

PLAINSCAPITAL BANK

COMMODITY HIGHLIGHTS



Commodities Commentary
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Executive Summary

- Geopolitical tensions boosted Brent and WTI prices, while increasing U.S. LNG exports keep domestic gas more connected to global markets.
- U.S. crude oil production stays near record highs despite fewer rigs, although weather disruptions cause some short-term volatility.
- The total U.S. rig count stands at 551, with consistent oil activity and continued momentum in gas-directed drilling.
- Permian-led gas growth, new permits, pipeline expansions, and emerging power-generation demand support ongoing development despite softer 2026 oil-price expectations.
- Silver's volatility and consolidation around \$80 result from tight physical supply, persistent market deficits, and increased geopolitical and policy uncertainty.
- Industrial demand is weakening, especially in solar, due to thriftiness and substitution, while structural growth from data centers, AI, and autos offers some support.
- After retreating from highs above \$100, silver has established solid technical support near \$80, with aggressive bullish bets driving ongoing volatility.
- Bitcoin briefly dropped below \$60k before rebounding sharply.
- ETF flows experienced five consecutive weeks of net withdrawal.
- Institutional filings reveal increasing Bitcoin ETF holdings.
- Key resistance now clusters around the low to mid \$70k range. Historical data suggest a high probability of positive returns over the next 10 months.
- Market sentiment stays cautious despite positive probability signals.
- ETF flow trends continue to steer Bitcoin's price direction.
- Bitcoin's structural regime is different from earlier retail-driven cycles.

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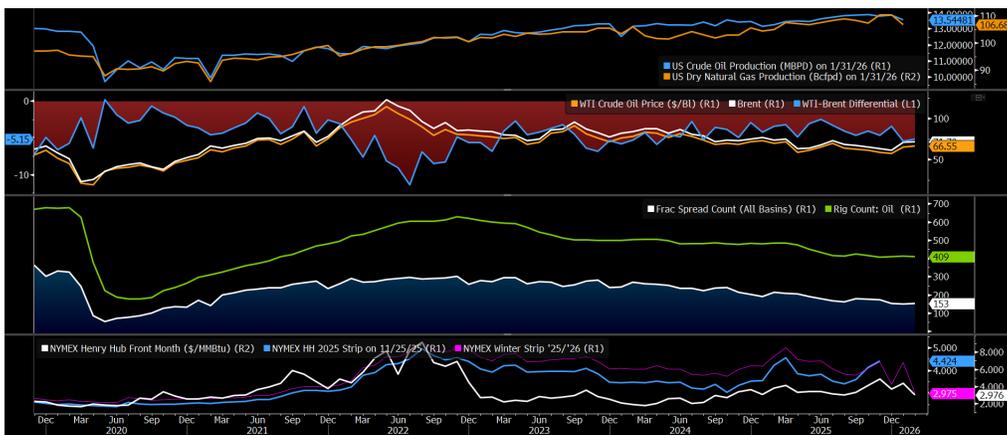
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Oil and Gas Highlights

As geopolitical tensions, such as the collapse of Russia-Ukraine talks and Middle East conflicts, increased, Brent crude rose nearly 3% today, trading around \$69 per barrel. At the same time, West Texas Intermediate climbed to approximately \$65 per barrel. Natural gas edged down to about \$2.82 per MCF. U.S. LNG exports have surged, making up a larger share of domestic gas consumption and tying domestic prices to global LNG markets.

U.S. crude oil production remained high in 2025, at about 13.6 million barrels per day (bpd), and is expected to remain around that level in 2026. Record production levels have continued despite a declining rig count, with productivity gains increasing output. Devon Energy reported slightly higher Q4 2025 production but forecasted a moderate decline in Q1 2026 due to storms, highlighting short-term volatility. Global oil production has generally exceeded demand growth, leading to a projected surplus in 2026. OPEC+ production increases (and pauses) are key to market balance; recent pauses ahead of meetings were noted.

The current U.S. Baker Hughes Rig Count is as follows: Total active rigs stand at 551. Oil-directed rigs number 409, remaining the largest segment of activity. Gas-directed rigs are at 133 and continue to show momentum in natural gas drilling.



The U.S. Energy Information Administration predicts that natural gas production will reach record levels in 2026-2027, with about 69% of the increase coming from the Permian, Appalachia, and Haynesville. The Permian Basin alone is expected to add around 1.4 Bcf/day in 2026 due to rising gas-to-oil ratios. Despite high production, broader forecasts suggest oil production may decline or level off in 2026 if crude prices stay low. Some analysts believe 2026 could be a “price low point” as Permian capacity expands globally. The U.S. Geological Survey estimates 1.6 billion barrels of recoverable oil and 28.3 Tcf of gas in previously under-assessed Woodford and Barnett shales, showing further development opportunities. Recent data show continued permit issuance for wells across multiple formations—Spraberry, Wolfcamp, Bone Spring, and others—indicating ongoing field development despite softer oil prices. Large pipeline expansions are underway or progressing to boost takeaway capacity and connect Permian gas to broader markets, including the Gulf Coast and Southwest. Permian gas is increasingly being considered for major power generation projects to support data centers in West Texas, reflecting the diversification of energy use in the basin.

