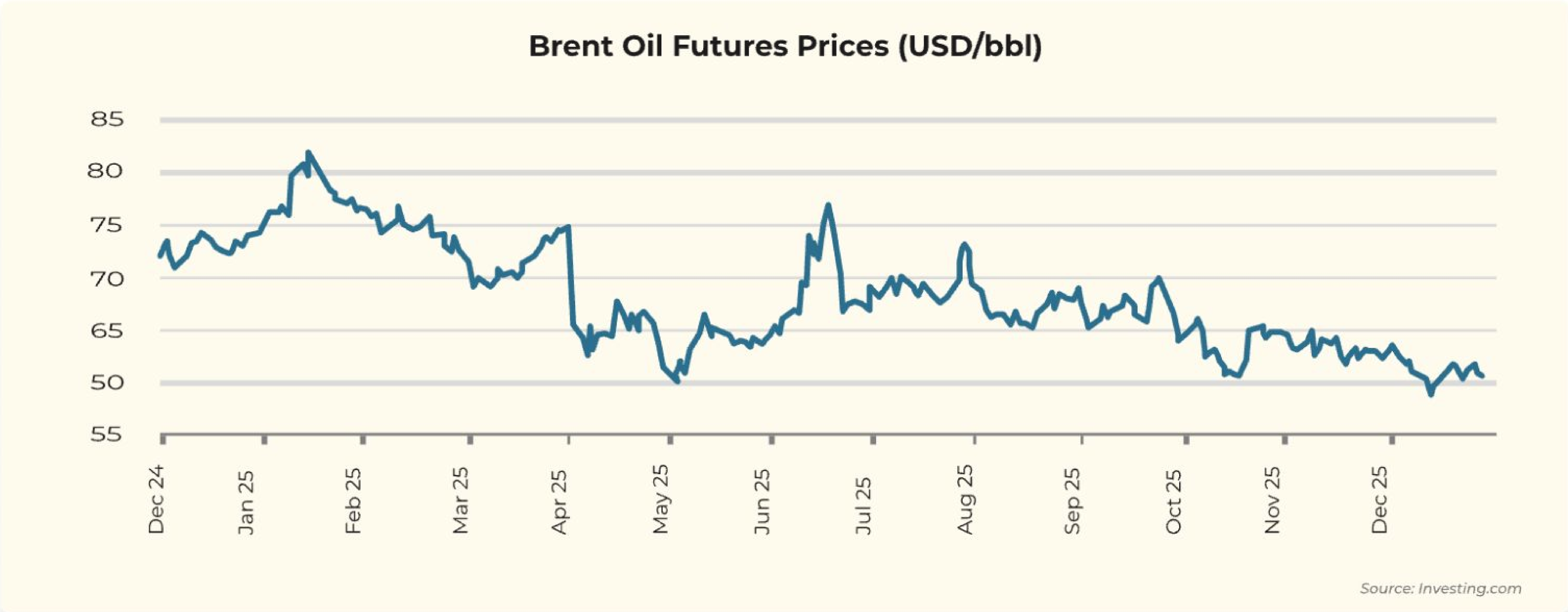
Commodity Outlook

Crude Oil

The oil market continues with its trajectory towards surplus. After several months near record levels, **global oil supply fell by about 610,000 barrels per day (kb/d) compared with October**, as OPEC+ cuts and outages in places like Russia and Venezuela reduced output. Even with this decline, **production in November stayed high compared with earlier in the year.**



Global oil stocks remained elevated through November, building on large stock increases seen in recent months. High inventories in OECD and non-OECD regions showed that **supply was still outpacing consumption, even though the rate of builds eased slightly.** Demand did improve slightly. **Consumption picked up in parts of Asia, especially China, supported by transport fuels and petrochemical use.** But this improvement was not strong enough to tighten the market. Demand in developed economies remained mostly flat, keeping overall growth modest.

Gold

Gold stayed strong through December, extending its remarkable run in 2025 and **holding comfortably above the $4,000/oz mark for most of the month.** Prices moved up in the first half of December, briefly touching fresh record highs, before easing slightly toward the end as investors booked profits amid thin year-end trading.

The key pillars supporting the market remained intact: s**teady central-bank accumulation, continued investment inflows, and a macro backdrop marked by geopolitical uncertainty** with an additional layer of support coming from the evolving situation in Venezuela and growing concerns around fiscal sustainability and long-term currency stability. In addition, **expectations of easier monetary policy in 2026 and periods of US dollar weakness further strengthened gold's appeal as a hedge.**

Silver

Silver had a strong finish to December, **climbing more than 20% over the month to new high of ~$79 before running into some sharp volatility in the final days.** The sharp intraday volatility, contributing to silver falling 8–11% intraday, was driven by the CME Group's decision to raise margin requirements on precious-metal futures, prompting profit-taking and the forced liquidation of leveraged positions.

Industrial demand continues to support silver prices. Electronics, solar panels, and electric vehicles are steadily consuming more of the metal, and investment demand adds another layer of pressure. Historically, **some mines sat idle due to low profitability, but higher prices now make previously unviable operations feasible.** Production can increase, yet the pace of bringing these mines online is gradual.

Meanwhile, **major banks namely Citi and Bank of America have been active on the short side, betting that silver's rally will falter.** Reports indicate that BofA is short around 1 billion ounces, while Citi approximately 3.4 billion ounces, bringing their combined exposure to a staggering 4.4 billion ounces which more than five times the world's annual silver production of roughly 800 million ounces. Such massive positions mean that if the market tightens or industrial and investment demand picks up, these banks may be forced to buy back silver quickly to cover their shorts, potentially triggering a sharp price spike and creating volatility.

Commodity In-house View

Crude Oil

Looking ahead into 2026, g**lobal oil markets are likely to remain comfortably supplied,** with demand growth continuing but not strong enough to fully absorb the excess capacity built up over the last two years. **Even as OPEC+ maintains production discipline and supply growth slows at the margin, inventories are expected to stay elevated.**

Ongoing conflicts in the Middle East, supply risks around Russia, U.S. strikes elevating geopolitical tension in Venezuela, all carry the potential to create short-term tightness and price spikes. However, **unless these risks translate into sustained and material supply losses, the broader market structure remains surplus-oriented.** As a result, oil prices are likely to trade in a relatively range-bound manner, with fundamentals anchoring prices lower while geopolitics intermittently injects volatility.

Gold

Outlook for gold in 2026 is broadly expected to remain well supported, even if the pace of gains slows compared to the extraordinary rally of 2025. **The focus might shift from momentum-driven upside to how long the structural drivers stay in place.** Central-bank demand is expected to stay resilient rather than fade, providing a steady base to prices, even as investment flows become more selective at higher levels. **Geopolitical risks are unlikely to disappear and are seen as a persistent background support rather than a one-off trigger.**

While elevated price levels may lead to periods of consolidation and volatility, **the overall balance of factors continues to point toward an upward trend over time.**

Silver

The outlook for silver remains cautiously constructive. While the metal has the potential to maintain gains over the medium term, the path is expected to be unpredictable, with short-term swings capable of erasing recent gains. V**olatility is likely to remain the defining feature of the market, making timing and risk management crucial.**

Measured positioning and careful monitoring are more prudent than aggressive bets, as rapid price swings can amplify both gains and losses. The focus should be on flexibility, awareness of near-term catalysts, and a willingness to navigate sudden reversals, rather than assuming a smooth upward trajectory.