PLAINSCAPITAL BANK

COMMODITY HIGHLIGHTS

Commodities Commentary
January 2026

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Executive Summary

- Oil prices dropped about 4% on January 15, ending a five-day rally after President Trump signaled easing tensions in Iran, which reduced fears of military conflict and supply disruptions.
- Prices rebounded over 1% on January 16 due to short covering ahead of the holiday weekend and ongoing supply risk concerns.
- Current prices: WTI at $61 and Brent at $65.
- Natural gas prices surged above $5.00 per MCF in February 2026 due to weather conditions.
- The USGS identified significant recoverable oil and gas beneath the Permian Basin, potentially extending the basin's life despite technical and cost challenges.
- U.S. drilling activity stays subdued, with Permian rig counts around 255 and DUC wells steady at about 893.
- Oil markets stay volatile amid decreasing geopolitical risks, consistent OPEC+ production, varied 2026 forecasts, and pressure from inventories, demand worries, and a strengthening dollar.
- Copper prices are at record highs as electrification, renewables, EVs, and AI data centers propel strong, long-term growth.
- Spot LME copper has risen above $13,000/MT, surpassing the long-standing $11,000.
- Declining ore grades, aging mines, and disruptions in Chile, Peru, and Indonesia, along with permitting challenges.
- Bitcoin drops as leverage is reduced and market sentiment falters.
- Altcoins decline sharply along with Bitcoin's downturn and liquidations.
- Dependence on derivatives heightens market fragility and volatility risks.
- Institutional buyers are accumulating more Bitcoin than miners are producing.
- Seasonal trends indicate increased momentum later in the year.
- Spot demand stays weak despite decreased long-term holder sales.
- Global liquidity conditions still influence overall crypto performance.

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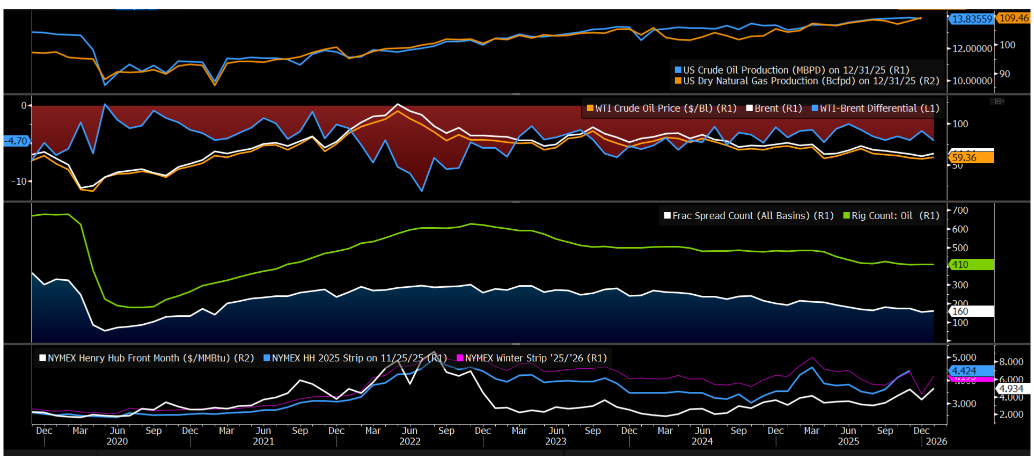
Oil and Gas Highlights

Oil prices settled around 4% lower on Thursday, January 15, ending a five-day streak of gains after President Donald Trump said the crackdown on protesters in Iran was easing, which eased concerns about potential military action against Iran and disruptions to oil supplies. Oil prices rose by more than 1% on Friday, January 16, due to short-covering ahead of a three-day holiday weekend and ongoing supply worries, despite the reduced likelihood of a U.S. military strike against Iran. The current West Texas Intermediate Crude price is $61, Brent Crude is at $65, and February 2026 Natural Gas has surged past $5.00 per MCF due to a severe winter storm across the nation.

A recent U.S. Geological Survey assessment finds 1.6 billion barrels of technically recoverable oil and 28.3 trillion cubic feet of natural gas in deeper shale layers beneath the Permian (Woodford & Barnett shales). If developed, this could significantly extend basin longevity, though technical and cost challenges still exist.

U.S. drilling activity began cautiously in 2026. Rig activity continues to decline compared to previous years, reflecting price pressures and capital discipline. Recent Baker Hughes data show the Permian rig count at around 255 active rigs, down from higher levels in recent years and among the lowest since 2021. The DUC (drilled but uncompleted) well count in the Permian remains steady at about 893, accounting for roughly 57% of the U.S. total DUC stock, indicating available workover or completion activity even if drilling slows.



