



# 1H2026 Commodities Outlook

Global Markets Research & Strategy

3 December 2025

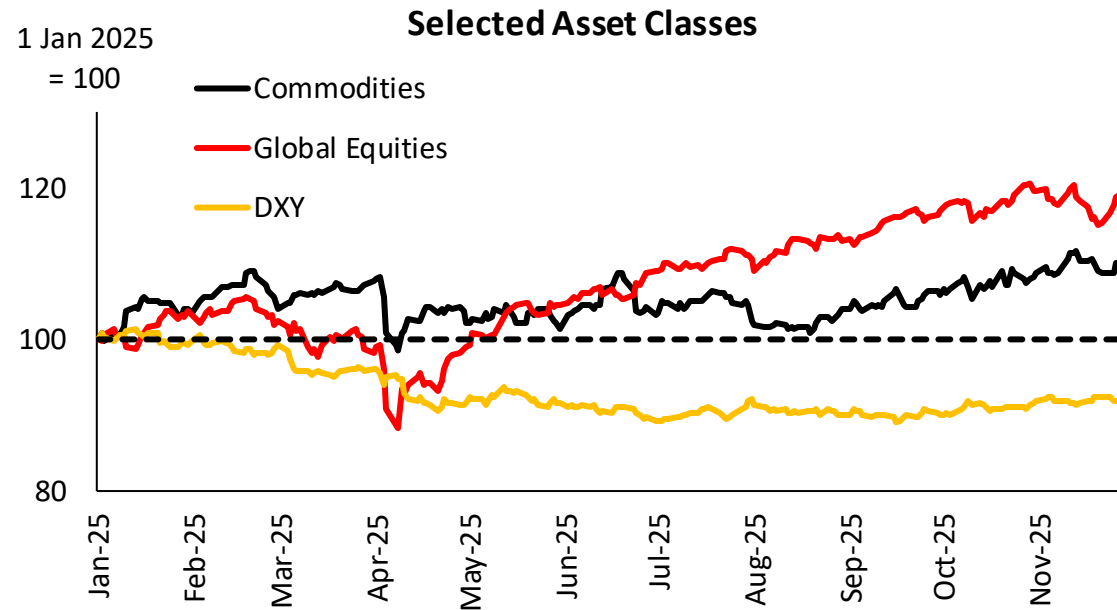
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# Commodities 2025 Performance

- As of 28 November close, commodities delivered a positive return, rising by more than 11%.
- The DXY performance in 2H25 was more nuanced amid divided views between Fed officials on December decision, US government shutdown, after the worst 1H25 performance since 1973.



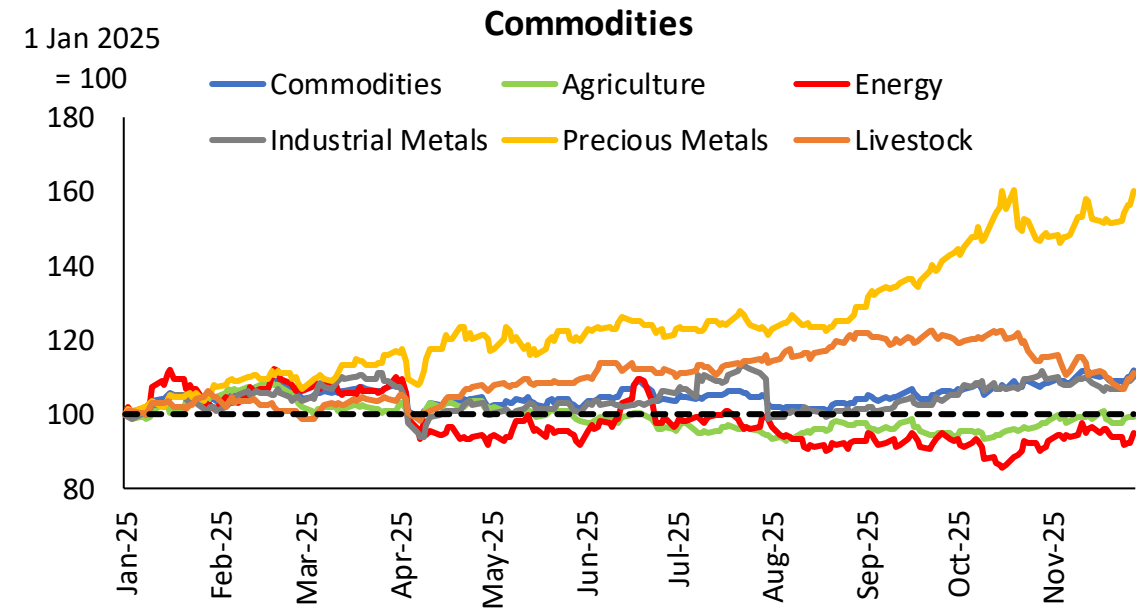
Source: Bloomberg, OCBC.



Note: Commodities (BCOM Index), Agriculture (BCOMAG Index), Energy (BCOMEN Index), Industrial Metals (BCOMIN Index), Precious Metals (BCOMPR Index), Livestock (BCOMLI Index), Equities (MXWD Index), DXY (DXY Curncy).

Source: Bloomberg, OCBC.

- Subindices indicate that 'Precious Metals' clearly outperformed other categories. 'Energy' remained in negative territory since late-July due to easing geopolitical tensions in the Middle East and concerns about a looming supply glut.
- The 'Industrial Metals', and 'Livestock' subindices remained in positive territory, rising by 9.8% and 11.1%, respectively. In contrast, 'Agriculture' was relatively flat, decreasing marginally by 0.6%.



Source: Bloomberg, OCBC.

# Forecasts

Commodity	BBG Ticker	4Q25F	1Q26F	2Q26F	3Q26F	4Q26F	2024	2025F	2026F
Gold (USD/oz, eop)	XAU Curncy	4,300	4,500	4,600	4,650	4,800	2,624	4,300	4,800
Silver (USD/oz, eop)	XAG Curncy	58.11	60.81	62.16	62.84	64.86	28.90	58.11	64.86
Palm Oil (MYR/mt, aop)	KO1 Comdty	4,200	4,200	4,100	4,100	4,300	4,218	4,300	4,200
Crude Oil – WTI (USD/bbl, aop)	CL1 Comdty	60.50	61.00	59.70	58.30	55.70	75.80	65	59
Crude Oil – Brent (USD/bbl, aop)	CO1 Comdty	63.50	64.00	62.50	61.10	58.50	79.90	68	62



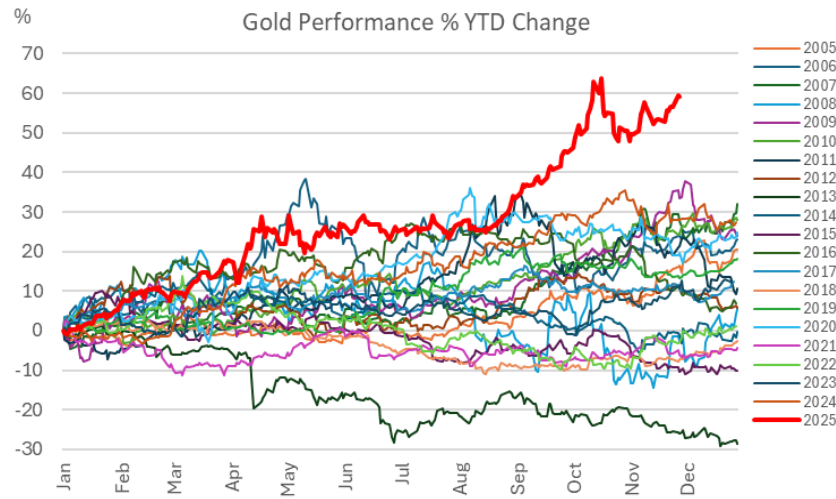
# Precious Metals



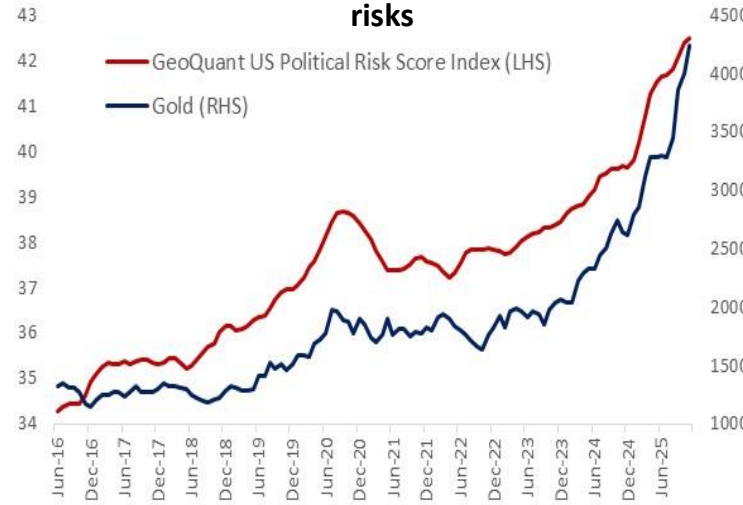
# Taking Stock: Gold Up 60% YTD

- Gold's 60% rally YTD in 2025 is a reflection of structural, fundamental, seasonal and sentiment-driven demand.
- It underscores gold's unique role as both a hedge against geopolitical stress and a store of value in times of policy and institutional uncertainty. Some of those main factors include the 6 weeks of US government shutdown (longest on record) which had raised concerns about slowing economic activities, rising stagflation concerns from new US tariffs, geopolitical tensions (Russia-NATO at one point and now Japan-China over Taiwan), safe-haven demand amid political uncertainty in Europe and Asia, as well as structural factors including sustained central bank purchases, and broader portfolio demand for gold as a hedge against inflation and policy risk.
- Fed resuming its rate cut cycle with a 25bp cut each in Sep and Oct as well as guidance for further cuts in 2025–26 have lowered yields, further enhancing gold's appeal. Historically, gold has outperformed during easing cycles.

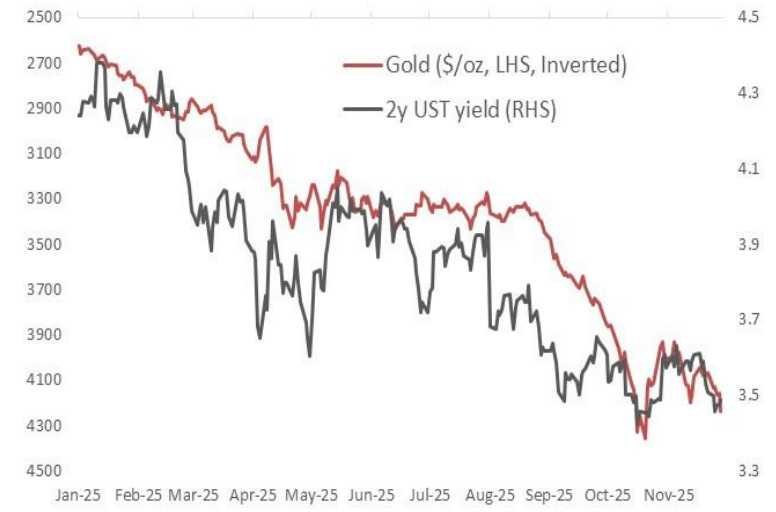
**Strongest YTD performance in 25 years**



**Gold a hedge against rising policy uncertainty risks**



**Falling yields increase the appeal of gold**



Note: Gold % YTD change as of 1 December 2025.

Source: Bloomberg, OCBC Research.

