panama Canal, gaining rights to build, administer, and defend the zone that became the cornerstone of US strategic and commercial power in the hemisphere, until its eventual transfer to Panama in 1999.

[2] *'Manifest destiny'* was really a providential nationalist case for continental expansion.
[3] *'British Finance in Mexico, 1821-1867'* D.C.M Platt, Bulletin of Latin American Research.
[4] Theodore Roosevelt, Speech to Congress, 6 December 1904.
[5] *'How Wall Street Created a Nation: J.P. Morgan, Teddy Roosevelt and the Panama Canal',* Ovidio Díaz Espino.

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Geopolitics: A brief history of US intervention in Latin America

In 1933, during the tense inter-war period, President Franklin Roosevelt instated the 'Good Neighbour Policy', seeking to improve these damaged relations by shifting away from interventionism and instead emphasising cooperation. His Secretary of State said, "no country has the right to intervene in the internal or external affairs of another."

C. Cold War

The Cold War saw a revival of Monroe-style foreign policy as the US waged war against Communism. A watershed moment was the 1954 CIA-backed coup d'etat in Guatemala, where a democratically elected but Communist sympathetic president was overthrown and replaced by a military dictatorship. Military action in Cuba followed at the Bay of Pigs in 1961, an unsuccessful attempt to overthrow Fidel Castro's Soviet-backed regime, culminating in the Cuban Missile Crisis a year later.

US backed military regimes during the cold war years had some economic success…

Also in 1961, President John F. Kennedy signed 'The Alliance for Progress', an accord allowing for monetary investment in Latin American countries and political movements that upheld conservative values. In 1964 – fearing the rise of Communism in Brazil under the left-wing President Joao Goulart – the US backed another military coup, ushering in a 21-year military dictatorship. While oppressive, the regime oversaw a period of massive infrastructure investment and very strong economic growth in the late 60s and early 70s, known as the 'Brazilian Miracle.' A year later, President Lyndon Johnson sent 22,000 troops to the Dominican Republic, which was in the throes of a civil war between a socialist government and the conservative elite. The US military presence ultimately led to the conservative faction regaining power.

US relations with Chile deteriorated after Salvador Allende's election in 1970, particularly due to the nationalisation of major sectors such as copper mining. The CIA's efforts to oppose Allende culminated in the 1973 military coup and the Pinochet dictatorship. Augusto Pinochet implemented sweeping market-oriented reforms including privatisation, deregulation, trade liberalisation, and fiscal tightening. These reforms drove a long period of supercharged growth that Milton Friedman called the "Miracle of Chile".

…but were repressive and came with huge social cost.

Declassified documents also suggest that US Secretary of State Henry Kissinger encouraged the military junta that overthrew Isabel Peron in Argentina in 1976, starting a tragic period in Argentine history known as the Dirty War. Covert and economic interventionism in Latin American politics continued throughout the 1980s, culminating with a direct invasion of Panama in 1989 to overthrow drug trafficking dictator Manuel Noriega.

Despite the 'economic miracles', American military interventions are widely regarded as negative by Latin America societies, due to the severe repression of political and social activity and huge human cost. Even the economic miracles themselves are controversial, as they were backed by large Dollar-denominated debts for major projects that were poorly executed and corrupted, leading in many cases to elevated inflation large external deficits and other macro imbalances. The ensuing debt crisis coincided with the hardening of attempts to control society, which led to a strong push towards re-democratisation.

D. Petro Dollar recycling, default and debt restructuring

The military regimes started to struggle when their economies deteriorated after a sharp increase in oil prices following the Yom Kippur War (1973) and the Iranian Revolution (1978-79). Back then, most countries in Latin America were large importers of oil. During this period, US banks received large deposits from oil exporting countries in the Gulf and lent this money to oil importers in Latin America. The large Dollar-denominated debt became impossible to settle after US Federal Reserve Chair Paul Volcker hiked interest rates sharply in the early 1980s. From August 1982 to October 1983, 16 countries in the region, notably Brazil, Mexico, Argentina, and Venezuela, defaulted on their debt.

