

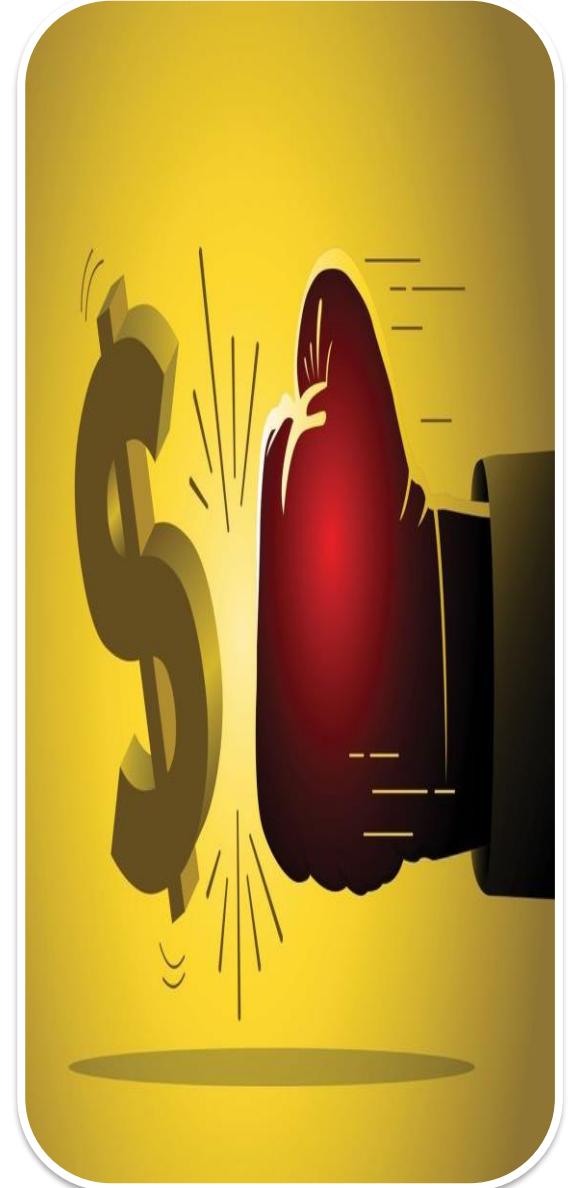
Review 2025 Preview 2026



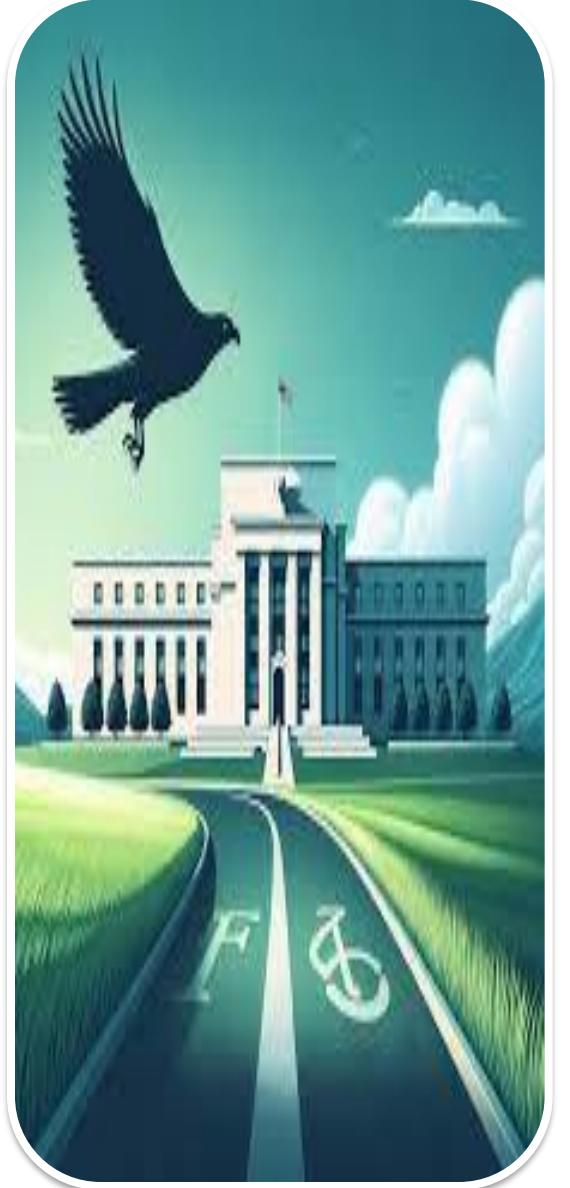
► 2026: Risk, Reality and Returns



Japan's Evolving
Economy



De-dollarization
Trends



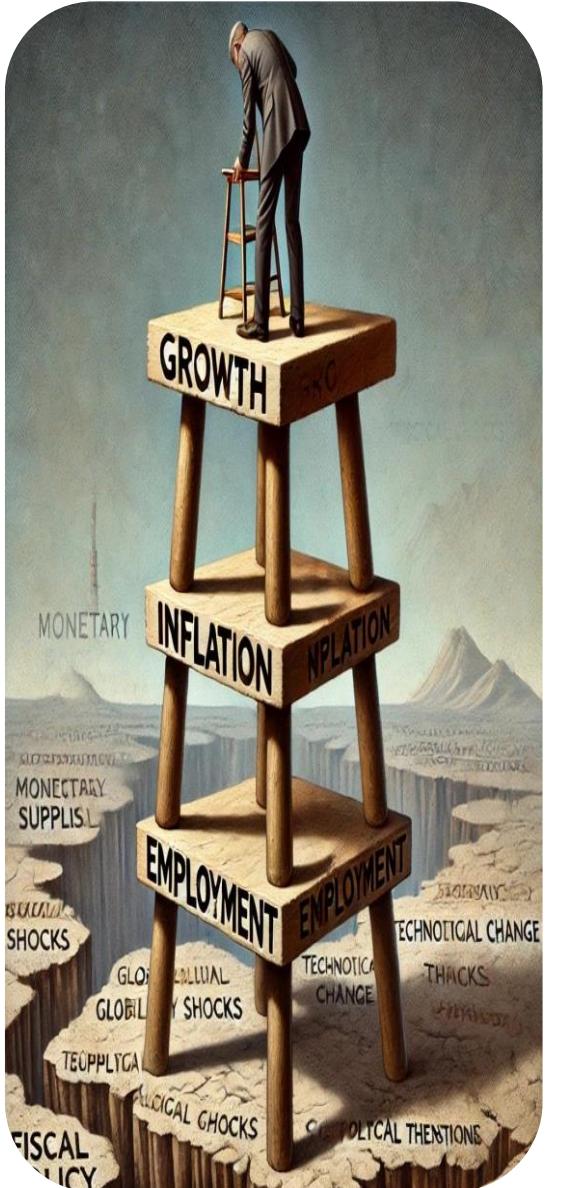
Federal Reserve
Leadership Change



Supply Chain
Challenges



Tariff Ripple
Effects



Inflation or Growth
Debate

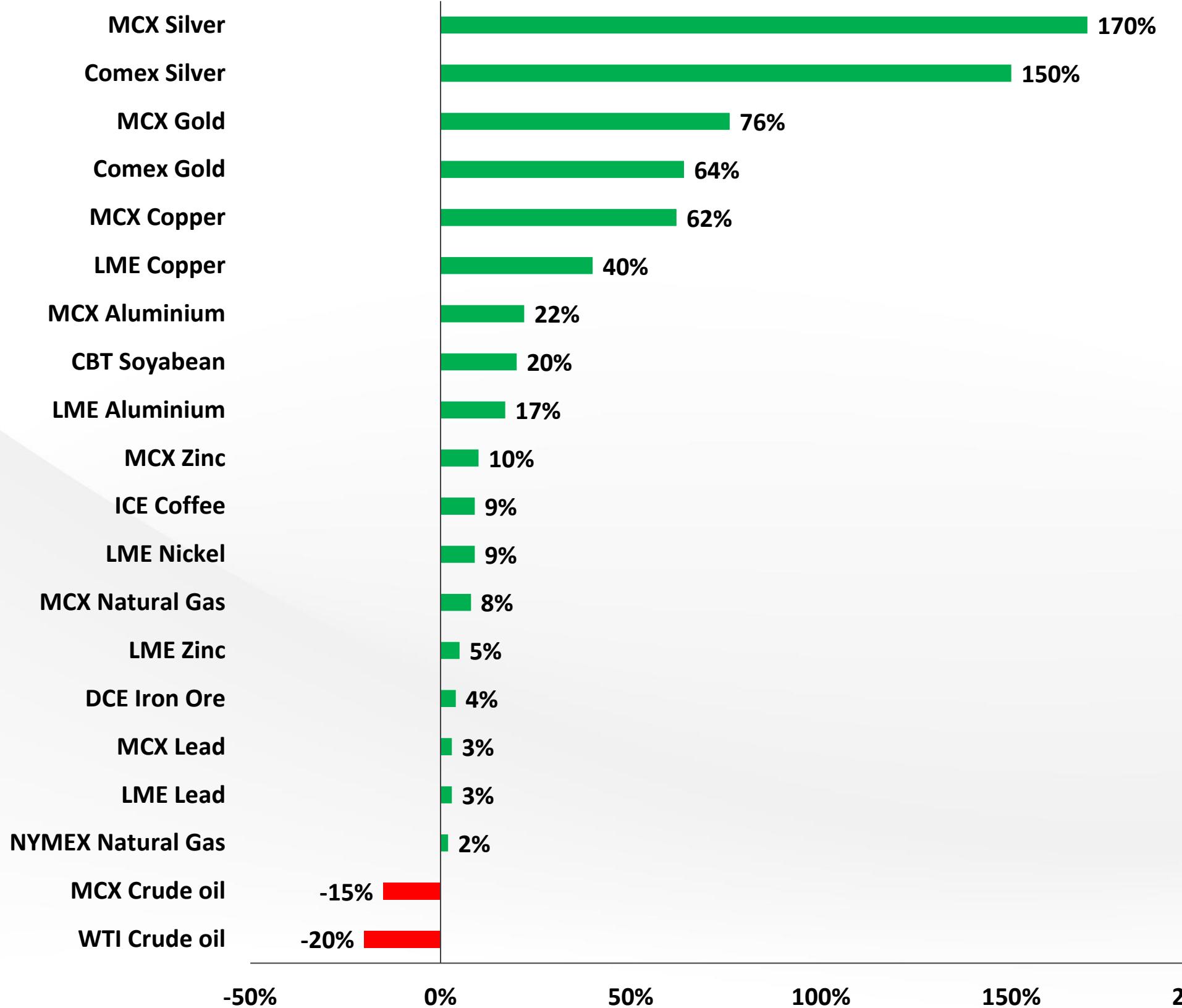
Performance

at a Glance

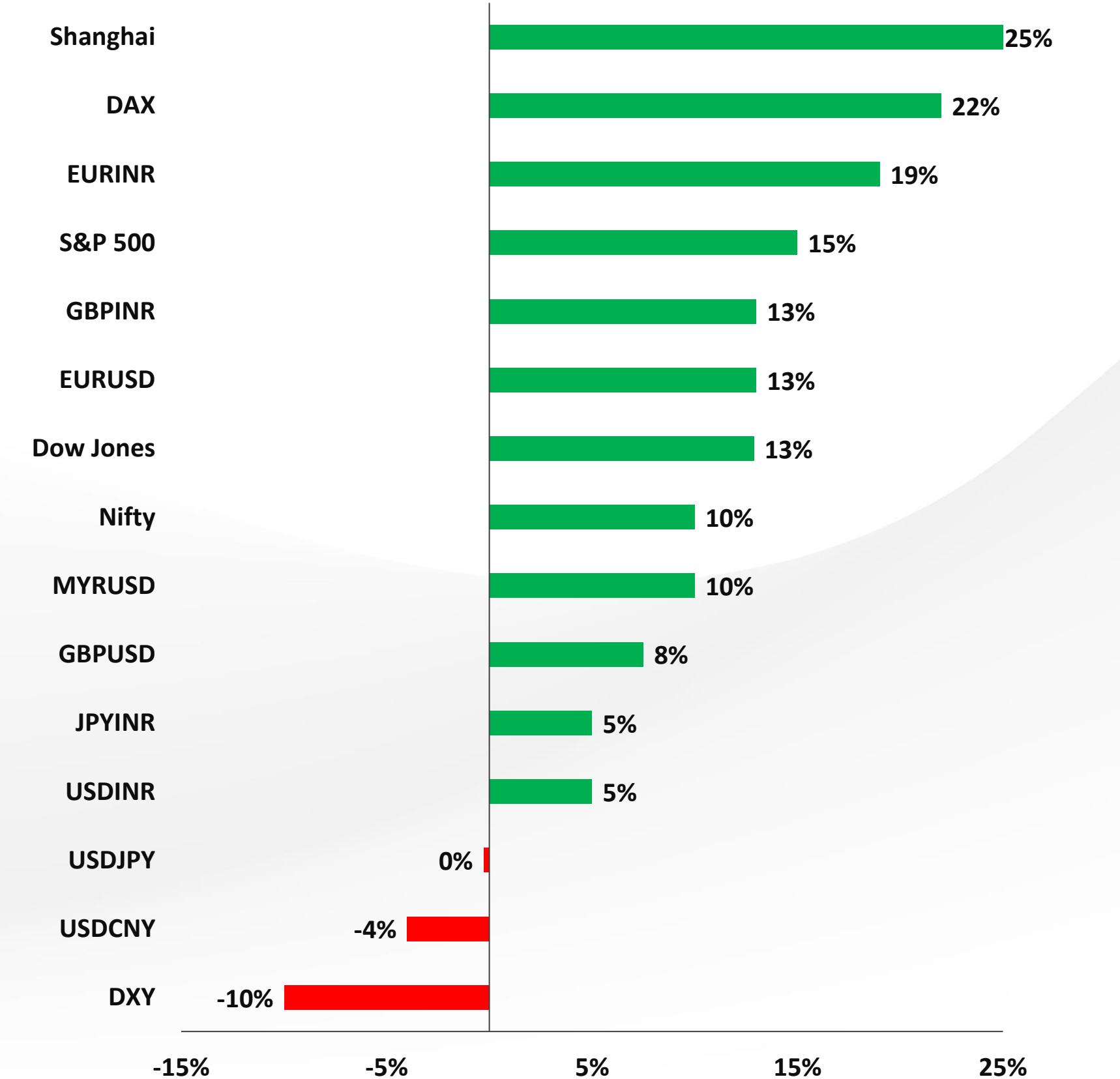


2025: Performance at a Glance

Global and Domestic Commodities



Global Indices and Major Currency Pairs



Macros at a Glance



Major Economic Indicators in 2025

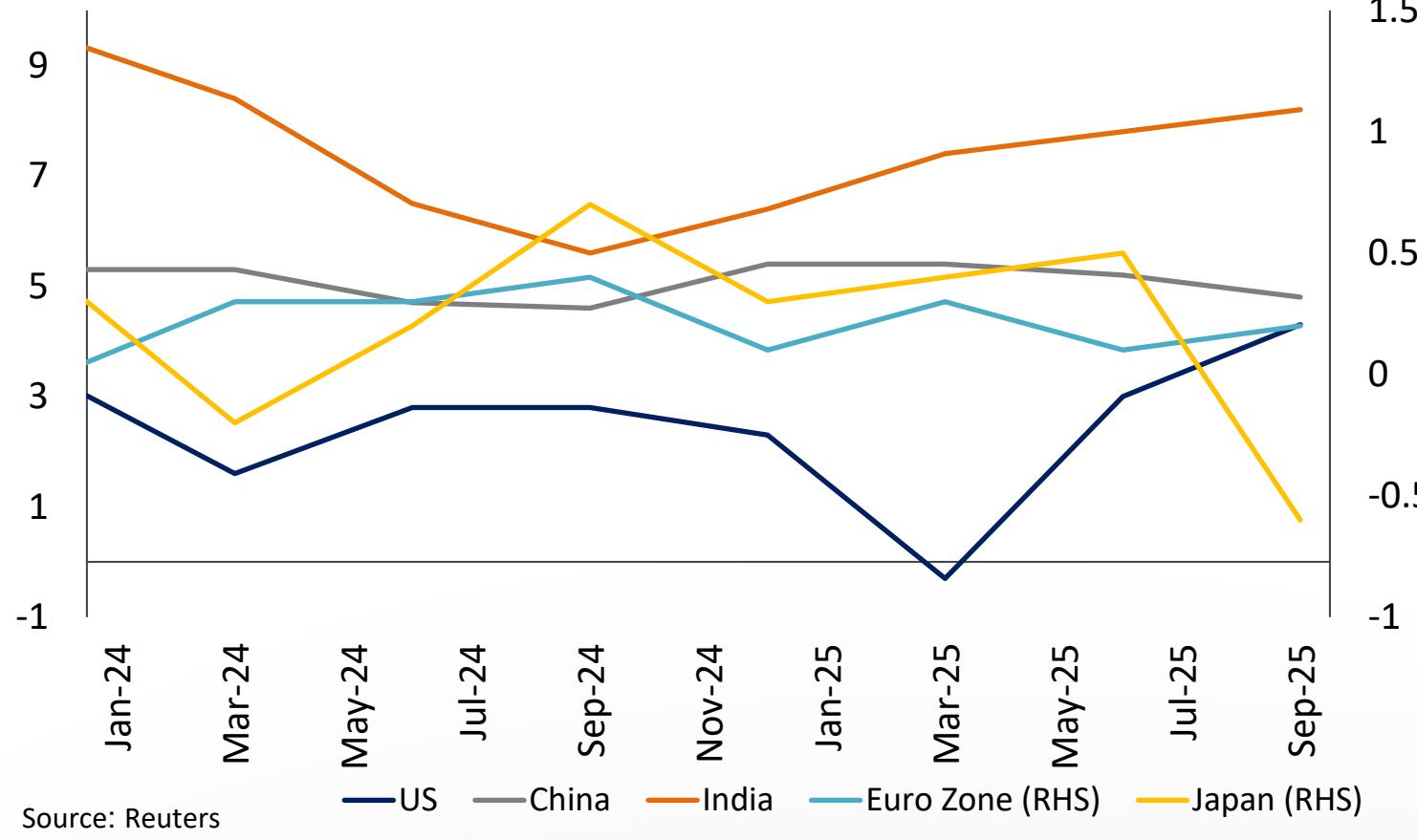


Economic indicators from Major Economies						
	GDP (%)	CPI (%)	Unemployment Rate (%)	Interest rate (%)	Mfg. PMI	Services PMI
US	4.30	2.70	4.60	3.60	48.45	52.50
India	8.20	0.50	-	5.25	57.90	59.35
China	4.70	0.50	5.30	9.00	49.43	52.35
Euro Zone	0.20	2.40	6.40	2.00	49.60	53.30
UK	0.10	3.40	5.10	3.75	49.95	51.80
Japan	-0.60	3.00	2.60	0.75	48.45	53.15

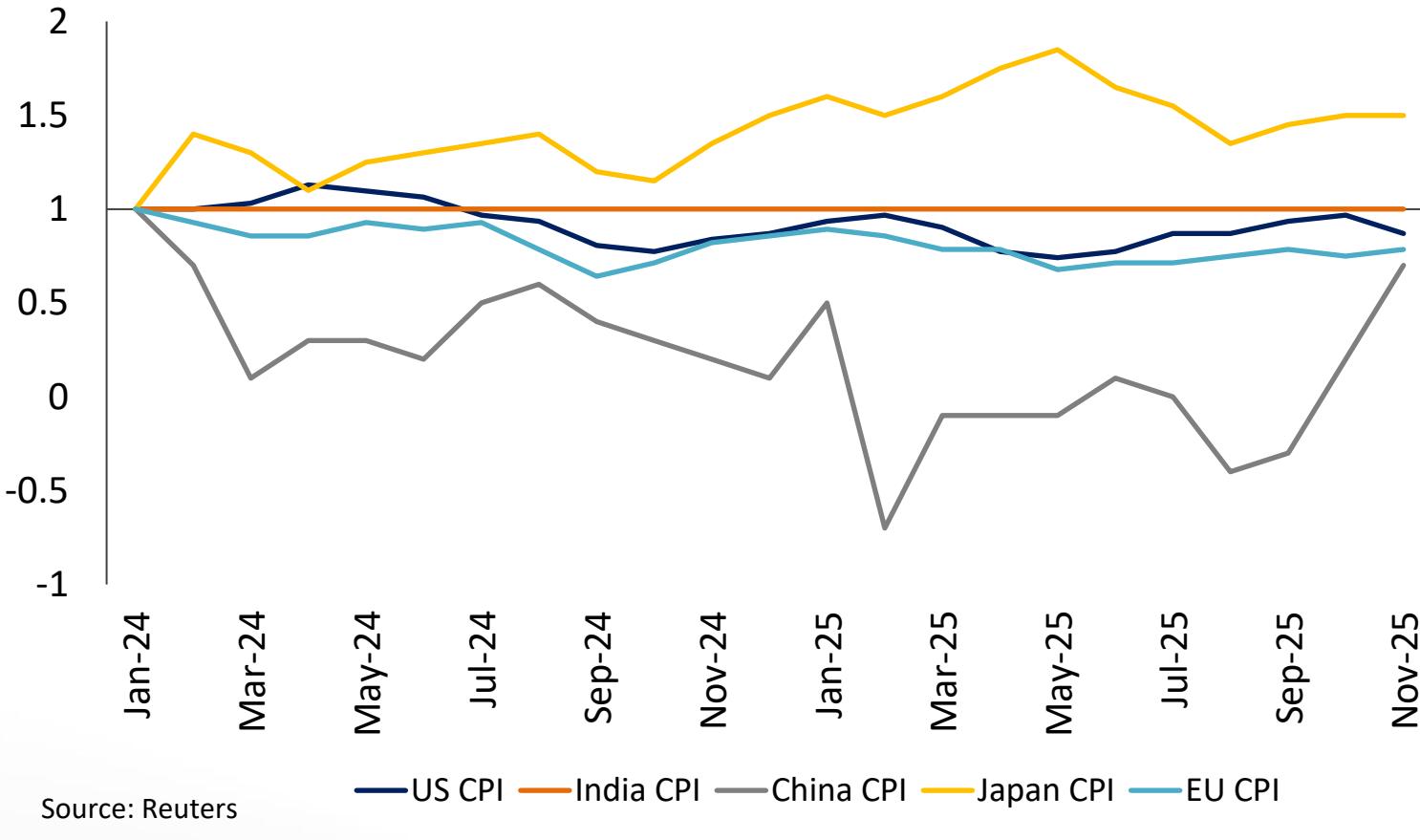
**All data as per latest release*

Macros at a Glance

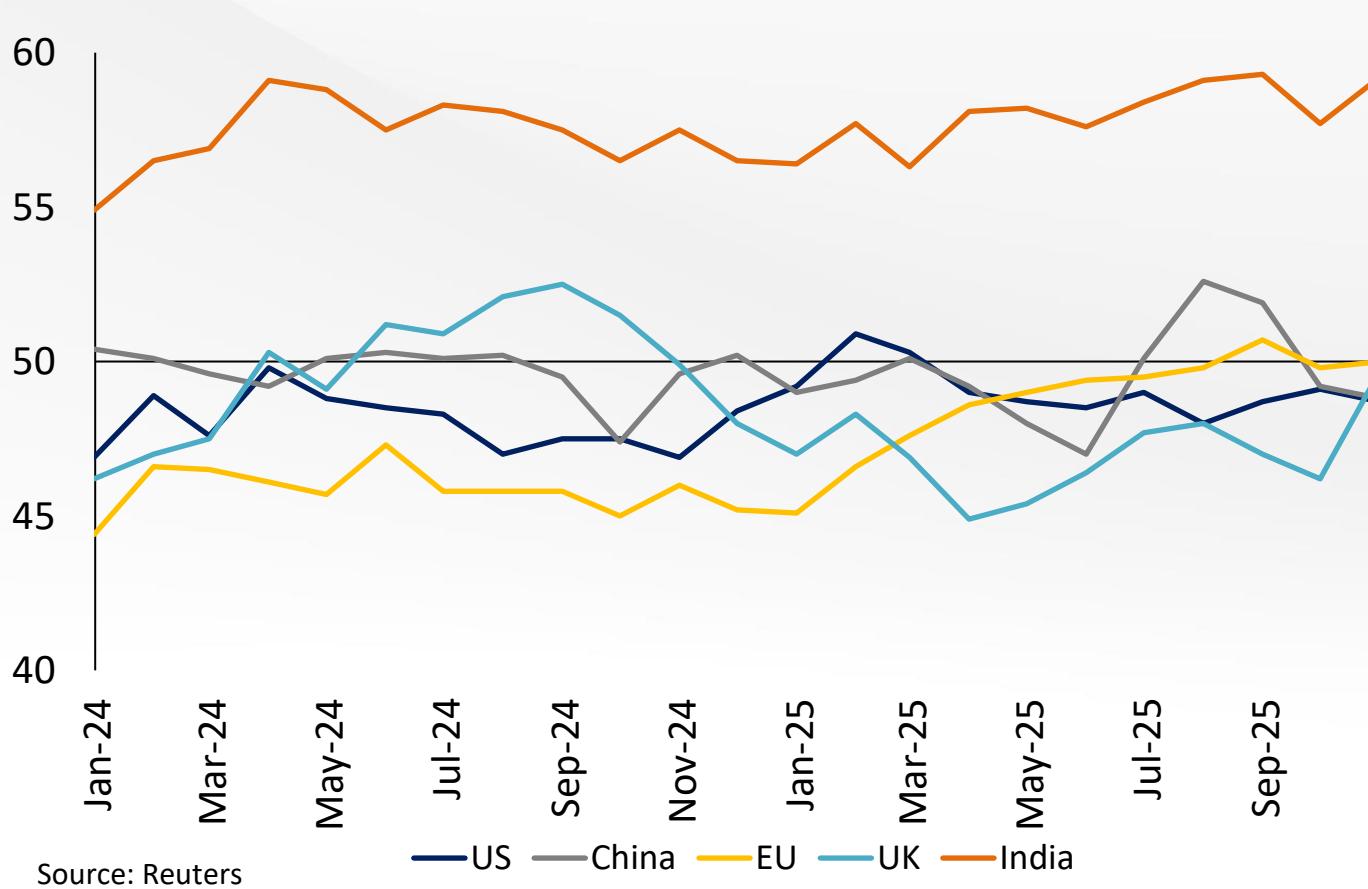
Global growth holding firm despite rising uncertainties; except Japan
Global Growth (%):



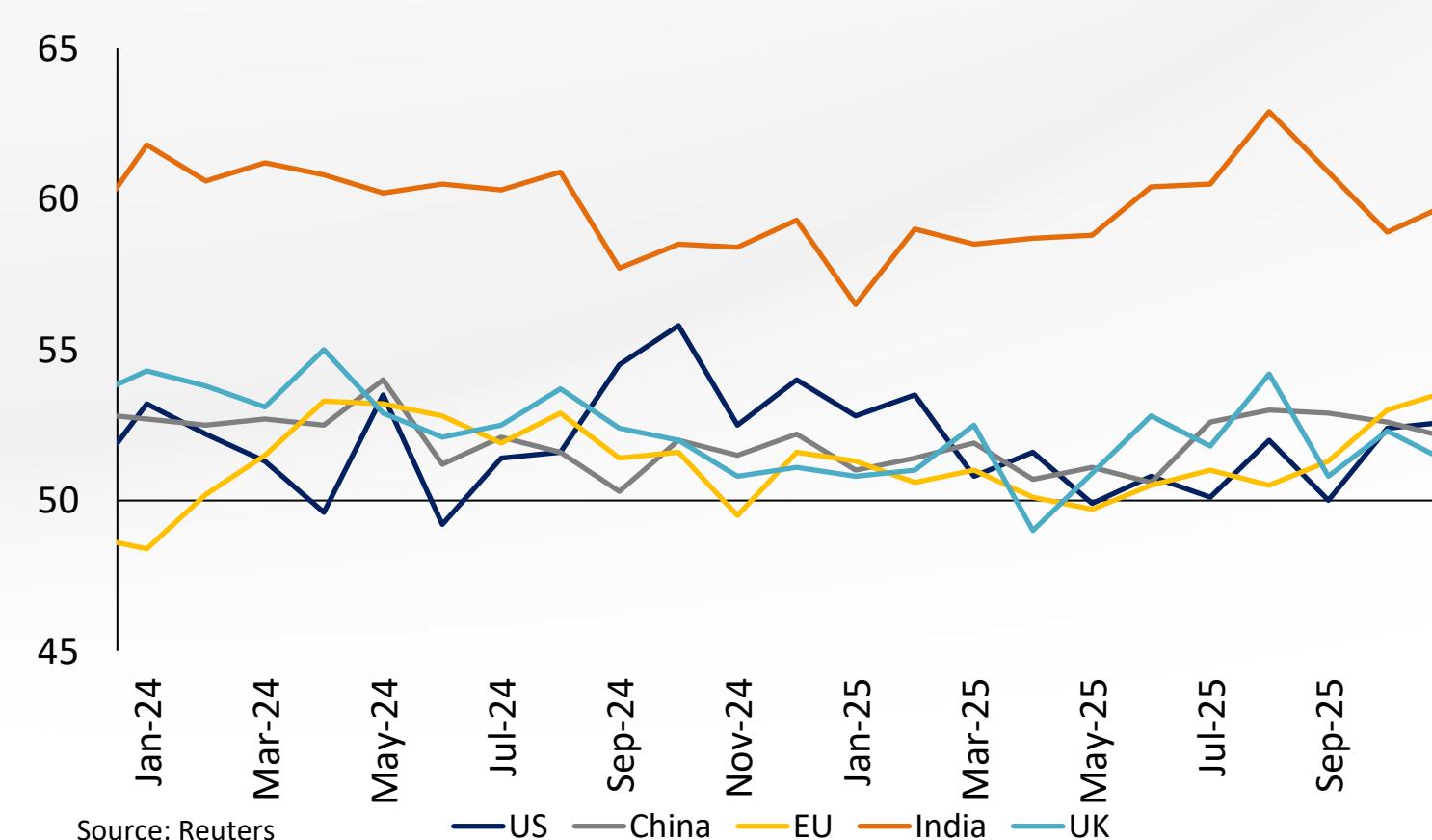
China's inflation clawing back above 0; others near target zone
Global Inflation Trend (Jan'24= 1):



Struggle for Manufacturing activity continues; except India
Global Manufacturing PMI:

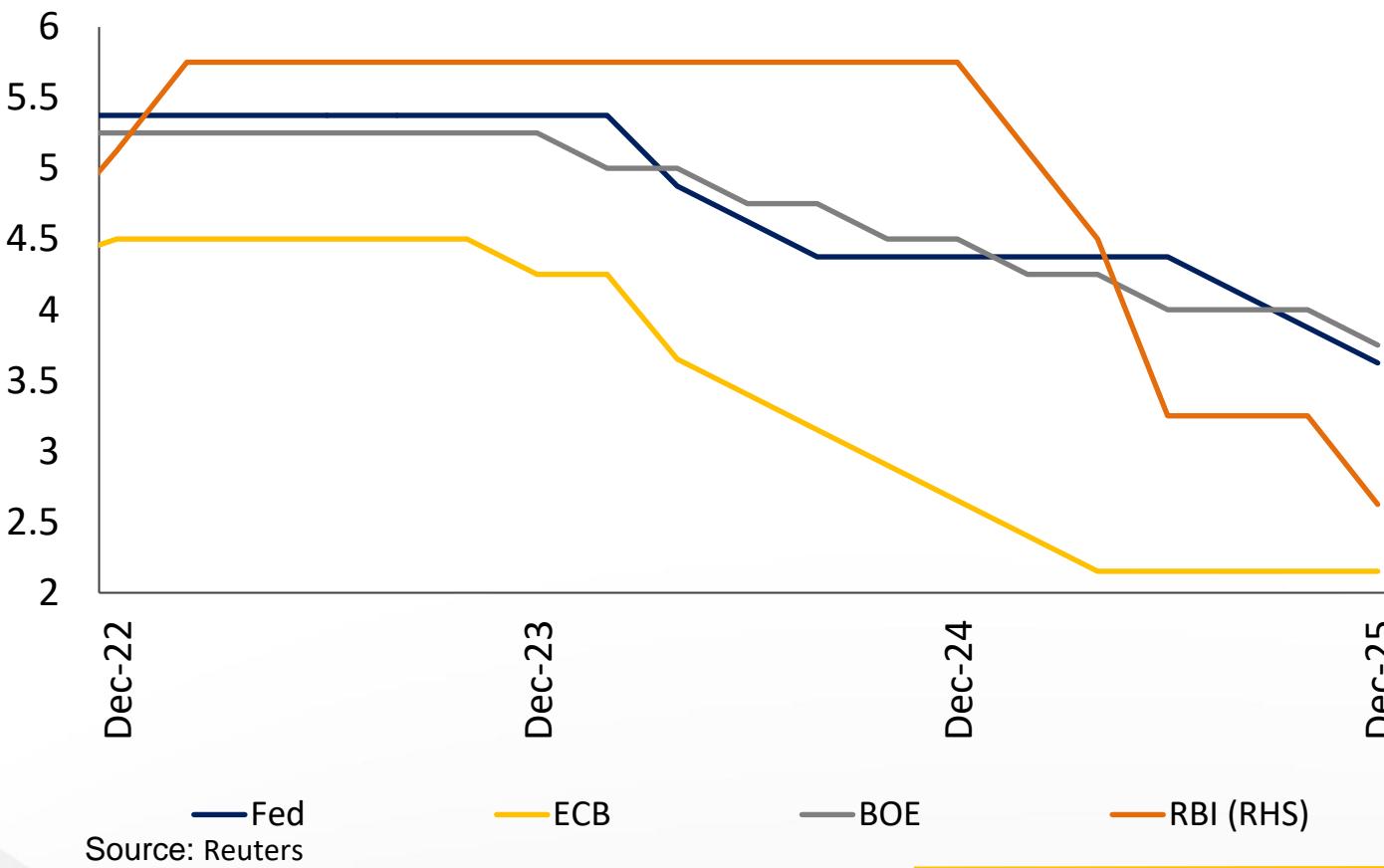


Service Sector holding well, needs more evidence for a rebound
Global Services PMI:

