BMI
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Commodities Monitor

Key View

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- While most metals will see price appreciation in 2026 as tariff uncertainties decline and global demand improves, we expect gold to ease from mid-2026 onwards with the US Fed ending its easing cycle later in the year, reversing its historical streak of gains in 2025. Ferrous metals will also remain under pressure as a result of Mainland China's lagging property sector.
- On an annual average basis, cocoa, coffee and natural gas (TTF and NBP) will see the largest declines, while cobalt, copper and rare earths (PrNd oxide) will see the largest gains. From current levels though, rice, cocoa and sugar will see the largest gains, while natural gas (Henry Hub), lithium and coffee will see the biggest falls.

Brent: Exploring Downside Scenarios For 2026

This month we are leaving our Brent crude oil price forecast unchanged at an annual average of USD68.5/bbl in 2025 and USD67.0/bbl in 2026.

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Gold Prices: Sustained Highs In December, But 2026 To See Moderation

We are revising up our 2026 annual average gold price forecast to USD3,700/oz from USD3,200/oz previously with prices...

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Iron Ore: Prices To Remain Elevated In 2026 But Upside Is Limited

We forecast iron ore prices to settle at an annual average of USD95/tonne in 2026, slightly lower than USD97/tonne in 2025, ...

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Lead: Prices Improving In 2026 As Global Economy Holds Up

We maintain our lead price forecast for 2025 and 2026 at annual averages of USD2,000/tonne and USD2,100/tonne, respectively, as a more positive global economic outlook and easing trade tensions support consumption.

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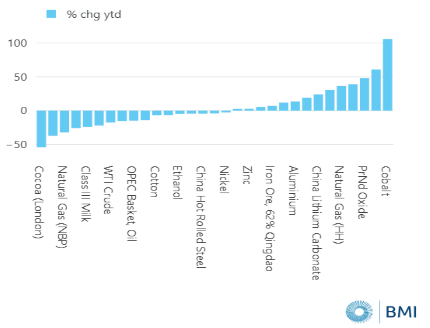
Monthly Chart Picks

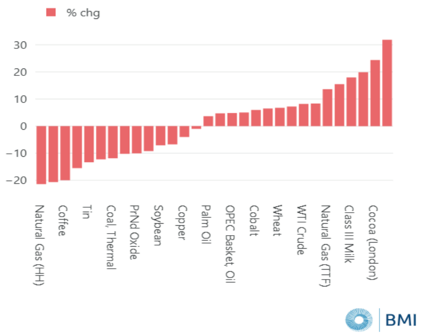
Cobalt And Gold Were The Biggest Winners in 2025

Select Commodities - Year- To-Date Performance In 2025 Up To December 4, % chg



Rice, Cococa, Sugar To Average Highest In 2026 Compared To December 2025 Levels

Select Commodities - Average Price vs Spot, % chg (2026f)



Report Summary

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Monthly Commodities Strategy: Commodity Prices Key Themes For 2026

Key View

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- While most metals will see price appreciation in 2026 as tariff uncertainties decline and global demand improves, we expect gold to ease from mid-2026 onwards with the US Fed ending its easing cycle later in the year, reversing its historical streak of gains in 2025. Ferrous metals will also remain under pressure as a result of Mainland China's lagging property sector.
- On an annual average basis, cocoa, coffee and natural gas (TTF and NBP) will see the largest declines, while cobalt, copper and rare earths (PrNd oxide) will see the largest gains. From current levels though, rice, cocoa and sugar will see the largest gains, while natural gas (Henry Hub), lithium and coffee will see the biggest falls.

Key Theme 1. Commodity Prices To See Modest Rise In 2026 From December 2025 Levels

Key View: We expect most commodity prices to rise in 2026 from current levels (as of December 2025), driven by metals, European natural gas prices and some agricultural commodities.

On an annual average basis, we see most commodities rising modestly in 2026 compared to 2025 averages. We project our proprietary Aggregate Commodity Price Index (an equal-weighted index of annual averages of the main commodities we forecast across energy, metals and agriculture) to rise by 0.9% y-o-y in 2026. Our proprietary Aggregate Industrial Metals Index will rise by 3.8%, followed by our Aggregate Agricultural Prices Index by 1.2%, and finally our Energy Price Index by 0.3% all on a year-on-year basis.