**Geopolitics:
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The US devised 'Brady Plan' brought relief to a long-term debt crisis in the 1980s.

The debt crisis created a lost decade for the continent. Banks would be insolvent if the debt were restructured and losses taken immediately. Instead, the US 'kicked the can down the road' and managed the crisis through several phases. The initial concerted lending phase essentially rolled over debt and lowered coupons, but there were no principal write-offs as the International Monetary Fund (IMF) started to get involved. In 1985, the Baker Plan bought indebted countries some time with USD 20bn of new lending conditional on economic reforms pushed by the IMF. But by only delaying payment of the debt rather than reducing it, the debt burden was still too heavy. Finally, the Brady Plan in 1989 introduced debt relief mechanisms and allowed for the restructuring of debt into tradable bonds.

E. Post-Berlin Wall and Trump

The fall of the Berlin Wall in 1989 marked a decisive break with Cold War thinking in Washington's approach to Latin America. US attention shifted toward the Middle East, while engagement in Latin America became more technocratic and security-led, centred on counter-narcotics. That posture has shifted markedly in Trump's second term.

Monroe Doctrine 2.0

The 'Trump Corollary to the Monroe Doctrine' has three key objectives.

The Trump administration's December 2025 National Security Strategy (NSS) says the US will "assert and enforce a 'Trump Corollary' to the Monroe Doctrine", explicitly elevating Western Hemisphere primacy to a core national interest. The US want the region to serve as a homeland-security perimeter: stable enough to deter mass migration, cooperative against cartels, and protected from "non Hemispheric competitors" positioning forces or owning/controlling strategically vital assets and supply chains.[7]

For Latin American governments, the implied bargain is transactional. Alignment on security and sensitive infrastructure is rewarded with deeper US market access, intelligence cooperation, and state-backed financing; hedging is more likely to be met with overt pressure via diplomacy, trade tools, and targeted sanctions.

A. Migration and organised crime: Security cooperation as leverage

Immigration is treated as a downstream symptom. Border enforcement may trim flows at the margin, but Washington's theory is that durable reductions require safer streets, stronger institutions and investment-led job creation in origin countries. The 'enlist' approach of the NSS is explicit: recruit regional partners to stop migration, disrupt drug flows and "neutralise cartels", including via expanded intelligence sharing and targeted deployments.

Financial support is increasingly used to reinforce that security agenda. In Argentina, the US deployed extraordinary stabilisation support – including a USD 20bn currency swap and direct market interventions – presented as a strategic backstop ahead of Argentina's 2025 midterms.[8] In parallel, the IMF approved a USD 20bn Extended Fund Facility for Argentina (April 2025) to bolster reserves and support reforms. Ecuador shows a similar channel via the IMF's multi year programme (approved May 2024 and subsequently reviewed/augmented), with disbursements tied to macro stabilisation and structural reforms.[9]

7 'National Security Strategy of the United States of America' November 2025, The White House.
8 *'Bessent inks 'economic stabilization' deal with Argentina',* Michael Stratford, Politico, 21 October 2025.
9 See – 'IMF Executive Board Approves 48-month US$ 20 billion Extended Arrangement for Argentina' at IMF and 'IMF Executive Board Approves 48-Month US$ 4 billion. Extended Fund Facility Arrangement for Ecuador' at IMF, April 12 2025.

Monroe Doctrine 2.0

B. Strategic assets: Infrastructure is the new frontline

The centre of gravity in Monroe Doctrine 2.0 is 'strategic denial': treating ports, logistics corridors, telecoms, energy grids and data links as contested terrain. The NSS explicitly calls for partnership and aid terms to be contingent on winding down adversarial influence over "ports, and key infrastructure" and limiting purchases of "strategic assets".

This maps onto China's expanding physical footprint. An assessment from the Center for Strategic and International Studies (CSIS) argues Chinese firms have become embedded in Latin American maritime infrastructure through building, financing and operations – commercially valuable for host countries, but potentially a source of strategic leverage in a crisis.[10] The policy tension is that Latin American concession decisions are often made on lowest-cost capital and highest bids. If governments want autonomy, they need clear screening rules for 'sensitive' assets, transparency requirements, and tender designs that price security, data governance and local community obligations – not just financing.