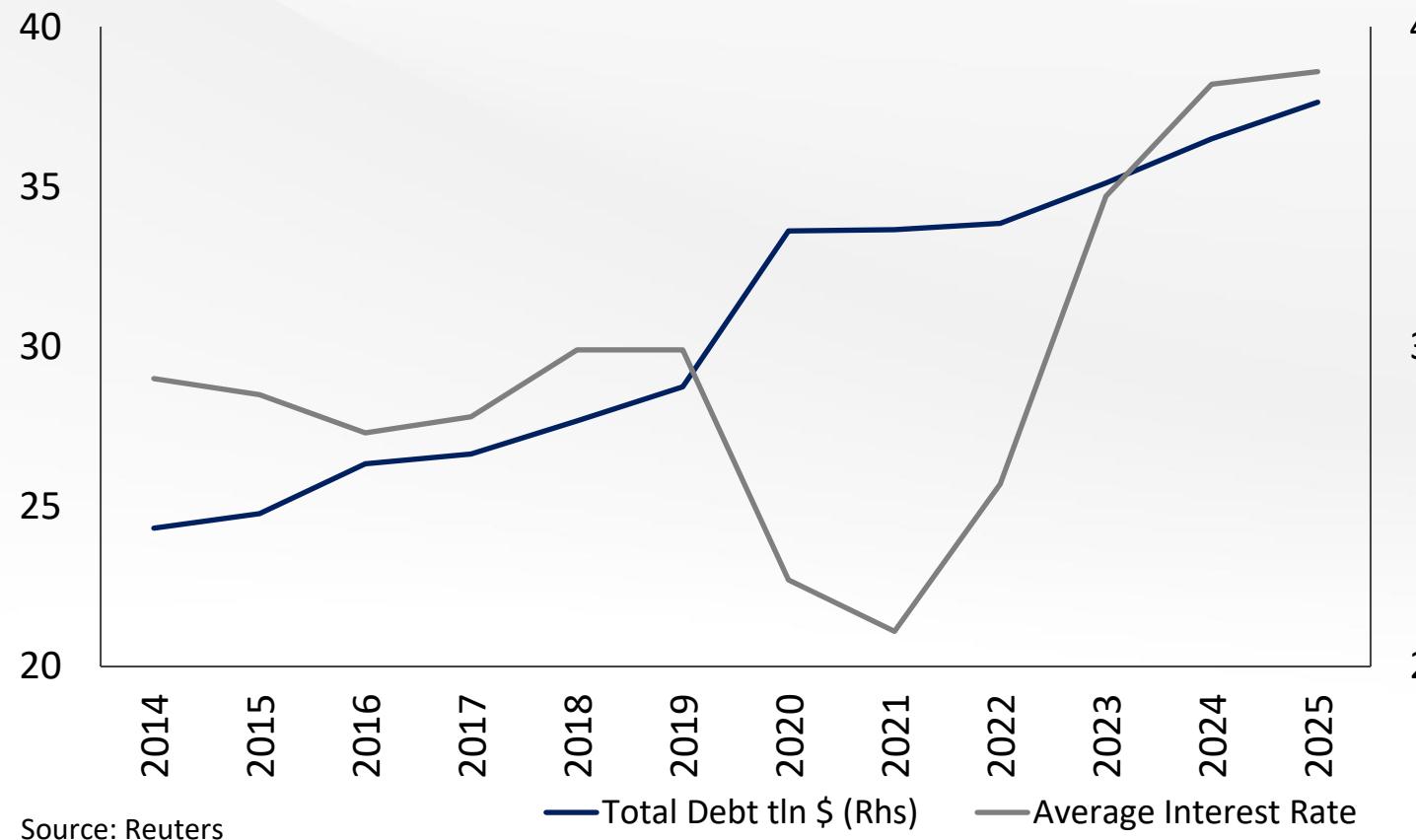


Macros at a Glance

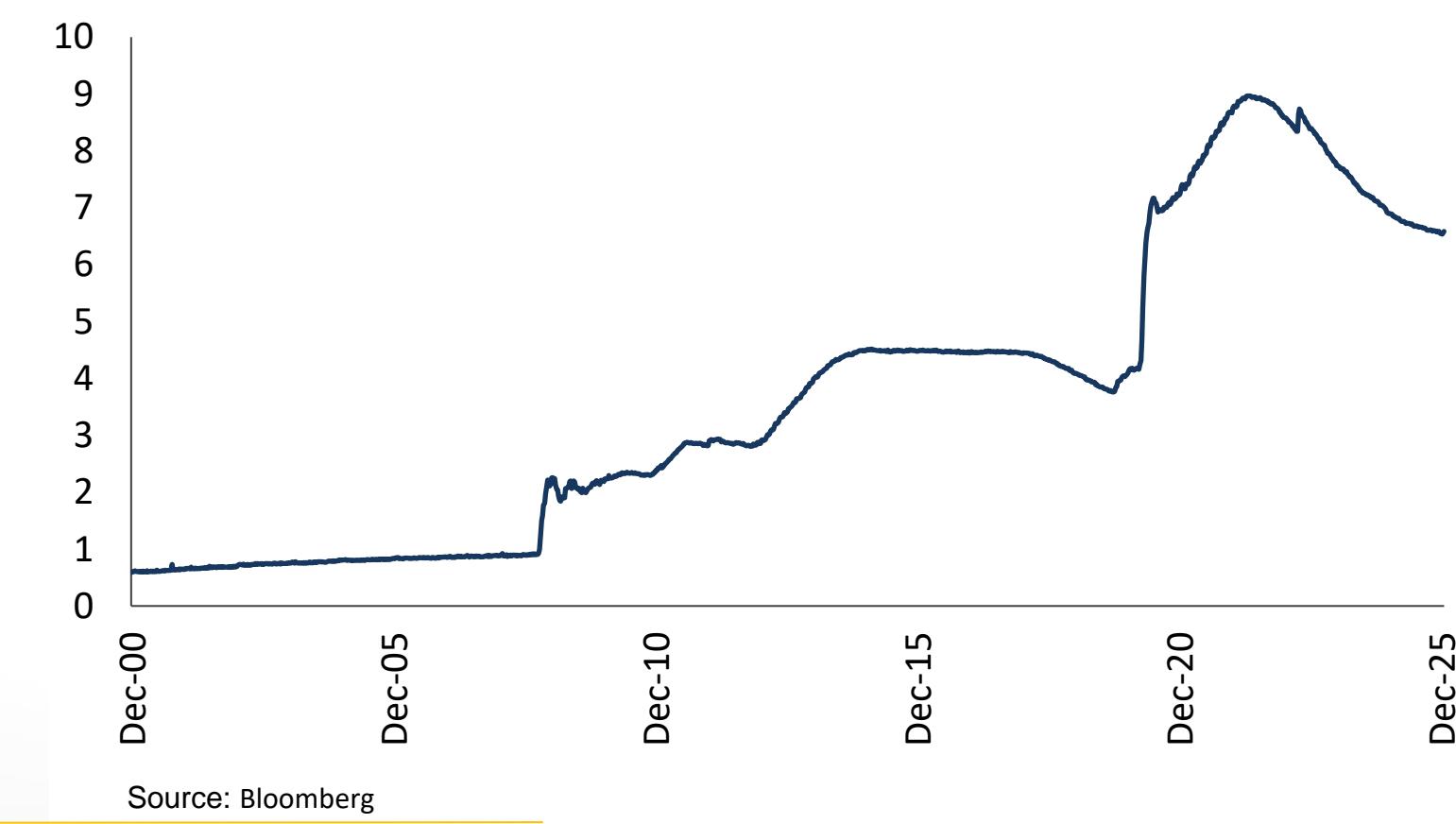
Some cuts; some pauses – making the liquidity scenario dicey for 2026
 Global Central Banks Interest Rate (%):



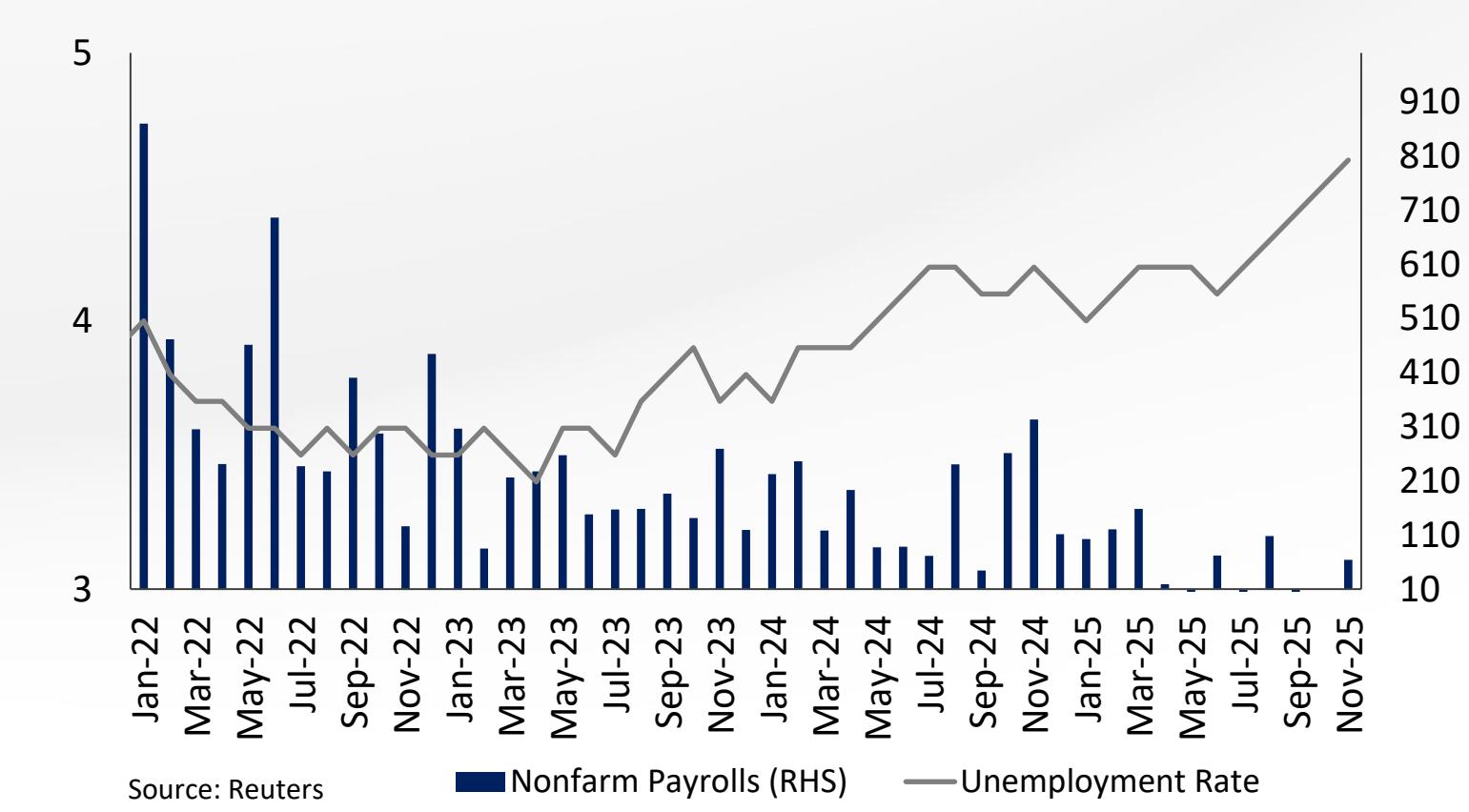
Higher rates, heavier debt load
 Average US Interest Rate (%) v/s Total US Debt (\$, tln):



Fall in Fed balance sheet takes a pause as Fed ends QT
 Fed balance sheet (\$, tln):



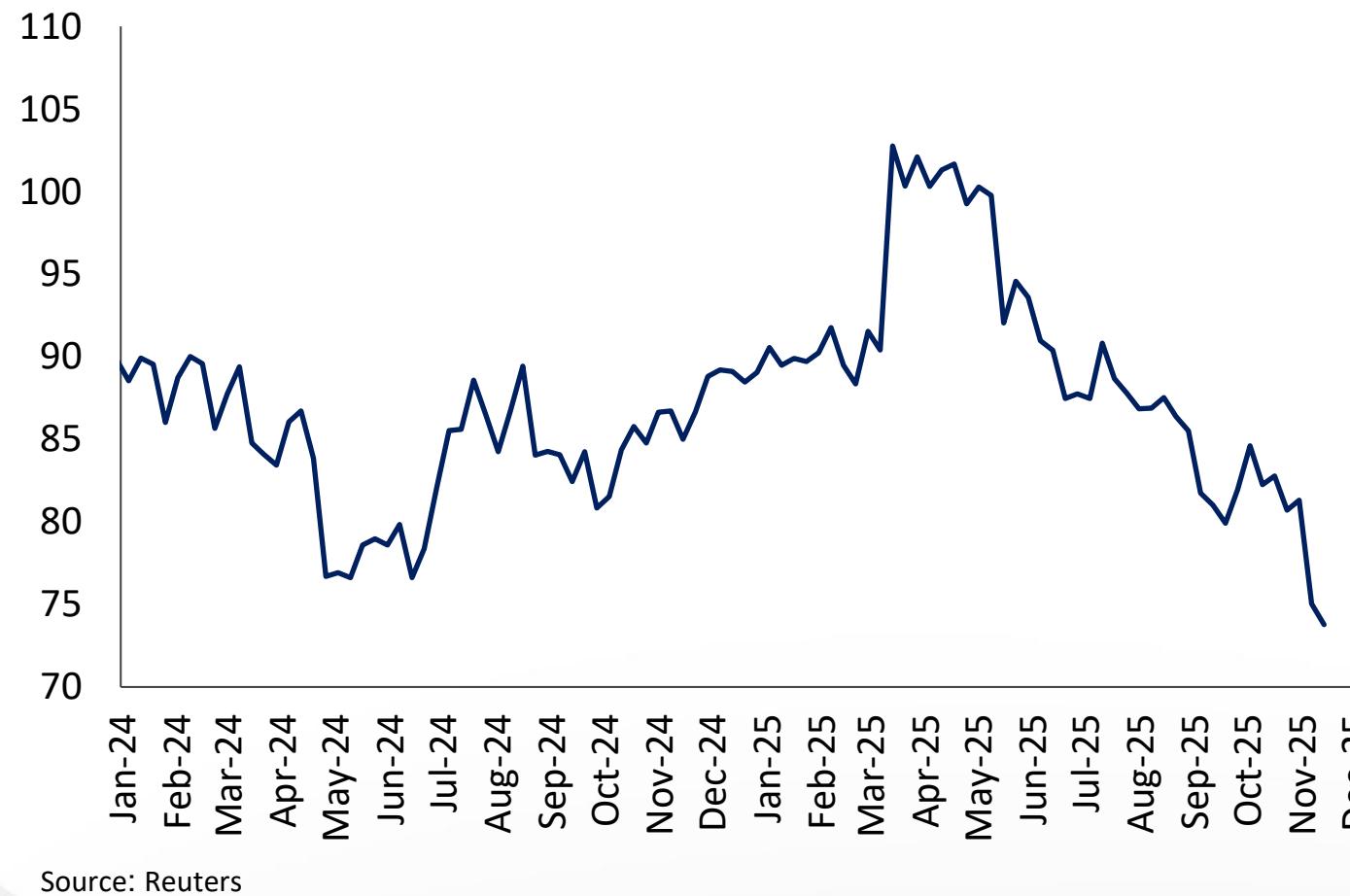
Rising unemployment, falling additions – signs of weakening labour market
 US Non farm payroll ('000's) and unemployment (%):



Ratios

Falling Gold-Silver ratio signals silver's leadership

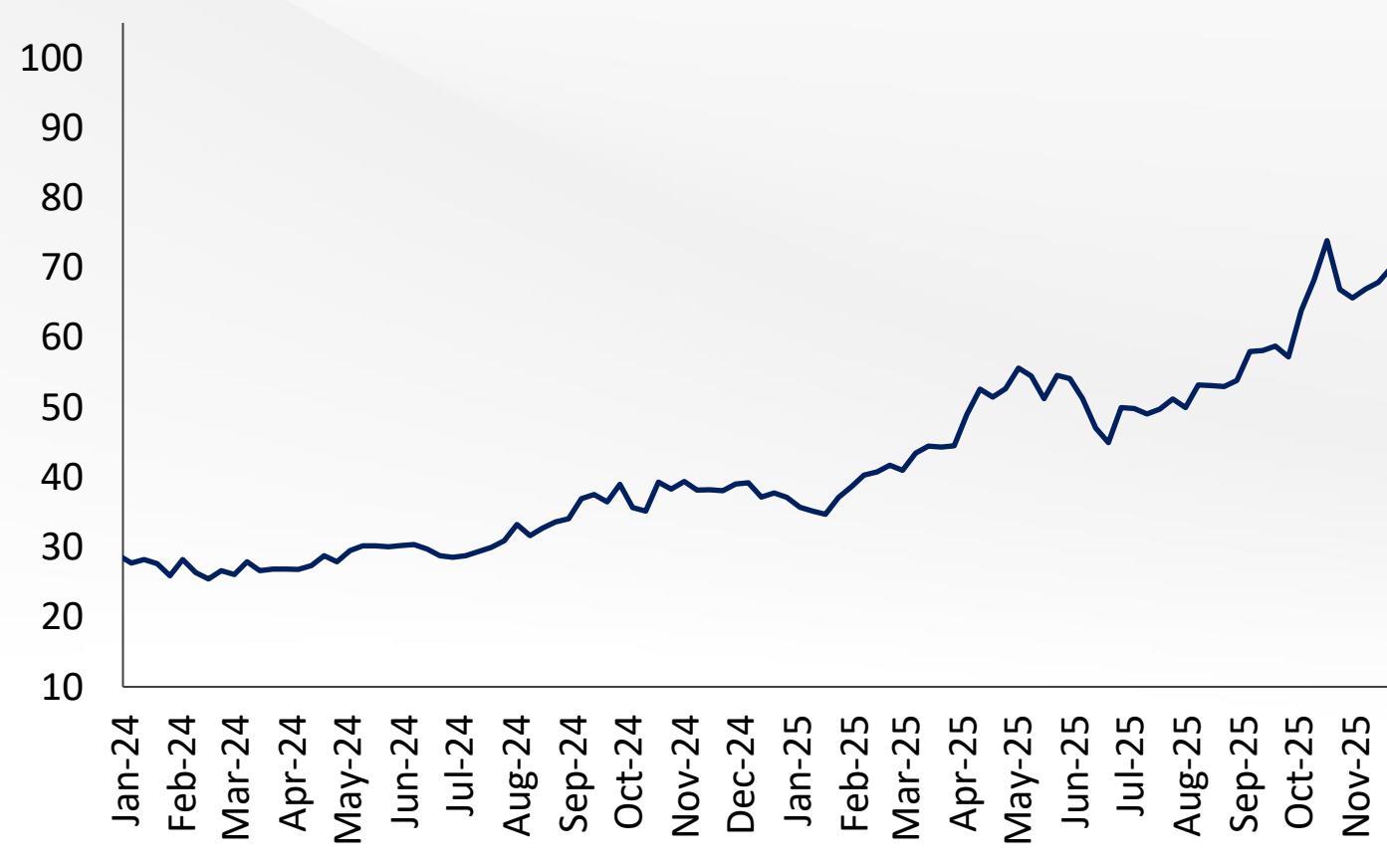
Gold/Silver Ratio:



Source: Reuters

Gold outperforming Crude amid slowing demand

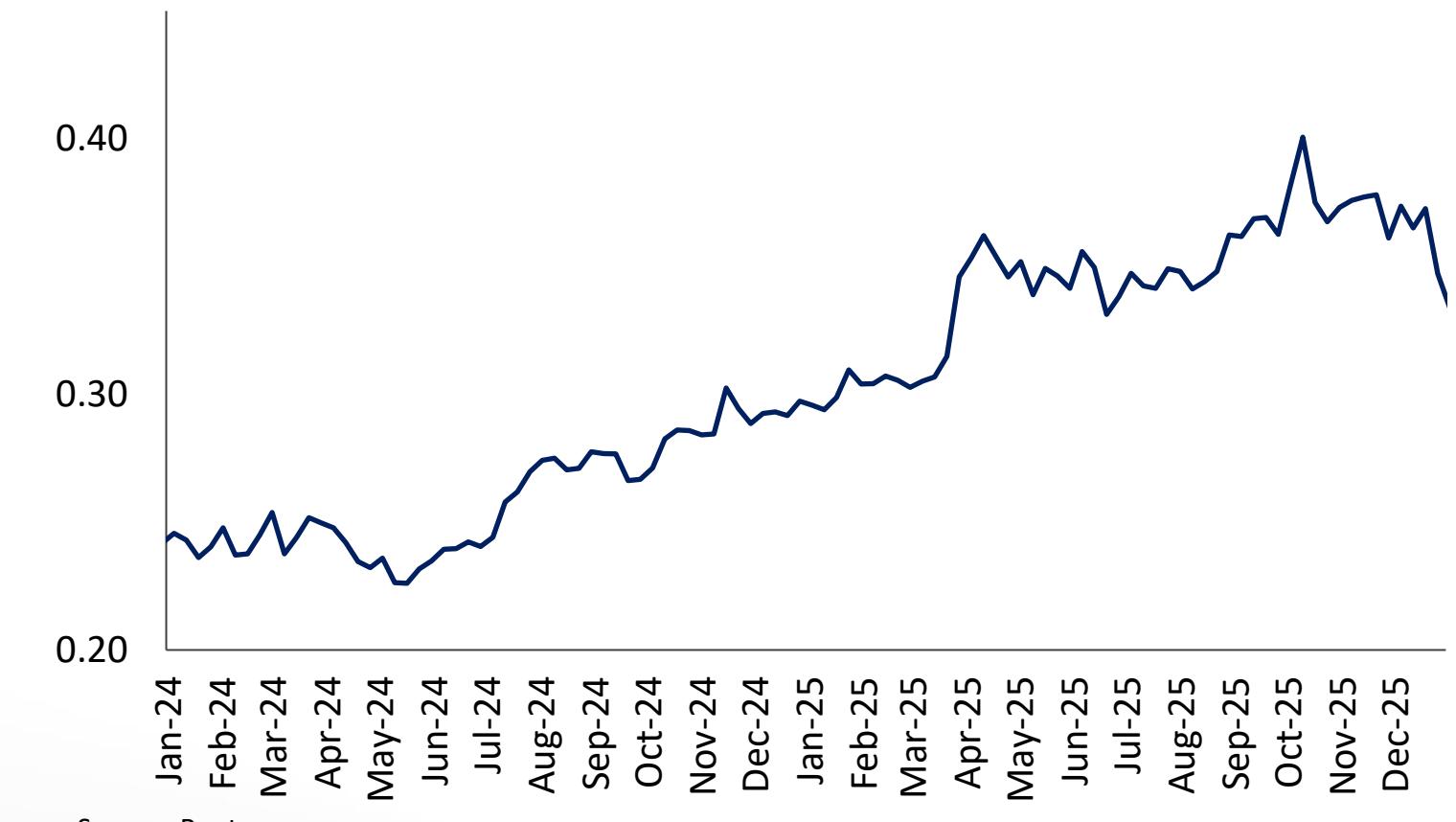
Gold/Crude Ratio:



Source: Reuters

Copper coping up with gold's pace

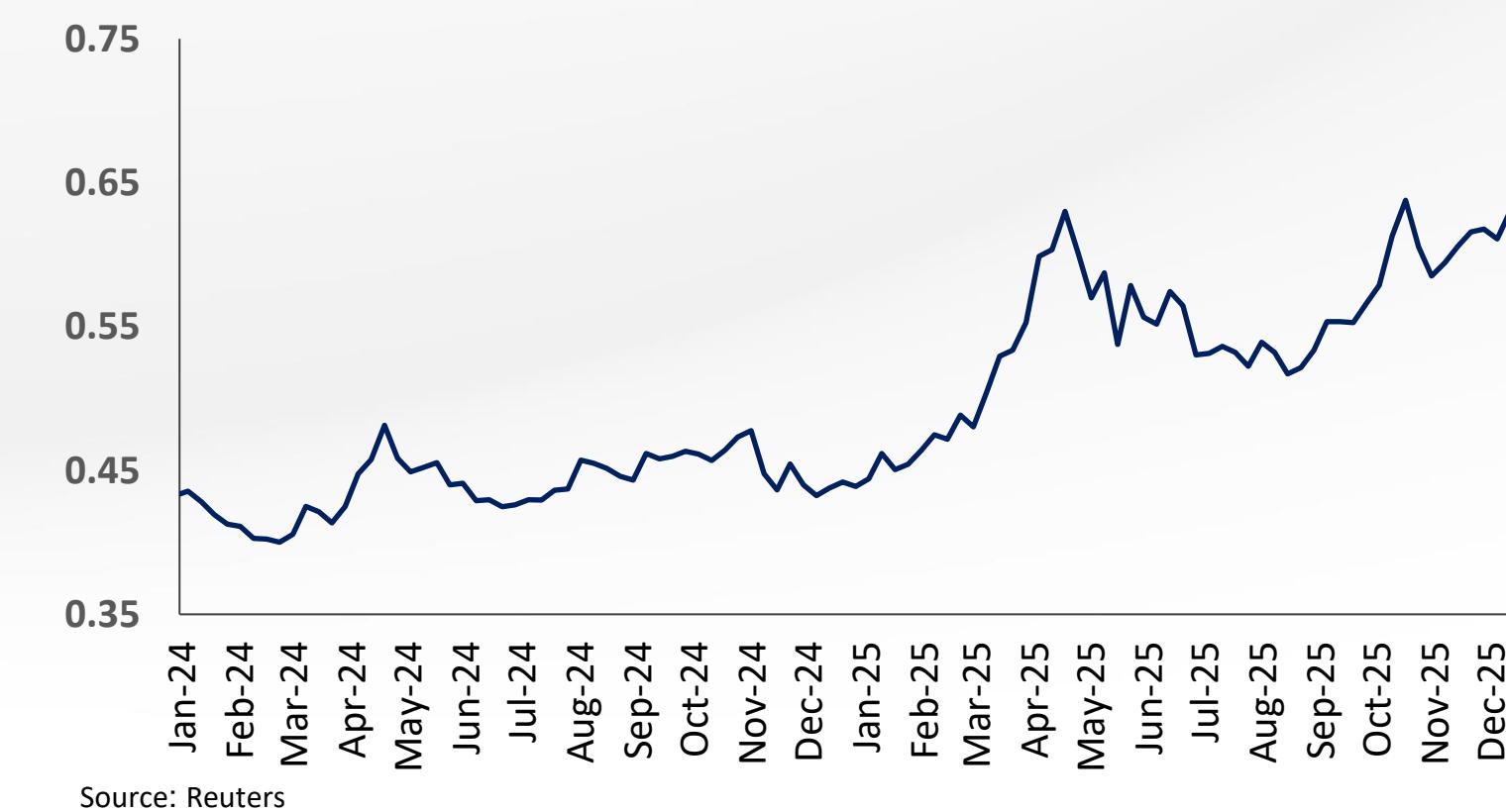
Gold/Copper ratio:



Source: Reuters

Equities underperform Gold even in a risk on phase

Gold/S&P 500 Ratio



Source: Reuters

Currencies





USDINR: Rupee Loses Ground in 2025



Geo Political Escalation



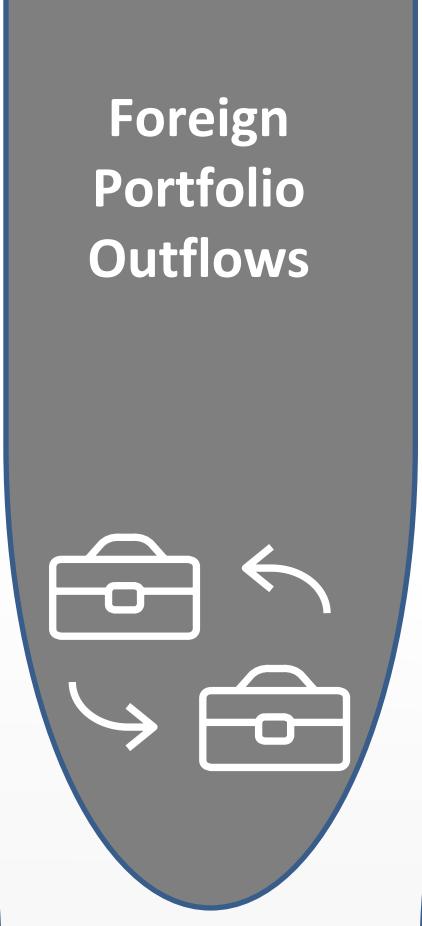
Widened
Trade Deficit



Interest
Rate
Cuts



Weakness in
\$ index



Foreign
Portfolio
Outflows



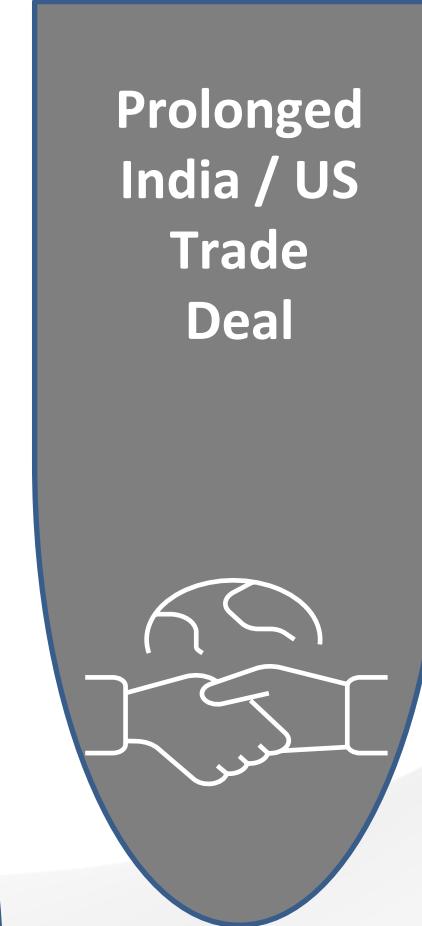
RBI
Intervention



Moderate
Corporate
Earnings



Soft Inflation
Accelerated
Growth



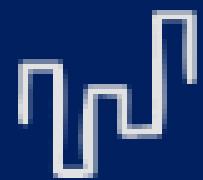
Prolonged
India / US
Trade
Deal



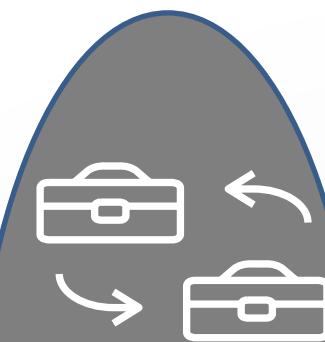
Rise in
Forex
Reserve

¥ Japanese Yen: Weakened for much of the year

Global Bond
market
volatility



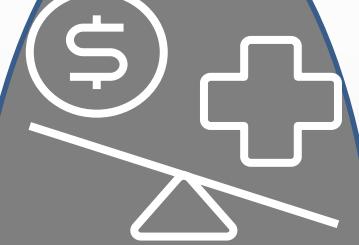
US-Japan yield
gap in focus



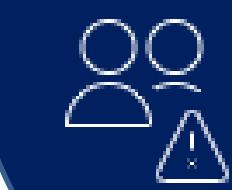
BOJ to hike rate
v/s Fed to cut
rates



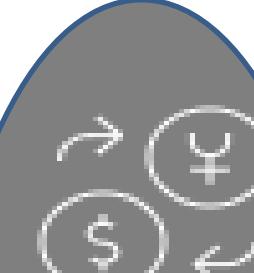
Weakness in
\$ index



Risk sentiments:
Yen carry trade
unwinding



Yen or dollar:
True safe haven



Fed stance in
inflation/ job



Japan growth-
inflation
paradox



New
leadership
risk?



China growth
spill over
effect





Chinese Yuan: ~5% higher for the year

Yuan usage in
Global Trade



PBoC Intrusion:
Controlled rise



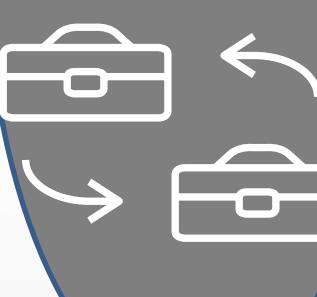
Trade war +
tariff tantrums



Trade Tension
De-escalation



Weakness in
Dollar Index



US-China Trade
Policy



Tariffs,
Restriction and
Truce for how
long?



Chinese
Recovery +
Stimulus



China policy
restrictions



Property Sector
Stabilization

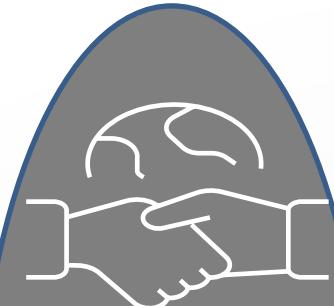


€Euro and £ Pound: Relief from Dollar, Stress at Home

Energy-price
sensitivity in
Europe



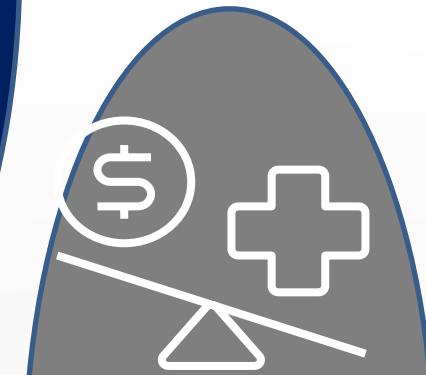
Minimal trade/
Geo-political
impact



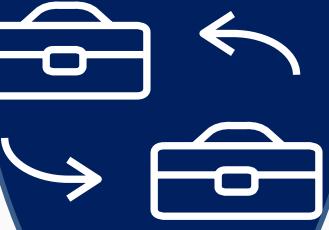
ECB pauses rate
cuts / BOE
keeps cutting



Eurozone growth
expectations



Weakness in
Dollar Index



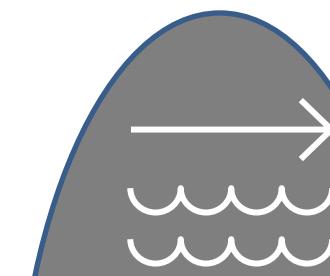
Weak fiscal path
for UK



Fed rate cuts to
be supportive



UK Twin-Deficit
Pressure (Fiscal
+ Current A/c)



Bond market
pressure



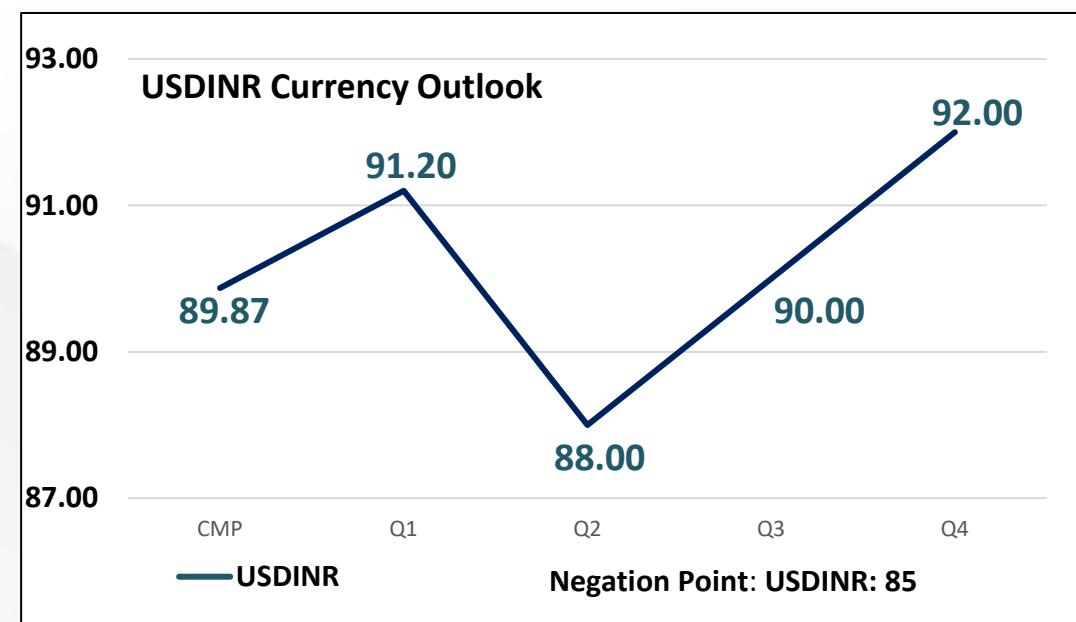
Stressed labour
market in UK



Technical Outlook 2026: Currency

USDINR traded positively throughout the year, reaching an all-time low of 91.07 in 2025. Meanwhile, the DXY initially moved within a broad range but gained momentum later, closing the year on a strong note.

CURRENCY	VIEW	PURCHASE PRICE	TARGET (₹ / \$)	NEGATION
DXY	NEGATIVE	-	\$88	\$105
USDINR	POSITIVE	-	₹92.00	\$85

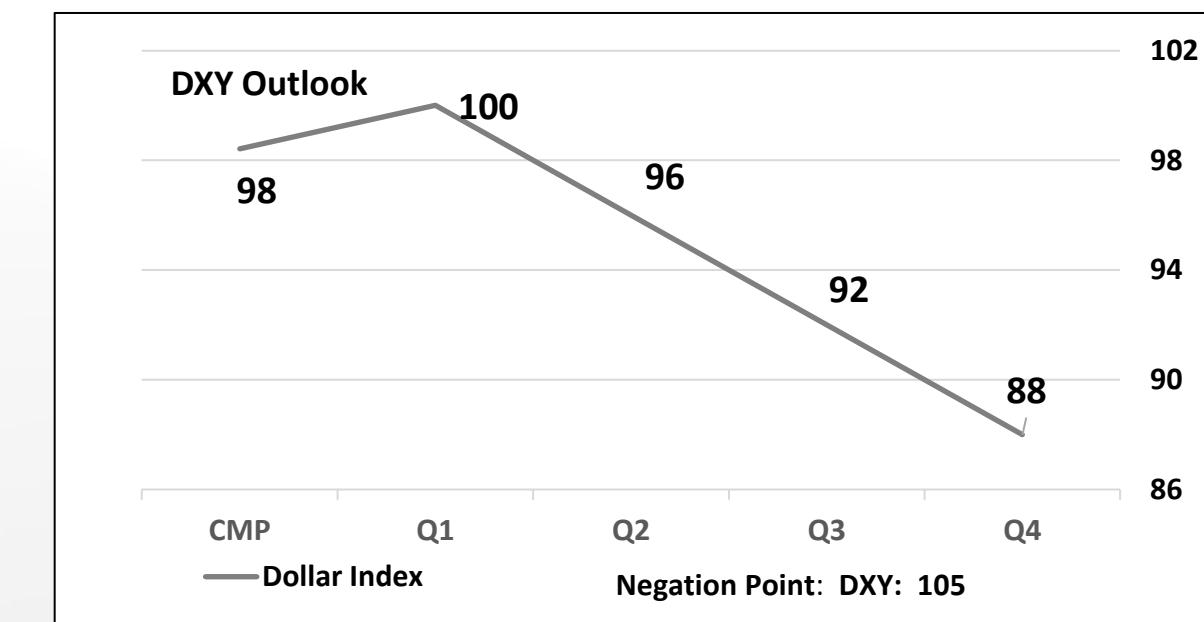


WHAT WE FORECASTED (IN 2025)

For 2025, we forecasted an annual target of 88.50 for USD/INR and 114 for the Dollar Index (DXY)

REALITY (IN 2025)

The target of 88.50 for USD/INR was achieved in the fourth quarter, while the Dollar Index (DXY) tested below the negation point a low of 96.21 in the third quarter

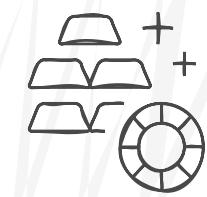


WHAT'S NEXT? (FOR 2026)

The 2026 outlook indicates an initial corrective dip in USDINR followed by a gradual upside, while the DXY is expected to witness a short-term rebound before resuming a sharp decline.