While Mainland China's demand weakness is expected to exert continued downward pressure, commodities required in the green transition will benefit, as will other commodities in general due to supportive global demand from a stabilising global economy (our Country Risk team forecasts 2.6% global real GDP growth in 2026, same as 2025) and declining trade frictions as trade deals come into effect. In terms of price volatility, our Country Risk team expects the US dollar index (DXY) to be less volatile in 2026 and continue trading between 95-100, although most of the downside is now behind us with upside risks ahead. This means risks to commodity prices (except oil that is less correlated with the dollar in recent years) are on the downside, as most industrial metals and agricultural softs are negatively correlated with the dollar.

Out of the 30 key commodities included in the right-hand chart above, we see 16 of them (or 53%) averaging higher in 2026 compared to December 2025 levels.

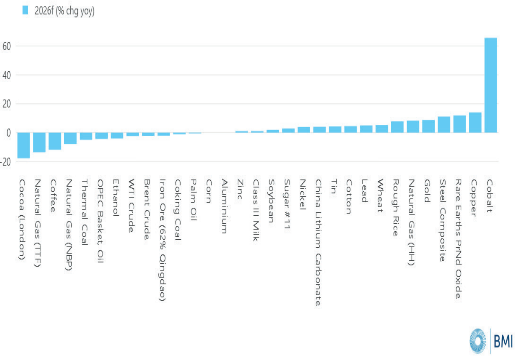
That said, we highlight a number of risks looming over commodity price forecasts in 2026 , including downside risks to global economic growth, tariff uncertainty and a number of geopolitical risks, most notably the US-China relationship, Russia-Ukraine tensions and sanctions on Russia.

Key Theme 2. Energy Price Risks Remain Tilted To The Downside

Key View: Energy prices continue to see downside pressures as soft demand and resilient supplies outweigh geopolitical risk premia.

Energy And Agricultural Softs Biggest Losers In 2026 On Average Annual Basis

Select Commodities - Price Growth In 2026 From 2025 On An Annual Average Basis

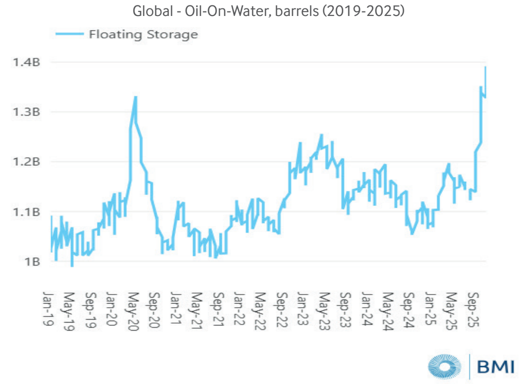


Note: f = BMI forecast Source: Bloomberg, BMI

Our forecast for oversupply in the energy market will see prices pressured lower in the coming year. Although much depends on the OPEC+ response to lower prices in Q1 2026, we should see crude prices recover through the remainder of 2026 on the back of lower production from slowing US shale activity and steady growth in consumption pulling markets closer into balance. The supply overhang will have to clear substantial risks highlighted above; however, barring a significant relaxation of sanctions on Russian crude, fuel and natural gas exports, energy markets should tighten after an initial challenging start to 2026. We are maintaining our forecast for Brent to average USD67/bbl despite it being above consensus due to a solid macro economic backdrop, steady demand outlook and an expected flexibility from price sensitive producers.

Floating Storage Highlights Significant Oversupply

Global - Oil-On-Water, barrels (2019-2025)



Source: Bloomberg, BMI

Markets are continuing to price in backwardation across the series of future contracts although conditions continue to deteriorate with building inventories. High frequency indicators highlight that market have not quite tipped into oversupply but indicators are turning increasingly bearish. The excess floating crude will add to building inventories onshore adding to the downside pressure on prices to start the year. Market conditions will begin to improve after Q1 2026 and by Q3 2026 peaking seasonal demand and declining inventories will support a stronger finish to the year for oil prices.