# Gold Outlook: Constructive but No One Way Trade

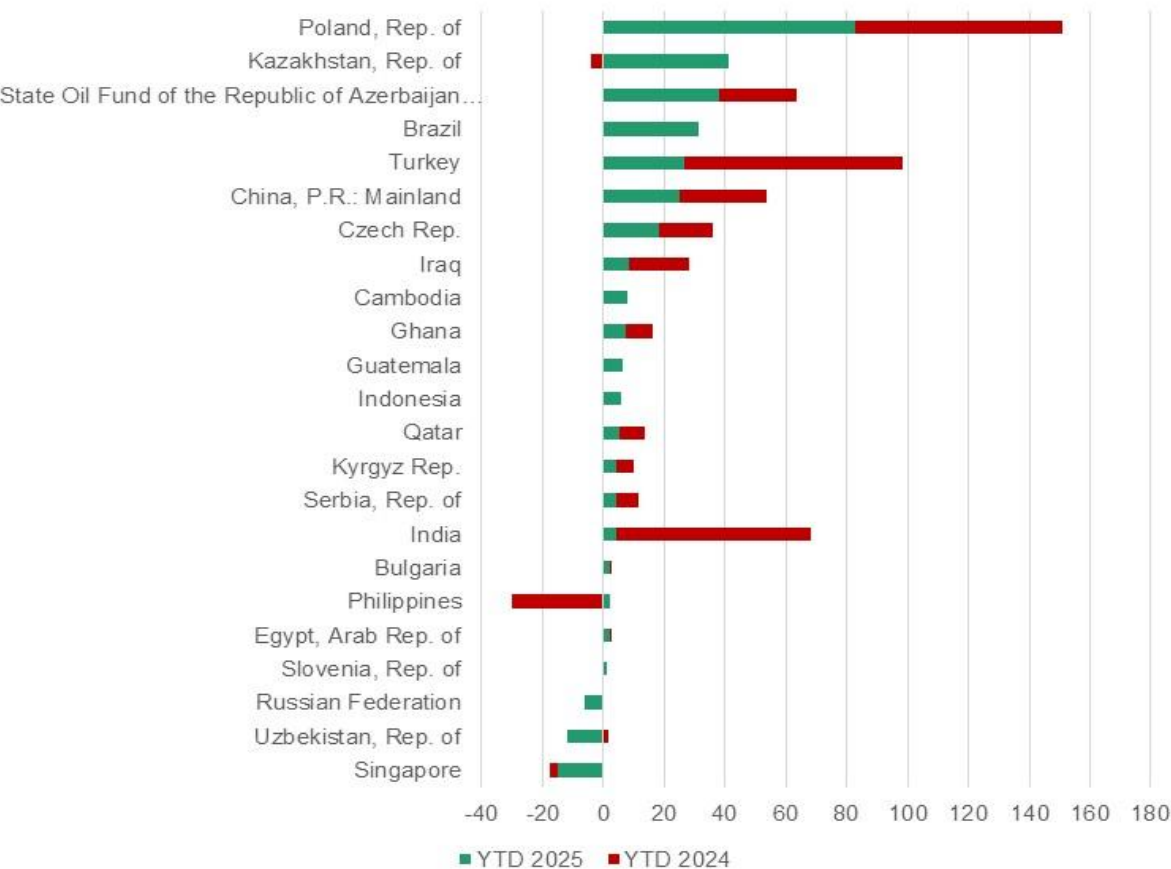
- We maintain a constructive outlook on gold into 2026 on a mix of structural shifts and macro factors, including Fed still on an easing cycle. Additionally, we also keep a look out on who the new Fed chair may be as a dovish-leaning chair may further add to gold's attractiveness.
- On the structural shifts, Gold is a portfolio diversifier and hedge against geopolitical stresses, policy uncertainty and stagflation risk — that role has not changed. What has evolved is the degree of portfolio allocation to gold, which is likely to be structurally higher than in past cycles. Participation has also broadened beyond the dominant anchors of demand from official and institutional buyers. Retail participation has risen notably, reflecting both accessibility through digital platforms and growing awareness of gold's resilience and store of value. In the last 25 years, gold has on average risen about 12% vs USD p.a., but gold's rise of about 34% in 2024 and over 60% YTD may have caught more attention from a wider audience, that it is a reliable store of value.
- World Gold Council's Central Bank Reserves Survey (June 2025) report noted that 95% of respondents believe that official gold reserves will continue to increase, up from 81% last year – when asked about their expectations for how global central bank gold reserves will change over the next 12 months.
- Risks: There can be a few factors that may see a shakeout of long gold sentiment. (1) A sharp repricing in yields higher due to sudden stop in rate cut cycle or (2) stops in official buying can undermine sentiments and momentum in gold. (2) Geopolitical risk factor can pose 2-way risks. A surprise de-escalation in geopolitical tensions – be it resolution between Russia and Ukraine or improved relations between US and China can reduce geopolitical risk premia and disrupt demand for safe-haven and weigh on prices for gold. On the contrary, worsening of existing geopolitical flashpoints or emergence of geopolitical stresses, policy uncertainties may result in higher gold prices.



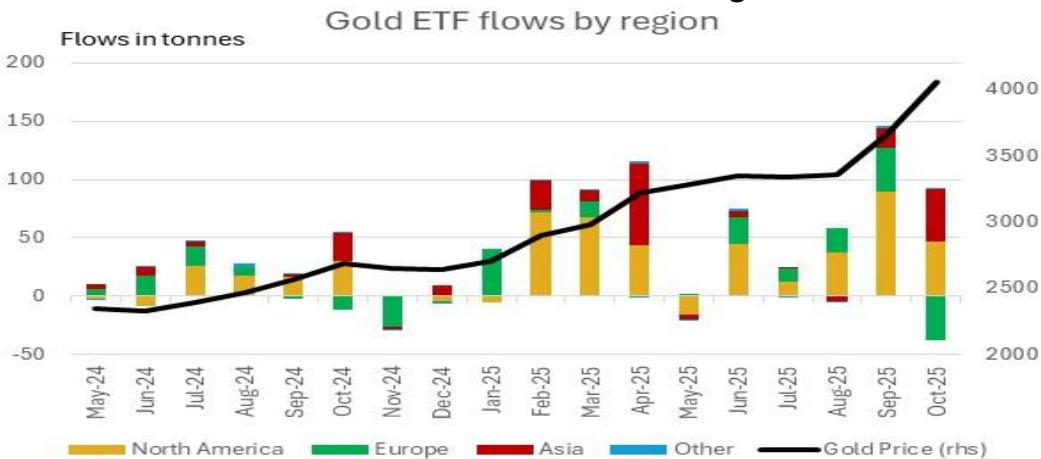
# Gold Survey and Demand Trends

Central banks continue to add to purchases;  
though 2025 purchases trailed the previous year

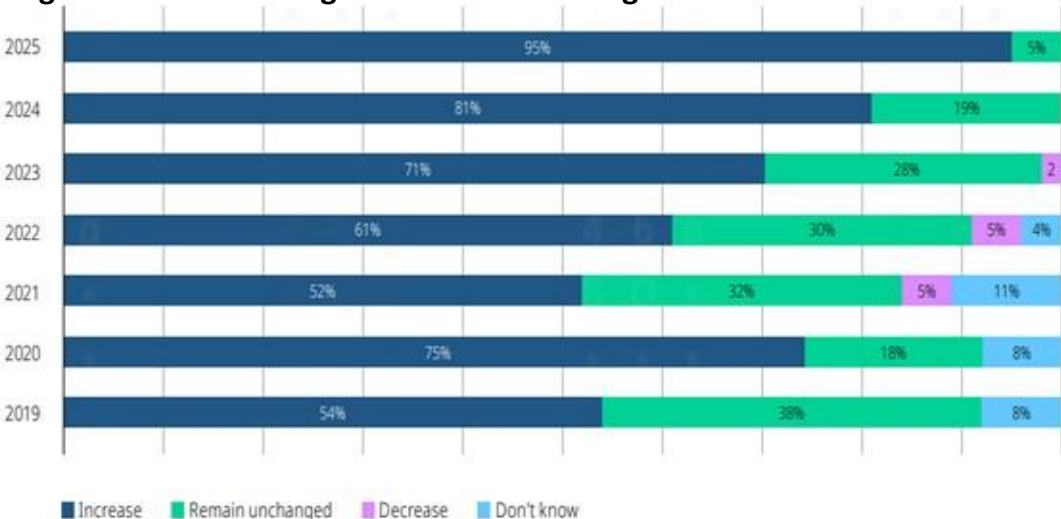
YTD cumulative central bank net purchases and sales  
(as of Oct 2025 vs 2024 same period, tonnes)



Global gold ETFs saw inflows for 5 back-to-back months,  
with Asia and North America taking lead



WGC's Central Bank Reserves Survey (June 2025): How do you expect  
global central bank gold reserves to change over the next 12 months?



Note: 2025 base: all central banks (73); advanced economy (15); EMDE (58). 2024 base: all central banks (69); advanced economy (24); EMDE (45). Totals may not sum to 100% due to rounding.  
Source: World Gold Council (WGC), IMF, Yougov, Bloomberg, OCBC Research.