Earlier in January, turmoil in Iran and the potential for a U.S.–Iran conflict pushed prices up. As U.S. political statements indicated a lower likelihood of military action, that risk premium largely disappeared, causing crude prices to fall. OPEC+ and allied producers have mainly kept output steady, though the group's stance on future cuts or freezes continues to influence sentiment. Some analysts expect a balanced market in 2026, while others predict an ongoing surplus. A stronger U.S. dollar, rising global inventories, and weaker demand growth projections have put downward pressure on prices. Forecasts for 2026 suggest Brent will average in the mid $50s, while WTI remains below $50, based on inventory and supply growth projections. Middle Eastern equity markets have shown optimism amid higher oil prices, driven by concerns about supply risks. Prices remain volatile and sensitive to geopolitical headlines and supply/demand data. Even as tensions ease, markets are still trading near multi-month highs after recent rally attempts.

Critical points for oil and gas:

- Oil prices fell about 4% on January 15, ending a five-day rally after President Trump indicated easing tensions with Iran, which reduced worries about military conflict and supply disruptions.
- Prices increased over 1% on January 16 due to short covering before the holiday weekend and ongoing supply risk concerns.
- Current prices: WTI at $61 and Brent at $65.
- Natural gas prices surged above $5.00 per MCF in February 2026.
- The USGS identified substantial recoverable oil and gas beneath the Permian Basin, potentially prolonging the basin's lifespan despite technical and cost challenges.
- U.S. drilling activity remains subdued, with Permian rig counts near 255 and DUC wells steady around 893.
- Oil markets stay volatile amid decreasing geopolitical risk, consistent OPEC+ output, mixed 2026 forecasts, and pressure from inventories, demand worries, and a stronger dollar.

Commodity Highlights

Copper prices have hit record highs due to a potent mix of increasing structural demand and ongoing supply shortages. On the demand side, electrification, renewable energy, electric vehicles, and AI-driven data centers are quickly boosting copper use, since the metal is vital for power grids, wiring, and energy transfer. Studies forecast that copper demand will rise significantly through the 2030s as electrification continues to accelerate.

Spot LME copper has risen above $13,000 per metric ton, surpassing the longstanding $11,000 resistance level and reaching prices more than five times the average in the early 2000s.

LME Spot Copper (Source: Bloomberg)

At the same time, supply growth has struggled to keep up. Declining ore grades, aging mines, and major disruptions in key producers such as Chile, Peru, and Indonesia have limited output. Lengthy permitting, ESG challenges, and capital discipline have slowed the development of new mines, creating a structural deficit in the market.

Additional upward pressure has resulted from trade-policy uncertainty and tariff-driven stockpiling in the U.S., which has tightened inventories elsewhere. These combined factors have driven copper prices to all-time highs, making it scarce.

Critical Points for Commodities:

- Rising demand: Copper prices are at record highs as electrification, renewables, EVs, and AI data centers fuel strong, long-term growth.
- Price breakout: Spot LME copper has risen above $13,000/MT, surpassing the long-standing $11,000.
- Supply limits: Falling ore grades, aging mines, and disruptions in Chile, Peru, and Indonesia, along with permitting challenges.
- Policy pressures: Trade uncertainty.

Crypto Highlights

Crypto markets fell over the past month as Bitcoin dropped below $93,000 and broader digital assets declined. Long positions were heavily liquidated, speeding up the downturn, and the total crypto market lost nearly $98 billion in value. Analysts noted that the recent rally relied mainly on derivatives rather than stable spot demand, leaving prices vulnerable when leverage was unwound. Altcoins worsened the weakness, showing a market still heavily influenced by Bitcoin's movement. Year-to-date trends indicate ongoing sensitivity to policy headlines, including new U.S. tariff announcements, which have often affected prices.

Seasonality patterns continue to align with previous years. Bitcoin's normalized price is near its historical median at this time of year, and the typically subdued summer performance is often followed by stronger momentum toward the year's end. The current position in the lower-middle seasonal range suggests that past trends remain valid, even in a volatile environment.

Valuation metrics show increasing institutional interest. Institutions have been net buyers of Bitcoin for eight consecutive days, purchasing more than miners can supply, with demand exceeding new issuance by 76%. Historically, similar buying patterns have resulted in positive returns. Some analysts also notice that after three months of declines, Bitcoin often rebounds in the following month.

Recurring themes for the outlook include high sensitivity to leverage, thin liquidity, and the importance of global liquidity trends in affecting crypto performance. Sentiment remains risk-off, with a Fear-and-Greed reading that indicates not panic but a clear risk-off stance.

Risks:

- Leverage-driven volatility,
- Thin futures liquidity,
- Macro policy uncertainty, and
- Potential drains in global financial liquidity

Opportunities:

- Strengthening institutional demand,
- Slowing long-term holder selling,
- Supportive seasonal patterns, and
- Bitcoin's sensitivity to improving global liquidity conditions.

Critical Points for Crypto:

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