The US will also play a key role in the expansion of LNG supply globally easing the seasonal supply tightness that has kept natural gas prices higher than historical levels. We forecast most natural gas benchmarks to decline on an average annual basis with front month Dutch TTF falling by 13.5%, UK NBP down by 11.1% and Japan LNG prices down by 7.4% on the higher availability of US LNG. The US natural gas benchmark, Henry Hub will hold onto late-2025 gains and rise by 8.0% on an annual basis average USD3.9/mmbtu on strong demand for natural gas feedstock for LNG exports lifts prices. Elevated domestic demand for the expansion of AI datacentres adds further upside to natural gas consumption in the US.

Key Theme 3. Cautiously Optimistic Towards Metal Prices, But Risks Elevated

Key View: We hold a cautiously optimistic outlook for 2026, expecting most mineral and metal prices to edge higher, supported by declining tariff uncertainties, robust demand from sectors linked to the transition to net zero and tighter supply. That said, Mainland China's property market weakness is set to remain a drag on industrial metals price growth. In regards to precious metals, while gold prices will average higher in 2026 compared to 2025, prices will ease later in the year as monetary easing loses momentum, in particular as the US Fed eventually stops cutting rates.

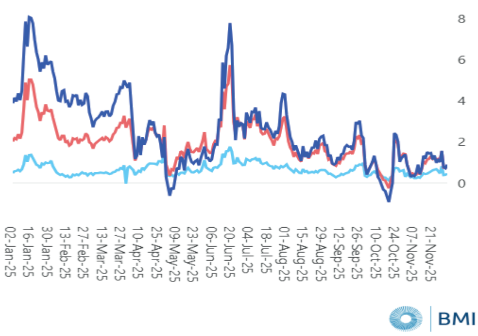
In 2026, we forecast that most minerals and metals will average higher than in 2025, as the global economy stabilises with easing trade frictions. Tariff uncertainty peaked in August 2025, and while we could see flare-ups between the US and individual economies over the coming quarters, our Country Risk team expects broad tariff uncertainty to continue to decline over 2026. This will support demand for commodities in general. That said, we do not rule out bouts of volatility, especially as certain metals might face renewed US tariff pressures in the attempt to protect critical domestic industries. In particular, we see copper on the cards for further tariffs, with the US Secretary of Commerce required to provide an update on the domestic copper market by June 30 2026, to determine whether to implement a universal duty on refined copper of 15% from 2027 and 30% from 2028.

While China's domestic housing market remains under pressure, weighing on industrial metals consumption, we expect this is likely to be partially offset by robust growth in green energy transition sectors, which is particularly supportive of critical minerals, including copper, aluminium, lithium and nickel.

In regards to precious metals, we expect gold prices to remain elevated into 2026 as the US Federal Reserve (Fed) is likely to cut rates at its December 2025 meeting over weak US jobs data. That said, prices are likely to moderate later in 2026 , falling below USD4,000/oz as the monetary easing cycle that began in 2024 starts to lose momentum, and in particular as the US Fed eventually pauses rate cutting. With the global economy set to stabilise further in 2026, tariff uncertainty receding and most of the downside to the US dollar behind us, gold's historic rally is likely to lose its momentum by Q3 2026. Our Country Risk team believes the DXY is unlikely to experience the same amount of volatility in 2026 as it did in early 2025, inherently capping both industrial and precious metal price growth. While we still expect the DXY to trade within a wide range of around 95-100 over the coming quarters, we do not rule out a move to slightly stronger levels, particularly if the US economy outperforms. This will cap the extent of rise in gold prices.

Markets Tilt Further Towards Oversupply

Global - Brent Futures Spreads, USD/bbl



Source: Bloomberg, BMI

We note that the balance of risks to our 2026 metals price outlook remains tilted to the downside, given challenging external demand dynamics and risks of weaker-than-expected global growth , particularly in China, the world's largest consumer of industrial metals, with its domestic property sector being a major source of demand across a broad spectrum of the metals market. Our Country risk team's forecasts point to an overall slowdown in Chinese growth in 2026, with real GDP growth decelerating from 5.0% in 2025 to 4.5% in 2026. At the same time, unforeseen supply disruptions, trade restrictions of a broader scope than anticipated and more pronounced-than-expected stimulus measures remain major upside risks to our outlook.