# Gold as a Reliable Store of Value and Hedge

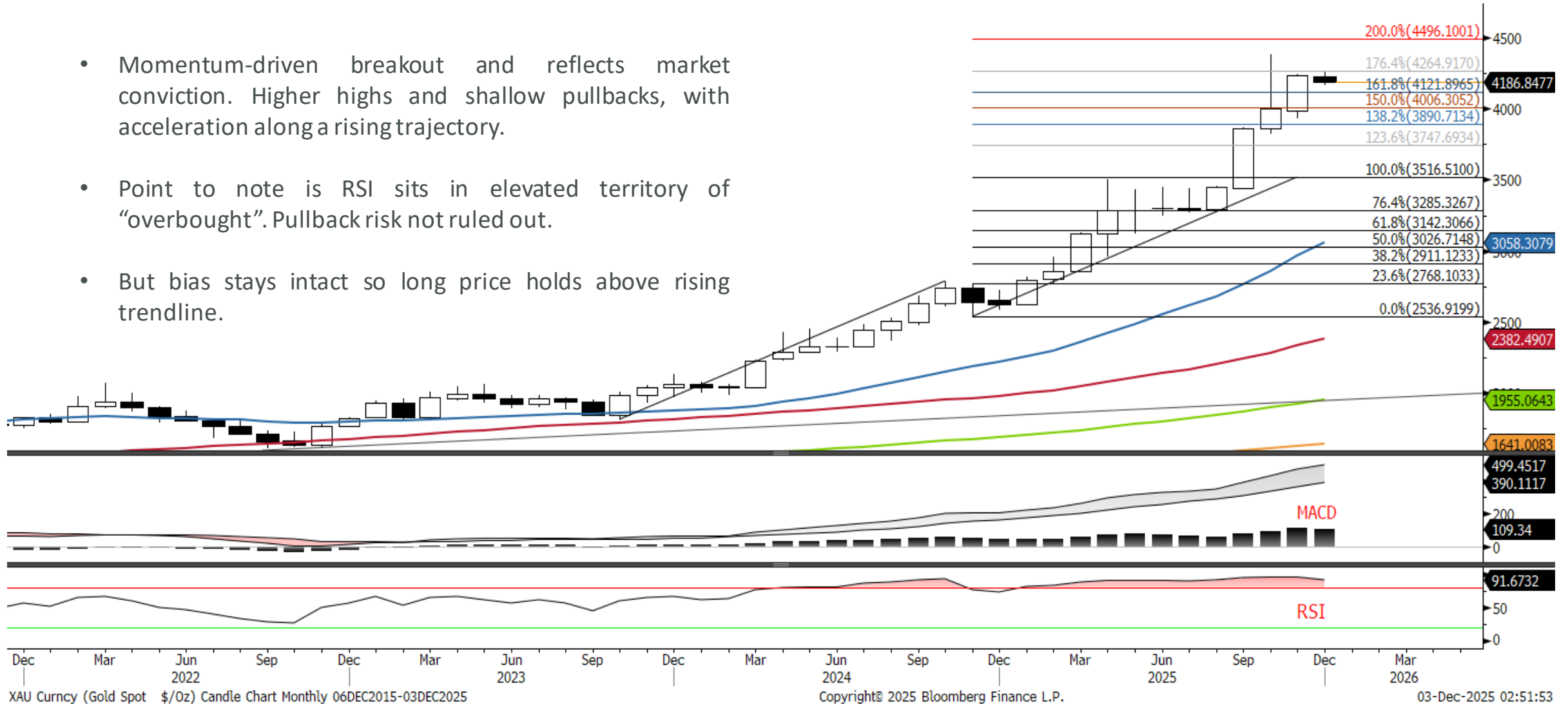
	USD	EUR	GBP	JPY	AUD	NZD	CAD	CHF	SGD	MYR	IDR	THB	PHP	KRW	CNY	HKD	Average
2001	2.5%	8.6%	5.2%	17.9%	12.4%	9.2%	8.9%	5.6%	9.0%	2.5%	10.1%	4.4%	5.7%	5.4%	2.4%	2.4%	7.1%
2002	24.8%	5.8%	12.7%	12.6%	13.2%	0.9%	23.1%	4.0%	17.3%	24.7%	7.4%	21.7%	29.6%	12.6%	24.8%	24.8%	16.1%
2003	19.4%	-0.6%	7.6%	7.7%	10.9%	4.5%	1.5%	5.9%	17.0%	19.4%	12.3%	9.7%	23.7%	20.0%	19.4%	18.8%	10.3%
2004	5.5%	1.9%	1.7%	1.0%	1.7%	3.7%	2.2%	2.9%	1.3%	5.5%	16.2%	3.7%	5.8%	8.4%	5.5%	5.7%	2.0%
2005	17.9%	35.0%	31.4%	35.4%	25.4%	24.2%	14.1%	36.0%	20.3%	17.3%	25.0%	24.2%	11.3%	15.1%	15.0%	17.8%	22.9%
2006	23.2%	10.4%	8.2%	24.3%	14.5%	19.3%	23.4%	14.2%	13.7%	15.0%	12.7%	5.5%	13.7%	13.4%	19.1%	23.4%	15.9%
2007	30.9%	18.5%	29.2%	23.0%	18.1%	20.3%	12.2%	21.8%	22.6%	22.8%	36.9%	10.1%	10.2%	31.8%	22.5%	31.3%	22.6%
2008	5.8%	10.4%	43.9%	14.1%	31.7%	39.9%	29.1%	0.3%	5.0%	10.4%	27.4%	23.1%	21.6%	42.3%	1.1%	5.1%	17.5%
2009	24.4%	21.4%	12.2%	27.5%	12.6%	0.3%	7.5%	20.5%	22.2%	24.0%	8.9%	19.8%	21.0%	14.5%	24.4%	24.4%	16.5%
2010	29.6%	38.6%	34.1%	13.0%	13.5%	20.0%	22.7%	17.0%	18.3%	15.2%	23.3%	16.5%	22.5%	25.4%	25.0%	29.9%	22.8%
2011	10.1%	13.7%	10.6%	4.3%	10.3%	10.5%	12.7%	10.5%	11.2%	14.0%	11.0%	15.7%	10.8%	13.8%	5.3%	10.0%	10.9%
2012	7.1%	5.2%	2.4%	20.8%	5.2%	0.5%	4.0%	4.4%	0.9%	3.4%	13.7%	3.7%	0.2%	1.9%	5.9%	5.8%	5.1%
2013	-28.3%	-31.0%	-29.5%	-12.9%	-16.4%	-27.7%	-23.2%	-30.0%	-25.6%	-22.8%	-17.9%	-23.1%	-21.3%	-27.9%	-30.1%	-28.1%	-24.1%
2014	1.4%	11.8%	4.5%	12.0%	7.6%	3.9%	7.8%	9.7%	3.1%	4.9%	0.9%	1.1%	2.2%	0.8%	0.7%	1.6%	3.7%
2015	10.4%	0.2%	5.3%	10.0%	0.4%	2.3%	5.7%	9.7%	4.1%	9.7%	0.2%	1.8%	6.1%	3.7%	6.2%	10.5%	3.1%
2016	8.1%	11.8%	29.1%	5.2%	9.5%	5.6%	5.0%	9.9%	10.8%	13.5%	5.7%	7.9%	15.0%	11.5%	16.7%	8.2%	10.9%
2017	13.5%	0.7%	4.1%	9.8%	4.7%	11.2%	5.6%	8.6%	4.4%	2.4%	13.9%	2.8%	13.8%	0.1%	5.5%	14.8%	7.2%
2018	1.6%	3.1%	3.8%	4.6%	9.0%	3.7%	5.4%	0.8%	0.3%	0.2%	4.4%	2.2%	3.2%	2.8%	3.8%	1.7%	1.9%
2019	18.3%	21.0%	13.9%	17.2%	18.9%	18.0%	12.7%	16.5%	16.8%	17.1%	13.6%	8.9%	14.4%	22.7%	20.5%	17.7%	16.8%
2020	25.1%	14.9%	21.4%	19.0%	14.0%	17.3%	22.6%	14.5%	22.8%	23.0%	25.7%	26.2%	18.6%	18.0%	16.8%	24.5%	20.3%
2021	3.6%	3.5%	2.7%	7.4%	1.9%	1.2%	4.2%	0.7%	1.7%	0.7%	1.2%	5.7%	2.4%	5.2%	6.5%	3.1%	0.2%
2022	0.3%	5.9%	11.5%	13.6%	5.4%	7.4%	5.8%	1.2%	0.9%	5.7%	8.8%	3.9%	8.5%	5.6%	8.3%	0.2%	5.8%
2023	13.1%	9.7%	7.5%	21.7%	13.2%	13.7%	10.6%	2.6%	11.3%	18.4%	12.0%	12.4%	12.8%	15.9%	16.9%	13.2%	12.8%
2024	27.2%	35.6%	29.4%	41.8%	40.0%	43.7%	38.1%	37.6%	31.6%	22.9%	33.3%	27.0%	33.2%	45.7%	29.8%	26.5%	34.0%
YTD 2025	60.2%	42.8%	51.8%	59.0%	51.2%	56.5%	55.9%	42.0%	52.3%	48.1%	65.1%	49.3%	61.7%	59.1%	56.2%	60.6%	54.5%
Average	12.8%	11.7%	13.4%	14.1%	11.7%	11.7%	12.2%	9.6%	11.2%	12.7%	14.9%	11.0%	13.3%	13.6%	12.0%	12.8%	12.4%





# XAU: Tentative Signs of Consolidation After a Parabolic Run-up

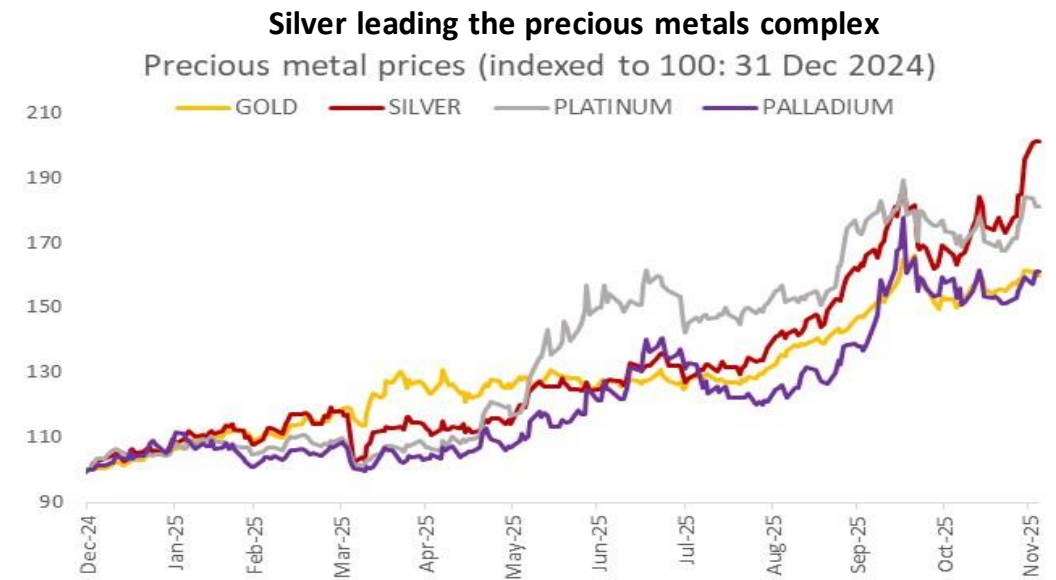
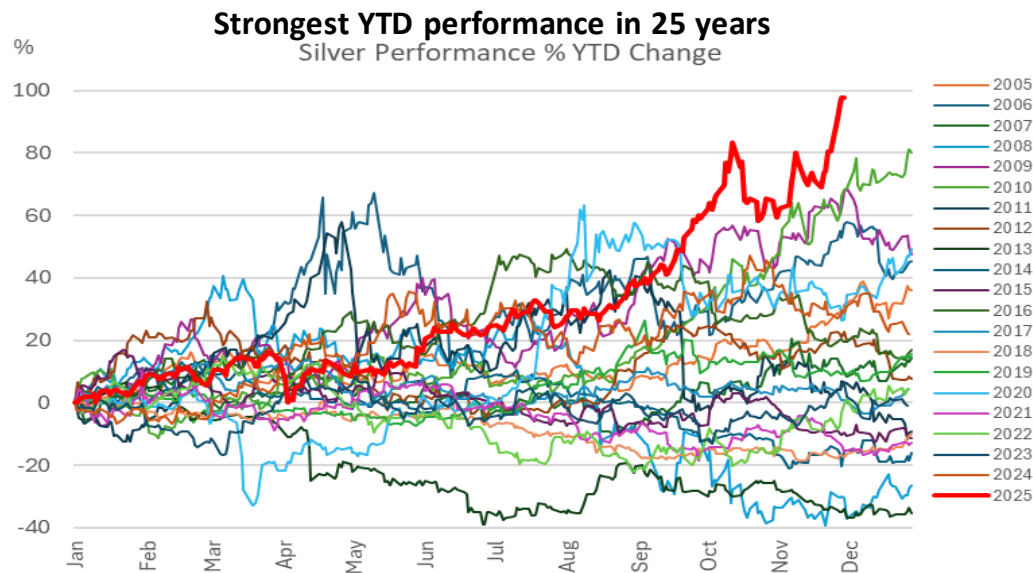
- Momentum-driven breakout and reflects market conviction. Higher highs and shallow pullbacks, with acceleration along a rising trajectory.
- Point to note is RSI sits in elevated territory of “overbought”. Pullback risk not ruled out.
- But bias stays intact so long price holds above rising trendline.



Note: blue line – 21SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index.  
Source: Bloomberg (Monthly chart), OCBC Research.

# Taking Stock: Silver Up 100% YTD

- Silver's stellar outperformance YTD was one of its strongest in recent decades and the outperformance also outpaced other precious metals, including gold. The surge reflected severe market tightness, strong macro tailwinds, and spillover strength from gold.
- At one point in Oct, lease rates even spiked to record high reflecting scarcity of deliverable metal and heightened competition for physical supply. Spot–futures spreads flipped into backwardation, and London inventories fell — all of which pointed to a squeeze in physical supply. ETF inflows and rising speculative longs further amplified the rally. Subsequently, a correction set in as the squeeze eased and sentiment normalised. Lease rates fell while cross-border shipments from China and the US replenished London inventories, bringing down borrowing costs. Nevertheless, a convergence of structural supply tightness, momentum buying, and a conducive macro environment are some of the drivers behind the surge in prices of silver.



Note: Silver % YTD change as of 2 December 2025.

Source: Bloomberg, OCBC Research.