Critical points for oil and gas:

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- U.S. crude oil production stays near record highs despite fewer rigs, although weather disruptions cause some short-term volatility.
- The total U.S. rig count stands at 551, with consistent oil activity and continued momentum in gas-directed drilling.
- Permian-led gas growth, new permits, pipeline expansions, and emerging power-generation demand support ongoing development despite softer 2026 oil-price expectations.

Commodity Highlights

Silver prices are seeing increased volatility as they stabilize around the \$80-per-ounce level, driven by a mix of structural, macroeconomic, and technical factors. Silver's volatility has started to decline compared to earlier spikes, but prices remain high as the market faces a sixth straight year of supply deficits. Limited physical supply in London and a persistently uncertain geopolitical environment—including broader macro issues and U.S. policy unpredictability—have boosted investor demand and led to sharp price swings. These supply-demand imbalances continue to keep silver within an elevated trading range.

Investment demand has strengthened considerably, even as some industrial uses—particularly solar photovoltaic applications—have experienced reduced consumption due to thrift and substitution away from silver. Still, structural growth drivers related to data centers, AI technologies, and the automotive sector are offering partial offsets, resulting in a complex, uneven demand profile.

XAG Spot Silver (Source: Bloomberg)



From a market behavior perspective, silver recently pulled back from record highs above \$100. Then it stabilized as strong technical support formed near the \$80 level, emphasizing a consolidation phase rather than a deeper corrective decline. Note that aggressive bullish positioning, rapid early-year price gains, and heightened options activity have increased short-term swings, creating an environment where volatility remains even without major new catalysts. As a result, traders now anticipate a period of range-bound movement, with silver fluctuating around its current levels.

Critical Points for Commodities:

- Silver's volatility and consolidation around \$80 result from tight physical supply, persistent market deficits, and increased geopolitical and policy uncertainty.
- Industrial demand is weakening—especially in solar—due to thriftiness and substitution, while structural growth from data centers, AI, and autos offers some support.
- After retreating from highs above \$100, silver has established solid technical support near \$80, with aggressive bullish bets driving ongoing volatility.

Crypto Highlights

Crypto markets stay volatile but positive after a sudden drop and rebound, with price movements increasingly linked to ETF flows and changing macro headlines. Institutional participation continues to grow even as sentiment remains cautious.

Bitcoin fell below key levels to around \$60k before bouncing back to the low-\$70k range, with bears dominating most of the decline and resistance now clustered in the low-to-mid \$ 70k range. Fund flows slowed, with five consecutive weeks of net withdrawals from U.S. spot Bitcoin ETFs and a record month of ETF outflows in February. Meanwhile, institutional disclosures show continued large holdings of spot Bitcoin ETFs among major firms.

Macro liquidity and risk appetite remain crucial: trailing 13-week ETF flows have driven spot prices since mid-2025, and ongoing growth in the broader money supply continues to support the narrative. Within crypto, positioning and leverage intensified the recent liquidation cascade. Historical seasonality and statistical context—such as the proportion of positive months over rolling two-year periods—indicate a higher likelihood of positive returns over the next ten months. However, this is a probabilistic indicator, not a forecast, and it may be less predictive in today's more institutional market structure.

Regulatory and legal headlines remain a key market factor. Court decisions and policy actions that minimize shock tariff announcements or similar macro surprises might lower market risk premiums. Ongoing SEC disclosure frameworks on ETF holdings continue to improve transparency for institutional participation.

Outlook

Base case: choppy trading with sensitivity to ETF flows and macro catalysts. Key levels: support around the mid to low-\$60k level; resistance first near ~\$71–75k and then higher. Probabilistic indicators are supportive, but investors should consider model relevance given structural changes since early cycles.

Risks

- Prolonged ETF outflows or renewed leverage-driven liquidations.
- Adverse macro surprises (policy or growth shocks) that tighten liquidity.
- Regulatory or legal developments that increase uncertainty or restrict access.

Opportunities

- Stabilizing macro backdrop and ongoing liquidity growth.
- Continued institutional adoption and transparency via ETF structures.
- Historical/statistical setups consistent with positive medium-term outcomes.

Critical Points for Crypto:

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- ETF flows experienced five consecutive weeks of net withdrawals.
- Institutional filings reveal increasing Bitcoin ETF holdings.
- Key resistance now clusters around the low to mid \$70k range. Historical data suggest a high probability of positive ten-month returns.
- Market sentiment stays cautious despite positive probability signals.
- ETF flow trends continue to steer Bitcoin's price direction.
- Bitcoin's structural regime is different from earlier retail-driven cycles.