Precious Metals





Factors affecting Gold and Silver



Gold and Silver's bullish journey

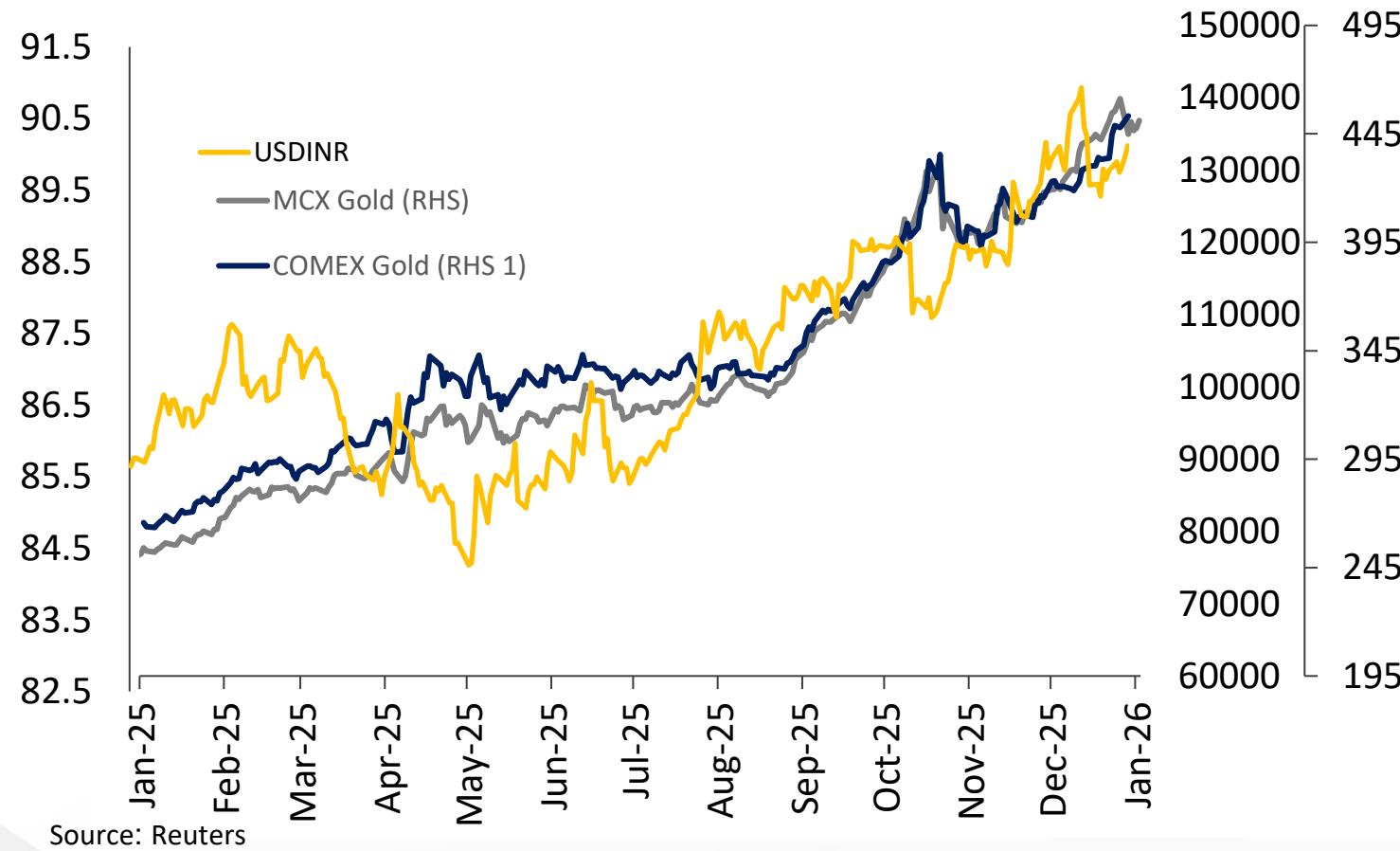
Pace of Gold in the last 10 years		
Date	~Price (₹)	Days taken for rally
11/02/2016	30,000	-
3/01/2020	40,000	1422
22/07/2020	50,000	201
20/03/2023	60,000	971
04/04/2024	70,000	381
24/01/2025	80,000	295
31/03/2025	90,000	66
13/06/2025	1,00,000	74
15/09/2025	1,10,000	94
6/10/2025	1,20,000	21
16/10/2025	130,000	10
26/12/2025	140,000	71
Gold (₹) gained 76% in 2025		

Pace of silver in the last 10 years		
Date	~Price (₹)	Days taken for rally
19/1/2015	40,000	-
3/9/2019	50,000	1688
21/7/2020	60,000	322
4/8/2020	70,000	14
4/4/2024	80,000	1339
17/5/2024	90,000	43
22/10/2024	100,000	158
11/7/2025	110,000	262
29/8/2025	120,000	49
16/9/2025	130,000	18
26/9/2025	140,000	10
8/10/2025	150,000	12
14/10/2025	160,000	6
17/10/2025	170,000	3
3/12/2025	180,000	47
10/12/2025	190,000	7
12/12/2025	200,000	2
22/12/2025	210,000	10
23/12/2025	220,000	1
26/12/2025	240,000	3
29/12/2025	250,000	3
Silver (₹) gained by 170% in 2025		

Gold and Silver Update

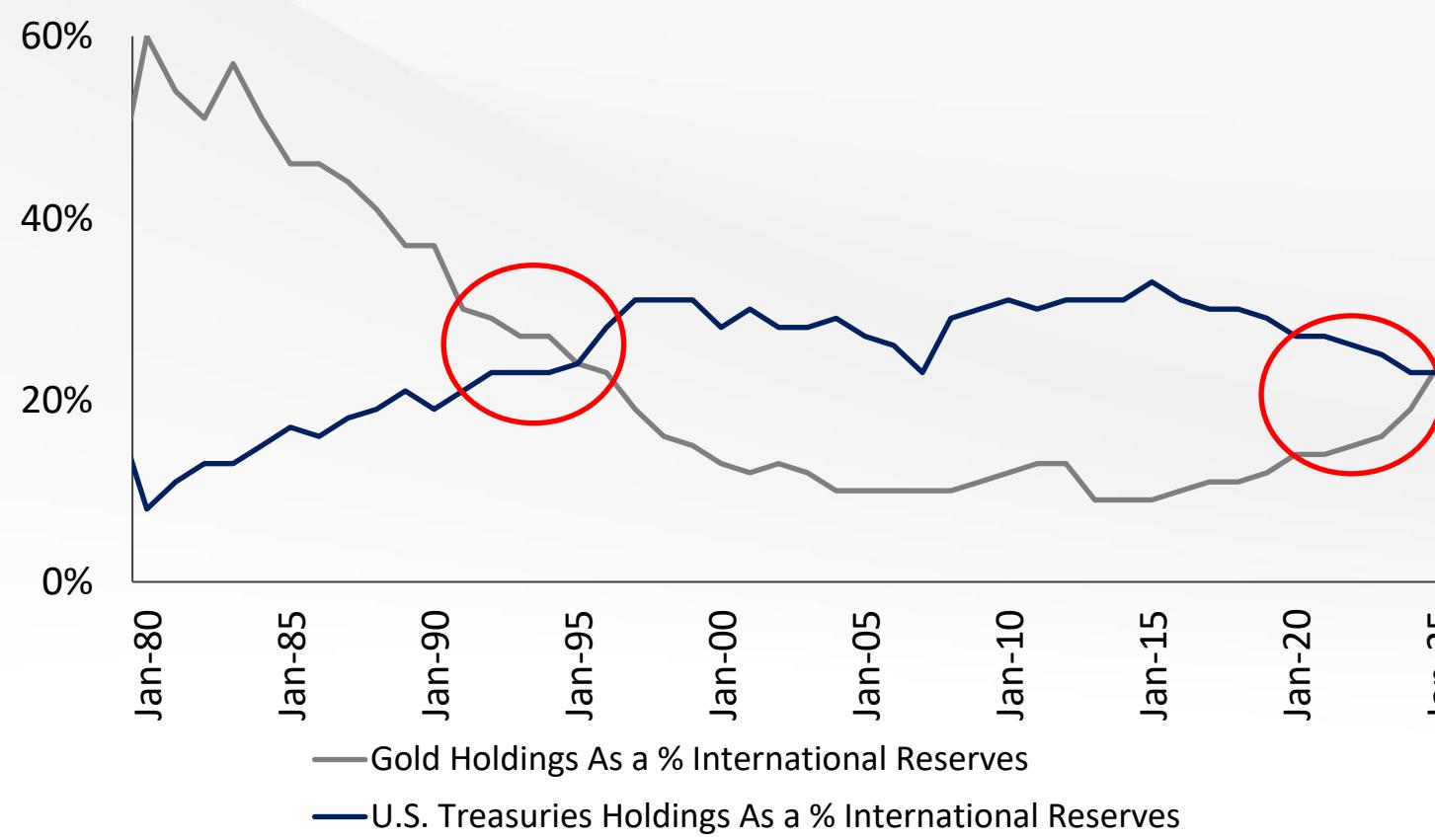
Weak rupee, weak dollar index, keeps Gold in rising trajectory

USDINR, Gold (₹), Gold ₹:



Central Banks Now Hold More Gold Than U.S. Treasuries

Gold (\$) and US Treasuries holdings as % international reserves:

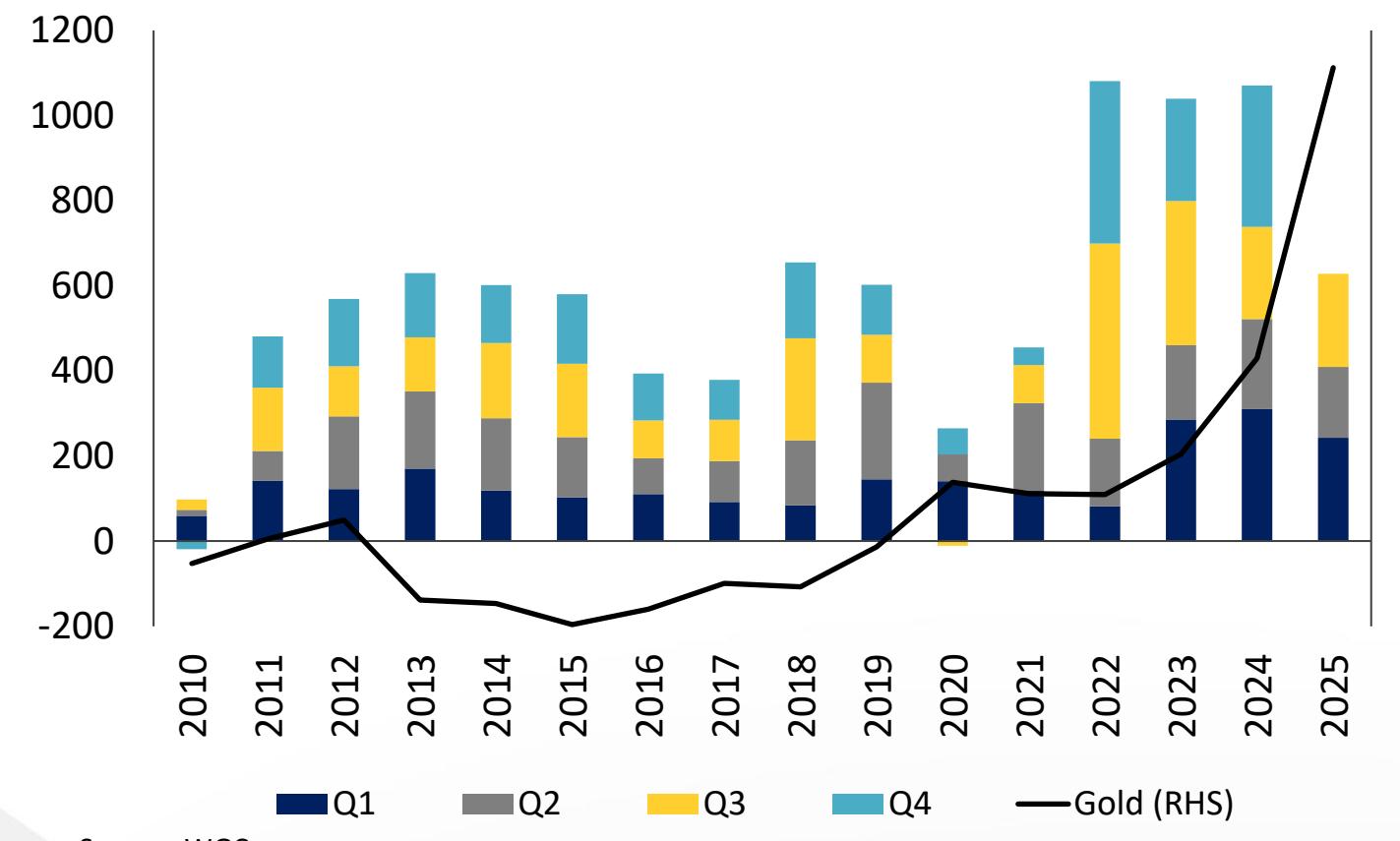


- Persistent weakness in Dollar index with depreciating rupee - dual currency tailwind for Gold
- 2025 started with President Trump's oath and sudden tariff related announcements
- Continuous changes and negotiation in tariff rates increased volatility but, also gave a boost to overall risk premium
- Fed cut rates by 75bps in 2025, but cuts were tagged with cautious tone from Governor Powell
- Geopolitical conflicts, trade tensions, and policy uncertainty reinforced gold's role as portfolio insurance rather than a speculative asset
- From trade tensions and uncertainties to a 43-day US government shutdown, markets faced heightened panic, underscoring stress in the US financial system
- Make shift arrangements in US debt ceiling and shutdowns kept the fiscal and policy uncertainty elevated
- ETF flows turned decisively positive in the second half of the year, signalling renewed investor participation after a prolonged phase of outflows
- Domestic Gold and Silver ETF AUM has jumped by more than 150% since the start of 2025, signalling strong inflow

Gold and Silver Update

Central Banks continue to accumulate Gold supporting sentiment

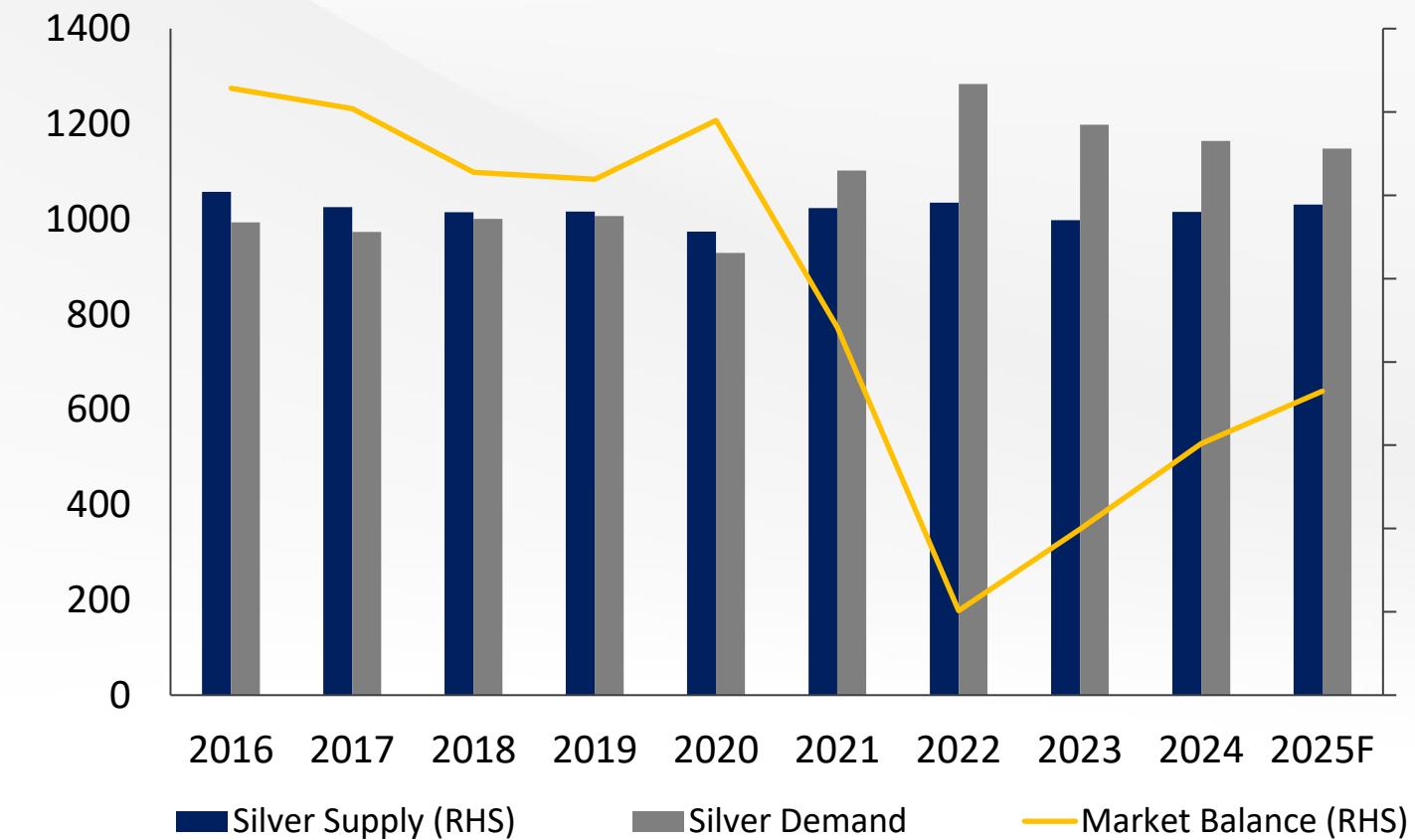
Central Banks net Gold purchase (Tonnes) and Gold (\$):



Source: WGC

Demand surpasses Supply for fifth consecutive year

Silver Demand, Supply and Market Balance: (tonnes)

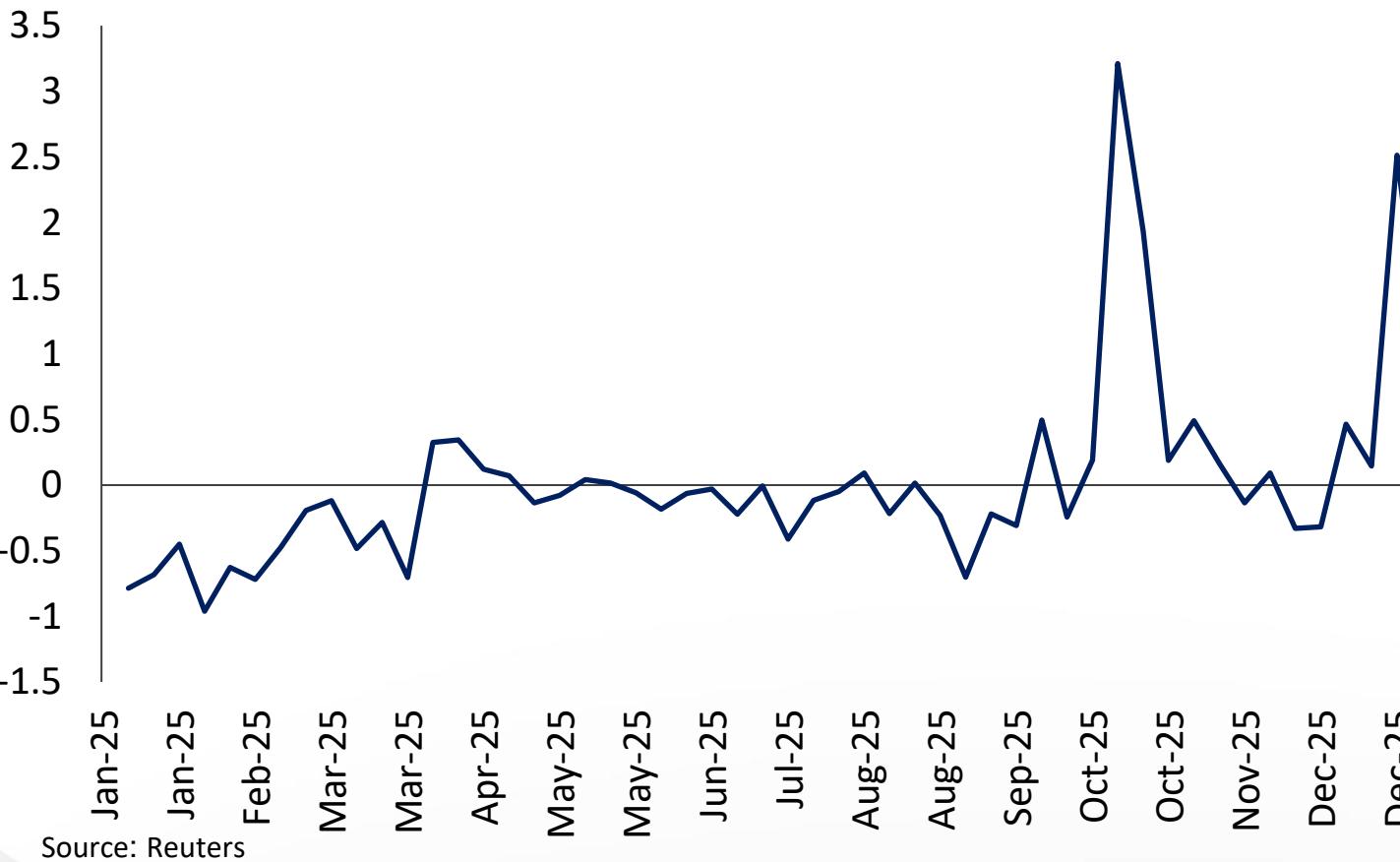


Source: silverinstitute

- Central bank gold purchases remained historically elevated, exceeding 1,000 tonnes annually
- De-dollarization accelerated as central banks reduced US bond exposure and increased gold reserves to hedge currency, sanctions, and geopolitical risk
- Physical demand across Asia remained resilient despite higher prices
- Higher all-in sustaining costs for gold miners raised marginal cost support levels, reinforcing supply tightness and limiting downside risks
- Gold supply growth stayed constrained, with limited mine expansion and scrap supply proving relatively inelastic even at elevated prices
- Tariff fear shifted a lot bullion in COMEX inventory, draining LME warehouse
- SHFE gold inventory also started building after China proposed to become global custodian
- Silver significantly outperformed gold, supported by its dual role as a precious and industrial metal amid accelerating energy transition as well as safe haven demand
- Industrial demand second highest on record in 2025, driven by solar photovoltaic installations, electrification, electric vehicles, and grid infrastructure investments
- Silver market remained in a structural deficit for fifth consecutive year

Gold and Silver Update

Acute supply tightness influences a rare backwardation in Silver
Silver Spot- Futures (\$):



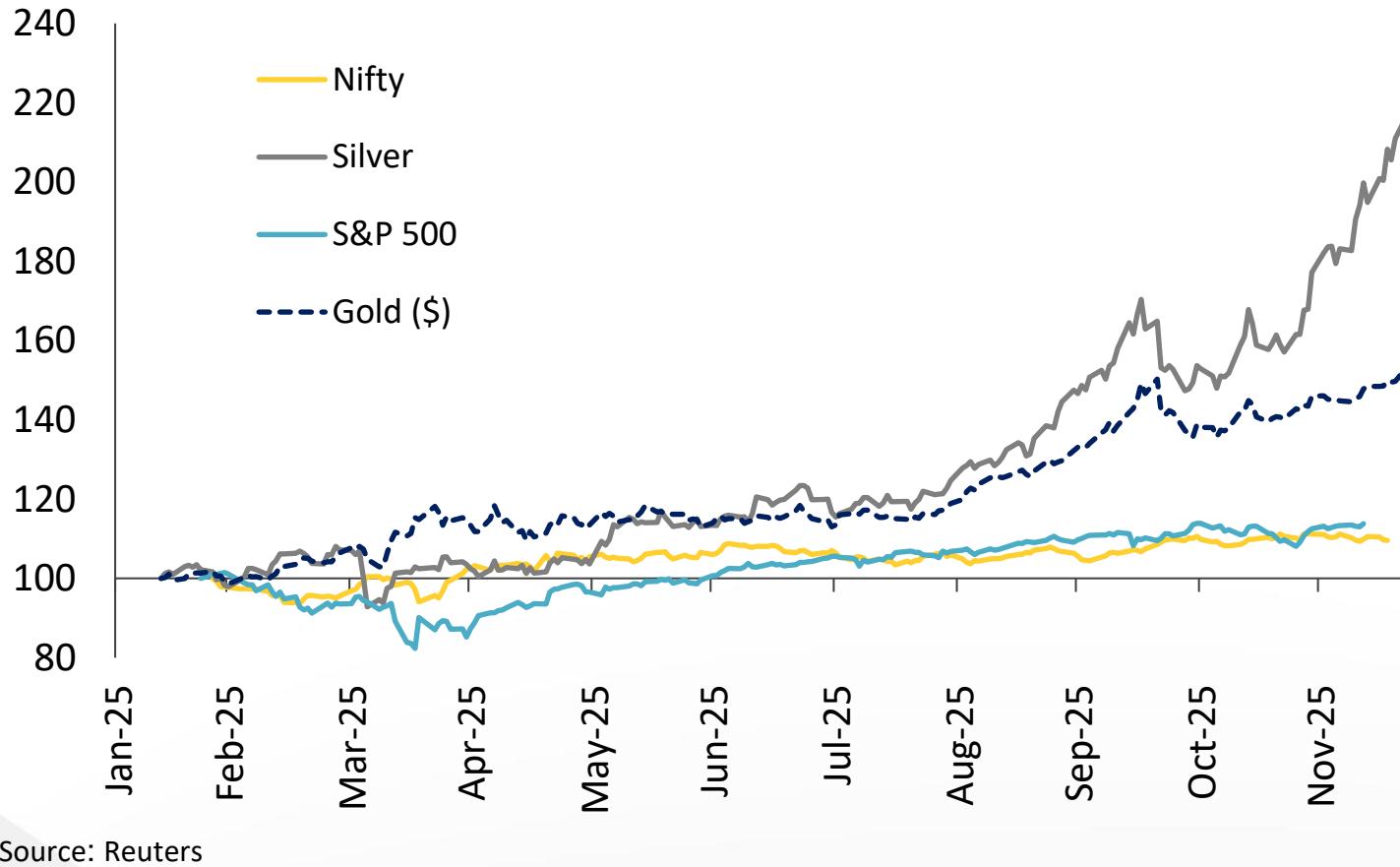
Silver inventories slide as physical tightness grows
Silver Comex and Shanghai inventories: (mln tonnes)



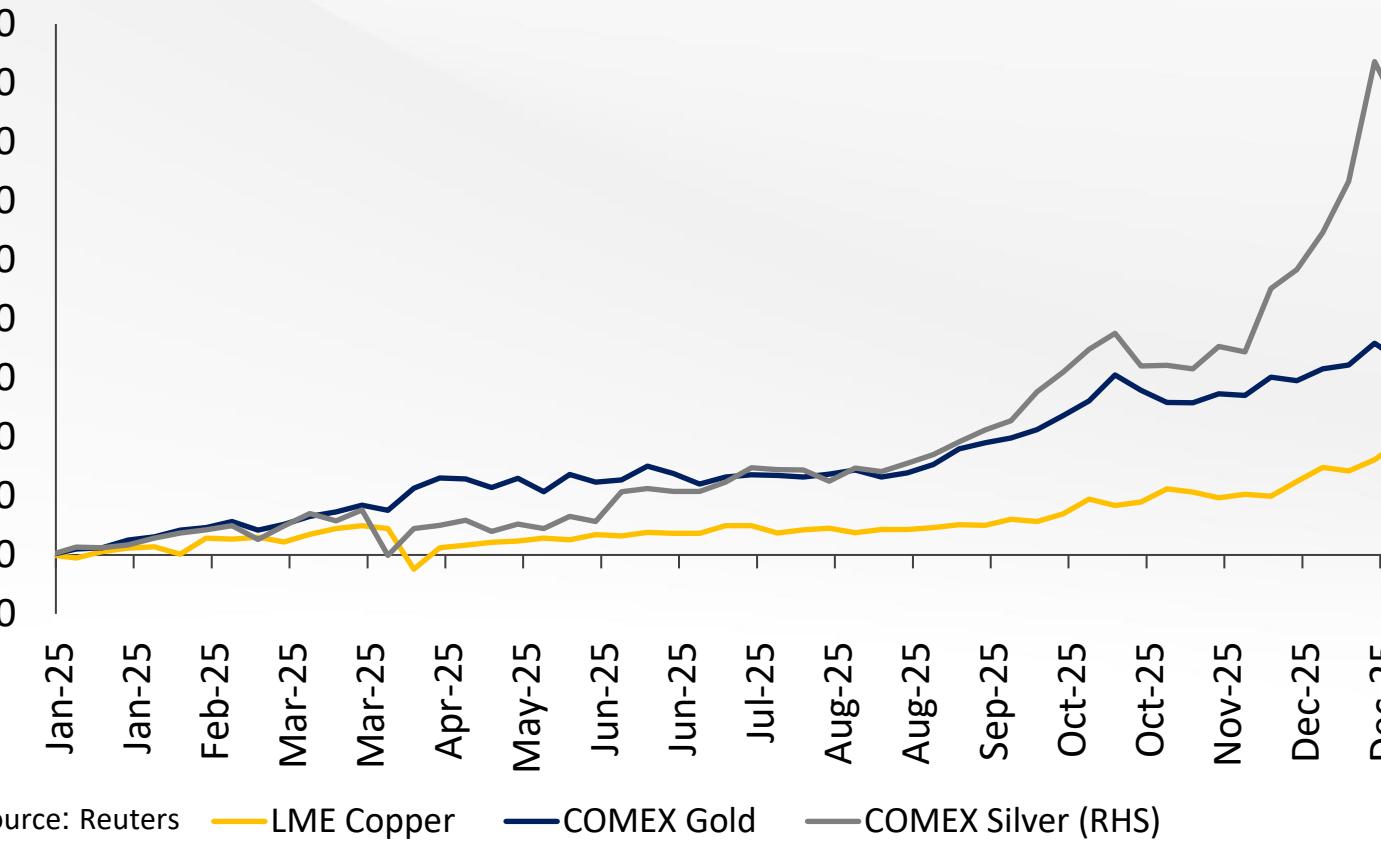
- Demand outpaced supply across markets, with silver experiencing periods of rare backwardation, signalling acute physical tightness during the year
- COMEX silver inventories increased intermittently during 2025 due to tariff-related arbitrage and delivery incentives, masking underlying physical tightness
- In contrast, Shanghai Futures Exchange silver inventories declined by roughly 30–40% from peak levels, while LME inventories also trended lower through the year
- Mine supply growth remained muted due to underinvestment, declining ore grades, and silver's dependence on by-product production from base metals
- Investor interest in silver accelerated as prices caught up with gold, amplifying upside volatility during the latter part of the year
- Gold/Silver ratio also shows pace of Silver – fall from high of ~110 to recent low of 65
- Eastern physical markets continued to draw metal from global supply chains, reinforcing the divergence between visible exchange stocks and real-world availability

Comparing Gold v/s other asset classes

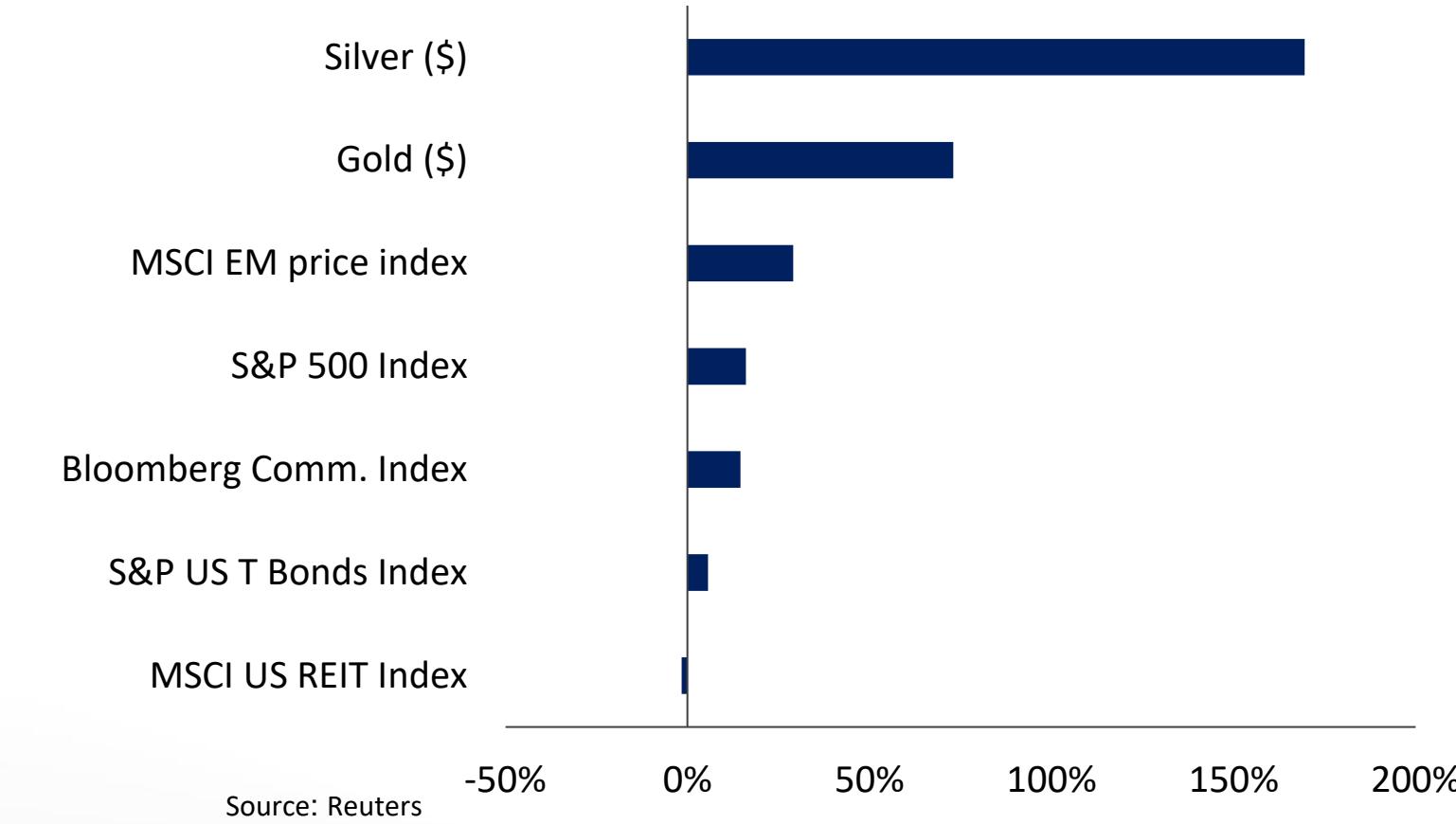
Gold and Silver outshining equities in 2025
Gold (₹), Silver (₹), S&P 500, Nifty: (Jan'25=100)



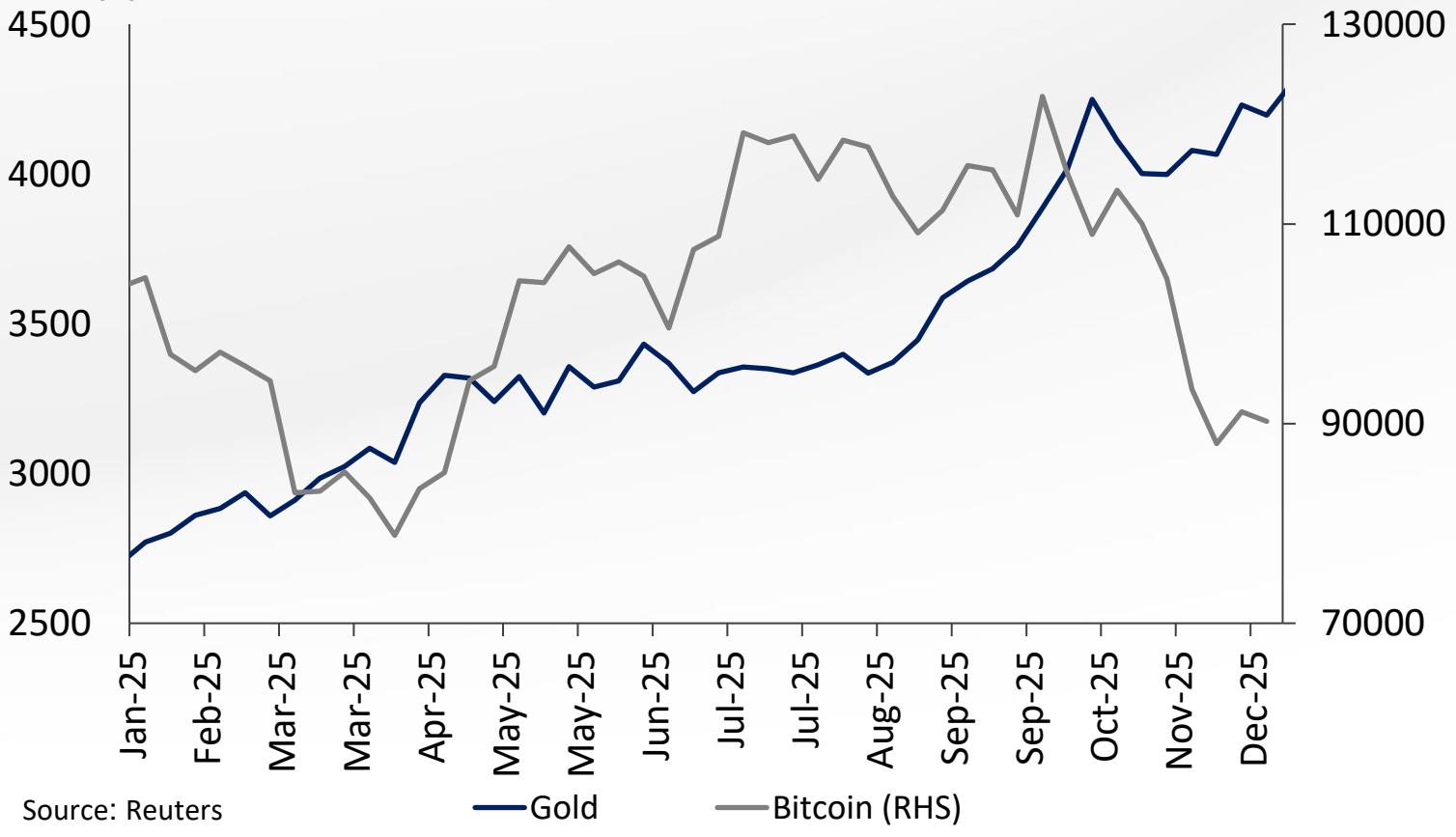
Silver getting advantage of both safe haven and industrial demand
Gold (\$) v/s Silver (\$) v/s Copper (\$): Jan'25=100