# Silver Outlook: Still Room to Go Higher but Mind the Volatility

**Silver ETF inflows continue**



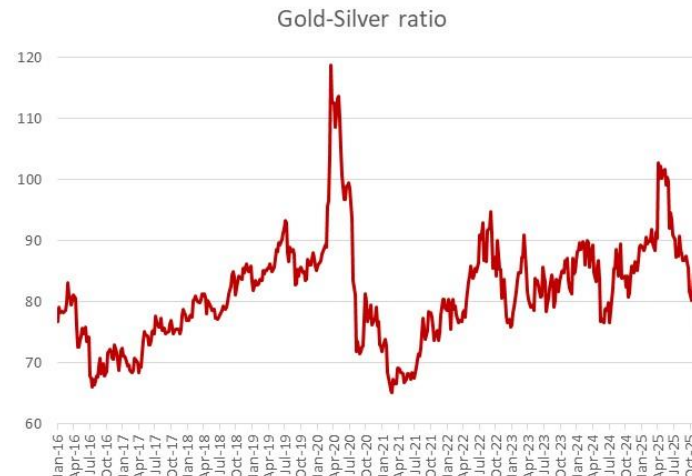
**Silver lease rate eased but still near highs of normal range**



**Silver inventories plunged globally**



**Further decline in gold/silver ratio may underscore “expensiveness” of silver**



- The medium-term picture remains constructive. Silver benefits from its dual role as a precious and industrial metal. Its safe-haven appeal mirrors gold’s drivers, while strong industrial demand from the solar, EV, and electronics sectors underpins real consumption.
- With global growth still holding up and Fed easing expectations intact, silver remains in a sweet spot within the commodities complex — supported by tight supply, firm industrial demand, ETF inflows and steady macro tailwinds.
- Risks: At some point, markets will start to question how “expensive” silver has become relative to price of gold (if decline extends) and this may prompt some profit-taking. The risk of a slowdown on pace of Fed easing or a rebound in real yields may also temper enthusiasm for non-yielding assets. Additionally, if industrial demand slows alongside weaker global growth, silver’s cyclical component could become a drag, limiting upside momentum.

# XAG: Bullish Momentum though RSI Flags Intermittent Pullback Risks



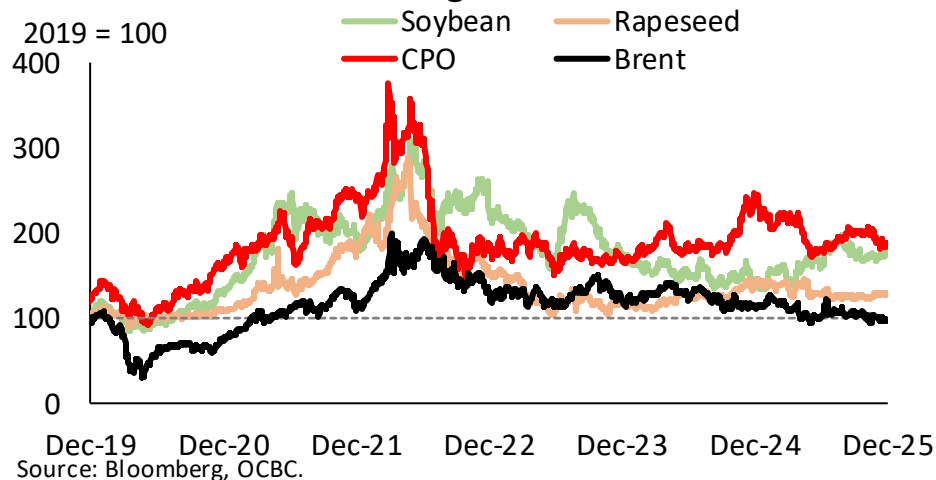
Notes: blue line –21SMA; red line –50 SMA; green line - 100 SMA; yellow line- 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index.  
Source: Bloomberg (Weekly chart), OCBC Research.

# Crude Palm Oil

# CPO: Mild Softening Bias in 2026 as Spreads Normalise

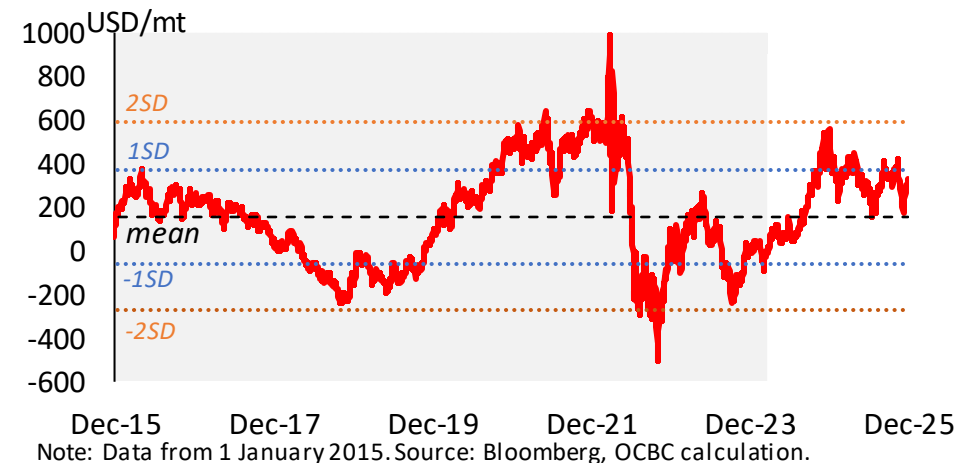
- CPO prices are expected to ease slightly in 2026, with our house forecast pointing to an average of around MYR4,200/mt, versus our estimated MYR4,300/mt in 2025. The slightly softer outlook reflects a more comfortable balance in the global vegetable-oil complex. Indonesia's production outlook was revised higher through 2H25, while Malaysia's output has stabilised. Recent rains have picked up across parts of the region, although there has been limited evidence of meaningful supply disruption so far. On balance, markets appear to be transitioning away from the earlier tightness, as partly reflected in the moderation in futures prices since October.
- The CPO–soybean oil (BOGO) spread, which widened significantly during the 2024 supply stresses, narrowed through 2025 as palm oil availability improved and soybean oil prices eased. CPO still trades at a discount, but the smaller gap signals a more balanced competitive position heading into 2026. Meanwhile, the palm oil–gas oil (POGO) spread remains positive, suggesting that biodiesel economics hinge more on policy support than on market incentives.
- Indonesia's plan to move from B40 toward B50 in 2026 may provide incremental support to domestic absorption, albeit likely on a gradual path. While the passing of the year-end festive season may soften near-term demand, Hari Raya and Chinese New Year in 1Q26 should offer seasonal uplift. Overall, improving supply conditions and stabilising spreads point toward a moderately softer annual average for CPO in 2026.

Price trends: Vegetable oils and crude oil



Source: Bloomberg, OCBC.

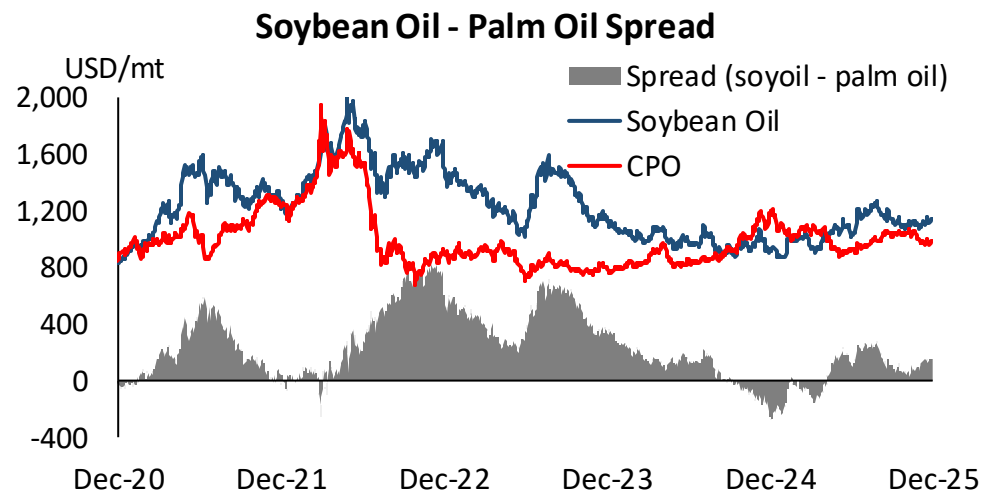
POGO Spread



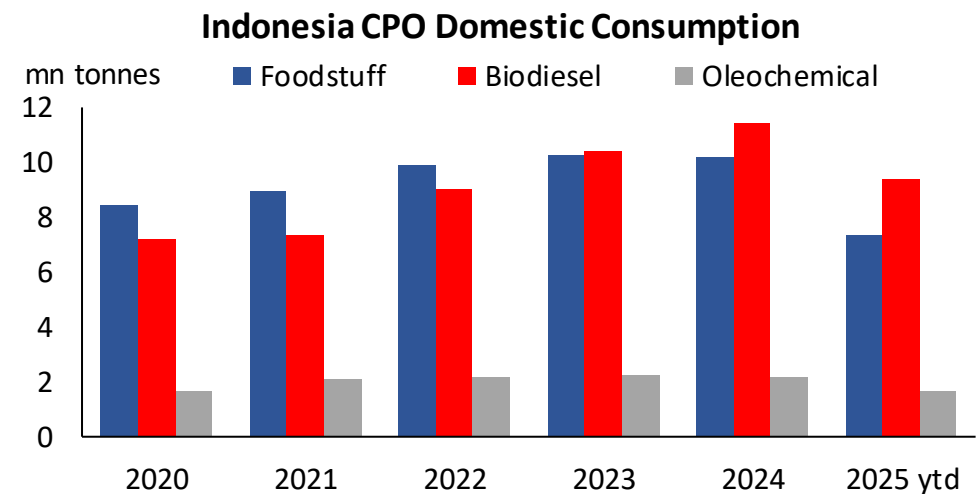


# CPO: Firm Demand in Early 2026, More Balanced in the Second Half

- Demand for palm oil is expected to remain broadly supportive in early 2026, led by steady buying from India, China and other Asian markets. Seasonal restocking ahead of Chinese New Year and Ramadan typically lifts import requirements in 1Q, and the narrowing of the CPO–soybean oil spread keeps palm oil competitive in key food and industrial applications.
- Beyond the early months, demand conditions are likely to become more balanced. India’s purchasing behaviour remains price sensitive, with importers adjusting volumes as relative prices shift among palm, soybean and sunflower oils. China’s demand outlook appears somewhat stable, with buyers expected to manage inventories cautiously. Recent reports of increased soybean purchases from the US suggest that soybean oil availability may improve at the margin, which could limit CPO’s relative advantage, although any impact is likely to be gradual given China’s diversified sourcing and broad-based usage. In Indonesia, consumption is expected to remain firm, supported by food and industrial use, and the government’s plan to transition from B40 toward B50 in 2025, which may be more visible in 2H26.
- On balance, demand is expected to remain stable without exerting significant upward pressure on prices, consistent with our forecast of a moderately lower annual average for CPO in 2026.



Source: Bloomberg, OCBC calculation.

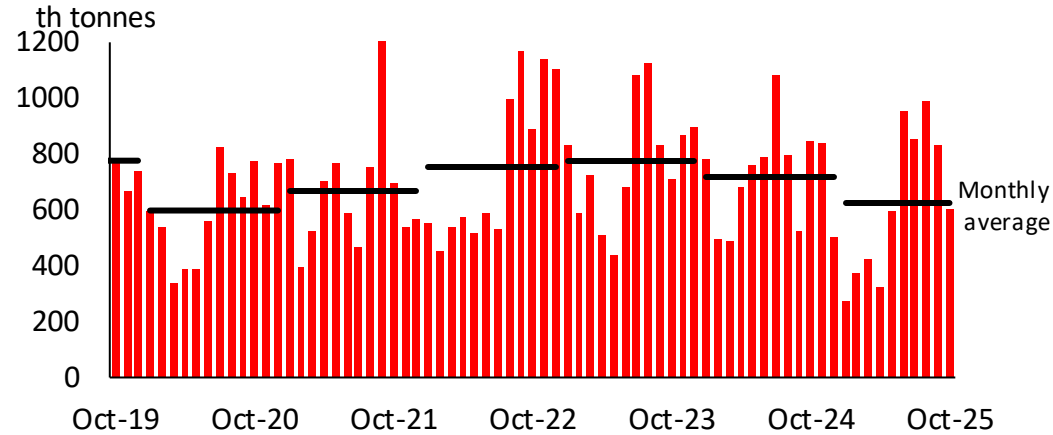


Note: Indonesia has steadily increased its biofuel blending mandate from B2.5 in 2008, B7.5 in 2010, B15 in 2015, B30 in 2020, B35 in 2023 and B40 in 2025. Latest data as of September 2025. Source: GAPKI, CEIC, OCBC.



