PLAINSCAPITAL BANK

COMMODITY HIGHLIGHTS

Commodities Commentary
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Executive Summary

- Crude remains strong: WTI in the mid-$80s, Brent in the low-$90s; natural gas continues to consolidate at around $2.76/mcf.
- The Permian continues to dominate U.S. production at roughly 6.7 MM bpd of oil and 20.1 Bcf/d of gas.
- Productivity gains are offsetting lower drilling activity through better well designs and longer laterals.
- New pipeline capacity is reducing gas takeaway constraints and supporting gas production growth.
- The Permian is maturing, oil output is flattening, while natural gas production continues to grow.
- Cotton prices are up ~22% this year, a positive signal heading into harvest.
- Weather-related supply concerns continue to support prices.
- Global demand remains solid, led by key textile markets.
- Tighter inventories are creating a more supportive market.
- Harvest results and demand strength will determine whether the rally lasts.
- Bitcoin remained range-bound despite continuing regulatory uncertainty.
- The recent breakout is promising if there is follow-through and a new trend develops.
- Institutional adoption advanced through custody, ETFs, and treasury holdings.
- BlackRock reaffirmed Bitcoin's investment thesis despite recent weakness.
- Security incidents highlighted custody risks more than network risks.
- Seasonal headwinds persist as August and September remain weaker.
- Long-term holders showed resilience despite significant market drawdowns.

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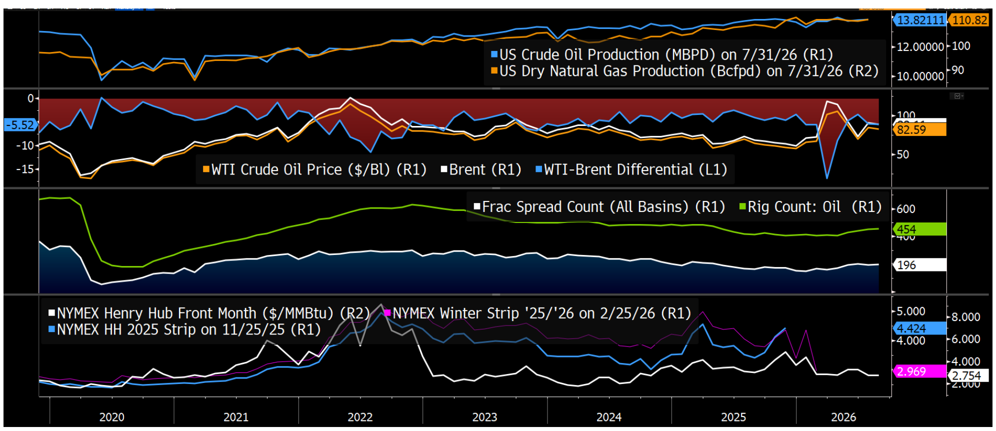
Oil and Gas Highlights

West Texas Intermediate is in the mid-$80s per barrel today, while Brent Crude is in the $90s per barrel and Natural Gas is still low but consolidating around $2.76/mcf.

The Permian Basin remains the center of U.S. oil production, but the story has shifted from simply "more drilling" to capital discipline, productivity, infrastructure constraints, consolidation, and associated-gas economics. Production remains enormous. EIA's latest basin analysis reported geographic Permian production at 6.7 million barrels per day of crude oil and 20.1 mcf/day of marketed natural gas in December 2025. The formation-based estimate was 6.0 million bp/d, illustrating how methodology and basin boundaries affect reported numbers. Well productivity continues to improve. Operators continue to extract more from existing acreage through longer laterals, improved completion designs, optimized spacing, and improved geosteering. Recent reporting indicates strong well results from major Midland Basin operators rather than a clear productivity collapse.

Additional Permian gas pipeline capacity is coming online, which should help producers recover more associated gas from West Texas and New Mexico. EIA has specifically identified new Permian pipeline capacity as a factor supporting higher U.S. gas production in the second half of 2026. As a result, the basin is shifting from the old concern of "Will we have enough oil takeaway?" toward a greater focus on gas takeaway, processing, and market access.



The 2026 outlook remains: Oil production should stay near the minimum 6 million barrels per day range, but growth is becoming harder to achieve. Natural gas growth is strong. Rising GOR, associated gas, and new takeaway capacity should keep Permian gas production climbing. Drilling is disciplined. Operators are emphasizing capital efficiency and high-return acreage rather than simply adding rigs. Productivity is STRONG. Higher output per well is increasingly offsetting lower drilling activity. Overall, the Permian is not yet in a major production decline. It's transitioning from a high-growth shale basin into a mature, highly productive basin, with oil volumes relatively flat while gas volumes continue to expand.