Silver leads the way against other asset classes
Gold & Silver v/s major indices:



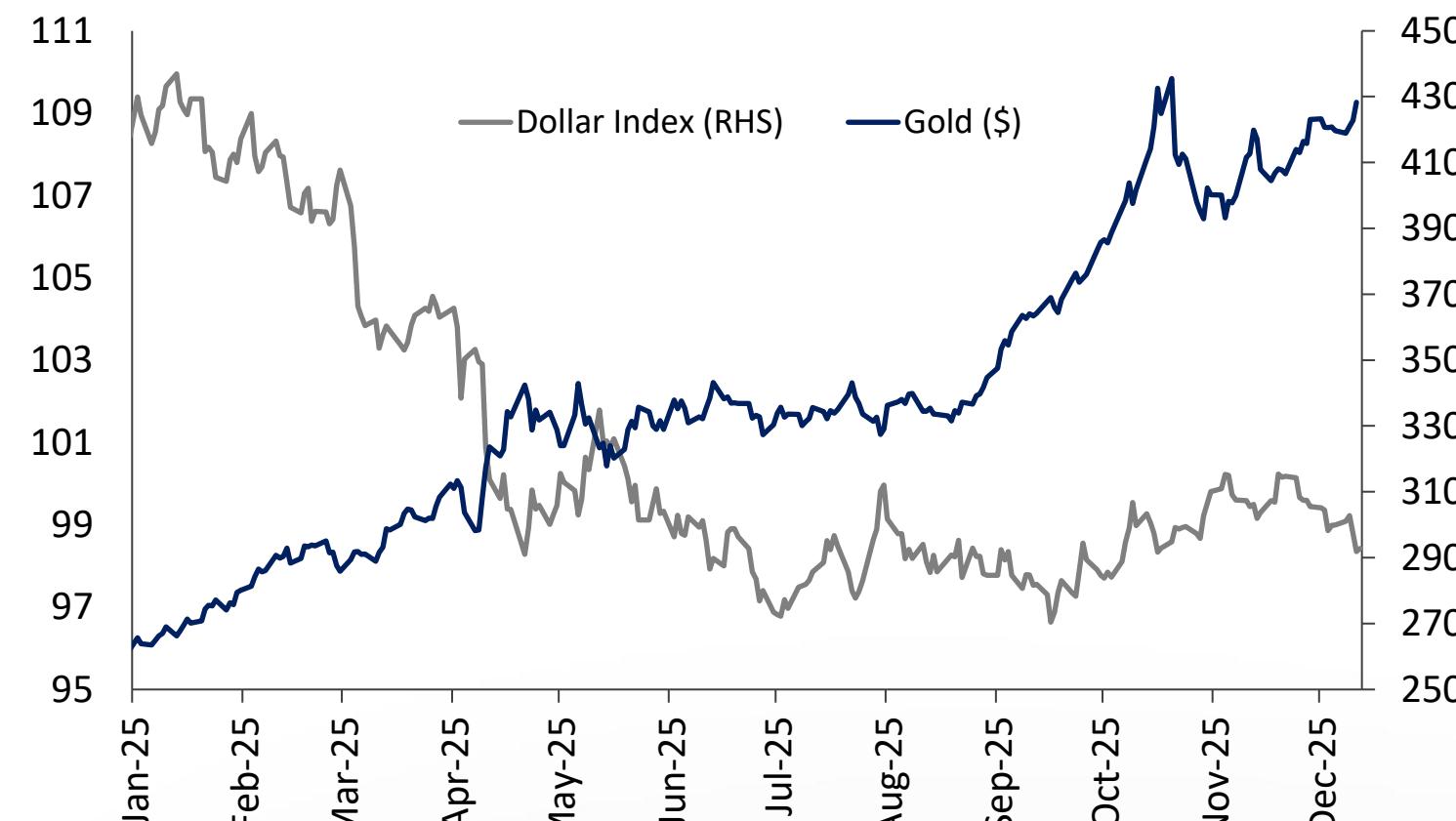
Bitcoin fails to hold the momentum while, Gold surges
Gold (\$) v/s Bitcoin:



Gold and Macro Drivers

Dull Dollar index boosts gold's upside momentum

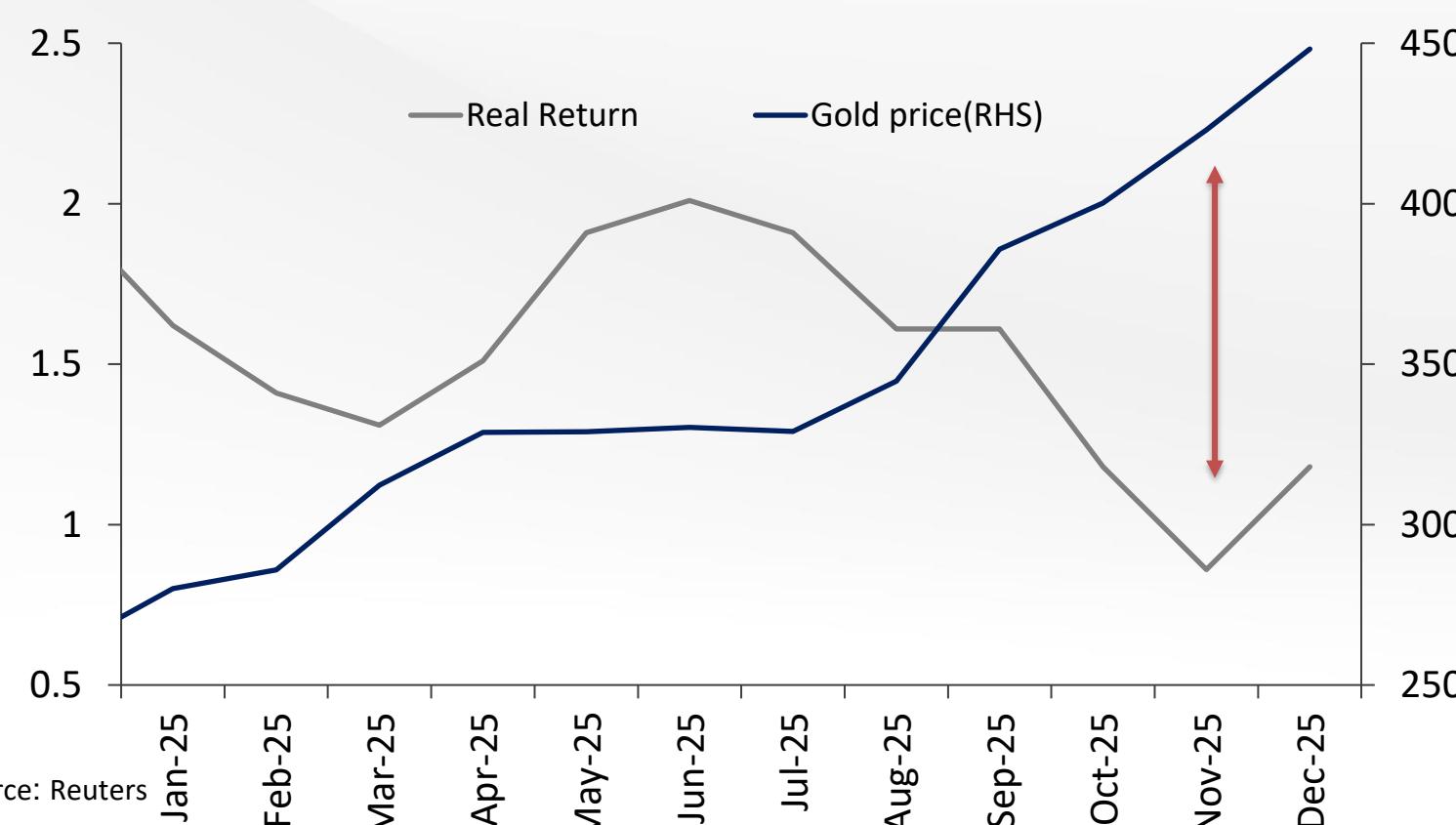
Dollar Index v/s Gold (\$):



Source: Reuters

Real Rates starts to crack amidst rate cuts, further boosting gold prices

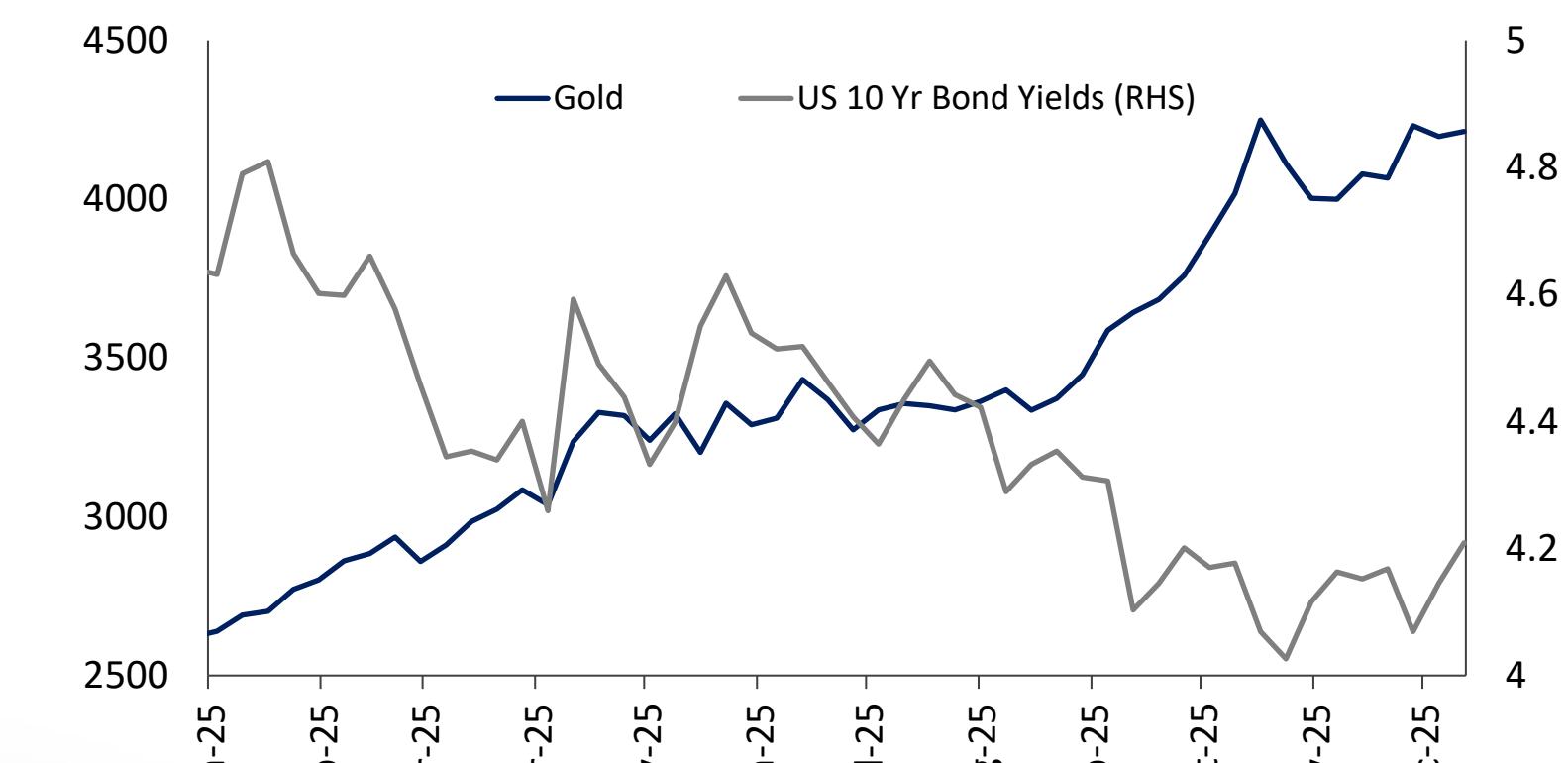
Gold (\$) v/s Real Rates (%):



Source: Reuters

Inverse correlation visible in US 10Y Yield and Gold amidst rate cut expectations

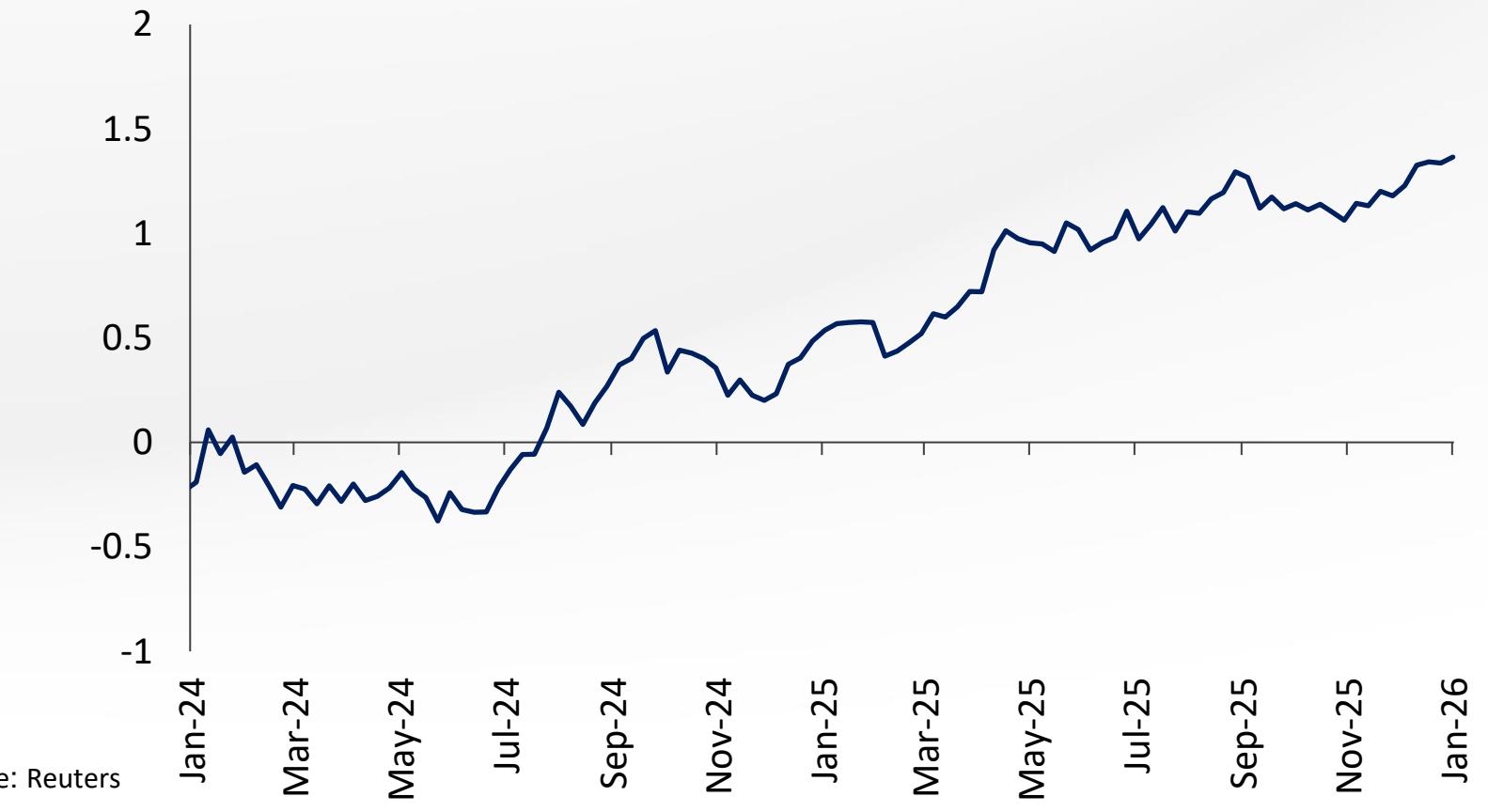
US 10Y Yield v/s Gold (\$):



Source: Reuters

Bond curve shift favours gold

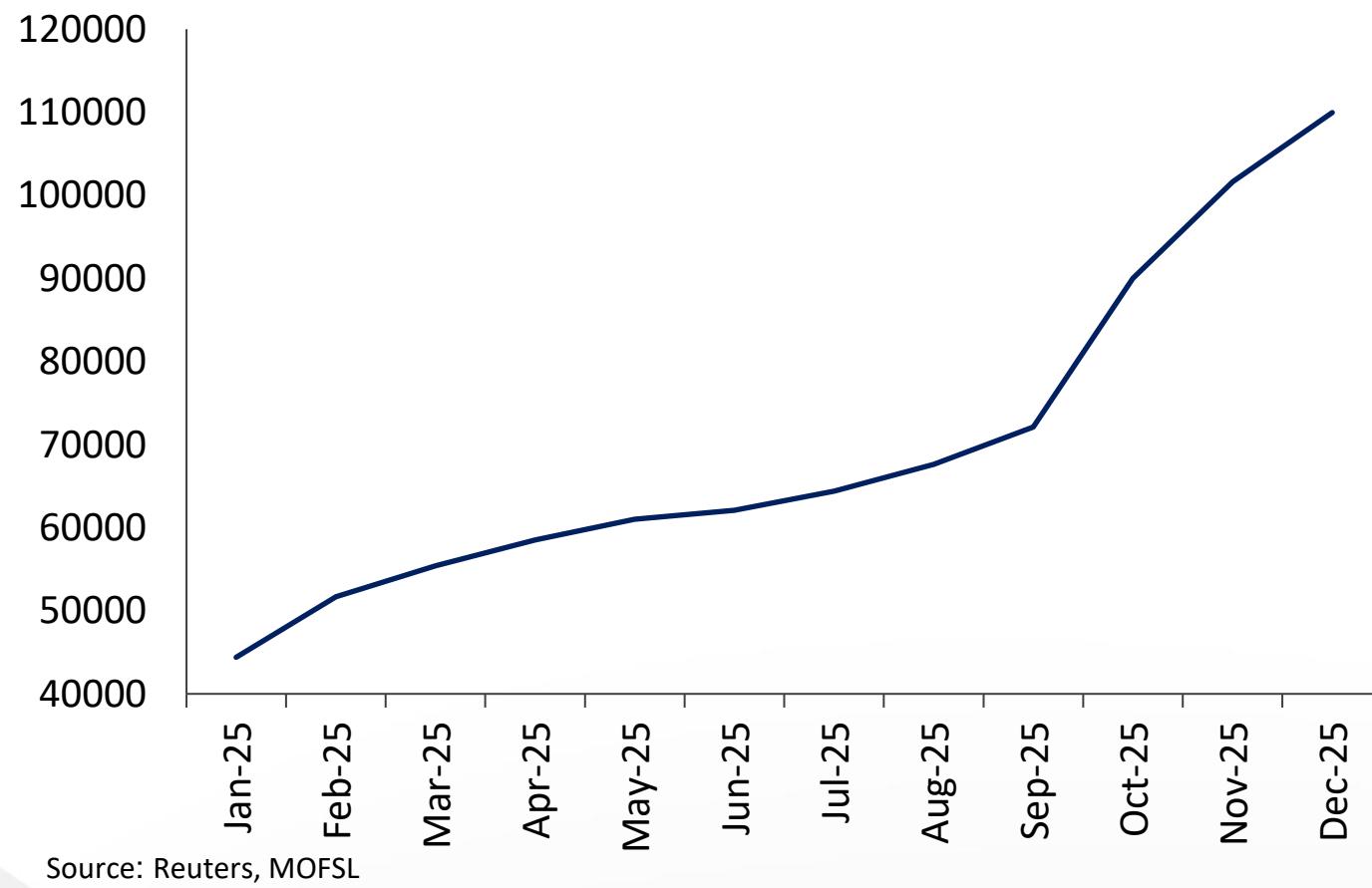
US 30-2Y Yield spread:



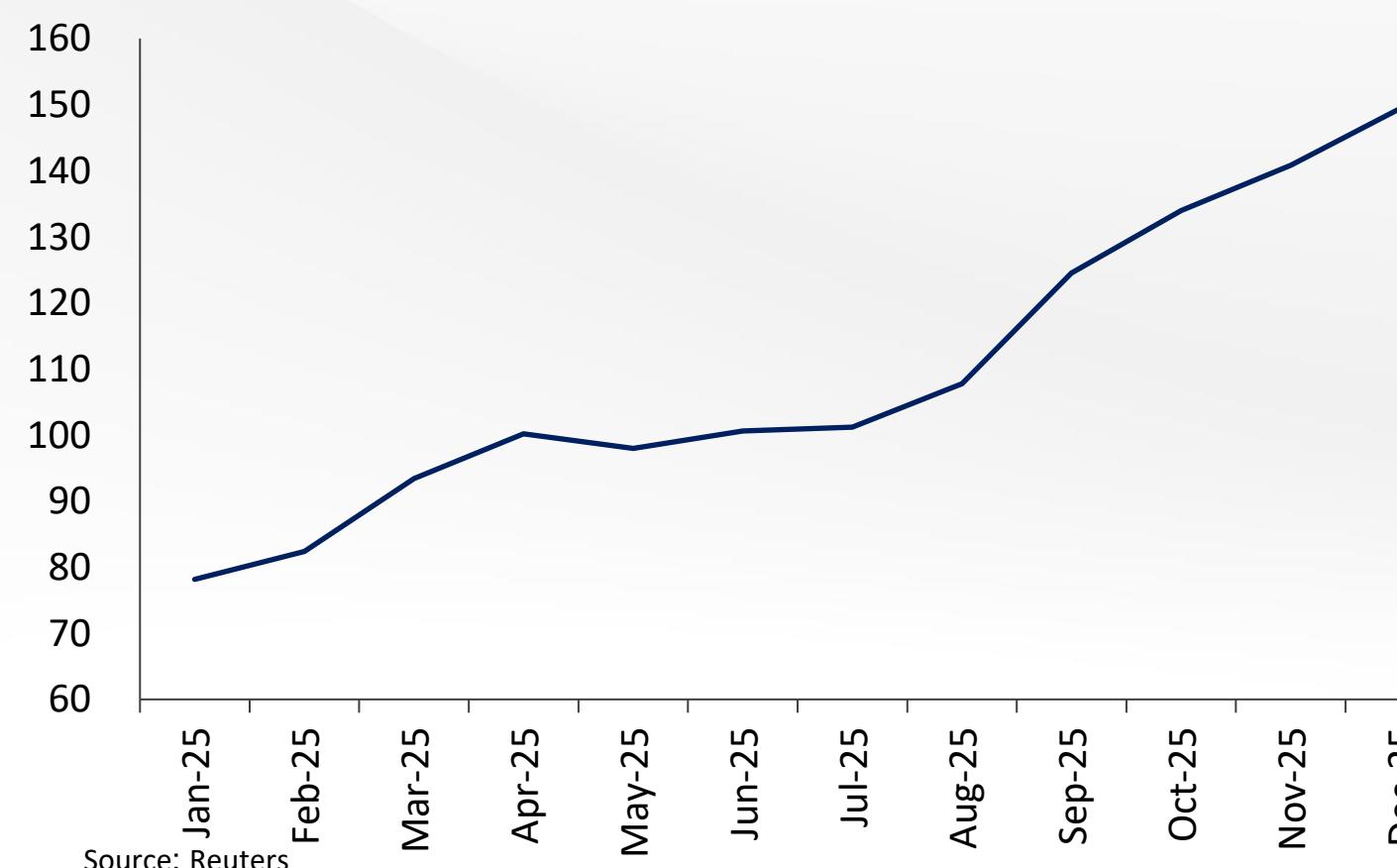
Financialisation of commodities: Liquidity chasing price



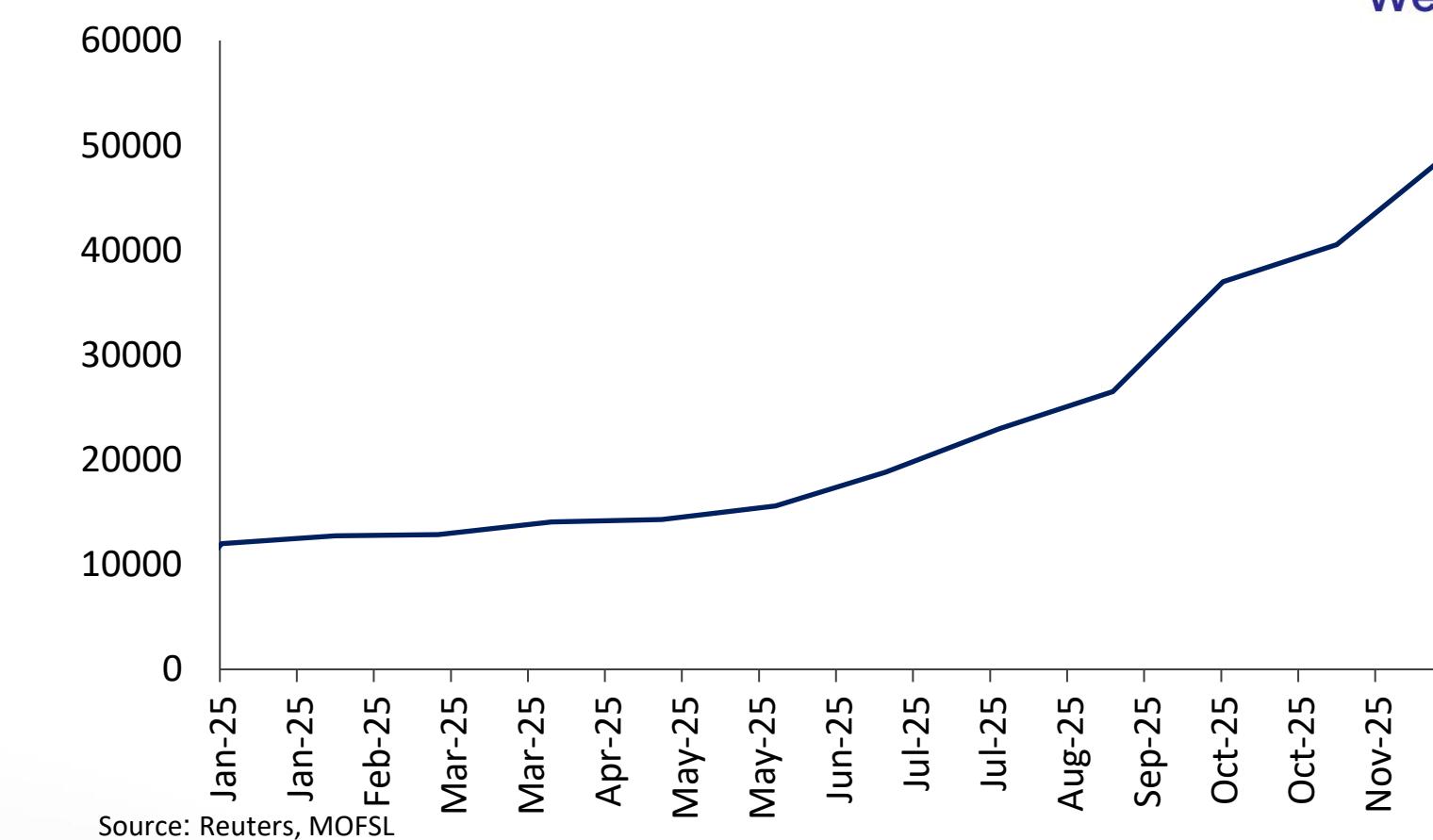
Rising fund allocation reinforce bullions uptrend
India Gold ETF AUM: (₹, crores)



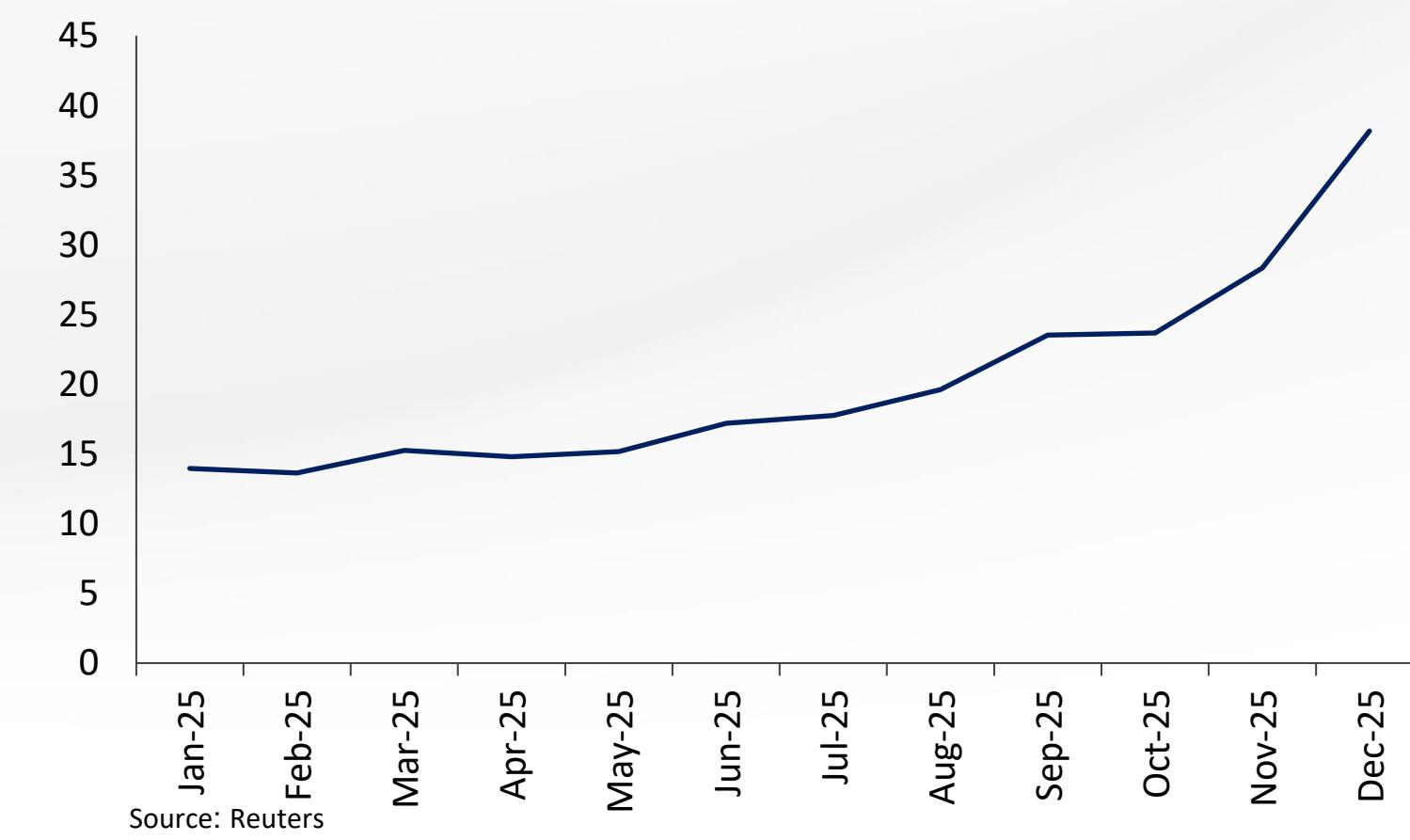
Renewed SPDR accumulation signals gold revival
SPDR Gold holdings (AUM): (\$, billions)



Strong ETF accumulation in Silver signals deep investor conviction
India Silver ETF AUM: (₹, crores)



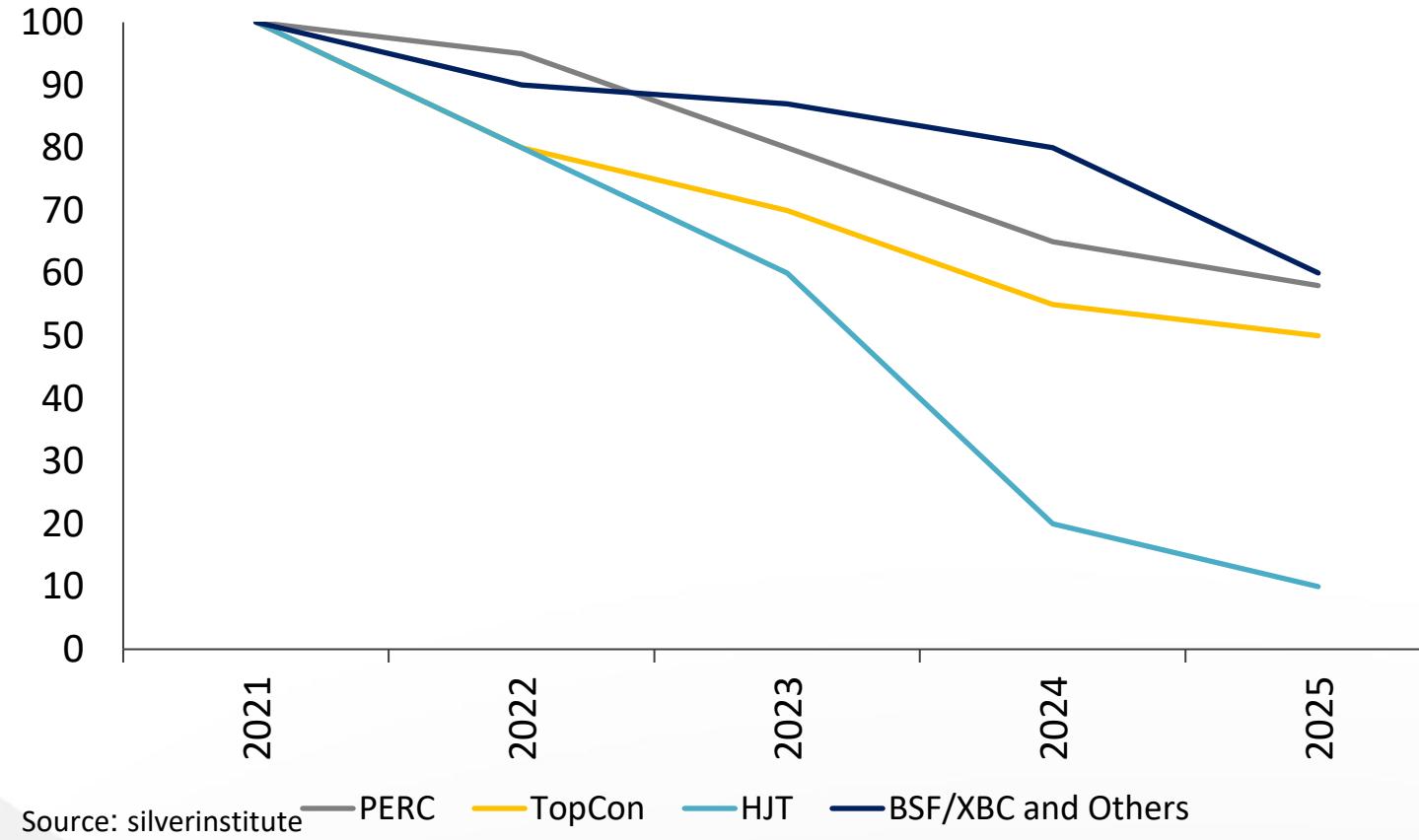
Silver ETF demand finally breaks multi year inertia
Silver I-shares holdings (AUM): (\$, billions)



Green Tech development supporting Silver's story

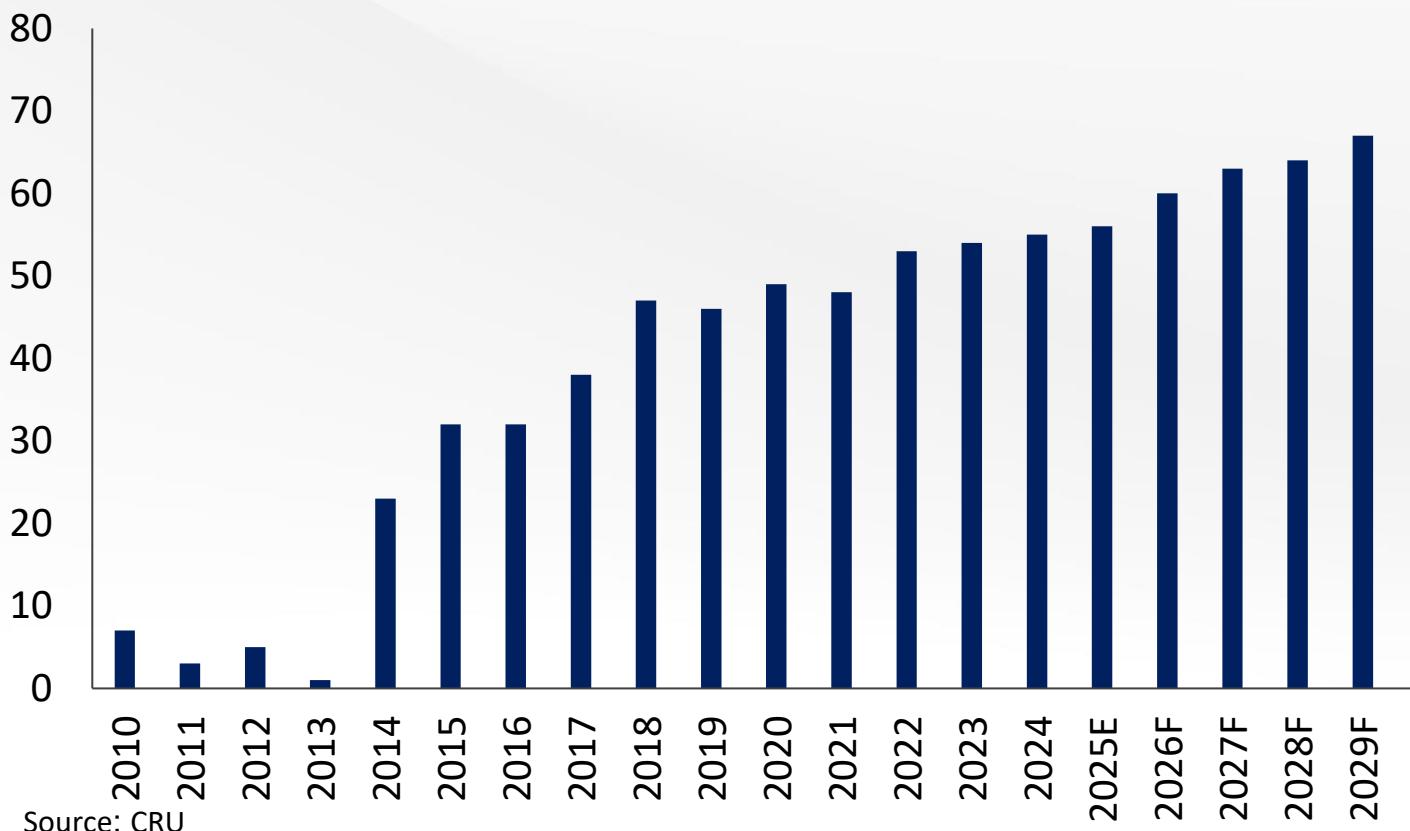
Silver demand continues to be robust despite thrifting pressure

