

Fundamentals:

Oil prices crept higher on Wednesday while heading for a fall of more than 15% over the course of 2025, as expectations of oversupply increased in a year marked by wars, higher tariffs, increased OPEC+ output and sanctions on Russia, Iran and Venezuela.

Brent crude futures, down over 17% - the most substantial annual percentage decline since 2020 - are on track for a third straight year of losses, their longest losing streak to date. U.S. West Texas Intermediate crude headed for a near 19% annual decline.

BNP Paribas commodities analyst Jason Ying anticipates Brent will dip to \$55 a barrel in the first quarter before recovering to \$60 a barrel for the rest of 2026 as supply growth normalises and demand stays flat.

"The reason why we're more bearish than the market in the near term is that we think that U.S. shale producers were able to hedge at high levels," he said.

"So the supply from shale producers will be more consistent and insensitive to price movements."

Brent futures were up 28 cents, or 0.46%, at \$61.61 a barrel by 1417 GMT, while U.S. West Texas Intermediate crude was at \$58.23, up 28 cents, or 0.48%. The 2025 average prices for both benchmarks are the lowest since 2020, LSEG data showed.

U.S. crude and fuel inventories rose last week, market sources said, citing American Petroleum Institute figures on Tuesday. The U.S. Energy Information Administration will release its data later on Wednesday.

Oil markets had a strong start to 2025 when former President Joe Biden ended his term by imposing tougher sanctions on Russia, disrupting supplies to major buyers China and India.

The impact of the war in Ukraine on energy markets intensified when Ukrainian drones damaged Russian infrastructure and disrupted Kazakhstan's oil exports.

The 12-day Iran-Israel conflict in June added to the threats to supply by disrupting shipping in the Strait of Hormuz, a major route for global seaborne oil, which fanned oil prices.

In recent weeks, OPEC's biggest producers Saudi Arabia and the United Arab Emirates have become locked in a crisis over Yemen, and U.S. President Donald Trump has ordered a blockade on Venezuelan oil exports and threatened another strike on Iran.

But prices eased after OPEC+ accelerated its output increases this year and as concerns about the impact of U.S. tariffs weighed on global economic and fuel demand growth.

OPEC+, which groups the Organization of the Petroleum Exporting Countries and its allies, has paused oil output hikes for the first quarter of 2026 after releasing some 2.9 million barrels per day into the market since April. The next OPEC+ meeting is on January 4.

Most analysts expect supply to exceed demand next year, with estimates ranging from the International Energy Agency's 3.84 million barrels per day to Goldman Sachs' 2 million bpd.

"If the price really has a substantial fall, I would imagine you will see some cuts (from OPEC+)," said Martin Rats, Morgan Stanley's global oil strategist. "But it probably does need to fall quite a bit further from here on - maybe in the low \$50s."

"If today's price simply prevails, after the pause in Q1, they'll probably continue to unwind these cuts."

John Driscoll, managing director of consultancy JTD Energy, expects geopolitical risks to support oil prices even though market fundamentals point to oversupply.

U.S. natural gas futures fell over 5% on Tuesday, pressured by forecasts of above normal temperatures next week, though the market was set for a second consecutive yearly gain led by record gas flows to liquefied natural gas export plants.

(Source: Reuters)

Energy Table

Contract	Sett	Chg	High	Low	
Nymex Crude Oil	FEB 26	57.42	-0.50	58.55	57.20
Natural Gas	FEB 26	3.686	-0.264	3.983	3.679
RB Gasoline	JAN 26	170.54	-1.56	173.01	169.94
Heating Oil	FEB 26	212.15	-3.40	216.22	211.80
Brent Fin Last Day	MAR 26	60.86	-0.47	61.91	60.62
US Dollar Index		98.27	0.032	98.499	98.176

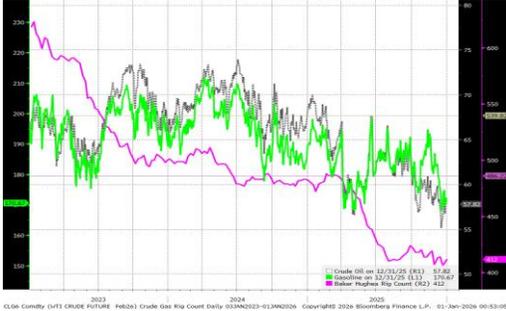
Bloomberg Survey on U.S. Total Change in Inventories

Date	Crude Oil		Gasoline		Crude Oil	
	Actual	Survey	Actual	Survey	Production	Inventories
5/12/2025	-1812	-1300	6397	2043	13853	425691
28/11/2025	574	-2000	4518	1000	13815	427503
21/11/2025	2774	-2363	2513	1163	13814	426929
14/11/2025	-3426	-1700	2327	60	13834	424155
7/11/2025	6413	1500	-945	-2459	13862	427581
31/10/2025	5202	-286	-4729	-1847	13651	421168
24/10/2025	-6858	1203	-5941	-1917	13644	415966
17/10/2025	-961	2181	-2147	-1653	13629	422824
10/10/2025	3524	-1200	-267	-1000	13636	423785
3/10/2025	3715	350	-1601	-1382	13629	420261
26/9/2025	1792	-50	4125	-80	13505	416546
19/9/2025	-607	500	-1081	-1000	13501	414754