Slight Increase In Mining Capex In 2026 To Focus On Critical Minerals

Top 25 Mines By Highest Spending - Capital Expenditure, USDmn (2021-2026)

Note: As of November 2025 e = Bloomberg consensus estimates; excluding coal & consumable fuels
Source: Bloomberg, BMI

continued on next page...

... continued from previous page

Key Theme 4. Agricultural Grains To Gain, Softs Under Pressure

Key View: We expect grain prices to increase on an annual average basis in 2026. However, we expect upside from current levels to be moderated by strong seasonal output in the 2025/26 season, which will support physical availability throughout the year.

Favourable grain harvests among key exporters underpin this view. The US 2025/26 corn harvest (now underway) is expected at 427.0mn tonnes, up 13.1% y-o-y. Brazil's 2024/25 harvest, completed in September, came in at 136.0mn tonnes, up 14.3% y-o-y on improved USDA yield forecasts. With subdued domestic Brazilian demand, elevated exportable supplies ensure ample global corn availability through 2026. While physical supplies are expected to be robust, we expect price support as market focus shifts to the 2026/27 crop. Our forecast for US 2026/27 production is 384.4mn tonnes, down 10.0% y-o-y, as the dynamics that boosted plantings have reversed and we expect reduced corn acreage. While this primarily restricts physical supplies in 2027, expectations of tightening will support prices through 2026. Additionally, weak prices may prompt Brazilian farmers to reduce planting ahead of the January 2026 first corn crop.

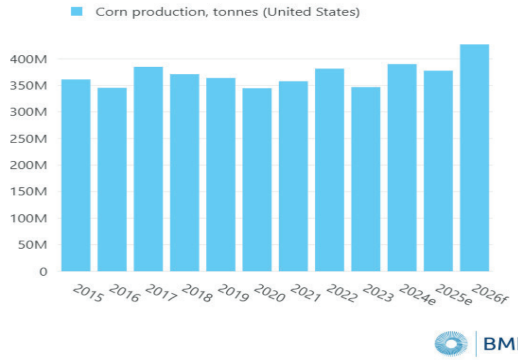
Wheat prices face similar near-term price pressures, with improved seasonal output in the 2025/26 season. We see EU output at 141.5mn tonnes, up 16.0% y-o-y, while Russia is forecast at 84.8mn tonnes, up 4.0% y-o-y. Both harvests are now complete, ensuring supply availability and dampening the near-term outlook. However, beyond the near-term supply abundance, we expect a recovery in Chinese grain demand to provide price support. China's grain imports collapsed through 2025, with cumulative corn imports from January to November totalling just 6.3mn tonnes, down 94.9% y-o-y, and wheat imports falling 83.1%. However, the USDA projects a 150% y-o-y increase in China's corn imports for the 2025/26 season and a 43.9% rise in wheat imports, driven by a substantial production deficit and China's reluctance to draw down domestic stockpiles, which will provide a base of support for prices.

Soybean prices have surged recently, buoyed by a thawing in US-China trade relations. Reflecting elevated demand expectations, prices stand 14.6% higher as of the market's close on November 20 2025 compared to December 31, positioning us to enter 2026 at levels above those of 2025 and supporting a rise in average annual prices. However, looking ahead from current levels, we anticipate fundamental forces will reassert themselves and constrain further upside momentum. Notably, demand for US soybeans from China is likely to remain subdued, exerting downward pressure on prices. Brazil's 2024/25 harvest delivered a robust 169.0mn tonnes, and the USDA projects another strong crop of 173.0mn tonnes in 2025/26, marking a 2.4% y-o-yr increase. While trade improvements with China provides a degree of support, the prevailing supply abundance is expected to cap meaningful price appreciation going forward.