Index silver loading per watt, by technology



Strong silver demand forecasted in Printed and flexible Electronics market

Printed and Flexible Electronics Market Silver Demand (Tonnes):



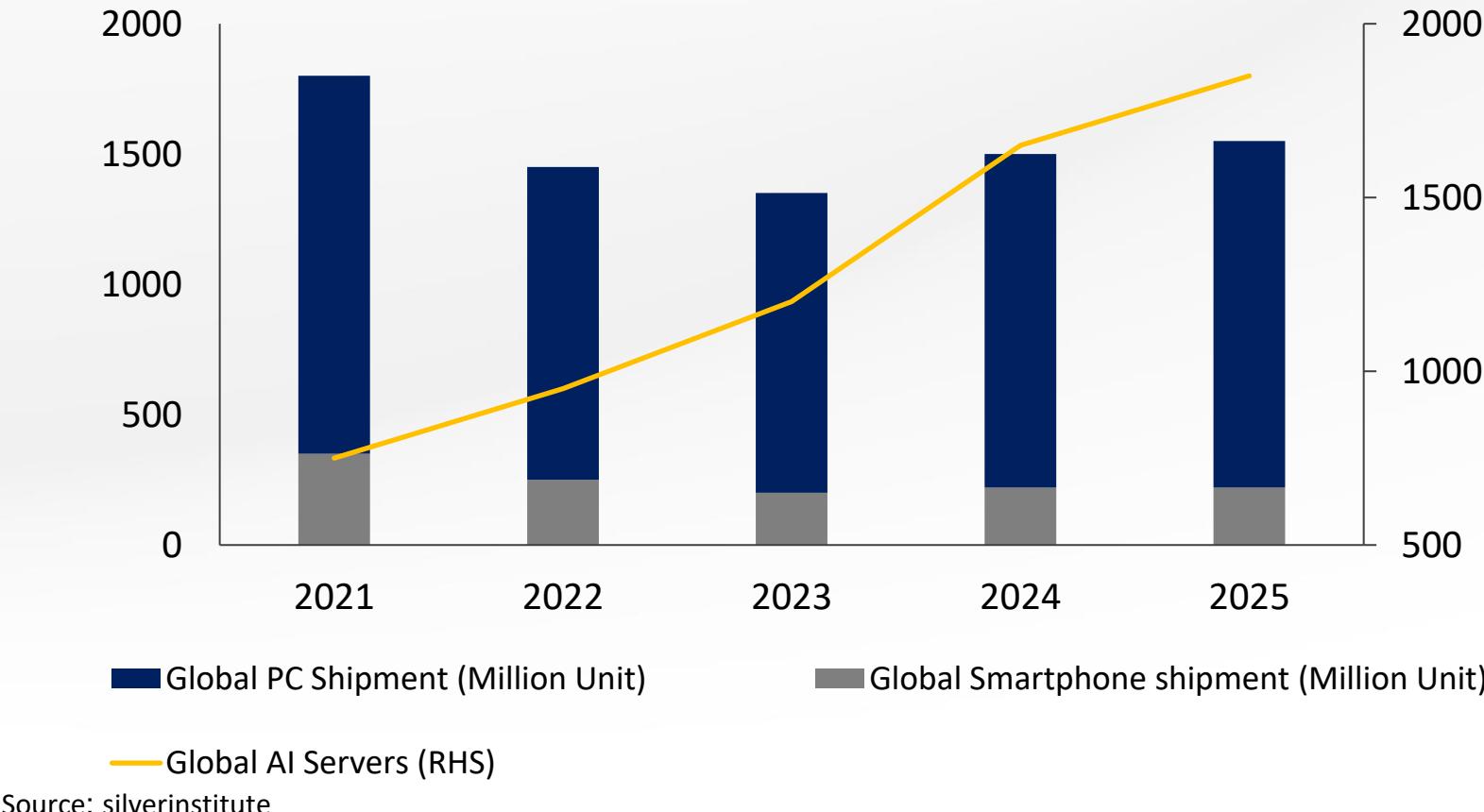
EV sales continues to rise significantly

Global EV Sales 2014-2025 (\$ million):



AI investment supporting silver's demand

Silver's demand in AI:



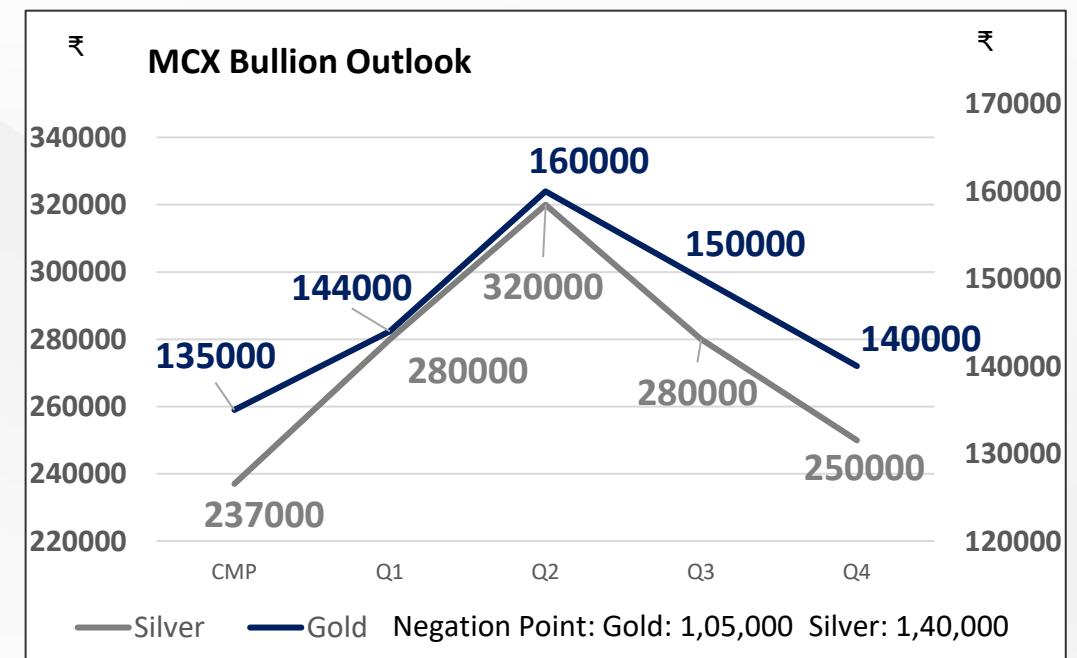
Outlook

- Looking ahead, outlook reflects consolidation rather than reversal, with precious metals increasingly viewed as strategic assets than late-cycle trades
- Market estimate suggest, central bank and investor gold demand could be elevated at 2,000-2,200 tonnes annually, absorbing major share of mine supply
- Limited mine supply growth and relatively inelastic scrap flows suggest continued tightness in physical market
- Ongoing de-dollarization, concerns over US debt sustainability, and rising fiscal risks are likely to sustain official-sector gold accumulation
- Upside risks remain unequally skewed due to potential for deeper US rate cuts, weaker real yields, renewed dollar softness, and escalation in geopolitical or trade-related tensions
- Towards the end of Dec'25 disparity between International and domestic prices increased influencing volatility in market amidst thin holiday volumes
- Profit booking from sharp rally, possible growth recovery, DXY volatility, parity shifts and evolving fundamentals may keep near-term sentiment cautious
- However, despite potential near-term corrections, strong structural demand overall uncertainties limits downside, reinforcing gold and silver as core portfolio hedges in a fragmented global macro landscape.
- New Fed governor is set to take charge in May'26, Davos summit is also scheduled Feb'26, Fed could cut rates, ECB, BOE, RBI could pause while BOJ and RBA are expected to hike rates
- Ride of 2026 might not be as smooth as the one we saw in 2025; hence caution is maintained amidst expected choppiness in prices
- Gold and silver strength is likely to be front-loaded into the first half of 2026 amid policy and currency uncertainty, but whether the second half brings consolidation or continuation will depend on growth headlines, bond market stability and monetary credibility
- We continue to maintain Buy on Dips stance for both Gold and Silver in 2026

Technical Outlook 2026: Precious Metals

Gold and silver remained in a strong uptrend in 2025, hitting record highs and delivering their best performance both during the year and over the last four years. Domestic gold recorded annual gains of over 70%, while domestic silver surged by more than 170%.

COMMODITY	VIEW	PURCHASE PRICE	TARGET	NEGATION
MCX GOLD	POSITIVE	₹1,20000 – 1,22,000	₹1,60,000	₹1,05,000
COMEX GOLD	POSITIVE	\$3830 - 3880	\$5,000	\$3,230
MCX SILVER	POSITIVE	₹1,90,000 – 2,00,000	₹3,20,000	₹1,40,000
COMEX SILVER	POSITIVE	\$58 - 60	\$100	\$42



WHAT WE FORECASTED (IN 2025)

We recommended an annual target of ₹84,000 for Gold and proposed an annual target of ₹1,10,000 for Silver.

REALITY (IN 2025)

Gold achieved its ₹84,000 target in the first quarter and subsequently recorded an all-time high of ₹1,40,465.

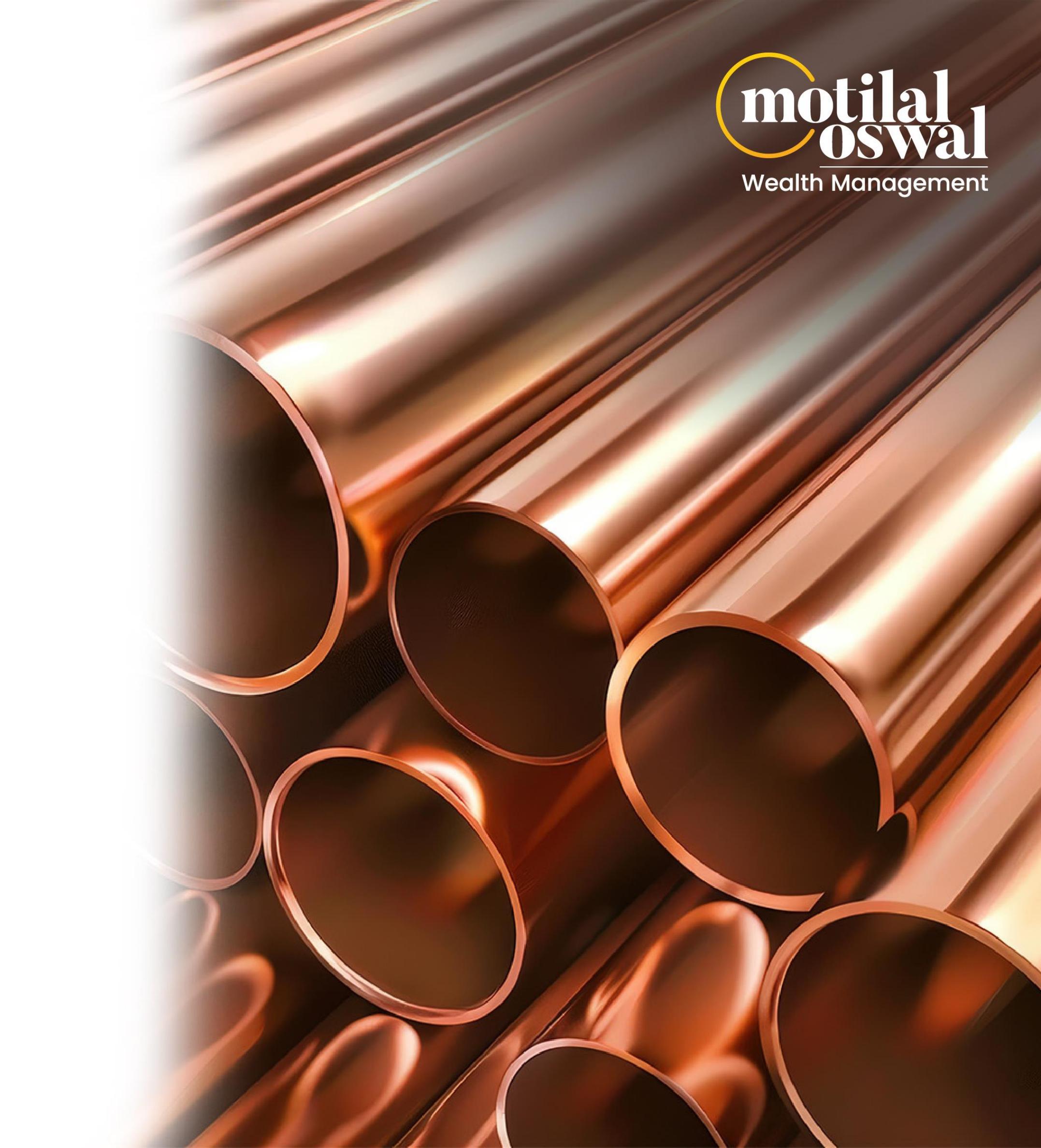
Silver met its ₹88,000 target in the second quarter and later reached a record high of ₹2,54,000, more than doubling the original target.

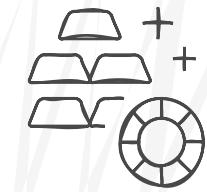


WHAT'S NEXT? (FOR 2026)

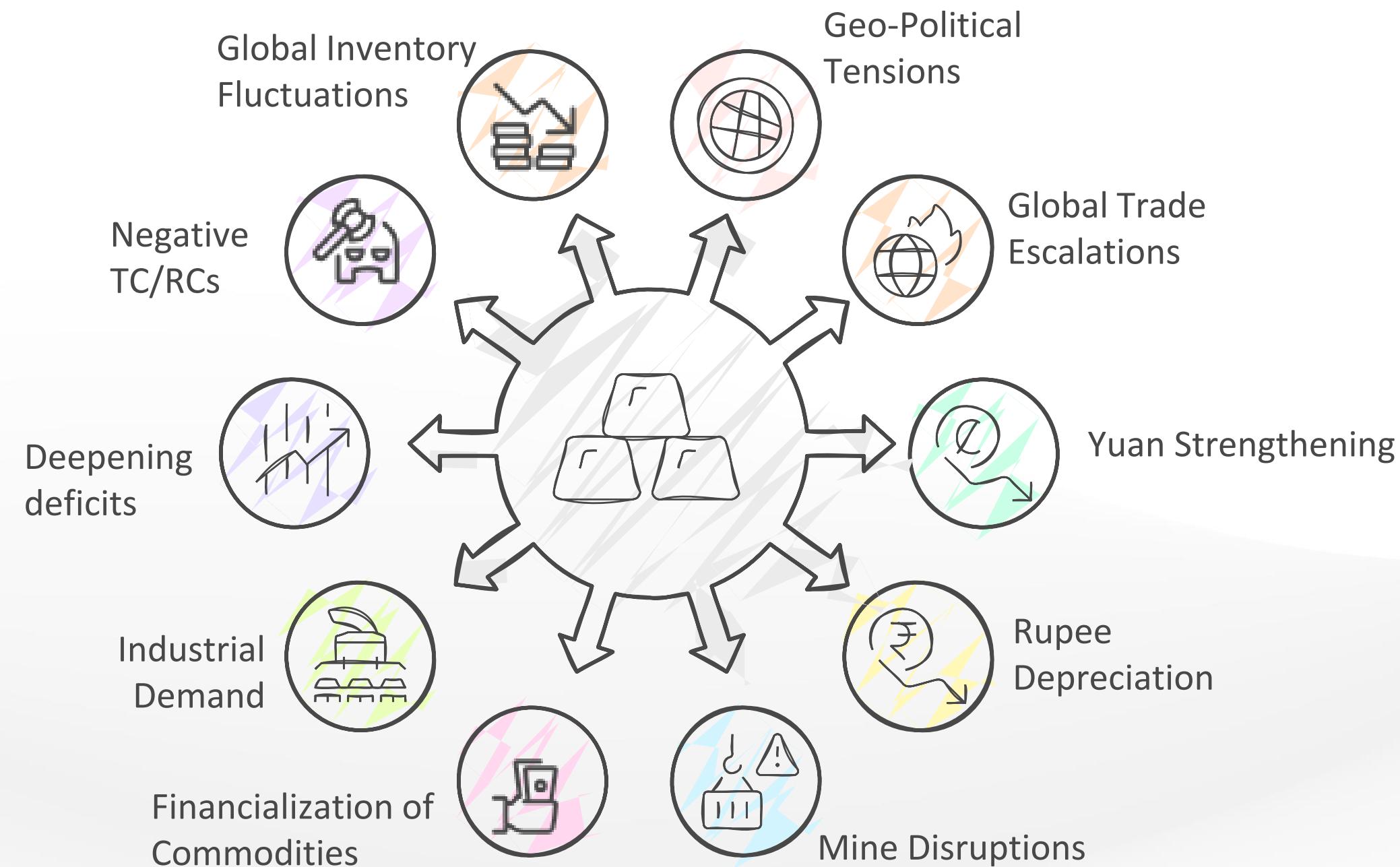
The outlook for 2026 remains positive, with the broader trend still upward. Any near-term corrections are likely to be healthy and may offer buying opportunities, supporting further upside as the year progresses.

Base Metals





Factors affecting Base Metals



Looking back at metals in 2025

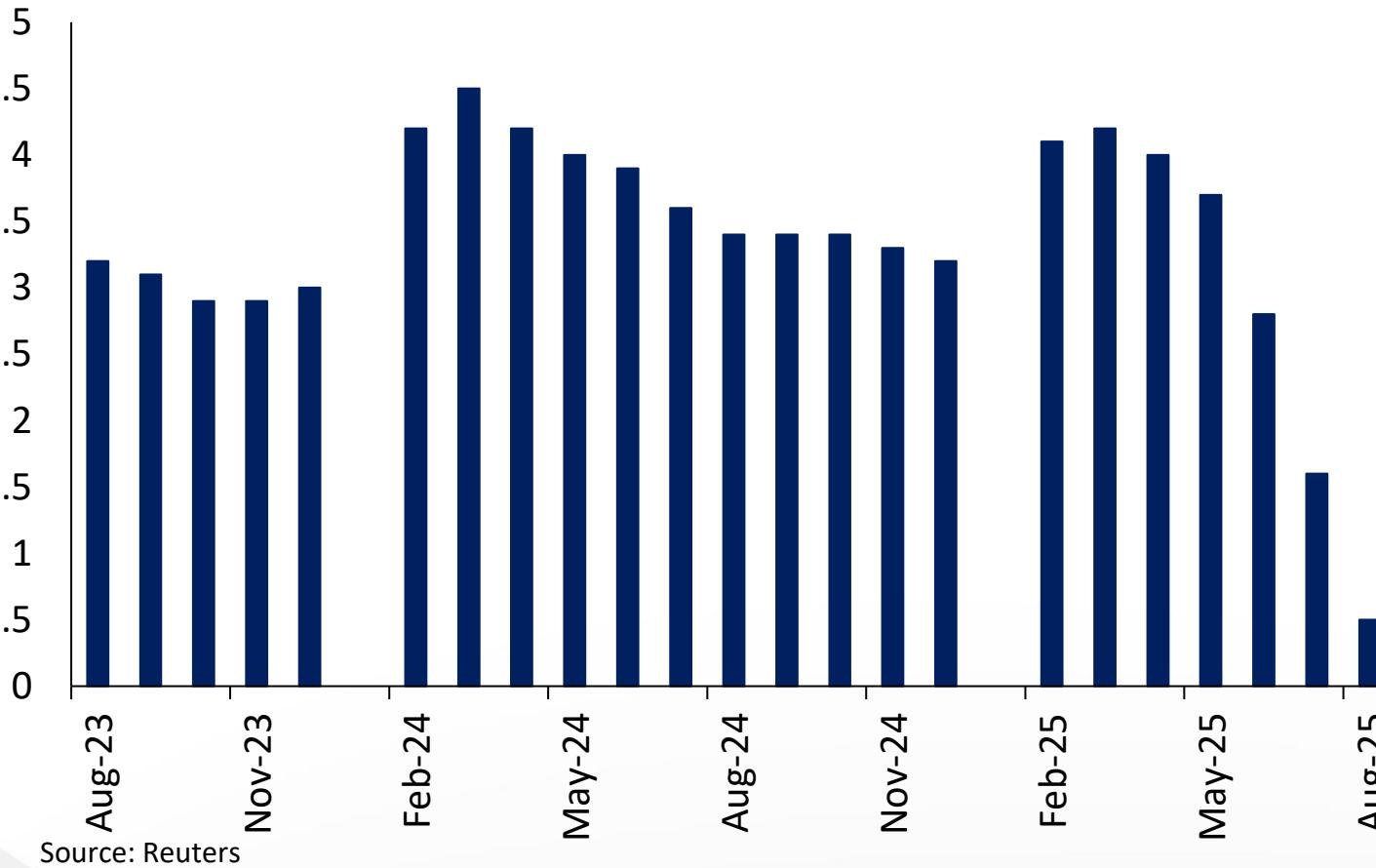
Metal (LME)	2025 Average (USD/t)	2025 Year-End (USD/t)	Trend in 2025	YoY Gains
Copper	10000	12500	Strong	40%
Aluminium	2600	2960	Positive	17%
Zinc	2850	3000	Flat	5%

Factor	Copper	Aluminium	Zinc
Price Momentum	Strong	Moderate	Weak–Moderate
Demand Visibility	High	Medium	Medium
Supply Constraints	Severe	Moderate	Limited
Supply/Deficit	Emerging Deficit	Heavy deficit	No
Use case in Energy Production	High	High	Medium

China: Recovery or Survival?

Fall in Fixed Asset Investments reminding China's red flags

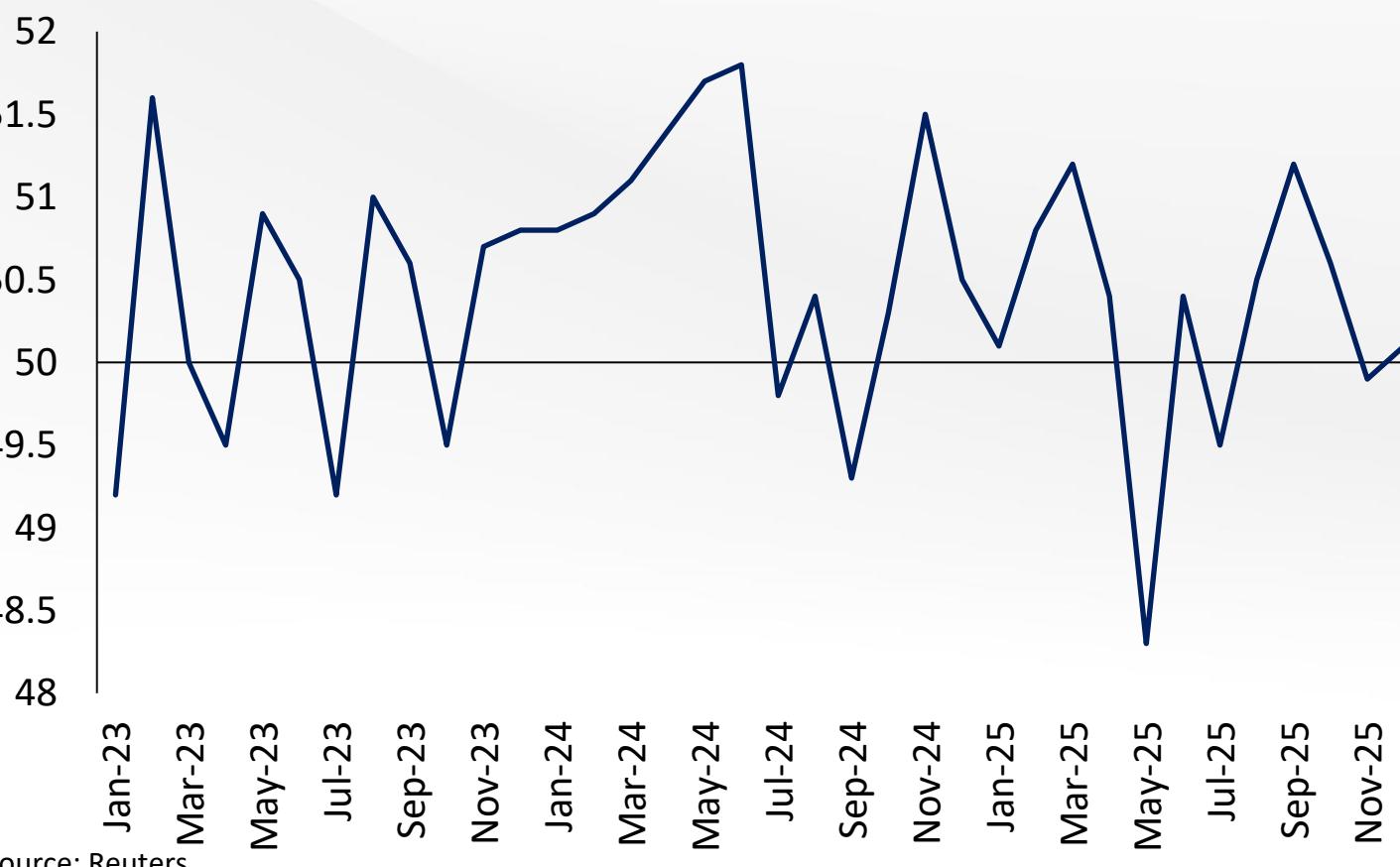
Fixed Asset Investments (%):



Source: Reuters

The PMI struggle continues

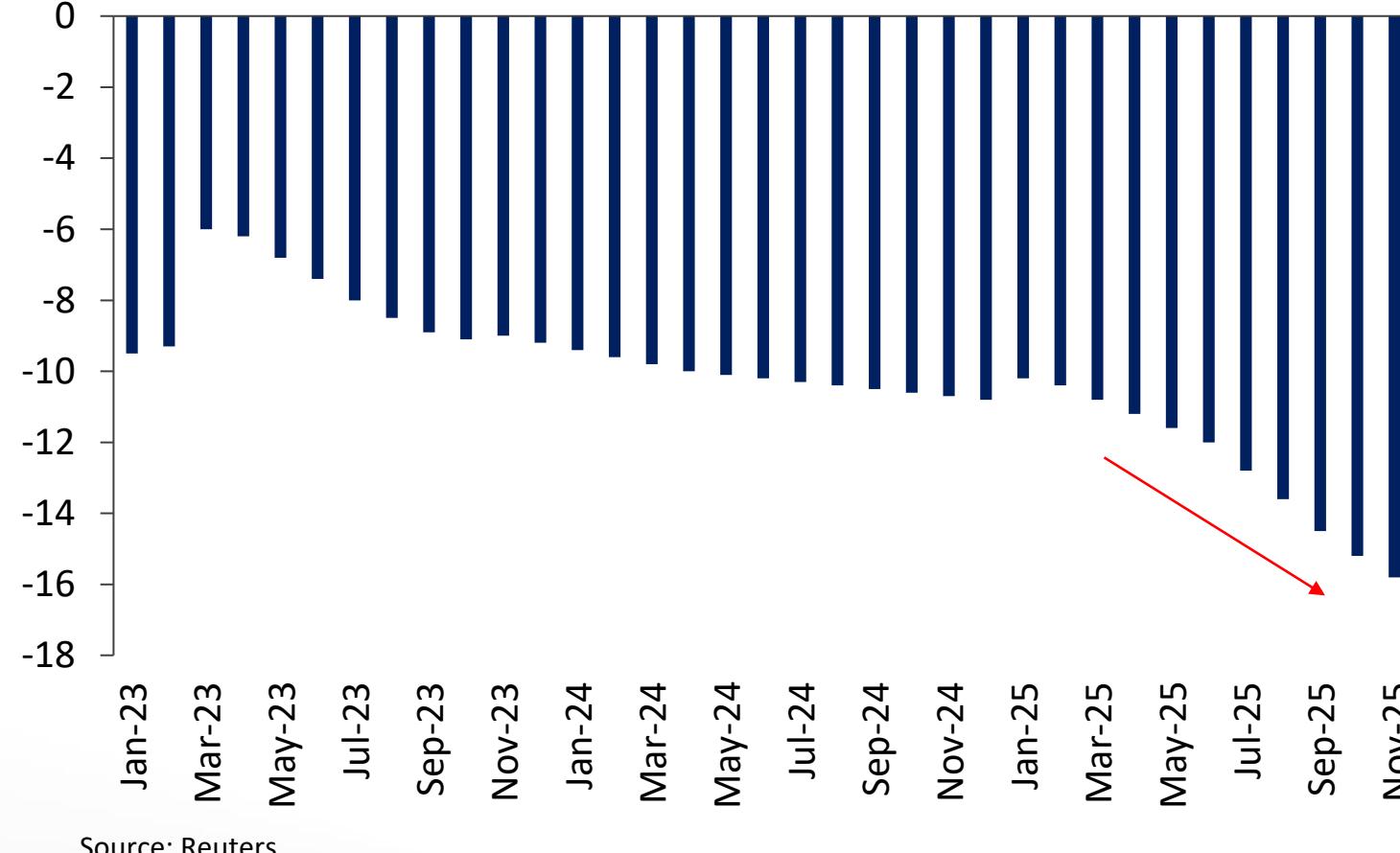
Manufacturing PMI:



Source: Reuters

China's property investments continue to fall, confirming the lag

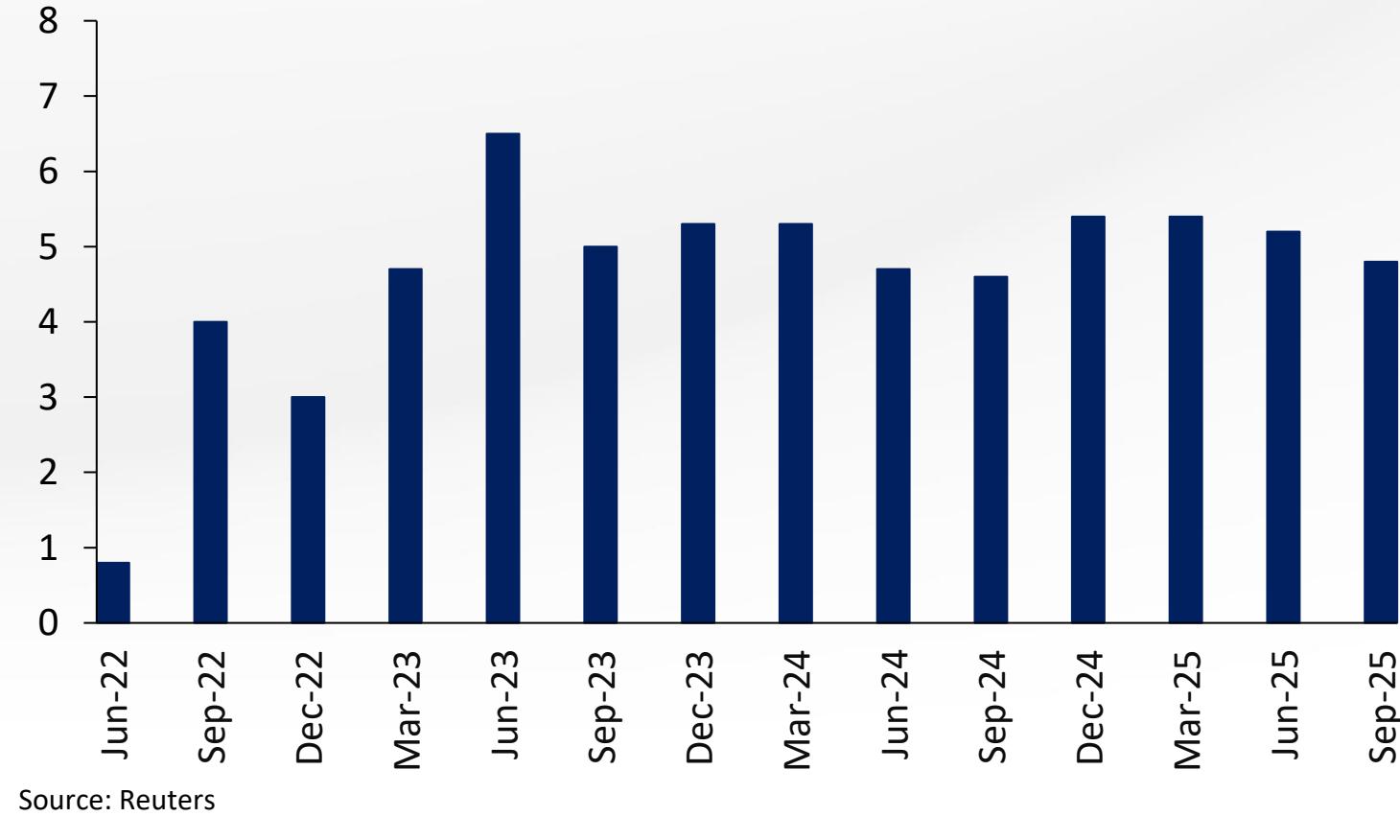
Property Investments (%):



Source: Reuters

Growth still struggling below 5% even as China pushes for consumption-led model

GDP (QoQ) %:

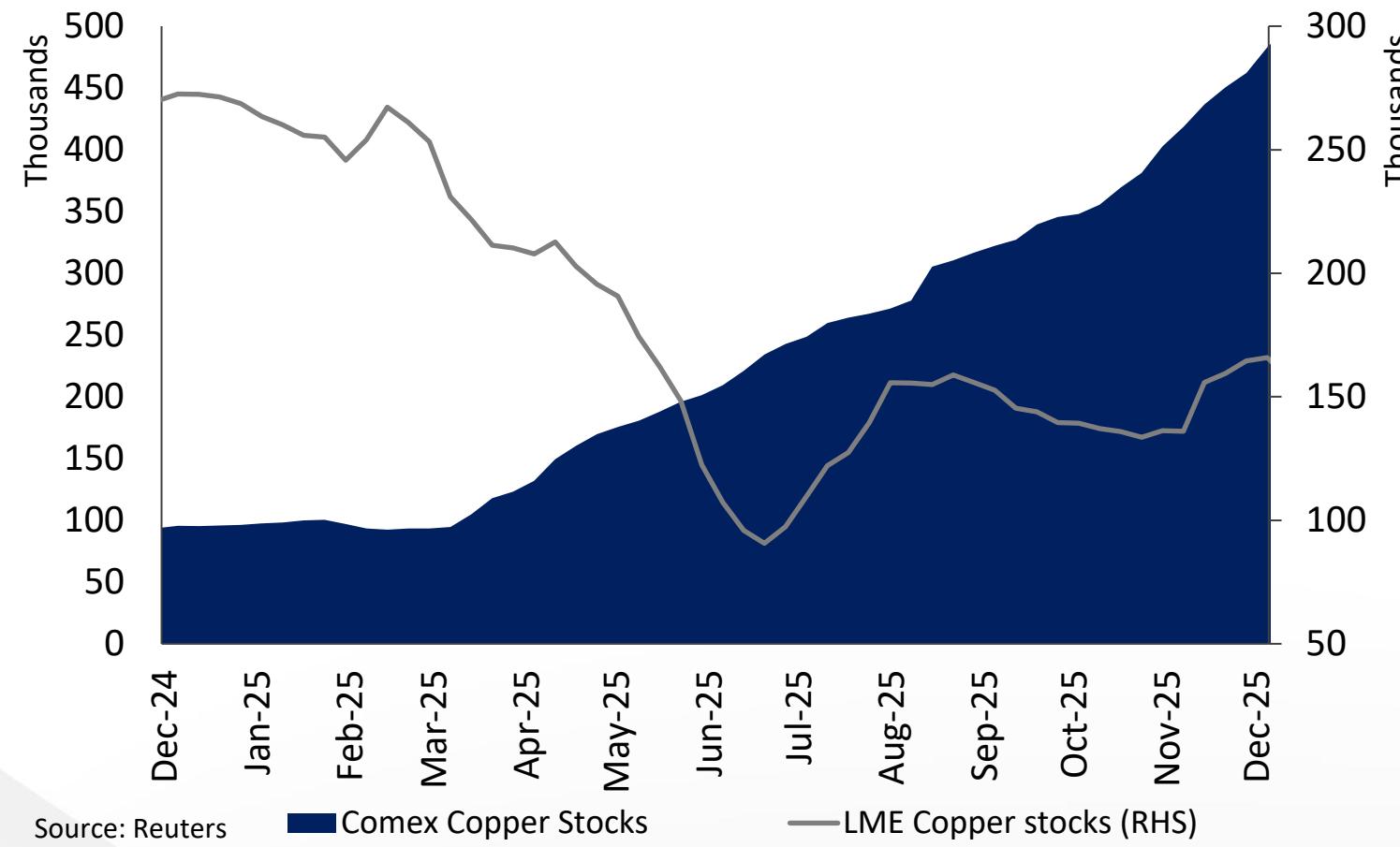


Source: Reuters

Copper

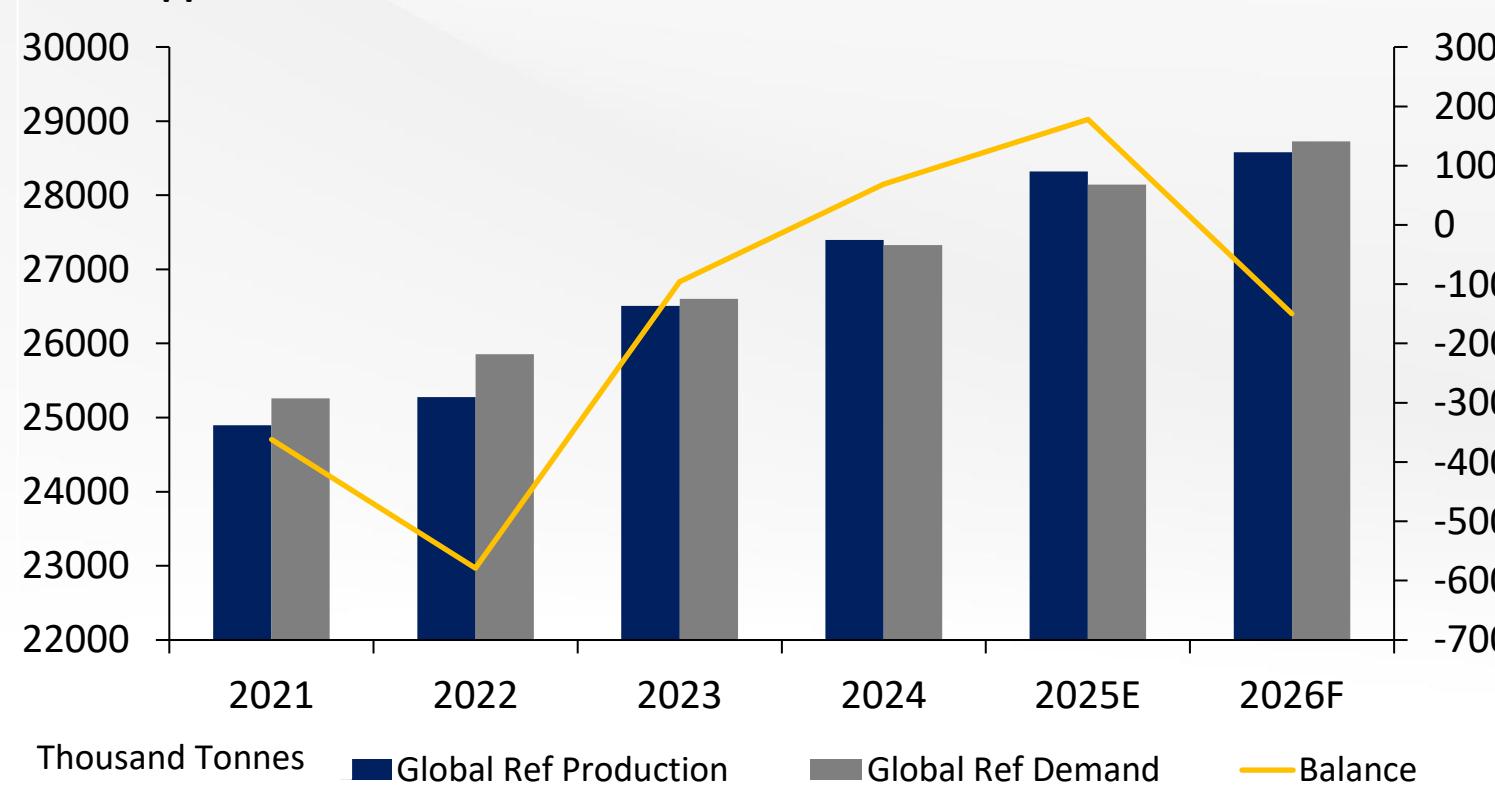
COMEX copper stocks continue stockpiling since tariffs were announced

LME and COMEX copper stocks (tonnes):



Copper markets expected to stay in deficit in 2026

ICSG Copper Refined Production, Demand and Balance

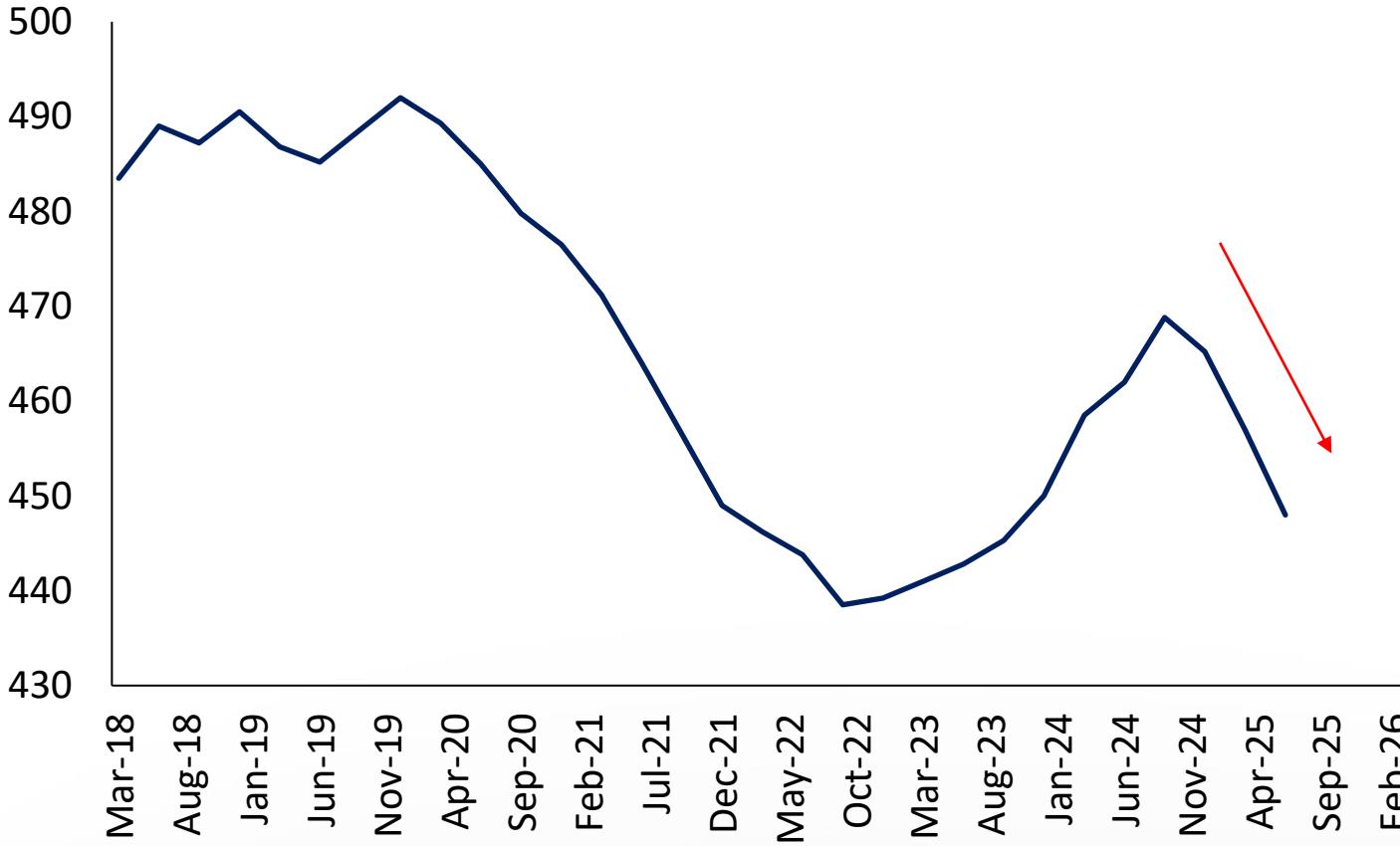


- Copper prices surged sharply in 2025, nearing ~\$13,000/t, supported by persistent supply tightness, strong investor interest, EV adoption and expansion of data-center infrastructure
- Persistent mine supply growth lagged expectations due to disruptions, declining ore grades, and delayed project ramp-ups
- Trade flows affected by geopolitical tensions and policy uncertainty, creating regional price dislocations and creating arbitrage opportunities between LME and COMEX
- China's leading copper smelters to reduce production by >10% in 2026, resulting in more skewed copper concentrate processing fees
- For 2025, the surplus in the refined copper market is expected to narrow down to 178,000 tons from the previously expected 289,000 tons
- US is glutted with roughly 6 lakh tons of copper, while rest of the world is short of copper, which could continue till we have better clarity on US tariffs on copper in 2026
- ICSG expects global refined copper market to be in deficit of 150,000 metric tons in 2026, with growth in refined production expected at 6.2% in 2026
- Global refined copper demand is forecast to rise by ~+2.1 % to ~28.7 million tonnes in 2026
- 13 new Chilean copper projects worth \$14.8 billion are expected to hit key milestones in 2026 as prices rise on fears of a global supply squeeze
- With change of guards at the FED, any change of stance or aggressive dovish stance could have a negative impact on the dollar – eventually benefitting metals
- With increasing electrification trends, structural deficits and intensifying investment trends into the metals, copper is poised for further gains in 2026.

Copper Trends

Chile Copper Production is expected to fall further, pressuring global supply

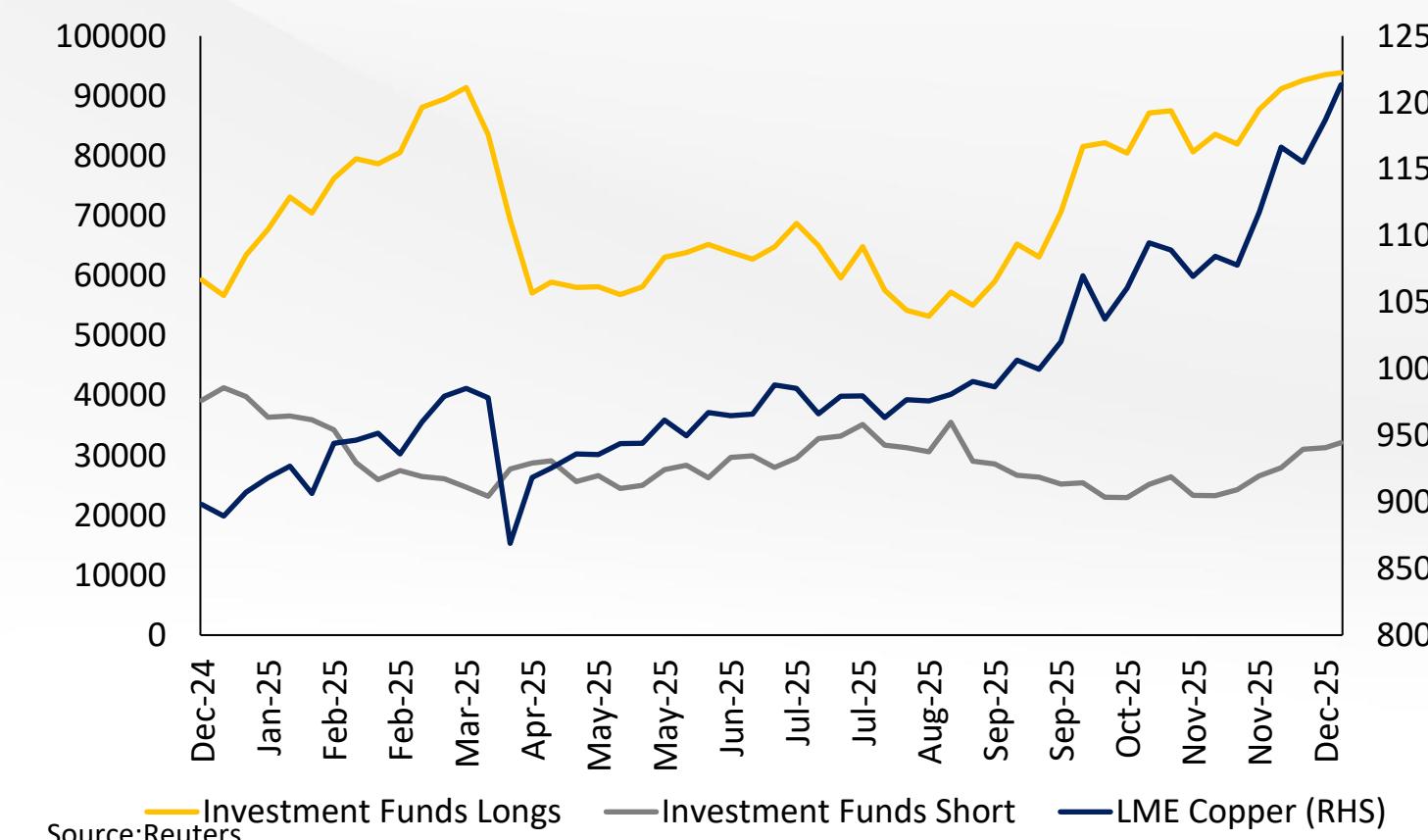
Copper Production in Chile (MT):



Source: Bloomberg

Investor sentiment remains strong for copper as longs remain in lead

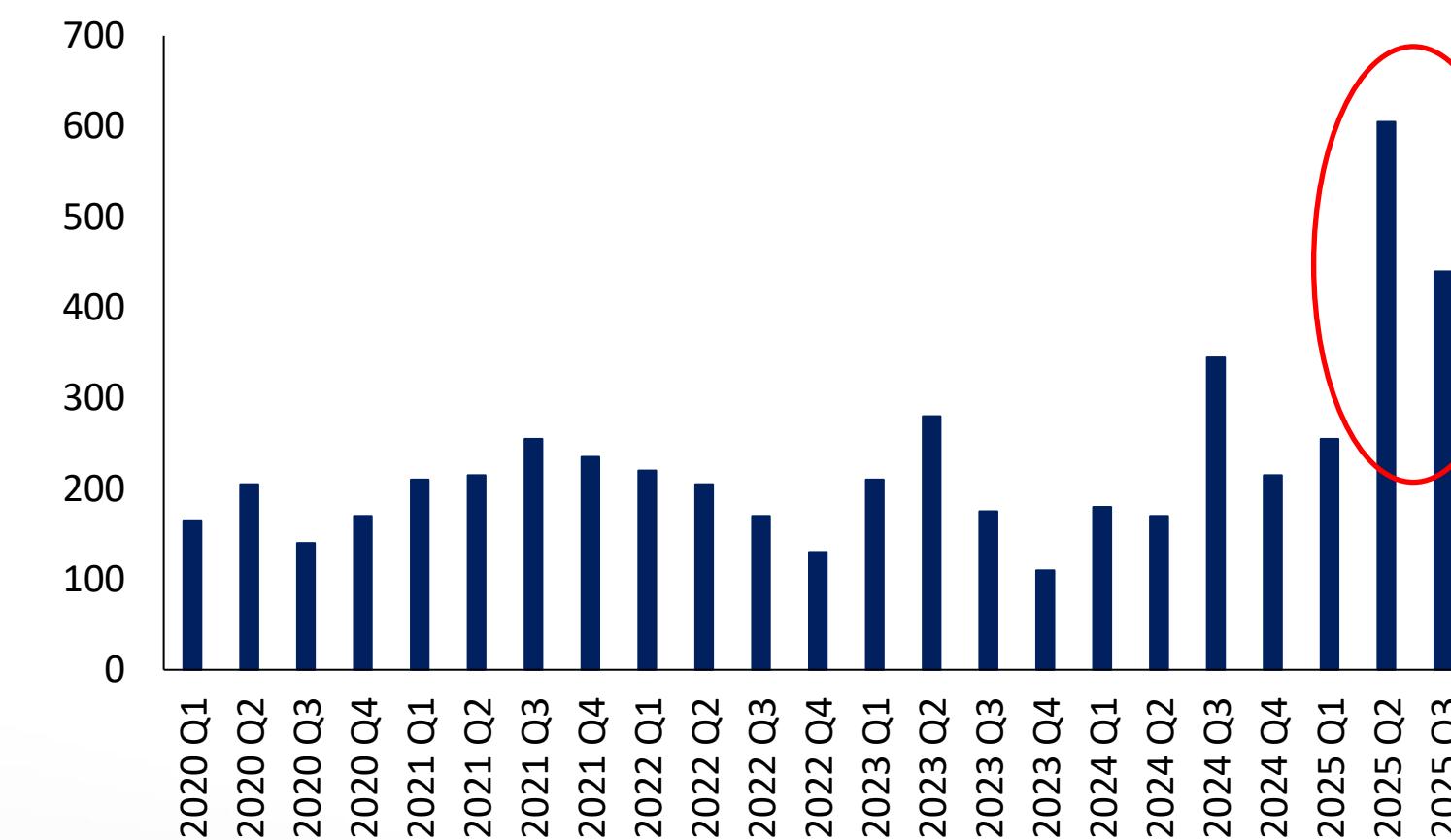
COT Positions (contracts):



Source:Reuters

Copper Imports into the US jumped in anticipation of higher tariffs

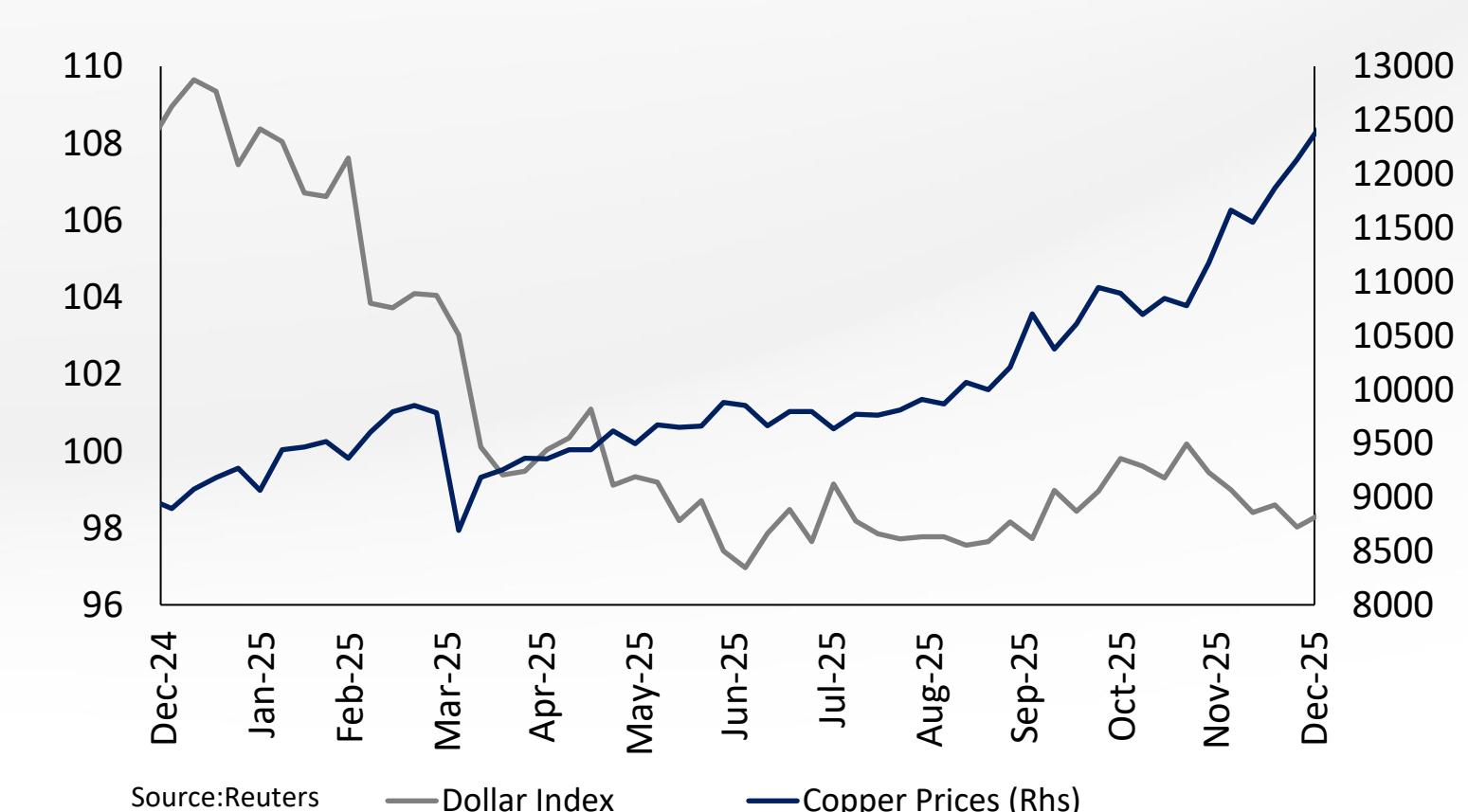
US Copper Imports (KT):



Source: Bloomberg

Dollar Index weakened ~10% in 2025, supporting rally in metals

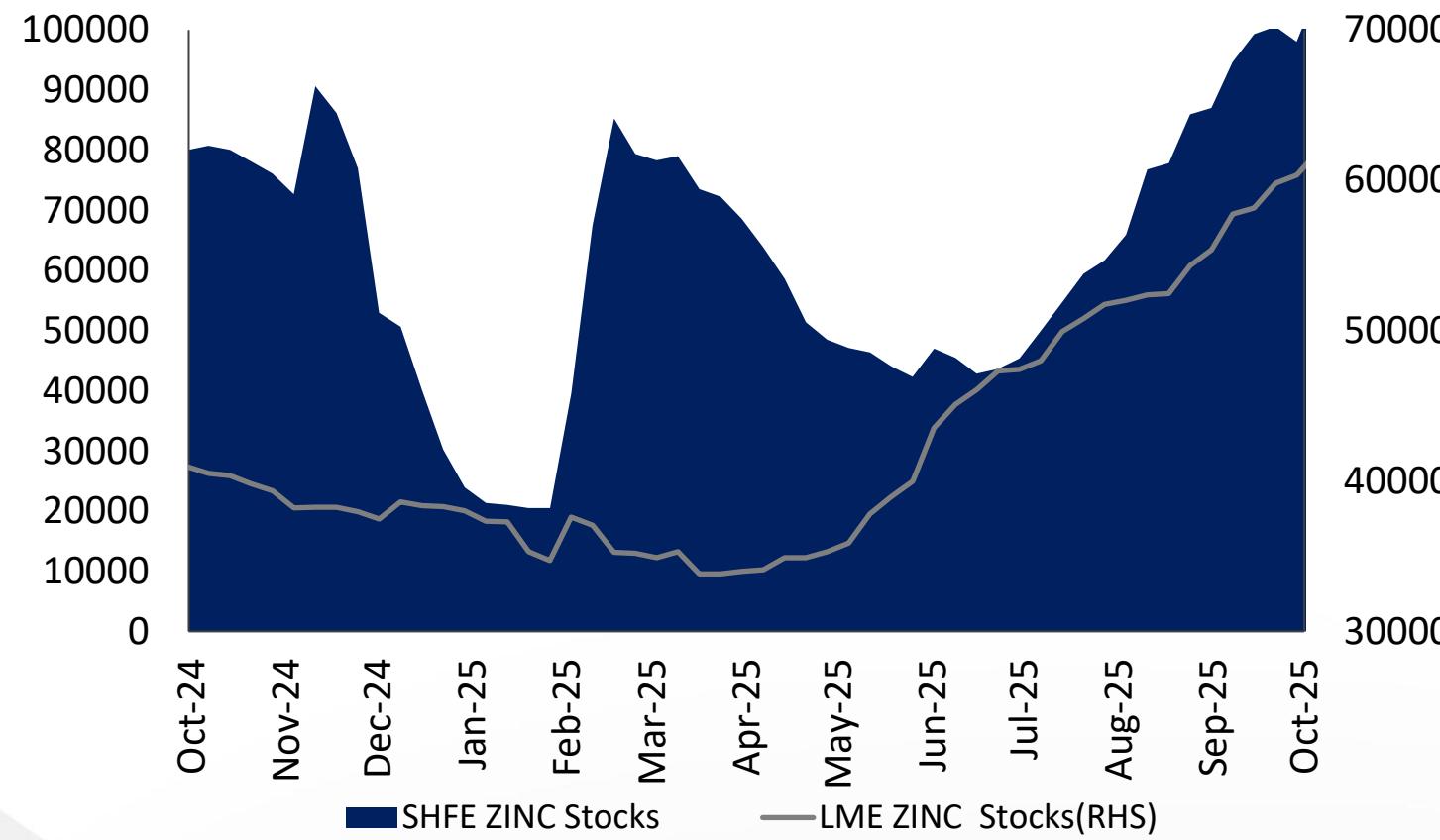
DXY vs LME Copper(\$):



Source:Reuters

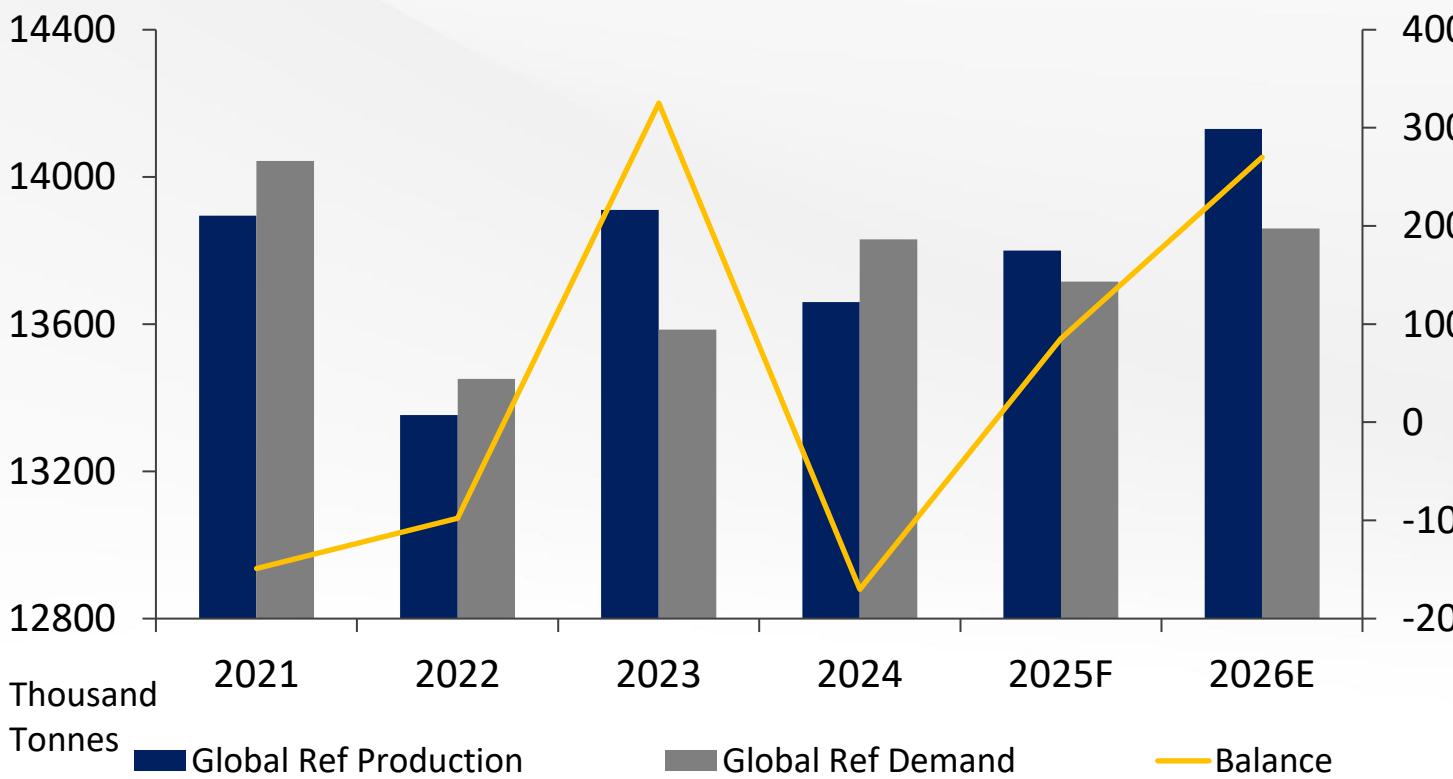
Zinc

Zinc stocks continue to rise towards multi year peak
LME and SHFE zinc stocks (tonnes):



Source: Reuters

Zinc markets expected to stay in surplus in 2026
ILZSG Zinc Refined Production, Demand and Balance



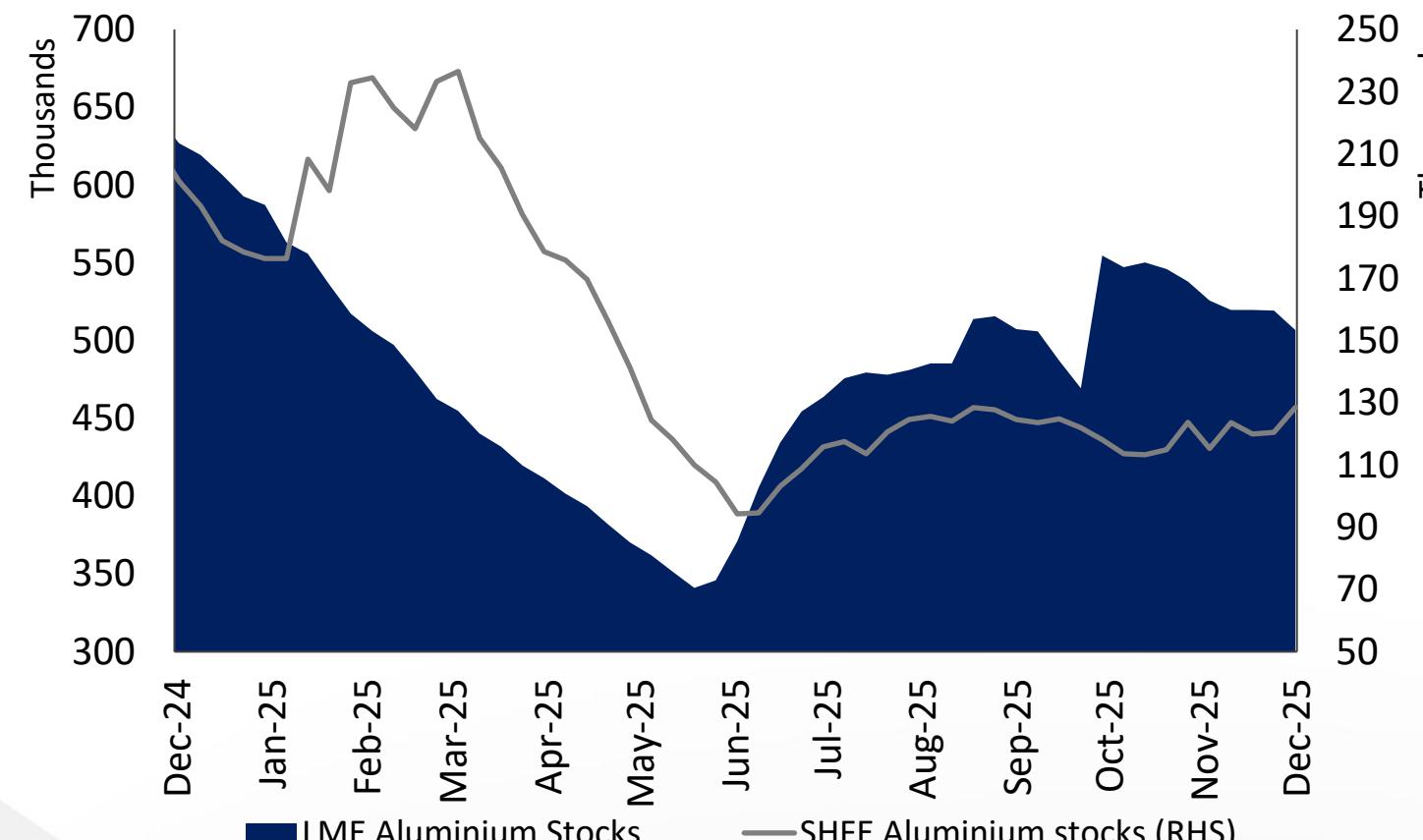
Source: ILZSG

- MCX zinc prices remained largely range-bound with 10% gains, reflecting a broadly balanced global market
- Demand was steady, led by galvanized steel consumption in infrastructure, construction, and automotive sectors
- Mine output recovered modestly, offsetting earlier supply curtailments and limiting upside pressure on prices
- Smelting margins were compressed by higher energy and environmental compliance costs
- Price momentum in Q3 and Q4 was supported by tight inventories and resilient industrial usage
- Low inventories along with a steep backwardation in the Cash-3M, led to a surge in price
- ILZSG expects a surplus of ~85,000 tons in 2025, as global zinc supply surpassed demand
- Global refined zinc usage is forecast to increase by ~1.0 % to ~13.86 million t in 2026
- Global refined zinc production is expected to grow by ~2.4 % to ~14.13MMT in 2026, supported by new/restarted mines and smelters in Brazil, Canada, China, Norway, and Russia
- Refined zinc supply is forecast to exceed demand, generating a surplus of ~271,000 tonnes in 2026
- Despite an overall global surplus, regional disparities and logistical challenges might cause price volatility in specific markets, such as Europe
- However, persistent weakness in China's property market could tamper demand growth
- As zinc markets are expected to stay in surplus, any supply disruption trigger or rally across other metals could swing the way for zinc in the short run.
- We could expect another year of broader range-bound trading for zinc.

Aluminium

Aluminium stocks have come off year-high peaks

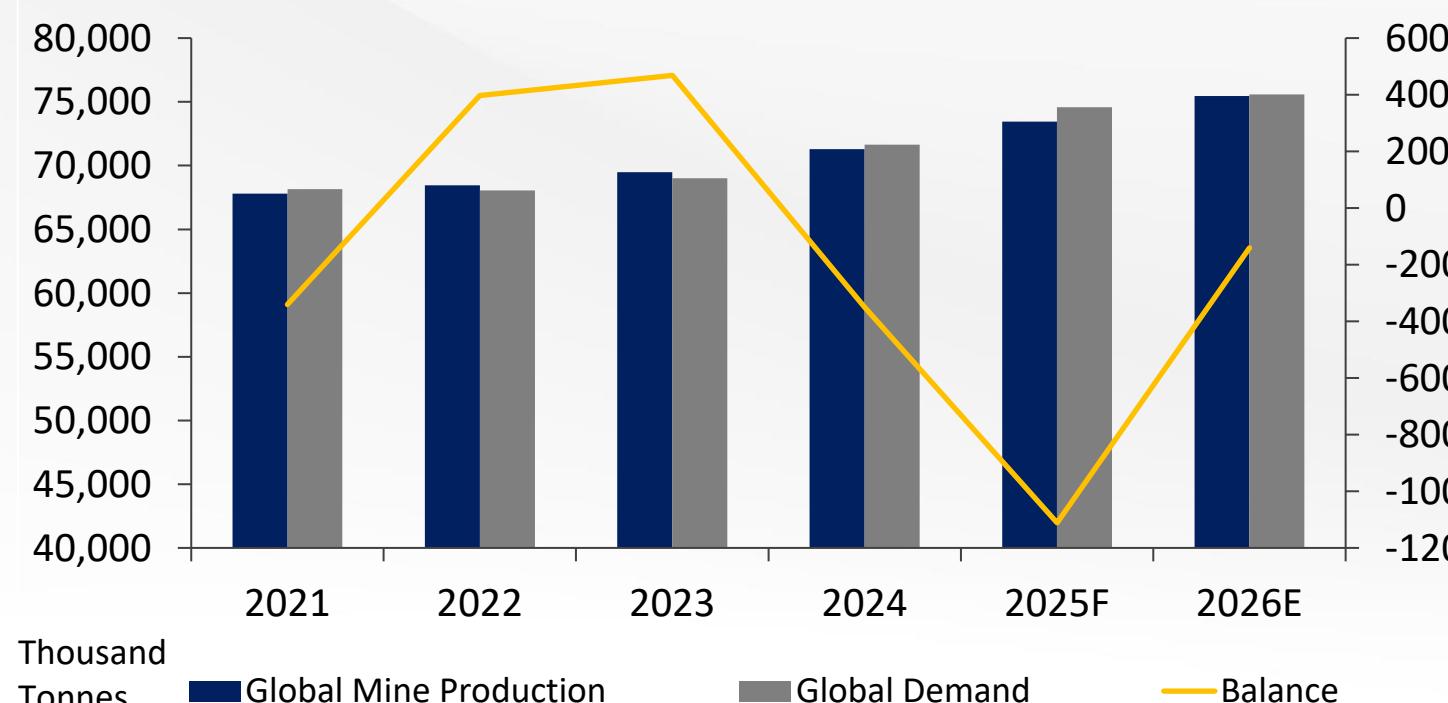
LME and SHFE Aluminium stocks (tonnes):



Source: Reuters

Aluminium markets expected to stay in slight deficit in 2026

WBMS Aluminium Production, Demand and Balance



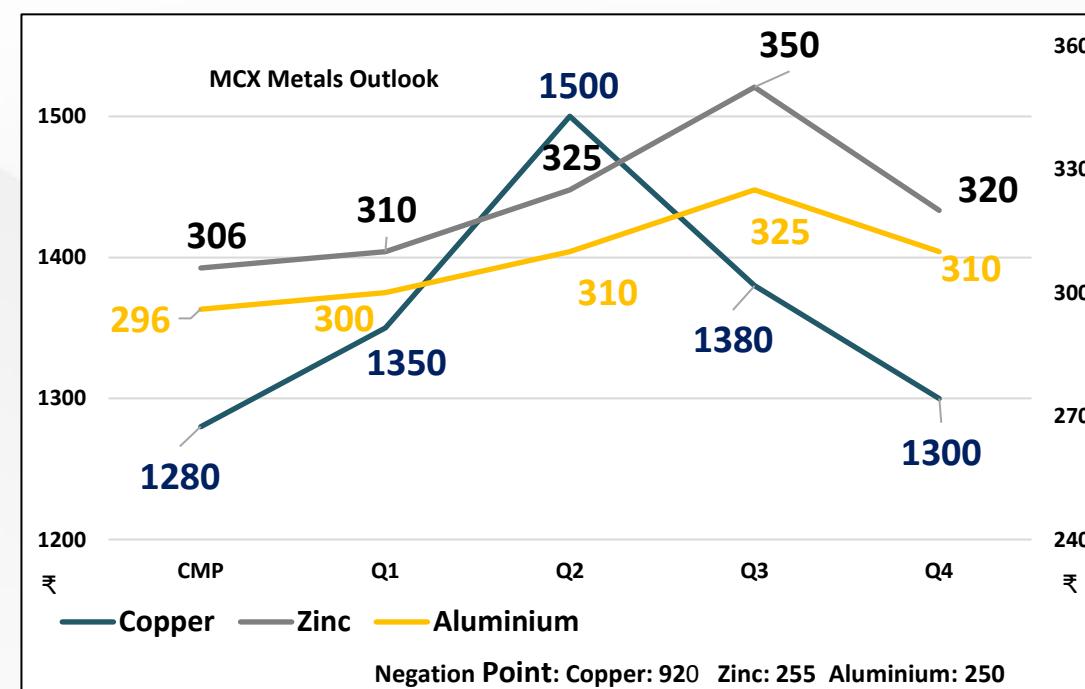
Source: WBMS

- MCX aluminium prices were quite volatile for the year, but still closing with gains of 22% gains, supported by steady consumption rather than any new catalysts
- Consumption was supported by automotive demand, construction, packaging, and electrical applications
- Production growth was constrained by high power costs in Europe and stricter carbon emission regulations
- Persistent inventory drawdowns provided underlying price support during the year, however aluminium market remained well supplied with LME levels above 400,000 tonnes
- Mozal aluminium smelter in Mozambique, which will be placed for maintenance by March 2026 also poses some supply risks which has an annual capacity of ~ 600,000 t
- China's aluminium output is close to its self-imposed 45 million tonne capacity cap announced in 2027, weighing on net exports
- However renewable power smelters could be exempt, as a growing number of Chinese smelters switch to renewable power easing some space in the cap
- Exports from Indonesia are up 56% YTD as projects in the region ramp up making it the next best bet for exports
- Significant new capacity from Indonesia is expected to hit the market in 2026, potentially totaling 1.4 million tonnes, which could offset some global tightness
- Demand for low-carbon "green" aluminium is rising, driven by solar, EV, and infrastructure investments
- Aluminium markets are expected to remain supported in 2026 by short bouts of supply disruption and improving demand trends.