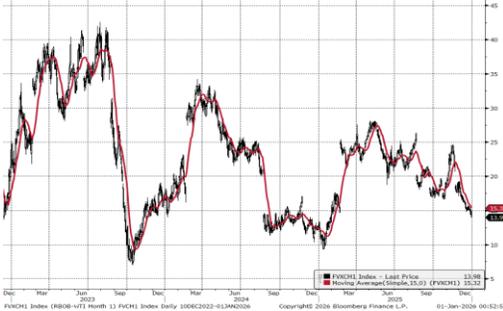
Fundamental Data:

Event	Period	Avg Survey	Actual	Prior	
12/31/2025 02:00	Baker Hughes U.S. Rig Count	Jan-25	--	546	545
12/31/2025 02:00	Baker Hughes U.S. Rotary Gas Rigs	Jan-25	--	125	127
12/31/2025 02:00	Baker Hughes U.S. Rotary Oil Rigs	Jan-25	--	412	409
12/31/2025 23:30	DOE U.S. Crude Oil Inventories	26-Dec	500k	-1934k	405k
12/31/2025 23:30	DOE Cushing OK Crude Inventory	26-Dec	--	543k	707k
12/31/2025 23:30	DOE U.S. Gasoline Inventories	26-Dec	1950k	5845k	2862k
12/31/2025 23:30	DOE U.S. Distillate Inventory	26-Dec	1550k	4977k	202k
12/31/2025 23:30	DOE U.S. Refinery Utilization	26-Dec	0.10%	-0.20%	-0.20%
12/31/2025 23:30	DOE Crude Oil Implied Demand	26-Dec	--	1905k	1985k
12/31/2025 23:30	DOE Gasoline Implied Demand	26-Dec	--	9464.3	9900
12/31/2025 23:30	DOE Distillate Implied Demand	26-Dec	--	4806	5462.1
01/01/2026 01:00	EIA Natural Gas Storage Change	26-Dec	-51	--	-166
01/01/2026 01:00	EIA Working Natural Gas Implied Flow	26-Dec	-51	--	-166

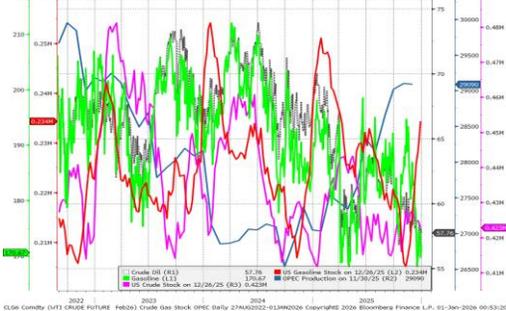
U.S. Oil Rig Count vs Nymex Crude Oil & Gasoline Price



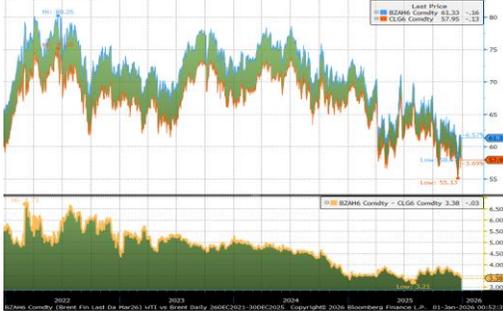
Normalized RBOB Gasoline minus Nymex Crude Oil Price



Total OPEC Crude Oil Production vs Nymex Crude Oil & Gasoline Price & Inventory



WTI-Brent Spread



Source: Bloomberg



Technical Analysis

Crude Oil		Natural Gas		Gasoline	
1st Resistance:	58.28	1st Resistance:	3.741	1st Resistance:	173.10
1st Support:	56.56	1st Support:	3.631	1st Support:	167.98
MACD:	-0.311	MACD:	-0.111	MACD:	-3.122
MACD DIFF:	0.170	MACD DIFF:	0.009	MACD DIFF:	0.045
RSI:	50.204	RSI:	48.575	RSI:	40.951
2nd Resistance: 59.14		2nd Resistance: 3.797		2nd Resistance: 175.66	
2nd Support: 55.70		2nd Support: 3.575		2nd Support: 165.42	

Heating Oil		Brent Fin Last Day	
1st Resistance:	215.33	1st Resistance:	61.77
1st Support:	208.97	1st Support:	59.95
MACD:	-5.638	MACD:	-0.381
MACD DIFF:	-0.180	MACD DIFF:	0.156
RSI:	41.019	RSI:	49.145
2nd Resistance: 218.51		2nd Resistance: 62.69	
2nd Support: 205.79		2nd Support: 58.03	

Kenanga Futures Sdn Bhd (353603-X)

Dealing Desk: (603) 2172 3820 Fax: (603) 2172 2729 Email: futures@kenanga.com.my

Disclaimer: This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness.

Any recommendation contained in this document does not have regard to the specific investment objectives, financial background and the particular needs of any person who may read this document.

This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement and assessment by addressees in relation to any investment decision.

Kenanga Futures Sdn Bhd accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities/underlying securities.

Kenanga Futures Sdn Bhd and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities/underlying securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.