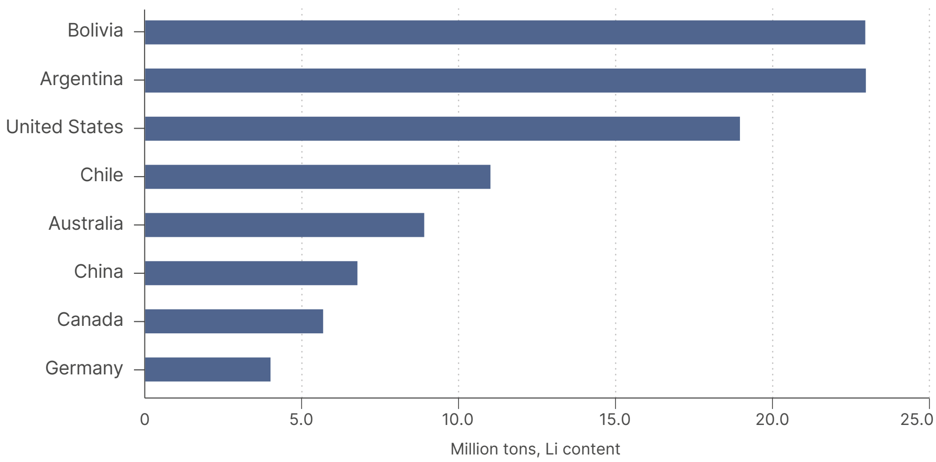
C. Resources: Supply chains, state finance, and bargaining power

Critical minerals and energy tie the above pillars together. The US is increasingly using diplomacy, security cooperation and financing to de-risk projects and crowd in US firms, especially where it wants resilient supply chains and where rivals already have entrenched positions. Venezuela illustrates the logic: despite degraded capacity, it sits on the world's largest proven oil reserves, and in January 2026, lawmakers advanced an oil sector overhaul explicitly aimed at attracting private (including US) investment.[11]

Latin America's leverage is that key endowments are unusually concentrated:

- **Copper:** Chile (5.3Mt) and Peru (2.6Mt) produced around one-third of total mined copper in 2024.[12]
- **Lithium:** Argentina, Bolivia and Chile hold **~57Mt** of measured and indicated lithium resources as per Fig 13, about **half** of the global total (~115Mt).[13]
- **Niobium:** Brazil produces **~100,000t** (2024e), roughly **91%** of global output, and holds the bulk of reserves.[14]
- **Oil:** Venezuela has **~303 billion barrels** of proven crude oil reserves (end 2024), roughly **one fifth** of the global total reported in OPEC-linked compilations.

Fig 13: **Lithium reserves by country**



Source: USGS Mineral Commodity Summaries 2025.

[10] See – 'No Safe Habour', Henry Ziemer, CSIS, at features.csis.org. June 26 2025.
[11] See – 'Venezuela opens debate on an oil sector overhaul as Trump seeks role for US firms' Regina Garcia Cano, 23 January 2026, at AP News.
[12] See – U.S. Geological Survey.
[13] See – U.S. Geological Survey.
[14] See – U.S. Geological Survey.