We expect broad easing in average annual softs prices in 2026. Cocoa is forecast to average USD7,000/tonne in 2026, down from an expected USD8,200/tonne in 2025, reflecting an improving West African supply outlook. As of the November 20 2025 market close, prices stand 49.9% lower than December 31 2024 levels. On the demand side, Q3 grindings data revealed a 4.8% y-o-y decline in Europe and a 17.1% q-o-q drop in Asia. Two years of sustained high prices have forced manufacturers to reformulate products with lower cocoa content, representing a permanent demand erosion that will cap price recovery below 2025 peaks despite near-term stabilisation from current levels. Looking ahead, prices will likely remain historically elevated relative to pre-2023 levels amid significant volatility. Persistent supply vulnerability, driven by structural challenges in Côte d'Ivoire and continued climate sensitivity, underpins this outlook. The industry's reformulation strategy itself signals expectations of durably higher prices. Bloomberg's inclusion of cocoa in its 2026 BCOM for the first time since 2005 should provide a technical floor through passive index flows, though this does not alter underlying fundamentals.

Record US Corn Harvest In 2025/26, Ensuring Ample Exportable Volumes

US - Corn Production, 000 tonnes

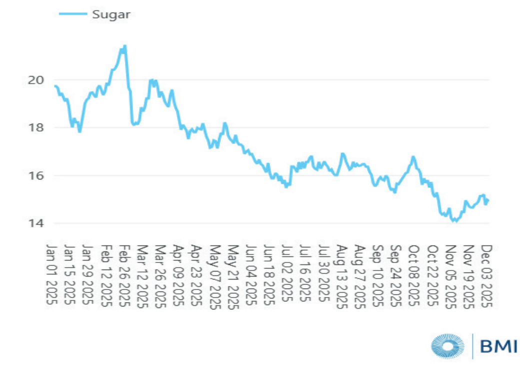


Note: e/f = BMI estimate/forecast Source: USDA, BMI

Front-month ICE-listed sugar prices have declined 25.7% year-to-date as of the November 20 close, driven by an improving supply outlook that will ultimately pressure average annual prices lower in 2026. Near-term weakness is expected to persist, underpinned by an acceleration in Brazil's sugarcane harvest. In the centre-south region, harvest activity surged 14.3% y-o-y in the second half of October, driving a 16.4% increase in sugar production. This robust output occurred despite rising sugarcane diversion to ethanol, a dynamic that moderates sugar supply and prevents precipitous price declines. Looking into 2026, we anticipate further

Robust Output In Key Markets Continue To Pressure Sugar Prices

Front-Month ICE-Listed Sugar Price, USc/lb



Source: Haver, BMI

strengthening of ethanol diversion over sugar production, which should offer modest price support through the second half of the year. Additionally, India's gradual easing of export restrictions, though tighter than initially expected, will cap any upward price momentum by reinforcing global supply adequacy. While the global supply outlook remains favorable, we do not foresee substantial further downside from current levels. Instead, prices are expected to find a floor near these levels, with modest upside support building as 2026 progresses.

As of November 20, second-month coffee prices have gained 16.9% year-to-date. However, prices are expected to retreat in the coming weeks as the removal of US tariffs on Brazilian coffee normalises trade flows and enables a rebuild of US ICE-certified stocks, a trend further supported by our Global team's view that tariff uncertainty will ease through 2026. Nevertheless, with market attention concentrated on tariff removals, we believe there is a risk of a larger-than-warranted sell-off. Yet as the dust settles on trade policy, market focus is likely to re-shift toward key structural factors, including the ongoing La Niña event and persistently low global inventories, facilitating a partial recovery and keeping prices historically elevated. We expect coffee to average USc300/lb throughout 2026, down from USc340/lb in 2025, but well above long-term averages.