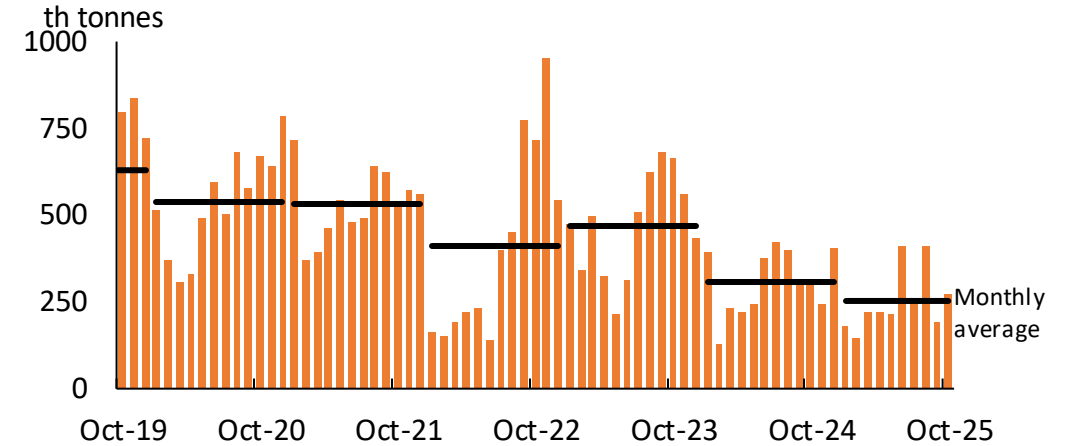
# CPO: Key Demand Signals

## India Palm Oil Imports



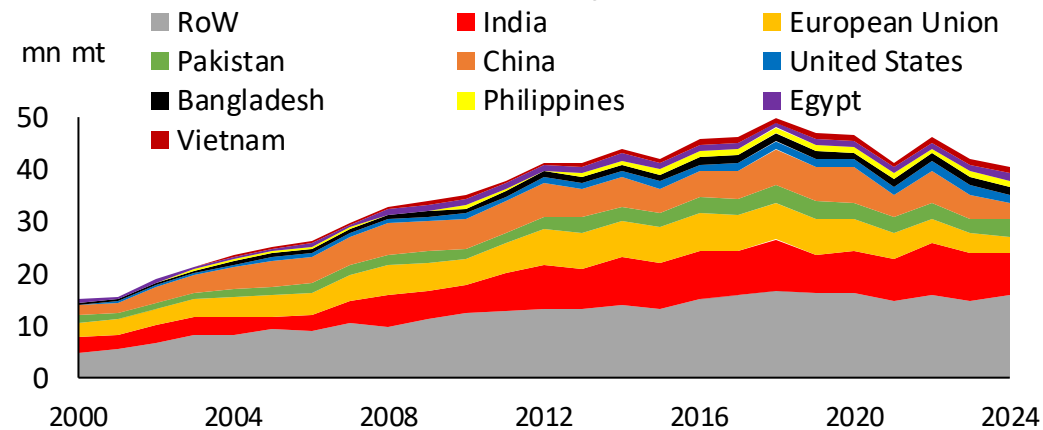
Source: The Solvent Extractor's Association of India, Bloomberg, OCBC.

## China Palm Oil Imports



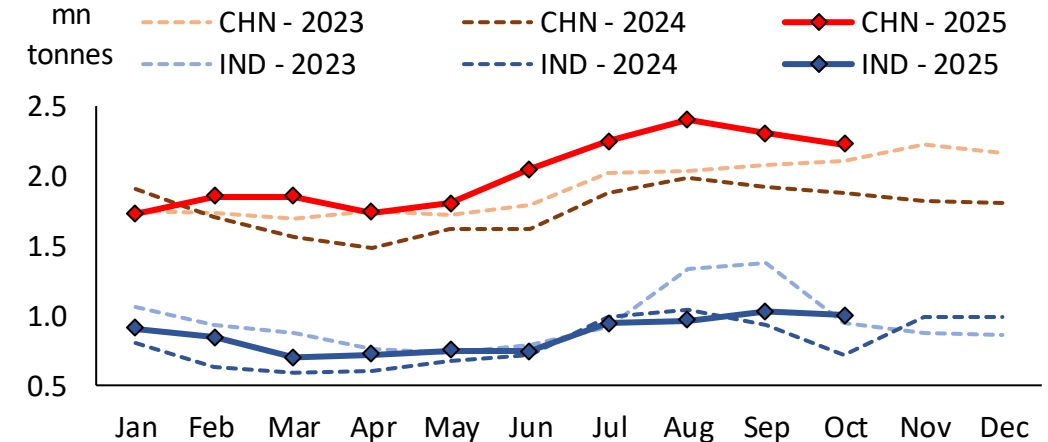
Source: Customs General Administration, Bloomberg, OCBC.

## Palm oil imports



Source: USDA FAS, OCBC.

## Oil & Fats Ending Stocks



Note: Ending stocks for China (CHN) consist of palm oil, soybean oil, and rapeseed oil, while those for India (IND) consist of palm oil, soybean oil, sunflower oil and rapeseed oil. Source: MPOC, OCBC.



# CPO: Uneven Supply Recovery

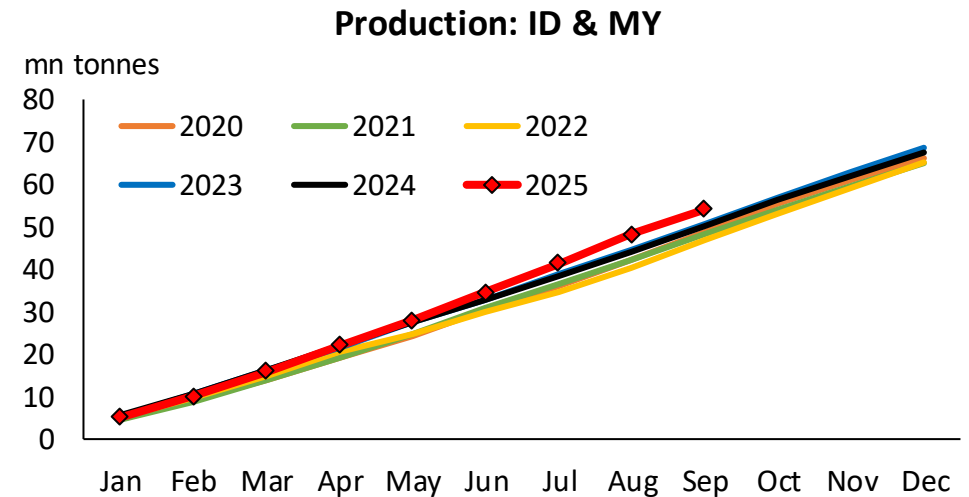
- CPO supply is expected to improve in 2026, led by Indonesia's continued recovery. Official data showed that Indonesian CPO output rose by 11.4% YoY year-to-September 2025, confirming improved underlying yields and field productivity. However, monthly production remains uneven, with a 22.3% YoY decline recorded in September, reflecting seasonal effects, weather-related harvesting challenges and a high base from the previous year.
- In Malaysia, the production outlook appears more restrained. While labour availability has improved, yields have been weighed down by an ageing tree profile, disease pressure and replanting activity that remains below targeted levels. Recent monthly production data have been relatively resilient (+11% YoY in October), but the year-to-October production growth was muted at 1.8% YoY to 16.5mn tonnes, vs 6.7% growth in the same period last year. Looking ahead, prospects of heavier rainfall under La Nina adds to near-term production uncertainty.
- Overall, supply conditions in 2026 are expected to be more comfortable than in recent years, driven mainly by Indonesia's cumulative gains, although weather and structural constraints across major producers suggest that upside to output remains capped.

Global palm oil supply (th metric tons)					
Country	2021/22	2022/23	2023/24	2024/25	2025/26*
Indonesia	42,000	45,000	43,000	46,000	47,500
Malaysia	18,152	18,389	19,710	19,379	19,500
Thailand	3,376	3,321	3,274	3,330	3,380
Colombia	1,762	1,853	1,875	1,900	2,000
Nigeria	1,400	1,400	1,500	1,500	1,500
Other	6,585	6,784	6,733	6,795	6,936

Note: \*Projection as of November 2025. Source: USDA.



Source: USDA, GAPKI, MPOB, CEIC, OCBC.



**Note:** 2025 data is available only up to September. Malaysia's CPO production reached 2.0mn tonnes in October, totalling 16.5mn tonnes from January to October 2025.  
Source: GAPKI, MPOB, CEIC, OCBC.

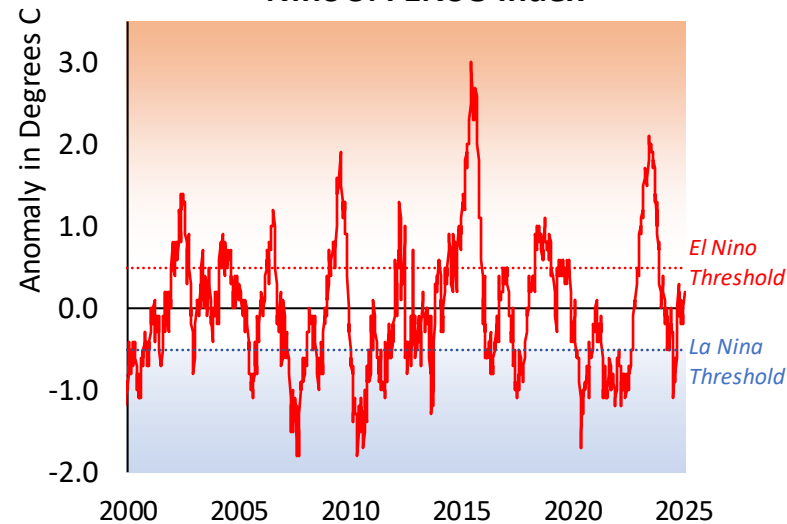
# CPO: Wetter Conditions into 2026, with Localised Flood Risks

- ENSO monitoring data (available up to October 2025) indicate a transition from last year's strong El Nino toward neutral to weak La Nina conditions, with the model guidance points to a slightly wetter pattern for the region heading into 2026. This is broadly consistent with observed rainfall trends, with monthly precipitation has risen above the 2020–24 average in both Indonesia and Malaysia, with the increase more pronounced in Indonesia.
- Recent flooding in Sumatra, northern Malaysia and southern Thailand, triggered by exceptionally heavy rainfall and a rare cyclone over the Malacca Strait, highlights the potential for short-term operational disruptions. While the direct impact on palm-oil production remains uncertain, near-term access issues and harvesting delays in affected areas cannot be ruled out.
- Overall, wetter conditions should support yield recovery after earlier dryness, but the recent extreme-weather events underscore the possibility of localised volatility, especially in early 2026.



