PLAINSCAPITAL BANK

COMMODITY HIGHLIGHTS

Commodities Commentary
October 2025

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Executive Summary

- Brent and WTI oil prices have ticked up $1 to $64 and low $60s, respectively.
- Henry Hub Natural Gas has increased to $3.30 per MCF.
- The U.S. rig count remained the same at 539.
- Spotlight on gas venting and flaring.
- Gas compressor station blocked in Conroe for noise pollution.
- Air permit for the Sentinel Midstream "Texas Gulf Link" allows for more efficient oil transportation.
- The Permian to Corpus Christi pipeline is having issues with sulfur contamination.
- Coffee Futures up ~240% over the past 5 years, and up ~45% over the past year.
- Retail coffee prices are up 22% year over year, primarily driven by supply issues.
- Demand growth continues with China leading the way.
- Legislative gridlock over healthcare subsidies eventually caused a government shutdown.
- Notably, Bitcoin responded to the news by extending its recent 3-day rally to over $120,000.
- Bitcoin has built a reputation as a speculative, leveraged investment on the NASDAQ index.
- The evolving relationships in capital markets indicate that the store of value thesis is prevailing over the "risk on" thesis for bitcoin.
- The fourth quarter, especially October, tends to be a strong seasonal period for digital assets.

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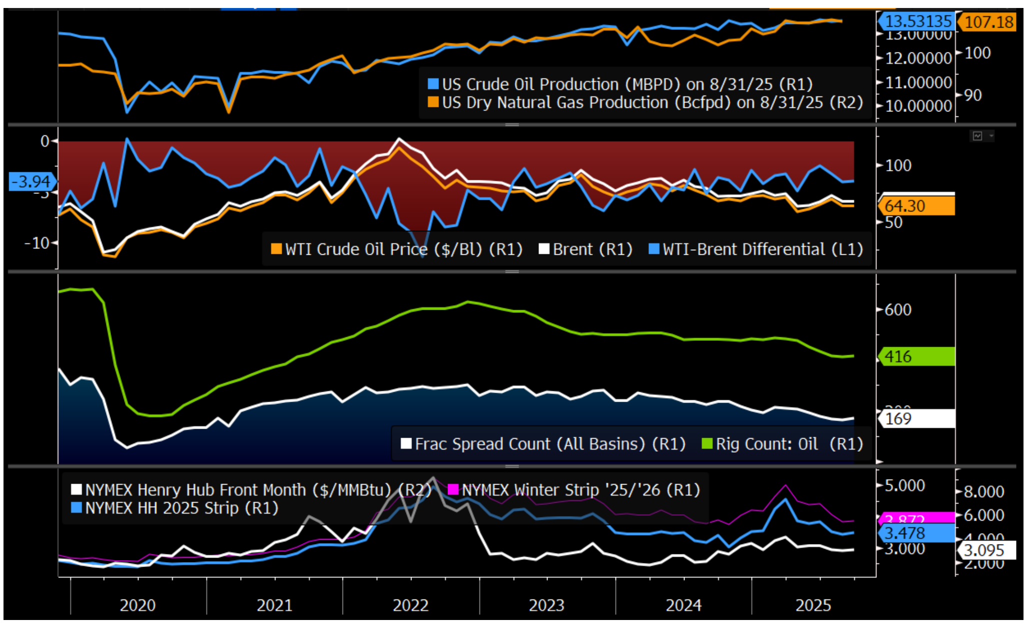
Oil and Gas Highlights

West Texas Intermediate has ticked up a bit to ~$60 per barrel, while Brent Crude is at ~$64 per barrel. Natural Gas is $3.30 per MCF. The rig count remains at 539 this week, and the frac count is up to 169.

Texas recently broke the 2 billion barrels mark in oil (including condensate) in 2024 – a new record, and Natural gas output was also very high. In May 2025, Texas Crude oil production was 127.3 million barrels, equivalent to approximately 4.106 million barrels per day. Natural gas and condensate volumes are also substantial, led by counties such as Reeves, Loving, Martin, Midland, and others. The Railroad Commission of Texas (RRC) issued 560 original drilling permits in August 2025. Of those, 482 were to drill new oil/gas wells. The rest were re-entries, recompletions, injections, and so on.

Rig counts have declined compared to this time last year. Still, even with fewer rigs, production is holding up (or growing in some areas) thanks to improved well productivity, the drilling of but uncompleted (DUC) wells being brought online, and efficiency improvements. For example, the Permian Basin experienced rig reductions in Q2 2025, with a roughly 12% drop (34 rigs cut). However, midstream players are seeing gains where infrastructure supports the flow of energy.



Emissions, flaring, and venting remain contentious. A ProPublica analysis found that over 40 months, from May 2021 to September 2024, Texas regulators (RRC) approved 99% of oil companies' applications for flaring/venting, rejecting just 53 of 12,000 permits. Critics argue that this means large volumes of natural gas are being burned or vented unnecessarily, resulting in both environmental and fiscal impacts, including missed tax/royalty revenues.

A recently issued injunction in the Conroe area has blocked the construction of a high-pressure natural gas compressor station due to concerns over noise, land use, and safety. This reflects growing pushback locally on the siting of gas infrastructure.