COMMODITY PRICES KEY THEMES FOR 2026

Theme	Description	Metrics	Winners	Losers
Commodities To Display Mixed Performance In 2026, But Most Sub-Asset Classes Will Appreciate From Current Levels (December 2025)	We are cautiously optimistic towards most commodity sub-asset classes in 2026, expecting prices to rise slightly from December 2025 levels. That said, on an annual average basis, performance will remain mixed as energy and some agricultural softs will see declines in 2026 compared to 2025 due to well supplied markets.	Quantitative: Percentage change in individual commodities and Bloomberg Commodities Index.	Producers of industrial metals, rare earths, US natural gas, refiners, rice and wheat farmers.	Coffee producers, cocoa farmers, oil producers, European natural gas producers, refiners etc.
Energy Price Risk Remains Tilted To The Downside	Energy prices continue to see downside pressures as soft demand and resilient supplies outweigh geopolitical risk premia.	Quantitative: Year-on-year percentage changes in individual energy commodity prices as well as the Bloomberg Energy Index.	Consumers and industry.	Energy producers and refiners.
Cautiously Optimistic Towards Metal Prices, But Risks Elevated	We are cautiously optimistic for 2026, anticipating a modest rise in most mineral and metal prices, driven by declining tariff uncertainties, resilient demand from energy transition sectors and tighter supply, while a lagging property sector in Mainland China will curb industrial metals price growth. Gold will be elevated but start to ease from mid-2026.	2025 price performance vs 2024 (annual average).	We hold a positive outlook for cobalt, copper, rare earths, steel, lead, lithium, nickel, zinc, while remaining neutral on aluminium.	Coal (both coking and thermal) and iron ore are expected to underperform.
Agricultural Grains To Gain, Softs Under Pressure	We expect grain prices to increase on an annual average basis in 2026. However, we expect upside from current levels to be moderated by strong seasonal output in the 2025/26 season, which will support physical availability throughout the year. We expect a broad easing of prices within the softs complex on an annual average basis. However, this is largely a consequence of price pressures already sustained during the latter part of 2025, with most of the downside behind us.	2026 price performance vs 2025 (annual average)	Grain farmers in exporting markets, agricultural input suppliers, economies dependent on grain exports. Softs Importers and traders benefitting from price volatility.	Consumers, livestock producers, food and beverage manufacturers, governments in grain-importing countries. Exporters of dollar-denominated softs and producers facing supply-related disruptions.

Source: BMI

SELECT COMMODITIES - PERFORMANCE AND BMI FORECASTS									
Commodity	**Unit**	**Current Price**	**YTD(% Chg)**	**1 Year(% Chg)**	**2024 (ave)**	**YTD(ave)**	**2025f (ave)**	**2026f (ave)**	**2025f (% Chg YoY)**
Agriculture									
Class III Milk	USD/cwt	15.50	-23.95	-21.40	23.48	17.81	18.00	18.20	-23.4
Cocoa (London)	GBP/tonne	4,341	-50.17	-53.94	6,067	5,940	6,029	4,964	-0.6
Coffee	USc/lb	348.10	10.56	4.64	232.60	358.16	340.00	300.00	46.2
Corn	USc/bushel	449.50	-3.49	1.30	436.28	447.32	440.00	440.00	0.9
Cotton	USc/lb	64.61	-7.02	-6.65	77.49	66.90	67.00	70.00	-13.5
Feeder	USc/lb	341.53	29.85	32.64	-	314.74	-	-	-
Lean Hogs	USc/lb	83.00	2.09	-0.24	-	92.40	-	-	-
Live Cattle	USc/lb	230.30	18.80	19.79	-	218.44	-	-	-
Palm Oil	MYR/tonne	3,979	-10.54	-12.14	4,228	4,241	4,320	4,300	2.2
Rough Rice	USD/cwt	9.64	-31.63	-35.30	16.23	12.62	12.80	13.80	-21.1
Soybean	USc/bushel	1,070	5.84	12.20	1,103	1,048	1,030	1,050	-6.6
Sugar #11	USc/lb	14.62	-24.09	-25.60	20.74	17.02	17.50	18.00	-15.6
Wheat	USc/bushel	517.50	-8.00	-6.21	588.00	548.21	546.00	575.00	-7.1
Ethanol	USD/gallon	1.60	-4.92	0.79	1.68	1.76	1.75	1.68	3.9
Energy									
Coal, Thermal (Newcastle)	USD/tonne	108.60	-13.29	-15.81	135.72	106.32	100.00	95.00	-26.3
Coal, Coking	USD/tonne	215.00	6.44	1.90	244.11	191.84	182.00	180.00	-25.4
Brent Crude	USD/bbl	59.85	-19.82	-18.45	80.70	68.42	68.50	67.00	-15.1
OPEC Basket, Oil	USD/bbl	59.56	-20.15	-18.89	79.89	69.86	69.50	66.50	-13.0
WTI Crude	USD/bbl	56.19	-21.65	-20.39	75.84	64.99	65.00	64.00	-14.3
Natural Gas (HH)	USD/mnBtu	4.09	12.69	21.34	2.42	3.60	3.60	3.90	48.9
Natural Gas (NBP)	USD/mnBtu	9.68	-32.91	-24.56	10.84	11.83	12.24	11.28	12.9
Natural Gas (TTF)	EUR/MWh	27.29	-39.12	-33.74	34.62	36.67	37.00	32.00	6.9
Industrial Minerals & Metals									
Aluminium	USD/tonne	2,895	13.46	14.49	2,421	2,631	2,600	2,600	7.4
Cobalt	USD/tonne	52,790	117.24	117.24	26,327	34,677	32,000	53,000	21.5
Copper	USD/tonne	11,732	33.80	29.94	9,142	9,905	9,650	11,000	5.6
Iron Ore (62% CFR, Qingdao)	USD/tonne	100.70	5.61	3.04	109.40	96.55	97.00	95.00	-11.3
Lead	USD/tonne	1,956	0.18	-1.31	2,069	1,993	2,000	2,100	-3.4
China Lithium Carbonate	USD/tonne	13,917	29.80	28.95	12,521	10,306	10,100	10,500	-19.3
Nickel	USD/tonne	14,520	-5.27	-6.37	16,816	15,348	15,400	15,500	-8.4
China Domestic Hot Rolled Steel Average*	CNY/tonne	3,273	-5.70	-6.78	-	3,350	-	-	-
Tin	USD/tonne	42,835	47.29	47.12	30,059	33,861	33,550	35,000	11.6
Zinc	USD/tonne	3,053	2.50	1.94	2,777	2,847	2,750	2,780	-1.0
PrNd Oxide	USD/tonne	81,658	44.47	43.21	54,443	67,973	67,000	75,000	23.1
Precious Metals									
Gold	USD/oz	4,327	64.88	67.38	2,388	3,411	3,400	3,700	42.4
Palladium	USD/oz	1,729	89.99	87.96	-	1,146	-	-	-
Platinum	USD/oz	1,956	118.76	109.26	-	1,261	-	-	-
Silver	USD/oz	65.78	124.93	116.29	-	39.16	-	-	-