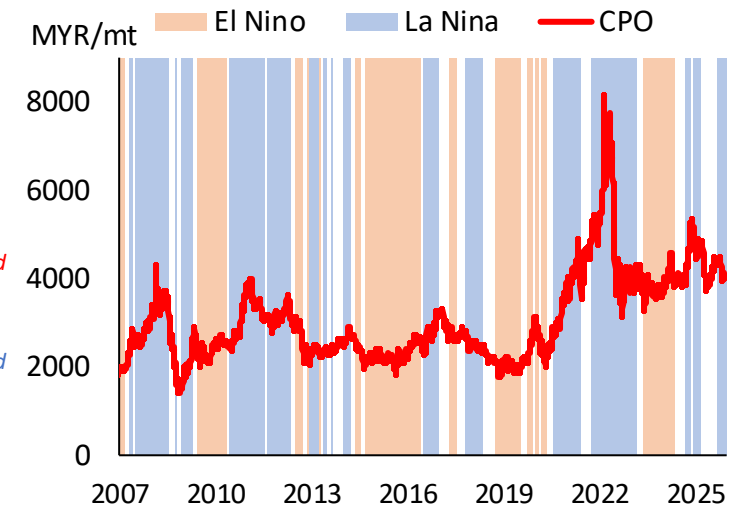
Source: NOAA CPC, Refinitiv, Bloomberg, OCBC.

Nino 3.4 ENSO Index



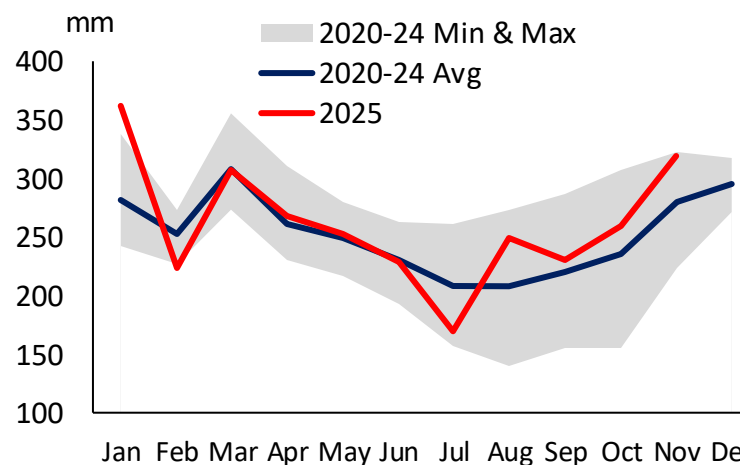
Source: NOAA CPC, OCBC.

CPO & weather



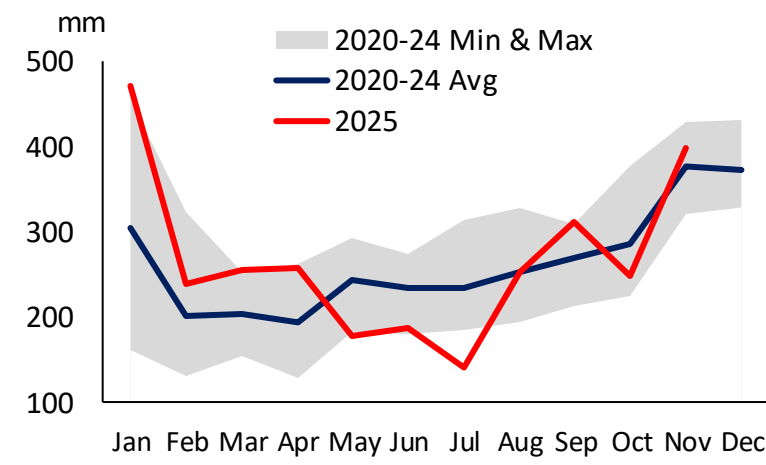
Source: Bloomberg, NOAA CPC, OCBC.

ID: Monthly accumulated precipitation



Source: Refinitiv, NOAA, OCBC.

MY: Monthly accumulated precipitation



Source: Refinitiv, NOAA, OCBC.

# CPO: World Supply and Distribution of Palm Oil

Thousand mt	2021/22	2022/23	2023/24	2024/25	2025/26*
<b>Production</b>					
Indonesia	42,000	45,000	43,000	46,000	47,500
Malaysia	18,152	18,389	19,710	19,379	19,500
Thailand	3,376	3,321	3,274	3,330	3,380
Colombia	1,762	1,853	1,875	1,900	2,000
Nigeria	1,400	1,400	1,500	1,500	1,500
Other	6,585	6,784	6,733	6,795	6,936
<b>Domestic consumption</b>					
Indonesia	17,425	19,125	21,075	22,525	23,400
India	8,150	8,900	8,990	8,800	9,100
China	5,100	5,400	5,000	3,300	4,200
Malaysia	3,300	3,975	3,667	4,156	4,020
Pakistan	2,845	3,095	2,995	3,200	3,550
Other	32,313	32,867	32,897	33,258	33,592
<b>Ending stocks</b>					
Indonesia	7,309	5,107	4,760	4,764	4,864
Malaysia	2,318	2,312	2,014	2,361	2,341
India	972	2,419	2,615	1,916	2,318
Colombia	826	856	842	717	762
China	420	1,181	546	439	619
Other	4,887	5,065	5,092	4,703	4,685

Thousand mt	2021/22	2022/23	2023/24	2024/25	2025/26*
<b>Exports</b>					
Indonesia	22,321	28,077	22,273	23,471	24,000
Malaysia	15,527	15,355	16,530	15,615	16,100
Thailand	971	902	878	1,150	1,000
Papua New Guinea	834	813	669	700	750
Guatemala	792	883	620	650	650
Other	3,461	3,324	3,407	3,341	3,208
<b>Imports</b>					
India	8,004	10,045	8,886	7,800	9,200
China	4,387	6,190	4,377	3,203	4,400
Pakistan	2,792	3,107	2,998	3,288	3,600
European Union	5,015	4,564	3,820	3,300	3,500
United States	1,588	1,887	1,864	1,550	1,750
Total	19,546	20,384	19,893	21,152	20,993

Source: USDA.



Note: \*as of November 2025.

Source: USDA, OCBC.

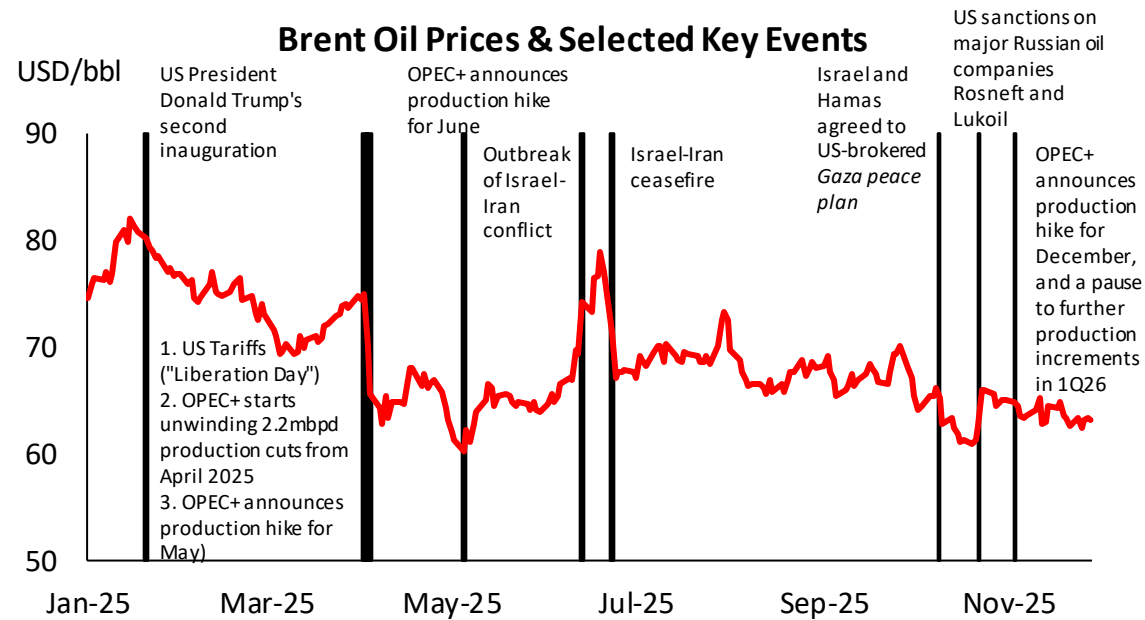
**Crude Oil**





# Crude Oil: Recent Developments

- Year-to-date, as of 28 November close, WTI and Brent averaged USD65.4/bbl and USD68.8/bbl, respectively. This represents a decline of more than 13% from their average prices in 2024.
- Near-term volatility has eased, with oil prices trading sideways in November. Specifically, Brent traded within a narrow range of ~USD62-65/bbl, in line with our expectations. Accordingly, we maintain our price forecast to average USD63.5/bbl in 4Q25 and USD68/bbl for 2025.

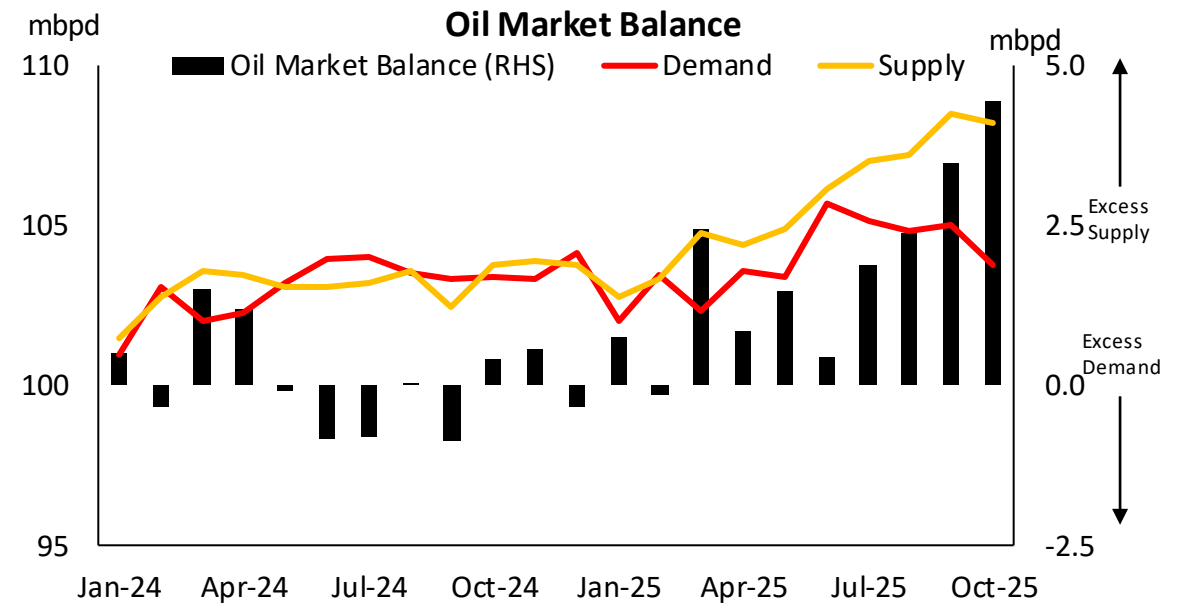


Source: Bloomberg, OCBC.



Note: EIA Short-term Energy Outlook, November 2025 edition.  
Source: US Energy Information Administration, Bloomberg, OCBC.