Monroe Doctrine 2.0

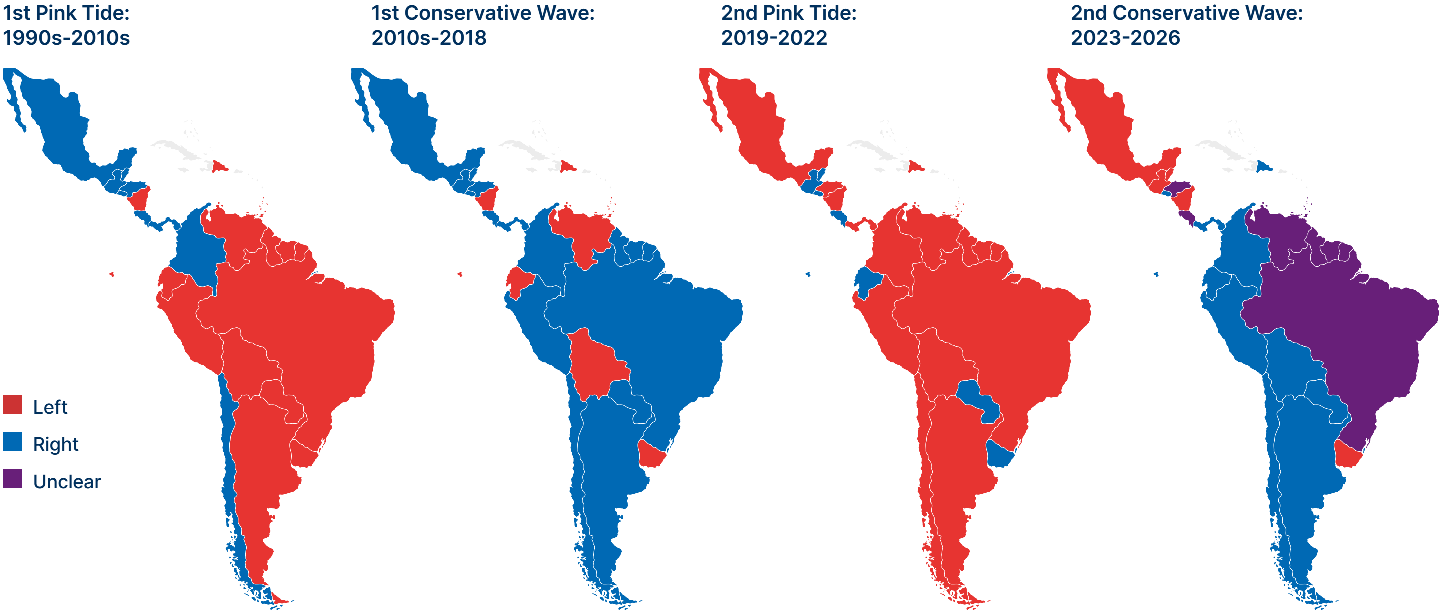
In summary, the Monroe Doctrine 2.0 is less about grand ideology than bargaining. Security support and state-backed finance in exchange for measurable results on immigration, crime and tighter control of strategic infrastructure and resource corridors. The regional challenge is to monetise resource advantage without surrendering sovereignty: stable rules, credible enforcement, and competitive tenders that price both capital and geopolitical risk.

If the political tide in Latin America were not already shifting rightwards, the picture would be more complex, with friction more likely. However, with the context of an ongoing 'blue wave' in Latin America, it is likely that governments will be increasingly receptive to working with the US. This is most obviously the case in countries run by conservatives and libertarians, such as José Kast in Chile and Javier Milei in Argentina, as well as Nayib Bukele in El Salvador. However, even in the case of Mexico and Brazil, it is likely that pragmatism will prevail in US relations, including in the scenario of Brazil's President Lula retaining power after the election later in 2026.

Politics:
Swerving to the right, but nuances remain

Across Latin America, the last two election cycles have rewarded candidates promising two things: visible gains on security and credible macro stabilisation. That's often described as a swing to the right, but the underlying driver is more pragmatic than ideological: voters are punishing incumbents for weak growth, high inflation, and escalating organised crime. The most successful candidates have been non-traditional politicians with a shrewd social media strategy. Fresh, thoughtful leadership is a key ingredient to any successful political-economic turnaround strategy. However, the success and longevity of the liberal wave in Latin America will depend less on rhetoric and more on state capacity and governability in fragmented congresses.

Fig 14: **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.

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Politics: Swerving to the right, but nuances remain

A. The first movers: El Salvador, Panama, Argentina, Ecuador, Bolivia

El Salvador: Security dominance paired with quiet fiscal pragmatism

El Salvador under President Bukele was the earliest and clearest electoral proof that voters would tolerate, and even reward, illiberal messages and repressive policies, if they delivered tangible improvements in security and economic stability. Bukele's February 2024 re-election with approximately 85% of the vote followed a dramatic collapse in homicide rates driven by the state of exception and mass incarceration of gang members, which fundamentally altered daily life and voter psychology.