Technical Outlook 2026: Base Metals

Base metals traded in a positive note throughout the year in which Copper showed relative strength with annual gains of 62%, Aluminium recorded yearly gains of nearly 22% however Zinc gained with a lackluster 10% move

COMMODITY	VIEW	PURCHASE PRICE	TARGET (₹ / \$)	NEGATION
MCX / LME - COPPER	POSITIVE	₹1140 - 1160 / \$11060 - 11255	₹1500 / \$14,555	₹920 / \$8,925
MCX / LME - ZINC	POSITIVE	₹294 - 296 / \$2985 - 3005	₹350 / \$3,550	₹255 / \$2,590
MCX / LME - ALUMINIUM	POSITIVE	₹284 - 286 / \$2865 - 2885	₹325 / \$3,280	₹250 / \$2,525

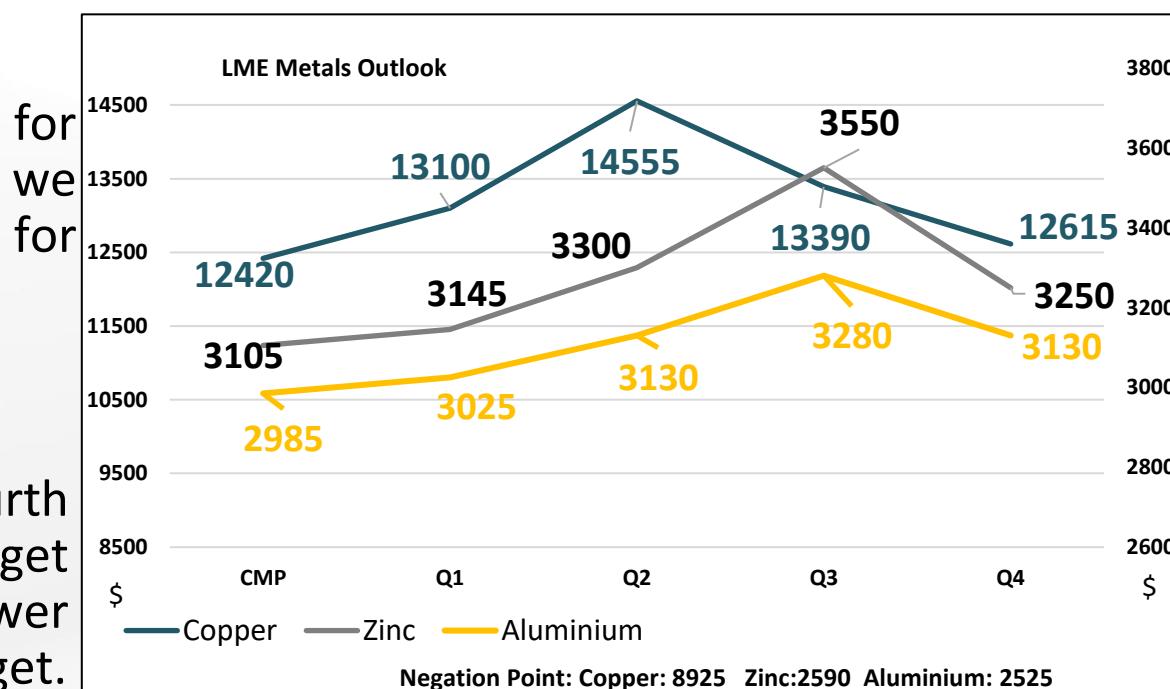


WHAT WE FORECASTED (IN 2025)

We forecasted an annual target of ₹1150 for Copper and ₹360 for Zinc. Additionally, we recommended an annual target of ₹280 for Aluminium.

REALITY (IN 2025)

Copper reached its ₹1,150 target in the fourth quarter, while aluminium also met its ₹280 target during the same period. Zinc showed a slower move, achieving around 65% of its projected target.

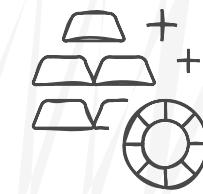


WHAT'S NEXT? (FOR 2026)

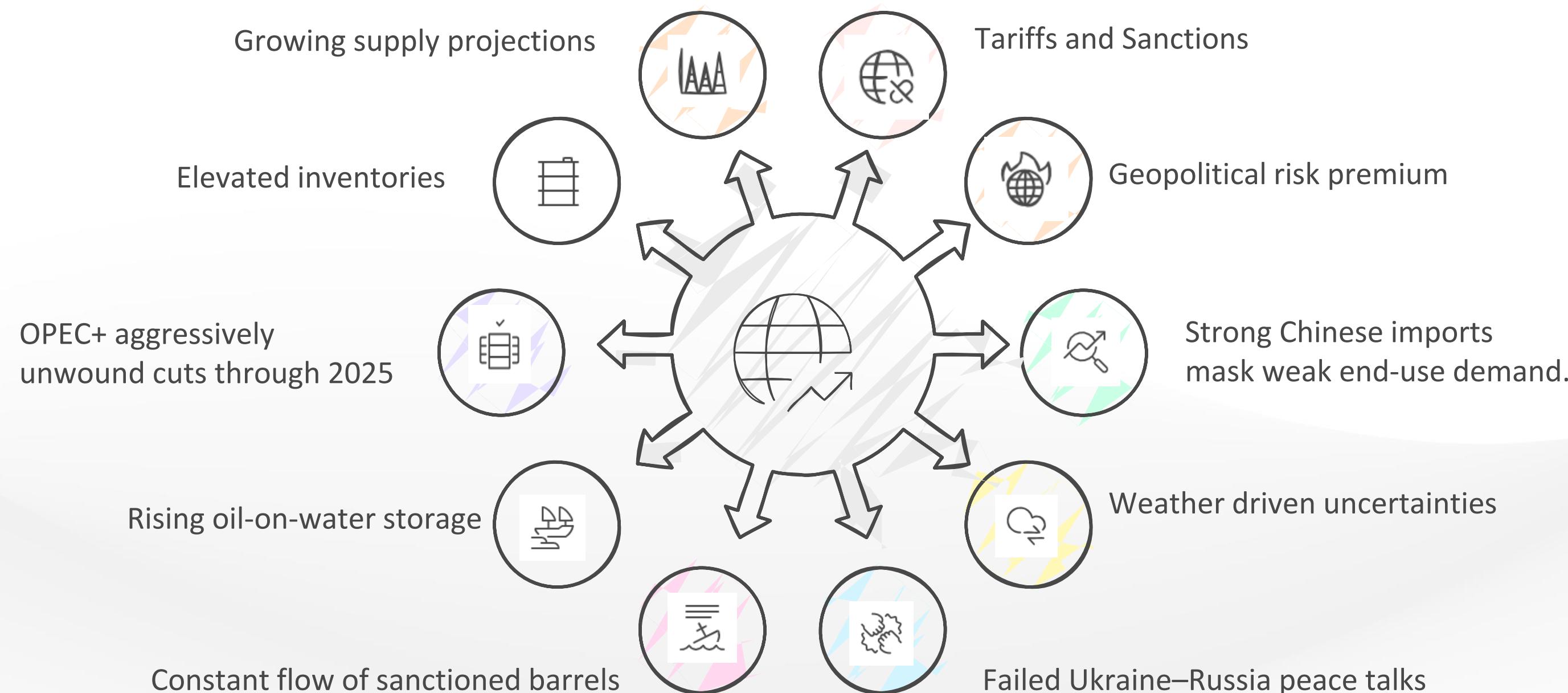
The outlook for 2026 indicates that the metal pack is expected to add gain for yet another year. There could be bouts of correction, which could be opportunity to buy for medium term perspective.

Crude Oil

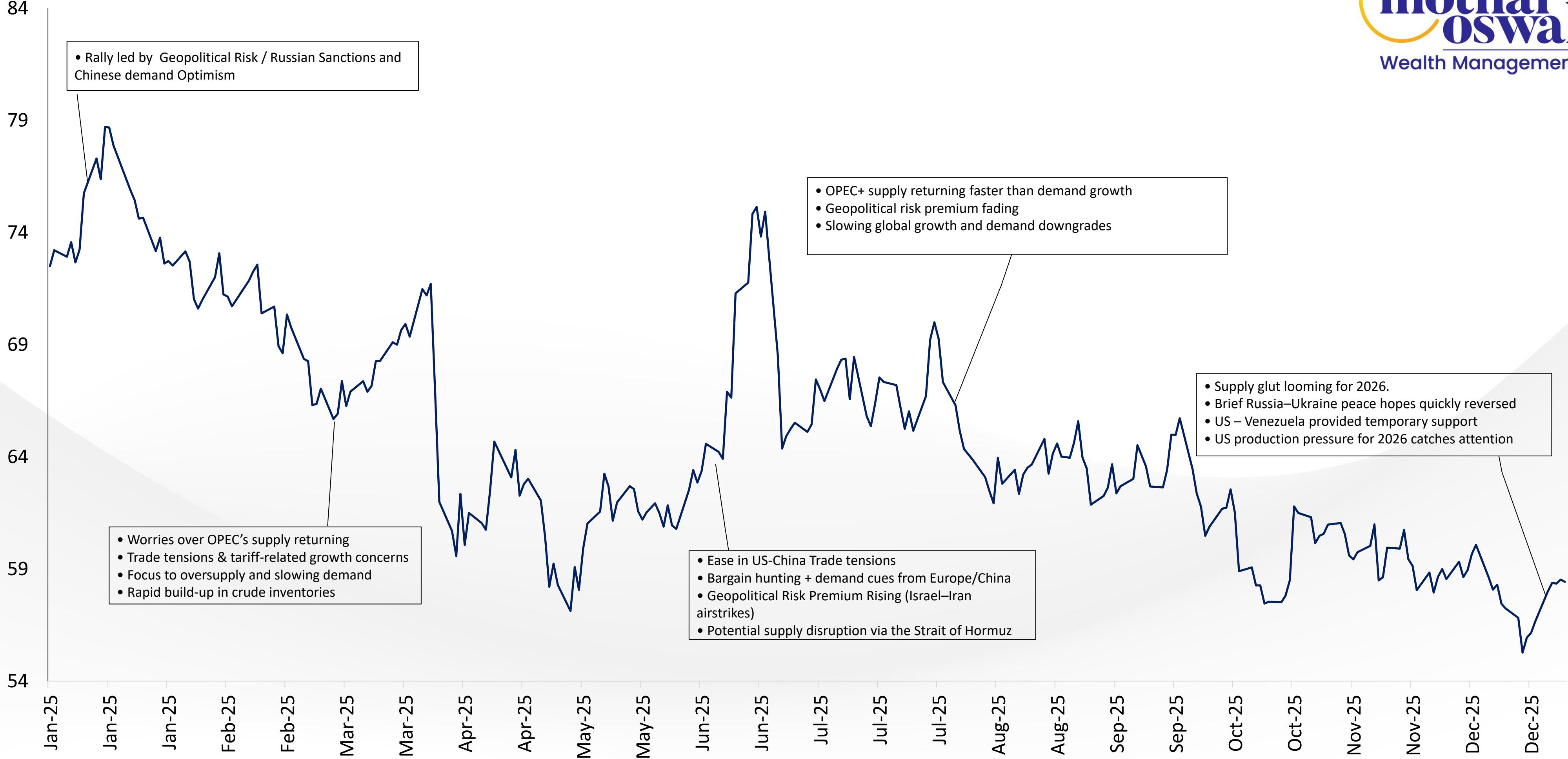




Factors affecting Energy markets



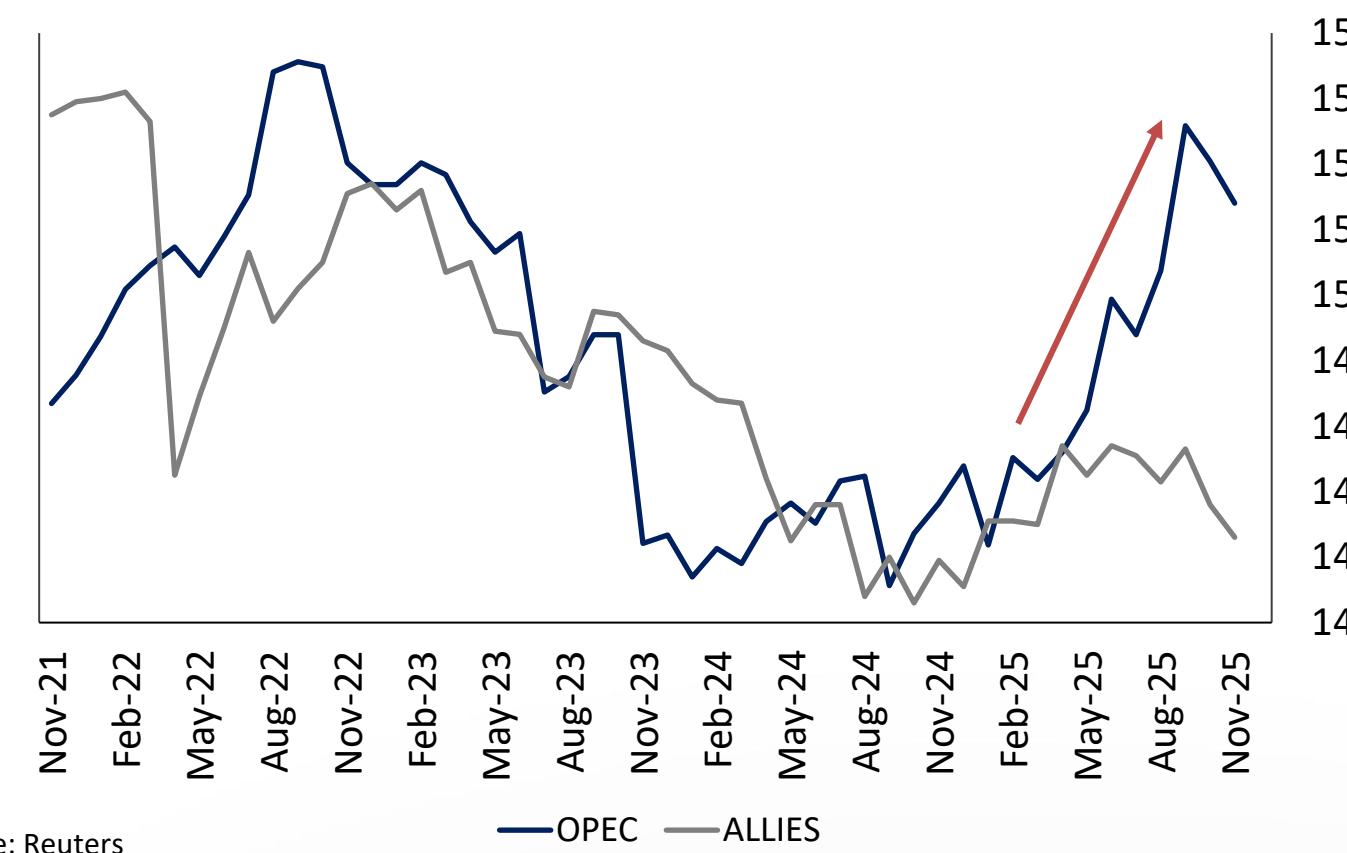
WTI Crude oil (\$) price chart 2025



Crude Oil 2025 Summary

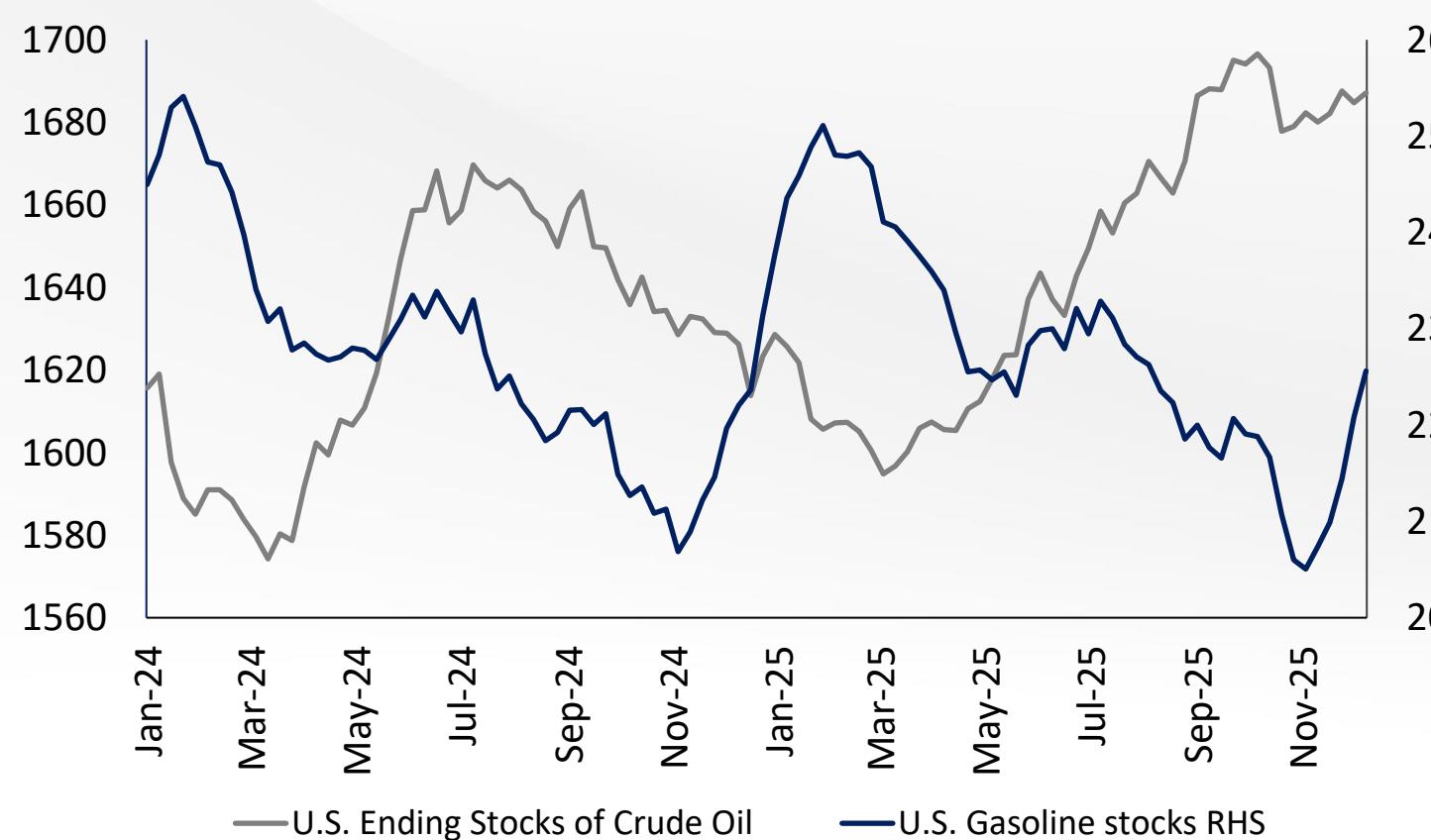
OPEC+ Aggressively Reverses Voluntary Cuts, Flooding Supply in 2025

OPEC Supply Story (mb/d)



Sustained Inventory Builds, with Product Stocks Rising into Late-2025

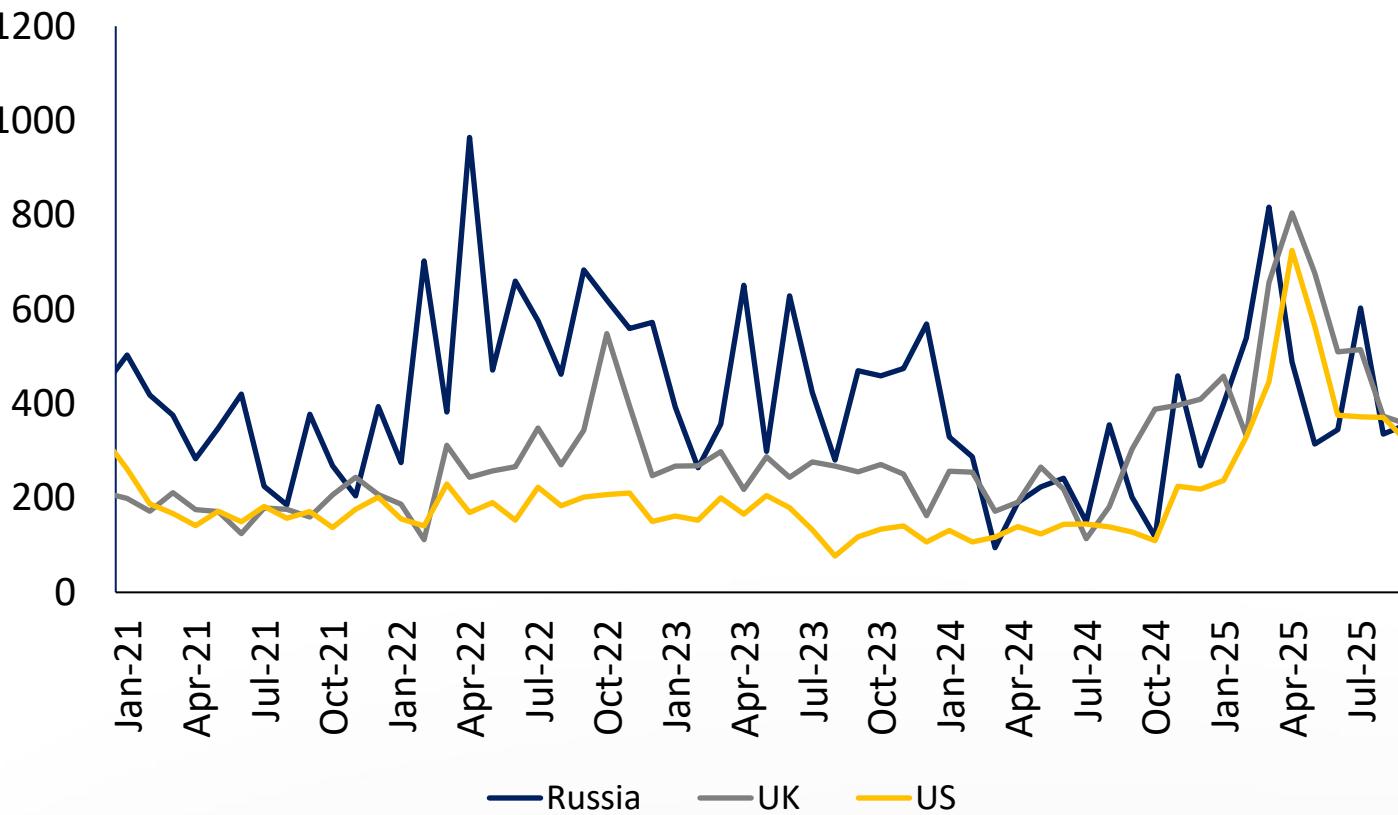
Crude inventory Update ('000 Barrels)



- Mounting supply concerns, fading risk premium, weakening demand, and economic uncertainty kept crude prices pressured in 2025, posting negative returns of -15%
- 2025 started strong on OPEC+ discipline, winter demand, and Russia sanctions, but U.S. import tariffs quickly shifted sentiment toward trade frictions and global growth caution
- Non-OPEC supply, along with shadow-fleet flows from Russia, Iran, and Venezuela, kept markets well supplied, muting supply fears
- Market share concerns led OPEC+ to realign their strategy from protecting prices to being relevant, the shift in stance from early 2025 kept the oil market well supplied through the year
- OPEC+ returned supply, starting with +138 kb/d in April, accelerating to 400 kb/d mid-year, peaking near 550 kb/d in August–September, and tapering to steady +137 kb/d additions toward year-end, bringing cumulative increases of nearly 2.9 mb/d
- Inventories built through 2025, with products rising faster toward year-end, signaling weaker demand
- China's strong imports masked weak end-use consumption, with crude diverted into strategic storage
- Supply woes ignited brief spikes that faded quickly as geopolitical risks drove volatility, not direction
- Ukraine-Russia Peace-talks periodically erased risk premium; however, a concrete deal seems farfetched
- Ultimately, sanctioned barrels kept supply flowing, just as economic uncertainty eroded demand confidence. With supply rising and demand unable to respond, crude remained under pressure

Fragile demand and Growing supply marked 2025

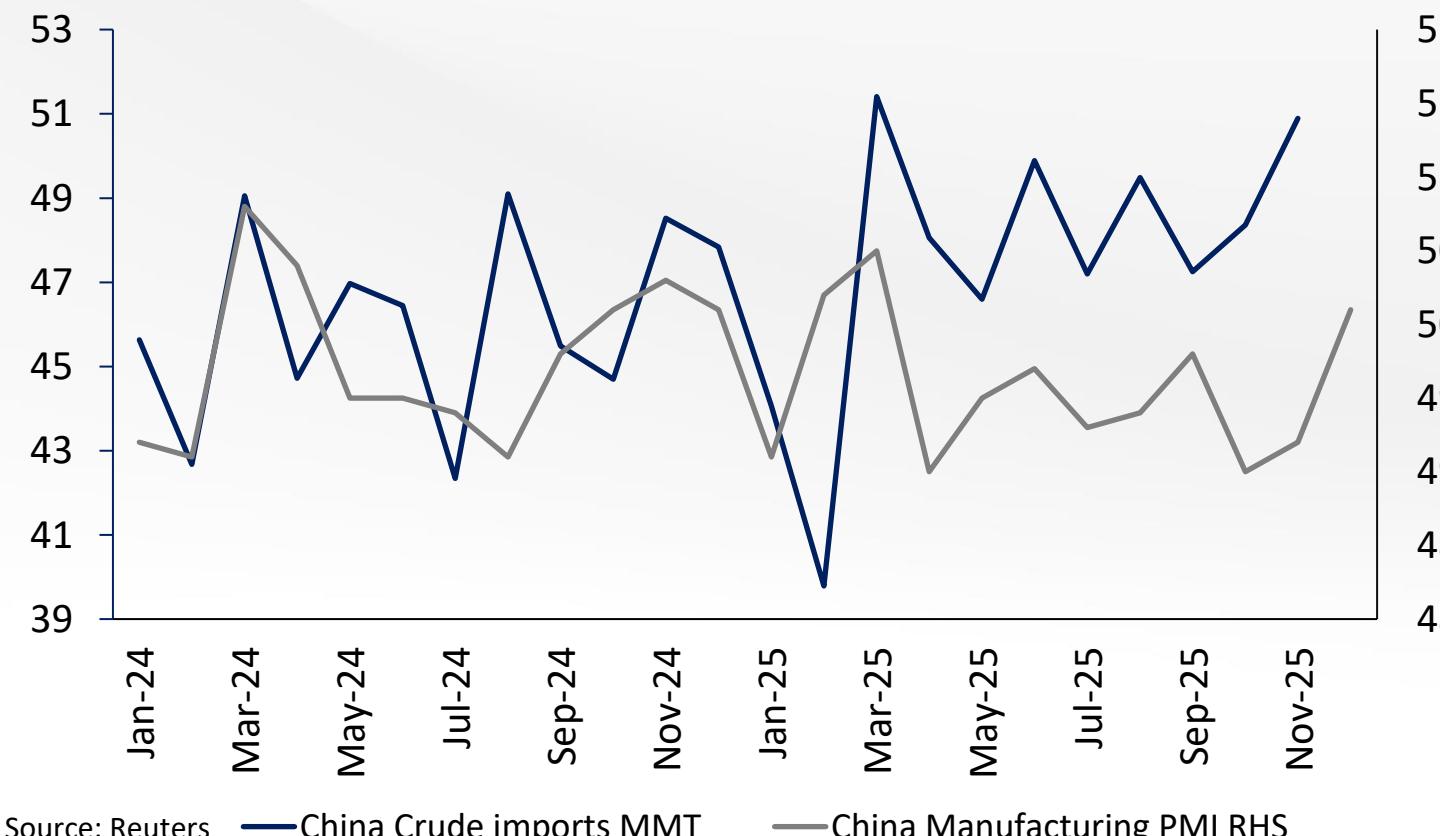
Geopolitical Tensions Persisted Through most of 2025 Uncertainty Barometer



Source: https://www.policyuncertainty.com/all_country_data.html

China's Import Growth Masked Underlying Demand Softness

China Imports Mask Weak demand

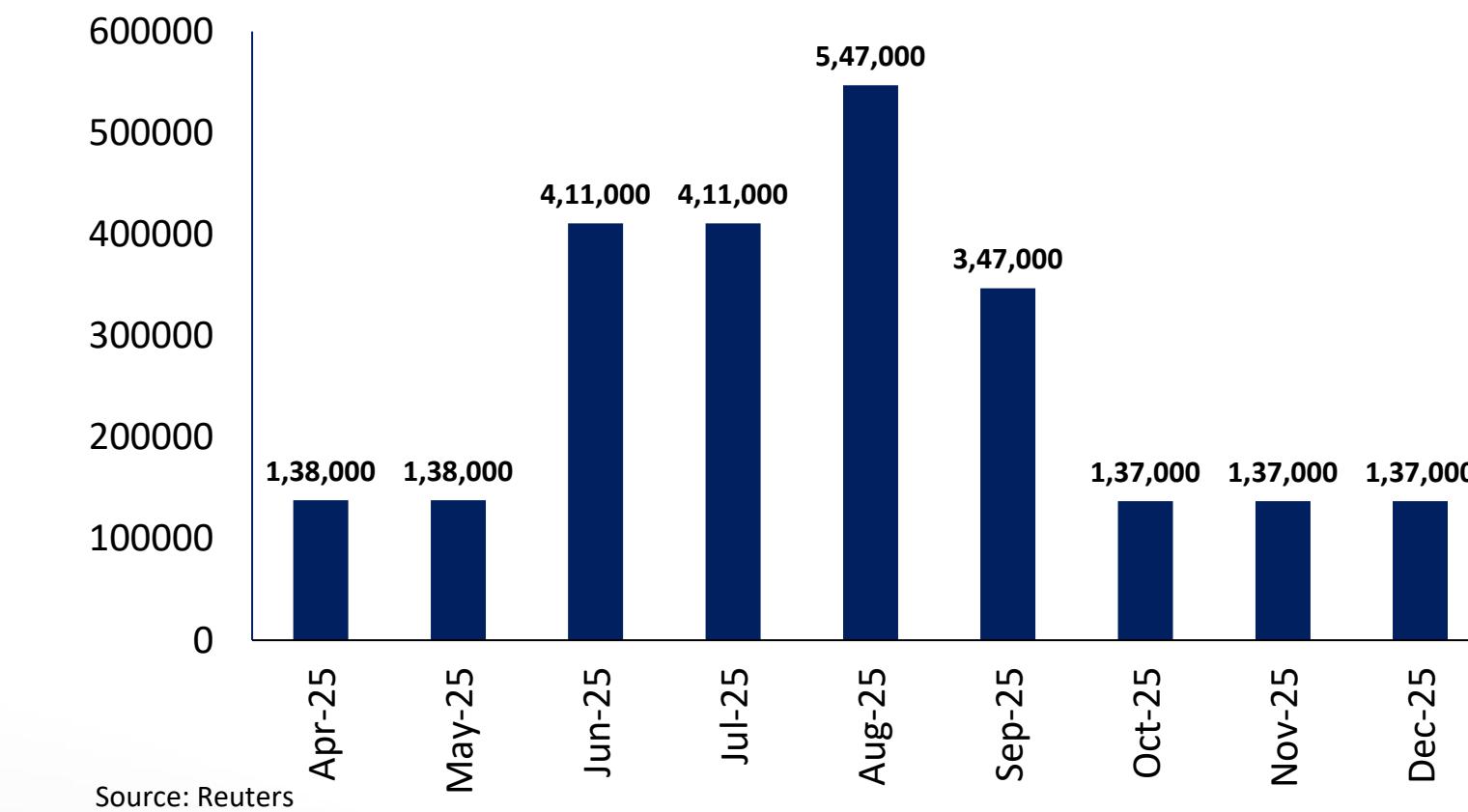


Source: Reuters

— China Crude imports MMT

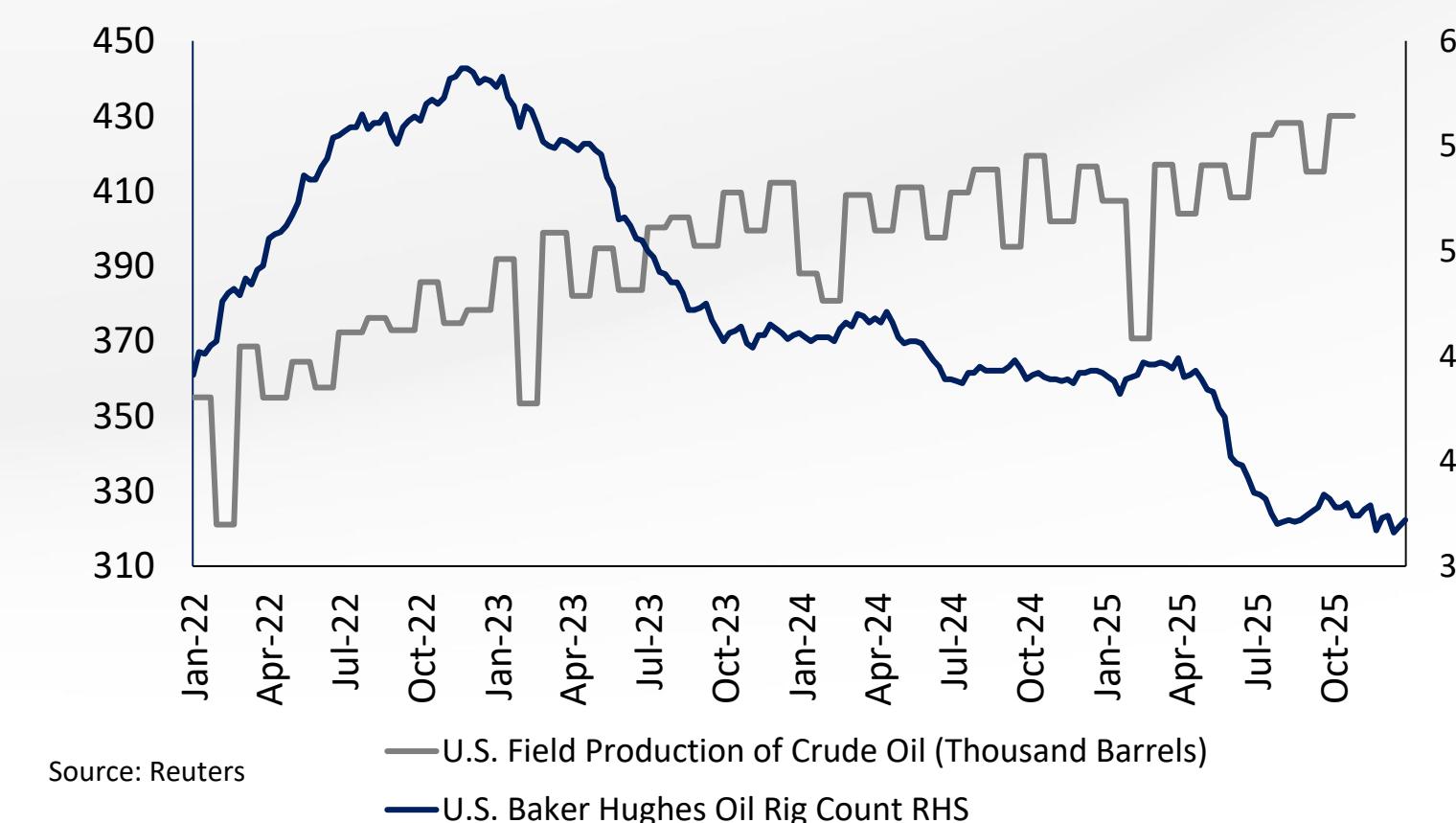
— China Manufacturing PMI RHS

Series of aggressive supply hikes by OPEC OPEC's announced Increases in 2025 (bpd)