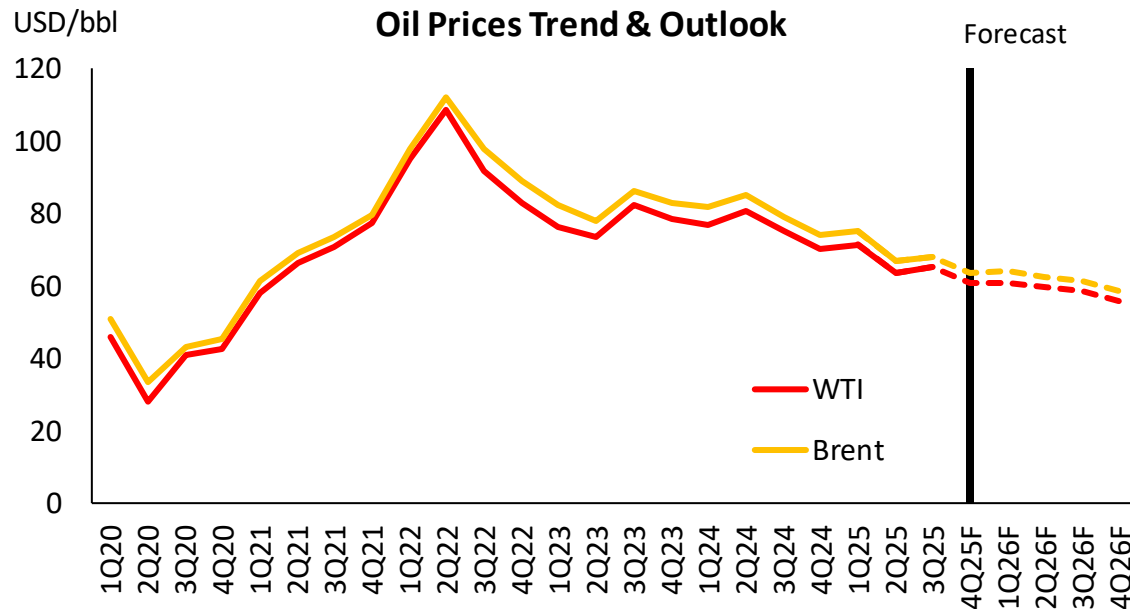
- The global oil market signals an imbalance, with supply outstripping demand for eight consecutive months through October 2025, according to data from the US Energy Information Administration (EIA).
- The excess supply in the market is expected to support growth in global oil inventories. As a result, this increasing surplus has kept upward price pressures contained.



Source: US Energy Information Administration, OCBC.

# Crude Oil: Prices Set to Decline in 2026

- We forecast oil prices to fall further in 2026, with WTI and Brent crude oil prices to average USD59/bbl and USD62/bbl, respectively, down from our 2025 forecasts of USD65/bbl and USD68/bbl.
- The price decline in 2026 reflects our expectations of a favourable supply outlook. Recent data suggests healthy global oil inventories in 2H25, and potentially a developing global oil supply glut.

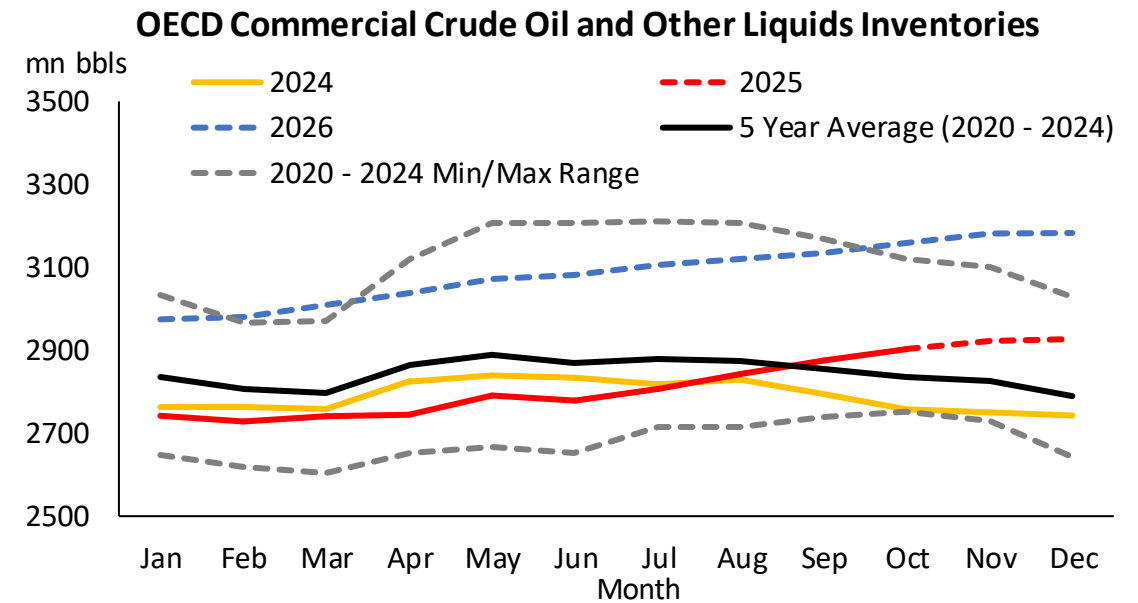


Source: Bloomberg, OCBC.



Note: EIA Short-term Energy Outlook, November 2025 edition.  
Source: US Energy Information Administration, Bloomberg, OCBC.

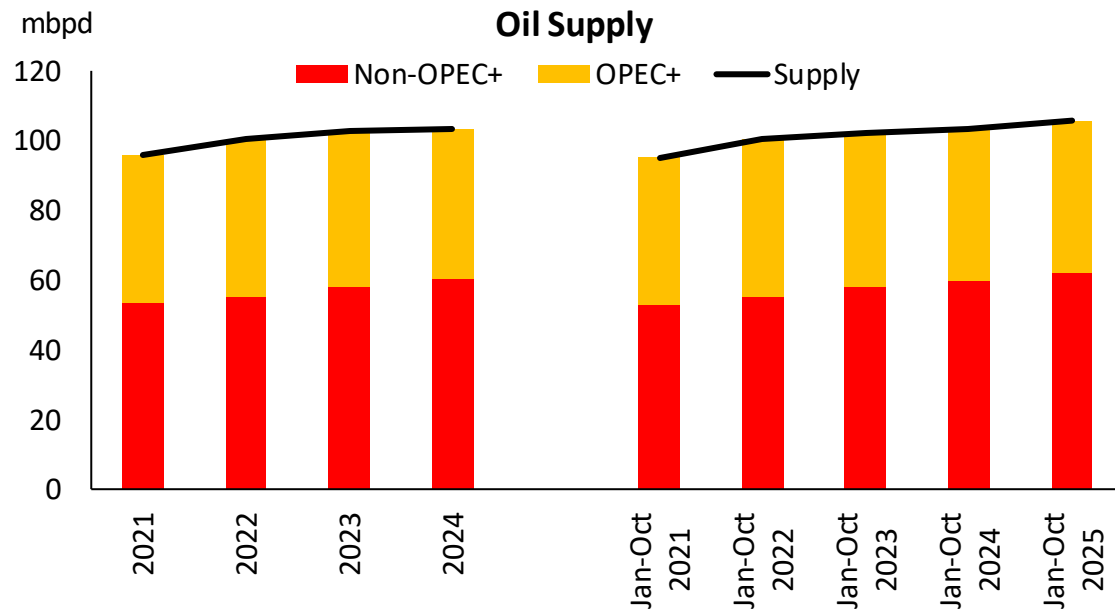
- According to data from the EIA, *OECD commercial crude oil and other liquids inventories* rose by 5.3% YoY to 2903mn bbls at end-Oct 2025, exceeding the 2020-2024 seasonal average. The oil market is expected to become oversupplied next year, with inventories forecasted to exceed 3100mn bbls by end-Jul 2026.
- Meanwhile, easing geopolitical tensions in the Middle East — and potentially in Eastern Europe — are reducing geopolitical risk premiums, contributing to a more stable pricing environment.



Source: US Energy Information Administration, OCBC.

# Crude Oil: Robust Supply Growth

- Fundamentally, global oil production rose by 2.6% YoY from Jan-Oct 2025, up from 0.7% in 2024, reaching an average of 105.7mbpd. This robust growth was driven by both OPEC+ and non-OPEC+ oil output. By source, OPEC+ and non-OPEC+ oil production increased by 0.9% YoY and 3.8% YoY, respectively, compared to -2.8% and 3.4% in 2024.
- The growth in OPEC+ oil production reflects the unwinding of voluntary production cuts that began in April 2025.



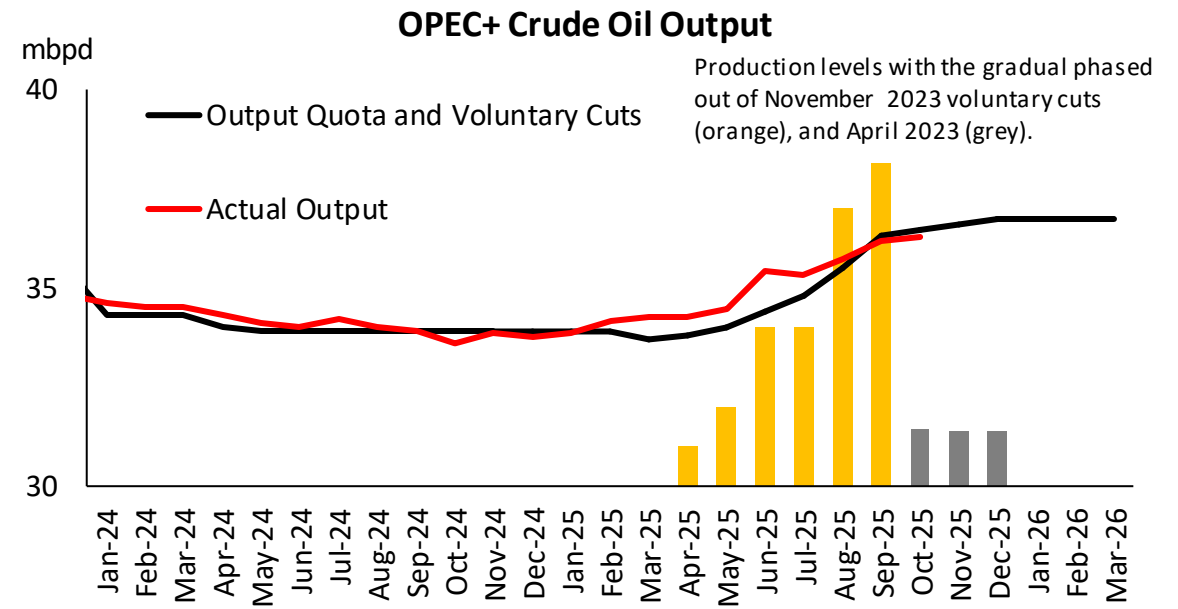
Source: US Energy Information Administration, OCBC.



Note: EIA Short-term Energy Outlook, November 2025 edition.

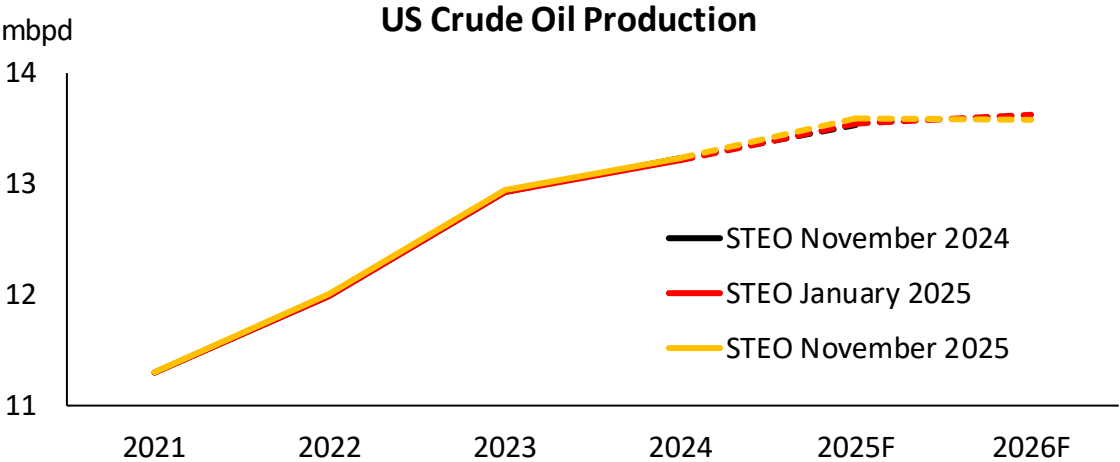
Source: US Energy Information Administration, BloombergNEF, OPEC, OCBC.

- We believe supply growth will accelerate in 2026, as new production continues to be phased into the global oil market.
- For the ninth consecutive month, OPEC+ has announced another production increase for December. Although the increment is for another modest 137kbpd, the cumulative production hike since April 2025 will inject additional barrels into the global oil market, amid stable US crude oil production output.