While international attention focused on El Salvador's Bitcoin experiment, fiscal policy in parallel was notably pragmatic. The administration tightened spending, improved tax collection, ran primary surpluses, and re-engaged with multilaterals and traditional markets. Sovereign spreads compressed sharply through 2023-24, and El Salvador successfully refinanced near-term maturities well ahead of schedule.

In retrospect, Bukele's political outsider tactics rhyme with those of Milei. El Salvador's initial focus was on security and a populist move to use Bitcoin as a legal tender policy to fix the economy. But Bukele has only been successful only thanks to orthodox fiscal policies, even if he didn't campaign on it as Milei did. Both suggest voters prioritise results over ideological purity.

Panama: Backlash against disorder, not ideology

The May 2024 election brought José Raúl Mulino to power on a law-and-order platform amid voter anger over corruption scandals, mining contract controversies, and institutional paralysis. Mulino is an encouraging example of a businessman who campaigned on orthodox policies without adopting populist messages. The challenges to implementing every single structural reform, including the re-negotiation of the contract with First Quantum Mining, has been enormous. Nevertheless, despite issues on the quality of the economic data, and the slow timing of reforms due to the political process, Mulino's government has been broadly successful. While not ideologically radical, the outcome fits the regional pattern: voters punishing perceived state weakness and rewarding promises of decisiveness, particularly around security and governance credibility. The transition is the easier part, with the main challenge on implementation.

Dominican Republic: Market-friendly incumbent rewarded

President Luis Abinader's re-election in May 2024 reinforced a quieter trend: fiscally responsible, pro-business governments with credible anti-corruption narratives continue to outperform. Abinader's success underscores that the regional shift is not uniformly to the right, but toward competence, predictability, and enforcement capacity.

Argentina: The region's most watched liberal-right experiment

Javier Milei has used austerity and deregulation as the centrepiece of crisis management since taking office in December 2023. His critics warned that his shock therapy fiscal austerity policies would bring too much pain to be successful. However, his coalition's strong performance in the 26 October 2025 midterm elections strengthened his mandate and proved them wrong. Washington leaned in at the final stages of the campaign when Milei's position in polls looked precarious. The Trump administration rolled out a large support package (including a US Treasury swap line and private-sector mobilisation) tied to Argentina's stabilisation effort, giving Milei breathing room heading into the midterms.[15] Last month, Milei converted improved political capital into legislative traction, securing approval of a 2026 budget with a primary surplus target – a milestone for credibility with investors, even as it locks in hard distributional choices. Argentina is therefore the region's

[15] See – 'US is working on doubling aid to Argentina to $40 billion by tapping private funding sources', Fatima Hussein, 16 October 2025, at AP News. Read as at 26 January 2026.

Politics: Swerving to the right, but nuances remain

key test of whether a market-liberal platform can deliver durable growth and social tolerance for reforms. If it succeeds, it becomes a template; if it fails, it will chill reform appetite elsewhere.

Ecuador: Security mandate with democratic constraints

Daniel Noboa's re-election last April with 56% of runoff votes was widely seen as an endorsement of an 'iron fist' posture against gangs and narco-violence.[16] The core risk is not the direction of travel but the method: heavy militarisation, state of emergency declarations, and expedited security measures can generate short-term gains while creating medium-term institutional and human rights blowback. Importantly, Noboa is following an orthodox economic policy approach which allowed Ecuador to successfully return to markets last week. In a nutshell, Noboa has a security mandate, but still needs to show the state can restore order without eroding democratic legitimacy – especially in a country where politics remains polarised and governance is hard.

Bolivia: The macro reset, with high social friction

Bolivia's October 2025 election marked a break from the country's long socialist cycle. Rodrigo Paz won the presidency after campaigning on stabilisation and a more market-oriented model. He has inherited a combustible macro mix (depleted FX reserves, heavy subsidies weighing on fiscal and creating distortions, and credibility gaps). Early moves to unwind fuel subsidies were only successful after social tension highlight the challenge. The government was forced to negotiate despite offering compensatory measures from the start. This pattern is familiar across reform episodes from Argentina to Panama and even Romania: economic stabilisation is necessary but hard to sell politically. Whether the break from the Morales era proves durable will depend on Paz's ability to lock in structural reforms that reignite growth and crowd in investment across lithium, natural gas and critical mining value chains.