Source: Reuters

Growing production v/s Falling rig count US Crude output



Source: Reuters

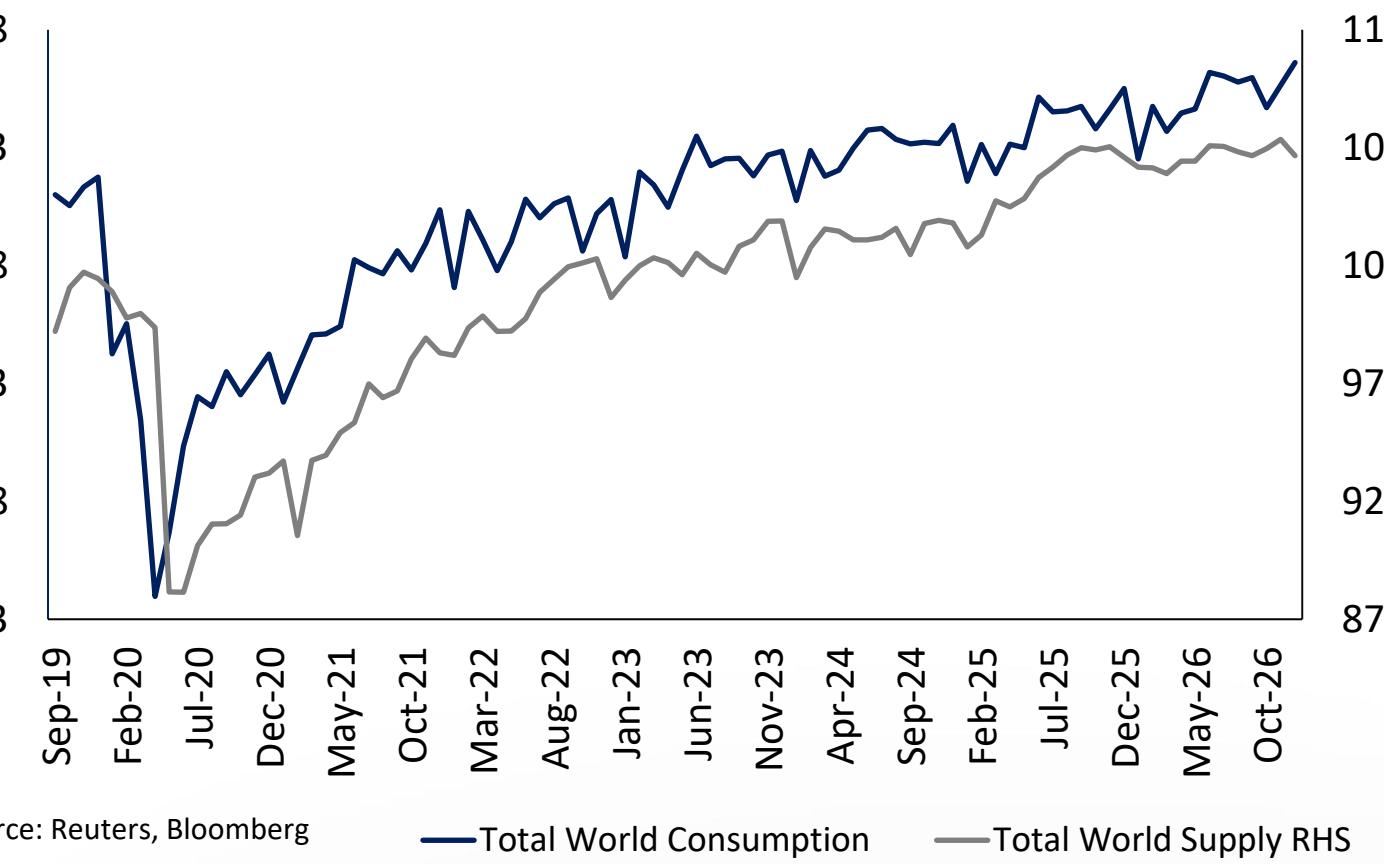
— U.S. Field Production of Crude Oil (Thousand Barrels)

— U.S. Baker Hughes Oil Rig Count RHS

Crude Oil 2026 Outlook

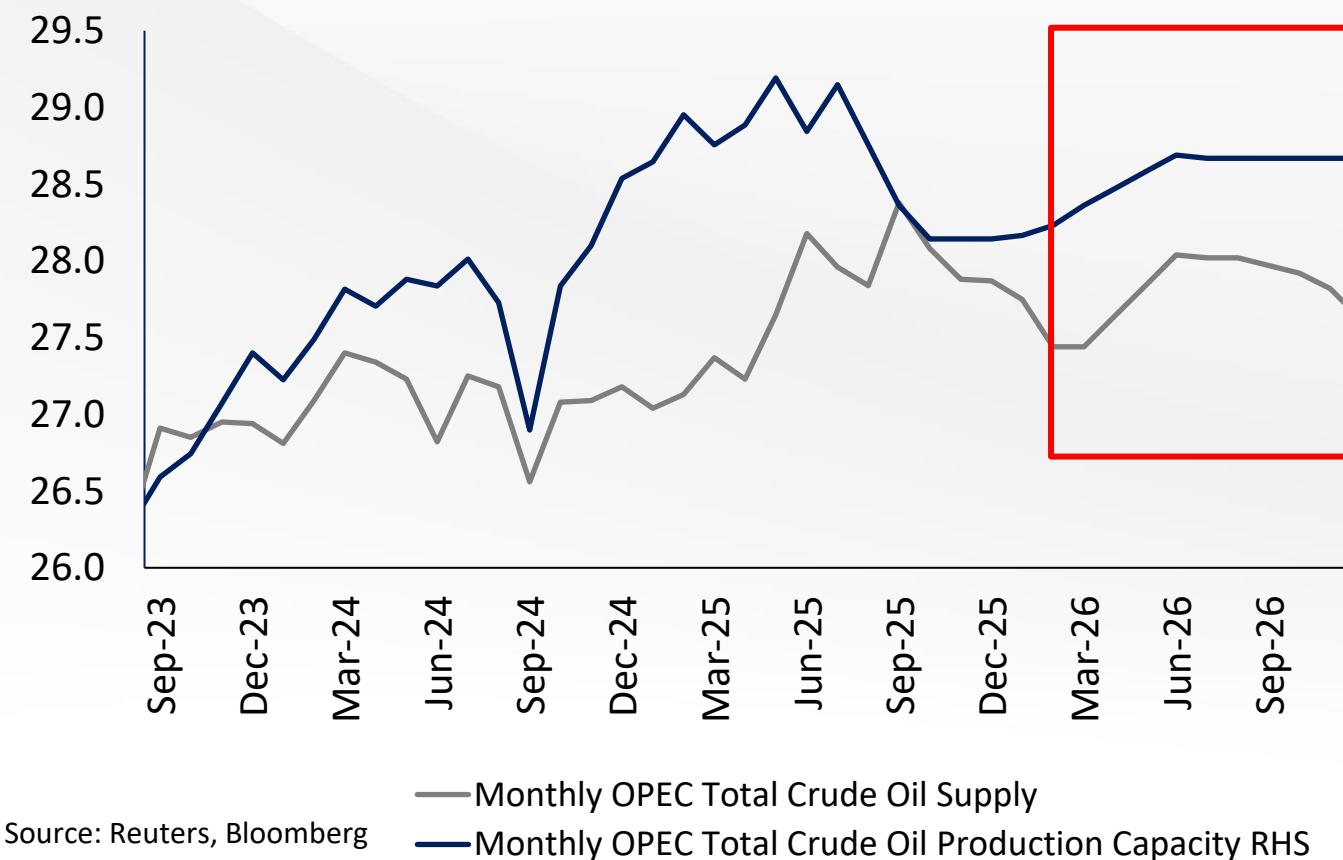
Supply expected to plateau ahead while demand continues to edge higher

Supply Demand Dynamics (mb/d)



Limited room for supply expansion

OPEC Supply scenario (mb/d)

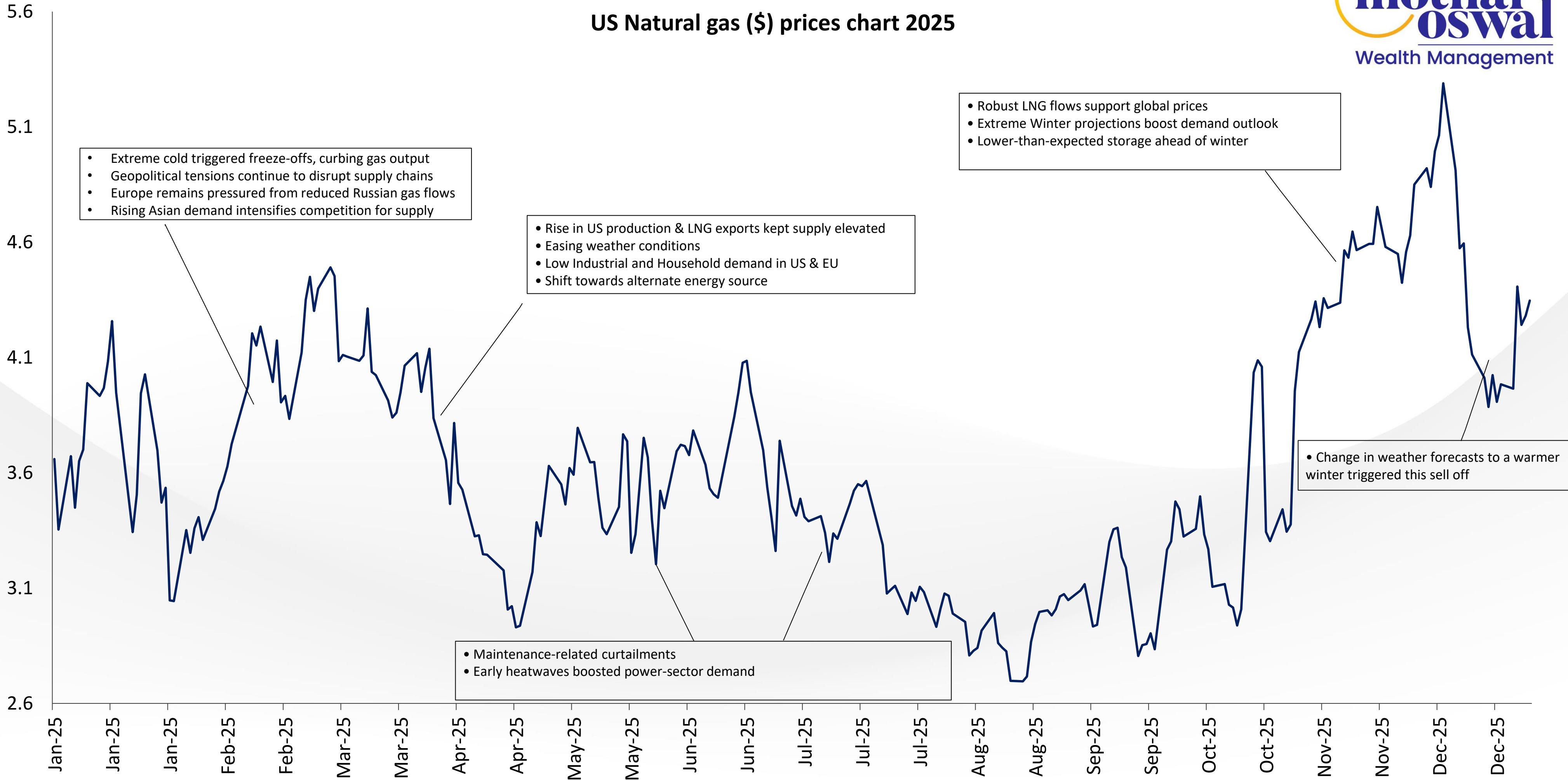


- Supply could continue to dominate market direction into most of 2026.
- In 2025, global oil demand is ~104 mb/d and supply ~106 mb/d, creating a net surplus of ~2 mb/d.
- In 2026, demand rises to 105.2 mb/d and supply to 107.4 mb/d pointing towards a prolonged period of comfortable supply.
- OPEC+ has shifted from price defense to market-share protection after its aggressive supply return in 2025 eroded pricing power amid limited spare capacity.
- Non-OPEC supply remains structurally elevated, with near-record production keeping market balances loose even without growth.
- China no longer acts as the swing consumer, as Imports are increasingly going into storage rather than end-use consumption, reducing demand responsiveness
- Geopolitical risks now drive volatility, not direction - price spikes fade quickly in a well-supplied market unless disruptions are severe and sustained
- Key question for 2026 is how low prices need to fall to trigger a supply response, as downside pressure is likely to persist until production is meaningfully curtailed
- Any stabilization or upside would require a clear slowdown in supply growth or sharp recovery in demand. For now, the market continues to struggle for direction.

Natural Gas



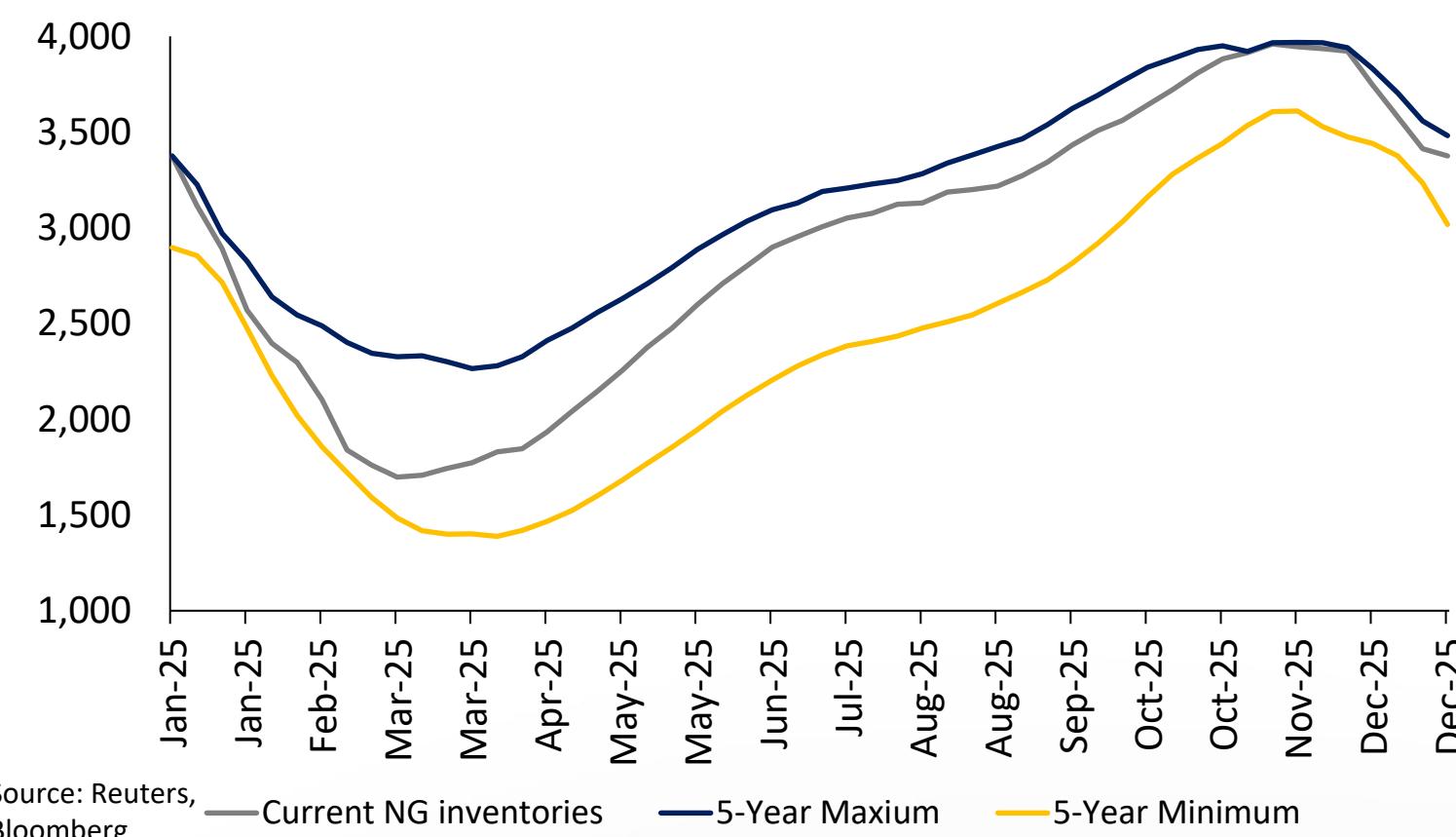
US Natural gas (\$) prices chart 2025



Natural Gas 2025 Summary

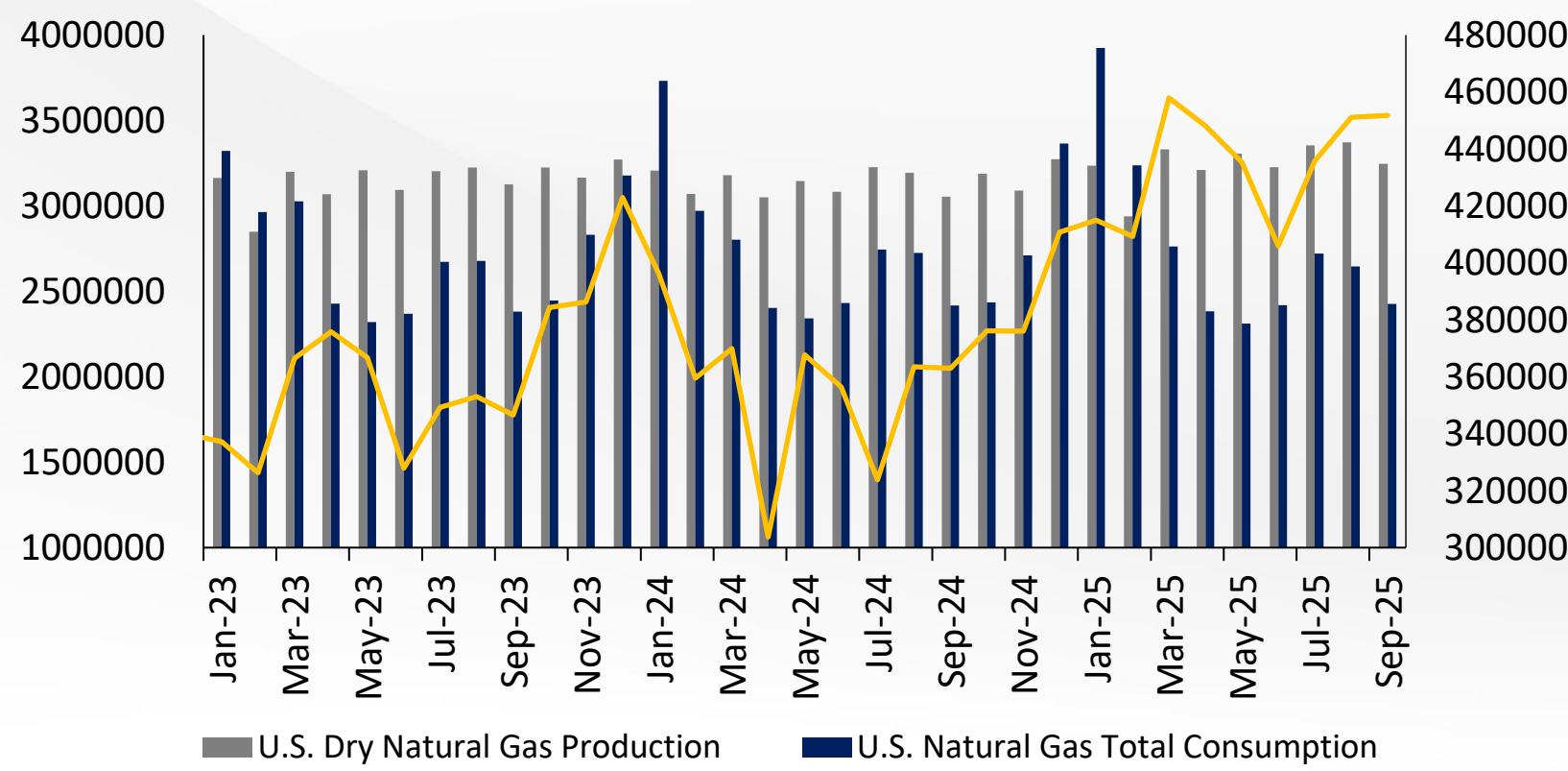
Fluctuating inventories Across the Five-Year Range

Natural Gas inventory trend (billion cubic feet (Bcf))



Exports offset the dip in consumption, keeping high production balanced

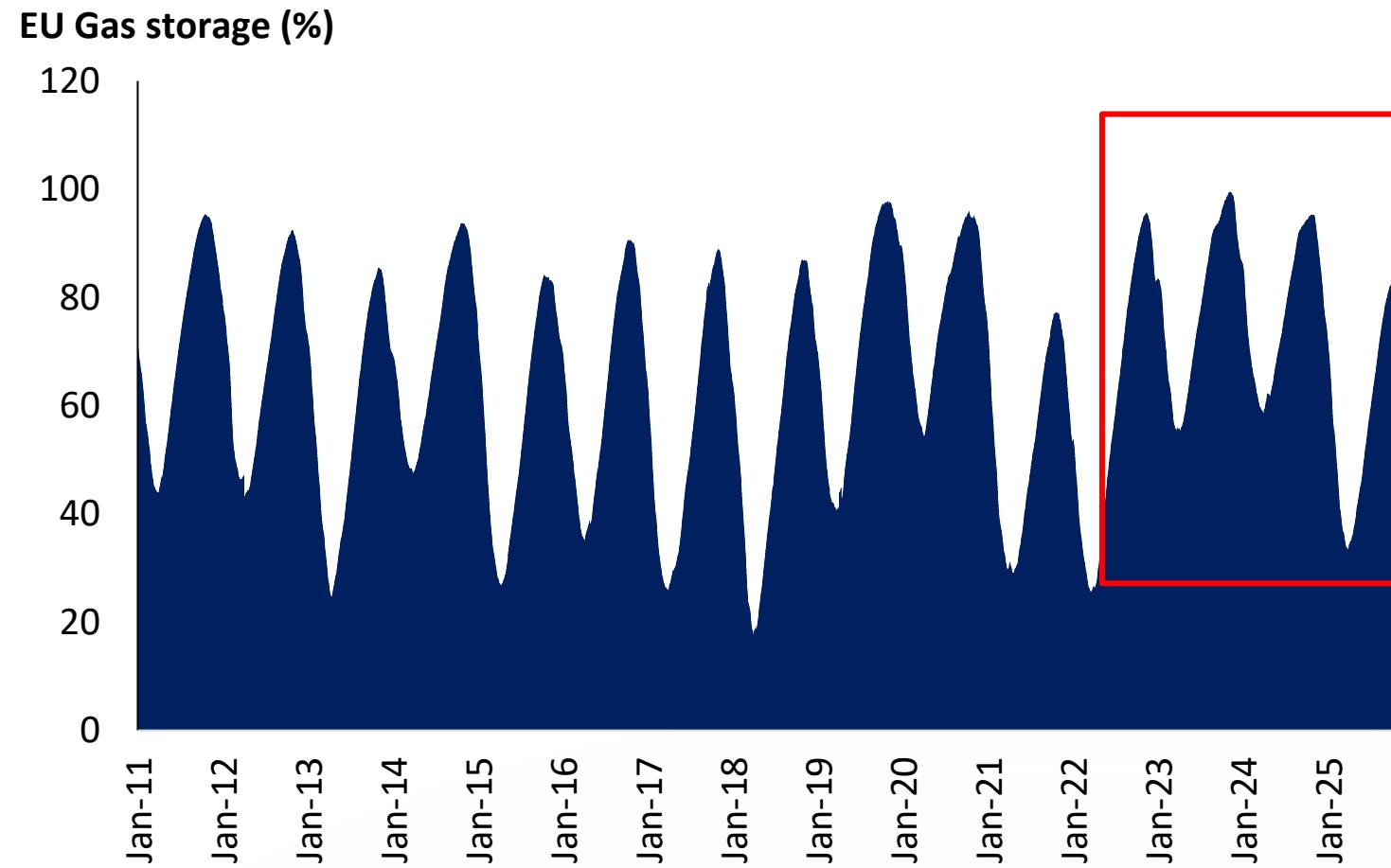
US Natural Gas Chain (Million Cubic Feet)



- 2025 opened weak on surplus supply and high storage, before Jan–Feb Arctic cold triggered sharp drawdowns and tightened inventories toward five-year low levels
- As per EIA, U.S. dry gas production rose by 4.4% in 2025 and is expected to rise by 1.3% to 109.1 Bcf/d in 2026, supporting domestic demand and LNG exports
- Europe relied more on U.S. LNG because supplies were readily available, pipeline gas declined, and countries sought more secure and diversified energy sources
- Russian pipeline gas via Ukraine halted from Jan-2025, lifting European Gas prices
- Gas-to-power demand declined as alternative renewable sources reduced gas consumption
- Towards Q42025 - focus shifted from storage rebuilding to supply scarcity on extreme cold winter forecasts reflecting on weather-driven demand risks
- Sentiment reversed before the year end as milder weather forecasts triggered year-end selling
- Overall, 2025 was characterized by sharp weather-driven spikes, mid-year normalization as supply and storage rebuilt, and late-year volatility tied to shifting winter forecasts rather than structural shortages.

Natural Gas 2026 Outlook

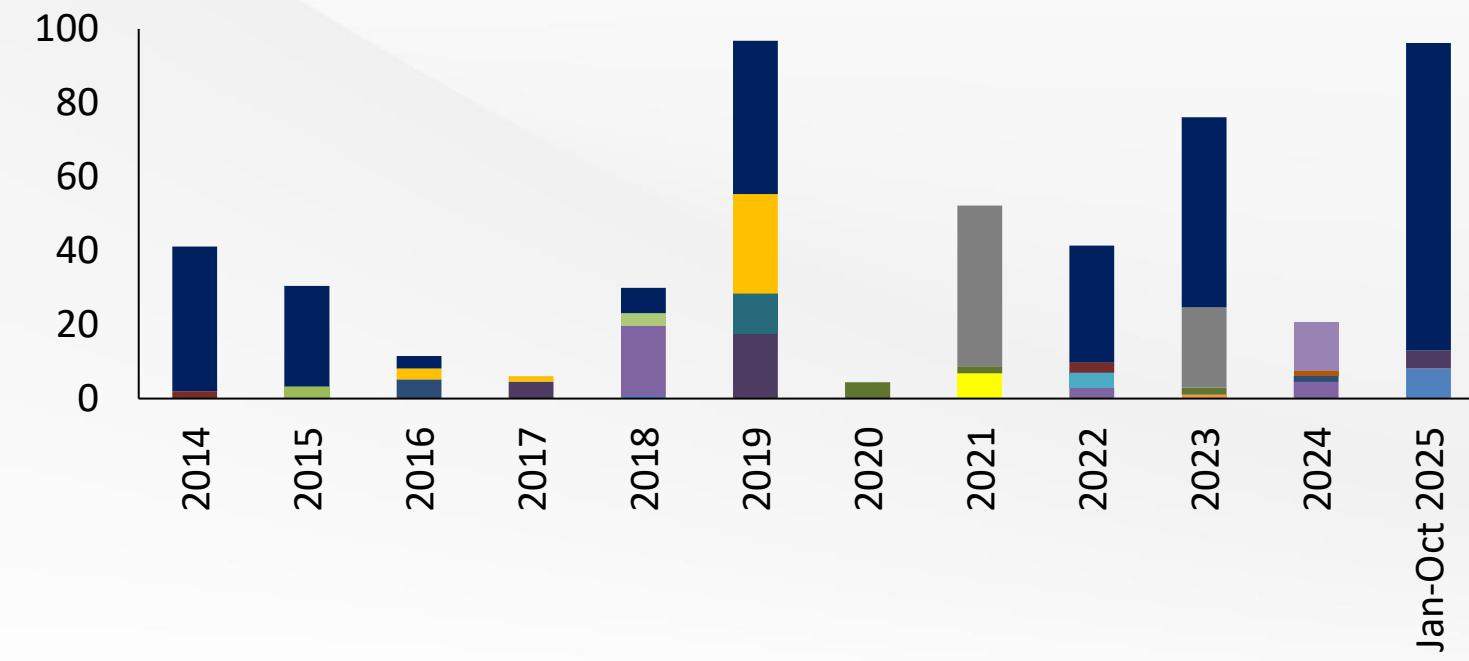
Shift from historical average for EU storage



Source: Reuters, <https://agsi.gie.eu/data-overview/EU>

Growing investment towards LNG expansion

Final investment decisions for new LNG liquefaction capacity



Argentina	Australia	Cameroon	Canada	Republic of the Congo
Gabon	Indonesia	Malaysia	Mexico	Mozambique
Nigeria	Oman	Qatar	Russia	Senegal
UAE	United States			

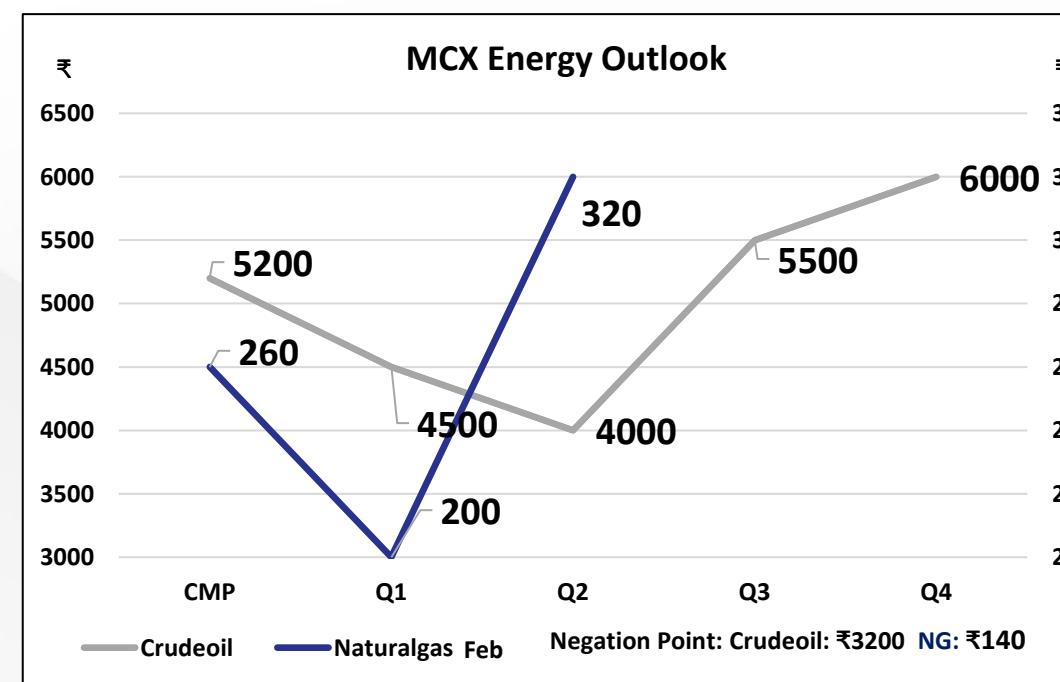
Source: Reuters, EIA

- In 2026, spreads, weather variability, Asian marginal demand, refuelling storage and LNG logistics will remain the key levers driving movements in natural gas markets
- Global gas demand growth slows to ~4.27 Tcm in 2025, but the EIA projects it to accelerate to ~4.35–4.37 Tcm in 2026
- U.S. dry gas production stays elevated near 110 Bcf/d keeping prices in check
- Rapid LNG capacity expansion, majorly in the U.S., Qatar, and Canada is set to absorb new supply, though it also raises the risk of oversupply
- US continues to export, while China, India, and Southeast Asia remain a key consumer of LNG
- Diversified supply and renewables limit structural spikes, but European storage filled below historic levels versus recent years keeps winter sensitivity high
- Middle East / Russia–Ukraine risk drives volatility, not sustained moves in the market
- Colder January forecasts may spark a rally, but without sustained cold, pressure persists
- Supply remains a headwind as new capacity + existing output potentially outpaces demand
- Upside is likely deferred, with prices struggling until fresh winter demand signals emerge around Q3, barring a black-swan event.
- Weather swings, LNG capacity timelines, Asian demand surprises, and storage dynamics could all alter the outlook.

Technical Outlook 2026: Energy

Crude oil remained under pressure in 2025, ending with losses of over 15%. In contrast, natural gas prices were highly volatile, trading within a broad range and witnessing sharp swings on both the upside and downside across all quarters.

Energy	VIEW	PURCHASE PRICE	TARGET (₹ / \$)	NEGATION
CRUDE OIL	POSITIVE	₹4000 / \$45	₹6000 / \$67	₹3200 / \$35
NATURAL GAS FEB	POSITIVE	₹200 / \$2.25	₹320 / \$3.55	₹140 / \$1.55

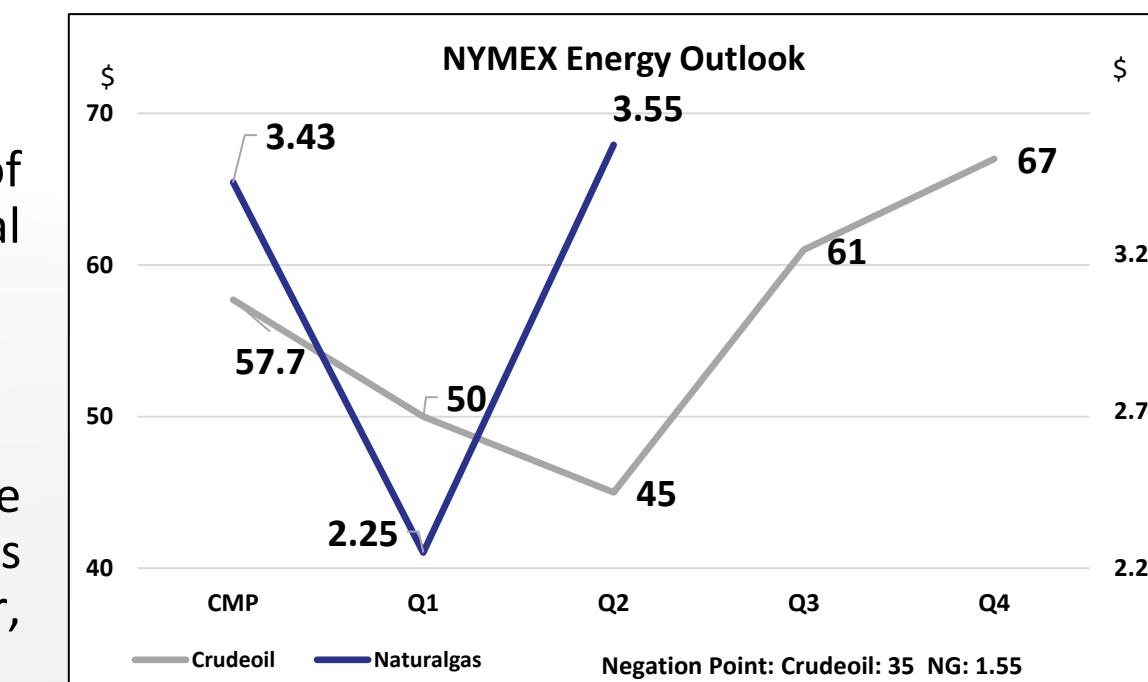


WHAT WE FORECASTED (IN 2025)

For 2025, we forecasted an annual target of ₹7500 for Crude oil and for the ₹450 for Natural gas.

REALITY (IN 2025)

Crude oil fell short of the target by 50% for the year. In Natural Gas, the target of ₹450 was successfully reached in the fourth quarter, aligning well with our expectations.



WHAT'S NEXT? (FOR 2026)

The 2026 outlook indicates an initial corrective dip in Crude oil followed by a rally in the H2, while the Natural gas could fall further in first quarter of 2026 followed by a rally in the second quarter.

Core Team



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Mr. Manav Modi: Analyst – Bullion

Mr. Yash Sawant: Analyst - Energy

Ms. Pareen Pattni: Analyst

Mr. Ashish Rajodiya: Technical Analyst

Mr. Jigar Dharamshi: Technical Analyst

Mr. Harsh Doshi: Technical Analyst

Mr. Vishal Singh: Technical Analyst

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