*na = not available/applicable. Note: *We forecast a global average of steel prices; therefore, our forecasts are not included on this line. All metals prices except steel, lithium and iron ore refer to generic third-month contracts. All energy prices refer to generic front-month contracts and all agribusiness prices refer to second-month contracts unless otherwise stated. na = not applicable/available. Last updated: December 18 2025. Source: Bloomberg, BMI*

BMI AND BLOOMBERG CONSENSUS BRENT FORECASTS, USD/BBL

	Spot	YTD	Q325	Q425	Q126	Q226	Q326	Q426	2024	2025f	2026f	2027f	2028f	2029f
BMI	62.9	68.7	68.2	64.0	62.0	66.0	69.0	71.0	80.0	68.5	67.0	70.0	70.0	70.0
Bloomberg consensus				63.0	61.5	61.7	62.8	62.8		68.0	62.5	67.2	70.0	69.0

Note: BMI is a contributor to the Bloomberg consensus. f = BMI forecast. Source: Bloomberg, BMI. Last updated: December 4

Brent: Exploring Downside Scenarios For 2026

This month we are leaving our Brent crude oil price forecast unchanged at an annual average of USD68.5/bbl in 2025 and USD67.0/bbl in 2026. However, our 2026 forecast sits significantly above consensus, and we recognise that the balance of risk to the outlook is skewed squarely to the downside. In this month's analysis we delve into our bearish scenarios for Brent.

Our above-consensus view is predicated on several things.

Firstly, the macroeconomic backdrop looks generally more supportive of prices next year, with the global economy stabilising amid fading tariff uncertainty, moderating inflation, and continued monetary and fiscal policy support. Crucially, the most disruptive phase of tariff changes appears to be over, with exemptions and political constraints likely to curb any further escalation. This should impact prices positively via both physical demand and improved market sentiment.