B. The followers: Chile, Colombia, Peru, Brazil

Chile: Decisive win, but Congress will set the speed limit

Chile's runoff on 14 December 2025 produced the region's most emphatic rightward result: José Antonio Kast won with some 58% of votes and takes office on 11 March. His mandate is grounded in restoring order and reducing irregular migration, alongside a solid pro-growth agenda. An outsider victory also brought a highly fragmented legislature rendering implementation contingent on coalition management and policy sequencing. Kast's cabinet tilts toward technocrats and business-linked figures, an unconventional attempt to broaden governing capacity beyond the core far-right base without bringing several parties inside the government. The question is whether security-first policies can deliver palpable improvements fast enough to preserve political capital for economic reforms. After all, the security situation in Chile has deteriorated, but remains significantly better than most other countries in the region.

Peru (April 2026): Peak fragmentation, weak mandates likely

Peru heads to general elections on 12 April with record fragmentation: 34 presidential candidacies were filed with the electoral authorities, as distrust of traditional politicians after years of serial political scandals opens the race for outsiders.[17] Interim President José Jerí, in office only since October 2025, has already been dragged into a scandal over undisclosed meetings, reinforcing the sense of institutional fragility going into the vote. Despite orthodox macro management consistently delivering economic stability, Peru's political structure increasingly produces presidents with thin mandates and hostile congresses which means policy paralysis remains the base case scenario.

[16] See – 'Ecuador's Challenge: Rout Organized Crime Without Endangering Democracy', Oliver Stuenkel, 18 April 2025, at Carnegie Endowment. Read as at 29 January 2026.
[17] See – 'Peru 2026 elections: These are the presidential candidates that applied for registration', 24 December 2025, at Andina. Read as at 29 January 2026.

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Politics: Swerving to the right, but nuances remain

Colombia (May 2026): Rising polarisation, uncertain outcome

With Gustavo Petro barred from immediate re-election, the 31 May election is turning more polarised. Early AtlasIntel/Semana polling last month showed a tight top two: Abelardo de la Espriella (28%) vs Iván Cepeda (26.5%). Espriella's competitiveness is in line with Petro's approval rating, albeit the President's disapproval rating is much higher at 53.5%. But other credible snapshots diverge: a GAD3/RCN poll in mid-January put Cepeda at 30% vs de la Espriella at 22%, underscoring a very tight race. The result of the runoff could also shift after legislative elections and coalition formation.[18] The incumbent regime challenges are immense, illustrated by the fact that corruption and security are the main issue for most voters.[19] Colombia therefore represents less of a clean rightward shift than a referendum on security strategy, corruption and state capacity. The key question to us is the feasibility of fiscal and economic reforms under tight constraints and a likely fragmented parliament.

Brazil (Oct 2026): The strongest of incumbents. Security and geopolitics in play

Brazil's election is the region's most consequential for markets. Lula is a much stronger candidate than he is a president and carries advantages including a strengthening currency, declining inflation and a record low unemployment rate. Further, the right remains split between "Bolsonarismo" and alternative conservative brands that would be much better for the country. The Bolsonaro saga remains central: former-president Jair Bolsonaro was sentenced to 27 years last September for an attempted coup, and his circle is pushing legal and political strategies to soften his fallout. The ultimate redemption would come via the ballot, and this is why his first son Flavio Bolsonaro was chosen to run. With Flavio in the race, the odds of an alternative liberal candidacy taking off declines meaningfully. Security is also moving to the centre of the agenda as organised crime and violent confrontations continue to shape public opinion and elite debate.

In parallel, Brazil's relationship with the US has become more politicised: Washington's criticism of Bolsonaro's prosecution and tariff threats add an external layer to domestic polarisation, but more recently Lula has managed to regain control of the situation, thanks to a rapprochement with Trump that was likely mediated by key Brazilian businessman with influence in the US. Regardless of the winner, the next president will face the challenge of delivering a large fiscal consolidation to stop the unsustainable rise in debt/GDP. If unchecked, rising debt would bring severe macro instability in the format of inflation and FX depreciation by the middle of the next mandate.