Critical points for oil and gas:

- Brent and WTI oil prices have ticked up $1 to $64 and $61, respectively.
- Henry Hub Natural Gas has increased to $3.35 per MCF.
- The U.S. rig count remained the same at 539.
- Spotlight on gas venting and flaring.
- Gas compressor station blocked in Conroe for noise pollution.
- Air permit for the Sentinel Midstream "Texas Gulf Link" allows for more efficient oil transportation.
- Permian to Corpus Christi pipeline having issues with sulfur contaminates.

The EPA has issued an air permit for the Sentinel Midstream "Texas Gulf Link" deepwater oil export project off the Texas Gulf coast near Freeport. It is notable because this will be one of the few terminals that can load supertankers (VLCCs) fully, thereby improving logistics and eliminating the need for partial loads or ship-to-ship transfers. There are quality control issues affecting some pipelines connecting the Permian to Corpus Christi, as elevated mercaptans (sulfur compounds) are causing problems. Plains All American is imposing a fee of $0.50/barrel starting October 1 for shipments not meeting specific specifications. This may disrupt supply chains or prompt refiners to seek alternative sources of supply.

Commodity Highlights

"Good to the last drop"

The price of Arabica Coffee futures on the ICE exchange has increased by ~240% over the past five years and by ~45% over the past year. Of course, this massive price increase is passed down to the retail consumer, who has seen a 22% rise in prices through August over the past year. This increase is the fastest increase since 1997.

The price surge of Arabica coffee over the past few years is due to a combination of climate, economic, and geopolitical factors. Climate issues, including droughts in Brazil and frosts in Colombia, are driving most of the recent volatility. Arabica inventories in the U.S. and Europe have dropped to their lowest levels in over 20 years. Labor shortages and wage increases have driven up the cost of production, as well as other inputs, including increases in fertilizer and equipment costs. Recent tariffs of 10% on producers such as Brazil and Colombia add to the base prices.

Chart: Arabica Coffee Futures – Continuous Contract (Source: Bloomberg)

Despite fluctuating prices and global challenges, worldwide coffee consumption is expected to expand, reaching a record 169.4 million bags by 2025/2026. The leader of the growth is China, where demand has more than doubled in the last decade, with the country overtaking the U.S. in 2023 for the number of branded coffee shops.

Although weather has been the primary price mover recently, long-term supply issues and an ever-increasing demand will likely hold prices at relatively high levels for the next couple of years.

Critical Points for Commodities:

- Coffee Futures up ~240% over past 5 years.
- Coffee Futures up ~45% over the past year.
- Retail coffee is up 22% year-over-year.
- Price increases due primarily to supply issues.
- Demand growth continues with China leading the way.
- Higher prices look to continue.

Crypto Highlights

Legislative gridlock over healthcare subsidies ultimately led to a government shutdown, which commenced at 12:01 a.m. EDT on October 1, 2025. The shutdown was triggered as federal funding expired at the deadline, with no appropriations passed. Markets have been slightly more volatile but essentially up, likely most influenced by the weaker jobs report data, which is leading to increased forward discounting of expected easing from the U.S. central bank. So far as the markets are concerned, we are back to “bad news is good news”.

Notably, Bitcoin responded to the news by extending its recent 3-day rally to over $120,000. The $120,000 level has been a strong resistance area for Bitcoin since July. The price action, despite potentially harmful news, could be driven by several factors, including: 1) expectations of lower real interest rates, 2) a store of value trade, and 3) seasonal influences.

Bitcoin has gained a reputation as a speculative, leveraged play on the NASDAQ index. However, the degree to which securities move together, known as correlation, tells a different story. The correlation with the NASDAQ has been declining since 2022, while the correlation with the 2Y UST yield and treasury term premium has been increasing during the same period. Meanwhile, the correlation with the dollar has been decreasing. In summary, the changing statistical relationships between Bitcoin and capital markets suggest that the flow drivers into Bitcoin are more aligned with the store of value thesis than with the “risk on” and more speculative, price-chasing behavior seen before 2022. It's important to remember that correlations can change; however, the consistent trends observed over roughly three years, especially considering the current administration's goal to target a lower dollar, are noteworthy.

A final note on Bitcoin's seasonality: September has historically been a weak month for Bitcoin. In contrast, the fourth quarter and October, in particular, tend to be stronger—the recent price movement, though early, is still significant in this context. Credit spreads are tight and low, monetary policy is easing, liquidity is expected to increase due to the substantial fiscal stimulus passed in Q2 2025, and seasonality offers a strong tailwind. It will be interesting to see whether these factors push prices higher and possibly lead to a new all-time high.

Critical Points for Crypto:

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Year	January	February	March	April	May	June	July	August	September	October	November	December
2025	14.30%	-19.77%	-0.62%	13.27%	11.92%	0.93%	9.31%	-4.46%	0.08%			
Median	10.87%	6.63%	-0.62%	8.75%	5.75%	2.70%	7.74%	-8.56%	-1.47%	13.94%	9.57%	7.79%
Average	9.39%	15.93%	11.15%	23.16%	27.69%	7.53%	8.54%	-0.88%	-5.38%	27.31%	36.11%	11.99%
1st Quartile	-11.16%	-3.65%	-13.05%	-9.09%	-8.85%	-6.56%	-0.18%	-14.49%	-10.57%	-0.31%	-9.40%	-5.61%
3rd Quartile	31.76%	34.23%	18.58%	29.04%	22.55%	16.97%	15.75%	6.98%	2.53%	39.31%	28.35%	31.40%