Critical points for oil and gas:

- Crude remains strong: WTI in the mid-$80s, Brent in the low-$90s; natural gas continues to consolidate at around $2.76/mcf.
- The Permian continues to dominate U.S. production at roughly 6.7 MM bpd of oil and 20.1 Bcf/d of gas.
- Productivity gains are offsetting lower drilling activity through better well designs and longer laterals.
- New pipeline capacity is reducing gas takeaway constraints and supporting gas production growth.
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Commodity Highlights

Cotton prices have shown notable strength in 2026, with futures up roughly 22% year-to-date, offering a welcome improvement for producers who have faced several years of compressed margins and elevated input costs. The rally comes at an important time as the market transitions into harvest season, and growers look to capitalize on stronger pricing.

December 2026 Cotton Contract (Source: Bloomberg)

A mix of supply and demand factors has driven recent gains. Weather concerns in key producing regions, including parts of the U.S. Cotton Belt, have created uncertainty about crop size and yields, while expectations of lower global production have supported prices. At the same time, global cotton mill use is projected to increase in the 2026/27 marketing year, with demand growth led by major textile markets such as China, India, and Pakistan. USDA forecasts indicate that global cotton consumption could exceed production, leading to lower ending stocks and a tighter supply-demand balance.

If harvest results exceed expectations or supply risks ease, some of the recent price premiums could unwind quickly. The key indicator to watch through harvest will be whether global demand continues to absorb available supplies at higher price levels. If textile demand remains resilient and inventories continue to tighten, current prices may be sustainable. Overall, the stronger pricing environment is a positive development for producers, but maintaining these gains will depend on both harvest outcomes and the durability of global demand.

Critical Points for Commodities:

- Cotton prices are up ~22% cents this year, a positive signal heading into harvest.
- Weather-related supply concerns continue to support prices.
- Global demand remains solid, led by key textile markets.
- Tighter inventories are creating a more supportive market.
- Harvest results and demand strength will determine whether the rally lasts.

Crypto Highlights

Bitcoin and crypto markets remained under pressure in August, but signs of stabilization began to emerge beneath the surface. Bitcoin traded between roughly $62,600 and $65,100, staying about 50% below prior highs while holding above the widely watched $63,000 level, which several market participants consider a key technical threshold. Notably, a recent breakout above $67k and a new 60-day high are worth monitoring. Market sentiment remains cautious, with prediction markets assigning only a 9% probability that Bitcoin will reach $100,000 in 2026, a sharp decline from earlier in the year. At the same time, several valuation indicators suggest Bitcoin is trading near historically attractive relative-value levels despite the difficult macro backdrop.

Institutional activity presented a more nuanced picture than price action alone would suggest. Large holders accumulated approximately 43,000 Bitcoin over the past 60 days, while BlackRock reiterated that Bitcoin's long-term investment thesis remains intact and continued to support a modest portfolio allocation despite the drawdown. Citigroup announced plans to launch institutional Bitcoin custody services, Jane Street disclosed approximately $828 million in IBIT holdings, and Japan's Meta planet expanded its Bitcoin treasury strategy into the United States. Approximately 90% of Bitcoin held within ETF structures remained in place during the drawdown, suggesting many investors chose to hold positions despite significant declines.

Regulatory developments were equally significant. The Digital Asset Market Clarity Act stalled ahead of the Senate recess, lowering expectations for meaningful legislation in 2026. In response, the SEC proposed Regulation Crypto Assets, its first major crypto-specific regulatory framework, and Treasury opened a public comment period for the GENIUS Act stablecoin rules. Additional developments included preliminary approval of a national trust bank charter for a crypto-focused institution and proposed accounting guidance on the treatment of certain digital assets under U.S. GAAP. Together, these developments indicate that regulatory progress continues, though at a slower pace than many market participants expected earlier this year.

Technology and security developments highlighted Bitcoin's resilience and the industry's ongoing maturation. The failure of the proposed BIP-110 soft fork underscored the Bitcoin network's resistance to protocol changes, reinforcing the decentralized governance model at the heart of the system. Meanwhile, Bitcoin miners continued to expand into artificial intelligence and high-performance computing infrastructure, reflecting the growing convergence between the digital asset and AI ecosystems. Security concerns also remained a focus after the Coldcard hardware wallet hack, which affected approximately 1,600 Bitcoins, as well as separate customer data incidents involving Trezor and SafePal. Notably, the muted market reaction and subsequent ETF inflows were viewed by some

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observers as evidence of a more conviction-driven investor base and a growing preference for regulated custody solutions.