C. The idiosyncratic: Uruguay and Mexico

Uruguay: Continuity and institutional ballast

Uruguay remains the region's control group. The 2024 election cycle preserved centrist, market-friendly governance with strong institutions and low political volatility. While not a right-wing rupture, the country's stability reinforces the idea that where security is manageable and institutions work, voters prefer incrementalism over disruption.

Mexico: The outlier

Despite the Morena coalition remaining in power, Mexico is enjoying more pragmatic economic policies and less populist rhetoric under President Claudia Sheinbaum. Andrés Manuel López Obrador, her predecessor, (AMLO) often prioritised sovereignty signalling and state primacy over investor confidence and US relations. Sheinbaum, on the other hand, has shown a greater willingness to trade ideology for governability. For example, in January, Mexico extradited 37 cartel figures to US custody at the

[18] See – 18 See – 'Iván Cepeda y Abelardo de la Espriella lideran las preferencias electorales, según un sondeo de GD3 para RCN'. Noor Mahtani, 19 January 2026, at El País.
[19] See – 'Encuesta de AtlasIntel arrojó quién ganaría entre de la Espriella y Cepeda en elecciones', Lucas Martínez, 10 January 2026, at Asuntos Legales.

Justice Department's request. Sheinbaum sold this as a "sovereign decision" taken on national security grounds, saving face while cooperating with US wishes. Her government increased tariffs on Chinese goods, reinforcing the strategic alignment with US policies in a budget-friendly manner.

As with other leftist regimes in the region, Sheinbaum has inherited a poor macro legacy. The fiscal deficit reached a multi-decade high in 2024, forcing consolidation goals that limit policy discretion as much of Mexico's social spending remains politically protected. But importantly, the current government has had more structured engagement with business, including nearshoring plans. Sheinbaum's 'Plan México' was presented alongside private sector actors, signalling awareness that investment, supply chain relocation, and trade stability requires private sector partnership.

Finally, Sheinbaum's March 2025 energy reforms keep the sector dominated by state-owned players but shifted toward designing workable rules for private participation rather than perpetual confrontation.[20] A year into her administration, it seems that Sheinbaum had a clear break from AMLO's ideological populism, bringing a technocratic adaptation to the Morena Party's political project. Her focus is to preserve the coalition's redistributive agenda while reducing vulnerabilities coming from US pressure, fiscal slippage, and low investor confidence. The recovery in Mexican equity valuations in the last year is an endorsement of her savvy politics.

Summary and Conclusion

Latin America enters 2026 with strong momentum: improving earnings, lower policy risk and still-attractive valuation, a combination which is leading to accelerating international flows into its capital markets. In our view, 'Monroe Doctrine 2.0' has, so far, reinforced the supportive backdrop, elevating the region's strategic relevance around security, infrastructure and critical resource supply chains at a time when global fragmentation is intensifying.

If 2025 was about recovery for Latin America, 2026 will be about acceleration, in our view. The 2026 run of elections in key LatAm markets will determine whether the recent momentum toward market-friendly governance consolidates or stalls. If newly elected administrations can improve policy credibility, fiscal discipline and cooperation with the US-led security and economic framework, the case for a long-term EM allocation to LatAm will only strengthen.

[20] See – 'Mexico Energy Sector Reform', 10 April 2025, at Trade.gov. Read as at 29 January 2026.

Ashmore

Head office

Ashmore Investment Management Limited, 61 Aldwych, London, WC2B 4AE T: +44 (0)20 3077 6000

Local offices

Bogota
T: +57 601 589 9000

Dublin
T: +353 1588 1300

Jakarta
T: +6221 2953 9000

Mumbai
T: +9122 6269 0000

New York
T: +1 212 661 0061

Riyadh
T: +966 11 483 9100

Singapore
T: +65 6580 8288

Tokyo
T: +81 03 4571 1601

Lima
T: +511 391 0396

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