Secondly, and relatedly, the oil demand outlook is relatively benign. We are forecasting global consumption to rise by 1.06mn b/d (1.1%) in 2026, only marginally below the 1.14mn b/d (1.2%) growth seen this year. This will soak up a significant chunk of forecast supply growth, with strategic and commercial stockpiling in Mainland China absorbing much of the remainder. China has imported above 500,000b/d of crude for storage in 2025 and is expected to continue building its inventories at a healthy clip next year.

Thirdly, while oil output is rising robustly over 2025-2026, the source of this supply is important to note. The bulk of growth stems from the US and the OPEC-8 markets, which collectively account for around two-thirds of the total. However, much of the growth from these markets has already accrued as of December and, as these are price-sensitive producers, the level of additional growth we see next year will depend on how prices perform.

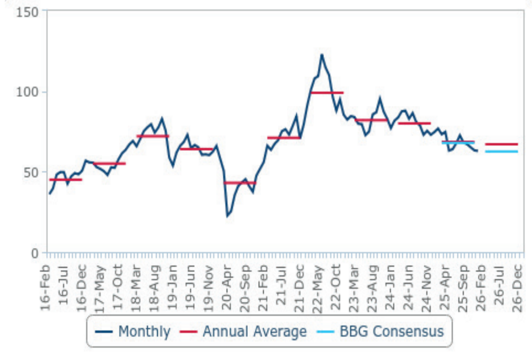
Finally, geopolitical risk will remain elevated. A Russia-Ukraine ceasefire is plausible but would likely be narrow and short-lived, sustaining disruption risks to energy flows and precluding sanctions relief. In the Middle East, possible further Israeli strikes on Iran's military or nuclear sites heighten tail risks for regional escalation and production and export outages. In the Western Hemisphere, intensifying US pressure on Venezuela – including potential direct strikes and increased sanctions measures – adds uncertainty around oil supply. Taken together, these factors should lend support to Brent via sporadic increases in geopolitical risk premia and physical market disruptions, notably from Russia.

For these reasons, we are holding to our current forecast for Brent, which allows for moderate price weakness over H1 2026, followed by a soft recovery in H2. However, given the substantial risks to the view, we will spend the rest of this piece outlining potential downside scenarios for prices. These include a moderately bearish scenario, in which Brent averages between USD60-65/bbl, and a significantly bearish scenario, in which Brent averages between USD55-60/bbl.

Downside scenarios could play out in myriad ways but would

Sitting Wide Of Consensus For 2026

Global – Front-Month Brent Crude Oil Price, USD/bbl (2016-2026)



Note: 2025-2026 annual averages are BMI forecasts. Source: Bloomberg, BMI

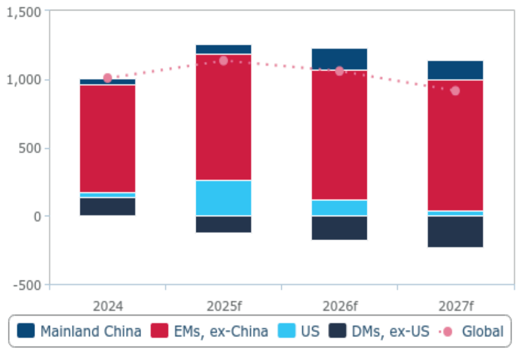
involve some combination of faster-than-anticipated inventory builds, shifting OPEC+ policy, flagging economic momentum, deteriorating financial market conditions and easing geopolitical tensions, notably around Russia.

Market Balance Teetering On The Brink?

The principal risk to prices stems from the emerging market glut. While there is broad consensus that the global oil market is moving into oversupply, the market's sprawl and opacity make it extremely difficult to gauge short-run shifts in the balance of supply and demand. There are clear signs that market fundamentals have

Energy-Intensive EMs Offsetting DM Demand Weakness

Global – Annual Average Refined Fuels Consumption Growth, '000b/d (2024-2027)



f = BMI forecast. Source: BMI

weakened, and we anticipate a further loosening heading into the new year. However, the paucity of accurate, high frequency data on production and consumption leave room for error. In a downside scenario, in which we are overestimating current demand momentum or

continued on next page...

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