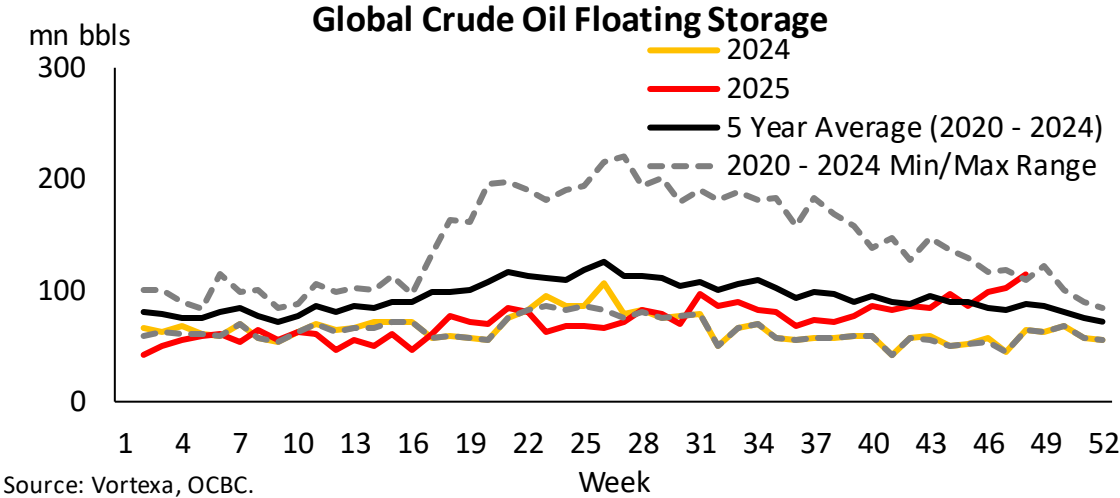


Source: BloombergNEF estimates, OPEC, OCBC.

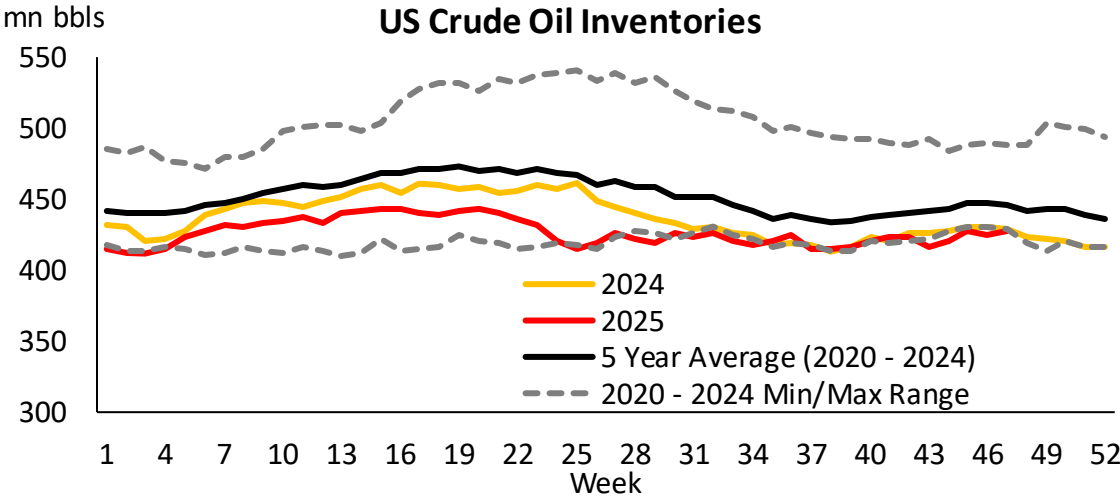
# Crude Oil: Key Supply Indicators and Market Signals



Source: US Energy Information Administration, OCBC.



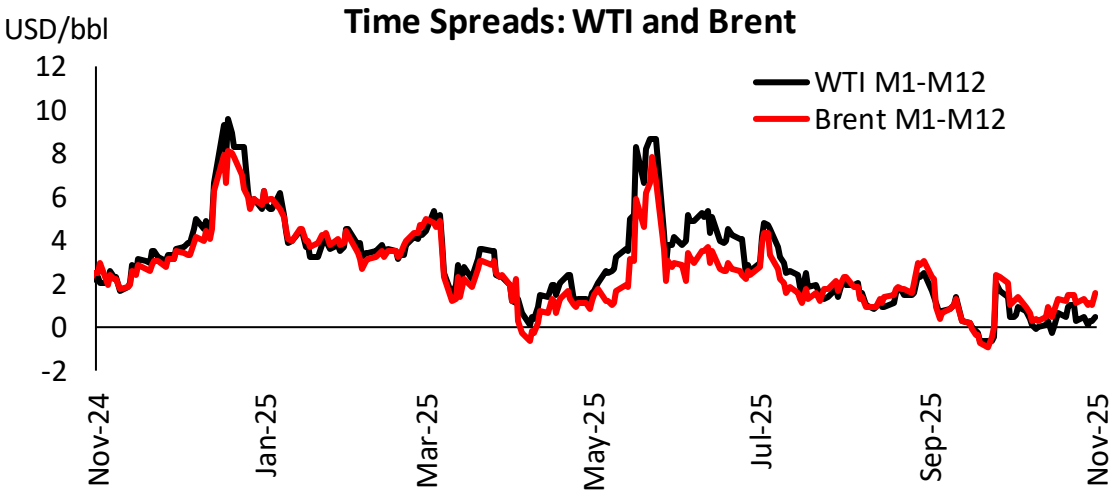
Source: Vortexa, OCBC.



Source: US Energy Information Administration, OCBC.



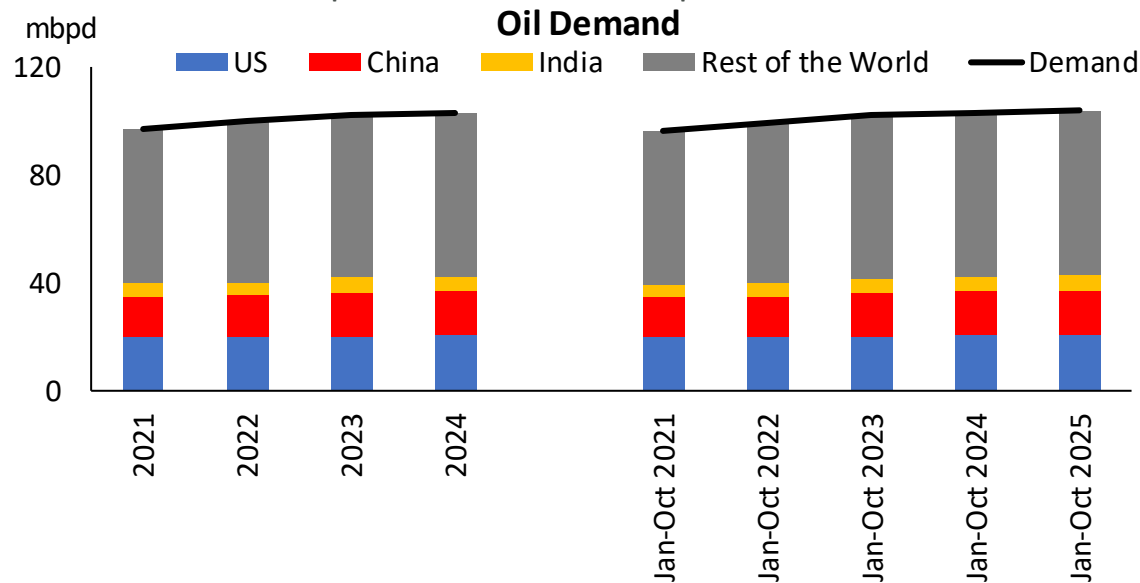
Note: EIA Short-term Energy Outlook, November 2025 edition.  
Source: US Energy Information Administration, Bloomberg, Vortexa, OCBC.



Source: Bloomberg, OCBC.

# Crude Oil: Broadly Stable Consumption

- On the demand front, global oil demand growth remained broadly stable at 0.9% YoY from Jan-Oct 2025, compared to 1.0% in 2024, reaching an average of 103.9mbpd. Stronger consumption growth in China offset softer growth in the US and India.
- The stronger-than-expected consumption growth in China could be attributed to the country's strategic stockpiling of crude reserves amid soft oil prices. Consequently, this may have limited the downward pressure on crude oil prices<sup>1</sup>.



Source: US Energy Information Administration, OCBC.

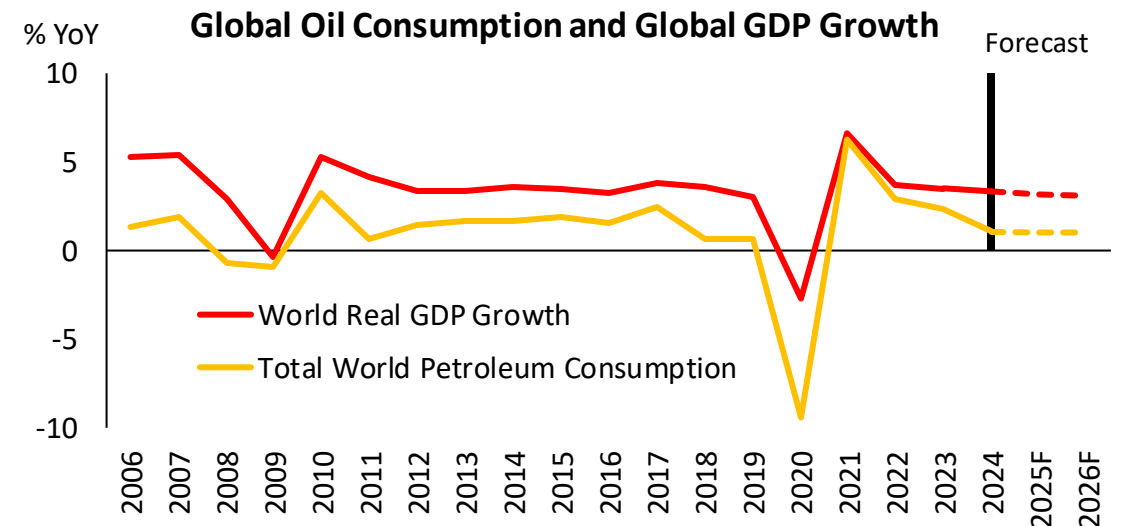


<sup>1</sup> Expanding strategic oil stocks in China support crude oil prices, US Energy Information Administration, 9 October 2025.

Note: EIA Short-term Energy Outlook, November 2025 edition. October 2025 World Economic Outlook

Source: US Energy Information Administration, IMF, OCBC.

- Looking ahead, global oil demand growth in 2026 is expected remain broadly stable, with global economic growth projected at 3.1%, compared to 3.2% in 2025, according to the IMF's October 2025 World Economic Outlook.
- Economic growth forecasts for the world's two largest oil consumers, the US and China, are projected at 2.1% YoY and 4.2% YoY, respectively, compared to 2.0% and 4.8% in 2025.
- Taken together, we expect the well-supplied oil market to meet demand in 2026, which will exert downward pressure on oil prices.



Source: EIA, IMF, OCBC.

# Crude Oil: Risks to Oil Price Forecasts

## Upside Risks

An escalation in geopolitical tensions in South America (e.g., Venezuela), Europe (e.g., Russia), the Middle East (e.g., Iran), or Africa (e.g., Nigeria), which could lead to the imposition of tariffs and/or sanctions on these oil-producing member countries of OPEC+.

An accelerated refill of the US Strategic Petroleum Reserves.

Tighter-than-expected global oil market.

## Downside Risks

Resurgent trade tensions leading to a sharper slowdown in global economic growth, as well as softer commodity demand.

Higher-than-expected production from OPEC+ member countries relative to its existing output quota.

OPEC+ resumes and accelerates production quota hikes in a bid to regain market share.



Source: Britannica, OCBC.



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